# PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

## SEVENTY-THIRD REPORT TO THE PARLIAMENT

# REPORT ON THE 2007-08 BUDGET ESTIMATES – PART THREE

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# PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

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**Parliament of Victoria**

**Public Accounts and Estimates Committee**

*Report on the 2007-08 Budget Estimates – Part Three*

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The series of reports on the 2007-08 Budget Estimates produced by the Committee consists of three parts and includes:

**Part One**

- departmental reviews based on responses provided by departments and the parliamentary departments to the Committee's budget estimates questionnaire;
- an index of key matters raised at the first 23 budget estimates hearings to 11 May 2007;
- associated questions taken on notice, unasked questions and a list of documents presented by Ministers; and
- transcripts of proceedings of the budget estimates hearings to 11 May 2007.

**Part Two**

- departmental reviews incorporating additional information sought by the Committee;
- an index of key matters raised at the remaining 20 budget estimates hearings to 31 May 2007;
- associated questions taken on notice, unasked questions and a list of documents presented by Ministers; and
- transcripts of proceedings for the remaining 20 budget estimates hearings to 31 May 2007.

**Part Three**

- information relating to responses received to questions taken on notice and unasked questions emanating from the first and second rounds of hearings; and
- analysis, key findings and recommendations relating to the budget estimates for 2007-08.

# CONTENTS

**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT ..... 1**

**DUTIES OF THE COMMITTEE ..... 3**

**FOREWORD ..... 5**

**RECOMMENDATIONS ..... 7**

**SECTION A: OVERVIEW ..... 17**

**CHAPTER 1: INTRODUCTION ..... 19**

1.1 Background ..... 19

1.2 Process followed by the Public Accounts and Estimates Committee for its review of the 2007-08 Budget Estimates ..... 20

1.2.1 Analysis, key findings and recommendations ..... 20

1.2.2 Recent machinery of government changes ..... 21

1.2.3 Acknowledgment ..... 21

**CHAPTER 2: KEY ASPECTS OF THE 2007-08 BUDGET ..... 23**

2.1 Key themes ..... 24

2.2 Fiscal strategy relating to annual operating surplus ..... 25

2.3 Funding for infrastructure investments ..... 27

2.4 New funding initiatives for 2007-08 ..... 28

2.4.1 Contingency provisions ..... 30

2.4.2 Major planned efficiencies across government outlined in the 2007-08 budget ..... 34

2.5 Revenue foregone initiatives contained in 2007-08 budget ..... 37

2.6 Unapplied budgets carried forward to 2007-08 by departments ..... 38

2.7 Opportunities to further enhance presentation of material in financial reports ..... 39

# SECTION B: KEY THEMES ..... 41

**CHAPTER 3: NATIONAL REFORM AGENDA ..... 43**

3.1 Background ..... 43

3.2 Responding to the national reform agenda ..... 45

3.3 Allocation of state funding in 2007-08 for initiatives under the National Reform Agenda ..... 49

3.4 Supplementary information ..... 52

3.5: Summary of work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007 ..... 62

**CHAPTER 4: IMPACT OF PORTFOLIO SPENDING INCLUDING NEW BUDGET INITIATIVES ON IMPROVING PRODUCTIVITY IN VICTORIA ..... 65**

4.1 Introduction ..... 66

4.2 Impact of the Victorian budget outlays on productivity ..... 71

4.3 Productivity reporting improvements ..... 74

4.4 Supplementary information ..... 77

**CHAPTER 5: DEPARTMENTAL ASSET INVESTMENT ..... 87**

5.1 Trend analysis of net investment on fixed assets as a percentage of gross state product ..... 87

5.2 Asset investment provisions within the 2007-08 Budget Estimates ..... 89

5.3 Asset investment funding during 2007-08 ..... 92

5.4 Asset Investment Observations ..... 94

5.4.1 Department of Infrastructure ..... 94

5.4.2 Department of Human Services ..... 95

5.4.3 Department of Sustainability and Environment ..... 96

5.4.4 Department of Education ..... 97

5.5 Reporting by departments on net benefits derived from asset investments ..... 99

**CHAPTER 6: DEPARTMENTAL WORKFORCE – COMPARATIVE ANALYSIS ..... 101**

6.1 Introduction ..... 101

6.2 Analysis of departmental staff numbers ..... 102

6.2 Implications of Efficient Government policy and other efficiency measures for departmental productivity ..... 103

**CHAPTER 7: COMMUNICATION, ADVERTISING AND PROMOTIONAL EXPENDITURE ..... 107**

7.1 Past coverage of subject by the Committee and the Auditor-General ..... 107

7.1.1 Past audits by the Auditor-General on government advertising ..... 107

7.1.2 Importance of strengthening the guidelines ..... 110

7.2 Advertising and promotional expenditure by departments ..... 111

**CHAPTER 8: DEPARTMENTAL OUTPUT STRUCTURES AND PERFORMANCE MEASURES ..... 115**

8.1 Background to departmental outputs and performance measures and targets ..... 115

8.2 Changes to departmental outputs and performance measures reflected in the 2007-08 budget ..... 116

8.3 Importance of linking departmental outputs to key government outcomes ..... 119

**CHAPTER 9: REGIONAL VICTORIA INITIATIVES AND RELATED ISSUES ..... 121**

9.1 Background ..... 121

9.2 Overview of new 2007-08 output and asset funding initiatives relating to regional and rural development ..... 123

9.2.1 Scope for enhanced presentation of departmental funding initiatives for regional and rural development ..... 125

9.2.2 Potential for dedicated section in budget papers on funding initiatives supporting regional and rural development ..... 127

9.3 Analysis of questions and key issues arising from the budget estimates hearings ..... 128

**CHAPTER 10: MEASURING THE COMMITMENT OF MINISTERS AND DEPARTMENTS IN SERVICING THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE ..... 131**

10.1 The Committee's role in the accountability process ..... 131

10.2 Relationship between the Committee and Ministers and their supporting departments ..... 132

10.3 Estimates of departmental resources involved in servicing inquiries of the Committee ..... 132

10.4 Staffing needs of the Committee ..... 133

**SECTION C: GROWING VICTORIA TOGETHER ..... 135**

**CHAPTER 11: OVERVIEW OF THE LINKAGES BETWEEN THE BUDGET ESTIMATES HEARINGS AND GROWING VICTORIA TOGETHER ..... 137**

11.1 Background ..... 137

11.2 Linkage of questions raised through the budget estimates hearings process with the government's policy vision and goals ..... 137

11.2.1 Committee comment ..... 141

**CHAPTER 12: THRIVING ECONOMY ..... 143**

12.1 Introduction ..... 143

12.2 Food and fibre exports ..... 143

12.2.1 Background ..... 143

12.2.2 Past coverage by the Committee ..... 144

12.2.3 Food and Fibre export target for 2010 ..... 144

12.3 Movement of port related freight by rail ..... 145

**CHAPTER 13: QUALITY HEALTH AND EDUCATION ..... 149**

13.1 Introduction ..... 149

13.2 Participation in kindergarten programs ..... 150

13.2.1 Background ..... 150

13.2.2 Matters relating to kindergarten programs addressed in the 2007-08 budget ..... 150

13.3 Victorian Schools Plan ..... 153
13.3.1 An outline of The Victorian Schools Plan .....153
13.3.2 Need for a strong accountability framework for the plan .....154

**CHAPTER 14: HEALTHY ENVIRONMENT ..... 157**

14.1 Introduction ..... 157

14.2 Research into climate change impact ..... 158

14.3 Monitoring rock lobster catches ..... 160

14.4 Melbourne's water use ..... 161

**CHAPTER 15: CARING COMMUNITIES ..... 165**

15.1 Introduction ..... 166

15.2 Road traffic fatalities attributable to suicide ..... 166

15.3 Housing affordability ..... 167

**CHAPTER 16: VIBRANT DEMOCRACY ..... 171**

16.1 Introduction ..... 171

16.2 Handling of court cases ..... 172
16.2.1 Reduction in the number of criminal and non-criminal matters disposed of by Victoria's courts .....172
16.2.2 Case processing timelines in criminal matters .....177
16.2.3 Case processing timelines in civil matters .....177
16.2.4 Costs per lodgement for criminal cases and civil cases .....178
16.2.5 Role of the Victorian Auditor-General – examination of administrative systems of courts .....178

16.3 Increased use of public transport and overcrowding of public transport during peak periods ..... 179

**SECTION D: OTHER ..... 185**

**CHAPTER 17: QUALITY OF MATERIAL PROVIDED BY MINISTERS AND DEPARTMENTS IN RESPONSE TO QUESTIONS RAISED BY THE COMMITTEE ..... 187**

17.1 Introduction ..... 188

17.2 Responses to the budget estimates questionnaire ..... 188

17.3 Responses to questions raised at estimates hearings ..... 189

17.4 Supplementary information ..... 191

**APPENDICES ..... 193**

**APPENDIX 1: ACRONYMS AND ABBREVIATIONS ..... 195**

**APPENDIX 2: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE AND REPONSES TO THE ESTIMATES QUESTIONNAIRE ..... 199**

**APPENDIX 3: RESPONSES TO REQUESTS FOR ADDITIONAL INFORMATION RELATING TO THE 2007-08 BUDGET ESTIMATES QUESTIONNAIRE ..... 207**

**APPENDIX 4: RESPONSES TO QUESTIONS ON NOTICE RELATING TO THE 2007-08 BUDGET ESTIMATES ..... 215**

**– *Thriving economy vision* ..... 217**

**– *Quality health and education vision* ..... 227**

**– *Healthy environment vision* ..... 241**

**– *Caring communities vision* ..... 251**

**– *Vibrant democracy vision* ..... 275**

**APPENDIX 5: RESPONSES TO UNASKED QUESTIONS RELATING TO THE 2007-08 BUDGET ESTIMATES ..... 323**

**MINORITY REPORTS ..... 341**

**EXTRACT FROM THE MINUTES OF PROCEEDINGS ..... 349**

# PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 56TH PARLIAMENT

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

| | |
|---|---|
| Executive Officer: | Valerie Cheong |
| Research Officers: | Ian Claessen<br>Joanne Marsh |
| Specialist Advisers: | Joe Manders (from 9 July 2007 to 10 September 2007)<br>John Misiano (from 9 July 2007 to 14 August 2007) |
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| Office Manager: | Karen Taylor |

# 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.

# FOREWORD

This report marks the third and final arm of the trilogy of reports covering the Public Accounts and Estimates Committee's inquiry into the 2007-08 Budget Estimates. With the first two parts tabled in May and June 2007 serving to inform debate on the appropriation bills in the Parliament, Part Three delves into a wide range of matters connected with the 2007-08 Budget Estimates that has ongoing relevance for:

- improving transparency and accountability for the purpose of facilitating a greater understanding of the budget estimates;
- enhancing the quality and presentation of budget information;
- more effective monitoring of the performance of departments and agencies; and
- effective and efficient delivery by Government on its policy vision and goals.

New features of this report centre on analyses undertaken by the Committee that include:

- commentary on contingency provisions, provision for asset investment, staffing, and departmental advertising and communications proposals contained in the budget papers;
- coverage of a number of major themes relevant to the budget such as the National Reform Agenda and Productivity; and
- detailed examination of select issues deemed in the public interest by the Committee that are categorised according to the various elements of the government's policy vision.

This report includes 52 value added recommendations developed by the Committee that are central to the outcome of a forward looking inquiry into the budget estimates. The Committee has also noted that it intends in the coming year to undertake a detailed examination of financial reporting to Parliament with the aim of making further improvements in transparency and accountability.

The Committee urges the government to implement its recommendations with a view to enhancing the quality of presentation in the budget papers and the performance of government departments and agencies into the future.

I particularly thank the Deputy Chair, Kim Wells MP and our colleagues on the Committee for their efforts in reviewing the 2007-08 Budget Estimates and finalising this report, the last of the three part series that represented a paradigm shift in timeliness of reporting, detailed analysis of key fiscal issues and parameters and increased emphasis on thematic presentation by the Committee on the budget estimates.

On the Committee's behalf, I thank the professional and dedicated PAEC secretariat, led by the newly appointed Executive Officer, Ms Valerie Cheong, for their phenomenal efforts in completing the review of the 2007-08 Budget Estimates.

**Bob Stensholt, MP**

**Chair**

# RECOMMENDATIONS

## *The Public Accounts and Estimates Committee recommends that:*

## *Section B: Key themes*

### *Chapter 3: National Reform Agenda*

**Recommendation 1:** **The Victorian Government continue to focus on securing the fullest fiscal commitment from the Commonwealth to NRA reforms in order to maximise economic, social and environmental outcomes for Victoria.** ***Page 48***

**Recommendation 2:** **The role of the National Reform Secretariat established within the Department of Premier and Cabinet be expanded to monitor the progress achieved by departments in terms of implementing the NRA programs and projects and report directly to the Premier on outcomes achieved on an ongoing basis.** ***Page 48***

**Recommendation 3:** **The Department of Treasury and Finance require departments to disclose in annual reports their performance in achieving agreed outcomes under the NRA, including funding from the Commonwealth to assist Victoria implement the full package of its NRA proposals brought forward to COAG each year.** ***Page 48***

**Recommendation 4:** **The Department of Premier and Cabinet, as part of its coordinating role in the development of the National Reform Agenda (NRA) in Victoria, ensure that:**

**(a) timelines including key milestones are established for the various NRA programs and projects implemented by government departments;**

**(b) information regarding progress made in implementing key NRA programs and projects against milestones be reported in budget documents issued by the Treasurer; and**

**(c) evaluations, including assessments of measurable costs and benefits against estimates, take place with regard to the delivery of key NRA programs and projects.**

***Page 48***

## *Chapter 4: Impact of portfolio spending including new budget initiatives on improving productivity in Victoria*

**Recommendation 5:** **A more consistent framework for addressing productivity improvements be articulated by the Department of Treasury and Finance that includes local workplace efficiency gains as well as macro-economic impacts through program initiatives.** ***Page 75***

**Recommendation 6:** **The Department of Treasury and Finance explain in the budget papers how the budget strategies and associated output and asset initiatives (which extend across government agencies, the *Growing Victoria Together* vision and goals as well as other key government policies) are designed to improve Victoria's productivity and associated outcomes for the community.** ***Page 75***

**Recommendation 7:** **The Department of Treasury and Finance disclose in the budget papers specific productivity targets to be achieved as a result of the introduction of budget initiatives where considered appropriate.** ***Page 75***

**Recommendation 8:** **Departments disclose in the budget papers key performance measures relating to productivity by the linking of outputs to inputs.** ***Page 75***

**Recommendation 9:** **The Victorian Government commission a project designed to explore potential areas in the context of micro-economic reform where opportunities exist across government agencies and the non-government sector to improve productivity. Consultation could then occur for such areas to be considered for detailed examination either internally by government departments or by the State Services Authority or the Auditor-General.** ***Page 75***

**Recommendation 10:** **As the non-government sector performs a pivotal role in the delivery of services to the Victorian public, departments and non-government organisations need to continuously critically examine ways of improving productivity.** ***Page 75***

**Recommendation 11:** **In order to clearly establish the link between budget outlays and productivity, departments develop an appropriate range of robust efficiency indicators for reporting in their annual reports the effectiveness of their government funded programs in terms of enhancing productivity according to the three streams of the National Reform Agenda.** ***Page 75***

**Recommendation 12:** **Departments disclose in their annual reports examples of where savings generated through productivity improvement are channelled into service delivery.** ***Page 76***

**Recommendation 13:** **Using the demonstrated benefits experienced in the agriculture portfolio as a benchmark, departments follow the lead in the budget, which calls for an emphasis to be placed on research and development to improve the national and international competitiveness of Victorian businesses and help foster economic growth.** ***Page 76***

**Recommendation 14:** **Based on analyses of costs and benefits, governments consider investing more, both statewide and particularly federally, in infrastructure because of the contribution good infrastructure (such as public transport and roads and ports) makes to improving the growth in productivity.** ***Page 76***

## *Chapter 5: Departmental asset investment*

**Recommendation 15:** **The Department of Treasury and Finance disclose in the budget papers how the TEI is determined over the forward estimates period and beyond and its reconciliation to the application of cash resources.** ***Page 92***

**Recommendation 16:** **To enhance accountability and provide a means of disseminating information to the community and engaging the community in the formulation of water policy in future, the Department of Sustainability and Environment and water authorities report regularly on progress made on the construction of the major water supply projects.** ***Page 97***

**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.** ***Page 98***

**Recommendation 18:** **Given the proposed large increase in the government's asset investment program, public sector agencies keep the Parliament and the community informed of progress made in terms of completion and outcomes delivered through meaningful disclosure in their annual reports.** ***Page 99***

## *Chapter 6: Departmental workforce – comparative analysis*

**Recommendation 19:** **All departments and their budget funded agencies ensure that complete and accurate information on staffing costs and related productivity benchmarks is available to the Committee in future years.** ***Page 103***

**Recommendation 20:** **For internal management needs and external reporting purposes, all departments maintain core information identifying the impact of achieved savings to 2010-11 on EFT staffing numbers and costs, and the efficiency and quality of services.** ***Page 105***

**Recommendation 21:** **All departments ensure that their annual reports to Parliament are transparent in their coverage of the achievement of savings targets and the impact on delivery of services to the community.** ***Page 105***

## *Chapter 7: Communication, advertising and promotional expenditure*

**Recommendation 22:** **The government issue the revised guidelines for advertising and communications as soon as possible and that the guidelines be reviewed and updated every four years.** ***Page 109***

**Recommendation 23:** **The Auditor-General include, within the scope of performance audits of particular programs, an examination of advertising and communications expenditure and the extent of compliance with the government's guidelines.** ***Page 110***

**Recommendation 24:** **Departments include expenditure on communications, advertising and promotion by all statutory authorities and government entities in future reporting to allow for full reporting and transparency.** ***Page 112***

**Recommendation 25:** **The Department of Treasury and Finance ensure, as part of its enhancements to annual reporting practices, that agencies identify and report on performance against advertising budgets, identifying key components of expenditure including government-wide or agency-specific publicity campaigns.** ***Page 113***

## *Chapter 8: Departmental output structures and performance measures*

**Recommendation 26:** **The Department of Treasury and Finance incorporate within future budget papers a tabular presentation of annual global movements in new and discontinued output measures, categorised according to quantity, quality and timeliness measures.** ***Page 119***

**Recommendation 27:** **The budget papers incorporate a more consistent presentation of each department's policy decisions and directions drawing on the format and content adopted by the Department of Infrastructure.** ***Page 119***

**Recommendation 28:** **The recent inclusion in the budget papers of information linking departmental outputs to government outcomes be progressively expanded to provide more performance material on the expected contributions by departmental outputs to meeting objectives and contributing to key government outcomes.** ***Page 120***

## *Chapter 9: Regional Victorian initiatives and related issues*

**Recommendation 29:** **The government consider widening presentation in the budget papers or associated materials of information on announced new initiatives for regional and rural development to encompass a dissection of funding allocated to each department for each of the state's designated regions.** ***Page 126***

**Recommendation 30:** **Coordination of funding for regional investment initiatives including services and whole of government reporting could be conferred on a central or other appropriate entity to facilitate dedicated streamlined reporting within budget papers.** ***Page 127***

**Recommendation 31:** **The government explore the merits of an associated budget document on funding allocated to programs for regional and rural Victoria, that is, rural Victoria as well as provincial cities.** ***Page 128***

## *Chapter 10: Measuring the commitment of Ministers and departments in servicing the Public Accounts and Estimates Committee*

**Recommendation: 32:** **Departments ensure their costing systems readily identify the level and cost of resources allocated to supporting Ministers in their servicing of the Committee's inquiries.** ***Page 133***

# *Section C: Growing Victoria Together*

## *Chapter 11: Overview of the linkages between the budget estimates hearings and Growing Victoria Together*

**Recommendation 33:** **The Department of Treasury and Finance clearly disclose in the budget papers the amount of funding allocated to each output on a departmental basis, according to each policy priority and goal articulated in *Growing Victoria Together*.** ***Page 142***

**Recommendation 34:** **Each individual department ensure that consistency and linkages are achieved with the budget papers (Recommendation 33) and the information provided within the operations and output sections of their annual reports.** ***Page 142***

## *Chapter 12: Thriving economy*

**Recommendation 35:** **When setting long term targets that can be prone to variations from external factors, the government keep under continual review such targets, particularly if circumstances materially change over time.** ***Page 145***

**Recommendation 36:** **The Department of Primary Industries review whether there is a need to revise Victoria's food and export target of $12 billion to be achieved by the year 2010, given that the level of exports in 2006 was $7.2 billion and that Victoria has been subject to extreme drought and water shortages.** ***Page 145***

**Recommendation 37:** **In terms of ensuring that resource allocation decisions promote the efficient movement of freight between Melbourne and regional Victoria with a view to ensuring that the proportion of freight transported to and from ports by rail will increase to 30 per cent by 2010, the government will need to monitor the adequacy of its investment in the rail freight network.** ***Page 147***

**Recommendation 38:** **To assess whether rail freight is obtaining efficient access to Victoria's ports, the Department of Infrastructure develop pricing and timeliness indicators and incorporate this information into the appropriate outputs in the budget papers.** ***Page 147***

## *Chapter 13: Quality health and education*

**Recommendation 39:** **The recently established Department of Education and Early Childhood Development ensure that its future reporting on kindergarten services includes a clear connection between new performance measures developed for the 2007-08 budget initiatives and relevant outcomes.** ***Page 152***

**Recommendation 40:** **The government ensure that a comprehensive reporting regime is established for the *Victorian Schools Plan* so that Parliament is adequately informed on the plan's progressive implementation and ultimate effectiveness in delivering on intended educational outcomes.** ***Page 155***

**Recommendation 41:** **The Department of Education and Early Childhood Development publish at an early date the experience to date with educational outcomes feasibility plans associated with planning for schools modernisation, and include in such a report specific case studies as guidance for schools and school councils seeking to enter the program.** ***Page 155***

## *Chapter 14: Healthy environment*

**Recommendation 42:** **The report of Professor Garnaut on the national study into the economic impacts of climate change on Australian jobs and the economy be tabled in the Victorian Parliament when completed in 2008.** ***Page 159***

**Recommendation 43:** **To enhance the management of climate change and provide informed input into policy development and resource allocation decisions for Victoria's future prosperity, the Department of Premier and Cabinet keep the Victorian Parliament informed of the applicability and implications of the recommendations to Victoria from the national research into the economic impact of climate change conducted by Professor Garnaut.** ***Page 159***

**Recommendation 44:** **To ensure that the rock lobster catch is managed on a sustainable basis in Victorian waters, the Department of Primary Industries closely monitor commercial catches of rock lobster over time to assess the overall effect of changed fishing practices and changing environmental conditions and whether there is a need for structural changes to be made to the industry and the quota system.** ***Page 161***

**Recommendation 45:** **The Minister for Agriculture report to Parliament on the outcome of the Department of Primary Industries' assessment of the commercial rock lobster industry.** ***Page 161***

**Recommendation 46:** **The Department of Sustainability and Environment monitor the impact of the government's water saving initiatives on reducing the amount of kilolitres used per household during the mid-winter months of the year.** ***Page 164***

## *Chapter 15: Caring communities*

**Recommendation 47:** **To determine the extent and underlying causes of deaths on Victorian roads due to suicidal intent and assess whether any budget related strategies need to be formulated to address this issue, the Department of Justice consider commissioning a research project that includes focus on country Victoria and includes pedestrian deaths.** ***Page 167***

**Recommendation 48:** **As occurred in the 2007-08 budget, consideration should be given in future years to applying a significant portion of any budget surplus in excess of the initial prediction to increase the level of public housing.** ***Page 170***

**Recommendation 49:** **To enhance accountability, the government develop quantity and timeliness performance measures concerning housing affordability for inclusion in the budget papers and the Department of Human Services' annual report.** ***Page 170***

## *Chapter 16: Vibrant democracy*

**Recommendation 50:** **Given the downward trend in the number of criminal and non-criminal matters disposed across Victoria's courts, after a sufficient lead time has elapsed, the Auditor-General consider whether there is a need to build on his work covering the Magistrates' Court by undertaking a more targeted approach to examining efficiency aspects relating to the various levels of courts within the judiciary.** ***Page 179***

**Recommendation 51:** **More frequent surveys of overcrowding using improved methodology be undertaken, including surveys of actual numbers on vehicles/carriages and surveys of stranded passengers. Consideration also be given to including in shift reports of drivers, details of stops that they were forced to bypass because of overcrowding.** ***Page 183***

# *Section D: Other*

## *Chapter 17: Quality of material provided by Ministers and departments in response to questions raised by the Committee*

**Recommendation 52:** **To ensure the estimates hearing process is conducted in the most efficient and effective manner and to further improve the quality of information provided to the Committee, the following measures be considered:**

**(a) Ministers place a greater emphasis on the importance of scrutinising the quality of material prepared by departments in response to the Committee's budget estimates questionnaire;**

**(b) Ministers consider utilising senior public servants more in answering detailed technical questions at the estimates hearings;**

**(c) responses provided by Ministers and departments include examples, technical data and statistical analyses, wherever possible, to uphold or corroborate information of a general nature and provide cogent evidence to support why decisions have been made;**

**(d) departments access the Committee's website to obtain guidance on best practice in drafting responses to the Committee's questions;**

**(e) departments include a key result area in their corporate or business plans that aims to obtain favourable feedback from the Committee on the quality of information provided in response to its lines of inquiry; and**

**(f) uniform rounding policies be applied by departments and the Department of Treasury and Finance so that financial information provided to the Committee reconciles exactly with the budget papers.**

***Page 190***

# SECTION A: OVERVIEW

# CHAPTER 1: INTRODUCTION

## 1.1 Background

On 1 May 2007, the government introduced two appropriation bills: the *Appropriation (2007/2008) Bill* and the *Appropriation (Parliament 2007/2008) Bill*, into Parliament. These bills, which were subsequently passed through the Parliament, enable the government and the Parliament to deliver planned services and embark on new asset investments during 2007-08.

The appropriation bills sought parliamentary authority to draw an amount of $28.5 billion from the Consolidated Fund in 2007-08 for government purposes and $92.1 million for the funding of Parliament's activities. These amounts include funding to meet operating expenditure involved in the provision of outputs (new and ongoing initiatives) and capital additions to the net asset base.

Section 40 of the *Financial Management Act 1994* requires the government to submit to Parliament, along with the appropriation bills, the budget estimates for the forthcoming financial year. The budget estimates include, for the relevant financial year, particulars of:

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

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

- special appropriations where there is continuing authority embodied in specific legislation ($1.8 billion);[1]
- agency revenue credited to appropriations ($2.2 billion);[2] and
- prior year appropriations carried over to the budget year ($535.1 million).[3]

The 2007-08 Budget Estimates identify that the government expects total income from operating transactions of $34.3 billion and total expenditure from operating transactions of $34 billion.[4] Total expenditure from operating transactions is met from the output funding component of the appropriation acts and funds derived from special appropriations, agency revenue and unspent prior year appropriations carried forward.

In addition, net annual infrastructure investments are expected to average $3.3 billion over each of the four years to 2010-11.[5] This capital expenditure is met from the cash surplus generated from operating activities (after adding back non-cash items such as depreciation), proceeds from asset sales, the unallocated capital provision for future allocation and increases to net debt.

1 Budget Paper No.4, *Statement of Finances*, pp.173–176
2 ibid., pp.177–179
3 ibid.
4 ibid., p.9
5 Budget Paper No.2, *Strategy and Outlook*, p.5

## 1.2 Process followed by the Public Accounts and Estimates Committee for its review of the 2007-08 Budget Estimates

The Committee's analysis of the budget estimates aims to:

- facilitate a greater understanding of the budget estimates;
- constructively contribute to the quality and presentation of the budget information; and
- enable more effective monitoring of the performance of departments and agencies.

The inquiry into the budget estimates does not involve an analysis to verify policy statements made by Ministers or the Treasurer or if information prepared by the Department of Treasury and Finance contained in the budget papers is well founded. Rather, the inquiry focuses on transparency and clarity of reporting.

The principal intention of the Committee, in presenting the earlier reports to Parliament on the 2007-08 Budget Estimates (Parts One and Two), was to assist Members of Parliament in their consideration of the appropriation bills and, in turn, to enrich the Parliament's debate on the bills.

As foreshadowed earlier, following the tabling of the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*; Part Three of the report contains information relating to:

- analysis, key findings and recommendations pertaining to the 2007-08 Budget Estimates;
- responses to the budget estimates questionnaire that were received subsequent to the tabling of Part Two of the report; and
- responses received to questions taken on notice and unasked questions emanating from the hearings.

### *1.2.1 Analysis, key findings and recommendations*

Section A outlines in summary form key aspects of the budget as well as providing for the first time an in depth analysis of key fiscal parameters, including contingency items, planned efficiency initiatives, revenue foregone and funds carried forward.

Drawing on the material received in response to the 2007-08 Budget Estimates questionnaire and various matters raised through the estimates hearing process, the analysis and issues contained in this report are presented according to a series of themes that have relevance to the examination of the budget estimates. For the first time, key fiscal and economic matters such as productivity, economic reform and staffing are the subject of extensive analysis in a PAEC estimates report. These key themes are highlighted within Section B.

A new feature this year is an evaluation in Section C of the nexus between various issues raised by the Committee at the estimates hearings and the government's *Growing Victoria Together* (GVT) policy vision and goals. This analysis has been incorporated into the report to complete the trilogy of aligning the *Growing Victoria Together* policy vision to the budget estimates reporting format, the Auditor-General's Annual Plan and the Committee's reporting requirements. Under each of the GVT policies, the Committee has subjected several key issues to in-depth analysis leading to substantive recommendations.

Section D of the report includes an assessment by the Committee of the quality of material provided by Ministers and departments in response to questions raised by the Committee.

### 1.2.2 Recent machinery of government changes

Following the resignation of the Hon. S Bracks MP as Premier of Victoria on 27 July 2007,[6] the incoming Premier, Hon. J Brumby MP released on 2 August 2007 details of a new Cabinet and two new departments. As these changes occurred after the estimates hearings process had been completed and the tabling of the *Report on the 2007-08 Budget Estimates – Part One* and the tabling of the *Report on the 2007-08 Budget Estimates – Part Two*, references in this report to Ministers and departments reflect the situation at the time of conducting the budget estimates inquiry. The recent administrative changes are set out below:[7]

- a new Department of Planning and Community Development to replace the Department for Victorian Communities, which will include the divisions and authorities that reported to the Minister for Planning within the Department of Sustainability and Environment; and
- the Office of Children to go into the Department of Education to create the Department of Education and Early Childhood Development.

### 1.2.3 Acknowledgment

The Committee is grateful to Ministers, departmental Secretaries and their staff for their assistance at the budget estimates hearings and the written material prepared in response to the Committee's formal lines of inquiry.

The cost of this inquiry was approximately:

- Parts One and Two $88,500; and
- Part Three $96,000.

6 Hon. S Bracks MP, Premier, Office of the Premier, *Statement from Premier Steve Bracks*, media release, 27 July 2007

7 Hon. J Brumby MP, Premier, *Premier announces new cabinet*, media release, 2 August 2007

# CHAPTER 2: KEY ASPECTS OF THE 2007-08 BUDGET

## Key aspects of the 2007-08 budget:

**2.1** **The 2007-08 budget commences delivery of the government's commitments made during the 2006 election. The Treasurer has indicated the budget starts delivery of all of the government's 2006 election output commitments and just under half of the asset commitments.**

**2.2** **The government expects to achieve a budget surplus of $324 million in 2007-08 and an average surplus of $424 million over the next three financial years.**

**2.3** **Achievement of the 2007-08 targeted budget surplus would represent the eighth consecutive year in which the government has met its commitment to maintaining an annual operating surplus of at least $100 million.**

**2.4** **Two rating agencies have confirmed Victoria's triple-A credit rating. This rating was first confirmed in 1998 and has now been reaffirmed for nine consecutive years.**

**2.5** **Over the period 2007-08 to 2010-11, net infrastructure investment is expected to average $3.3 billion a year funded by a combination of cash operating surpluses (around 60 per cent) and an increase in net debt.**

**2.6** **Contingency provisions of at least $4.2 billion from unallocated outputs and of $1.6 billion from unallocated capital are available to the government over the four year period to 2010-11.**

**2.7** **Significant levels of financial commitments ($1.5 billion for outputs and at least $7.5 billion for assets), embodied in policy announcements of the government and not included in the current budget, will require provision in future budgets.**

**2.8** **The government's response to serious drought, bushfires and flooding in 2006-07 and 2007-08 demanded urgent funding allocations totalling at least $375 million.**

**2.9** **In a major initiative, the government plans to generate efficiency savings of $632 million across departments over the four year period to 2010-11.**

## Key findings of the Committee:

**2.10** **The Committee will evaluate in its outcomes report for the 2007-08 financial year the extent of the implementation of the government's 2006 election output and asset commitments.**

**2.11** **Although a key element of the budget, presentation in the budget papers of the government's planned efficiency savings is limited in that it is not possible to identify each department's expected contribution to each efficiency measure. The government should improve presentation of this important issue in future budget papers.**

**2.12** **The Auditor-General should conduct periodic reviews of the extent to which departments achieve their targeted efficiency savings.**

**2.13** **Future budget papers should provide a more considered disclosure of the impact of explicit and implicit revenue subsidies over the budget and forward estimates periods.**

**2.14** **Funding carried forward by departments from one year to the next is significant and should be the subject of specific reporting, encompassing underlying reasons, in the annual financial report.**

**2.15** **Opportunities exist for further enhancing presentation of material in the budget papers and other financial reports. The Committee will undertake a detailed review of financial reporting in Victoria in 2008.**

## 2.1 Key themes

The key themes influencing the direction of the 2007-08 budget and its new funding initiatives are identified in the budget documents as:[8]

- sound financial management;
- investing in infrastructure;
- a competitive business environment;
- excellence in education;
- affordable housing;
- meeting environmental challenges;
- a world class health system;
- tackling disadvantage;
- community safety and justice;
- investing in Victoria's transport system;
- provincial Victoria; and
- maintaining Victoria's liveability.

These are key tenets that align closely with the goals of the government's key visionary document *Growing Victoria Together*.

The overview document on the budget published by the government lists the main funding initiatives under each theme heading that have been earmarked for attention over the four year forward estimates period.[9] The major budgetary initiatives supporting *Growing Victoria Together*, are also summarised in the budget papers.[10] In addition, the strategy and outlook budget document tabulates the aggregate dollar values of initiatives assigned to each department.[11] The budget documents also identify that the 2007-08 budget commences delivery of the government's commitments made during the 2006

8 Victorian Government 2007-08 Victorian Budget Overview: Delivering for Victorian families, pp.5–7
9 ibid.
10 Budget Paper No.3, *2007-08 Service Delivery*, pp.6–36
11 Budget Paper No.2, *2007-08 Strategy and Outlook*, pp.43–44

election. The Treasurer has indicated that the budget starts delivery of all of the government's 2006 election output commitments and just under half of the asset commitments.[12] The Committee will evaluate in its outcomes report for the 2007-08 financial year the extent of implementation of the government's 2006 election output and asset commitments.

An implementation report card identifying the 2006 election costings over the four years to 2010-11 and the extent of budget funding approved for individual costings over that period is included in the budget documents.[13] This report card shows that, after allowing for expected efficiencies across government, approximately 85 per cent ($2.1 billion) of the estimated total election output commitments of $2.5 billion has budgetary provision over the period to 2010-11.[14] With regard to asset commitments, approximately 48 per cent ($1.5 billion) of total estimated election costings of $3.1 billion has received funding approval up to 2010-11.[15]

The government has indicated that remaining election commitments will be funded in future budgets through contingencies and other provisions.[16]

## 2.2 Fiscal strategy relating to annual operating surplus

The 2007-08 budget provides for the government to continue to meet its commitment to maintain an annual operating surplus of at least $100 million with an expected budget surplus of $324 million in 2007-08 and an average surplus of $424 million over the next three financial years.[17] When delivering the budget, the Treasurer stated the government expected to meet this commitment for the eighth consecutive year. [18] This fiscal strategy is designed to allow for unforeseen circumstances and provide budget flexibility.[19] The Committee noted that the targeted operating surplus of $100 million has not been adjusted in dollar terms since 1999. The Committee also noted that the $100 million target has been exceeded every year since 1999 and is budgeted to be significantly exceeded in the budget estimates period.

Table 2.1 shows revenue and expense projections for 2007-08 compared with the original budget and estimated actual position for 2006-07.

### Table 2.1: Revenue and expense estimates for 2007-08

| | Column 1 | Column 2 | Column 3 | Column (3-2)/2 |
|---|---|---|---|---|
| **Operating item** | **2006-07 Budget** ($ million) | **2006-07 Estimated** ($ million) | **2007-08 Budget** ($ million) | **Variation** (%) |
| Revenue | 32,442.1 | 33,351.4 | 34,269.2 | 2.8 |
| Expenses | 32,125.3 | 32,729.5 | 33,944.9 | 3.7 |
| **Estimated operating surplus** | **316.8** | **621.9** | **324.3** | **-47.8** |

*Sources: Budget Paper No.2, 2007-08 Strategy and Outlook, p.30 and Budget Paper No.4, 2007-08 Statement of Finances, p.227*

12 Budget Paper No.1, *2007-08 Treasurer's Speech*, p.2
13 Budget Paper No.3, *2007-08 Service Delivery*, pp.261–272
14 ibid., p.267
15 ibid., p.271
16 ibid., p.261
17 Budget Paper No.2, 2007-08 *Strategy and Outlook*, p.3
18 Budget Paper No.1, *2007-08 Treasurer's Speech*, p.3
19 Budget Paper No.2, 2007-08 *Strategy and Outlook*, p.3

The expected result for 2006-07 is almost twice the previous estimate primarily because of an enhanced revenue position. Increased revenue is estimated to be $909 million and unbudgeted additional expenditure is expected to be $604 million. This situation has given the government a much stronger than initially envisaged basis for pursuit of its budgetary priorities during that year.

The estimated revenue growth of 2.8 per cent to **$34.3 billion** in 2007-08 when compared with the expected result for 2006-07 is mainly attributable to:[20]

- an increase of $880 million (5.8 per cent) to $16.2 billion in Commonwealth grants, including increased GST grants of $606 million;
- net higher taxation revenue of $118 million (1 per cent) to $11.6 billion with the main growth ($147.6 million) expected to be in payroll tax due to solid employment and higher wages; and
- higher levels of fines and regulatory fees of $49.5 million (6.2 per cent) to $842.8 million largely reflecting re-establishment of the Western Ring Road camera network, commencement of the Hume Highway point to point camera system, completion of the roll-out of the red light speed camera network and annual indexation of fees, fines and charges.

The budgeted increase in expenses of 3.7 per cent to **$33.9 billion** in 2007-08 is principally due to:[21]

- net new output policy funding of $637 million (including $190.6 million announced as part of the 2006-07 budget update);
- indexation of total departmental expenses under the departmental funding model for general wages growth and the impact of inflation on non-wage costs;
- flow-on expense impacts of increased Commonwealth specific purpose grants; and
- higher depreciation expense of $58.1 million reflecting the growth in capital stock and revaluations of physical assets.

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.[22]

In a bulletin issued by Standard & Poor's on 1 May 2007, the firm stated that:[23]

> *... today's budget for the state of Victoria is consistent with the 'AAA' rating already assigned to the state. The 'AAA' rating is the highest rating assigned by Standard & Poor's. The outlook on Victoria is stable.*
>
> *The strength of the government's forecast operating performance and balance sheet enables the state to comfortably manage a projected increase in net debt – due to an expanded capital program – funding of election commitments, and some tax relief within its current rating.*

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20 Budget Paper No.4, *2007-08 Statement of Finances*, pp.133–148
21 ibid., pp.238–241
22 Department of Treasury and Finance, *Victoria's Credit Rating*, www.dtf.vic.gov.au, accessed 11 July 2007
23 Standard & Poor's, *State of Victoria's Budget: Forecast Rise In Net Debt No Problem For State*, press release, 1 May 2007

The firm's bulletin also stated:

> *Downside potential on the rating remains low. Victoria's budget forecasts and commitments to its medium term fiscal strategy continue to support the rating.*

Victoria's AAA credit rating was again affirmed by Standard & Poor's on 4 September 2007.[24]

Moody's Investors Service provided its latest credit rating in January 2007. This rating took into consideration the 2006-07 budget update and reaffirmed the state's AAA credit rating. This rating was first confirmed in 1998 and has now been reaffirmed for nine consecutive years. On Victoria's rating outlook, the agency stated: [25]

> *The stable outlook reflects Moody's assessment that the state's strong financial profile and low debt burden position it well to absorb financing deficits (net borrowing result) expected as the state increases capital spending, and an associated increase in the debt burden anticipated over the medium term. The 2006-07 budget indicates that the state's general government sector is expected to incur moderate average deficits of –2.5 per cent over the medium term, while the non-financial public sector is projected to register average deficits equal to -5.6 per cent of revenues. The recent budget update indicates that the state is generally in line to meet these targets as a significant portion of the increased capital spending commitments made during last year's election campaign are expected to be absorbed by unallocated capital.*

## 2.3 Funding for infrastructure investments

The Treasurer has stated that, over the past seven years, the government has invested $16 billion in capital works and the 2007-08 budget provides a further investment of $13 billion. He described this overall investment program as the biggest in 40 years.[26]

Based on estimates shown in past budget papers, the Committee has calculated that the state's net investment in fixed assets was projected to be 0.9 per cent of gross state product at June 2000 and is now estimated to be 1.46 per cent by June 2008. The percentage increased markedly in 2006-07 from 1.15 per cent to 1.43 per cent because of a significant increase in asset spending in that year. Further commentary on this subject is given in Chapter 5.

The budget papers identify that, over the period 2007-08 to 2010-11, net infrastructure investment is expected to average $3.3 billion a year.[27] The capital expenditure estimates for the three year period 2008-09 to 2010-11 incorporate an unallocated provision totalling $1.6 billion.[28] The government has indicated that this provision will be allocated, in accordance with previous budget practice, to specific projects in future budgets.[29]

Cash flow projections shown in the budget indicate that around 60 per cent of net infrastructure investment will be funded by the cash surplus, after adjustment for the adding back of depreciation and other non-cash accrual items. The remainder of the infrastructure program will be funded by an increase in net debt.[30]

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24 Standard & Poor's, *Victoria 'AAA' Rating Affirmed; Outlook Stable*, research update, 4 September 2007

25 Moody's Investors Service, credit opinion *Victoria (State of) Australia, 24 January 2007*, accessible via a link from www.dtf.vic.gov.au

26 Budget Paper No.1, *2007-08 Treasurer's Speech*, p.3

27 Budget Paper No.2, *2007-08 Strategy and Outlook*, p.5

28 ibid., p.45

29 ibid.

30 ibid.

The budget papers state that, over the forward estimates period, general government net debt is projected to rise from $3 billion at June 2007 to $8.8 billion at June 2011.[31] As a percentage of gross state product, net debt is expected to be 2.9 per cent ($8.8 billion) as at June 2011 compared with 3.1 per cent ($4.8 billion) in 1999.[32]

On the key contemporary environmental issue of water management, the Treasurer announced in the budget several initiatives involving aggregate funding of $136 million aimed at further improving water efficiency and recycling. The Treasurer also signalled that the government was considering options for the critical issue of addressing Melbourne's future water demands and that it would announce its plans in the coming months.[33]

In June 2007, the Premier announced a $4.9 billion investment in major infrastructure projects under the government's *Our Water Our Future* plan.[34] Key elements are:

- an eight year Food Bowl Modernisation Project (total investment of up to $2 billion) addressing irrigation inefficiencies in Victoria's Food Bowl region and incorporating a new 70 kilometre pipeline connecting Melbourne to the Goulburn river by 2010 – at a first stage estimated cost of $1 billion including a $600 million government contribution; and
- construction of a desalination plant in the Wonthaggi region, including an 85 kilometres connecting pipeline to Melbourne, to be completed by late 2011 – at an estimated cost of $3.1 billion.

According to this announcement, the full extent of the financial impact of the construction of the desalination plant on the government's existing budget projections over the forward estimates period to 2010-11 and on future projections will depend on final contractual arrangements.

## 2.4 New funding initiatives for 2007-08

The government's key themes underpinning the 2007-08 budget are principally reflected in the new revenue, output and asset funding initiatives presented in the budget papers.

An appendix to the service delivery document provides the main budget presentation of output and asset initiatives, comprising an alphabetical listing of all initiatives under the responsible department accompanied by a short description of each initiative and specification of the output to which it contributes.[35] Disclosure of this latter relationship between initiatives and output represents a valuable addition to the budget papers introduced in 2007-08.

Table 2.2 shows the aggregate dollar values of the new 2007-08 output and asset funding initiatives assigned to each department:

31 ibid., p.58
32 ibid., pp.45,56
33 Budget Paper No.1, *2007-08 Treasurer's Speech*, pp.7–8
34 Hon. S. Bracks MP, Premier, *More Water for farmers, stressed rivers* and *Melbourne and Desalination plant to deliver 150 billion litres of water per year*, media releases, 19 June 2007
35 Budget Paper No.3, *2007-08 Service Delivery*, pp.273–348

## Table 2.2: New output and asset initiatives funding for 2007-08

| Department | 2007-08 Output initiatives ($ million) | 2008-09 to 2010-11 Output initiatives ($ million) | 2007-08 Asset initiatives ($ million) | Total estimated asset investment (b) ($ million) |
|---|---|---|---|---|
| Education | 81.8 | 245.4 | 218.6 | 505.1 |
| Human Services | 269.3 | 964.7 | 198.3 | 783.4 |
| Infrastructure | 68.0 | 123.6 | 180.0 | 918.9 |
| Innovation, Industry and Regional Development | 73.2 | 101.1 | 9.5 | 92.2 |
| Justice | 67.1 | 239.9 | 29.9 | 167.7 |
| Premier and Cabinet | 8.3 | 36.7 | 16.9 | 18.9 |
| Primary Industries | 32.4 | 36.3 | 11.0 | 181.5 |
| Sustainability and Environment | 44.3 | 109.1 | 20.7 | 91.7 |
| Treasury and Finance | 24.9 | 18.1 | 4.0 | 7.8 |
| Victorian Communities | 64.2 | 180.3 | (c) -19.3 | 60.2 |
| Parliament | 7.0 | 17.8 | 0.9 | 0.9 |
| Government wide | 81.8 | 189.9 | 17.2 | 45.4 |
| **Total 2007-08 budget funding** | **822.3** | **2,263.0** | **687.6** | **2,873.8** |
| **Less: Funding from demand contingency and efficiencies** | **375.6** | **1,537.5** | **n/a** | **n/a** |
| **Net impact of new 2007-08 budget output and asset funding (a)** | **446.8** | **725.6** | **687.6** | **n/a** |

*Notes:* *(a) excludes initiatives funded through internal reprioritisation or other existing funding sources and 2006-07 budget update initiatives*

*(b) total estimated investment includes projects to be delivered through the public non-financial corporations sector on behalf of the government*

*(c) negative figure reflects revised timing of funding for Rectangular Sports Stadium initiative to accord with current construction program*

*n/a not applicable*

*Some minor variances may occur in additions due to rounding*

*Source:* *Budget Paper No.2, 2007-08 Strategy and Outlook, pp.43–44*

Although there is extensive coverage of new funding initiatives in the departmental sections of the budget papers, the output and asset initiatives assigned to each department are not grouped, and budget allocations not sub-totalled, according to applicable budget themes. While the interface between some departments and particular budget themes can be readily ascertained, for example, Department of Justice and the Community Safety and Justice theme, the Committee considers it difficult to ascertain from the budget documents the extent of each department's responsibility in servicing the budget themes.

The 2006-07 budget documents grouped budget initiatives (but did not sub-total funding allocations) according to key strategic policy documents such as *A Fairer Victoria*, M*oving Forward, Maintaining the Advantage* and *Healthy Futures* etc. However, the relevant 2007-08 budget documents discontinue

this practice and, while identifying all bushfire recovery initiatives, list most other initiatives alphabetically in each departmental area without any connecting link.

The Committee encourages the government to consider adopting as a standard feature of each year's budget papers the linking of output and asset initiatives in each departmental section with the applicable budgetary theme. Such themes form the basis of the government's summary document on the budget and reflect the priorities and directions of funding proposed by the government for the ensuing year.

### *2.4.1 Contingency provisions*

The equivalent table in the budget documents to table 2.2 does not separately quantify the allowance made for demand contingency when computing the net financial impact on the budget of output initiatives or explain the nature of this item. However, the dissection of budgeted operating expenses in note 10 to the estimated financial statements discloses in another budget paper an item *Contingencies not allocated to departments* totalling $222 million for 2007-08 as part of a total of $3.7 billion for the four year forward estimates period to 2010-11.[36] An explanatory footnote 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 2007-08.

Contingency provision for capital expenditure is presented in the budget as amounts not yet allocated to projects over the forward estimates period.[37] This provision forms part of the computation of estimates for the net cash investment in fixed assets which, as identified in the budget papers, is funded by a combination of operating cash surplus and an increase in net debt.

Table 2.3 brings together three contingency items extending over the four year forward estimates period, relating to the 2007-08 budget:

**Table 2.3: Contingency items within the 2007-08 Budget and Appropriation Act**

| Item | 2007-08 Budget ($ million) | 2008-09 Estimate ($ million) | 2009-10 Estimate ($ million) | 2010-11 Estimate ($ million) | Total ($ million) |
|---|---|---|---|---|---|
| **Output contingencies** | | | | | |
| Output contingencies not allocated to departments (a) | 222.0 | 849.1 | 1,154.5 | 1,499.4 | 3,725.0 |
| Advance to the Treasurer to meet urgent claims that may arise before Parliamentary approval (b) | 434.0 | 0.0 | 0.0 | 0.0 | 434.0 |
| **Total** | 656.0 | 849.1 | 1,154.5 | 1,499.4 | 4,159.0 |
| **Asset contingencies** | | | | | |
| Unallocated capital provision – to be allocated to specific projects in future budgets (c) | 0.0 | 263.0 | 532.3 | 815.9 | 1,611.2 |

*Sources:* *(a) Budget Paper No.4, 2007-08 Statement of Finances, p.44*

*(b) Appropriation (2007/08) Act 2007, page 14 of Schedule 1. Based on past practice, it is likely that a similar provision for each year beyond 2007-08 would be included in the respective appropriation Act*

*(c) Budget Paper No.2, 2007-08 Strategy and Outlook, p.45*

[36] Budget Paper No.4, *2007-08 Statement of Finances*, p.44
[37] Budget Paper No.2, *2007-08 Strategy and Outlook*, p.45

The Committee considers that contingency or reserve items within the structure of the budget serve to complement the government's fiscal strategy of delivering an operating surplus of at least $100 million. They provide the government with the necessary flexibility to address both planned and unforeseen future output and asset occurrences, while remaining within established budgetary parameters relating to budgeted surplus and projected debt levels. They therefore provide a buffer to help avoid any potential risks to the government in implementing its policy of prudent financial management of Victoria's public resources, and ought to be clearly reported and quantified.

During the estimates hearings, the Committee sought a reconciliation from the Treasurer between the unallocated capital provision of $1.6 billion, as shown in the budget papers (see table 2.3 above) and a figure of $2.9 billion cited by the Treasurer at the estimates hearing as representing Total Estimated Investment (TEI) which will be fully funded in future budgets and included in relevant four year forward estimates. The Treasurer's response and commentary by the Committee are presented in Chapter 5 of this report.

### Relevance of contingency management to future budgets

The magnitude of the above contingency items may appear, on an initial assessment, to be considerable and it is difficult to be precise on what constitutes an appropriate level of contingency provisions for any four year forward estimates period.

Table 2.4 compares the quantum of unallocated output and asset contingencies over the four year forward estimates period as shown in the 2007-08 and 2006-07 budgets.

### Table 2.4: Comparison of the quantum of unallocated output and asset contingencies for forward estimates period shown in the 2006-07 and 2007-08 budgets

| Contingency item | 2006-07 Budget (%) | 2007-08 Budget (%) |
|---|---|---|
| **Output contingency** | | |
| Contingencies not allocated to departments expressed as a percentage of total operating expenses | 2.2 | 2.6 |
| **Asset contingency** | | |
| Unallocated capital provision expressed as a percentage of net cash investment in fixed assets | 17.5 | 12.3 |

*Sources:* *Budget Paper No.2 2007-08 Strategy and Outlook, p.45, Budget Paper No.4, 2007-08 Statement of Finances, p.44, Budget Paper No.2, 2006-07 Budget Strategy and Outlook,p.49, Budget Paper No.4, 2006-07 Statement of Finances, p.44*

On the basis of the percentages shown in table 2.4, there has been a small increase in the 2007-08 output contingency and a larger decrease in the asset contingency, relative to 2006-07. The latter movement may have been influenced by the growing size of the government's infrastructure investment program and its desire to keep the level of increase in net debt associated with servicing that program within acceptable limits.

From a budget perspective, the benefit to the government of contingency items, particularly those of an output nature, is twofold in that they:

- provide the capacity to respond to unforeseen occurrences such as climatic disasters or economic factors; and
- give the government the potential, in a stable budget environment, to utilise any unused portion for priority output and asset allocations. The progressive availability of additional resources via unused contingencies would be particularly valuable for servicing over the forward estimates period the government's expanding infrastructure investment programs and helping to keep the associated level of debt financing within targeted levels.

The government's current strategy of aiming to achieve maximum efficiencies from departments in the delivery of output services under its *Efficient Government* policy, discussed in the following section, is conducive to increasing the likelihood that unused contingency allocations could become progressively available in future years to meet emerging budgetary needs. The potential value to the government of such allocations is reinforced by the significance of the following financial commitments, embodied in recent policy announcements, which require provision in future budgets:

- **Unallocated balance of 2006 election commitments** – output and asset election commitments requiring funding approval in future budgets are estimated by the government to be **$368 million** and **$1.6 billion** respectively.[38] As mentioned in an earlier paragraph, Moody's Investor Service stated in its January 2007 assessment of Victoria's credit rating outlook that *'... the recent budget update indicates that the state is generally in line to meet targets as a significant portion of the increased capital spending commitments made during last year's election campaign are expected to be absorbed by unallocated capital spending'*.[39]
- **The ten year Victorian Schools Plan** which documents the government's commitment to rebuild or modernise every Victorian government school. The plan's target for the first four years is to rebuild or modernise 500 schools and TAFEs at a cost of $1.9 billion – the 2007-08 budget delivers the first stage of the plan with an asset provision of $555 million, with the balance of **$1.3 billion** requiring provision in budgets over the next three years.[40]
- **The 2006 $10.5 billion ten year *Meeting Our Transport Challenges* transport plan** – estimated budget output and asset commitments under this major transport initiative subject to funding provision in future budgets are:
  - **Output funding of $1.2 billion** comprising unfunded provisions of $1.2 billion as per the 2006-07 budget papers less 2007-08 budget initiatives of $65.6 million.[41]
  - **Asset funding of $4 billion** representing the total estimated unfunded commitments of the special asset reserve created for this plan, ($4.1 billion identified in the 2007-08 budget papers for future budget funding less a contribution of $100 million to the reserve from the Public Transport Fund).[42]
- Future budget funding commitments arising from the major water infrastructure investments of $4.9 billion (described in section 2.3) announced by the government after the 2007-08 budget in June 2007 – comprising **at least $600 million** as the government's contribution to the first stage of its planned eight year Food Bowl Modernisation Project. The government will decide later in 2007 on the method of delivering its other major water project, the proposed $3.1 billion desalinisation plant. The government's decision will clearly impact on the quantum and timing of funding provisions for the desalination plant, including the extent to which such provisions will be financed, directly or indirectly, from future budgets.

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38 Budget Paper No.3, *2007-08 Service Delivery*, pp.267–271

39 Moody's Investors Services, credit opinion *Victoria (State of) Australia, 24 January 2007*, accessible via a link from www.dtf.vic.gov.au

40 Budget Paper No.3, *2007-08 Service Delivery*, pp.7, 281

41 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, September 2006, p.258 and Budget Paper No.4, *2007-08 Statement of Finances*, p.226

42 Budget Paper No.4, *2007-08 Statement of Finances*, p.226

## Provision of government assistance in response to recent drought, bushfires and flooding

The importance of the adequacy of contingencies within the annual budgetary framework is also clearly illustrated by the extent of financial assistance provided by the government since 2006 for unplanned infrastructure works and community support services in response to serious drought across the state, followed by extensive bushfires and, more recently in mid-2007, major flooding in the Gippsland region.

### *Drought response*

With regard to the government's drought response package, the Committee's examination of relevant budget papers (2006-07, 2006-07 update and 2007-08) and government media releases identified allocations of at least $240.4 million were approved for output and asset purposes. However, a significant proportion of this funding, approximately $131.9 million, was expected to be provided from existing budget and outer-budget provisions such as: [43]

- a departmental contribution levy of $50 million sourced from existing 2006-07 appropriations across departments;
- reprioritisation and redirection of existing services, $40 million;
- road upgrades in drought affected areas, $24 million, funded from the Better Roads Victoria Trust Account; and
- funding for drought purposes brought forward from the Regional Infrastructure Development Fund, $10 million, and the Small Towns Development Fund, $7.9 million.

The net financial impact on the 2006-07 and 2007-08 budgets of the government's drought response package is therefore around $108.5 million. Re-direction of these funds and the impacts on previously planned allocations need to be detailed and adequately reported.

### *Bushfire recovery*

The government's bushfire recovery funding initiatives are more readily identifiable in the 2007-08 budget papers which show aggregate funding of at least $64.6 million.[44]

### *Major flooding*

For the most recent climatic event affecting the state, the major flooding in the Gippsland region, the government has announced flood recovery funding packages of over $70 million.[45]

In each case, the seriousness of these climatic developments and the extent of their impact on communities across Victoria demanded an immediate response from the government.

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43 Hon. S Bracks MP, Premier, *$114 million State Government drought assistance announced*, media release, 23 October 2006

44 Budget Paper No.3, *2007-08 Service Delivery*, pp.274–335

45 Hon. S Bracks MP, Premier, *Over $60 million flood recovery package for Gippsland*, media release, 10 July 2007 and Hon. S Bracks MP, Premier, *Gippsland to get an extra $10 million for flood relief*, media release, 16 August 2007

### Summary comments on contingencies

The Committee views the management of contingencies as a significant element of the government's fiscal responsibilities. It recognises the importance of the government's policy aimed at achieving prudent financial management of Victoria's public resources, which has resulted in highly favourable external credit ratings over successive years for the state.

From an accountability perspective, the Committee considers there is scope for greater transparency by the government in the presentation of contingencies, including their role and impacts in the budgetary process and the basis adopted for their quantification.

## *2.4.2 Major planned efficiencies across government outlined in the 2007-08 budget*

The budget papers indicate that the 2007-08 budget implements the government's *Efficient Government* policy, which formed part of the government's 2006 election commitments. The policy includes a strategy of *Buying Smarter, Buying Less*.[46] The Government Services Group within the Department of Treasury and Finance has primary responsibility for delivering the *Efficient Government* policy.

The budget papers disclose the following eight efficiency measures, six falling under the umbrella of the *Efficient Government* policy, to be implemented with effect from 2007-08, with targeted savings totalling $632 million over the four year forward estimates period to 2010-11:[47]

### Efficient Government policy – targeted savings of $447 million

- Improvements in government procurement under *Buying Smarter, Buying Less* – $292 million
- A whole of government approach to shared services – $60 million
- Implementation of best practice grant administration – $35 million
- More efficient management of the government vehicle fleet – $20 million
- A reduction in advertising and consultancy expenditure – $20 million
- Better integration of ICT services across government – $20 million

### Other efficiencies – targeted savings of $185 million (not dissected)

- Merger of the Victorian Office of Multicultural Affairs and Victorian Multicultural Commission
- General efficiencies across government , including limiting the future growth of head office staff

The budget papers also state that the savings generated from these measures will be reinvested back into frontline services to the community.[48]

The Committee recognises the importance of this major government initiative. Commencement of pursuit of such significant levels of efficiencies across the departmental sector is clearly a feature of the 2007-08 budget.

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46 Budget Paper No.3, *2007-08 Service Delivery*, p.35
47 ibid., p.344
48 ibid., p.35

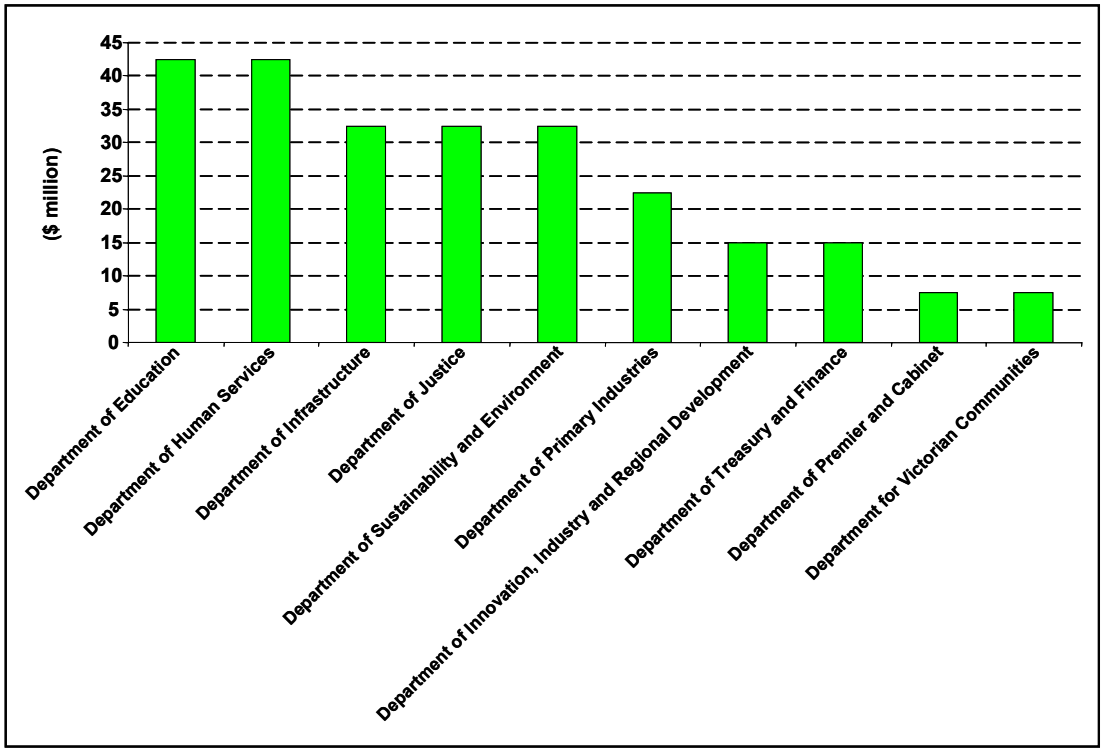
The Committee found that the presentation of this key aspect of the budget in the budget papers is somewhat limited in that it is not possible to identify the estimated savings expected by each department for the various components of the initiative as a result of:

- the dissection of each department's expected savings within the output initiatives section of the budget papers into only two categories, the *Buying Smarter, Buying Less* strategy and Other efficiencies – the latter consolidates the seven other measures using the same heading as that presented elsewhere in the budget papers, which covers only the two measures not forming part of the main policy; and
- the tabular dissection in the budget papers disclosing the composition of the targeted savings of $632 million has a footnote indicating that the numbers differ from the information shown in each departmental section because '*the above table includes revenue to be received from outer budget agencies and excludes implementation costs*'.[49]

The Committee was disappointed with this limited approach to presentation of such a key aspect of the 2007-08 budget. It suggests that future budget papers or annual reports incorporate a simple reconciliation between the targeted savings under each efficiency measure and each department's expected contribution, and a more distinct separation of savings into the various measures of efficiencies.

Figures 2.5 and 2.6 aggregate each department's expected share of savings over the four year period to 2010-11, based on the two categories disclosed for each department in the budget papers:[50]

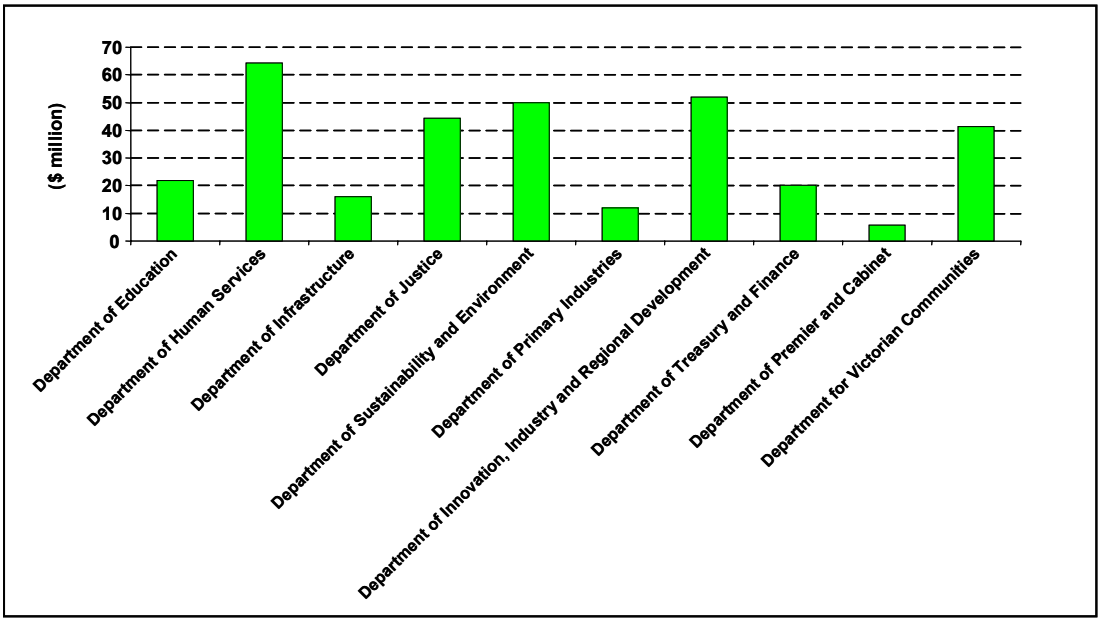
**Figure 2.5: Savings targeted under *'Buying Smarter, Buying Less'* strategy, 2007-08 to 2010-11**




*Source: Information compiled by Committee based on data in Budget Paper No.3, 2007-08 Service Delivery, pp.278–337*

[49] ibid., p.344
[50] ibid., pp.278–337

## Figure 2.6: Targeted savings under all other efficiency measures, 2007-08 to 2010-11




*Source: Information compiled by Committee based on data in Budget Paper No.3 2007-08 Service Delivery, pp.278–337*

From the information shown in tables 2.5 and 2.6, it would appear that the savings targets under the *Efficient Government* policy, at least for the one item, the *Buying Smarter, Buying Less* strategy separately disclosed in the budget, have been allocated on a proportionate basis across departments. Similar targets have been assigned to particular groups of departments, for example, $42.5 million over four years to the Departments of Education and Human Services, and $32.4 million to the Departments of Infrastructure, Justice and Sustainability and Environment.

The Committee sought information from departments on their planned savings strategies as part of its budget estimates inquiry. Most departments responded in broad terms on the nature of proposed actions to achieve assigned savings targets.

The Department for Victorian Communities advised the Committee that work has commenced in reviewing all of the cost areas affected by the policy to identify the specific areas and implement the necessary change and business re-engineering projects.[51]

The Department of Justice stated that, along with other departments, it was advised late in the 2007-08 budget process of the breakdown of the total savings published prior to the 2006 election. The department indicated it had now established a project group to identify strategies and develop proposals to achieve the savings requirements. It envisaged such actions were likely to be in the nature of more rigorous reporting and cost control regimes, continued standardisation and rationalisation of systems and occupancy related costs arising from its recent relocation, a review of cost recovery policies and practices and grant administration, and stringent management of staff turnover.[52]

[51] Department for Victorian Communities, response to the Committee's 2007-08 Budget Estimates questionnaire, received 1 May 2007, p.13

[52] Department of Justice, email, received 16 May 2007

The Committee noted it is important that all departments have strategies for the identification, and subsequent implementation, of action to achieve assigned targets on a sound and timely basis.

In making the above comments, the Committee is aware that much post-budget activity is occurring across the government in addressing the challenges identified in its *Efficient Government* policy. One important example relates to the Department of Treasury and Finance, which is developing a whole of government Shared Services Strategy as part of the policy. As mentioned in an earlier paragraph, this component of the policy aims to generate savings totalling $60 million over the next four years. On 18 June 2007, the department held an information session for the IT industry about the strategy. [53]

In summary, the Committee looks forward to improved presentation of material on this major government initiative in future budget papers. Such material should complement information incorporated in published accountability documents such as departmental annual reports. The Committee considers that future revisions of efficiency savings in forward estimates should better reflect each department's unique organisational circumstances. The Committee also considers that the overall significance of the savings initiative warrants periodic reviews by the Auditor-General of departmental performance under the initiative.

## 2.5 Revenue foregone initiatives contained in 2007-08 budget

The 2007-08 budget papers outline the components of revenue foregone as a result of a range of tax cuts and subsidies totalling $835 million introduced by the government which extend through the forward estimates period to 2010-11. Table 2.7 identifies these foregone amounts.

### Table 2.7: Revenue foregone initiatives in 2007-08 budget

| | 2006-07 Budget ($ million) | 2007-08 Budget ($ million) | 2008-09 Estimate ($ million) | 2009-10 Estimate ($ million) | 2010-11 Estimate ($ million) |
|---|---|---|---|---|---|
| **Tax relief** | | | | | |
| Land tax cuts | 0.0 | -123.7 | -129.2 | -126.0 | -122.6 |
| Motor vehicle duty cuts | -6.2 | -39.7 | -41.6 | -43.6 | -45.7 |
| Special land tax reform | 0.0 | -1.5 | -1.5 | -1.6 | -1.6 |
| Zone transition for congestion levy | -0.2 | -0.2 | 0.0 | 0.0 | 0.0 |
| Payroll tax (b) | -26.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Land transfer duty (b) | -19.0 | -47.0 | -47.0 | -95.0 | -97.0 |
| **Total tax relief** | **-51.4** | **-212.1** | **-219.3** | **-266.2** | **-266.9** |
| **Other revenue initiatives** | | | | | |
| Wagering commission rate adjustment | 0.0 | 3.9 | 4.0 | 4.2 | 4.3 |
| Payroll tax harmonisation | 0.0 | 2.0 | 2.0 | 2.1 | 2.2 |
| Health benefit levy increase | 0.0 | 39.0 | 39.0 | 39.0 | 39.0 |
| **Total other revenue initiatives** | **0.0** | **44.9** | **45.0** | **45.3** | **45.5** |
| **Total tax initiatives announced since *Pre-Election Budget Update*** | **-51.4** | **-167.2** | **-174.3** | **-220.9** | **-221.4** |

*Notes:* *(a) a negative figure indicates reduced revenue*

*(b) announced in the 2006-07 budget update*

*Source:* *Budget Paper No.2, 2007-08 Strategy and Outlook, p.35*

[53] Department of Treasury and Finance, www.dtf.vic.gov.au, accessed 18 July 2007

The major tax initiative relates to land tax cuts which complement the government's earlier land tax reforms. The budget papers estimate that these cuts will amount to $508 million over four years and benefit over 40,000 taxpayers. The budget papers also indicate that the land tax changes will further improve Victoria's tax competitiveness as Victorian businesses will now face the lowest levels of land tax in Australia for virtually all landholdings valued between $400,000 and $4.5 million. [54]

The budget papers include a reduction to 2.5 per cent in the effective duty rate on passenger vehicles valued between $35,000 and $57,000. This initiative is estimated to provide tax relief totalling $177 million over five years from 2006-07. [55]

The Committee looks forward in future financial reports to a more considered exposition of explicit and implicit subsidies in budgets and forward estimates.

## 2.6 Unapplied budgets carried forward to 2007-08 by departments

Section 32 of the *Financial Management Act 1994* provides the authority for unapplied output and asset appropriations to be carried forward to the following year. The capacity to carry forward unapplied appropriations formed part of legislative amendments introduced several years ago to increase the flexibility of departments in their management of appropriations.

The budget papers summarise, in aggregate form, the amounts to be carried forward from 2006-07 to 2007-08 for each department.[56] The total of these carried forward amounts (not shown in the budget papers) is $535.1 million comprising $272 million for output funding and $263.1 million for asset funding purposes. The budget papers do not contain any information on the underlying reasons for each department's funding carry over or the intended revised timing for use of carried forward funds.

As part of its 2007-08 Budget Estimates inquiry, the Committee sought information from departments on the factors giving rise to the need for the carry over of funding. The responses received from departments, which were included in the Committee's *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*, disclose a wide range of underlying circumstances including:

- delays of many categories (such as contractor issues, delivery of key equipment, revisions to cash flow forecasts and availability of staff experienced in the management and implementation of programs, including new funding initiatives);
- timing differences between the funding and implementation of programs across calendar and financial years;
- problems arising from grant recipients not achieving milestones; and
- redeployment of staff and formulation of new milestones arising from the drought and bushfires.

The Committee considers that, given the high dollar value of carried forward appropriations, more extensive coverage under each department, as appropriate in the budget papers and specifically in the annual financial report, would enable Members of Parliament and other readers to assess the reasons for carry over funding, particularly relating to delays in the delivery of programs, and to seek explanations where deemed necessary.

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54 Budget Paper No.2, *2007-08 Strategy and Outlook*, p.36

55 ibid.

56 Budget Paper No.4, *2007-08 Statement of Finances*, pp.177–179

## 2.7 Opportunities to further enhance presentation of material in financial reports

For some years now, the government has made progressive improvements to the presentation of material in the annual budget papers and other financial reports.

Improvements reflected in the 2007-08 papers include a valuable connecting link between each new departmental output initiative and the related output through which the delivery of new services under the initiative would be made. Before this enhancement, it was difficult to identify where new budget allocations fitted into the service delivery framework.

Financial reporting to Parliament is governed by the *Financial Management Act 1994* which was revised by Parliament in 2000 to widen financial reporting in line with the principles of sound financial management. Currently, financial reports consist of:

- the annual budget papers published at the time of Parliament's consideration of the annual appropriation bills;
- the estimated financial statements which are audited by the Auditor-General and included in the annual budget papers;
- a budget information paper issued during the spring session outlining each year's public sector asset investment program;
- an annual budget update published in December of each year;
- an annual financial report which is audited by the Auditor-General;
- a mid year financial report;
- a quarterly financial report; and
- a pre-election budget update prepared by the Secretary of the Department of Treasury and Finance.

The Committee noted that the Labor Party's policy document, *Financial Statement 2006*, issued before the last election, promised improvements in the clarity and content of financial reports.

The Committee agrees that it is opportune to review financial reporting to Parliament in order to increase transparency on the one hand and to improve accessibility to basic fiscal information on the other hand. The Committee intends to undertake in 2008 an investigation into financial reporting including best practice reporting internationally.

In the meantime, the Committee brings together its initial suggestions, as outlined in earlier paragraphs, for enhancing presentation of material in future budget papers. The suggestions, which are aimed at assisting the government to further build on its past reporting initiatives, are as follows:

- the linking of each year's output and asset initiatives to the applicable themes underpinning the direction of the budget (section 2.4);
- more informative presentation of contingencies, including their role in the budgetary process and the basis used for their quantification (section 2.4.1);
- clearer presentation of efficiency savings targeted across departments over the forward estimates period (section 2.4.2); and

- expanded presentation of factors supporting unapplied output and asset funding carried forward to an ensuing year by departments (section 2.6).

The Committee also advocates that the government assess the feasibility of including within the budget papers tables showing the main components of each department's output funding (such as provision of continuing services, new funding initiatives and any deducting items) which are reconcilable to a macro table covering the total output provisions within the budget. The inclusion of this information would give a clearer picture of the aggregate budgetary responsibility assigned to each department. It would also assist the government in its ongoing challenge of converting complex budget material into as simple a form as possible for readers.

All of the above suggestions will be further considered by the Committee as part of the planned review of financial reporting practices in the Victorian public sector, including those under the *Financial Management Act 1994*.

# SECTION B: KEY THEMES

# CHAPTER 3: NATIONAL REFORM AGENDA

## Key findings of the Committee:

**3.1** **The Committee noted that various actions designed to advance the implementation of National Reform Agenda (NRA) reforms were underway across departments, including ones that sought to take a long term perspective for the next generation of Australians.**

**3.2** **Based on information provided by departments, the Department of Education, the Department of Human Services, the Department of Infrastructure, the Department of Innovation, Industry and Regional Development, the Department of Justice and the Department for Victorian Communities were the most prominent agencies involved in the NRA under the coordination activities of the Department of Premier and Cabinet.**

**3.3** **The Committee noted that Victoria's response to date has focused on the human capital stream of NRA reforms, in line with the Productivity Commission's expectation that this stream will yield the majority of benefits. The Committee also regards continuous action on the other streams – regulatory reform and competition – as essential elements for success under the National Reform Agenda.**

**3.4** **With the NRA having the potential to increase GDP by up to 11 per cent after 25 years (or approximately $100 billion a year in terms of today's economy), the Committee will continue to seek information regarding progress made in implementing key NRA programs and projects against milestones and the costs and benefits against estimates.**

**3.5** **In continuing to aspire to achieve reforms in the national interest, the Committee noted the level of funding provided by the Victorian Government, particularly with regard to NRA initiatives targeted at the human capital stream such as programs aimed at improving literacy and numeracy outcomes and early childhood outcomes.**

## 3.1 Background

This section of the report builds on the information contained in last year's budget estimates report by commenting on the progress achieved by departments in implementing the National Reform Agenda (NRA). It also offers recommendations for ways in which the management and accountability of the NRA could be enhanced over the ensuing period.

Endorsed by the Council of Australian Governments (COAG) in February 2006, the NRA focuses on reforms in human capital, better regulation and competition to raise living standards in Australia through improving productivity and workforce participation over the next decade and beyond.[57] Commentary by the Public Accounts and Estimates Committee (the Committee) on the impact that spending by departments, particularly on new initiatives, will have on productivity is contained in a later chapter of this report. The National Reform Agenda at a glance is shown in table 3.1.

[57] Budget Paper No.2, *2007-08 Strategy and Outlook*, p.94

## Table 3.1: The National Reform Agenda at a glance

The National Reform Agenda comprises three streams – improvements to human capital, regulatory reform and competition.

- The *human capital* stream covers three areas – health, education and training, and work incentives.
  - The health element comprises two distinct parts. The first seeks to improve the delivery of health services and to review Commonwealth-State Specific Purpose Payments that significantly affect the health system, prior to their renegotiation, in order to identify any elements that, if changed, could contribute to better health outcomes. The second is aimed at improving workforce participation and productivity by reducing the incidence of illness, injury and disability and chronic disease in the population.
  - The education and training element seeks to equip more people with the skills needed to increase workforce participation and productivity. Four areas have been targeted: early childhood development; literacy and numeracy; transitions from school to further education or work; and adult learning.
  - The workforce incentives element is designed to increase workforce participation by improving incentives for those groups with the greatest potential to raise their participation rates: people on welfare, the mature aged and women.
- The *regulatory reform* stream comprises two distinct sets of initiatives. The first is designed to promote best practice regulation making and review. The second focuses on reducing the regulatory burden in 'hot spots'[58] where overlapping and inconsistent regulatory regimes across state and territory jurisdictions are impeding economic activity.
- The *competition* stream involves reforms in the areas of energy, transport, infrastructure and planning, and climate change. These reforms have the potential to significantly increase Australia's international competitiveness and deliver substantial benefits to the Australian economy.

*Sources:* *Productivity Commission, Potential Benefits of the National Reform Agenda, February 2007, p.xxx; Council of Australian Governments, Communique, 10 February 2006, p.3, and www.dtf.vic.gov.au, accessed 4 September 2007*

In examining the potential economic benefits to be derived from a NRA, modelling by the Productivity Commission suggest that the NRA could boost Gross Domestic Product (GDP) by up to 11 per cent after 25 years, equating to approximately $100 billion a year in terms of today's economy.[59] With possible longer term economic impacts facing Victoria emanating from conditions of an ageing population and slowing productivity growth; a changing global environment that brings both greater competition and trade opportunities; and emerging environmental challenges (particularly climate change),[60] the Committee will be interested in pursuing on a continuous basis, information from departments about the progress made and outcomes delivered from the various projects that fall under the umbrella of the NRA in Victoria.

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58 *COAG has agreed to target 10 regulatory 'hot spots' namely rail safety; occupational health and safety; trade measurement; chemicals and plastics; development assistance arrangements; building regulation; business registration; environmental assessment and approvals processes; personal property securities; and product safety*. Productivity Commission, *Potential Benefits of the National Reform Agenda*, February 2007, p.20

59 Budget Paper No.2, *2007-08 Strategy and Outlook*, p.94

60 ibid., p.91

## 3.2 Responding to the national reform agenda

Budget Paper No.2 *2007-08 Strategy and Outlook* provides details of how the government has, and will continue to respond to the NRA.[61] According to the government, '*some progress has been achieved over the past 12 months through discussions in COAG towards a NRA'*. However, importantly, the Victorian Government warned that '*more needs to be done to safeguard the living standards of Australians'*.[62]

As the Committee was interested in how individual departments were responding to the National Reform Agenda, all departments were asked to provide details of their National Reform Agenda activities, implications for departmental services and the level of state funding allocated in 2007-08 for NRA initiatives in their response to the Committee's 2007-08 Budget Estimates questionnaire.

While most departments stated in their responses to the 2006-07 Budget Estimates questionnaire that they were participating in the NRA, the Committee noted that a year later, further progress had been made across departments to various degrees. As was the case last year, the Committee expected some variation in participation, given the current status of the NRA, the ongoing development of specific reform proposals and the varying relevance of the NRA to portfolio responsibilities of different departments.

Departmental participation primarily involved representation on various working groups and committees, working with other Victorian Government departments, and developing policy initiatives and plans that meet the objectives of the NRA. Based on the responses provided by departments, the Department of Education, the Department of Human Services, the Department of Infrastructure, the Department of Innovation, Industry and Regional Development, the Department of Justice and the Department for Victorian Communities have been the most prominent departments involved in the NRA, under the coordination of the Department of Premier and Cabinet.

Section 3.4 in this report, describes a consolidated listing of the way in which departments have responded to the NRA since its inception. The Committee noted that the Department of Premier and Cabinet established a National Reform Secretariat to work on COAG activities and the National Reform Agenda and that capacity has been achieved through reprioritisation of resources.

In terms of maximising Victoria's human capital through enhancing the knowledge and skills of Victoria's workforce and the provision of a healthy workforce, key initiatives outlined by departments involved the development of plans/measures to improve literacy and numeracy outcomes as well as vocational education and training, and to address the growing impact of obesity and type 2 diabetes. Consistent with the finding of the Productivity Commission that the majority of benefits of the NRA will arise from the human capital stream, Victoria's response to date has largely focused on this component of the reform agenda.

With regard to regulatory reform, examples cited by departments included the review of ports regulations, the identification of areas where a review of business licensing should focus, the review of the licensing arrangements for public lotteries and the release by the government of the Reducing the Regulatory Burden initiative to reduce the administrative and compliance burden on business.

In the context of the competition stream, examples of initiatives included Victoria's participation in work being undertaken or completed in relation to COAG's energy market reforms, a national review of urban congestion, development of a five yearly infrastructure report that involved forecasting infrastructure demand and included the development of performance indicators across various sectors in the energy and transport industries.

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61 ibid., pp.91–103
62 ibid., p.91

In responding to climate change, the Department of Sustainability and Environment advised the Committee that in February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high level inter-jurisdictional Climate Change Group to oversee implementation of the Plan's recommendations. COAG decided that the Climate Change Group would prepare a National Adaptation Framework for its review. The Committee will be very interested in monitoring developments in this area and their relevance to Victoria.

The Committee noted that the Office of Climate Change was established in the Department of Premier and Cabinet in early 2007[63] with six to seven core staff and a funding allocation of $3.2 million over three years[64].The Office will be responsible for whole of government policy and strategy, focussing on longer term issues and the economic, environmental and social impacts of climate change. The Office will also lead inter-jurisdictional policy development.[65]

Section 3.5 in this report sets out a summary of the work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007.

The Committee noted the various responses underway across departments that are designed to advance the implementation of NRA reforms, recognising that '*the NRA is about all governments taking a long term perspective for the next generation of Australians'*.[66]

The Committee is aware, however, of the importance of balancing regulatory reform with the need to protect the public interest and, in this regard, acknowledges the position taken by the Victorian Government on gambling where regulatory controls are considered to be in the public interest.

The Committee was pleased to find that according to the Business Council of Australia's red tape scorecard, which analysed the red tape reform progress of each state and territory government, only Victoria had consistently achieved 'good' ratings in the way it had implemented reforms of its regulation making regime.[67] The four benchmarks used in this exercise comprised:[68]

- **principles of regulation making** – which included the need to consider alternatives to regulation;
- **accountability** – which included the need for regulators to be held to account for their performance;
- **transparency** – which included the need for those potentially affected to have input into the process; and
- **review** – which included the need for regulations to be subject to review to ensure they remain relevant and efficient over time.

In fact, according to the Council, states like Queensland and Western Australia have performed poorly and could benefit from examining Victorian models (for example, the creation of a Victorian Competition and Efficiency Commission which assesses the regulators' performance and is transparent in its reporting on the red tape performance of the state)[69].

63 www.dpc.vic.gov.au, accessed 4 September 2007
64 Department of Premier and Cabinet, response to the Committee's 2007-08 Budget Estimates questionnaire, received 2 May 2007, p.3
65 www.dpc.vic.gov.au, accessed 4 September 2007
66 www.dpc.vic.gov.au, accessed 18 July 2007
67 Business Council of Australia, *Business still tied up by state and territory red tape*, media release, 27 May 2007
68 Business Council of Australia: *A scorecard of state red tape reform*, May 2007, p.2
69 ABC Online, Victoria sets the benchmark in red tape efficiency: BCA, 28 May 2007

The Committee acknowledges the following statement made by the Victorian Government in discussing Commonwealth-State financial relations in the context of the National Reform Agenda:[70]

> *Victoria believes in a cooperative approach and is seeking to continue working with the Commonwealth and other states and territories (the states) in the reinvigoration of the National Reform Agenda (the NRA). Collaboration between all levels of government is crucial to achieving a successful outcome of the NRA. With many of the most beneficial reforms beyond the limited fiscal capacity of the states alone, much of the potential gain of the NRA depends on the full commitment of the Commonwealth.*

Various statements made in the budget papers have been observed by the Committee to indicate that there are issues and opportunities to progress discussions with the Commonwealth Government. Some of these are set out below:[71]

- *At the April 2007 meeting of COAG, first Ministers agreed to national standards for teachers and school leaders, quality assurance and regulation of child care and kindergarten, and a nationally enacted school entry assessment system. This is a step forward for national collaboration, but more needs to be done, in particular commitment to and funding for real reform as expressed in Victoria's State Action Plans; and*
- *Other chronic diseases….(apart from type 2 diabetes)…such as mental illness, cancer and arthritis also have significant effects on quality of life and labour force participation. Options to prevent and better manage these diseases will need to be developed. The upcoming renegotiations with the Commonwealth Government for a new Australian Health Care agreement provide an opportunity to encourage health system reform.*

The Committee will view with interest:

- the extent to which the establishment of the Council for the Australian Federation, (the Council) established in October 2006 to improve the way that the states and territories work together to deliver key services that affect Australians' daily lives,[72] has been effective in facilitating discussions between state and territory leaders on issues of national importance (the Committee noted that the Council was made up solely of the states and territories); and
- whether the monitoring activities of the COAG Reform Council (CRC), an independent body established to report to COAG annually on progress in implementing the National Reform Agenda in terms of the achievement of agreed reform milestones and progress measures,[73] have contributed to any positive outcomes for Victorians.

The Committee also noted the view expressed by the Department of Treasury and Finance that, in terms of moving forward, ongoing discussions under the NRA umbrella could focus on future reform opportunities, including scope to better manage integration and flexibility of the service system between levels of government. With this background in mind, the Committee noted that according to the Department of Justice, while cross-jurisdictional collaboration has been advanced through bi-lateral agreements on service delivery to indigenous Australians, there are currently no bilateral agreements in place between the department and the Commonwealth on justice issues for the indigenous community.

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70 Budget Paper No.2, 2007-08 *Strategy and Outlook*, p.65
71 ibid., pp.96–97
72 www.dpc.vic.gov.au, accessed 20 August 2007
73 Council of Australian Governments, Communique, 10 February 2006, p.9

The Committee recommends that:

**Recommendation 1:** **The Victorian Government continue to focus on securing the fullest fiscal commitment from the Commonwealth to NRA reforms in order to maximise economic, social and environmental outcomes for Victoria.**

**Recommendation 2:** **The role of the National Reform Secretariat established within the Department of Premier and Cabinet be expanded to monitor the progress achieved by departments in terms of implementing the NRA programs and projects and report directly to the Premier on outcomes achieved on an ongoing basis.**

**Recommendation 3:** **The Department of Treasury and Finance require departments to disclose in annual reports their performance in achieving agreed outcomes under the NRA, including funding from the Commonwealth to assist Victoria implement the full package of its NRA proposals brought forward to COAG each year.**

**Recommendation 4:** **The Department of Premier and Cabinet, as part of its coordinating role in the development of the NRA in Victoria, ensure that:**

**(a) timelines including key milestones are established for the various NRA programs and projects implemented by government departments;**

**(b) information regarding progress made in implementing key NRA programs and projects against milestones be reported in budget documents issued by the Treasurer; and**

**(c) evaluations, including assessments of measurable costs and benefits against estimates, take place with regard to the delivery of key NRA programs and projects.**

## 3.3 Allocation of state funding in 2007-08 for initiatives under the National Reform Agenda

COAG agreed in July 2006 that the Commonwealth Government would fund states and territories on a case-by-case basis, if required, to ensure the respective governments share the costs and benefits of reform. The funding will be available once the states and territories have developed specific implementation plans.[74]

While none of the ten departments allocated funding to the National Reform Agenda for 2006-07,[75] table 3.2 shows that the vast majority of the funding allocated in 2007-08 and beyond relates to advancing the human capital stream of the NRA.

[74] Council of Australian Governments, Communique, 14 July 2006, p.8
[75] Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, p.94

## Table 3.2: State funding connected with initiatives under the National Reform Agenda 2007-08

| Department | State funding |
|---|---|
| Education | Of the $323.8 million committed by the Victorian Government in its Plan to Improve Literacy and Numeracy Outcomes, $207.7 million is funded within the 2007-08 budget. Funding will support programs such as the Career Change program, Scholarships for Science Graduates, Teacher Assistants and Primary Welfare Officers. |
| Human Services | Victoria has allocated an additional $137 million over four years to NRA initiatives (significantly exceeding the requirements under the cost sharing formula), which translates to funding in 2007-08 of $39.6 million for the following programs:<br>• *Go for your life*: $31.7 million<br>• *Meeting our transport challenges*: $7.9 million<br>This is in addition to the $472 million committed over the 2006-2011 period as Victoria's contribution to COAG's National Action Plan on Mental Health.<br>Victoria's Plan to Improve Outcomes on Early Childhood, released in April 2007, also proposes a state contribution of $136 million over the next four years to a program of joint action with the Commonwealth. |
| Infrastructure | The staffing resources that the department is committing to work on the COAG program are being drawn from existing staff numbers. The work being undertaken is not affecting the department's capacity to deliver its services.<br>The department will be able to make its contribution to the NRA principally through the work being undertaken by departmental staff on relevant projects and issues. Victoria may be required to provide some funding to studies on a needs basis. |
| Innovation, Industry and Regional Development | In terms of examining the extent of state funding that has been allocated in 2007-08 for initiatives under the NRA, there are no 2007-08 budget implications for the business licensing project or the ABN/business names project. With regard to the area covering Apprenticeships, Training and Skills Recognition, Victoria will match the Commonwealth's commitment to provide $2.7 million (excluding GST) over three years to establish Skills Stores. The matched funding is included in the $23 million Skills Stores initiative announced in the 2006-07 Victorian budget. A key function of Skills Stores is to facilitate the uptake of Recognition of Prior Learning (RPL).<br>The focus of the first year will be development of guidelines to inform consistent systemic implementation.<br>The strategies for the first year in summary are:<br>• guidelines to assist the development and implementation of effective RPL models. This includes standardisation of definitions, Office of Training and Tertiary Education policies, and auditing procedures ($220,000);<br>• best practice case studies, a resource reference tool for practitioners and a communication strategy across the sector ($225,000); and<br>• capacity building through delivery of RPL training workshops for assessors associated with Skills Stores, specific industry sectors and local needs ($470,750).<br>Project plans for 2007-08 and 2008-09 will be developed on the basis of experience gained in the first year. |

## Table 3.2: State funding connected with initiatives under the National Reform Agenda 2007-08 *(continued)*

| Department | State funding |
|---|---|
| Justice | Two Victorian public service (VPS) Grade 6 positions are currently funded by the department for central coordination of work related to 'Reducing the Regulatory Burden' and the 'Better Practice Regulation' initiatives across the department. |
| Premier and Cabinet | The department has established a National Reform Secretariat to work on COAG and NRA (comprising 7.8 equivalent full-time (EFT) departmental officers). Capacity has been achieved through reprioritisation of resources.<br>A major program of work for the department will be to lead work relating to the NRA and other COAG related policy initiatives. No specific funding has been allocated for this initiative, but it will be a key priority in policy advice and projects of the department.<br>However specific funding of $168,000 and $150,000 in 2007-08 has been allocated respectively for Victoria's support to the Council for the Australian Federation and the COAG Reform Council, the two new inter-governmental institutions, which will strengthen cooperation between Australian governments and aims to improve services delivered to Victorians. |
| Primary Industries | The department's share of funding for the national energy market reform program will be approximately $5 million in 2007-08. |
| Sustainability and Environment | Work is being managed within existing resources and no state funding has been allocated to the department in 2007-08 for initiatives under the NRA. |
| Treasury and Finance | The department has not received any funding in 2007-08 for the NRA, although it has a role in working with the Department of Premier and Cabinet on aspects of the NRA and attending related meetings with COAG. |
| Victorian Communities | The NRA is not expected to detract from the provision of ongoing department services.<br>No separate funding has been allocated specifically to the department for 2007-08 with regard to the NRA. |

*Sources:* *Responses to the Committee's 2007-08 Budget Estimates questionnaire: Department of Education, p.17; Department of Human Services, p.25; Department of Infrastructure, pp.24–25; Department of Innovation, Industry and Regional Development, p.25; Department of Justice, p.34; Department of Premier and Cabinet, p.17; Department of Primary Industries, p.18; Department of Sustainability and Environment, p.27; Department of Treasury and Finance, p.17; Department for Victorian Communities, p.16*

## 3.4 Supplementary information

### Table 3.3: Departmental involvement in the National Reform Agenda

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Parliamentary departments | | The National Reform Agenda (NRA) does not impact on the Parliament of Victoria's operations. |
| Education and Training (former), now Department of Education under machinery of government changes | The department is working closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to progress work under the human capital stream of the National Reform Agenda. It is also contributing to a report on transition pathways from school to work, which the Ministerial Council on Education, Employment, Training and Youth Affairs is undertaking. The department is making further contributions through the Council of Australian Government (COAG) agreed outcomes to address skills shortages through a national approach to apprenticeships, training and skills recognition. | The department has worked closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop Victoria's Plan to Improve Literacy and Numeracy Outcomes and contribute to the development of multilateral reforms for the agreement and implementation by all jurisdictions.<br>Improving the literacy and numeracy attainment of school aged children has been identified as one of three streams of priority work under the human capital stream of the NRA. Literacy and numeracy attainment has been given priority due to evidence that supports its potential to boost workforce participation and productivity.<br>The 10 actions the Victorian Government has committed to in Victoria's Plan to Improve Literacy and Numeracy Outcomes will be rolled out progressively by a number of Divisions across the Department of Education including the Human Resources Division, the Student Learning Programs Division, the Student Wellbeing and Support Division and the Infrastructure Division.<br>Departmental officers within the Commonwealth-State and External Relations Division, Strategic Policy and Research Division and the Student Learning Programs Division will continue to work with other jurisdictions (through the Ministerial Council on Education, Employment, Training and Youth Affairs – MCEETYA) to implement multilateral actions agreed by COAG under the NRA. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Human Services | The department is working with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop nationally agreed outcomes and measures, and state implementation plans, that will deliver outcomes aimed at contributing to increased workforce participation and productivity. The focus of this work is on improving the prevention and management of chronic diseases. The department is also working on National Reform Agenda issues relating to early childhood through the Office for Children, and is contributing to the mental health agenda. It considers the National Reform Agenda will have implications for its services, with the potential to fundamentally reshape Commonwealth-State relations, and provide some new avenues for funding a more integrated approach to health care delivery. This is likely to lead to a greater focus on prevention and early intervention. | The Department of Human Services (DHS), in collaboration with the Department of Premier and Cabinet (DPC) and the Department of Treasury and Finance (DTF), developed *Victoria's Plan to Address the Growing Impact of Obesity and Type 2 Diabetes (2007)* in response to the first tranche of work under the ten year NRA. The plan proposed a set of actions over the first four years that would address the health outcomes agreed by Council of Australian Governments (COAG) under the human capital stream of the NRA. The plan was submitted for consideration by COAG on 13 April 2007, along with the action plans of other jurisdictions and a number of proposed multilaterally agreed actions making up the NRA package of reform proposals for the prevention and management of type 2 diabetes.<br>Victoria's plan built on existing initiatives and included new commitments foreshadowed in Labor's policy for the 2006 Victorian election under the *Go for your life*! strategy. These commitments included creating supportive environments to promote and facilitate physical activity; providing lifestyle modification programs for eligible persons at risk of progressing to type 2 diabetes; and providing early intervention educational programs for those people newly diagnosed with type 2 diabetes.<br>Additional actions were recommended that would increase the pace of reform in Victoria, but were conditional on Commonwealth funding as part of a 'fair sharing of costs and benefits'. In addition, the Commonwealth was asked to consider a number of proposed actions in its areas of responsibility that would facilitate improved health outcomes.<br>COAG agreed to a new cost shared national package of $200 million to address the significant growth in type 2 diabetes. Details of the package, drawing on jurisdictional plans, is being developed by officials. COAG also agreed to develop by mid-2008 a nationally agreed risk assessment tool, program standards and accreditation arrangements for programs and/or providers to reduce the risk of developing type 2 diabetes and for people newly diagnosed with type 2 diabetes.<br>New initiatives in Victoria's plan are aligned with existing commitments. To this extent the requirement to extend or develop services exists regardless of the final outcome of COAG consideration of actions under the NRA.<br>There will be an annual requirement to report on Victoria's performance in achieving any agreed health outcomes under the NRA. This will require program evaluation and reporting requirements similar to those currently in place for other COAG projects, such as the Australian Better Health initiative. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Infrastructure | The department is advising the Victorian representatives on the Competition and Regulation Working Group (CRWG), a COAG group that forms the steering committee for a national review of urban congestion. It is also participating in the inter-jurisdictional group that will be preparing the draft report for the CRWG's consideration. The department is also preparing a five yearly infrastructure report, in consultation with the Department of Sustainability and Environment, the Department of Premier and Cabinet and the Department of Treasury and Finance. Other work includes reviewing its port regulations and making a submission to the Productivity Commission on road and rail pricing. | Under the NRA, COAG agreed to a range of tasks that involved participation by the department:<br>• The report on the national review of urban congestion was submitted to the CRWG in December 2006. COAG released the report on 13 April 2007.<br>• The five yearly infrastructure report was due in January 2007. The department, which coordinated the drafting of Victoria's report, submitted the draft report to Premier and Cabinet in December 2006 for forwarding to the Commonwealth as part of COAG coordination. COAG released each jurisdiction's report on 13 April 2007.<br>• In the case of Victoria, it has been agreed that the review of its ports regulation will focus on the Port of Melbourne and the relationship between port policy and strategic planning and the entry of new suppliers of services, such as stevedoring. The review is to be completed by the end of 2007. Terms of reference and arrangements for conduct of the review are currently under discussion between the department and central agencies.<br>• On behalf of the Victorian Government, the department developed the Victorian Government's submissions to the Productivity Commission Inquiry into Road and Rail Infrastructure Pricing and has provided assistance in the development of the COAG response to the Inquiry which was released on 13 April 2007.<br>• On 1 August 2006, Victoria introduced its new Rail Safety Legislative Regime. The Victorian regime is consistent with the National Model Legislation which is a component of the work schedule for harmonising and reforming road and rail regulations. |
| Innovation, Industry and Regional Development | The department is supporting the work of other departments through participation on inter-departmental committees. It does not expect any implications for departmental services from its participation in the National Reform Agenda. | The department is involved in the following three areas related to the National Reform Agenda:<br>**(a) Business Licensing**<br>COAG, at its 14 July 2006 meeting requested the Small Business Ministerial Council (SBMC) to consider options for the full mutual recognition of all business licensing requirements and report back to COAG by November 2006.<br>The department has led work to identify areas on which a review of business licensing should focus (for maximum impact) and to establish the costs, risks and challenges of full or partial mutual recognition. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Innovation, Industry and Regional Development *(continued)* | | **(b) ABN/Business Names**<br>At its April 2007 meeting COAG noted the interim report from the SBMC to develop a model to deliver a seamless single online registration system for Australian Business Numbers (ABN) and business names including trademark searching. COAG requested that SBMC, in consultation with the Ministerial Council on Consumer Affairs, develop a business plan for implementation of a preferred model, based on maximising the positive net benefits following a detailed analysis of the costs and benefits.<br>This project has close links to the department's World Class Service project, with its focus on improved and streamlined service delivery arrangements for Victorian business, and Victoria is working closely with the Commonwealth and other jurisdictions on development of the appropriate business plans.<br>**(c) Apprenticeships, Training and Skills Recognition**<br>The Office of Training and Tertiary Education (OTTE) is involved in a number of measures agreed on under the COAG National Reform Approach to Apprenticeships, Training and Skills Recognition to improve the vocational education and training (VET) sector, including:<br>• more effective mutual recognition of occupational licensing between jurisdictions;<br>• an appropriate system for recognition of overseas qualifications;<br>• competency based completion of apprenticeships;<br>• accelerated implementation of an outcomes based auditing model for registered training organisations (RTOs) in Australia;<br>• Recognition of Prior Learning program;<br>• intermediate or specialised qualifications for the residential building and construction industry;<br>• enabling school based apprenticeships; and<br>• further reform of Vocational Education and Training.<br>Involvement in the NRA related projects has marginal impact on departmental services as the issues addressed are those with which the department is already actively engaged as part of its portfolio responsibilities. Internal reallocation of staff has enabled the NRA related projects to be pursued effectively. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Justice | The department is responding to all facets of the National Reform Agenda through the delivery of programs and initiatives to encourage workforce participation, applying National Competition Policy, and establishing a consistent, best practice regulatory framework. | Most reforms are likely to take the form of consistency of laws and processes across states and territories, coupled with enhanced opportunities to exchange information.<br>In accordance with the NRA, the department will continue with current effective purchasing arrangements to prevent the introduction of unwarranted competition restrictions. In terms of the current National Competition Policy Legislative Review Program, all priority legislative reviews have been completed.<br>Victoria's Reducing the Regulatory Burden project was announced by the Treasurer in the state budget on 30 May 2006. Consumer Affairs Victoria (CAV) leads this initiative for the department. This project commits the Victorian Government to reducing both the administrative and compliance burden of regulation. Strategies are currently under development and by May 2007, every department was required to develop and implement a strategy for reducing the major administrative burdens identified through review of legislation administered by their Minister(s). In addition, departments are required to submit proposals for review of compliance burdens in legislation and propose reductions.<br>Proposal submissions to the Department of Treasury and Finance for funding to review compliance burdens include:<br>• Consumer Affairs Victoria (CAV)/Business Licensing Authority (BLA) Occupational Licensing Review;<br>• Victoria Police Reduction of Regulatory Burdens on Firearms, Private Security and Controlled Weapons Licence and Registration Holders; and<br>• Department of Justice Better Business Regulation Stage 3 (Rollout of Process Maturity and Performance Measurement assessments across Justice regulators).<br>In the context of gambling regulation, the Productivity Commission and the National Competition Council (NCC) have both agreed that a relatively high level of regulatory controls is justifiable, as gambling regulation is focused on ensuring probity, harm minimisation and consumer protection. The NCC has also accepted that national consistency in Gambling regulation may not be achievable given the significantly different industry structures that exist in each jurisdiction. In short, it is accepted that in relation to gambling, regulatory controls are in the public interest. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Justice *(continued)* | | The department is currently reviewing the licensing arrangements for public lotteries. In addition, the department is currently reviewing the licensing arrangements for electronic gaming machines, club keno, wagering and funding arrangements for the racing industry post 2012. The department will provide advice to government in relation to post-2012 licence structures and funding arrangements in the latter part of 2007.<br>Other regulatory areas of activity subject to COAG reforms include:<br>• business registration;<br>• Personal property securities;<br>• product safety; and<br>• trade measurement.<br>In terms of growing the workforce, the NRA encourages a focus on those groups with the greatest potential to increase their participation. The department has been proactive in recognising and encouraging this potential, particularly in the key groups of women, youth and indigenous Australians.<br>The department continues to address occupational health and safety (OHS) issues as a measure of ongoing workforce participation and has developed an OHS strategy and action plan for 2005 to 2007. It has implemented a number of key strategies focused on establishing a systematic approach to the management of occupational health and safety risks.<br>The NRA states that cross-jurisdictional collaboration has been advanced through bi-lateral agreements on service delivery to indigenous Australians. There are currently no bilateral agreements in place between Victoria's Department of Justice (DOJ) and the Commonwealth on justice issues for the indigenous community. However, the Victorian Government, in partnership with the Lake Tyers community, Commonwealth and local government committed itself to a ten year Lake Tyers Community Renewal Project in 2005. To demonstrate its commitment, the state government announced a $3.2 million commitment to the Renewal Project in 2005-06. The Commonwealth Government, through the Department of Families, Community Services and Indigenous Affairs, has committed $1.5 million for a sewerage system up-grade much needed in Lake Tyers. The Commonwealth has also provided funding for a range of home maintenance repairs and assisted in domestic road upgrade. Both state and Commonwealth Governments have also focused on providing employment opportunities through the Renewal Project, with an Employment Development Officer on-site to increase employment outcomes for residents. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Premier and Cabinet | As well as initiating the National Reform Agenda through the A Third Wave of National Reform report, the department has actively supported the development of the National Reform Agenda through COAG meetings, chairing and participating in COAG working groups, and promoting Victoria's approach to the National Reform Agenda through Senior Officials Meetings (SOM). It has also established a National Reform Secretariat to work on COAG and the National Reform Agenda. Capacity has been achieved through reprioritisation of resources. | The department has continued to take a very active role in supporting the development of the NRA through COAG meetings, chairing of and representation on COAG working groups and promoting Victoria's approach to NRA through senior officials meetings.<br>The Council for the Australian Federation (CAF) was established in October 2006. CAF will facilitate state and territory leaders to discuss issues of national importance. In addition, the creation of the COAG Reform Council (CRC) represents an important forum intended to monitor reform under the NRA.<br>The creation of CAF and CRC will strengthen cooperation between Australian governments and improve the services delivered to Victorians.<br>Implementation of the NRA over 25 years is estimated to increase Australia's GDP by 9 per cent to 14 per cent.<br>The NRA proposes a strategic and holistic approach to lifting productivity and increasing workforce participation through reform in the areas of competition, regulation and human capital. If implemented as envisaged by Victoria, the NRA will fundamentally reshape Commonwealth-State relations and provide a major new source of funding for health and education and competition and regulation reform. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Primary Industries | The department is participating in whole of government NRA activities including the development of a workforce participation strategy for Victoria, with an emphasis on building the capacity of the workforce and addressing barriers and disincentives. The department has been involved in the deregulation of industries in the Agriculture portfolio and adopting a flexible, outcome focused regulation in areas including earth resources, fisheries and biosecurity. It is also actively involved in implementing regulatory reform in the water area. The full impact of the NRA on departmental services is currently unclear. Given its regulatory role in relation to various primary industries, there is likely to be some impact on the department's activities as a result of a coordinated, whole of government approach to regulatory reform. The extent of that impact will not be clear until the actions required have been fully developed. | The department is participating in the competition stream of the NRA by developing and implementing the COAG energy market reforms. The department's energy policy services are resourced to deliver the relevant advice for, and related development of, Victoria's share of the transfer of energy regulation to the national energy market reform framework.<br>COAG has directed the Ministerial Council on Energy to implement the agreed reform program. The program includes establishing a National Energy Market Operator, an enhanced national planning function for the power transmission system, the development of national legislation and Rules for regulating the distribution and retailing of electricity and gas (apart from price regulation), and oversight and funding of the national energy market institutions, the Australian Energy Market Commission and the Australian Energy Regulator.<br>The department is leading the development of the national framework for distribution and retailing, and contributes substantially to the implementation working groups for the other components of the national energy market reform program.<br>The department is also participating in broader Victorian government regulation reform efforts in areas like water and reducing red tape.<br>The Department of Sustainability and Environment (DSE) is the lead agency in relation to the state and national reforms on water. While the department is working closely with DSE, any changes to legislation/regulations is the responsibility of the Minister for Water and DSE and therefore not the direct responsibility of the department. |
| Sustainability and Environment | The department is supporting the Climate Change Group (CCG) and undertaking work for the Natural Resources Management Ministerial Council (NRMIC). The CCG's role is to oversee the implementation of the Climate Change Plan of Action's recommendations. COAG has tasked the NRMIC with examining and reporting on the possible development of emissions intensity benchmarks and environmental management systems for agriculture, which include the development of new approaches to reduce emissions from agriculture and land use, and new measures to promote carbon sequestration in agriculture and land use. | In February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high level inter-jurisdictional Climate Change Group to oversee implementation of the Plan's recommendations.<br>COAG decided that the Climate Change Group will prepare a National Adaptation Framework for its review.<br>COAG agreed to progress review of regulatory 'hot spots', including environmental assessment and approvals processes under the *Environmental Protection and Biodiversity Conservation Act 1999*.<br>COAG committed to streamlining and harmonising development assessment processes within jurisdictions.<br>The department is supporting these work programs under the NRA. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Treasury and Finance | The Department of Treasury and Finance is working with the Department of Premier and Cabinet on aspects of the NRA that have financial implications, or that could increase Victoria's growth prospects in the long term. | Victoria's involvement in the development of the National Reform Agenda is being coordinated by the Department of Premier and Cabinet (DPC). The DTF has been working with DPC on aspects of the agenda that have financial implications or could increase Victoria's growth prospects in the long term.<br>In considering the implications of the NRA for departmental services, COAG announced at the meeting on 13 April 2007 a number of actions to be taken by the Commonwealth and the states and territories, including Commonwealth funding to tackle diabetes. Given Victoria's recent announcements of measures for diabetes prevention, no additional impact on departmental services is expected. More broadly, ongoing discussions under the NRA umbrella could focus on future reform opportunities, including potential to manage integration and service flexibility better between levels of government. |
| Victorian Communities | The Department for Victorian Communities is not currently implementing initiatives arising from the NRA. The department will support the central agencies in implementation as necessary. | The department will contribute to the NRA through its focus on workforce participation.<br>To focus effort on the Human Capital National Reform Agenda, the COAG has agreed to 11 indicative outcomes from the reforms. A number of these outcomes explicitly seek to increase workforce participation. These include to:<br>• reduce the number of the working age population not participating and/or under participating in paid employment due to illness, injury or disability;<br>• increase the proportion of young people making a smooth transition from school to work or further study;<br>• increase the proportion of adults who have the skills and qualifications needed to enjoy active and productive working lives;<br>• improve overall workforce participation, with a particular focus on target groups, in a manner consistent with the long term interests of the individual and the economy, giving due regard to productivity; and<br>• increase the provision of flexible working arrangements within the workforce, in a manner consistent with the long term interests of the individual and the economy. |

## Table 3.3: Departmental involvement in the National Reform Agenda *(continued)*

| Department | Response to the National Reform Agenda as outlined in the response from departments to the 2006-07 Budget Estimates questionnaire | Response to the National Reform Agenda as outlined in the response from departments to the 2007-08 Budget Estimates questionnaire |
|---|---|---|
| Victorian Communities *(continued)* | | The department, through Employment Programs, is leading the development of a whole of government Workforce Participation Strategy that will be based on the findings of Victoria's Workforce Participation Taskforce.<br>The Strategy will link closely with broader Victorian Government responses to skills needs (for example, the Maintaining the Advantage initiatives and the COAG VET Reform work), seeking to increase the access of people with lower skills attainment to education, training and employment pathways.<br>The Strategy will focus on assisting specific groups that face barriers to employment back into the workforce. These target groups include women, mature age people, people with disabilities, Indigenous people and people from culturally and linguistically diverse backgrounds. The Strategy will build on the Workforce Participation Partnerships program, the new Experience Counts program, the new Disability Trainee Scheme, and the continuation of Victoria's Skilled Migration Strategy. |

*Sources: Public Accounts and Estimates Report, Report on the 2006-07 Budget Estimates, pp.95–96 and responses to the Committee's 2007-08 Budget Estimates questionnaire: Parliamentary Departments p.11, Department of Education, p.17 (first response, p.2 (third response); Department of Human Services, p.24; Department of Infrastructure, p24; Department of Innovation, Industry and Regional Development, pp.24–25; Department of Justice, pp.27–34; Department of Premier and Cabinet, pp.16–17; Department of Primary Industries, p.18; Department of Sustainability and Environment, p.27; Department of Treasury and Finance, p.17; Department for Victorian Communities, pp.15–16*

## 3.5 Summary of work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007

A summary of the work undertaken in developing the first tranche of detailed reform policies between July 2006 and April 2007 is set out below:[76]

- In the period **after the July 2006 COAG meeting**, all States and territories developed detailed reform proposals in the key human capital areas of literacy and numeracy, diabetes and early childhood development. Commitments from all States and Territories totalled more than $3 billion;
- In **February 2007** the Productivity Commission released a report titled *Potential Benefits of the National Reform Agenda* on the potential economic and fiscal impact of the NRA. The report found that the majority of benefits would arise from the human capital area of reforms;
- In **March 2007**, the Victorian Government released a consultation paper titled *Victoria's plan to improve outcomes in early childhood: one of Victoria's proposals under the National Reform Agenda*, setting out a ten year plan for laying the foundation for a brighter future for Victorian children;
- In **April 2007**, the Council for the Australian Federation released the first paper in a series designed to inform public debate on federal issues titled *Australia's Federal Future.* The second paper in this series, *The Future of Schooling in Australia*, was also released by the States and Territories in April 2007;
- **In April 2007**, the following three Victorian Action Plans were released that set out ten year visions for the Victorian and Commonwealth Governments to work together to be tabled at COAG:
  - *Victoria's Plan to improve literacy and numeracy outcomes*: Victoria committed $323.8 million in new funds over four years;
  - *Victoria's plan to address the growing impact of obesity and type 2 diabetes*: Victoria committed $137 million in new funds over four years;
  - *Victoria's plan to improve outcomes in early childhood*: Victoria committed $136 million in new funds over four years;
- Prior to the COAG meeting in April 2007, States and Territories collectively developed a *ten-point plan* outlining the key commitments required to make the NRA a success. Premiers and Chief Ministers wrote to the Prime Minister on **5 April 2007,** outlining their collective wish to reach agreement on implementation of this package of reforms;
- On **13 April 2007**, COAG met to decide on implementation of the NRA, including funding and governance arrangements. The Commonwealth and the states and territories agreed on a number of important elements of the NRA that are set out below:
  - on human capital reform, COAG agreed to some multilateral initiatives: to develop a core set of nationally consistent teacher standards for literacy and numeracy; implement diagnostic assessment systems for children in their first year of school; and develop a nationally agreed diabetes risk assessment tool;
  - the Commonwealth announced a commitment of $100 million to combat growth in type 2 diabetes at COAG to complement the commitment made by States and Territories in their jurisdictional action plans; and

[76] www.dpc.vic.gov.au, accessed 18 July 2007

- on competition and regulation reform, COAG agreed to address various regulatory hot spots, and agreed on reforms for energy, transport and infrastructure.

At the **13 April 2007** COAG meeting, a number of other matters dealing with implementing the NRA in terms of future funding and governance arrangements are summarised below:[77]

- COAG agreed that the CRC role will be to monitor progress in implementing NRA reforms and to assess the costs and benefits of reforms referred to it unanimously by COAG;
- COAG confirmed that once consolidated, new, national reform initiatives are agreed by COAG, COAG will consider referring them to the CRC. COAG would determine what represented a new reform initiative;
- The CRC will monitor the implementation of those reforms referred to it by COAG and provide COAG with annual reports on progress. As reforms are implemented and economic, fiscal and other benefits are being realised, the CRC will provide COAG with a broad ex-post assessment of the costs and benefits of individual reform packages, giving consideration to the differences between jurisdictions;
- Following receipt of the CRC's assessment of a specific reform, the Commonwealth, state and territory governments will consider if any 'fair-sharing' payments are required by any government, given the relative costs and benefits of the reforms;
- The Commonwealth confirmed its commitment to provide funding to the States and Territories on a case-by-case basis, if funding is needed to ensure a fair sharing of the costs and benefits of reform. Any Commonwealth funding:
  - could take the form of either:
    - Commonwealth or shared funding towards specific new initiatives undertaken by the Commonwealth, states and territories, at the time COAG agrees a reform proposal; or
    - 'fair sharing' outcome payments linked to achieving tangible results down the track;
  - would not include generic up-front payments;
  - would be in addition to other Commonwealth funding; and
  - would be decided on by the Commonwealth.

With regard to the outcomes derived from the COAG meeting of 13 April 2007, the Department of Premier and Cabinet concluded, in part, that:[78]

> *While the outcomes of COAG fell short of what was required, Victoria remains committed to the rationale and principles of the NRA. The NRA has generated many important policy initiatives, particularly in relation to human capital. It has been crucial in raising to a national level the importance of investment in human capital as part of future national prosperity.*
>
> *Victoria will progress future work in key human capital areas through the action plans developed for COAG. All states and Territories will continue to pursue reform in the national interest through the Council for the Australian Federation.*

[77] Council of Australian Governments, Communique, 13 April 2007, pp.1–10
[78] www.dpc.vic.gov.au, accessed 18 July 2007

# CHAPTER 4: IMPACT OF PORTFOLIO SPENDING INCLUDING NEW BUDGET INITIATIVES ON IMPROVING PRODUCTIVITY IN VICTORIA

## Key findings of the Committee:

**4.1** **In terms of long term trends, Australia's annual labour productivity growth has averaged 1.8 per cent over the past 40 years, but has varied considerably from decade to decade. It was above its long term average in the 1970s (2.0 per cent), slowed in the 1980s (1.2 per cent), but picked up again in the 1990s (2.1 per cent), accelerating noticeably from the middle of the decade. From 2000, however, annual labour productivity growth has slowed to around 1.5 per cent.**

**4.2** **Australia's multifactor productivity that grew by 1.5 per cent between 1990 and 1995, showed higher growth of 1.7 per cent from 1995 to 2000, but grew at a lesser rate of 1.3 per cent between 2000 and 2004.**

**4.3** **Relative to the United States, Australia's productivity performance in the context of multifactor productivity grew at a higher rate between 1990 and 1995 (1.5 per cent compared with 0.7 per cent) and between 1995 and 2000 (1.7 per cent compared with 1.3 per cent); but in the first four years of the 21st century, productivity growth fell behind that of the United States (1.3 per cent compared with 1.9 per cent).**

**4.4** **A comparison of Australia's multifactor productivity growth to other Organisation for Economic Cooperation and Development (OECD) countries revealed that between 1995 and 2000, Australia's productivity growth exceeded 15 OECD countries and was below that of four OECD countries. Given that between 2000 and 2004 Australia's multifactor productivity growth exceeded 12 OECD countries but was below that of seven, Australia's performance declined from where it was positioned in the second half of the 1990s.**

**4.5** **Productivity in Victoria, measured in terms in terms of Gross State Product (GSP) per hour worked, improved in the vast majority of years from 1989-90 to 2005-06, a trend that has been mirrored at the national level. Victoria has been more productive than the nation as a whole in all years from 1998-99 to 2005-06 except for 2000-01. Prior to that, Victoria has been less productive than Australia from 1989-90 to 1997-98 except for 1992-93. In terms of growth rates, Victoria experienced the greatest increases in productivity in the following years – 1992-93, 1995-96, 1997-98, 1998-99, 2001-02, 2003-04 and 2005-06 with the greatest increases occurring in 1992-93, 1998-99, 2001-02 and 2003-04.**

**4.6** **The Committee's analysis of the various measures taken across government portfolios to improve productivity in Victoria revealed a range of actions across the public sector that showed some variability in approach. Some answers focused on 'macro' or wider productivity action and impact (for example, improved skills and improved health impacts). Conversely, other responses centred on 'micro' impacts, such as specific program savings within portfolios or individual programs.**

**4.7** **The estimates hearing process with Ministers identified in various departments examples within particular portfolios that demonstrate improvements in productivity in the past or potential for doing so in the future (further commentary and statistical analyses will be included in the Committee's sequel to this report, the *Report on the 2006-07 Budget Outcomes*, which is planned to be tabled later this financial year).**

**4.8** **The Committee noted from its inquiries through the estimates hearings, the vital role the following mechanisms will be required to play in enhancing Victoria's productivity in future:**

- **research and development (for example, through evidence taken from the Minister for Agriculture);**
- **innovation and the use of new technology (for example, through evidence taken from the Minister for Health and the Minister for Finance, WorkCover and the Transport Accident Commission);**
- **robust infrastructure (for example, through evidence taken from the Minister for Public Transport and the Minister for Roads and Ports); and**
- **services provided by the non-government sector (for example, through evidence taken from the Minister for Housing and the Minister for Victorian Communities).**

**4.9** **The Committee believes that Victoria needs to continue focusing on these areas in terms of policy development and budget formulation in future while implementing the National Reform Agenda and its thrust for productivity improvement.**

## 4.1 Introduction

As indicated in Chapter 3 of this report covering the National Reform Agenda, the advent of slowing productivity growth poses a long term challenge for Victoria.[79] The National Reform Agenda (NRA) announced by the Council of Australian Governments will contribute to growth in productivity and labour force participation. It aims to build on the gains made by the National Competition Policy agenda. The NRA provides a framework for boosting competition in the areas of transport, energy and infrastructure; reducing the regulatory burden imposed by the three levels of government; and delivering improvements to human capital.[80]

[79] According to the Productivity Commission www.pc.gov.au/commission/work/productivity/primer/index.html, accessed 4 September 2007:
- productivity measures the rate at which outputs of goods and services are produced per unit of input (labour, capital, raw materials, etc). It is calculated as the ratio of the quantity of outputs produced to some measure of the quantity of inputs used; and
- depending on the context and the selection of input and output measures, productivity calculations can have different interpretations. Productivity can have connotations of minimising the use of inputs - for example, reflecting efficient production processes that minimise waste. Equally, productivity can have connotations of maximising output - reflecting the use of resources in the production of goods and services that add the most value.

[80] Commonwealth of Australia, the Treasury, *Intergenerational Report 2007, Part 1*, p.7

In terms of examining the link between productivity and economic growth, the Committee acknowledges that state governments have a critical role in sustaining economic growth over the long term. A key way in which state governments can influence the future path of economic growth is through *fostering productivity growth* by providing access to high quality eduction and training, encouraging innovation and creating a vibrant business environment that promotes investment and job creation.[81]

The Committee also noted that according to the Victorian Government's submission to the Productivity Commission's Research Study on the *Economic implications of an Ageing Australia* in November 2004:

> *Improving productivity growth is likely to be the primary way in which we can help address the fiscal pressures of an ageing population. Even small gains in annual productivity growth will produce significantly higher living standards in 30 to 40 years time, increasing future capacity to pay for the higher service needs of the aged. In 'Victoria: Leading the Way' the Victorian Government outlined its commitment to securing future economic prosperity by building a competitive, innovative economy.* [82]

Australia's productivity performance has not been consistently good according to the Treasurer, particularly compared with the United States.[83]

In the light of the Treasurer's comments, the Committee was interested in examining material connected with the Australia's productivity in the context of understanding trends and comparisons to other countries, especially the United States. The Committee was also interested in examining trends in Victoria's productivity, growth rates in productivity and comparisons to Australia. Information accessed and subject to analysis by the Committee is set out below.

## Australia's productivity – Multifactor productivity

According to the Organisation for Economic Cooperation and Development (OECD), multifactor productivity is defined as *Quantity index of combined inputs = Quantity index of (different types of) labour, capital, energy, services, each weighted with its current price share in total gross output.*[84] Multifactor productivity measurement helps disentangle the direct growth contributions of labour, capital, intermediate inputs and technology.[85] This is an important tool for reviewing past growth patterns and for assessing the potential for economic growth.[86]

The Productivity Commission indicates that, in principle, multifactor productivity is a better indicator of efficiency than labour productivity. It measures how efficiently and effectively the main factors of production – labour and capital – combine to generate output.[87]

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81 Department of Treasury and Finance, *Shaping a Prosperous Future*, discussion paper, April 2003, p.i

82 Victorian Government, Preparing for Victoria's Future Challenges and Opportunities in an Ageing Population, November 2004, p.8

83 Hon. J Brumby MP, Treasurer, 2007-08 Budget Estimates hearing, transcript of evidence, 4 May 2007, p.5

84 OECD, Measuring Productivity, OECD Manual, Measurement of Aggregate and Industry-Level Productivity Growth, p.18

85 ibid., p.20

86 ibid.

87 www.pc.gov.au/commission/work/productivity/primer/measures.html, accessed 4 September 2007

In analysing information compiled by the OECD, Australia's multifactor productivity that grew by 1.5 per cent between 1990 and 1995, showed higher growth of 1.7 per cent from 1995 to 2000, but grew at a lesser rate of 1.3 per cent between 2000 and 2004.[88] Relative to the United States, the Committee observed that Australia's productivity performance in the context of multifactor productivity grew at a higher rate between 1990 and 1995 (1.5 per cent compared with 0.7 per cent) between 1995 and 2000 (1.7 per cent compared with 1.3 per cent); but in the first four years of 21st century, productivity growth fell behind that of the United States (1.3 per cent compared with 1.9 per cent).[89]

A comparison of Australia's multifactor productivity growth to other OECD countries is set out below:[90]

- 1990-1995 – Australia's productivity growth exceeded or was equal to 12 OECD countries and was below that of four OECD countries;
- 1995-2000 – Australia's productivity growth exceeded 15 OECD countries and was below that of four OECD countries; and
- 2000-2004 – Australia's productivity growth exceeded 12 OECD countries but was below that of seven OECD countries.

The Committee noted that between 1990 and 2004, Australia's multifactor productivity growth was well below that of Ireland and Greece and from 1995 to 2004 was well below that of Finland.[91]

### Australia's productivity – Labour productivity growth

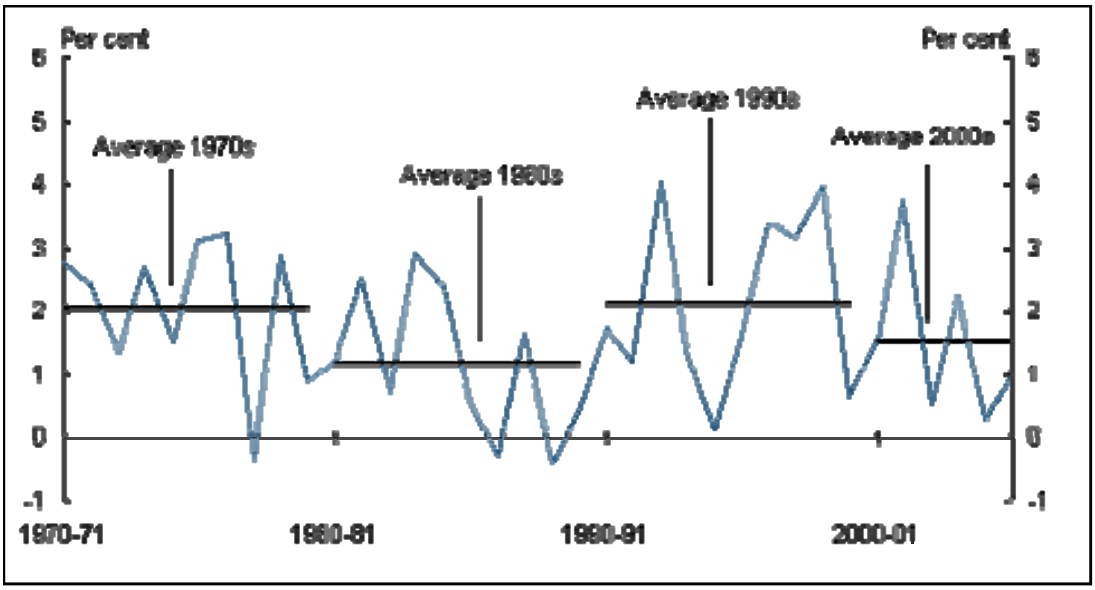
Labour productivity is a measure of the quantity of goods and services produced per hour of work. As labour productivity grows, higher levels of output are produced with given labour inputs. Growth in labour productivity will be the key determinant of real GDP growth in the decades ahead. Faster labour productivity growth would enable higher growth for real GDP, real GDP per person and real wages over the projection period.

In terms of examining labour productivity growth, Australia experienced strong productivity growth in the 1990s, following decades of lagging behind other major developed countries, although productivity growth has slowed somewhat this decade.[92]

Australia's annual labour productivity growth has averaged 1.8 per cent over the past 40 years but has varied considerably from decade to decade (figure 4.1). It was above its long term average in the 1970s (2.0 per cent), slowed in the 1980s (1.2 per cent), but picked up again in the 1990s (2.1 per cent), accelerating noticeably from the middle of the decade. From 2000, however, annual labour productivity growth has slowed to around 1.5 per cent.

88 http://stats.oecd.org/WBOS/default.aspx?DatasetCode=MFP, accessed 4 September 2007
89 ibid.
90 ibid.
91 ibid.
92 Commonwealth of Australia, The Treasury, *Intergenerational Report* 2007, Part 1, p.28

**Figure 4.1: Australia's labour productivity growth (real GDP per hour worked)**

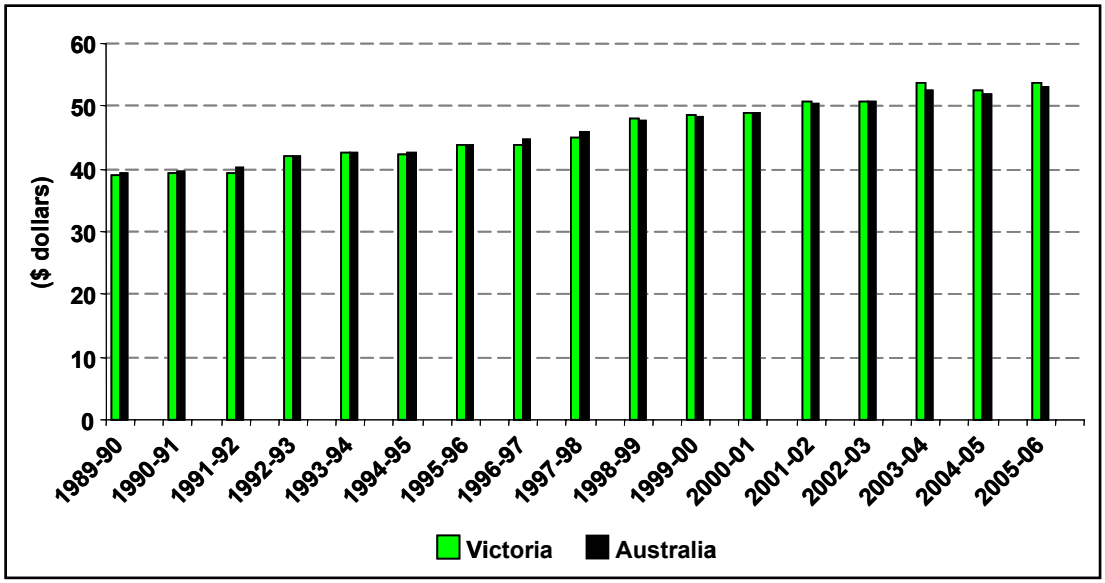



*Source: Commonwealth of Australia, The Treasury, Intergenerational Report 2007, Part 2, p.5*

### Trends in Victoria's productivity and productivity growth rates and comparisons to Australia – GSP per hour worked

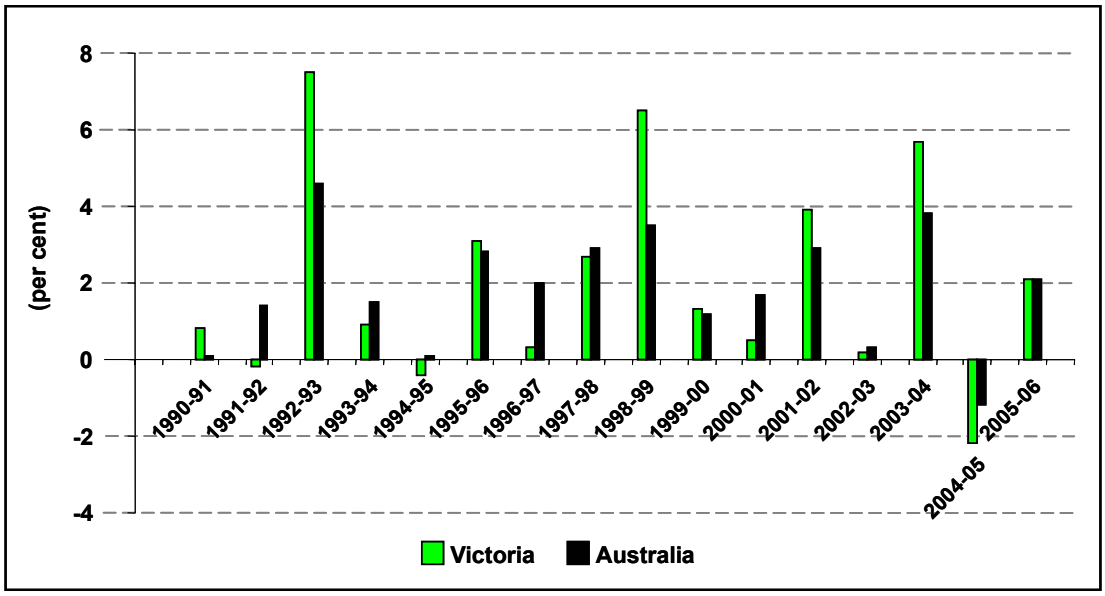
Figures 4.2 and 4.3 show that productivity in Victoria, measured in terms in terms of Gross State Product (GSP) per hour worked, improved in the vast majority of years from 1989-90 to 2005-06, a trend that has been mirrored at the national level. The Committee also noted that Victoria has been more productive than the nation as a whole in all years from 1998-99 to 2005-06 except for 2000-01. Prior to that, Victoria has been less productive than Australia from 1989-90 to 1997-98 except for 1992-93. In terms of growth rates, Victoria experienced the greatest increases in productivity in the following years – 1992-93, 1995-96, 1997-98, 1998-99, 2001-02, 2003-04 and 2005-06 with the greatest increases occurring in 1992-93, 1998-99, 2001-02 and 2003-04.

**Figure 4.2: Trends in Victorian productivity GSP per hour worked 1989-90 to 2005-06**




*Sources: Australian Bureau of Statistics (Cat.No.5220.0 and 6202.0) and Budget Paper No.3, 2007-08 Service Delivery, p.357*

**Figure 4.3: Trends in growth rates in Victorian productivity 1989-90 to 2005-06**




*Sources: Australian Bureau of Statistics (Cat.No.5220.0 and 6202.0) and Budget Paper No.3, 2007-08 Service Delivery, p.357*

Trends in Victoria's productivity and productivity growth rates and comparisons to Australia – GSP per hour worked are shown numerically in table 4.4 below.

**Table 4.4: Trends in Victoria's productivity, growth rates in productivity and comparisons to Australia GSP per hour worked – 1989-90 to 2005-06**

| Year | GSP per hour worked ($) | | Growth rates (%) | |
|---|---|---|---|---|
| | Victoria | Australia | Victoria | Australia |
| 1989-90 | 39.0 | 39.4 | | |
| 1990-91 | 39.3 | 39.5 | 0.8 | 0.1 |
| 1991-92 | 39.2 | 40.1 | -0.2 | 1.4 |
| 1992-93 | 42.1 | 41.9 | 7.5 | 4.6 |
| 1993-94 | 42.5 | 42.6 | 0.9 | 1.5 |
| 1994-95 | 42.4 | 42.6 | -0.4 | 0.1 |
| 1995-96 | 43.7 | 43.8 | 3.1 | 2.8 |
| 1996-97 | 43.8 | 44.7 | 0.3 | 2.0 |
| 1997-98 | 44.9 | 46.0 | 2.7 | 2.9 |
| 1998-99 | 47.9 | 47.6 | 6.5 | 3.5 |
| 1999-00 | 48.5 | 48.2 | 1.3 | 1.2 |
| 2000-01 | 48.8 | 49.0 | 0.5 | 1.7 |
| 2001-02 | 50.7 | 50.5 | 3.9 | 2.9 |
| 2002-03 | 50.8 | 50.6 | 0.2 | 0.3 |
| 2003-04 | 53.7 | 52.5 | 5.7 | 3.8 |
| 2004-05 | 52.5 | 51.9 | -2.2 | -1.2 |
| 2005-06 | 53.6 | 53.0 | 2.1 | 2.1 |

*Note:* *Chain volume measure, 2004-05 prices*

*Sources:* *Australian Bureau of Statistics (Cat.No.5220.0 and 6202.0) and Budget Paper No.3, 2007-08 Service Delivery, p.357*

The relevance and contribution of the Victorian budget to statewide or sector productivity and departmental or program productivity and savings are discussed below.

## 4.2 Impact of the Victorian budget outlays on productivity

As part of the budget estimates hearing process, the Committee requested Ministers to explain the impact that the portfolio spend, particularly new initiatives, will have on productivity. Inquiring into initiatives that support productivity in Victoria formed a major theme of the 2007-08 Budget Estimates inquiry process. An extract from one of the budget estimates hearings demonstrates this focus where the Committee's Chair posed the following question to the Minister:[93]

[93] Hon. T Holding MP, Minister for Finance, WorkCover and Transport Accident Commission, 2007-08 Budget Estimates hearing, transcript of evidence, 31 May 2007, p.4

> *... my focus is actually on productivity, both specifically and in general, in terms of the state. I think it is very important that we actually improve productivity. Over the last decade Australia has not had a good record in terms of productivity, so can you tell us, in terms of your portfolio (or maybe your portfolios if you like) for the next financial year, what impact do you predict the portfolio spend and policies will have on productivity, particularly new policy initiatives?*

This line of questioning, which was commonplace among the various hearings held, was particularly relevant, given the significance of measures introduced at a national level that are designed to improve productivity at the state and territory level and thereby the nation's overall productivity, living standards and economic prosperity.

The Committee's analysis of the various measures taken across government portfolios to improve productivity in Victoria revealed a range of actions across the public sector. Section 4.4 sets out examples of some of the key portfolio responses per department that were provided to the Committee in this regard. While general comments about efficiency savings have been included in Chapter 2 of this report, Section 4.4 also includes examples of efficiency initiatives that relate to some of the six areas earmarked by the government as part of its *Efficient Government* policy.

Some of the examples provided by Ministers through evidence taken at the estimates hearings that demonstrate improvements in productivity in the past or potential for doing so in the future with quantifiable data are described below (further commentary and statistical analyses will be included in the Committee's sequel to this report, the *Report on the 2006-07 Budget Outcomes*, which is planned to be tabled later this financial year).

### Health

Victoria has experienced growth in the number of admissions, while the total number of people on waiting lists for elective surgery is declining – the widening gap between those indicators is the productivity shown in hospitals. They are getting more resources but they are increasingly more productive. According to nationally accepted indicators, Victoria's hospitals are now the most efficient. Over the past five years, Victoria has had a lower cost per casemix adjusted separation than the Australian average. Victoria has a lower average length of stay, and emergency department performance exceeds the other states and territories as is the case with elective performance.

With regard to clinical practice improvement, in some of the most basic surgical areas, practices that used to keep people in hospital for between seven and ten days are now same day procedures in many of Victoria's hospitals. This is because of the growth in expertise, new treatment technologies and processes that have increased the effectiveness of hospitals such as the use of imaging technology.

### Housing

Increasing the provision of housing options by leveraging non-government assets in partnership with housing associations has the potential to deliver between 25 and 30 per cent more housing units than could be achieved under government investment alone.

### Roads and Ports

The 39 kilometre EastLink project is anticipated to generate in the vicinity of $15 billion worth of economic activity to the state when it opens, while in relation to the Monash West Gate corridor, around $1 billion spending will be directed at one of the state's busiest corridors and address congestion.

### Police and Emergency Services

During the term of the government an additional 46 forensic staff have been engaged, and the government is committed to further increasing that by 25. Those additional staff will deal with the predicted growth in demand for DNA samples, which is expected to grow to 45,000 by 2010. With additional equipment to be acquired that can work quicker, police expect that the processing capability will be at 50,000 samples per annum by that time.

### Agriculture

Broadacre farm productivity growth averaged 3.26 per cent per year between 1989 and 2004. At that rate of productivity growth, it takes only 22 years for farmers to double the output comparative to their inputs. In the grain sector, for example, where productivity has grown at 4.89 per cent per year, it takes only 15 years to double that output. Continued strong growth in farm productivity also reduces agriculture's call on the nation's resources. (In comparison, productivity growth per head for the Australian economy was 2.1 per cent a year in the decade ending 2000-01, and has averaged 1.1 per cent in the first three quarters of 2006-07).

### Energy and Resources

In terms of the impact of the Victorian Initiative for Minerals and Petroleum, each dollar spent on geological data generates between $5 and $9 in expenditure by industry. This will support economic growth, particularly in regional Victoria.

Mining also generates significant flow-on employment with 32,000 people employed in the petroleum, coal, chemical and associated product manufacturing sector; 41,900 in metal product manufacturing; and 8,900 in non-metallic product manufacturing.

### Women's Affairs

Initiatives directed at family violence and the *Safer Families* training program will assist in contributing to productivity, given that the cost of family violence to the Victorian economy is $2 billion every year. More investment that can be directed at initiatives aimed at reducing family violence will lead to more productive people and reduce that cost to the Victorian economy.

### Planning

Electronic conveyancing is a world leading initiative that brings the property conveyancing process into the e-commerce world. Additional funding of $6 million was provided in the budget to complete the electronic conveyancing (EC) system. The EC is estimated to result in $70 million worth of annual savings to Victorian industry and the community by 2012, which equates to a saving of $395 per four-party settlement.

### Water, Environment and Climate Change

The irrigation industry is a key economic industry for the state. The Shepparton irrigation project illustrates how productivity is improving through the budget, whereby that irrigation system will be more efficient by some 50 billion litres of water a year. That is, water that is now otherwise not used as efficiently as it might be. Assisting irrigation to be as efficient as possible is a key productivity target for the government.

### Finance, WorkCover and the Transport Accident Commission

According to international and national research, the most significant productivity benefits flowing to the Australian economy over the past five to ten years have been in the technology area. Around 85 per cent of the productivity improvements in the manufacturing sector and about 78 per cent of the productivity improvements in the services sector are as a consequence of embracing new technology. According to the Minister, over the next 25 years, the greatest yield that the Australian economy will generate from improved productivity will be from the management of integration and the uptake of new technology.

### Victorian Communities

A program is being funded to try and look at the productivity arrangements and the strengthening of the non-government organization (NGO) sector of the community. Funding has been provided for SCOP (Stronger Community Organisations Project), an initiative being undertaken in conjunction with individual NGOs, like VCOSS, umbrella organisations and individuals. This initiative is going to examine the complex pressures that NGOs are experiencing, for example, how their financial and organisational position and the strength of their leadership may be improved in the years ahead.

## 4.3 Productivity reporting improvements

The Committee noted that there was some variability in the responses by Ministers and departments to questioning on actions to improve productivity. Some answers focused on 'macro' or wider productivity action and impact (for example, improved skills and improved health impacts). Other responses focused on 'micro' impacts, such as specific program savings within portfolios or individual programs.

The Committee recognises that action at all levels is needed to improve productivity, including for example through micro-economic and structural reform in the non-government sector, without compromising the close relationship voluntary organisations have with the community.

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.

The Committee looks to more consistent reporting on productivity next year and will develop a more sophisticated framework in its questionnaire to elicit both efficiency measures at a departmental level that contribute to workplace productivity as well as program actions (for example, in skills development, infrastructure development for schools, roads and ports development and health management) that contribute to national and statewide productivity gains.

The Committee believes that departments should strive to develop and report more efficiency related indicators that measure productivity in order to analyse, improve and be accountable for performance on an ongoing basis. Savings generated that are directed back into programs should also be reported in annual reports. The nexus between these indicators and the various components of the National Reform Agenda (that is, the human capital, regulatory reform and competition streams) and the visions and goals of the *Growing Victoria Together* initiative as well as other key government policies should be made transparent. Such action, which would need to be consistent with COAG policy in terms of NRA measures to be developed, would promote the concept of continuous improvement across agencies and enhance accountability surrounding the implementation of micro-economic reform in this state.

The Committee recommends that:

**Recommendation 5:** **A more consistent framework for addressing productivity improvements be articulated by the Department of Treasury and Finance that includes local workplace efficiency gains as well as macro-economic impacts through program initiatives.**

**Recommendation 6:** **The Department of Treasury and Finance explain in the budget papers how the budget strategies and associated output and asset initiatives (which extend across government agencies, the *Growing Victoria Together* vision and goals as well as other key government policies) are designed to improve Victoria's productivity and associated outcomes for the community.**

**Recommendation 7:** **The Department of Treasury and Finance disclose in the budget papers specific productivity targets to be achieved as a result of the introduction of budget initiatives where considered appropriate.**

**Recommendation 8:** **Departments disclose in the budget papers key performance measures relating to productivity by the linking of outputs to inputs.**

**Recommendation 9:** **The Victorian Government commission a project designed to explore potential areas in the context of micro-economic reform where opportunities exist across government agencies and the non-government sector to improve productivity. Consultation could then occur for such areas to be considered for detailed examination either internally by government departments or by the State Services Authority or the Auditor-General.**

**Recommendation 10:** **As the non-government sector performs a pivotal role in the delivery of services to the Victorian public, departments and non-government organisations need to continuously critically examine ways of improving productivity.**

**Recommendation 11:** **In order to clearly establish the link between budget outlays and productivity, departments develop an appropriate range of robust efficiency indicators for reporting in their annual reports the effectiveness of their government funded programs in terms of enhancing productivity according to the three streams of the National Reform Agenda.**

| | |
|---|---|
| **Recommendation 12:** | **Departments disclose in their annual reports examples of where savings generated through productivity improvement are channelled into service delivery.** |
| **Recommendation 13:** | **Using the demonstrated benefits experienced in the agriculture portfolio as a benchmark, departments follow the lead in the budget, which calls for an emphasis to be placed on research and development to improve the national and international competitiveness of Victorian businesses and help foster economic growth.** |
| **Recommendation 14:** | **Based on analyses of costs and benefits, governments consider investing more, both statewide and particularly federally, in infrastructure because of the contribution good infrastructure (such as public transport and roads and ports) makes to improving the growth in productivity.** |

## 4.4 Supplementary information

### Table 4.5: Impact of portfolio spends on productivity

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| **Department of Education** | |
| Education | With regard to the $555 million capital investment in Victoria's schooling system, 131 government schools will receive this funding in 2007-08 for rebuilding, modernisations or the building of totally new schools. Teaching in better facilities such as modern classrooms promotes better teaching and productivity.<br>The $249 million invested in recurrent outputs is designed to improve the art of teaching and learning. Initiatives aimed at introducing best practice in schooling, professional development and or leadership contributes to better productivity.<br>There is a strong correlation between the time spent in schooling and the time people remain in the workforce and productivity. |
| **Department of Human Services** | |
| Children | Early investment in children contributes to better outcomes for those children and opportunities for them to be productive adults and contribute to the Victorian economy and community. The budget has an emphasis on early years investment, access to child care, early childhood health services, access to kindergarten programs and the important transition year into school.<br>A significant deterrent for women entering the workforce is access to child care. The Victorian budget provides a number of initiatives designed to improve access to child care, such as through the provision of children's centres. Victoria has earmarked 20 new centres to be built over the next four years.<br>Funding provided in the budget will establish a number of scholarships to upgrade the skills of kindergarten teachers and early childhood workers. The scholarships will assist kindergartens and childcare centres to access more highly qualified staff to continue to improve the quality and productivity of early childhood education and care services.<br>**Efficiency measures**<br>The Community Sector Investment Fund (CSIF) has commenced a number of projects that assist Community Service Organisations (CSOs) to reduce their costs: for example, it has arranged for them to access government fuel purchasing contracts.<br>The CSIF has created 39 CSO Networks, providing grants of up to $90,000 and a further $5,000 to evaluate each one. One example is Central Hume Support Services located in Wangaratta. This network brings together Cooroonya Domestic Violence Services and Upper Hume Community Health Service, to provide increased productivity through provision of joint IT support and management, group purchasing, fleet management and administrative processes. |
| Community Services | In terms of disability services, a new Disability Services Commissioner is charged with the obligation of ensuring that services are provided in an efficient and effective fashion. An Office of the Senior Practitioner drills down into what the effective and appropriate treatment regime would be to ensure best practice is being applied in that sector. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| Health | There have been over 40 service innovations implemented in the system to ensure people are receiving the right care in the most appropriate setting and that health system funding is used efficiently. These innovations range from:<br>• keeping people well – early detection and referral through programs like Nurse-on-Call;<br>• targeted programs for people with chronic disease such as the Hospital Admission Risk Program (HARP) program;<br>• being more effective and efficient in the way services are delivered in emergency departments through things like 'see and treat' and short-stay units; and<br>• greater use of IT and other enablers within the system.<br>In terms of results, Victoria has experienced growth in the number of admissions while the total number of people on waiting lists for elective surgery is declining – the widening gap between those indicators is the productivity that is shown in hospitals. They are getting more resources but they are increasingly more productive.<br>According to nationally accepted indicators, Victoria's hospitals are now the most efficient. Victoria has a lower cost per casemix adjusted separation than the Australian average, and that has been the case for the last five years. Victoria has a lower average length of stay, and emergency department performance is the best of any state and territory as is elective performance.<br>Various cost reduction strategies have been introduced such as the creation of:<br>• Health Purchasing Victoria;<br>• nurse banks have seen services drive down costs; and<br>• new models of care, such as medi-hotels where people can have oversight before they have an operation, but they are not in a very high expense acute bed because that is not necessary for them at that stage in their care.<br>With regard to clinical practice improvement, in some of the most basic surgical areas, practices that used to keep people in hospital for between seven and ten days are now same day procedures in many of Victoria's hospitals. This is because of the growth in expertise, new treatment technologies and processes that have increased the effectiveness of hospitals such as the use of imaging technology. |
| Housing | Specific measures have been introduced to improve the productivity of social housing. These include:<br>• increasing the provision of housing options by leveraging non-government assets in partnership with housing associations. This has the potential to deliver between 25 and 30 per cent more housing units than could be achieved under government investment alone;<br>• the utilisation of Commonwealth rent assistance. Housing associations will be able to achieve more financial sustainability as they will be able to access subsidies such as Commonwealth rent assistance, albeit that this is not available to tenants who are in public housing; and<br>• the reduction of asset maintenance liability. The disposal of older maintenance intensive properties and the replacement with new stock will have a significant impact in terms of the budget and the capacity to generate funds back into the public housing system. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| Mental Health | The budget has an emphasis on prevention and diversion, thereby avoiding higher downstream costs in mental health and drug treatment services. Programs that contribute to that include:<br>• the Youth Early Psychosis program, which is aimed at reducing disability in the longer term;<br>• reducing the use of tertiary mental health services and other services like police; and<br>• prevention and recovery care services, ensuring more appropriate targeting of treatment which reduces readmission rates into hospitals and downstream costs. |
| **Department of Infrastructure** | |
| Public Transport | In terms of the workforce, if people can move more quickly from home to work and work to home, this increases productivity. Also the rail freight network and the buyback of Pacific National will impact, both in terms of the viability and sustainability of the country rail freight network, but also the links with the port are critical for the state's productivity.<br>Reducing congestion on the roads and investing in public transport contributes to productivity in terms of family life and the time that people can spend with their families.<br>Considering productivity in the context of improvements that can be made in the environment contributes to reductions in emissions, and that assists with broader capacity in terms of productivity across the state. |
| Roads and Ports | Investing in roads not only saves lives, it reduces travel times and delivers economic benefits through improvements to the freight access system.<br>About 88 per cent of all public transport journeys are made on our road system. The road system makes a substantial contribution to productivity in terms of access to work and the movement of freight.<br>Direct investments made by the state include the following:<br>• $30 million through the congestion improvement plan to tackle some of Melbourne's biggest congestion hotspots;<br>• $110 million into outer metropolitan roads. These arterial roads are essentially the building blocks of the state's transport system, particularly in outer metropolitan areas, where there is a higher dependency on road based public transport than there is access to the rail based system;<br>• the commitment of $62.5 million to begin the first stage of stage four of the Geelong Ring Road is aimed at reducing travel times and improve the reliability of freight and people movement;<br>• $7.3 million for improving walking and cycling options is aimed at, not only improving productivity by reducing congestion in respect of certain parts of the network, but also providing for healthier lifestyles in terms of the community more generally; and<br>• in terms of the more substantial ongoing investments, the 39 kilometre EastLink project, which is anticipated to generate in the vicinity of $15 billion worth of economic activity to the state when it opens and the Monash West Gate corridor – around $1 billion spending that will deal with one of the state's busiest corridors and address congestion. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| **Department of Innovation, Industry and Regional Development** | |
| Industrial Relations | The government is looking at a $1.2 million project for the development of an online workplace tool kit, which advises employees and employers on opportunities for parents returning to work. A more family friendly workplace is a more productive workplace. Also the government is going to amend the Equal Opportunity Act, which means that mothers, in particular, will be able to request family friendly work hours and more flexible work arrangements. These measures should also lead to productivity improvements. |
| Skills | The budget builds on the prior investment in delivering more places for apprenticeships and traineeships and the investment in TAFE capital works and new TAFE facilities. More than $38 million has been provided to expand and equip Victorian TAFE institutes for the future. |
| **Department of Justice** | |
| Attorney-General | The budget initiatives will create more efficient courts in the form of quicker access to justice. Less costly resolution of commercial disputes is one way the courts contribute to the economy of this state. It is not always possible to place a dollar amount on better outcomes when it comes, for example, to improved ways the justice system deals with victims of crime or victims of family violence.<br>The budget invests $45.3 million over four years to provide additional resources to the County and Supreme courts. That will involve reducing court delays and therefore the expenses and risks associated with lengthy delays. Lengthy delays in commercial matters, for instance, are costly for litigants. Lengthy criminal trials or lengthy delays in criminal trials can actually diminish of chances of successful prosecutions.<br>Some of the IT systems have been upgraded within the courts. A single technology platform is being rolled out for Victoria's courts and tribunals, which will provide productivity benefits to consumers of court services and to court staff. For the first time, court users will be able to lodge matters at any court in the state, irrespective of the particular court or court location that the matter is to be heard in, which will involve time savings. |
| Consumer Affairs | In terms of an expansion of our face to face services, there has been an expansion of the regional office network involving five principal offices and two sub-offices, as well as the outreach work, which have been an important part of delivering better and improved outcomes to Victorian consumers.<br>Online services have expanded in recent years.<br>The number of visitor sessions to the Consumer Affairs Victoria website and other associated linked websites has grown by 25 per cent each year since 2003. This represents an easy and convenient way for Victorian consumers to access information, but it is also of relevance in terms of making best use of staffing time and the staffing budget. It saves time and delivers high quality outcomes.<br>Other areas where budget spends have impacted on productivity include the following:<br>• the case management system for a range of complaints; and<br>• efficiency gains have enabled staff to service various Acts of Parliament. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| Gaming | In October last year, the $132.3 million *Taking Action on Problem Gambling* statement was launched by the Victorian Government. This is a fully funded five year plan to 2010–11. As part of this initiative, $4.3 million has been provided over five years to allow a centralised booking system and the associated IT case management functionality. The practical impact of that is that when a caller contacts the gamblers helpline, they will be able to make a direct appointment at that point of time. That is obviously about efficiency – getting a quicker response – so that those who are in crisis or need urgent care and need that sort of support quickly can obtain it.<br>The centre for excellence in problem gambling research and treatment will commence in July this year as part of *Taking Action on Problem Gambling* initiative. More than $4 million has been committed to that joint venture between Monash University and the University of Melbourne in terms of driving better research and other efficiencies in terms of treatment services. |
| Police and Emergency Services | During the term of the government an additional 46 forensic staff have been engaged, and the government is committed to further increasing that by 25. Those additional staff will deal with the predicted growth in demand for DNA samples, which is expected to grow to 45,000 by 2010. With additional equipment to be acquired that can work quicker, police expect that the processing capability will be at 50,000 samples per annum by that time.<br>Through the use of I-face and the laptops initiatives, instead of using mug books, the use of facial recognition will enable identification to occur a lot quicker.<br>Additional police cars and the building of police stations will make a difference in enabling police to respond and more effectively meet the community's needs.<br>A major project is underway within the organisation to examine the face of a computer system and the simplification of data. Some systems are being trialled at the moment to enable the input of the data to be performed more efficiently. While there is a need for greater data collection, this has to be balanced with the members who want to be in the field. A traffic information system has been initiated, which despite experiencing some problems, is being streamlined with a view to reducing the paperwork to ensure people are allowed to be out doing the job that is expected of them. |
| Racing | The government has committed $20.6 million to the racing industry development program, which will provide major capital works at racing venues. This will mean that those racing venues will be able to operate on a year round basis. The ThoroughTrack program, which is a synthetic racing surface, is being put in at Geelong, which means Geelong will be able to race all year round, which will improve productivity. Funding has also been provided to certain country tracks and upgrading facilities will improve the amenity for people who elect to go to the races. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| **Department of Premier and Cabinet** | |
| Premier's | Productivity efficiency within the Department of Premier and Cabinet will be in the areas of buying smarter, group purchasing, whole of government efforts to purchase and obtaining a better rate because of that. Treasury and Premiers have pursued common corporate services for some time. This could be taken further to look at effective purchasing, reducing the on-costs and making a saving which could be put back into programs.<br>The Government Services Group will be working with the department to identify and implement efficiencies and innovations relating to procurement and shared services. There are a lot of savings to be made by e-procurement.<br>In other areas, efficiencies will include less expenditure in consultancies.<br>Future growth and staff has also been limited. In this budget, head office staff growth across departments has been limited to a 1 per cent growth target. It is growing at about 2 per cent. |
| **Department of Primary Industries** | |
| Agriculture | Agricultural productivity has exhibited strong growth over the last few decades, and this has been at a rate more than double that achieved by other market sectors. Productivity growth is essential to the agricultural sector and has accounted for the entire increase in agricultural output by the sector over this period.<br>The broadacre farm productivity growth averaged 3.26 per cent per year between 1989 and 2004. At this rate of productivity growth, it takes only 22 years for farmers to double the output comparative to their inputs. In the grain sector, for example, where productivity has grown at 4.89 per cent per year, it takes only 15 years to double that output. Continued strong growth in farm productivity also reduces agriculture's call on the nation's resources. (In comparison, productivity growth per head for the Australian economy was 2.1 per cent a year in the decade ending 2000-01, and has averaged 1.1 per cent in the first three quarters of 2006-07).<br>Much of the government's innovation efforts from an agricultural perspective have been focused on research and development and extension. The Department of Primary Industries will continue its targeted investment in research and development and related investment. The $180 million biosciences research centre at La Trobe University is a significant driver for the department's involvement in producing productivity for the sector and injecting that research and development into the sector.<br>The agriculture sector is prepared to take up innovation, and research and development, and the department, through its science initiative and research and development initiatives, contributes to that sector having available to it the innovation that it needs to drive forward.<br>For the agricultural sector to still be in the strong position that it is in terms of trade, for example, and in terms of exports, it can only achieve that through significant productivity growth. |
| Energy and Resources | In terms of the impact of the Victorian Initiative for Minerals and Petroleum, each dollar spent on geological data generates between $5 and $9 in expenditure by industry. This will support economic growth, particularly in regional Victoria.<br>Mining also generates significant flow-on employment with 32,000 people employed in the petroleum, coal, chemical and associated product manufacturing sector; 41,900 in metal product manufacturing; and 8,900 in non-metallic product manufacturing. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| **Department of Sustainability and Environment** | |
| Planning | With regard to the work being done in planning as part of Melbourne 2030 and the impact on productivity across the state, building (domestic, commercial or industrial) is a key driver for employment and the state of the economy. By speeding up the process, efficiencies can be delivered, for example, by cutting red tape. If we can cut red tape, we can deliver efficiencies in the planning permit application process. If projects can get off the ground sooner, it means there is an opportunity for increased growth in the economy and more jobs to go with it.<br>Electronic conveyancing is a world leading initiative that brings the property conveyancing process into the e-commerce world. Additional funding of $6 million was provided in the budget to complete the electronic conveyancing (EC) system. The EC is estimated to result in $70 million worth of annual savings to Victorian industry and the community by 2012, which equates to a saving of $395 per four-party settlement. |
| Water, Environment and Climate Change | Being more efficient with the way resources are used is a key objective that is better for the environment and it is also better for the community and boosts productivity.<br>In terms of the environment portfolio, the key productivity issue is resource efficiency – that is, using resources in the most efficient manner so that their value is maximised, the negative impact on the environment is reduced and people's lifestyles are improved.<br>The irrigation industry is a key economic industry for the state. The Shepparton irrigation project represents a good example of how productivity is improving through the budget, whereby that irrigation system will be more efficient by some 50 billion litres of water a year. That is, water that is now otherwise not used as efficiently as it might be. Assisting irrigation to be as efficient as possible is a key productivity target for the government.<br>Another important example in agriculture is salinity and the work undertaken on salinity programs. By reducing the impact of salinity as well as looking after the land, land is able to be used more productively, which is another productivity benefit.<br>In terms of water use generally, productivity is going to be assisted by more efficient water use, which means not wasting water and reusing water. The budget continues the government's policy of water conservation and recycling. Examples of recycling include the recent major recycling project with BlueScope Steel at Hastings, and also projects with Qenos, Australian Vinyls and other companies which are able to become more efficient by utilising their water in a more efficient manner. That is another productivity benefit. Another important example is the requirement, which receives budget backing for all industry that uses more than 10 gigalitres a year, to have a water conservation plan. In many cases, industry has not to date given sufficient emphasis to having a water saving plan (big industry has – the top 200 have all done it – but the next 1300 fall into this category). By working with industry to have water saving plans is another way that productivity can be improved.<br>Energy efficiency is one of the major resource efficiency measures that should be targeted. An example of this is CarbonDown, which is a program working with business to reduce their energy use and become more energy efficient. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| **Department of Treasury and Finance** | |
| Finance, WorkCover and the Transport Accident Commission | There is well over $600 million in savings accruing to government over the next four years from efficient government measures, and many of those things relate to productivity related enhancements in the way the Victorian government does business – so, for example, the way car fleet is managed and the way in which our purchasing arrangements are managed. The state purchasing contracts are a significant part of that.<br>The ICT area is an area where particular productivity dividends can be achieved. International and national research shows that the most significant productivity benefits that have been generated to the Australian economy over the past five to ten years have been in the technology area. In fact, around 85 per cent of the productivity improvements in the manufacturing sector are as a consequence of the uptake of new technology. About 78 per cent of the productivity improvements in the services sector are a consequence of the embracing of new technology. Going forward over the next 25 years, the greatest yield that the Australian economy will generate from improved productivity is not from changing the workplace relationships and changing the industrial relations laws in Australia, but is actually from the way in which the integration and the uptake of new technology is managed.<br>Looking across the Victorian public sector, from an ICT perspective there are a significant number of projects under way, some of which have been funded in the latest budget, which will have a significant impact on productivity. For example, the VicSmart and ultranet projects within the Department of Education – a $61 million commitment to the ultranet in the current budget [94] – are tools not only for parents and for students but also tools for principals and teachers and the school environment, which will improve productivity in the education sector. As mentioned earlier, the electronic conveyancing work is a significant investment –a $6 million investment by the state government in this budget. This project which will deliver significant dividends to those who purchase or sell property. It is a more efficient and streamlined system – a paperless system in a way – which will deliver productivity improvements. |

[94] The Ultranet is an intuitive student-centred electronic learning environment that supports high quality learning and teaching, connects students, teachers and parents and enables efficient knowledge transfer. The Ultranet will help to improve student learning, support the work of teachers, enable DoE to better support Victorian Government schools and enhance active partnerships with parents. The Ultranet will provide a complete online learning environment in which parents, students and teachers can create, access and share curriculum content, collaborate in learning activities and record progress against individual learning plans/goals.

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| Treasury | In terms of this budget, the investment in skills; the investment in preventative health programs, diabetes; the investment in capital works – all of these things will drive a stronger economy and productivity growth.<br>According to most economists, there are two major roadblocks in the Australian economy. One of those is lack of investment in productive capital; the second is the skill shortage. In both of these areas, Victoria is taking the national leadership position in tackling these problems. Victoria was the first state to significantly increase the state's spend on capital works – this is being done again in this budget – and in the 2006 calendar year, more apprentices and trainees were trained in Victoria than in any other state in Australia, including New South Wales, which has nearly 2 million more people than Victoria.<br>The other element of this budget is regulation reform, where Victoria is making strong progress.<br>In addition, the tax cuts introduced in Victoria will drive a more efficient economy, which means increases in productivity growth. |
| **Department for Victorian Communities** | |
| Aged Care | One of the biggest issues confronting the Australian and the Victorian economy in the future is the ageing of our population. The Victorian government is examining ways to encourage the participation of older people, not only back into the workforce, but also more broadly into our community.<br>The portfolio is contributing to the productivity of the Victorian economy through initiatives to encourage seniors' participation in the Victorian workforce and in the community.<br>In the past decade there has been a significant increase in mature aged workforce participation in Victoria. In fact, participation rates increased from 59 per cent to 68 per cent for those aged 55 to 64. The government is pleased with this progress and increased productivity.<br>In the 2006 Victorian election policy a new program, 'Experience Counts' was announced which will focus on retaining and skills development for at least 700 recently retired people who wish to re-enter the workforce. $4 million has been committed to implement this program between 2007-08 and 2010-11. Department for Victorian Communities, Employment Programs Division will be leading this initiative.<br>Current efforts on mature aged workers participation follow the recently completed Office of Senior Victorians' funded Victorian Employers' Chamber of Commerce and Industry (VECCI) initiative, *Grey Matters*. *Grey Matters* was an awareness raising campaign providing small and medium size business with key messages about skills shortages. As part of the project, an information package was distributed, which provides advice to employers about retaining, retraining and employing mature workers.<br>In March 2006 the Premier, Hon. S Bracks launched Maintaining the Advantage; Skilled Victorians Package, which included targeting an additional 1,800 vocational education and training places for Victorians aged 35 to 64 years without year 12 or its equivalent.<br>The Victorians Senior Card supports businesses who sponsor the Card through directories and publications. The card provides discounts on many goods and services. Amongst its many benefits, Seniors Card provides free public transport on Sundays and two free travel vouchers per year – encouraging seniors to get out and about. |

## Table 4.5: Impact of portfolio spends on productivity *(continued)*

| Department/portfolio | Impact of portfolio spend including budget initiatives on productivity |
|---|---|
| Employment | A number of initiatives target key groups in the community who need some assistance in getting back into the workforce. Increasing workforce participation for people, such as those with a disability or mature age workers, leads to a more skilled labour industry and business that will continue to drive economic prosperity and productivity. Also, the continuation of the skilled and business migration program contributes to Victoria's economy and productivity in terms of the numbers attracted into the workforce and the skill areas developed. |
| Victorian Communities | The bulk of our expenditure is through grants, so we do not directly deliver the service but we provide and facilitate the expenditure around programs by other agencies. But we do not take their productivity for granted. For example, a program is being funded to try and look at the productivity arrangements and the strengthening of the non-government organization (NGO) sector of the community. Funding has been provided for SCOP (Stronger Community Organisations Project), an initiative being undertaken in conjunction with individual NGOs, like VCOSS, umbrella organisations and individuals. This initiative is going to examine the complex pressures that NGOs are experiencing, for example, how their financial and organisational position and the strength of their leadership may be improved in the years ahead. The group is expected to report later this year. It is hoped that recommendations may be made about a strategic vision for the sector, including initiatives for the government, businesses and the community sector and how they might work better together. |
| Women's Affairs | Initiatives directed at family violence and the *Safer Families* training program will assist in contributing to productivity, given that the cost of family violence to the Victorian economy is $2 billion every year. More investment that can be directed at initiatives aimed at reducing family violence will lead to more productive people and reduce that cost to the Victorian economy. |

*Sources:* *Ms L Neville MP, Minister for Aged Care, response to the Committee's questions on notice, p.2; Mr J Lenders MLC, Minister for Education, 2007-08 Budget Estimates hearing, transcript of evidence, 9 May 2007, p.5; Ms J Allan MP, Minister for Skills, Education Services, Employment and Women's Affairs, 2007-08 Budget Estimates hearing, transcript of evidence, 7 May 2007, pp.3–4; Mr G Jennings MLC, Minister for Community Services, 2007-08 Budget Estimates hearing, transcript of evidence, 10 May 2007, pp.4–5; Hon. B Pike MP, Minister for Health, 2007-08 Budget Estimates hearing, transcript of evidence, 8 May 2007, pp.3–5; Ms L Neville MP, Minister for Mental Health, 2007-08 Budget Estimates hearing, transcript of evidence, 14 May 2007, p.4; Ms L Neville MP, Minister for Children, response to the Committee's questions on notice, received 29 June 2007; Mr R Wynne MP, Minister for Housing, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, p.4, Hon. L Kosky MP, Minister for Public Transport, 2007-08 Budget Estimates hearings, transcript of evidence, 9 May 2007, pp.4–5; Mr T Pallas MP, Minister for Roads and Ports, 2007-08 Budget Estimates hearing, transcript of evidence, 10 May 2007, pp.4–6; Hon. R Hulls MP, Attorney-General, 2007-08 Budget Estimates hearing, transcript of evidence, 30 May 2007, pp.3–4; Mr D Andrews MP, Minister for Consumer Affairs, 2007-08 Budget Estimates hearing, transcript of evidence, 30 May 2007, pp.3–5; Hon. B Cameron MP, Minister for Police and Emergency Services, 2007-08 Budget Estimates hearing, transcript of evidence, 11 May 2007, pp.4–5; Hon. S Bracks MP, Premier, 2007-08 Budget Estimates hearing, transcript of evidence, 3 May 2007, pp.15–16; Mr J Helper MP, Minister for Agriculture, 2007-08 Budget Estimates hearings, transcript of evidence, 17 May 2007, pp.4–5; Hon. P Batchelor MP, Minister for Energy and Resources, response to the Committee's questions on notice, pp.2–3; Hon. J Madden MLC, Minister for Planning, 2007-08 Budget Estimates hearing, transcript of evidence, 29 May 2007, p.4; Hon. J Thwaites MP, Minister for Water, Environment and Climate Change, 2007-08 Budget Estimates hearing, transcript of evidence, 15 May 2007, p.4; Hon. J Brumby MP, Treasurer, 2007-08 Budget Estimates hearing, transcript of evidence, 4 May 2007, p.5; Hon. T Holding MP, Minister for Finance, WorkCover and Transport Accident Commission, 2007-08 Budget Estimates hearing, transcript of evidence, 31 May 2007, pp.4–5; Hon. P Batchelor MP, Minister for Victorian Communities, 2007-08 Budget Estimates hearing, transcript of evidence, 16 May 2007, p.4*

# CHAPTER 5: DEPARTMENTAL ASSET INVESTMENT

## Key findings of the Committee:

**5.1** **The Committee is of the view that there is a need for the Department of Treasury and Finance to disclose in the papers how the Total Estimated Investment is determined over the forward estimates period and beyond and its reconciliation to the application of cash resources.**

**5.2** **The Committee considers appropriate focus needs to be placed, by water authorities and the department, on reporting on progress with water infrastructure projects to ensure that commensurate attention is given to this expanding area of operation.**

**5.3** **The Committee noted that the Treasurer highlighted in the budget that, in addition to the $16 billion invested in capital works since 1999, the government will invest a further $13 billion over the next four years.**

**5.4** **The Committee found that, while there has been a significant increase in the percentage of net investment in fixed assets to gross state product from 1999-00 to 2007-08, the major increase occurred in 2006-07.**

**5.5** **The significant acceleration in the government's asset investment program, by 43 per cent on average over previous years, presents an opportunity for re-evaluation of improvements in disclosure in annual reports and for reassessments confirming net benefits derived from built assets. The Committee will be looking to ensure continual improvements in reporting on these matters in the future.**

**5.6** **In the Committee's opinion, the effectiveness and adequacy of education expenditure should be monitored to ensure that fairness of education opportunity is achieved in a balanced manner. Equality of opportunity should ensure that the more disadvantaged areas of Victoria receive appropriate support for their educational needs.**

## 5.1 Trend analysis of net investment on fixed assets as a percentage of gross state product

Table 5.1 shows that while there has been a significant increase in the net investment in fixed assets expressed as a percentage of gross state product since 1999-00, the main increase between 1999-00 and 2007-08 occurred in 2006-07.

## Table 5.1: Net investment on fixed assets as a percentage of gross state product

| | 1998-99 ($ million) | 1999-00 ($ million) | 2000-01 ($ million) | 2001-02 ($ million) | 2002-03 ($ million) | 2003-04 ($ million) | 2004-05 ($ million) | 2005-06 ($ million) | 2006-07 ($ million) | 2007-08 ($ million) |
|---|---|---|---|---|---|---|---|---|---|---|
| Total net investment in fixed assets (actual) | 1,446.6 | 1,466.2 | 1,796.6 | 2,087.2 | 2,109.6 | 2,378.4 | 2,373.3 | 2,691.5 | (a) 3,416.8 | (a) 3,621.7 |
| Gross State Product (c) | 152,994.0 | 162,575.0 | 172,995.0 | 185,085.0 | 196,023.0 | 211,944.0 | 222,221.0 | 233,320.0 | (b) 239,736.0 | (b) 247,528.0 |
| Total net investment in fixed assets as a percentage of Gross State Product | 0.95 | 0.90 | 1.04 | 1.13 | 1.08 | 1.12 | 1.07 | 1.15 | 1.43 | 1.46 |

*Notes:* *(a) the total net investment in fixed assets for 2006-07 and 2007-08 are derived from the revised and budget figures shown in Budget Paper No.2, p.45*

*(b) the Gross State Product figure for 2006-07 and 2007-08 has been calculated by the Committee using the forecast increase identified in Budget Paper No.2, Strategy and Outlook 2007-08, p.16*

*(c) Gross State Product 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. Thus gross state product, as defined here, is 'at market prices'*

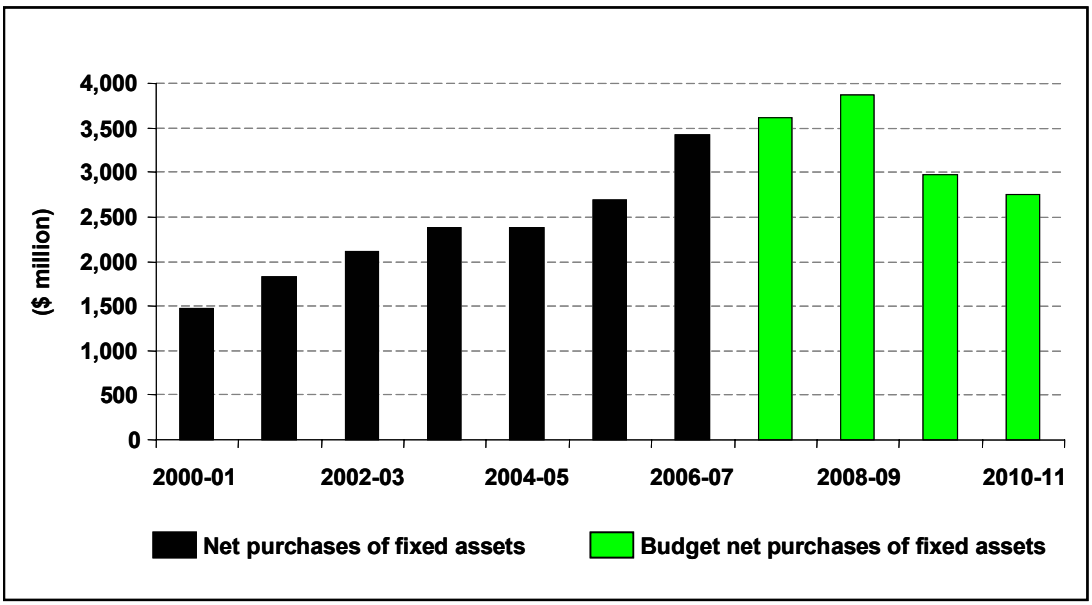
*Sources:* *Australian Bureau of Statistics, Australian National Accounts State Accounts 5220.0 2005-06, p.14, 1999-00 to 2005-06 Financial Reports for the State of Victoria and 2007-08 Budget Papers*

## 5.2 Asset investment provisions within the 2007-08 Budget Estimates

The budget speech, delivered to the Parliament on 1 May 2007, identified the significant reduction, since 1999, of the net financial liabilities of the state as the catalyst to the enhanced financial capacity of the government to make critical investments in human capital and infrastructure. The Treasurer highlighted that, in addition to the $16 billion invested in capital works since 1999, the government will invest a further $13 billion over the next four years. [95]

Figure 5.2 details the government's asset investment program for the period 2000-01 to 2006-07, and the proposed program covering the forward estimates period 2007-08 to 2010-11.

**Figure 5.2: Government asset investment program 2000-01 to 2010-11**




*Source: Budget Paper No.2, 2007-08 Strategy and Outlook, p.5*

The Treasurer indicated that, while in the past average annual expenditure averaged $2.3 billion a year, it is expected to average $3.3 billion a year over the forward estimates period, a 43 per cent increase. This totals in excess of $13 billion over the next four year period.[96] Additionally, net infrastructure investment is expected to exceed estimated depreciation by an average of around $1.7 billion a year and is expected to grow the state's real capital stock by 7.9 per cent over the four years to June 2011.[97] Of this $13 billion asset investment program, around 60 per cent will be financed from cash operating surpluses with the remainder being financed by borrowings.[98] Additionally, a potential exists for additional expenditure to be incurred from a pool of unallocated funds, which can be distributed to specific departments and projects for the purchase of property, plant and equipment.[99] Budget Information Paper No.1 covering the 2007-08 Public Sector Asset

[95] Budget Paper No.1, *2007-08 Treasurer's Speech*, p.3
[96] Budget Paper No.2, *2007-08 Strategy and Outlook*, p.5
[97] ibid., p.6
[98] ibid., p.47
[99] Budget Paper No.4, *2007-08 Statement of Finances*, p.49

Investment Program, which will be released later this year, will contain relevant information concerning this issue. Amounts available to be allocated include the following forward estimates:[100]

- 2007-08 budget ($182.1 million) – the budget includes an allowance for departmental underspending in 2007-08, which may be subject to carryover in 2008-09; and
- estimates for 2008-09, 2009-10 and 2010-11 amounting to $337.0 million, $605.8 million and $866.5 million respectively.

At the estimates hearing the Committee sought clarification from the Treasurer about reconciling the *Unallocated provision for future allocation* contained in the budget papers totalling $1.6 billion (estimates of $263 million for 2008-09, $532.3 million for 2009-10 and $815.9 million for 2010-11)[101] and the Treasurer's statement that the Total Estimated Investment (TEI) which is fully funded in future budgets is $2.9 billion.[102] The Committee also inquired as to whether any component of the $2.9 billion allocation will extend into the next term of government.[103]

The Treasurer explained that the amount totalling $1.6 billion represents the first year cash of the TEI (that is, the cash available for the first year spend[104]) and, according to convention, the rule applied by Treasury is that when looking at a capital provision, on average, 28 per cent is allocated in the first, second and third years and 16 per cent in the fourth year. Although this varies from project to project, the use of this formula based on previous budget practice results in an amount of $2.9 billion to be funded in future budgets[105], including relevant outyears. The Treasurer advised the Committee that this practice of calculating the TEI has been in operation for more than ten years.[106]

A reconciliation between the $1.6 billion cash available in the first year and the $2.9 billion TEI over the forward estimates period is shown below, based on information provided by the Treasurer in response to a question taken on notice:[107]

> *During each budget process, the unallocated capital contingency is reduced as ERC approves capital expenditure and allocated funds to departments.*
>
> *Following the 2007-08 budget process, the available unallocated contingency for 2008-09 was $263 million, for 2009-10 it was $532.3 million and for 2010-11 it was $815.9 million – this amounts to* ***$1.6 billion of cash flow*** *over the forward estimates period (this is shown on page 45 of Budget Paper No.2).*
>
> *The Total Estimated Investment (TEI) associated with each year of available unallocated capital contingency is based on the average expenditure profile of capital projects over recent years and assumes the following pattern of expenditure:*

100 ibid.
101 Budget Paper No.2, *2007-08 Strategy and Outlook*, p.45
102 Hon. J Brumby MP, Treasurer, 2007-08 Budget Estimates hearing, transcript of evidence, 4 May 2007, p.7
103 ibid.
104 ibid., p.18
105 ibid., pp.6–7
106 ibid., p.7
107 Hon. J Brumby MP, Treasurer, response to the Committee's question on notice, received 11 July 2007, p.3

- *Year One 28 per cent*
- *Year Two 28 per cent*
- *Year Three 28 per cent*
- *Year Four 16 per cent*

*Using the historical spend profile, this corresponds to an indicative* ***announceable TEI totalling $2.9 billion*** *over the forward estimates period:*

*(a) $939 million in 2008-09 (that is, $263 million [108] divided by 0.28)*

*(b) $962 million in 2009-10 (that is, $532.3 million [109] less $263 million [110] = $269 million, divided by 0.28)*

*(c) $1,013 million in 2010-11 (that is, $815.9 million [111] less $263 million [112] less $269 million [113] = $284 million divided by 0.28)*

*This approach has been consistently applied by the Department of Treasury and Finance for at least the last decade.*

The Committee noted that on the basis of average expenditure profiles for capital projects, new projects commence each year with a pattern of expenditure of 28 per cent, 28 per cent, 28 per cent and 16 per cent over four years respectively. This means that projects that commence in 2008-09 (the first year of the forward estimates) will on average incur Total Estimated Investment (TEI) over four years to 2011-12 in line with these percentages with 16 per cent of the TEI being incurred in the first year outside the forward estimates period that is, in 2011-12. It is assumed for the purpose of calculating the TEI over the four years, that the cash available in the first year spend will represent 28 per cent of the TEI which will be incurred over a four year period. It is for this reason that the TEI extends beyond the forward estimates period of 2007-08 to 2010-11 for new projects that commence in each year of the forward estimates for example, unallocated cash flow identified in the last year of the forward estimates of 2010-11 for new projects commenced in that year will represent 28 per cent of the TEI to 2013-14. It is for this reason that the TEI of $2.9 billion over the forward estimates period is significantly greater than the $1.6 billion cash flow. The difference between the cash flow of $1.6 billion and the TEI totalling $2.9 billion represents the difference between the cash available in the first year of new projects and their TEI over a four year period, which may extend beyond the current forward estimates period. Due to the long term nature of capital spending, there will always be TEI that extends beyond the forward estimates period and it would be misleading to consider the difference between this and cash to represent a shortfall in funding in any one budget. Financing decisions in the relevant outyears for the TEI associated with each year of available unallocated capital contingency will depend on the various funding options that will be available to be considered in future years.[114]

The Committee considers that to enhance transparency and accountability surrounding budget presentation, the budget papers should contain an explanation of how the TEI is determined over the forward estimates period and beyond and its reconciliation to the application of cash resources.

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108 Refer table 3.5 in Budget Paper No.2, *2007-08 Strategy and Outlook,* p.45

109 ibid.

110 Equals the second year cash flow of the $939 million TEI based on use of the historical spend profile

111 Refer table 3.5 in Budget Paper No.2, *2007-08 Strategy and Outlook*, p.45

112 Equals the third year cash flow of the $939 million TEI based on use of the historical spend profile

113 Equals the second year cash flow of the $962 million TEI based on use of the historical spend profile

114 Hon. J Brumby MP, Treasurer, 2007-08 Budget Estimates hearing, transcript of evidence, 4 May 2007, p.8

The Committee recommends that:

**Recommendation 15:** **The Department of Treasury and Finance disclose in the budget papers how the TEI is determined over the forward estimates period and beyond and its reconciliation to the application of cash resources.**

## 5.3 Asset investment funding during 2007-08

The separately identified projects detailed in table 5.3 below, comprise, cumulatively, a sample summary of at least 50 per cent of the budgeted asset investment expenditure of each department for the year 2007-08. This table includes funding for both new and existing asset investment projects.

### Table 5.3: Departmental Asset Investments for funding during 2007-08

| Department | Project title | 2007-08 budget ($ million) | Total ($ million) |
|---|---|---|---|
| Parliamentary departments | Additional Infrastructure at 55 St. Andrews Place, Cabling upgrade and Replacement of switchboards in Parliament House | 1 | 1 |
| Department of Education | Land acquisitions | 35 | |
| | Modernisation | 110 | |
| | Regeneration projects | 27 | |
| | Various other projects | 66 | 238 |
| Department of Human Services | Royal Children's Hospital redevelopment | 141 | |
| | Health Information and Communication Technology (ICT) Strategy | 30 | |
| | Box Hill Hospital – Outpatients and Dialysis Centre and Associated Works | 21 | |
| | Royal Melbourne Hospital Emergency Department redevelopment | 20 | |
| | Casey Residential aged care | 18 | |
| | Various other projects | 199 | 429 |
| Department of Infrastructure | West Gate Monash Freeways Improvement Project | 177 | |
| | Geelong Ring Road – Sections 1 to 4 | 132 | |
| | New Ticketing Solution | 99 | |
| | Western Highway – Deer Park Bypass and Leakes Rd Interchange Upgrade | 97 | |
| | Calder Highway Sec 2 and Kyneton to Faraday Faraday to Ravenswood | 129 | |
| | Metropolitan Train Projects | 70 | |
| | Road Safety Infrastructure programs 2 and 3 | 47 | |
| | Pakenham By-pass | 41 | |
| | Various other projects | 751 | 1,543 |

## Table 5.3: Departmental Asset Investments for funding during 2007-08 *(continued)*

| Department | Project title | 2007-08 budget ($ million) | Total ($ million) |
|---|---|---|---|
| Department of Innovation, Industry and Regional Development | South West Institute of TAFE – Warrnambool Stage 3 | 8 | |
| | Swinburne University – Wantirna Sustainability and Land Management | 5 | |
| | Various other projects | 3 | |
| | City of Literature – centre for books and ideas | 6 | |
| | Various other projects | 18 | 16 |
| Department of Justice | Melbourne Legal Precinct Master Plan | 15 | |
| | Justice Statement – Integrated Courts Management System | 11 | |
| | Police Stations (Metropolitan and regional) | 33 | |
| | Law Enforcement data System | 8 | |
| | Various Other projects | 56 | 123 |
| Department of Premier and Cabinet | Melbourne Recital Centre and Melbourne Theatre Company | 55 | 79 |
| Department of Primary Industries | Melbourne Wholesale Market Redevelopment | 32 | |
| | New Biosciences research centre | 10 | |
| | Various other projects | 15 | 57 |
| Department of Sustainability and Environment | Wimmera-Mallee Pipeline (Commonwealth and State) | 83 | |
| | Goldfields Superpipe (Bendigo Interconnection) | 33 | |
| | Water Recycling for Melbourne (Shepparton Irrigation Area) | 12 | |
| | Sustainable Management of Victoria's Parks | 13 | |
| | Footscray Transit Cities | 10 | |
| | Various other projects | 137 | 288 |
| Department of Treasury and Finance | Standard Corporate ICT Infrastructure Strategy | 4 | |
| | Intra-government secured network | 4 | |
| | Various other projects | 6 | 14 |
| Department for Victorian Communities | Rectangular Sports Stadium | 78 | |
| | Various other projects | 3 | 81 |
| **Total** | | | **2,869** |

*Sources:* *Responses to the Committee's 2007-08 Budget Estimates questionnaire: Parliamentary departments p.10, Department of Education p.15, Department of Human Services pp.21–22, Department of Infrastructure pp.18–22, Department of Innovation, Industry and Regional Development p.22, Department of Justice pp.25–26, Department of Premier and Cabinet p.15, Department of Primary Industries p.17, Department of Sustainability and Environment pp.25–26, Department of Treasury and Finance pp.15–16, Department for Victorian Communities pp.13–14*

## 5.4 Asset Investment Observations

The Committee noted that net infrastructure investment is projected to reach a record $3.6 billion in 2007-08[115] (this figure includes net contributions to other sectors of government[116] such as water authorities). In relation to new projects, the 2007-08 budget provides funding for new asset investment projects with a total estimated investment of $2.9 billion[117], some of which extend over four years based on a notional average expenditure profile of capital projects over recent years and assuming the following pattern of expenditure – 28 per cent in year one; 28 per cent in year two; 28 per cent in year three; and 16 per cent in year four.

Asset investments on new and ongoing capital projects across all 10 departments and the parliamentary departments are estimated to cost $2,869 million in 2007-08. Of this expenditure, $1,543 million (53.8 per cent) has been allocated to the Department of Infrastructure, with $429 million (15 per cent) to the Department of Human Services, $288 million (10 per cent) to the Department of Sustainability and Environment, and $238 million (8.3 per cent) to the Department of Education. The remaining $371 million (12.9 per cent) is distributed amongst the other seven departments. Those four departments are considered ones with the larger infrastructure asset delivery imperatives to satisfy *Growing Victoria Together* (GVT) objectives.

The nature and scale of asset investment programs, and of individual projects, to be undertaken depend on departmental responsibilities in the delivery of services to meet projected community needs. Certain types of infrastructure, such as transport networks, water projects and health services facilities are more capital intensive.

The Committee offers the following comments on the four departments.

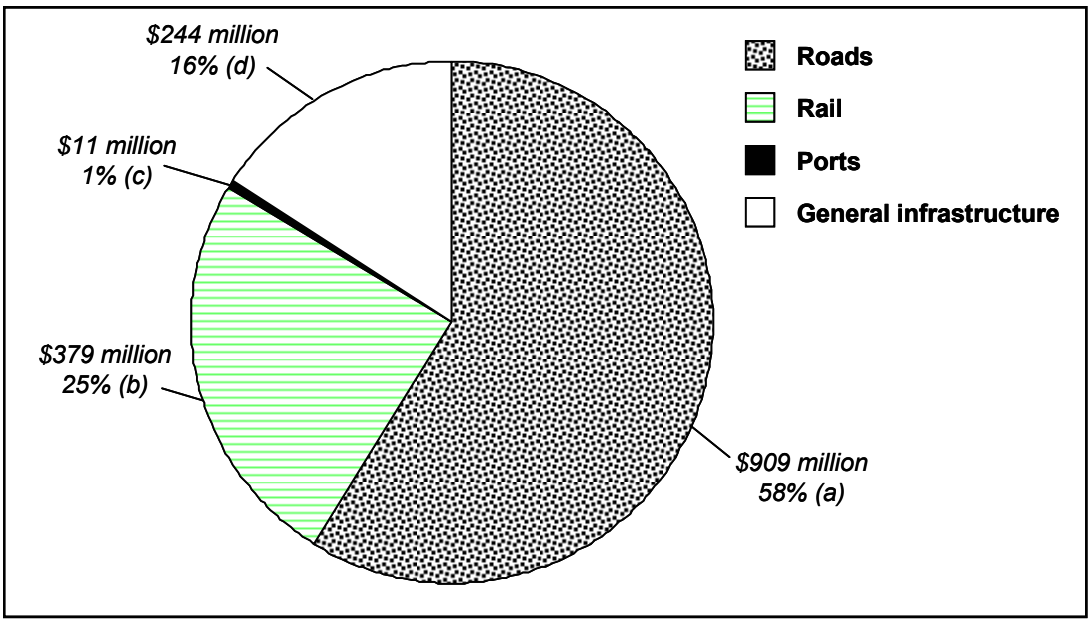
### *5.4.1 Department of Infrastructure*

The budgeted expenditure of the Department of Infrastructure of $1.5 billion includes the VicRoads programs totalling $880 million.

The department's allocation of asset investment expenditure for 2007-08 is shown in figure 5.4.

[115] Budget Paper No.2, *2007-08 Strategy and Outlook*, p.5
[116] ibid., p.5 (note a)
[117] ibid., p.6

**Figure 5.4: Department of Infrastructure Budgeted expenditure 2007-08**




*Notes:* (a) *comprising $403 million for regional roads, $272 million for Melbourne metropolitan roads, $47 million for general road safety infrastructure programs and $187 million for other projects*

(b) *comprising $291 million for regional rail and $88 million for metropolitan rail*

(c) *$11 million relating to the Princes Pier Restoration project*

(d) *general infrastructure projects, including accessible public transport in Victoria, $39 million and whole of government revitalising central Dandenong, $22 million*

*Source:* *Department of Infrastructure, email, received 1 June 2007*

In *Budget Paper 2 Strategy and Outlook 2007-08*, the government indicated that it has also allocated $10.5 billion to the *Meeting Our Transport Challenges* Statement, released in May 2006, to fund a range of transport infrastructure projects over a ten year period.[118]

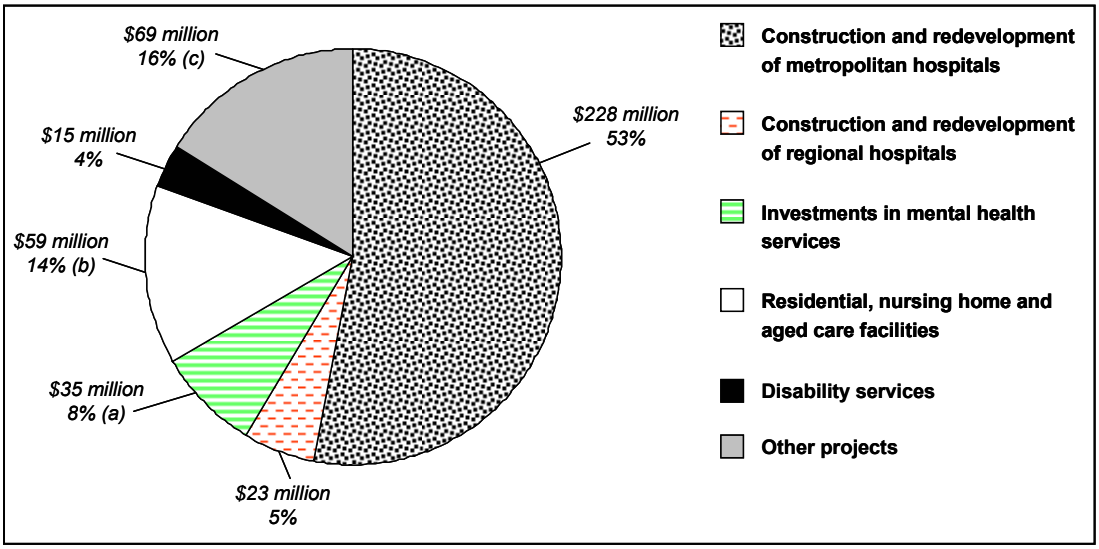
The Committee acknowledges that the proposed expenditure to be applied to the enhancement and construction of Victoria's infrastructure network is likely to make a contribution towards the state's economic growth and employment levels.

### *5.4.2 Department of Human Services*

The budgeted 2007-08 expenditure of the Department of Human Services of $429 million is shown in figure 5.5

[118] ibid., p.45

**Figure 5.5: Department of Human Services Budgeted expenditure 2007-08**




*Notes:* *(a) comprising $5 million to be spent in regional Victoria and $30 million in the metropolitan area*

*(b) comprising $25 million in regional Victoria and $34 million in metropolitan Melbourne*

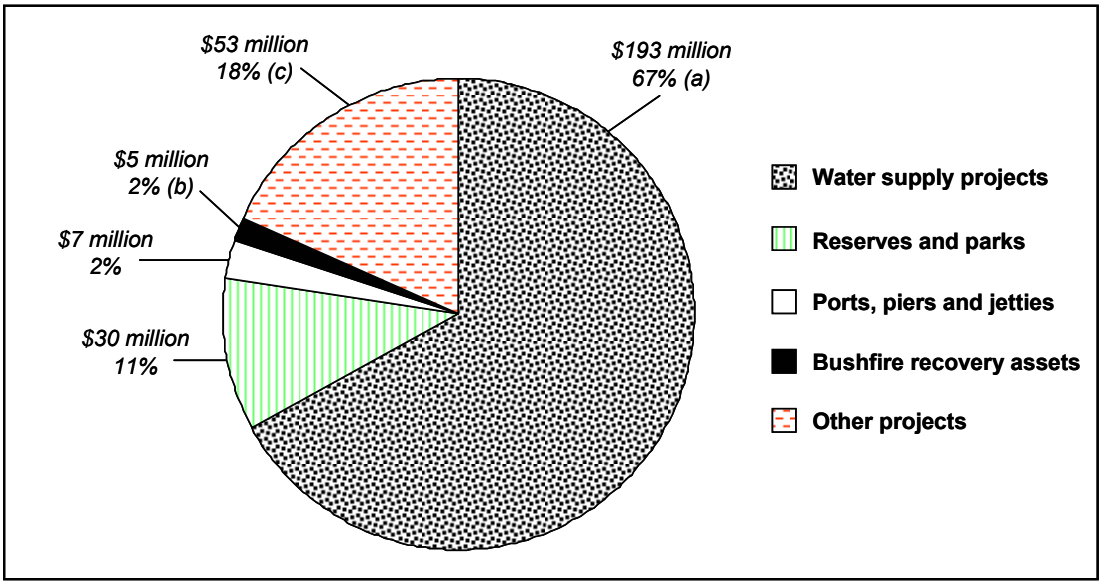
*(c) includes health information and community technology (ICT) expenditure, food centre upgrades and drug and alcohol programs*

*Source:* *Department of Human Services, email, received 23 May 2007*

### *5.4.3 Department of Sustainability and Environment*

The department's budgeted asset investment expenditure for 2007-08 totals $288 million. The allocation of expenditure is shown in figure 5.6.

**Figure 5.6: Department of Sustainability and Environment Budgeted expenditure 2007-08**




*Notes:* (a) *includes water recycling, water saving and irrigation projects. Additional funding for water infrastructure projects is also available through the government's Our Water, Our Future Action Plan*

(b) *this expenditure reflects only the expenditure necessary to rebuild or construct public assets and does not include financial assistance provided by government to rural communities through other means*

(c) *includes land acquisitions, transit cities projects and equipment funding*

*Source:* *Department of Sustainability and Environment, response to the Committee's 2007-08 Budget Estimates questionnaire, received 8 May 2007, p.25*

The Committee considers that the recent shift in focus, by government, towards water saving and water reticulation projects is widely supported by the broader community. However the Committee believes appropriate focus needs to be placed on reporting, by water authorities and the department, on progress with water infrastructure projects to ensure that commensurate attention is given to this expanding area of operation. Community information and ongoing consultation will be important components of water policy and programs into the future.

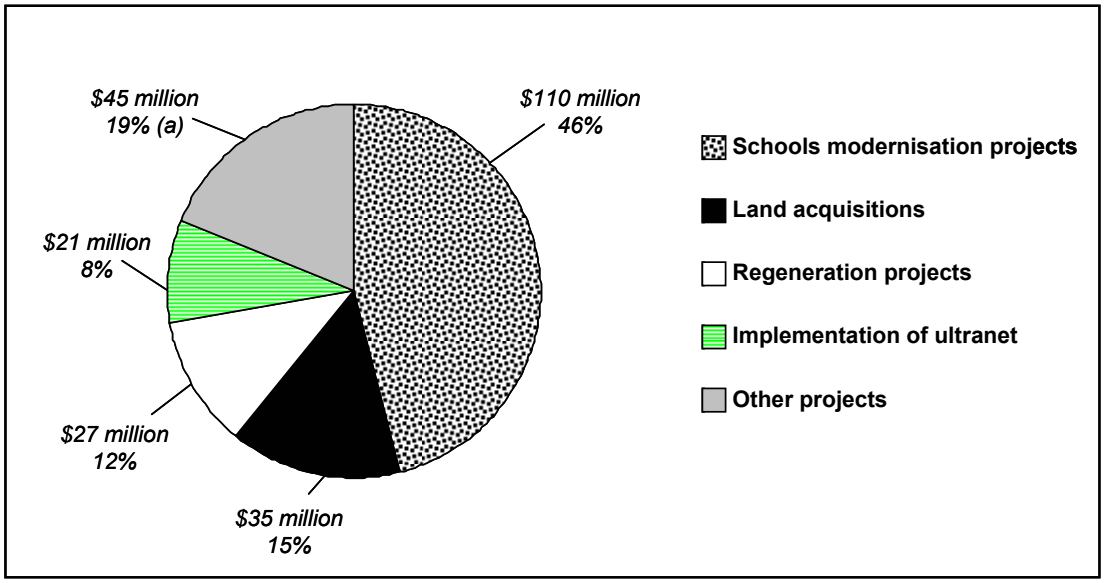
The Committee recommends that:

**Recommendation 16:** **To enhance accountability and provide a means of disseminating information to the community and engaging the community in the formulation of water policy in future, the Department of Sustainability and Environment and water authorities report regularly on progress made on the construction of the major water supply projects.**

### *5.4.4 Department of Education*

The department's allocation of the total asset investment budget for 2007-08 of $238 million is shown in figure 5.7

**Figure 5.7: Department of Education Budgeted expenditure 2007-08**




*Note:* *(a) includes replacements schools, new schools in growth areas and increased access to computers*

*Source:* *Department of Education, response to the Committee's 2007-08 Budget Estimates questionnaire, received 4 May 2007, p.15*

The expenditure outlined above is intended to deliver the government's commitment to undertake significant upgrading and construction of education facilities, including TAFE colleges.[119] The expenditure is also consistent with the government's *Building Futures* policy statement which outlines the government's proposed capital investment in school infrastructure and with the government's *Building Tomorrow's Schools Today* Program.

In the Committee's opinion, the effectiveness and adequacy of education expenditure should be monitored to ensure that fairness of education opportunity is achieved in a balanced manner. Equality of opportunity should ensure that the more disadvantaged areas of Victoria receive appropriate support for their educational needs.

The Committee recommends that:

**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.**

[119] ibid., p.44

## 5.5 Reporting by departments on net benefits derived from asset investments

Annual reporting on asset investments is undertaken through aggregate reporting mechanisms and through comments made with reference to individual projects.

The significant acceleration in the government's asset investment program, by 43 per cent on average over previous years, presents an opportunity for re-evaluation of improvements in disclosure in annual reports and for reassessments confirming net benefits derived from built assets. The Committee will be looking to ensure continual improvements in reporting on these matters in the future.

The Committee recommends that:

**Recommendation 18:** **Given the proposed large increase in the government's asset investment program, public sector agencies keep the Parliament and the community informed of progress made in terms of completion and outcomes delivered through meaningful disclosure in their annual reports.**

# CHAPTER 6: DEPARTMENTAL WORKFORCE – COMPARATIVE ANALYSIS

## Key findings of the Committee:

**6.1** **Projections by departments of staff numbers and those of their major budget funded agencies up to 30 June 2008 indicate a likely increase of at least 2,564.2 EFT numbers (2.6 per cent) from the actual position at June 2006. Two of the ten departments expect a decrease in staff numbers by 30 June 2008 and one department expects staff numbers in 2007-08 to be unchanged. The other seven departments expect staffing increases.**

**6.2** **The Committee was provided with incomplete staffing information with the Department of Human Services and the Department of Innovation, Industry and Regional Development failing to provide detailed figures. This failure inhibited the Committee from making a full analysis of staffing costs.**

**6.3** **For the eight departments that furnished complete data to the Committee, the number of EFT executive officers is expected to fall by 5.7 per cent between 2006 and 2008, and the number of Victorian public service officers is projected to increase by 2.1 per cent over the same period.**

**6.4** **Targeted efficiencies in departments over the next four years announced in the 2007-08 budget will impact on future staffing levels and particularly head office staff.**

**6.5** **Departments should maintain a clear management trail identifying, for both internal and external reporting purposes, the impact of achieved savings on EFT staff numbers and costs, and the efficiency and quality of services to the community.**

## 6.1 Introduction

As part of its 2007-08 Budget Estimates inquiry, the Committee sought information from departments on their actual equivalent full-time (EFT) staff numbers at 30 June 2006 compared with the expected actual for 30 June 2007 and 30 June 2008. The Committee's request covered both departments and their major budget funded agencies.

The purpose of seeking such information was to identify any trends on staffing numbers within departments and budget funded agencies, and to consider any additional information provided by departments on matters impacting on staffing numbers such as machinery of government changes and targeted efficiency savings.

Departmental staffing costs are key components of output or recurrent expenditure. All departments and budget funded agencies are expected to continuously review their staffing profiles under their various programs to ensure delivery of program objectives in an efficient and economical manner.

The Committee considers that the number of staff is a key raw indicator of efficiency and effectiveness for government and its agencies. It accepts that any analysis also needs to take into account the level of staff and their skills as applied in a particular program, while acknowledging that, in a macro sense, there will be productivity gains to be made in virtually all programs in terms of staff by virtue of the application of new technology and continuous improvement in work practices.

On the basis of the expectation of productivity gains over time, the Committee judges that there should be incremental savings in staffing costs in the absence of any program changes or increases. In that context, any increase in staffing numbers by departments and agencies needs to be fully explained and justified.

## 6.2 Analysis of departmental staff numbers

The detailed information provided by each department was presented in the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two* which were tabled in Parliament on 24 May 2007 and 7 June 2007 respectively.

Table 6.1 brings together the aggregate EFT staff numbers furnished by departments and the expected percentage movement in those numbers between June 2006 and June 2008.

### Table 6.1: Staff numbers of departments and major budget funded agencies (equivalent full-time, rounded) June 2006 to June 2008

| Department | 30 June 2006 (Actual) (EFT) | 30 June 2007 (Estimate) (EFT) | 30 June 2008 (Estimate) (EFT) | Variation between 2006 and 2008 (%) | Variation between 2007 and 2008 (%) |
|---|---|---|---|---|---|
| Education | 52,291.4 | 52,791.0 | 53,311.0 | 1.9 | 1.0 |
| Human Services | 11,343.0 | 11,529.0 | 11,641.0 | 2.6 | 1.0 |
| Infrastructure | 3,764.1 | 3,825.0 | 3888.9 | 3.3 | 1.7 |
| Innovation, Industry, and Regional Development (a) | 705.8 | 774.6 | 958.4 | 35.8 | 23.7 |
| Justice | 19,510,1 | 19,884.9 | 20,066.5 | 2.9 | 0.9 |
| Premier and Cabinet | 547.2 | 558.9 | 558.9 | 2.1 | - |
| Primary Industries | 2,671.3 | 2,649.9 | 2,624.9 | -1.7 | -0.9 |
| Sustainability and Environment | 4,287.9 | 4,600.5 | 4,624.5 | 7.8 | 0.5 |
| Treasury and Finance (b) | 1,086.2 | 1,176.6 | 1,203.6 | 10.8 | 2.3 |
| Victorian Communities (c) | 758.6 | 668.1 | 660.4 | -12.9 | -1.2 |
| Parliamentary departments | 437.0 | 428.7 | 428.8 | -1.9 | - |
| **Total** | **97,402.6** | **98,887.2** | **99,966.8** | **2.6** | **1.1** |

*Notes:* *(a) includes Office of Tertiary and Training Education and Multi Media Victoria staff, transferred to the department as a result of machinery of government changes following the 2006 election*

*(b) staff numbers within the Shared Services Centre show an increase of 23 EFT from 51.6 at June 2006 to an estimated 74.6 at June 2008*

*(c) the department's estimate of 668.1 for 30 June 2007 reflects machinery of government changes*

*Source:* *Responses from departments to the Committee's 2007-08 Budget Estimates questionnaire*

As shown in table 6.1, staff projections in departments and major budget funded agencies up to 30 June 2008 indicate a likely increase of at least 2,564.2 EFT staff numbers or 2.6 per cent from the actual position in June 2006 and of at least 1,079.6 EFT staff numbers or 1.1 per cent from the estimated actual position in June 2007.

Of the ten government departments, just two, Primary Industries and Victorian Communities, as well as the parliamentary departments, expect a decrease in staff numbers over the two year period. The Department of Premier and Cabinet and the parliamentary departments expect an unchanged staffing position in 2007-08.

The Department of Human Services and the Department of Innovation, Industry and Regional Development submitted late staffing estimates for 2008 and did not provide a breakdown for that year according to key categories such as executive officers and Victorian public service officers. For the eight departments that furnished complete data, the number of EFT executive officers is expected to fall by 5.7 per cent between 2006 and 2008, and the number of Victorian public service officers is projected to increase by 2.1 per cent over the same period.

Not all departments differentiated between departmental staff numbers and those in their major budget funded agencies.

The Department of Human Services advised it had established a Health Services Payroll and Workforce Minimum Dataset, which will enable the collection of a wider range of staffing profiles in respect of the 92 hospitals that will comprise the dataset.[120] The department informed the Committee that complete data for all hospitals is not yet available from this dataset to support detailed estimation of future staffing levels in major funded hospitals. Accordingly, the Committee looks forward to receiving more comprehensive material on budget funded agencies from this department in future years.

The Committee was disappointed at the difficulty it experienced in obtaining good staffing figures from some departments. It will be looking for consistency and inclusiveness in staffing and workforce data furnished by departments and agencies. It stresses the importance of more comprehensive reporting by entities in future encompassing both staffing and consultancy expenditure as well as better benchmarks.

The Committee recommends that:

**Recommendation 19:** **All departments and their budget funded agencies ensure that complete and accurate information on staffing costs and related productivity benchmarks is available to the Committee in future years.**

## 6.3 Implications of Efficient Government policy and other efficiency measures for departmental productivity

As mentioned in Chapter 2, the government plans to achieve major efficiencies totalling $632 million across departments over the next four years under its *Efficient Government* policy and other efficiency measures. The 2007-08 Budget Papers identify eight efficiency measures, with six falling under the umbrella of the *Efficient Government* policy. All eight measures may have implications for future departmental staffing numbers and one measure, described in the budget papers as involving *'general efficiencies across government including limiting the future growth of head office staff'*, is likely to have a direct staffing impact.[121]

[120] Department of Human Services, response to the Committee's 2007-08 Budget Estimates questionnaire, received 4 May 2007, p.14

[121] Budget Paper No.3, *2007-08 Service Delivery*, p.35

Some departments cited the government's policy on planned efficiencies as likely to impact on future staffing numbers but did not specify the expected initial consequence of the policy on staffing estimates at 30 June 2008. However, the Department of Human Services provided information, see table 6.2 below, which indicates that its head office staffing level during 2007-08 is expected to equate with the anticipated 2006-07 position, that is, a no growth scenario for head office staff over the next twelve months.

### Table 6.2: Department of Human Services Directly employed staffing levels – June 2006 to June 2008

| | June 2006 (EFT) | June 2007 (estimated) (EFT) | June 2008 (estimated) (EFT) |
|---|---|---|---|
| Head office | 2,621.0 | 2,669.0 | 2,669.0 |
| Regions | 8,723.0 | 8,860.0 | 8,972.0 |
| **Total** | **11,344.0** | **11,529.0** | **11,641.0** |

*Source: Department of Human Services, email, received 23 May 2007*

As also mentioned in Chapter 4, the Committee considers it will be important for the government to ensure that progressive information on the achievement of targeted savings by each department is adequately disclosed in the budget papers over the period of the savings initiative, in addition to detailed accountability coverage in departmental annual reports.

The Committee is interested in monitoring the extent to which targeted savings relating to staffing numbers and costs, both within and outside head office, are achieved within departments over the next four years. It intends to seek from departments in future years relevant information on these savings in terms of movements in EFT numbers and costs, and of the resultant consequences for service delivery. The Committee envisages that these consequences should mainly be favourable in that they would be expected to lead to benefits to the community from the provision of either more efficient or additional services.

There may also be other consequences experienced in departments from reduced resources such as a drop in efficiency as a result of an increased demand for services or pressures flowing from an accelerated roll-out of new programs.

The emergence of the government's savings regime means that departments will need to carefully manage staffing costs associated with the direct delivery of services and those consumed in other more indirect functions such as policy review and administrative support. The Committee would expect a clear containment over the next four years of indirect staffing costs, with the burden falling on departments to also demonstrate that costs directly consumed in program delivery have been managed with maximum efficiency.

The Committee expects that these matters, which are integral to productivity improvement, will automatically be addressed in departments through implementation of the government's savings policy. It does not anticipate any difficulties likely to be encountered by departments in furnishing relevant material to it in future years.

More detailed commentary on productivity in departments is presented in Chapter 4.

The Committee recommends that:

**Recommendation 20:** **For internal management needs and external reporting purposes, all departments maintain core information identifying the impact of achieved savings to 2010-11 on EFT staffing numbers and costs, and the efficiency and quality of services.**

**Recommendation 21:** **All departments ensure that their annual reports to Parliament are transparent in their coverage of the achievement of savings targets and the impact on delivery of services to the community.**

# CHAPTER 7: COMMUNICATION, ADVERTISING AND PROMOTIONAL EXPENDITURE

## Key findings of the Committee:

**7.1** **The Auditor-General's September 2006 report on *Government advertising* is a valuable accountability document which should assist the government and Parliament in their ongoing pursuit of avenues for maintaining the highest standards in the delivery of advertising and communications programs.**

**7.2** **Based on information submitted by departments, advertising and promotional expenditure in 2007-08 is likely to total at least $73 million.**

**7.3** **Several departments advised the Committee that they do not develop a specific budget for advertising and promotional purposes as expenditure is determined by different organisational units according to program needs.**

**7.4** **For greater accountability, the annual reporting responsibilities of departments should encompass measures to further improve disclosure of performance against budgets set for advertising and communications activities, in line with earlier recommendations of the Committee and the Auditor-General.**

## 7.1 Past coverage of subject by the Committee and the Auditor-General

Public debate concerning the magnitude and appropriateness of advertising and promotional expenditure by governments has been a frequent occurrence in Australian and international jurisdictions. Not surprisingly, therefore, this aspect of public administration has often been subject to official scrutiny.

### *7.1.1 Past audits by the Auditor-General on government advertising*

In Victoria, the Auditor-General has reported to Parliament on government advertising on four occasions over the last 11 years, the most recent in September 2006.[122] The reviews conducted by the Auditor-General have mainly centred on specific matters referred by Members of Parliament and the community to the Auditor-General's Office alleging that certain government–funded advertising or promotional campaigns contained party-political material and represented inappropriate use of public moneys.

In assessing such campaigns, the Auditor-General has drawn attention in reports over the years to the legitimate right of governments to engage in advertising and promotional activities such as explaining policies, programs and services, informing the public of their rights and entitlements and encouraging community behaviour (for example, respect for the environment and responsible use of scarce natural resources) regarded as in the public interest.

[122] Victorian Auditor-General's Office, *Government advertising*, September 2006

### Some key issues addressed in the Auditor-General's September 2006 report

As early as 1996, the Auditor-General called for the development of a convention in Victoria to provide guidance to government agencies on advertising and promotional expenditure.

An important initiative was subsequently taken by the government in October 2002 with the issue of guidelines for advertising and communications.[123] The guidelines set out:

- the basic principles applying to government advertising and communications;
- the objectives to be adopted by agencies for the use of public funds;
- areas which would constitute misuse of public funds and therefore to be avoided; and
- 13 desirable features of government communications in order to uphold the highest standards of fairness, equity, probity and public responsibility.

Other significant action by the government has involved the centralising within the Department of Premier and Cabinet of strategic responsibility for oversight of activities and coordination of whole of government advertising and communications.

The importance of governments adhering to appropriate forms of advertising and communications is clearly reinforced in the following comment of the Auditor-General in the Foreword to the September 2006 report:[124]

> *Whether activities are party-political is a matter of fine judgement, but when considered overall, there is a point at which the public becomes concerned about the intent of the government, both in terms of the potential political impact and the use of public funds.*

The Committee considers the Auditor-General's September 2006 report is highly informative in that it:

- outlines the results of its assessment of eight selected government-funded campaigns against the principles embodied in the government guidelines, with aspects of six of the campaigns considered to be inconsistent with the guidelines;
- presents a useful analysis of the following contemporary practices used in public sector advertising and communications in Victoria that, while likely to enhance efficient and effective delivery of information to the community, also have the potential to raise perceptions of political intent:
  - use of market research;
  - use of branding;
  - use of authorisations; and
  - links to websites.
- draws on the results of research of Australian and international practices conducted during the audit to present in an appendix a better practice guide identifying suggested criteria for government-funded publicity activities.

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123 www.dpc.vic.gov.au, *Guidelines for Victorian Government Advertising and Communications*, accessed 25 July 2007

124 Victorian Auditor-General's Office, *Government advertising*, September 2006, foreword

The Committee noted the general conclusion of the Auditor-General regarding the appropriate use of government advertising and information programs: [125]

> *It is appropriate for government to inform the public of new, existing or proposed government policies or policy revisions; to provide information on government programs or services or revisions to programs or services to which the public are entitled to access; to inform the public of their rights, entitlements or obligations under the law; to inform the public that the state is a good place to live, study, work or invest; and influence social behaviour, in the public interest.*

The Auditor-General did examine a number of advertising campaigns and raised several issues. However, the matters were described as *'relatively minor issues of non-compliance'*.

In addressing the above issues, the report provides valuable input into the Parliament's and government's ongoing consideration of what is a complex but important aspect of public administration. The report should assist both the government and Parliament in their continuing pursuit of avenues for maintaining the highest standards in the delivery of government advertising and communication programs and further enhancing the accountability obligations of spending agencies.

One of the report's recommendations is that the government review its guidelines to provide more explicit and detailed guidance about the appropriate use of public funds for advertising. In its response to the report's executive summary, the Department of Premier and Cabinet stated:[126]

> *We further confirm that the government is committed to reviewing its guidelines for advertising and communications in line with the general direction suggested by the Auditor-General's 'best practice' guide. However, we reserve the right to base our guidelines on a detailed review of best practice that incorporates not only the Auditor-General's recommendations, but also the considered views of the media, academia, communications practitioners and other governments in Australia and elsewhere in the world.*

The Committee welcomes the government's commitment to reviewing its guidelines and looks forward to early disclosure of the results of that work. It noted that the current guidelines, available on the department's website, are an improvement on the previous guidelines. The Committee understands the review is still underway.[127]

The Committee recommends that:

**Recommendation 22:** **The government issue the revised guidelines for advertising and communications as soon as possible and that the guidelines be reviewed and updated every four years.**

125 ibid.
126 ibid., p.13
127 www.dpc.vic.gov.au, accessed 25 July 2007

### 7.1.2 Importance of strengthening the guidelines

Like the Auditor-General, the Committee has addressed the subject of advertising and promotional expenditure by government on several occasions.

In its *Report on the 2004-05 Budget Outcomes* in April 2006, the Committee considered some matters relating to the enforceability of the advertising guidelines.[128] At the time, the Committee was aware of the impending report of the Auditor-General (subsequently released in September 2006). The Committee considered that the propensity for government advertising to attract recurring political and media attention warrants the introduction of a framework in Victoria that strengthens the enforcement of the guidelines. Such a framework would give greater assurance to Parliament and the community on the appropriateness of government expenditure.[129]

The fact that the Auditor-General found it necessary in September 2006 to again report that improvements are needed to achieve greater compliance with the guidelines accentuates the Committee's earlier comments.

The Committee considers that it is necessary to seek continuous improvement in the guidelines and their implementation. The Committee will continue to seek information from departments as a way of improving transparency.

The Committee noted that some jurisdictions have either adopted or recommended stronger accountability frameworks involving an expanded role for the Auditor-General.

For example, the Canadian province of Ontario introduced a law which became effective from 30 January 2006 that gives legislative status to the provincial standards established for government advertising. The law provides for advertising to be screened by the Auditor-General in advance of public release to ensure it is free of partisan content. The primacy of the Parliament in Ontario is maintained by the Auditor-General providing it with an annual report on the cost of advertising and any breach of the statute.[130]

Also, in Australia, the Senate Finance and Public Administration References Committee recommended in a December 2005 report that the Auditor-General assess advertising proposals valued at $250,000 or more when their creative content was finalised. The Auditor-General would also be required to report to Parliament periodically on the results of the audit assessments.[131]

The Committee noted that the Auditor-General already has the power to scrutinise advertising and promotional expenditure.

The Committee recommends that:

**Recommendation 23:** **The Auditor-General include, within the scope of performance audits of particular programs, an examination of advertising and communications expenditure and the extent of compliance with the government's guidelines.**

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128 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, pp.135–137

129 ibid.

130 www.mgs.gov.on.ca, *Government Advertising Act 2004*, summarised on the website of the Ontario Ministry of Government Services, accessed 25 July 2007

131 Senate Finance and Public Administration References Committee, *Report on Inquiry into Government Advertising and Accountability*, December 2005

## 7.2 Advertising and promotional expenditure by departments

During its 2007-08 Budget Estimates inquiry, the Committee sought from each department the following financial information relating to their advertising and promotional activities:

- the communication, advertising and promotion budget for 2007-08;
- the actual expenditure incurred on communications, advertising and promotion in 2005-06 and 2006-07; and
- a break down of data according to like agencies, where possible, if machinery of government changes had impacted on the structure of the department.

The information received from departments is presented in table 7.1.

### Table 7.1: Departmental advertising and promotional (actual and budgeted) expenditure 2005-06 to 2007-08

| Department | 2005-06 Actual ($ million) | 2006-07 Estimated Actual (g) ($ million) | 2007-08 Budget ($ million) |
|---|---|---|---|
| Education (a) | 3.9 | 3.0 | 3.0 |
| Human Services (b) | 15.1 | 12.5 | 12.1 |
| Infrastructure (c) | 9.3 | 6.9 | 14.3 |
| Innovation, Industry and Regional Development (d) | 20.5 | 18.2 | 18.7 |
| Justice (e) | 6.0 | 4.5 | 5.9 |
| Premier and Cabinet (f) | 3.0 | 2.9 | 3.0 |
| Primary Industries | 4.3 | 2.7 | 2.7 |
| Sustainability and Environment | 9.7 | 8.4 | 7.9 |
| Treasury and Finance | 1.6 | 1.4 | 1.5 |
| Victorian Communities | 3.7 | 3.5 | 3.5 |
| Parliamentary departments | 0.3 | 0.3 | 0.4 |
| **Total** | **77.4** | **64.3** | **73.0** |

*Notes:*

*(a) figures for 2007-08 take into account machinery of government changes which resulted in the transfer of the Office of Training and Tertiary Education to the Department of Innovation, Industry and Regional Development and the Adult, Community and Further Education function to the Department for Victorian Communities*

*(b) budget figure for 2007-08 is an initial estimate which is subject to the outcome of the department's business planning process and specific campaign activity*

*(c) these figures include advertising by Vic Roads and the Southern and Eastern Integrated Transport Authority*

*(d) these figures include Tourism Victoria*

*(e) the 2007-08 budgeted figure includes an allocation of $3.5 million for the Problem Gambling campaign which will carry over beyond 2007-08*

*(f) the department is not in a position to provide budgeted and actual data for its operations. Figures shown relate to the National Gallery of Victoria and the Museums*

*(g) the expected actual figures for 2006-07 provided by most departments represent expenditure at a point in time during the year and do not necessarily reflect expected expenditure for the full year*

*Sources: Responses to the Committee's 2007-08 Budget Estimates questionnaire*

The Committee noted that the recent report of the Auditor-General on advertising included a figure of over $160 million for advertising and communications in 2004-05.[132] That figure covered every statutory authority, entities such as the Grand Prix Corporation, and recruitment tender advertisements. The Committee understands it included costs of staffing, launches, printing and websites as well as direct advertising costs. The Auditor-General noted that, while the Commonwealth Games advertising had an impact on this figure, it was less than what was spent on advertising in 1998.

The Committee is concerned to ensure continued full reporting of all government expenditure on communications, advertising and promotion. There seems to be a considerable discrepancy between the $160 million figure in the Auditor-General's report and the returns provided by departments. This may well be because departments in their responses did not include all expenditure by statutory authorities and government-related entities including water authorities.

The Committee recommends that:

**Recommendation 24:** **Departments include expenditure on communications, advertising and promotion by all statutory authorities and government entities in future reporting to allow for full reporting and transparency.**

One of the efficiency measures to be implemented from 2007-08 under the government's *Efficient Government* policy involves a reduction in advertising expenditure.

Five departments: Education, Human Services, Premier and Cabinet, Primary Industries and Victorian Communities advised the Committee that they do not develop a central budget for communications, advertising and promotional activities. Each of these departments conveyed a broadly similar message that budgets for these activities are determined by their different organisational units according to specific program needs.

Some departments also indicated that their communications expenditure relates mainly to specific communications support for their core business rather than as a result of direct campaigns.

The status of the Committee's information requests to the five departments on this subject was included in the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*. Four of the five departments have since furnished information to the Committee for inclusion in this report. In the case of the Department of Premier and Cabinet, which initially provided data for the National Gallery of Victoria and the museums, no further information was given in respect of its own operations. The final response from the department indicated that its earlier comment to the Committee for the purpose of the Part One report is *'an accurate statement of the way advertising and promotion is conducted'*.

Two recommendations relating to external reporting on advertising and communications included in the earlier mentioned Auditor-General's September 2006 report to Parliament were: [133]

> *That to improve public accountability, agencies should:*
>
> - *set a budget for advertising and communications; and*
> - *identify in their annual report the original budget, revisions to the budget and actual expenditure for government-funded advertising and communications. Variations should be explained.*

[132] Victorian Auditor-General's Office, *Government advertising*, September 2006, Executive summary, p.4
[133] ibid., p.7

*That agencies develop the capacity to accurately identify and report on the cost of their advertising and communications.*

The Committee in its previously mentioned April 2006 report recommended that the Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs.[134] The Auditor-General's September 2006 report indicated that adoption of the recommendation would provide for greater public transparency. [135]

The government's response to the Committee's report was tabled in Parliament on 3 October 2006. It accepted in principle the Committee's recommendation on the expansion of annual reporting requirements for advertising and identified that existing financial reporting directions required departments to include in annual reports details of major promotional, public relations and marketing activities. The response also stated the Department of Treasury and Finance would continue to work with agencies to ensure that information disclosure is appropriate and relevant.[136]

The Committee now looks forward to considering the 2006-07 annual reporting cycle and the extent to which its recommendations and those of the Auditor-General are reflected in departmental reporting. The Committee would particularly like to see specific attention by agencies to the setting of specific cost budgets for advertising and communications activities and regular monitoring and reporting against budgets. Reported information could also differentiate between funds expended on government-wide and agency-specific publicity or promotional campaigns and on internal communications support provided for core programs.

The Committee recommends that:

**Recommendation 25:** **The Department of Treasury and Finance ensure, as part of its enhancements to annual reporting practices, that agencies identify and report on performance against advertising budgets, identifying key components of expenditure including government-wide or agency-specific publicity campaigns.**

134 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, p.137
135 Victorian Auditor-General's Office, *Government advertising*, September 2006, Executive summary, p.5
136 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Outcomes*, tabled 3 October 2006, p.13

# CHAPTER 8: DEPARTMENTAL OUTPUT STRUCTURES AND PERFORMANCE MEASURES

## Key findings of the Committee:

**8.1** **There is a net decrease of 144 output measures in the 2007-08 Budget Papers made up of 207 new measures and 351 discontinued measures. The percentage breakdown of both new and discontinued measures according to type of measure is the same in each case.**

**8.2** **The bulk of changes to output structures and performance measures occurred in the Department of Justice following a major review in March 2007 by the Department of Treasury and Finance. There are now 5 fewer output groups, 23 fewer outputs and 114 fewer output measures, resulting in a clearer and more focused set of measures.**

**8.3** **The number of measures presented in the budget papers is progressively falling. However, some quantitative measures still used by departments such as number of meetings held, projects or programs underway, number of bridges maintained and number of ministerial briefs, convey a targeted increase in output without any obvious connection to an improved service outcome. The aim of any future reviews should be to ensure that all quantitative measures clearly exhibit such a connection.**

**8.4** **There is scope to enhance the quality of material on departmental output measures in the budget papers through a tabular presentation of the aggregate number of new and discontinued measures and a more consistent presentation of each department's policy decisions and directions.**

**8.5** **In recent years, the Department of Treasury and Finance has incorporated new information in the budget papers on the linking of departmental outputs to key government outcomes. The Committee advocates the continued expansion of this material so that it provides more definitive performance data directly linking intended achievements to objectives.**

**8.6** **Inclusion of robust performance material in future budget papers of the expected contributions from departmental outputs over the budgetary period to meeting objectives and contributing to government outcomes would help to reinforce the government's commitment to strong accountability in reporting on its effectiveness in the use of public resources.**

## 8.1 Background to departmental outputs and performance measures and targets

The government manages delivery of its annual budget according to an accrual output based framework.

In recent years, the Auditor-General and the Committee have presented reports to Parliament on the control and management of appropriations. These reports incorporate comment on the government's output management framework and the adequacy of performance measures in place in capturing key aspects of output delivery.[137]

The framework features a purchaser/provider arrangement under which Parliament authorises the Treasurer to purchase outputs from departments based on an accrual price to be paid to departments in return for delivering outputs. Appropriations are formally applied to departments when the Treasurer is satisfied that agreed outputs have been delivered.

The expected cost, quantity, quality and timeliness of outputs to be delivered by departments are agreed between the government and each of the respective Ministers and departmental secretaries prior to commencement of each financial year.

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. Each group of outputs is linked to relevant key government outcomes.[138] A separate chapter in the budget papers shows the connection between output groups, key government outcomes and the five visions set out in the government's main strategic document, *Growing Victoria Together*. [139]

The 2007-08 Budget Papers state that:[140]

> *An output represents the aggregate of goods or services which are either produced or delivered by, or on behalf of, a department and its agencies. The quantity, quality, timeliness and cost performance measures listed for each output are used to assess each department's performance in service delivery. The output statements reflect the government's investment in services during the year in terms of the cost per unit of output, the quantity of the output units to be delivered, the level of quality and the timeliness of the output delivery.*

The budget papers disclose for each performance measure the target specified for 2007-08 compared with the equivalent target for 2006-07, the expected outcome for that year and the actual outcome for 2005-06. They also identify new measures introduced for the year and any measures discontinued by departments, together with explanatory reasons.

## 8.2 Changes to departmental outputs and performance measures reflected in the 2007-08 budget

During its 2007-08 Budget Estimates inquiry, the Committee sought information from departments on any changes to:

- key government objectives expected to be achieved by the major outputs; and
- major outputs and performance measures in 2007-08 compared with 2006-07.

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137 Victorian Auditor-General's Office, *Parliamentary control and management of appropriations*, April 2003 and Public Accounts and Estimates Committee, *Report on the review of the Auditor-General's report on Parliamentary control and management of appropriations*, September 2005

138 Budget Paper No.3, *2007-08 Service Delivery*, pp.51–260

139 ibid., pp.37–50

140 ibid., p.51

The purpose of seeking this information was to assess the nature of any such changes and determine whether there had been a consequential beneficial impact on the quality of performance material presented in the budget papers.

The departmental responses are presented in the Committee's May 2007 *Report on the 2007-08 Budget Estimates – Part One.*

The Committee's analysis of these responses and the relevant material presented in the budget papers identified a net decrease of 144 output measures in 2007-08 made up of 207 new measures and 351 discontinued measures. It also revealed that the breakdown of new and discontinued measures according to the three standard categories of measure, quantity, quality and timeliness, was the same in each case. Table 8.1 summarises this position.

## Table 8.1: New and discontinued output measures presented in 2007-08 budget

| Item in 2007-08 budget | Total | Quantity measures | Quality measures | Timeliness measures |
|---|---|---|---|---|
| **New output measures** | | | | |
| Number of new measures | 207 | 103 | 52 | 52 |
| Proportion of total | 100% | 50% | 25% | 25% |
| **Discontinued output measures** | | | | |
| Number of discontinued measures | 351 | 174 | 89 | 88 |
| Proportion of total | 100% | 50% | 25% | 25% |
| **Net movement in number of measures** | **-144** | **-71** | **-37** | **-36** |

*Source: Budget Paper No.3, 2007-08 Service Delivery, pp.55–250, 397–430*

Reasons conveyed to the Committee by departments for the changes to their output measures include the impact of machinery of government changes, new budget initiatives, the government's 2006 election commitments and a need to better align measures with key government outcomes and the goals identified in the *Growing Victoria Together* document.

The bulk of changes to performance measures in the 2007-08 budget occurred in the Department of Justice (DOJ). The Committee was advised that the department's output structure for 2007-08 was significantly revised in March 2007. This revision was initiated following an assessment by the Department of Treasury and Finance (DTF) that the department had too many output groups and outputs for the level of its budget and that the output structure focused more on organisational issues than service delivery across the various portfolios supported by the department.[141] The extent of the changes to the output structure of the DOJ is shown in table 8.2.

[141] Department of Justice, response to the Committee's 2007-08 Budget Estimates questionnaire, received 1 May 2007, pp.20–21

## Table 8.2: Major revision to 2007-08 output structure of the Department of Justice

| Item | Output groups (number) | Outputs (number) | Output measures (number) | Output budget ($ million) |
|---|---|---|---|---|
| 2006-07 budget | 13 | 39 | 214 | 2,991.3 |
| 2007-08 budget | 8 | 16 | 100 | 3,155.3 |
| **Net movement** | **-5** | **-23** | **-114** | **164.0** |

*Sources: Budget Paper No.3, 2007-08 Service Delivery, pp.151–171, 410–418 and Department of Justice, response to the Committee's 2007-08 Budget Estimates questionnaire, received 1 May 2007, pp.20–21*

The DOJ further informed the Committee that its revised structure was achieved by aligning and consolidating services provided by different entities within new output specifications. It added that the review focused on broad principles of simplifying the output structure while retaining its effectiveness as a tool for managing service delivery, transparency and accountability.

The Committee is aware that DTF undertakes periodic reviews of the output structures and performance measures of departments and there has been significant improvement in the structure of outputs and the usefulness of measures over the years. The outcome of the above rationalisation of outputs and performance measures within the DOJ and the supportive reaction of that department are indicative of the extent and value of change that can emanate from the expert involvement of DTF.

The Committee would welcome continuation of similarly scoped output reviews of other major departments by DTF in future years. It noted for example that the outputs and measures of the Department of Sustainability and Environment have quite different descriptors to those of virtually all the other departments and are arguably more informative.

The Committee also believes that any future revisions of output measures should include an assessment of the need for retention of the current number of quantitative measures. While the number of quantitative measures has fallen over the years due to DTF reviews and departmental initiatives, there are still some measures described in such terms as projects and programs underway, number of ministerial briefs, number of bridges maintained and number of meetings held, that convey a targeted increase in output without any obvious connection to an improved service outcome. The aim should be to ensure that all quantitative measures clearly exhibit such a connection.

The Committee considers that disclosure of departmental output measures in the annual budget papers would be enhanced if the papers incorporated:

- a tabular presentation of the global movements in new and discontinued performance measures categorised according to quantity, quality and timeliness measures (for example, as per tables 8.1 and 8.2); and
- a more consistent approach to presentation of the major policies and directions of each department drawing on the format and content adopted by the Department of Infrastructure.[142]

[142] Budget Paper No.3, *2007-08 Service Delivery*, pp.108–109

There are over 1,300 output measures listed in the 2007-08 Budget Papers (down from over 1500 in 2006-07). The Committee welcomes this downward trend as the value of performance material to users of the papers is influenced by the usefulness and relevance of measures rather than their numbers.

Adoption of the above suggestions would give further benefit to users of the budget papers in that there would be a clearer picture of net movements each year in the number and type of measures. It would also provide better disclosure of trends over time and of benefits accruing from output reviews conducted by DTF.

The Committee recommends that:

**Recommendation 26:** **The Department of Treasury and Finance incorporate within future budget papers a tabular presentation of annual global movements in new and discontinued output measures, categorised according to quantity, quality and timeliness measures.**

**Recommendation 27:** **The budget papers incorporate a more consistent presentation of each department's policy decisions and directions drawing on the format and content adopted by the Department of Infrastructure.**

## 8.3 Importance of linking departmental outputs to key government outcomes

The Department of Treasury and Finance has taken action in recent years to improve information in the budget papers on the linking of departmental outputs to government outcomes. This additional information was first included in the form of a new chapter in the 2006-07 Budget Papers providing a high level overview of the government's service delivery achievements under the five long term themes identified in the *Growing Victoria Together* document.[143] It complements an annual report card on progress towards the goals of *Growing Victoria Together* which has been included in the budget papers over the last five years.

The new chapter was further expanded in 2007-08 with inclusion of a listing of those departmental outputs that are expected to contribute to the various themes of *Growing Victoria Together* over the ensuing year.[144]

The Committee advocates that there continues to be an expansion of information as a shortcoming of the additional information presented in the budget papers is that it primarily comprises of descriptive narrative. It provides no definitive performance data directly linking intended achievements for 2007-08 under outputs to departmental objectives and in turn to the key government outcomes supporting *Growing Victoria Together*.

Incorporation of more informative performance material on the annual expected contribution of outputs to objectives and outcomes would complement the government's existing reporting on actions taken under *Growing Victoria Together* and reinforce its commitment to strong accountability in the reporting of its effectiveness in the use of public resources. Such action would also contribute to the

143 ibid., pp.51–59
144 ibid., pp.37–50

creation of an auditable framework on performance indicators in the departmental sector to expedite the involvement of the Auditor-General in this area.

An absence of verifiable performance data within departments has precluded the Auditor-General from using the legislative authority assigned by Parliament since as far back as 1999.

The Committee recommends that:

**Recommendation 28:** **The recent inclusion in the budget papers of information linking departmental outputs to government outcomes be progressively expanded to provide more performance material on the expected contributions by departmental outputs to meeting objectives and contributing to key government outcomes.**

# CHAPTER 9: REGIONAL VICTORIA INITIATIVES AND RELATED ISSUES

## Key findings of the Committee:

**9.1** **Victoria had the third highest regional population growth rate (1.41 per cent) behind Queensland (2.15 per cent) and Western Australia (1.88 per cent) in Australia in 2006, and there is a significant gap to the next ranking states, New South Wales (0.9 per cent) and South Australia (0.7 per cent).**

**9.2** **Eight departments have responsibility for managing the funding initiatives for regional and rural development in Victoria announced in the 2007-08 budget.**

**9.3** **49 output initiatives and 24 asset initiatives involving aggregate funding of around $1 billion to 2010-11 are wholly aimed at supporting regional and rural development. A further 27 initiatives with total funding of $811.5 million have a mix of metropolitan and regional programs and services, and funding is not dissected in the budget papers according to the regional and non-regional components.**

**9.4** **There is scope for enhancing presentation in the budget papers or associated materials of funding initiatives for regional and rural development through inclusion of tables identifying each department's budgetary responsibility for new programs and services in each of Victoria's designated regions.**

**9.5** **There is also potential to incorporate in each year's budget papers a dedicated document on funding initiatives supporting regional and rural development, that is, rural Victoria as well as provincial cities, in Victoria.**

**9.6** **Around 20 per cent (93 questions) of the 456 questions asked by the Committee during the 2007-08 Budget Estimates hearings related specifically to regional and rural Victoria. Portfolios with the highest percentage of questions were regional and rural development, agriculture, water, environment and climate change, and employment, which have responsibilities of direct significance to regional and rural development.**

## 9.1 Background

For some years now, the government has directed attention, in the formulation of its strategic policies and budgetary priorities, on regional and rural development in Victoria.

The government's main policy document for regional and rural development in more recent years has been its *Moving Forward* statement issued in November 2005.[145] This statement is a $502 million package of measures designed to build on the strength of regional economies and unlock the potential for future growth.[146]

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145 Department of Innovation, Industry and Development, Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest, November 2005

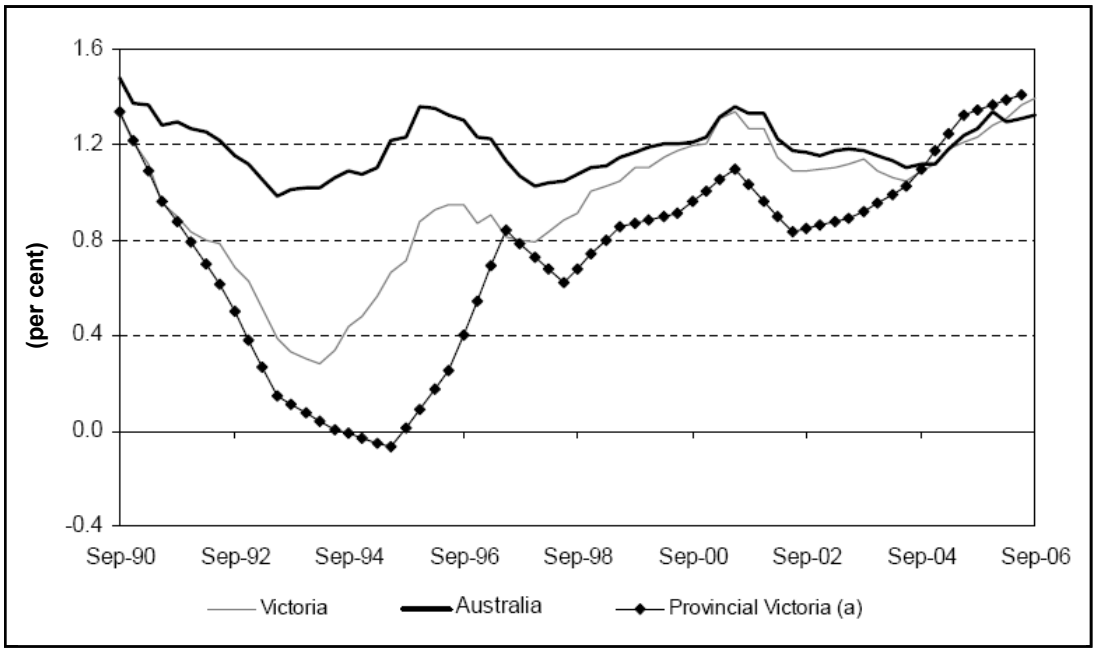
146 Australian Labor Party, Policy for the 2006 Victorian Election, *Provincial Victoria: Moving Forward – Not Back*, p.6

Funding measures within the statement included provision of $200 million to extend the Regional Infrastructure Development Fund to 2009-10 and of $100 million to establish the Provincial Victoria Growth Fund. A range of regional infrastructure projects is financed through the former fund, which is administered by Regional Development Victoria, a statutory body established to facilitate economic and community development in regional and rural Victoria.[147] The latter fund assists in the promotion and growth of provincial Victoria, including identifying new business opportunities and addressing skills shortages.

The enabling legislation governing the role and functions of Regional Development Victoria established the Regional Development Advisory Committee to provide advice to the Minister on matters relating to economic and community development in regional and rural Victoria.

The strategy and outlook document within the 2007-08 Budget Papers states that population growth in regional Victoria has been strong, with growth in 2005-06 of 1.4 per cent, the highest regional growth behind Western Australia and Queensland.[148] Figure 9.1 compares the Victorian and Australian annual population growth as shown in the budget papers.

## Figure 9.1: Victorian and Australian annual population growth




*Note: (a) For provincial Victoria, annual population growth is interpolated to a quarterly basis*

*Source: Budget Paper No.2, 2007-08 Strategy and Outlook, p.25*

The Committee's analysis of regional growth data published by the Australian Bureau of Statistics showed there is a significant gap between Victoria as having the third highest growth rate in 2005-06 (1.41 per cent) and the next ranking states (New South Wales, 0.9 per cent and South Australia, 0.7 per cent).[149]

147 Regional Development Victoria Act 2002, Section 1
148 Budget Paper No.2, *2007-08 Strategy and Outlook*, p.24
149 www.abs.gov.au , accessed 27 August 2007

The budget papers also state that employment growth in regional Victoria *'was strong over the year* [2005-06] *to the March quarter, at over 5 per cent, and the country Victoria unemployment rate has fallen by over one percentage point over the past year to 5.2 per cent'*.[150]

## 9.2 Overview of new 2007-08 output and asset funding initiatives relating to regional and rural development

As mentioned in Chapter 2, the theme, *Provincial Victoria*, is identified as one of the 12 key themes underpinning the direction of the 2007-08 budget and its new funding initiatives.

Throughout the budget documents, there are numerous references to funding initiatives of relevance to rural and regional development. Because of the diverse nature of these initiatives, responsibility for their implementation is spread across several departments.

The government's overview budget document lists a number of the more significant funding initiatives for the *Provincial Victoria* theme under the following four headings:[151]

- improving regional services;
- strengthening regional industry;
- helping provincial communities manage climate change and water; and
- combating bushfires.

Table 9.2 identifies the initiatives shown in the budget document or through subsequent announcements under these headings.

[150] Budget Paper No.2, *2007-08 Strategy and Outlook*, p.24
[151] Victorian Budget Overview, *Delivering for Victorian Families*, May 2007, pp.30–31

## Table 9.2: Provincial Victoria funding initiatives – 2007-08 budget

| Improving regional services | Strengthening regional industry | Helping provincial communities manage climate change and water | Combating bushfires and flooding |
|---|---|---|---|
| $25 million TEI for new hospital facilities at Warrnambool and Ballarat and planning at Geelong and Bendigo | $180 million for a new biosciences research centre that will reinforce Victoria's leadership in agricultural biotechnology and protect the state's primary industries from plant and animal disease | $600 million as the government's contribution to the $1 billion Food Bowl Modernisation Project (a) | $30 million over four years and $12 million TEI to boost the capacity of the State Emergency Service to respond to calls for assistance, and replace and upgrade equipment |
| $38 million to increase emergency on-call arrangements, create an additional 11 training posts for general practitioners, eight new rural GP obstetrics training positions and an additional 15 training posts for medical specialists in rural hospitals | $5 million over three years for a Local Roads to Markets program to expand the eligibility of the Dairy Industry Local Roads program to include other selected agricultural and horticultural producers who do not currently have B-Double access to their properties | $13 million in 2007-08 to refocus the Our Rural Landscape program to develop scientific solutions to the threats posed by climate change, including options that are commercially viable | $11 million for the replacement of bridges and fences in parks and forests and restoration of built assets in affected parks in Gippsland and North East Victoria |
| $48 million TEI for new or upgraded community health and aged care centres in Stawell, Nathalia and Leongatha | $30 million over four years to protect farms and the natural environment from pests and weeds | $10 million over four years to assist farmers to develop farm water management plans and more efficient on-farm irrigation systems through the Water Smart Farms program | $14 million over four years to provide grants to emergency service units to assist with the purchase of equipment and the recruitment of more volunteers |
| $22 million over four years to provide for additional elective surgery in rural Victorian hospitals | $4 million over three years to help farmers to develop more efficient energy usage on their properties | $10 million TEI to continue the Werribee Vision, increasing Melbourne's capacity to treat additional recycled water from the Werribee Irrigation District | $9 million TEI for the replacement of rural fire stations to enhance the Country Fire Authority's ability to respond to and fight bushfires |
| $123 million TEI to replace, modernise and rebuild regional schools | $23 million over four years to promote regional tourism | $20 million over four years to assist small towns to improve their water quality | $70 million in funding packages in response to major flooding in the Gippsland region (a) |
| $42 million TEI for five new or rebuilt police stations | $2 million over four years to support Farmers' Markets | $4 million over two years for a major recycled water project for Leongatha | |
| A $30 million boost to regional bus services | $5 million over three years to improve regional airports across Victoria | $38 million TEI for the Shepparton Irrigation Area | |
| | $4 million over three years to improve and upgrade rural showgrounds | | |

*Note:* *(a) announced subsequent to the budget*

*Source:* *2007-08 Victorian Budget Overview, Delivering for Victorian Families, pp.30–31*

As stated in Chapter 2, the funding support provided for combating bushfires in regional areas announced in the budget was followed by a July/August 2007 funding package of $70 million as a result of major flooding in the Gippsland region.

Chapter 2 also mentions the government's eight year Food Bowl Modernisation Project of up to $2 billion announced in June 2007 which, inter alia, will address irrigation inefficiencies in Victoria's Food Bowl region and involve a government contribution of $600 million to its first stage.

A number of the above 2007-08 initiatives are also presented in another section of the budget papers as supporting the visions set out in *Growing Victoria Together* through *'Building a stronger Victorian Industry and Strengthening Regional Development'*.[152] In addition, the budget overview document shows a map of Victoria linking unquantified funding initiatives to areas of the state encompassing regional as well as Melbourne and outer suburban areas. [153]

The 2007-08 funding allocations for regional and rural development follow allocations announced by the government in previous budgets such as funding for the Wimmera Mallee pipeline – the 2006-07 budget states that funding announced in that budget took the total state contribution to the project to $175 million. Other programs benefiting rural and regional Victoria are the Victorian Schools Plan with $13 million allocated to replace relocatable buildings in rural schools, and a regional roads upgrade program to the value of $91 million, encompassing Stage four of the Geelong Ring Road.

### 9.2.1 Scope for enhanced presentation of departmental funding initiatives for regional and rural development

The current presentation in the budget papers of the main funding initiatives falling under the *Provincial Victoria* theme, as described above, is very helpful to readers with an interest in this subject. Nevertheless, the Committee considers there is scope to further enhance the presentation of material, particularly in terms of assisting readers to more readily determine each department's responsibility for the management of budgeted funds aimed at supporting regional and rural development.

The Committee has identified, from its analysis of the information presented in the main service delivery budget document, that:

- eight departments have been assigned responsibility for managing asset and output funding initiatives associated with regional and rural development;
- 49 output initiatives with funding totalling $317.3 million and 24 asset initiatives with funding amounting to $628.4 million are wholly aimed at supporting regional and rural development in the state; and
- a further 12 output initiatives and 15 asset initiatives are of a composite nature in that they involve both metropolitan and regional programs or services, with aggregate funding allocations of $811.5 million not dissected according to their regional and non-regional components.

The Committee is aware from its analysis that it would be an onerous task for members of Parliament and other readers of the budget papers to determine the extent of service delivery responsibility assigned to individual departments for new output and asset funding initiatives relating to regional and rural development. This task is made more difficult by the fact that, as shown above, several

[152] Budget Paper No.3, *2007-08 Service Delivery*, pp.31–33
[153] Victorian Budget Overview, *Delivering for Victorian Families*, May 2007, pp.16–17

funding initiatives cover both regional and non-regional areas and it is not standard practice to show a dissection of the funding allocation across regions in the budget papers.

In Chapter 2, the Committee has suggested that the government give consideration to categorising and sub-totalling in future budget papers new funding initiatives for each department according to the applicable budgetary theme. For the *Provincial Victoria* theme, such presentation would assist members of Parliament and other readers of the budget papers to identify each department's responsibility for new programs and services supporting regional and rural development.

The Committee also suggests that the government assess the potential for insertion within the budget papers or in accompanying material in the budget reports a table identifying the quantum of funds allocated by department to support regional and rural development, with funding dissected according to the various designated regions of the state. The government's provincial Victoria website identifies the following eleven regions of the state outside Melbourne:[154]

- Geelong, Otway and Hinterland;
- Gippsland;
- Goulburn Murray;
- Goulburn River and Ranges;
- Grampians Pyrenees;
- Great South Coast;
- Loddon Murray;
- Mildura Swan Hill;
- North East Victoria;
- Victoria's Goldfields; and
- Wimmera Mallee.

The Committee considers this form of disclosure would facilitate trend analysis by members of Parliament of whole of government funding for regional and rural development purposes. It would add to the existing disclosure practices and complement current ex-post reporting of the management of funds in regional areas by the Department of Innovation, Industry and Regional Development and by Regional Development Victoria. It would be a worthwhile step in further enhancing the presentation of material in each year's budget papers.

The Committee recommends that:

**Recommendation 29:** **The government consider widening presentation in the budget papers or associated materials of information on announced new initiatives for regional and rural development to encompass a dissection of funding allocated to each department for each of the state's designated regions.**

[154] www.provincialvictoria.vic.gov.au , accessed 27 August 2007

### 9.2.2 Potential for dedicated section in budget papers on funding initiatives supporting regional and rural development

In addition to the widened presentation of material advocated in section 9.2.1, the Committee considers that the magnitude of budget funding earmarked each year for regional and rural development warrants inclusion in the budget documents of a dedicated section for new output and asset funding initiatives supporting regional and rural development. A dedicated section could bring together the various sections of the budget papers currently devoted to regional and rural development and incorporate additional material in the form of:

- identification of aggregate new output and asset funding allocated within the budget for regional and rural development;
- dissection of the aggregate funding across the state's designated regions;
- disclosure of intended outcomes in terms of the desired effects of funding in each region such as population and employment growth targets, establishment of new industries or businesses, results of actions to address skills shortages and tourism related objectives;
- identification of the various departments and portfolios assigned responsibility for the management of programs and services associated with new funding announced in the budget;
- description of the structure and processes established for ensuring maximum effectiveness in the coordination of planning and decision making across several departments and portfolios for regional programs and services;
- identification of an entity with prime responsibility for overseeing the coordination of across-entity funding for regional investment initiatives and for year-end whole of government reporting to Parliament on the management of allocated funds; and
- specification of the principal accountability document and supporting online information sources that are available to members of Parliament and the community to enable an assessment of year-end performance in each region against intended outcomes.

In identifying the need for disclosure each year of the entity responsible for overseeing coordination of funding for regional and rural Victoria across government, the Committee recognises the role of Regional Development Victoria in administering expenditure from the Regional Infrastructure Development Fund and of the Department of Innovation, Industry and Regional Development in coordinating expenditure from the Provincial Victoria Growth Fund.

The Committee considers that disclosure of the above information as a standard feature of each year's budget papers would reinforce the government's ongoing policy commitment to promoting and developing regional and rural Victoria. This could be done by issuing an associated budget document on regional Victoria encompassing both rural Victoria and provincial cities.

The Committee recommends that:

**Recommendation 30:** **Coordination of funding for regional investment initiatives including services and whole of government reporting could be conferred on a central or other appropriate entity to facilitate dedicated streamlined reporting within budget papers.**

**Recommendation 31:** **The government explore the merits of an associated budget document on funding allocated to programs for regional and rural Victoria, that is, rural Victoria as well as provincial cities.**

## 9.3 Analysis of questions and key issues arising from the budget estimates hearings

During its 2007-08 Budget Estimates hearings, the Committee expressed significant interest in the government's strategies and programs relating to regional and rural Victoria.

Table 9.3 identifies the number of questions asked by the Committee relating specifically to regional and rural Victoria at the estimates hearings for the various portfolios.

### Table 9.3: Questions asked by the Committee at the estimates hearings relating specifically to regional and rural Victoria

| Portfolio | Questions by the Committee | | |
|---|---|---|---|
| | Total number (a) | Number relating to regional and rural Victoria (b) | Percentage of (b) to (a) |
| **Department of Education** | | | |
| Education | 43 | 4 | 9 |
| **Department of Human Services** | | | |
| Children | 12 | 1 | 8 |
| Community Services | 16 | 1 | 6 |
| Health | 35 | 7 | 20 |
| Housing | 10 | 1 | 10 |
| Mental Health | 9 | 1 | 11 |
| **Department of Infrastructure** | | | |
| Public Transport | 21 | 3 | 14 |
| Roads and Ports | 16 | 3 | 19 |
| **Department of Innovation, Industry and Regional Development** | | | |
| Industrial Relations | 12 | 1 | 8 |
| Regional and Rural Development | 11 | 8 | 73 |
| Skills | 10 | 2 | 20 |
| **Department of Justice** | | | |
| Corrections | 15 | 1 | 7 |
| Police and Emergency Services | 31 | 3 | 10 |
| **Department of Premier and Cabinet** | | | |
| Arts | 10 | 2 | 20 |
| Premier's | 35 | 8 | 23 |
| **Department of Primary Industries** | | | |
| Agriculture | 28 | 19 | 68 |
| Energy and Resources | 13 | 3 | 24 |

## Table 9.3: Questions asked by the Committee at the estimates hearings relating specifically to regional and rural Victoria *(continued)*

| Portfolio | Questions by the Committee | | |
|---|---|---|---|
| | Total number (a) | Number relating to regional and rural Victoria (b) | Percentage of (b) to (a) |
| **Department of Sustainability and Environment** | | | |
| Planning | 26 | 2 | 8 |
| Water, Environment and Climate Change | 29 | 10 | 34 |
| **Department of Treasury and Finance** | | | |
| Treasury | 20 | 3 | 15 |
| **Department for Victorian Communities** | | | |
| Aged Care | 19 | 4 | 21 |
| Employment | 10 | 3 | 30 |
| Local Government | 12 | 2 | 17 |
| Victorian Communities | 13 | 1 | 8 |
| **Total** | **456** | **93** | **20** |

*Source: Information compiled by Committee based on questions raised at the budget estimates hearings*

As identified in table 9.3, Ministers responded to 93 questions (20 per cent of all questions asked by the Committee) directly relating to regional and rural Victoria at the 2007-08 Budget Estimates hearings. Those portfolios with the highest percentage of questions were regional and rural development, agriculture, water, environment and climate change, and employment. These portfolios have many responsibilities that are of direct significance to regional and rural Victoria.

The Committee intends to further pursue during its future outcomes inquiries a number of the matters relating to regional and rural development that were raised during the 2007-08 estimates hearings.

# CHAPTER 10: MEASURING THE COMMITMENT OF MINISTERS AND DEPARTMENTS IN SERVICING THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

## Key findings of the Committee:

**10.1** **The demands placed on Ministers and their supporting departments in servicing the Committee's inquiries are significant. The Committee appreciates the professional manner in which Ministers and departments respond to these demands.**

**10.2** **The total annual cost to departments associated with supporting Ministers in servicing the Committee's inquiries is at least $1 million.**

**10.3** **The Committee intends to give greater visibility in future reports to the commitment of Ministers and departments in servicing the activities of the Committee and responding to their accountability obligations.**

**10.4** **The government has provided additional ongoing funding of $360,000, from and inclusive of 2007-08, to specifically augment the Committee's activities.**

## 10.1 The Committee's role in the accountability process

The Public Accounts and Estimates Committee is a joint investigatory committee of the Victorian Parliament. Its role is unique in Australia in that it has the dual responsibility of scrutinising both the public accounts and the annual budget estimates. The Committee is also responsible for a range of statutory functions associated with the independence and performance of the Auditor-General.

The Committee's *Report on the 2007-08 Budget Estimates – Part One*, was tabled in Parliament on 24 May 2007 and describes the role of the Committee in the budget estimates process, which includes:

- the conduct of public estimates hearings with each Minister and the Presiding Officers of Parliament at which they are questioned on their budgetary allocations for the ensuing financial year;
- the seeking of written responses from Ministers to questions taken on notice and unasked questions arising from the hearings for their portfolios; and
- provision of responses by departments to an annual budget estimates questionnaire issued by the Committee addressing the impact of the budget on departmental operations and future directions.

Subsequent to the budget estimates process, the Committee seeks information from departments on their financial results for the previous year and their performance against planned outcomes. This retrospective outcomes review complements the prospective budget estimates exercise.

The Committee also undertakes inquiries from time to time into specific aspects of public administration either selected by the Committee for examination or referred to it by the Governor-Council on behalf of the Parliament or government.

In summary, the Committee is the key representative body of Parliament assigned the responsibility of ensuring adequate transparency about the government's financial management practices. It fulfils a major role in strengthening the government's accountability to Parliament and the community.

## 10.2 Relationship between the Committee and Ministers and their supporting departments

Ministers and their supporting departments are significant contributors to inquiries of the Committee. Much of the Committee's annual work on budget estimates and outcomes centres on information and responses provided by Ministers and departments.

By way of illustration, at the budget estimates hearings, Ministers make a presentation to the Committee on the key issues and budgetary priorities impacting on their portfolios. These presentations are a valuable source of information to the Committee and members of the public on the main strategic matters earmarked for attention in each portfolio over the next forward estimates budget period (usually four years).

Following these presentations, Ministers and their senior departmental officials are questioned by all Members of the Committee about their proposed use of allocated funds.

The demands placed on Ministers and supporting departments in preparation for and participation at the estimates hearings, as well as other inquiries, are therefore significant. The Committee appreciates the professional manner in which Ministers and departments respond to these demands. The Committee considers it is indicative of their respect for the scrutiny powers of the Committee, separate from the Executive arm of government, and their commitment to upholding public accountability in Victoria.

## 10.3 Estimates of departmental resources involved in servicing inquiries of the Committee

Mindful of the extent of cooperation and assistance provided by Ministers and departments, the Committee sought, during its 2007-08 Budget Estimates inquiry, information from Ministers on the estimated level of resources and staffing costs involved annually for each portfolio department in servicing inquiries of the Committee.

The ministerial responses were informative and indicated that the total annual cost, predominately of a staffing nature, to coordinating departments supporting Ministers in servicing the activities of the Committee is at least around $1 million. This figure represents a minimum estimate as:

- two responses, from the Treasurer and the Department of Education on behalf of the Minister, did not attach a dollar value to the resource estimates;
- estimates were not provided for three of the five portfolios supported by the Department of Human Services;
- some estimates cited were conservative in nature and in one case the estimate was limited to the Committee's budget estimates inquiry; and
- servicing of the Committee's activities was not always costed in departments as a separate activity because it was viewed as integral to the budget development phase, which meant in those cases only broad estimates could be furnished.

In six instances, the annual cost estimate was greater than $50,000 with the Department of Justice providing the highest estimate, namely $422,500.

The Committee is aware that not a lot of information is available in the public arena to illustrate the extent of the commitment by Ministers and departments to meeting their public accountability obligations. The Committee therefore intends to seek, as a standard budget estimates question, similar information from Ministers in future years. It suggests that departments make suitable provision within their costing systems to facilitate the annual extraction of relevant information.

The Committee recommends that:

**Recommendation: 32:** **Departments ensure their costing systems readily identify the level and cost of resources allocated to supporting Ministers in their servicing of the Committee's inquiries.**

## 10.4 Staffing needs of the Committee

The wide ranging scrutiny role accorded by Parliament to the Committee accentuates the importance of the availability to it of adequate staffing levels so that it can consistently produce high quality output and convey value adding recommendations in its reports.

As mentioned in the Chair's introduction in the Committee's *Report on the 2007-08 Budget Estimates – Part One* tabled on 24 May 2007, the Committee was pleased to hear from the then Premier, Hon. S Bracks MP at the estimates hearing of 3 May 2007, on the importance the government attaches to its role. At the hearing, the Premier indicated that additional funding of $360,000 would be made available in 2007-08 and subsequent years:[155]

> *...to this Committee for its work, its staffing and undertaking the investigations that it pursues. I am very pleased about that.*

The Premier also undertook:[156]

> *...to have formal correspondence submitted by the Treasurer to the PAEC outlining the money resources and the allocation of that and the principles on which it was allocated.*

On 17 May 2007, the then Acting Premier formally advised the Committee of this additional funding as well as a further $240,000 for 2006-07. As no new staff were appointed before the end of the financial year, this $240,000 was not utilised.

Evidence was taken at the estimates hearings with the Presiding Officers on this matter and the Speaker agreed that the funding was 'to provide for additional inquiries and for additional staff and operational expenditure.' The Chair tabled a letter to the Clerk, on behalf of the Committee, seeking a classification of the executive officer position at the VPS 6.2 level with a gratuity, while noting that the Committee believed the position merited an E03 level classification. The Committee has also sought additional research officers and believes that the appointment of senior research officers at the VPS 5.2 level is warranted.

[155] Hon. S Bracks MP, Premier, 2007-08 Budget Estimates hearing, transcript of evidence, 3 May 2007, p.2
[156] ibid., p.34

The Speaker noted that a higher classification of the executive officer position was an issue. The Clerk also noted that he was happy to look at a work value case in respect of the PAEC secretariat.

Subsequent to the hearing, the Presiding Officers have employed Hay Consulting to report on the work value of senior parliamentary positions including the executive officer of the Public Accounts and Estimates Committee. The Clerk has also employed a private consultant, Mr Warren Peart to review the staffing resources of the secretariat. The Committee was advised of the terms of reference of the latter review but was not consulted on them. It was of the view that the terms of reference did not sufficiently address the immediate need for more senior and additional full-time staff. The Chair and Deputy Chair met with the consultant and put the Committee's view that the additional funding provided by Parliament should be allocated for what was intended when the Committee sought the funds from the Premier: the appointment of a more senior executive officer and additional full-time research staff.

At the time of the preparation of this report the results of the two external staffing reviews were not available. The Committee looks forward to the early and positive resolution of the secretariat's urgent staffing needs.

# SECTION C: GROWING VICTORIA TOGETHER

# CHAPTER 11: OVERVIEW OF THE LINKAGES BETWEEN THE BUDGET ESTIMATES HEARINGS AND GROWING VICTORIA TOGETHER

## Key findings of the Committee:

**11.1** **The Committee considers there is scope for the government to build further on the nexus between the government outputs to be delivered and the policy priorities espoused in *Growing Victoria Together*. In a financial sense, greater clarity could be achieved in disclosing the contribution by output costs that each of the government output makes towards relevant policies.**

**11.2** **The Committee also considers that it would be beneficial extending these *Growing Victoria Together* linkages to also include similar levels of information within the annual reports of the departments.**

## 11.1 Background

The Committee disclosed in its *Report on the 2007-08 Budget Estimates – Part One* and its *Report on the 2007-08 Budget Estimates – Part Two,* key matters raised at the estimates hearings, questions taken on notice and unasked questions under each portfolio.

Building on this disclosure and linkages that exist between the government's vision and goals set out in *Growing Victoria Together* (GVT) and the budget, as well as the annual plan of the Auditor-General's Office, the Committee believes that it would be useful to also provide a link between the lines of inquiry adopted as part of the estimates hearings and GVT. Where appropriate, other key policies of government have also been used as part of this analysis. This process will, in the opinion of the Committee, complete the trilogy of aligning the central GVT to the budget estimates, the Auditor-General's Annual Plan and PAEC reporting requirements.

## 11.2 Linkage of questions raised through the budget estimates hearings process with the government's policy vision and goals

Table 11.1 sets out on a portfolio basis a summary of the number of policy questions raised at the budget estimates hearings according to the policy vision and goals of the government.

## Table 11.1: Alignment of questions raised at budget estimates hearings with the government's policy vision and goals

| Portfolio | *Growing Victoria Together* policy: A vision for Victoria to 2010 and beyond | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Vision 1: Thriving economy<br>Goal A: More quality jobs and thriving, innovative industries across Victoria<br>Goal B: Growing and linking all of Victoria | | Vision 2: Quality health and education<br>Goal A: High quality, accessible health and community services<br>Goal B: High quality education and training for lifelong learning | | Vision 3: Healthy environment<br>Goal A: Protecting the environment for future generations<br>Goal B: Efficient use of natural resources | | Vision 4: Caring communities<br>Goal A: Building friendly, confident and safe communities<br>Goal B: A fairer society that reduces disadvantage and respects diversity | | Vision 5: Vibrant democracy<br>Goal A: Greater public participation and more accountable government<br>Goal B: Sound financial management | | |
| | Goal A (number) | Goal B (number) | Goal A (number) | Goal B (number) | Goal A (number) | Goal B (number) | Goal A (number) | Goal B (number) | Goal A (number) | Goal B (number) | (number) |
| Aboriginal Affairs | | | | | | | | 7 | 2 | | 9 |
| Aged Care | 1 | | | | | | 4 | 10 | 4 | | 19 |
| Agriculture | 9 | | | | 1 | 4 | 2 | 3 | 8 | 1 | 28 |
| Arts | | 1 | | | | | 3 | | 4 | 2 | 10 |
| Attorney-General | 1 | | | | | | 3 | 4 | 12 | | 20 |
| Children | 1 | | 6 | | | | | 1 | 2 | 2 | 12 |
| Community Services | 1 | | 4 | | | | | 3 | 8 | | 16 |
| Consumer Affairs | 1 | | | | | | | 5 | 6 | | 12 |
| Corrections | | | | | | | 11 | | 4 | | 15 |
| Education | 1 | | 1 | 16 | 2 | 1 | | 4 | 14 | 4 | 43 |
| Education Services | 1 | | | 2 | | | | 3 | 3 | | 9 |
| Employment | 2 | | | 1 | | | | 4 | 3 | | 10 |
| Energy and Resources | 2 | | | | 2 | 6 | | 1 | 2 | | 13 |
| Finance, WorkCover and Transport Accident Commission | 2 | | 7 | | | 1 | 2 | 2 | 12 | 7 | 33 |
| Gaming | 1 | | | | | | 6 | 1 | 6 | | 14 |
| Health | 1 | | 22 | | | | 4 | 1 | 7 | | 35 |
| Housing | 1 | | 4 | | | 1 | | | 4 | | 10 |
| Industrial Relations | 5 | 1 | | | | | | 2 | 4 | | 12 |
| Industry and State Development | 6 | | | | | 2 | | | 1 | | 9 |

## Table 11.1: Alignment of questions raised at budget estimates hearings with the government's policy vision and goals *(continued)*

| Portfolio | *Growing Victoria Together* policy: A vision for Victoria to 2010 and beyond | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Vision 1: Thriving economy**<br>Goal A: More quality jobs and thriving, innovative industries across Victoria<br>Goal B: Growing and linking all of Victoria | | **Vision 2: Quality health and education**<br>Goal A: High quality, accessible health and community services<br>Goal B: High quality education and training for lifelong learning | | **Vision 3: Healthy environment**<br>Goal A: Protecting the environment for future generations<br>Goal B: Efficient use of natural resources | | **Vision 4: Caring communities**<br>Goal A: Building friendly, confident and safe communities<br>Goal B: A fairer society that reduces disadvantage and respects diversity | | **Vision 5: Vibrant democracy**<br>Goal A: Greater public participation and more accountable government<br>Goal B: Sound financial management | | |
| | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **(number)** |
| Information and Communication Technology | 6 | | | | | | | | 1 | | 7 |
| Innovation | 4 | | | | | | | | 1 | | 5 |
| Local Government | | | | | | | 7 | | 3 | 2 | 12 |
| Major Projects | 1 | 2 | | | | | | 1 | 6 | 1 | 11 |
| Mental Health | 1 | | 3 | | | | | 1 | 4 | | 9 |
| Multicultural Affairs | | | | | | | | 14 | 3 | | 17 |
| Parliamentary departments | | | | | 2 | 1 | 1 | 3 | 11 | 7 | 25 |
| Planning | 6 | 5 | | | | | | | 15 | | 26 |
| Police and Emergency Services | 1 | | | | | | 26 | | 2 | 2 | 31 |
| Premier's | 4 | 1 | | 1 | 1 | 4 | 4 | 4 | 13 | 3 | 35 |
| Public Transport | 1 | 3 | | | | | | 1 | 16 | | 21 |
| Racing | 3 | | | | | | 1 | | | | 4 |
| Regional and Rural Development | 5 | 2 | | | 1 | | 1 | 1 | | 1 | 11 |
| Roads and Ports | 1 | 4 | | | 2 | | 5 | 1 | 2 | 1 | 16 |
| Skills | 1 | | | 8 | | | | 1 | | | 10 |
| Small Business | 6 | | | | | | | 1 | | | 7 |

## Table 11.1: Alignment of questions raised at budget estimates hearings with the government's policy vision and goals *(continued)*

| Portfolio | ***Growing Victoria Together* policy: A vision for Victoria to 2010 and beyond** | | | | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Vision 1: Thriving economy**<br>Goal A: More quality jobs and thriving, innovative industries across Victoria<br>Goal B: Growing and linking all of Victoria | | **Vision 2: Quality health and education**<br>Goal A: High quality, accessible health and community services<br>Goal B: High quality education and training for lifelong learning | | **Vision 3: Healthy environment**<br>Goal A: Protecting the environment for future generations<br>Goal B: Efficient use of natural resources | | **Vision 4: Caring communities**<br>Goal A: Building friendly, confident and safe communities<br>Goal B: A fairer society that reduces disadvantage and respects diversity | | **Vision 5: Vibrant democracy**<br>Goal A: Greater public participation and more accountable government<br>Goal B: Sound financial management | | |
| | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **Goal A (number)** | **Goal B (number)** | **(number)** |
| Sport and Recreation | 1 | | | 1 | | | 1 | 3 | 8 | | 14 |
| Tourism | 3 | | | | | | | | 4 | | 7 |
| Treasury | 6 | | | 1 | 2 | 3 | | | 4 | 4 | 20 |
| Veterans' Affairs | | | 2 | | | | 4 | 2 | | | 8 |
| Victorian Communities | 1 | | | | | | | 7 | 5 | | 13 |
| Water, Environment and Climate Change | 2 | | | | 8 | 14 | | 2 | 2 | 1 | 29 |
| Women's Affairs | | | | | | | 2 | 4 | 5 | | 11 |
| Youth Affairs | | | | | | | 1 | 5 | 5 | | 11 |
| **Total** | **89** | **19** | **49** | **30** | **21** | **37** | **88** | **102** | **216** | **38** | **689** |
| **Percentage of total** | **12.9** | **2.8** | **7.1** | **4.4** | **3.0** | **5.4** | **12.8** | **14.8** | **31.3** | **5.5** | **100.0** |

*Source: Information compiled by Committee based on questions raised at the budget estimates hearings*

### 11.2.1 Committee comment

Given that the government's ten goals under *Growing Victoria Together* balance social, economic, environmental, safety and accountability considerations and form the basis for budget and policy decisions, it is reasonable to link the Committee's questioning during the budget estimates hearing process to activities in these areas.

A large number of questions in particular hearings centred on issues relating to performance management and the achievement of output goals. Some questions also necessarily applied to more than one goal. These portfolios and coverage of government goals are listed below:

- Attorney-General 12 out of 20 questions: 60 per cent
- Community Services 8 out of 16 questions: 50 per cent
- Consumer Affairs 6 out of 12 questions: 50 per cent
- Education 14 out of 43 questions: 33 per cent
- Finance, WorkCover and TAC 12 out of 33 questions: 36 per cent
- Gaming 6 out of 14 questions: 43 per cent
- Health 7 out of 35 questions: 20 per cent
- Major Projects 6 out of 11 questions: 55 per cent
- Parliamentary departments 11 out of 25 questions: 44 per cent
- Planning 15 out of 26 questions: 58 per cent
- Premier's 13 out of 35 questions: 37 per cent
- Public Transport 16 out of 21 questions: 76 per cent
- Sport and Recreation 8 out of 14 questions: 57 per cent

Table 11.1 shows that the Committee directed the highest number of questions specifically relating to the goals associated with:

- **Vision 2** – provision of high quality and accessible health services (Health portfolio 22 questions);
- **Vision 2** – provision of high quality education and training for lifelong learning (Education portfolio 16 questions);
- **Vision 3** – efficient use of natural resources (Water, Environment and Climate Change portfolio 14 questions);
- **Vision 4** – community safety (Police and Emergency Services portfolio 26 questions); and
- **Vision 5** – accountability and community participation – previously referred to above (numerous portfolios 216 questions).

Detailed comments pertaining to each of the five *Growing Victoria Together* areas and related goals are provided in chapters 12 to 16 of this report.

The Committee recommends that:

**Recommendation 33:** **The Department of Treasury and Finance clearly disclose in the budget papers the amount of funding allocated to each output on a departmental basis, according to each policy priority and goal articulated in *Growing Victoria Together.***

**Recommendation 34:** **Each individual department ensure that consistency and linkages are achieved with the budget papers (Recommendation 33) and the information provided within the operations and output sections of their annual reports.**

# CHAPTER 12: THRIVING ECONOMY

## Key findings of the Committee:

**12.1** **Based on the achievement of $7.2 billion in food and fibre exports in 2006, the Victorian Government will need to achieve a significant increase in the level of exports in the agricultural sector in future if it is to reach its original target of $12 billion by 2010.**

**12.2** **Although the proportion of freight transported to and from ports by rail has showed a downward trend since 2001-02 due to seasonal conditions and economic factors, the government is committed to retaining and working towards achieving its rail freight target of 30 per cent by 2010 by upgrading Victoria's rail freight network.**

## 12.1 Introduction

In considering the budget estimates pertaining to the *Thriving Economy* vision of the *Growing Victoria Together* initiative, the Committee asked a total of 108 questions, which represented 15.7 per cent of all questions asked during the budget estimates hearings.

Answers provided at the estimates hearings were recorded in *Hansard* and the transcripts of evidence were contained in Appendix 1 of the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*. The material received to the questions on notice and unasked questions since the Part Two report, is presented in full in Appendices 4 and 5 respectively of this report. These responses are categorised according to the applicable *Growing Victoria Together* vision to which they relate.

This chapter sets out an analysis of various issues pursued by the Committee at the estimates hearings that relate to the *Thriving Economy* vision.

## 12.2 Food and fibre exports

### *12.2.1 Background*

According to the *Growing Victoria Together* initiative, a target has been set for Victoria to increase exports to $30 billion by 2010. Food and fibre exports comprise a commodity sector within Victoria's agricultural and total export base.

Accounting for 27 per cent of Australia's total food and fibre exports, Victorian exports in this sector for 2006 were valued at $7.2 billion.[157] The key food and fibre commodity groups for Victoria's exports continued to be dairy and meat, which accounted for 50 per cent of food and fibre exports. Wine continued to show significant growth as Victoria's third most valuable commodity group. Important markets for Victorian food and fibre exports in 2006 were China, Japan and the USA.[158]

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157 Mr J Helper MP, Minister for Agriculture, 2007-08 Budget Estimates hearing, 17 May 2007, presentation slide 2

158 www.dpi.vic.gov.au under Trade and Investment, accessed 30 July 2007

In July 2006, the Minister for State and Regional Development stated the following in a media release:[159]

> *The Bracks Government remains strongly committed to regional Victoria and particularly to the agricultural sector which is so vital to our economic growth.*
>
> *… the government was fully committed to a food and fibre export target of $12 billion by 2010.*
>
> *Achieving this target will add up to 2.5 per cent to Victoria's Gross State Product (GSP) and generate up to 60,000 new direct and indirect jobs – with the majority located in regional Victoria.*
>
> *… the government had helped to revitalise the agricultural sector by ensuring a competitive cost base, investing in science research and development, improving rural infrastructure, lifting skills and encouraging sustainable farm practices.*

### 12.2.2 Past coverage by the Committee

By way of background in terms of examining this area, the Committee, in its *Report on the 2004-05 Budget Estimates*, foreshadowed that:[160]

> *… the government will need to assess on an ongoing basis whether the $12 billion food and fibre export target to be achieved by 2010* [161] *is in fact realistic and attainable, given the Minister's comment that 'in terms of food and fibre we hit $8 billion two years ago and that has dropped back to $6 billion'.*

Continuing with its interest in this area, the Committee drew attention in its *Report on the 2006-07 Budget Estimates* to the following two trends over the past ten years:[162]

- the continuing strength in wine exports as a result of high production levels; and
- the ongoing increase in lamb and sheep-meat production at the expense of wool.

### 12.2.3 Food and Fibre export target for 2010

The Committee raised with the Minister for Agriculture at the 2007-08 Budget Estimates hearing how the government plans to raise the current level of food and fibre exports from $7.2 billion to $12 billion over the next three years.[163]

Given that Victoria is experiencing a one in a hundred year drought,[164] the Minister explained to the Committee the adverse affect of drought on the agricultural export sector.[165] The Minister also brought to the Committee's notice the effect of the appreciation of the Australian dollar on agricultural

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159 Hon. J Brumby MP, Minister for State and Regional Development, *Victoria's farming sector up to the challenge: Brumby*, media release, 11 July 2006

160 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, p.540

161 Budget Paper No.3, *2004-05 Service Delivery*, p.31

162 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, pp.371–373

163 Mr J Helper MP, Minister for Agriculture, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, pp.5–6

164 www.dpi.vic.gov.au – Drought information for Victoria, accessed 28 August 2007

165 Mr J Helper MP, Minister for Agriculture, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, pp.5–6

exports.[166] With this background in mind, although the Minister outlined various initiatives designed to support that sector,[167] the Committee raised its concern that the current target, as expressed by the following commitment, had not been adjusted in the light of these factors:[168]

> *The Victorian Government, working in partnership with companies and farm enterprises, is committed to meet the target of increasing Victorian food exports to $12 billion by the year 2010. The government aims to expand Victoria's agricultural and food industries from their solid base to achieve international recognition for the state as a global supplier of food.*

The Committee believes that where significant challenges emerge from external factors that adversely impact on export performance, such as the volatile conditions experienced in the past and those confronting the agricultural sector into the future, the government should in the light of these constraints reassess its food and fibre export target and consequent impact on Gross State Product and employment. If circumstances place extreme doubt on whether a long term target will be achievable, for example due to severe seasonal conditions as experienced in the agriculture sector and the influx of competitive imports, the continuation with such a target places an unrealistic expectation on the key stakeholders who work in the industry, policy administrators and those who stand to benefit from ancillary impacts such as the creation of jobs. It also serves to overstate Victoria's expected international competitiveness in future.

The Committee recommends that:

**Recommendation 35:** **When setting long term targets that can be prone to variations from external factors, the government keep under continual review such targets, particularly if circumstances materially change over time.**

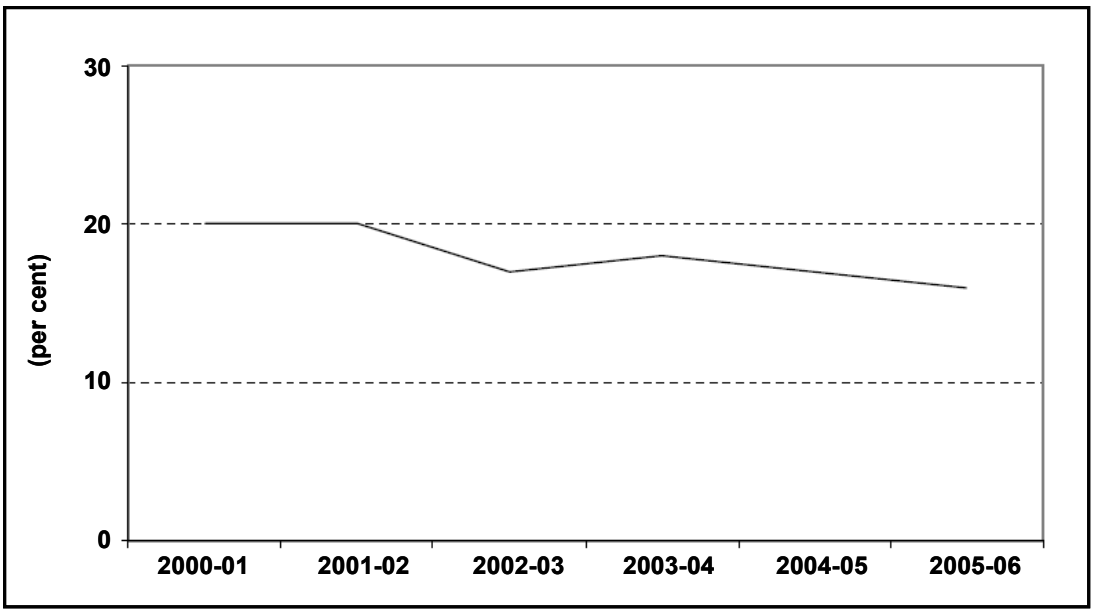
**Recommendation 36:** **The Department of Primary Industries review whether there is a need to revise Victoria's food and export target of $12 billion to be achieved by the year 2010, given that the level of exports in 2006 was $7.2 billion and that Victoria has been subject to extreme drought and water shortages.**

## 12.3 Movement of port related freight by rail

As indicated in the budget, the efficient movement of freight between Melbourne and regional Victoria is critical for the state's economic development. Figure 12.1 shows a decline since 2000-01 in the proportion of freight transported by rail to and from Victoria's ports (Melbourne, Geelong and Portland). Given that the average share of freight transported to and from Victoria's major commercial ports by rail was 16 per cent in 2005-06 and showed a downward trend, the Committee was interested in how the government planned to achieve its target of 30 per cent by 2010 and whether the target was still relevant.

166 ibid.
167 ibid.
168 www.dpi.vic.gov.au under Trade and Investment, accessed 30 July 2007

**Figure 12.1: Proportion of freight transported by rail to and from Victoria's commercial ports (Melbourne, Geelong and Portland)**




*Source: Budget Paper No.3, 2007-08 Service Delivery, p.363*

According to the budget papers, demand for freight transport between regions and the Victorian ports, predominantly carried by rail, has been reduced in recent years. In particular, export grain volumes through the Port of Melbourne in 2005-06 were less than half that of 2004-05.[169] At the estimates hearing the Minister advised that there is a higher proportion of freight moved by rail that is essentially moved as agricultural product than on Victoria's roads.[170] However, largely as a result of the drought and other economic conditions, a lot of the material that has been transported by rail freight system has been reduced in terms of volume.[171]

In terms of maintaining the 2010 target, the Minister brought to the Committee's attention the following matters:[172]

> *In a broader sense, the government has taken a view that we are committed to working towards achieving this target. Yes, it is an ambitious target, but, quite frankly, this is an ambitious government. Our objectives are served most effectively, I think, when you look at the sort of infrastructure spend that the government is putting in place and working in cooperation with others in terms of achieving it. Our view about the most efficient way of achieving the rail freight target is not to simply say that economic conditions and drought have brought down the proportion of rail freight but to recognise we can make an investment in a very substantial sense in terms of upgrading the rail freight network, and that is what we are doing. The Dynon port rail link – $138 million being incorporated into that activity. That will essentially ensure that there will be more access to the port and make rail freight that much more attractive. One of the great difficulties for rail freight is, of course, certainty of access into the port in terms of timeliness, being able to secure efficient access, not only into the port*

169 Budget Paper No.3, *2007-08 Service Delivery*, p.363
170 Mr T Pallas MP, Minister for Roads and Ports, 2007-08 Budget Estimates hearing, transcript of evidence, 10 May 2007, pp.16–17
171 ibid., p.16
172 ibid., p.17

*but in the decommissioning of freight once it is achieved in the port. So there are a number of structural things that government can do.*

The Committee noted that the winter crop forecasts for Victoria for 2007-08 reveal that as most of Victoria received above average rainfall in May and further rainfall in June that has been ideal for early sown crops, winter crop prospects are very positive at this early stage of the season.[173] The area sown to winter crops in Victoria is forecast to increase by 8 per cent in 2007-08 to just below 3 million hectares.[174] Assuming average yields, total winter crop production in 2007-08 is forecast to reach around 6.3 million tonnes, almost 5 million tonnes more than was produced in the previous season.[175]

The Committee is of the view that if the government is to virtually double the proportion of freight transported to and from ports by rail over the next four years despite the affect of possible climatic and economic factors, the government will need to closely monitor from a budgetary perspective whether there is a need for more investment in rail freight, such as the upgrading of rail links to the ports, relative to the investment in roads. The Committee also believes that performance measures should be developed to assess whether rail freight is obtaining efficient access to Victorian ports. The Committee will be interested in monitoring whether there has been an increased role of rail freight in Victoria's freight transport system in the years ahead.

The Committee recommends that:

**Recommendation 37:** **In terms of ensuring that resource allocation decisions promote the efficient movement of freight between Melbourne and regional Victoria with a view to ensuring that the proportion of freight transported to and from ports by rail will increase to 30 per cent by 2010, the government will need to monitor the adequacy of its investment in the rail freight network.**

**Recommendation 38:** **To assess whether rail freight is obtaining efficient access to Victoria's ports, the Department of Infrastructure develop pricing and timeliness indicators and incorporate this information into the appropriate outputs in the budget papers.**

173 ABARE, *Australian Crop report No.142*, published June 2007, p.10
174 ibid.
175 ibid.

# CHAPTER 13: QUALITY HEALTH AND EDUCATION

## Key findings of the Committee:

**13.1** **Under its ten year plan, *Victoria's Plan to Improve Outcomes in Early Childhood*, launched in April 2007, the government proposes a series of actions designed to develop an integrated, high quality and accessible early childhood service system.**

**13.2** **The budget papers indicate that the lower participation rate of four year olds attending kindergarten in 2006, 93 per cent compared with 94.4 per cent in 2005, occurred at a time when more children are attending long day care centres, which are increasingly less likely to take up state funding to provide a kindergarten program.**

**13.3** **The government has recently announced the integration of children's and education services in Victoria with the establishment of a new portfolio of Children and Early Childhood Development and a new Department of Education and Early Childhood Development.**

**13.4** **The newly created Department of Education and Early Childhood Development should formulate performance measures and targets for the 2007-08 budget initiatives dealing with kindergarten services and report annually against these measures and targets under relevant outcomes.**

**13.5** **Under *The Victorian Schools Plan*, issued in November 2006 as an election policy document, the Committee noted that the government is committed to rebuild or modernise within ten years every government school in Victoria. Implementation of the first four years of the plan has been costed at an estimated $1.9 billion, of which an initial allocation of $555 million is provided for in the 2007-08 budget.**

**13.6** **The Committee regards the accountability obligations of the government to Parliament arising from implementation of *The Victorian Schools Plan* as significant and intends to progressively monitor the adequacy of the government's annual external reporting on the plan.**

## 13.1 Introduction

In considering the budget estimates pertaining to the *Quality Health and Education* vision of the *Growing Victoria Together* initiative, the Committee asked a total of 79 questions, which represented 11.5 per cent of all questions asked during the budget estimates hearings.

While answers provided at the estimates hearings were recorded in *Hansard* and the transcripts of evidence were contained in Appendix 1 of the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*, the material received to the questions on notice and unasked questions since the Part Two report is presented in full in Appendices 4 and 5 respectively of this report. These responses are categorised according to the applicable *Growing Victoria Together* vision to which they relate.

This chapter sets out an analysis of certain issues canvassed by the Committee at the budget estimates hearings that relate to the *Quality Health and Education* vision.

## 13.2 Participation in kindergarten programs

### *13.2.1 Background*

In commenting on efforts to improve the wellbeing of young children, the government identified in the 2007-08 Budget Papers, as part of its progress report on *Growing Victoria Together*, that:

> *Composite measures of wellbeing outcomes (including health and education) for young children are not yet well developed at a state or national level. This year, the progress report presents a selection of indicators developed by the Office for Children which measure Victorian children's outcomes related to safety, health, development, learning and wellbeing .*[176]

In its September 2006 *Report on the 2006-07 Budget Estimates*, the Committee referred to the work underway within the Department of Human Services to develop an outcomes framework to guide objective setting and planning across government for services supporting children. It recognised the early state of this work and stressed the importance of the department ensuring that Parliament is adequately informed about the results of the outcomes work and any subsequent modifications to the direction of programs for children.[177]

In April 2007, the government launched its ten year plan, *Victoria's Plan to Improve Outcomes in Early Childhood.* This plan constitutes action by Victoria in response to the agreement reached at the Council of Australian Governments (COAG) that all Australian governments explore avenues for giving children the best possible start in life.[178] Under the plan, Victoria proposes a series of actions designed to develop an integrated, high quality and accessible early childhood service system.

On 2 May 2007, the Auditor-General presented a performance audit report to Parliament on *Giving Victorian children the best start in life*.[179] The audit evaluated implementation by the Department of Human Services of 3 initiatives associated with early childhood services, namely Best Start, municipal early years plans and children's centres. The Auditor-General concluded that qualitative evidence indicates that the 3 initiatives have contributed to improved access and increased participation in maternal and child health services and kindergarten services. However, there was insufficient quantitative data to confirm a direct contribution to increased participation in these services. The Auditor-General also concluded it was difficult to establish whether participation by vulnerable children and families had increased.

### *13.2.2 Matters relating to kindergarten programs addressed in the 2007-08 budget*

The 2007-08 Budget Papers mention the importance of educational and social outcomes when measuring child wellbeing and that attendance at kindergarten by four year olds in Victoria is used as a proxy measure for these outcomes.[180] The rate of participation of four year olds in kindergarten, based on the number of children enrolled in state funded programs in Victoria, is shown in figure 13.1.

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176 Budget Paper No.3, *2007-08 Service Delivery*, Appendix B, p.367

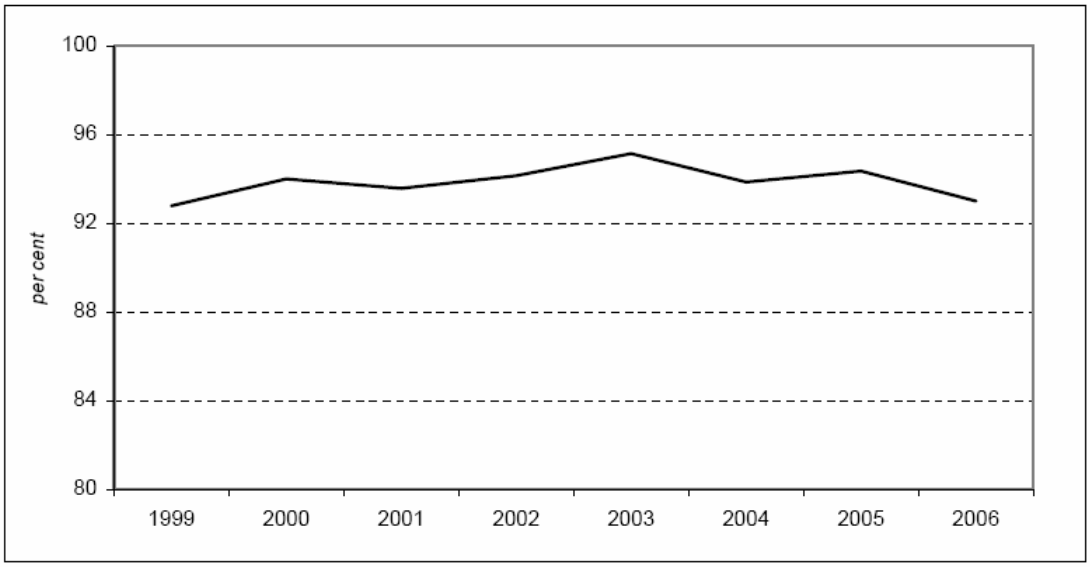
177 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, September 2006, pp.185–186

178 Victorian Government, Victoria's Plan to Improve Outcomes in Early Childhood, April 2007

179 Victorian Auditor-General's Report, *Giving Victorian children the best start in life*, May 2007

180 Budget Paper No.3, *2007-08 Service Delivery*, Appendix B, p.369

**Figure 13.1: Rate of four year olds participating in kindergarten in Victoria**




*Source: Budget Paper No.3, 2007-08 Service Delivery, Appendix B, p.369*

In commenting on the above trend, the budget papers indicate that the lower participation rate of 93.0 per cent in 2006 compared with 94.4 per cent in 2005 occurs at a time when more children are attending long day care centres, which are increasingly less likely to take up state funding to provide a kindergarten program. For example, 347 long day care centres provided a state funded kindergarten program in 2006, compared with 420 centres in 2002.[181]

At the budget estimates hearing, the Minister outlined some of the challenges the government faces in relation to early childhood and how the 2007-08 budget addresses those challenges. The Minister stressed the importance of the government continuing to improve access to kindergarten and child care because it knew from the research *'that quality kindergarten programs improve a child's subsequent learning, health and behaviour, with very positive impacts being experienced later in adult life'*. [182]

In line with the Minister's comments, the budget papers indicate that new policies are being adopted to encourage more long day care centres to offer kindergarten programs and to ensure that children from working families do not miss out on early childhood education programs.[183] Funding initiatives announced in the 2007-08 budget relating to kindergartens include: [184]

- grants totalling $35 million over four years to upgrade and better equip existing not-for-profit kindergartens and child care centres, and for children's centres where maternal and child health, child care, kindergarten and family support services can be co-located;
- provision of $29 million over four years to increase the kindergarten fee subsidy from $320 to $730 a year for Health Care Card holders;
- allocation of $10 million to encourage kindergartens to offer extended hours that are more convenient for working parents; and

181 ibid.
182 Ms L Neville MP, Minister for Children, 2007-08 Budget Estimates hearing, transcript of evidence, 14 May 2007, p.2
183 Budget Paper No.3 *2007-08 Service Delivery*, Appendix B, p.369
184 Budget Paper No.3 *2007-08 Service Delivery*, pp.15–16

- incentives for long day care centres to provide a state funded kindergarten program.

The previously mentioned May 2007 performance audit report of the Auditor-General identified that the performance indicators relating to early childhood services reported to Parliament address outputs such as participation rates and numbers of enrolments rather than outcomes such as the health and wellbeing of the child. The Auditor-General recommended that the performance indicators be reviewed with the aim of developing indicators that monitor both progress towards outcomes and actual participation. An example of the latter was given as the percentage of children who attend 80 per cent of their kindergarten sessions. [185]

The Committee supports these findings of the Auditor-General. It has previously commented on the Outcomes for Children project that has been underway in the Office for Children. An earlier recommendation of the Committee was that Parliament be fully informed of the results of the outcomes project and that the research be used to enhance performance measures and targets in future budget papers.[186]

In August 2007, the Premier announced that the government would bring the Office for Children into the Department of Education – creating a new Department of Education and Early Childhood Development. The Premier also stated that a new portfolio encompassing Children and Early Childhood Development would be established.[187] The Premier went on to say that: [188]

> *... This initiative marks the beginning of a new era in the education and development of our children.*
>
> *... There is strong evidence that children's developmental and educational outcomes improve when there is a stronger focus on early childhood.*

The Committee welcomes the integration of children's and educational services in Victoria. It encourages the Office for Children within the newly established Department of Education and Early Childhood Development to formulate performance measures and targets for the 2007-08 budget initiatives dealing with kindergarten services. These measures and targets should be linked to the relevant outcomes forming part of the Office for Children outcomes project, with the performance connection between output measures and outcomes clearly visible in annual reporting to Parliament.

The Committee recommends that:

**Recommendation 39:** **The recently established Department of Education and Early Childhood Development ensure that its future reporting on kindergarten services includes a clear connection between new performance measures developed for the 2007-08 budget initiatives and relevant outcomes.**

185 Victorian Auditor-General's Report, *Giving Victorian children the best start in life*, May 2007, p.20
186 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, September, 2006, p.186
187 Hon. J Brumby MP, Premier, New focus on early childhood and education for all Victorian children, media release, 2 August 2007
188 ibid.

## 13.3 Victorian Schools Plan

### *13.3.1 An outline of The Victorian Schools Plan*

The government released *The Victorian Schools Plan* as an election policy document in November 2006. Under this plan, the government is committed to rebuild or modernise within ten years every Victorian Government school. The plan's target for the first four years is to rebuild or modernise 500 schools and TAFEs at a cost of $1.9 billion.[189] The document does not quantify the estimated cost of the remaining six years of the plan.

The Committee also noted that the process for selecting schools for modernisation also requires an educational feasibility study that closely ties school physical improvements with demonstrated educational outcomes.

The 2007-08 Budget Papers state that the budget delivers the first stage of implementation of the $1.9 billion commitment through provision of $555 million in asset investments for schools over the four years to 2010-11.[190] The balance of $1.3 billion will require provision in budgets over the next three years.

The 2007-08 asset funding for schools follows the significant levels of capital allocations for schools that were announced in the 2006-07 budget. These allocations included $115.3 million for modernisation projects under the government's *Building Better Schools* strategy and $50 million for construction or completion of nine new and replacement schools.[191] The Committee anticipates that annual reporting for 2006-07 by the Department of Education and Early Childhood Development will include comprehensive information on its management of these capital funds during the year.

The 2007-08 budgetary provision of $555 million comprises 12 individual asset initiatives which include:[192]

- $205 million for the modernisation of 83 priority schools over the next two years;
- $93 million for the regeneration of education facilities in eight areas of the state over the next two years;
- $50 million for new schools in Melbourne's growth areas over the next two years;
- $50 million for building works and equipment in government secondary colleges to encourage students to take up apprenticeships and trades over the next four years;
- $60 million for the implementation of the Ultranet, a statewide online teaching and learning ICT system, across government schools over the next four years;
- $35 million for acquisition of land for building new and replacement schools in Melbourne's growth corridors in 2007-08; and
- $13 million to replace relocatable buildings in six small to medium rural schools as part of a commitment to replace relocatable buildings with modern permanent facilities in 40 small to medium rural schools.

189 Policy for the 2006 Victorian election, *The Victorian Schools Plan*, November 2006, p1
190 Budget Paper No.3, *2007-08 Service Delivery*, p.7
191 ibid., pp.293–294
192 ibid., pp.281–283

*The Victorian Schools Plan* indicates that priority will be given to upgrading and rebuilding science rooms and tech wings so that students can excel in these areas so vital to the state's economic development. It also mentions that additional schools will be included in the modernisation program as their education plans are completed. [193]

The budget papers state that the provision of funding for the modernisation of schools will also reduce both maintenance costs and energy consumption through improved building techniques.[194] In terms of maintenance of existing facilities, the Minister announced in June 2007 additional maintenance funding of $16 million to be allocated across 724 schools for important repairs and upgrade work. The Minister stated that the funding allocation was the result of a detailed maintenance audit undertaken in 2006 which identified schools with the most urgent maintenance needs.[195]

Several aspects relating to the asset initiatives of $555 million outlined in the 2007-08 budget, including the rebuilding and modernisation program for schools, progress with the regeneration project involving 17 schools at Broadmeadows and action by the government to address the maintenance backlog in schools were discussed at the Committee's budget estimates hearing held on 9 May 2007.[196]

### *13.3.2 Need for a strong accountability framework for the plan*

The Committee considers that the size of *The Victorian Schools Plan* requires that the government establish a strong accountability framework during its implementation. Regular and informative reporting to Parliament on progress against planned actions and achievement of intended outcomes should be integral to such a framework.

The government's periodic reporting to Parliament on its implementation of the plan should incorporate:

- articulation of expected high level outcomes in terms of (1) expected qualitative features, including environmental characteristics, of school building facilities and (2) improved educational opportunities for children;
- articulation of experience with expected improved educational outcomes associated with school modernisation plans using case studies to assist school councils seeking to join this program;
- specification of all cost targets and projected commencement and completion timelines for each of the above funding initiatives announced in the 2007-08 budget;
- annual progress reports comparing actual performance on individual projects against established cost and time targets;
- early quantification, for provision in future budgets, of the estimated cost and timing of commitments relating to the remaining six years of the plan;
- identification of the expected impact of the plan's projects on annual maintenance and operating costs in schools, and provision of trend data on the impact on actual costs over time;
- any subsequent variations to the plan and associated budgetary implications; and

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193 Policy for the 2006 Victorian election, *The Victorian Schools Plan*, November 2006, p.7

194 Budget Paper No.3, *2007-08 Service Delivery*, Appendix A, pp.282

195 Mr J Lenders MLC, Minister for Education, *$16 million maintenance funding boost for Victorian schools*, media release, 25 June 2007

196 Mr J Lenders MLC, Minister for Education, 2007-08 Budget Estimates hearing, transcript of evidence, 9 May 2007,p.6, 5, 20

- a final report at the conclusion of the plan on its effectiveness in the attainment of intended outcomes and its efficiency in the management of public resources to achieve those outcomes.

The Committee regards the above accountability obligations of the government as significant and intends to progressively monitor the calibre of its annual reporting to Parliament on the plan.

The Committee recommends that:

**Recommendation 40:** **The government ensure that a comprehensive reporting regime is established for the *Victorian Schools Plan* so that Parliament is adequately informed on the plan's progressive implementation and ultimate effectiveness in delivering on intended educational outcomes.**

**Recommendation 41:** **The Department of Education and Early Childhood Development publish at an early date the experience to date with educational outcomes feasibility plans associated with planning for schools modernisation, and include in such a report specific case studies as guidance for schools and school councils seeking to enter the program.**

# CHAPTER 14: HEALTHY ENVIRONMENT

## Key findings of the Committee:

**14.1** **To address the challenges posed by the advent of climate change, a number of initiatives have been introduced to support research and development of clean coal technology.**

**14.2** **In terms of strategies directed at strategic and economic research into climate change impact, in viewing this as a whole of government issue, the establishment of an Office of Climate Change within the Department of Premier and Cabinet with a budget allocation over three years of $5.5 million will have a strategic role in coordinating policy work and research on, not only the environmental aspects of climate change, but also economic and social aspects.**

**14.3** **Key areas where funding will be targeted at researching the impact of climate change include emissions trading, supporting a national study into the economic impacts and examining various vulnerabilities in key sectors such as the effect on infrastructure, biodiversity and the land.**

**14.4** **The report of Professor Garnaut on the economic impact of climate change nationally should be tabled in the Victorian Parliament when completed in 2008 and the Department of Premier and Cabinet should ensure that the Parliament is informed of the applicability and implications of the recommendations of that report to Victoria.**

**14.5** **Information received by the Committee revealed that at the end of February 2007, the catch of rock lobsters was only 263 tonnes, or about 58 per cent of the quota for western Victoria (the year before the catch was 336 tonnes or about 75 per cent of the quota). Although the Minister for Agriculture explained a number of reasons why there is not a sustainability concern in Victoria in this regard, the Committee believes that the trend in rock lobster catches needs to be closely monitored over time to assess whether any structural changes will need to be made to the industry and the quota system in future.**

**14.6** **Scope exists for the Department of Sustainability and Environment to monitor the effectiveness of the government's water saving initiatives in terms of reducing indoor water use in the mid winter months of the year that are unaffected by water restrictions.**

## 14.1 Introduction

In considering the budget estimates pertaining to the *Healthy Environment* vision of the *Growing Victoria Together* initiative, the Committee asked a total of 58 questions, which represented 8.4 per cent of all questions asked during the budget estimates hearings.

Answers provided at the estimates hearings were recorded in *Hansard* and the transcripts of evidence were contained in Appendix 1 of the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2006-07 Budget Estimates – Part Two*. The material received to the questions on notice and unasked questions since the Part Two report is presented in full in Appendices 4 and 5

respectively of this report. These responses are categorised according to the applicable *Growing Victoria Together* vision to which they relate.

This chapter sets out a more detailed analysis of several issues pursued by the Committee at the estimates hearings that relate to the *Healthy Environment* vision for protecting the environment for future generations and the efficient use of natural resources.

## 14.2 Research into climate change impact

According to authoritative advice, climate change has accelerated in recent decades, with most of the warming over the past 50 years attributable to the increase in greenhouse gas emissions from human activities.[197]

The *Healthy Environment* vision includes a goal for the efficient use of natural resources. The budget reveals that since 1999 the government has invested in new technologies that minimise greenhouse gas emissions, with the $100 million Victorian Greenhouse Strategy committed towards the development of innovative energy and greenhouse technologies.[198]

At the estimates hearing with the Minister for Water, Environment and Climate Change, the Committee was informed that in relation to tackling climate change in the context of initiatives included in the budget to support the development of clean coal technology in future:[199]

> *For Victoria, we need to have a comprehensive approach to climate change that includes boosting renewable energy, being more energy efficient and ensuring that where we use coal and fossil fuels, that we drive down as far as possible the emissions from that. Victoria has a very substantial resource of brown coal which, apart from the climate change impact, is a relatively clean fuel and provides a source of jobs and prosperity for much of the state. For our government it is critical that we do invest in research and development of clean coal. This budget continues the efforts in that. We have made a commitment to provide $7 million for a clean coal authority in the Latrobe Valley to develop new clean coal industries in Victoria and investigate carbon capture and storage technology. We have also committed substantially to innovative clean coal projects through the ETIS strategy – the energy, technology and innovation strategy – and funding has been provided to the Cooperative Research Centre for Greenhouse Gas Technologies. Through that, we are doing a demonstration of carbon capture and storage in the Otway Basin. As a government, part of our overall climate change portfolio is investing in research and development for clean coal.*

In response to the Committee inquiring into the level of funding provided in the budget for strategic and economic research into climate change impact, the Minister advised that the government is viewing this as a whole of government issue and an Office of Climate Change has been established within the Department of Premier and Cabinet to facilitate this process. This unit is to have a strategic role in coordinating policy work and research on, not only the environmental aspects of climate change, but also economic and social aspects.[200] The Committee noted that the budget allocated $5.5 million over three years ($2.3 million in 2007-08) for the establishment of the Office of Climate Change.[201]

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197 www.greenhouse.vic.gov.au, accessed 1 August 2007

198 Budget Paper No.3, *2007-08 Service Delivery*, p.44

199 Hon. J Thwaites MP, Minister for Water, Environment and Climate Change, 2007-08 Budget Estimates hearing, transcript of evidence, 15 May 2007, p.22

200 ibid., p.14

201 Budget Paper No.3, *2007-08 Service Delivery*, p.319

Some of the specific areas where funding will be targeted include the following:[202]

- supporting Victoria's work associated with a national emissions trading scheme in terms of understanding the various costs and benefits of different aspects of the scheme such as:
  - what the level of caps should be;
  - the way in which permits for emitting carbon dioxide should be allocated;
  - the time frame for those permits; and
  - what should happen to the funds, if any, which are produced by optioning or allocating those permits;
- providing input into the work being carried out as part of the national study by Professor Ross Garnaut into the economic impacts of climate change (a final report from the *Garnaut Climate Change Review* examining the impacts of climate change on Australian jobs and the economy is to be released by September 2008 – the report will be aimed at recommending mid to long term policies to achieve sustainable prosperity); [203] and
- examining some of the vulnerabilities of key sectors such as:
  - various sectors of society and the economy and how vulnerable they are to climate change;
  - the effect on infrastructure; and
  - the effect on biodiversity on the land.

The Committee considers that it will be important for the Victorian Parliament to be informed of the results of the national research conducted by Professor Garnaut and the applicability and implications of the recommendations to Victoria in terms of future policy development and resource allocation decisions.

The Committee recommends that:

**Recommendation 42:** **The report of Professor Garnaut on the national study into the economic impacts of climate change on Australian jobs and the economy be tabled in the Victorian Parliament when completed in 2008.**

**Recommendation 43:** **To enhance the management of climate change and provide informed input into policy development and resource allocation decisions for Victoria's future prosperity, the Department of Premier and Cabinet keep the Victorian Parliament informed of the applicability and implications of the recommendations to Victoria from the national research into the economic impact of climate change conducted by Professor Garnaut.**

202 Hon. J Thwaites MP, Minister for Water, Environment and Climate Change, 2007-08 Budget Estimates hearing, transcript of evidence, 15 May 2007, pp.14–15

203 Hon. S Bracks MP, Premier, *Australia's review on economics of climate change begins in Victoria*, media release, 31 May 2007

## 14.3 Monitoring rock lobster catches

The Committee, at the estimates hearing with the Minister for Agriculture, raised the issue of whether in view of the declining crayfish catch and the *pot lift* (that is, the number of times you put a pot down and bring it up with a catch) there is a need for a new quota system to be recognised for Victoria, given that it was in 2001 when some new quotas were introduced.

The Committee understands that at the end of February 2007 the catch was only 263 tonnes, or about 58 per cent of the quota for western Victoria (the year before the catch was 336 tonnes or about 75 per cent of the quota). In comparison, South Australia and Tasmania were not experiencing this decline.

The Minister in responding to this issue made the following comments:[204]

> *...we should not get necessarily pot-lift effort confused with the sustainability of the rock lobster fishery. The total allowable commercial catch, for example in the western zone rock lobster for the quota year which commenced on 1 April 2007, has been set at 380 tonnes. This indeed represents a reduction of 15 per cent, or 70 tonnes, from the total allowable catch set for the last four years. As you can see from that small example, we do manage quotas in an effective way to sustainably manage the overall fishery.*

Further comments provided from the executive director, Fisheries Victoria, at the hearing included the following:[205]

> *The idea of quota systems is to get us away from the previous situation we had where there was an inability to limit efforts – the fishermen would go out and fish and catch every rock lobster before the opposing fishermen could catch it and that was having a detrimental effect on the stocks.*
>
> *So we brought a quota system in which allows a quota to be set, distributed amongst the fishermen. Part of the adjustment over time is to amend the amount of quota they can take. You will see variability in rock lobster catches around the world, in all the fisheries. It does not mean there is an unsustainable fishery or that it requires drastic changes to the overall process in the short term.*
>
> *A lot of the seasonal variation and annual variation are actually due to environmental effects. There have been a lot of unusual environmental conditions observed over the last three years down in the west of the state. One of those is above-average water temperatures, which has been caused by the stoppage of a welling up of water off the coast of south-western Victoria, which causes cold water coming up from the south to be dispersed along the plateau which greatly affects the habits of the rock lobster itself. What we are finding is rock lobsters are spawning three to four months out of the normal spawning cycle. We are seeing plenty of rock lobsters in the fishery itself but the catchability of the rock lobsters is down.*
>
> *... There are plenty of rock lobsters there because they get to breed several times before they enter the fishery and we have the most conservative catch sizes in Victoria of any state, so there certainly is not a sustainability concern here.*

---

[204] Mr J Helper MP, Minister for Agriculture, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, p.9

[205] Dr P Appleford, Executive Director, Fisheries Victoria, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, p.10

*The catch per lift is actually an economic viability indicator. So we decrease the quota so they actually over time build the available biomass – that is, the rock lobsters that are available to be caught – up to a level where they catch more per pot lift over time.*

*What we are seeing down in the south-west is a combination of changed fishing practices and some unusual environmental conditions. We need to monitor this over time to see the overall effect on the stocks before we take any drastic actions. The best way to manage it in the short term is simply through the adjustment of the quota over time.*

The Committee believes there is a need for rock lobster catches to be closely monitored by the Department of Primary Industries to assess whether any continuance of the decline would warrant retirement from the industry, with the development of an appropriate compensation scheme, or a new quota system to be introduced in Victoria.

The Committee recommends that:

**Recommendation 44:** **To ensure that the rock lobster catch is managed on a sustainable basis in Victorian waters, the Department of Primary Industries closely monitor commercial catches of rock lobster over time to assess the overall effect of changed fishing practices and changing environmental conditions and whether there is a need for structural changes to be made to the industry and the quota system.**

**Recommendation 45:** **The Minister for Agriculture report to Parliament on the outcome of the Department of Primary Industries' assessment of the commercial rock lobster industry.**

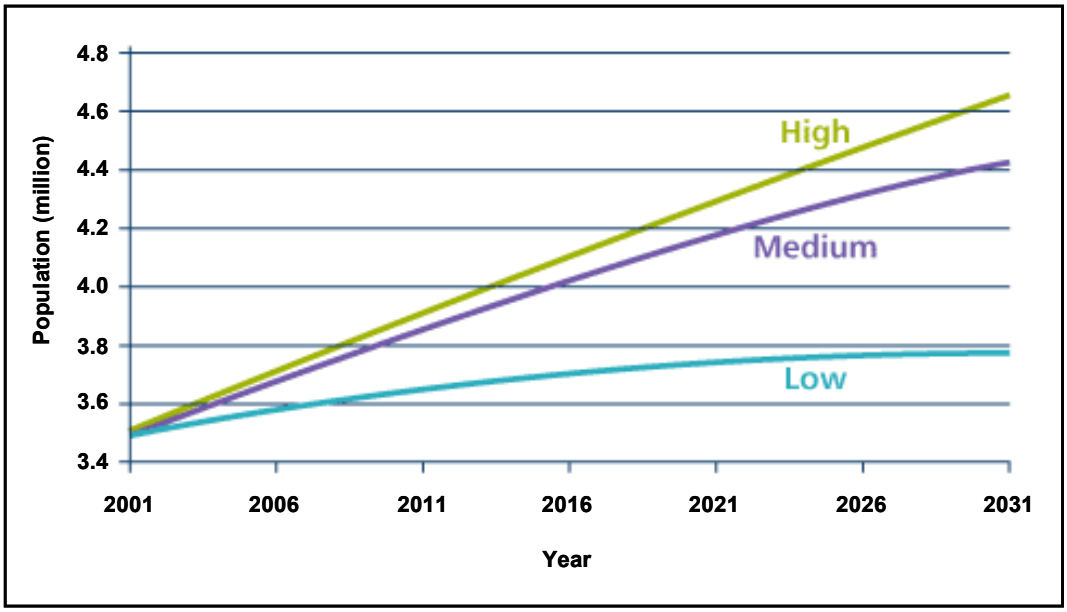
## 14.4 Melbourne's water use

*Growing Victoria Together* espouses the concept that Victorians will experience a better quality of life if natural resources such as water are used wisely and effectively. With this in mind, the government formulated, among other things, a strategic target for Melbourne's water usage to be reduced by 15 per cent on a per capita basis from the 1990s average by 2010.[206]

According to the Australian Bureau of Statistics, three scenarios for Melbourne's population growth to the year 2031 are shown in Figure 14.1. Under the high, medium and low scenarios, Melbourne's population is projected to grow to 4.6 million, 4.4 million and 3.8 million by 2031.

[206] Victoria Government, *Growing Victoria Together: A vision for Victoria to 2010 and beyond*, p.15

**Figure 14.1: Population growth projections Melbourne Statistical Division 2001-31**



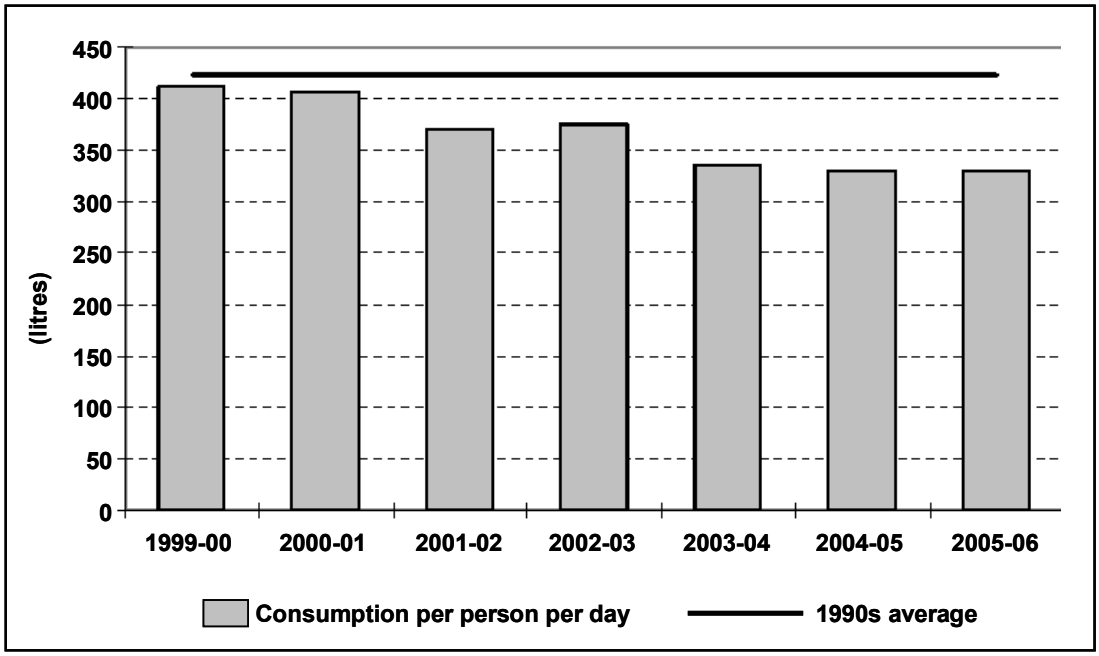

*Source: Australian Bureau of Statistics, Series C, R & S Projections, 2000, modified for the region by the Department of Infrastructure*

To enable Melbourne's population to grow without placing serious stresses on the environment, the budget papers reveal that each person must use less water. Compared with the need for a permanent reduction in the average consumption of water from 423 to 360 litres per person per day if there is to be a reduction of 15 per cent in water use, Melbournians consumed an average of 331 litres of water per person per day (a 22 per cent reduction on a per capita basis from the 1990s average) in the year ended June 2006. The government has indicated that the introduction of water savings rules on 1 March 2005 have contributed to this result.[207]

Figure 14.2 illustrates the reduction in Melbourne's water consumption per capita per day from 1990-2000 to 2005-06.

[207] Budget Paper No.3, *2007-08 Service Delivery*, p.381

## Figure 14.2: Melbourne's water consumption per capita per day




*Source: Budget Paper No.3, 2007-08 Service Delivery, p.381*

At the estimates hearing, the Committee raised with the Minister the observation that in the last five years there has not been a reduction in the amount of water used mid-winter in the Melbourne water area, that is, outside water restriction periods. Excluding per capita growth, mid-winter water use representing baseload use, which is largely indoor water use where 80 per cent of water is used, has not fallen below about 7,500 megalitres a week. In comparison, the impact of different restrictions at different times is clearly visible in January, February and March. In view of these circumstances, the Committee was interested in hearing from the Minister about the measures included in the budget to reduce water use permanently on an ongoing basis and the quantum of megalitres that this will amount to.[208]

The Minister informed the Committee that:[209]

> *... we have had a substantial increase in population over that time. Therefore you would expect, as the population has increased, that our water use would rise in winter and summer, but it has not because of the measures we are taking inside the home as well as outside. In terms of what are those measures inside the home, for example, first, we are now requiring all new homes to have water-efficient appliances and shower heads. Now any new home has to have a water-efficient, five-star shower head. Your taps and things have to be water efficient. On top of that, in terms of retrofitting, we are now putting out an extra 270,000 shower heads for inside-the-home use, each of which saves, I think it is, 30,000 litres per shower head.*
>
> *... We have also had a major behaviour change campaign, with the advertisements and others, which encourage people to use less water in their washing machines, less water around the home.*

[208] Hon. J Thwaites MP, Minister for Water, Environment and Climate Change, 2007-08 Budget Estimates hearing, transcript of evidence, 15 May 2007, p.9

[209] ibid., pp.10–11

> *... We also have in this budget funds for a behaviour program to continue into the future of some $3.5 million, once again, driving down in-home use.*
>
> *... Has there been a bigger impact from the outside use than inside? Yes, there has. Is that surprising? No, because there is greater discretionary use of water outside the home than inside .... We are talking about drinking water; we are talking about toilet water, showers and those other items. It is harder to make the level of savings. But if you look at the fact we have actually made savings inside the home, despite the increase in the population, that is a significant effort. Are we going to do more? Yes, we are doing more, which is why we want to keep our behaviour change campaign going; that is why we have got rebates; it is why we require new homes to have these water-saving devices.*

In terms of actual water use as distinct from per capita water, the Minister explained that:[210]

> *If you look at the picture including industry, and you just compare us to the total consumption in litres per person per day, including industry, between 2001 and 2005, we came down from 404 to 329 per person per day. Brisbane went from 726 to 717 – so almost no change. Victoria, not just Melbourne but the whole of Victoria, has made a major effort in water conservation. To put it in perspective, because some people sometimes say water conservation does not matter, it does not make much of a difference, we have saved more than 100 billion litres of water a year. That is the equivalent of two times the amount of water from the Perth desalination plant – two times.*

The Committee believes that to assist in making its vision for Melbourne's water use a reality by 2010, the Department of Sustainability and Environment should monitor the effectiveness of the government's water saving initiatives in terms of reducing indoor water use in the mid-winter months of the year when water users are less affected by water restrictions.

The Committee recommends that:

**Recommendation 46:** **The Department of Sustainability and Environment monitor the impact of the government's water saving initiatives on reducing the amount of kilolitres used per household during the mid-winter months of the year.**

[210] ibid.

# CHAPTER 15: CARING COMMUNITIES

## Key findings of the Committee:

**15.1** **Although suicide figures are not formally included in road toll statistics and subject to associated reporting and analysis, social research should be conducted to gather relevant and reliable information about the incidence of road traffic fatalities attributable to suicide and assess whether any budget related strategies need to be formulated to address this issue.**

**15.2** **The Committee noted that the Minister for Police and Emergency Services advised that 12 road deaths that occurred in country Victoria during 2005-06 were attributed to suicide (3.6 per cent of the combined total of 334 road deaths).**

**15.3** **Figures released by the Real Estate Institute of Victoria (REIV) show the median Melbourne house price at June 2007 has reached $420,000, an increase of 11.7 per cent on this time last year and a significant increase on last quarter of 10.2 per cent.**

**15.4** **Information released from the Housing Industry Association (HIA) shows more than a third of Melbourne home owners are under mortgage stress.**

**15.5** **Figures compiled by the Victorian Council of Social Service (VCOSS) at March 2007 reveal 26 (or 49 per cent of selected areas) local government areas have an increase in rental rates of more than 10 per cent.**

**15.6** **The current number of housing applicants on the public housing waiting list has declined by 2.2 per cent over the past 12 months to June 2007. There are now 34,150 applicants waiting for housing.**

**15.7** **In September 2006, in recognition of housing affordability concerns by the community, the government released the *Towards an integrated Victorian housing strategy* aimed at addressing the State's future housing challenges.**

**15.8** **The Committee noted that the Treasurer has stated that to make home ownership more affordable: in December 2006 stamp duty on the average family home was reduced by 14 per cent: the First Home Bonus was extended to 30 June 2009: land tax reforms will result in a saving of $700 on the price of an average block of land; and the introduction of a new Electronic Conveyancing System that will reduce the expenses of buying a home.**

**15.9** **The Committee noted that the government announced an extra $510 million for social and public housing, aimed to provide 2,350 new or redeveloped dwellings.**

**15.10** **The government should develop quantity and timeliness performance measures concerning housing affordability for inclusion in the budget papers and the Department of Human Services' annual report.**

## 15.1 Introduction

In considering the budget estimates pertaining to the *Caring Communities* vision of the *Growing Victoria Together* initiative, the Committee asked a total of 190 questions, which represented 27.6 per cent of all questions asked during the budget estimates hearings.

Answers provided at the estimates hearings were recorded in *Hansard* and the transcripts of evidence were contained in Appendix 1 of the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*. The material received to the questions on notice and unasked questions since the Part Two report is presented in full in Appendices 4 and 5 respectively of this report. These responses are categorised according to the applicable *Growing Victoria Together* vision to which they relate.

This chapter sets out an analysis of various issues pursued by the Committee at the budget estimates hearings that relate to the *Caring Communities* vision of the *Growing Victoria Together* (GVT) initiative.

## 15.2 Road traffic fatalities attributable to suicide

The Committee noted that a review conducted in 2003 of suicide and natural deaths in road traffic at a local, national and international level found that:[211]

- relative to other methods of suicide and injury, literature on suicide and natural deaths in road traffic was scarce, particularly for pedestrian suicides;
- driver suicides and natural driver deaths are relatively minor components of road traffic fatalities but may be underestimated;
- driver suicides are mostly male and aged 25-34 years; and
- risk factors are previous suicide attempts, a history of mental illness and the presence of alcohol.

In examining issues surrounding Victorian road deaths, the Committee at the estimates hearing inquired about the number of suicides that involved the use of a vehicle in country Victoria in the past 12 months.

The Minister for Police and Emergency Services advised that according to Victoria Police, 12 road deaths that occurred in country Victoria during 2005-06 were attributed to suicide (3.6 per cent of the combined total of 334 road deaths).[212]

The Committee believes that, although these figures are not formally included in road toll statistics[213] and subject to associated reporting and analysis, social research should be conducted to gather relevant and reliable information about the incidence of all road traffic fatalities attributable to suicide that involve characteristics such as:

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211 V Routley, C.Staines, C.Brennan, N.Haworth, J.Ozanne-Smith, *Suicide and Natural Deaths in Road Traffic – Review*, Monash University Accident Research Centre, July 2003. p.iii

212 Hon. B Cameron MP, Minister for Police and Emergency Services, response to the Committee's question on notice, received 11 July 2007

213 ibid.

- age and gender;
- previous suicide attempts;
- history of mental illness, depression or drug and/or alcohol abuse; and
- geographical location.

While the Committee recognises the difficulty in ascertaining true intent and psychological motivation, such research could also be aimed at identifying possible underlying causes of suicide involved in road deaths such as psychological factors (for example, lack of social connections in isolated communities, financial problems or interpersonal disputes) or contributing factors such as presence of addictive substances, for example, alcohol or drugs. Research showing the extent of suicide in road traffic, associated characteristics/profiles and likely causal factors could reveal whether additional programs and funding need to be directed at ensuring that appropriate road safety data systems capture this information (so that figures are reliable and not underestimated and anecdotal), monitoring of trends take place (particularly in comparison to national data) and protective measures applicable to suicide prevention can be developed are funded to address this problem in future.

The Committee recommends that:

**Recommendation 47:** **To determine the extent and underlying causes of deaths on Victorian roads due to suicidal intent and assess whether any budget related strategies need to be formulated to address this issue, the Department of Justice consider commissioning a research project that includes focus on country Victoria and includes pedestrian deaths.**

## 15.3 Housing affordability

### Introduction

The Committee was interested in examining the issue of housing affordability to assess the strategies that have been put in place to ensure that people who want to own homes are not being priced out of the market or have to pay rising rents, thereby absorbing an ever increasing share of their income.

There are three measures that might be used for housing affordability: percentage of households spending 30 per cent or more of household income on rent or mortgage repayments, as a percentage of all occupied private dwellings, based on place of usual residence. (ABS 2006 Census); median price of unit/flat/apartment, 12 month average; and percentage of private rental affordable for people on benefits and occupied dwellings that are public housing (Australian Bureau of Statistics, 2006 Census).[214]

While households can be considered to have affordability problems if they spend more than 30 per cent of their incomes on housing costs (Australian Bureau of Statistics, 1996), there is no accepted definition of housing affordability. It is a relative term that is about the capacity to enter the housing market; that is, cost and availability. The cost of housing in a municipality relates to the prosperity of the community, the functioning of the economy, location choices relating to employment opportunities and transportation issues. In Australia, the number of households above the 'rental stress' threshold, that is, spending more than 30 per cent of their income in rent, has climbed to 520,598. This makes a combined total of 1.1 million households under financial stress from their loan

[214] www.communityindicators.net.au, accessed 17 August 2007

and rental payments. Victoria is among the worst affected states, with households under mortgage stress jumping from 71,287 in 2001 to 140,960 in 2006 – an increase of 98 per cent. This compared with a national rise of 89 per cent (Australian Bureau of Statistics, 2007).[215]

### Increasing housing values

The Committee found that figures released by the Real Estate Institute of Victoria (REIV) show the median Melbourne house price at June 2007 was $420,000, an increase of 11.7 per cent on this time last year and a significant increase on last quarter of 10.2 per cent. The median price has been calculated from almost 12,000 houses and 6,000 units and apartment transactions conducted in April, May and June.[216]

Highlighting the increase in housing values, there are now no suburbs in metropolitan Melbourne with a median house price below $200,000.[217]

### Increases in home mortgage interest rates and rental rates

Information released from the Housing Industry Association (HIA) show more than a third of Melbourne home owners are under mortgage stress. Since the August 2006 censes, three interest rate rises have seen the number increase by a further 15.8 per cent, now having an impact on 110,603 owner-occupiers.[218]

Research undertaken by the Committee has also revealed that increases in rental rates have been identified for many local government areas in Victoria. Figures compiled by the Victorian Council of Social Service (VCOSS) at March 2007 reveal 26 of 53 selected local government areas had an annual increase in rental rates of 10 per cent or more. That equates to a weekly increase in rental payments of between $20 and $100.[219]

### Number of applicants on the public housing waiting list and transfer list

As identified in the Committee's *Report on the 2006-07 Budget Estimates*, the number of public housing applicants waiting for the Office of Housing to house them at 30 June 2006 was 34,930. Of this total, 4,628 (13.2 per cent) were applicants for early housing (those most in need) and 30,302 (86.7 per cent) were applicants on the wait turn waiting list (those with less urgent needs).[220]

The current number of housing applicants on the waiting list has declined by 2.2 per cent over the past 12 months to June 2007. There are now 34,150 waiting for housing; of this total 4,799 (14.1 per cent) are in need of early housing and 29,351 (85.9 per cent) are on the wait turn list.[221]

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215 ibid.

216 www.reiv.com.au, *REIV Median Prices,* REIV News, 7 August 2007; Mr B Schneiders, 'Big surge in house values', *The Age* newspaper, July 28, 2007

217 www.reiv.com.au, *REIV Median Prices,* REIV News, 7 August 2007

218 www.hia.com.au, *Higher Rates Tip More Into Mortgage Stress*, HIA Latest News, 17 August 2007

219 Victorian Council of Social Service, *VCOSS league table show rents continue to rocket*, media release, 21 August, 2007

220 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, September 2006, Executive summary, p.23

221 www.dhs.vic.gov.au, *Public Housing Transfer and Waiting List*, June 2007, p.1

## Government initiatives

In September 2006, in recognition of housing affordability concerns by the community, the government released the *Towards and integrated Victorian housing strategy* aimed at addressing the State's future housing challenges. In this strategy the government acknowledges the significant increases in house prices, as in the rest of Australia, and the resultant increase in financial security for home owners and some home buyers. However, the government also acknowledges that many lower to middle income Victorians are finding it more difficult to buy or rent a home and the potential for this trend to divide people geographically according to wealth and income. Such a division is contrary to the government's vision of a State that is more socially cohesive and provides opportunities for all.[222]

In presenting the budget estimates to Parliament, the Treasurer indicated that while Victoria enjoys the highest rate of home ownership of any Australian State, many Victorian families cannot afford to buy a home or pay rent in the private market. The Treasurer acknowledged that housing affordability is a significant issue across Australia and stated that to make home ownership more affordable:[223]

- in December 2006 stamp duty on the average family home was reduced by 14 per cent;
- the First Home Bonus was extended to 30 June 2009 and increased to $5,000 for newly constructed homes;
- land tax reforms will result in a saving of $700 on the price of an average block of land; and
- the introduction of a new Electronic Conveyancing System that will reduce the expenses of buying a home.

The Treasurer also announced an extra $510 million for social and public housing, providing 2,350 new or redeveloped dwellings and improving services for homeless Victorians. This will bring total investment in social and public housing in Victoria to $1.4 billion over the next four years.[224]

At the estimates hearing the Minister advised the Committee that the commitment of $500 million includes:[225]

- $200 million over four years to provide 800 redeveloped and new public housing units to boost the supply of public housing; and
- $300 million to create an investment fund: $60 million for 350 additional social housing units and the housing fund will commit $240 million over four years to build or acquire 1,200 units of public housing.

The Committee noted with satisfaction that the $300 million investment fund was sourced from funding in 2006-07 derived from a greater than expected budget surplus. Notwithstanding the additional funding provided in the budget, the Committee believes that given the rises in residential property values, home mortgage interest rates and rental rates and the high demand for rental properties, the government is faced with ongoing challenges in its efforts to ensure that public housing in Victoria:

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222 Department of Human Services, *Towards an integrated Victorian housing strategy: a framework to address our future housing challenges*, September 2006, p.4

223 Budget Paper No.1, *2007-08 Treasurer's Speech*, p.10

224 ibid.

225 Mr R Wynne MP, Minister for Housing, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, p.12

- is available to needy groups;
- is equitably distributed between rural and regional Victoria;
- has maximum effect on reducing the length of waiting lists; and
- is adequately and appropriately managed and maintained.

The Committee believes the government should develop quantity and timeliness performance measures concerning housing affordability for inclusion in the budget papers and the Department of Human Services' annual report.

The Committee recommends that:

**Recommendation 48:** **As occurred in the 2007-08 budget, consideration should be given in future years to applying a significant portion of any budget surplus in excess of the initial prediction to increase the level of public housing.**

**Recommendation 49:** **To enhance accountability, the government develop quantity and timeliness performance measures concerning housing affordability for inclusion in the budget papers and the Department of Human Services' annual report.**

# CHAPTER 16: VIBRANT DEMOCRACY

## Key findings of the Committee:

**16.1** **The government has implemented a range of funding and operational approaches to address the reduction in the number of criminal and non-criminal matters disposed of by Victoria's courts due, in the main, to the increased complexity and volume of cases coming before the courts.**

**16.2** **Continued effort needs to be directed at improving clearance rates of criminal and non-criminal matters, given Victoria's poor performance compared to the other states and territories.**

**16.3** **The Committee found that on average the administrative cost per lodgement of criminal cases at $672 for Victoria was higher than three other states (Queensland, South Australia and Tasmania) and lower than the remaining four states and territories. In relation to the average administrative cost per lodgement of civil cases at $436 for Victoria, this outcome for 2005-06 was the second lowest among the states and territories apart from Tasmania.**

**16.4** **Given that patronage on the metropolitan train network has increased by more than 20 per cent over the past two years which has led to overcrowding on some trains, various initiatives have been introduced by the government to address this situation (such as additional funding of some $360 million in the budget to accelerate the purchase of new trains, the introduction of new timetables and various capital works).**

**16.5** **In view of the overcrowding on some trains, the Committee considers there is a need for surveys of overcrowding to include those passengers who have not been able to board their regular train due to overcrowding.**

**16.6** **There is scope for expanding performance indicators of overcrowding to cover tram and bus networks.**

## 16.1 Introduction

In considering the budget estimates pertaining to the *Vibrant Democracy* vision of the *Growing Victoria Together* (GVT) initiative, the Committee asked a total of 254 questions, which represented 36.9 per cent of all questions asked during the budget estimates hearings. Given the fundamental importance of holding government accountable for how the use of budget outlays is to be measured in future, in terms of categorisation against the GVT visions, a large proportion of the Committee's questions related to the accountability goal of the *Vibrant Democracy* vision.

Answers provided at the estimates hearings were recorded in *Hansard* and the transcripts of evidence were contained in Appendix 1 of the *Report on the 2007-08 Budget Estimates – Part One* and the *Report on the 2007-08 Budget Estimates – Part Two*. The material received to the questions on notice and unasked questions since the Part Two report is presented in full in Appendices 4 and 5 respectively of this report. These responses are categorised according to the applicable *Growing Victoria Together* vision to which they relate.

In setting out an analysis of various issues pursued by the Committee at the estimates hearings that relate to the *Vibrant Democracy* vision, this chapter brings together:

- one issue relating to enhancing more accountable government in connection with the performance standards disclosed in the budget papers (i.e. refer to section 16.2 dealing with the reduction in the number of criminal and non-criminal matters disposed of by Victoria's courts); and
- another issue relating to greater public participation, whereby the Victorian public will be involved in contributing to decision making through being consulted in decisions of a policy nature that affect them (i.e. refer to section 16.3 dealing with the overcrowding of public transport during peak periods).

## 16.2 Handling of court cases

### *16.2.1 Reduction in the number of criminal and non-criminal matters disposed of by Victoria's courts*

In relation to the *Criminal and non-criminal matters disposed* output, the Committee was interested to understand the reasons for the performance target for 2007-08 of 316,500 being less than the 2006-07 target (317,700), the expected outcome for 2006-07 (318,850) and the actual result for 2005-06 (319,414)[226], bearing in mind that the budget provided a total of $45.3 million in output and asset investment over four years ($11.5 million in 2007-08) to reduce delays in the criminal and civil justice systems.[227]

#### Research undertaken by the Productivity Commission

The Committee also noted that, according to research undertaken by the Productivity Commission, Victorian courts had some of the lowest clearance rates among the states and territories in 2005-06 as shown in table 16.1. However, the Committee noted that in relation to the clearance rates for electronic infringement notices, Victoria clearly out performed those states (Queensland, Western Australia and South Australia) where the workload and expenditure of the electronic infringement and enforcement system, while coming under the ambit of the Magistrates' Court, were separately identified to allow for a more comparable interpretation of Magistrates' Court data.[228] The 'clearance rate' is an output (efficiency) indicator showing whether the volume of case finalisations has matched the volume of case lodgements during the reporting period. It indicates whether a court's pending caseload has increased or decreased over that period. In interpreting the information shown in table 16.1, a figure of less than 100 per cent indicates that, during the reporting period, the court finalised fewer cases than were lodged, and the pending caseload has increased.[229]

226 Budget Paper No.3, *2007-08 Service Delivery*, p.162
227 ibid., pp.313, 318
228 Productivity Commission, *Report on Government Services 2007*, Volume 1 Part C (Justice) Chapter 6 Court Administration, pp.6.6– 6.7
229 ibid., p.6.34

## Table 16.1: Clearance rates (finalisations/lodgements), 2005-06 (per cent)

| | *NSW* | *Vic* | *Qld* | *WA* | *SA* | *Tas* | *ACT* | *NT* | *Aust courts* |
|---|---|---|---|---|---|---|---|---|---|
| **Supreme/Federal** | | | | | | | | | |
| Criminal | 102.9 | 97.0 | 92.1 | 95.2 | 119.7 | 100.4 | 86.1 | 110.3 | .. |
| Civil[a, b] | 103.5 | 84.8 | 91.5 | 98.1 | 124.5 | 132.1 | 91.2 | 100.9 | 105.8 |
| *Total* | *103.4* | *85.8* | *91.6* | *97.7* | *123.4* | *122.8* | *90.1* | *105.9* | *105.8* |
| **District/county** | | | | | | | | | |
| Criminal[c] | 95.5 | 85.0 | 105.2 | 110.5 | 88.5 | .. | .. | .. | .. |
| Civil[b] | 110.4 | 121.5 | 130.6 | 130.8 | 106.8 | .. | .. | .. | .. |
| *Total* | *101.9* | *103.1* | *116.7* | *122.0* | *100.8* | .. | .. | .. | .. |
| **Magistrates'** | | | | | | | | | |
| Criminal | 101.0 | 93.5 | 96.0 | 108.0 | 99.3 | 71.9 | 113.7 | 100.0 | .. |
| Civil[d] | 93.2 | 84.2 | 99.2 | 97.7 | 118.3 | 103.1 | 106.2 | 89.9 | .. |
| *Total* | *96.8* | *88.2* | *97.1* | *104.1* | *105.3* | *76.5* | *109.8* | *96.4* | .. |
| **Children's** | | | | | | | | | |
| Criminal | 99.4 | 81.0 | 99.7 | 99.8 | 102.5 | 79.7 | 94.6 | 117.4 | .. |
| Civil[e] | 97.9 | 80.1 | 98.8 | 108.4 | 99.2 | 91.6 | 94.3 | 124.7 | .. |
| *Total* | *98.8* | *80.7* | *99.5* | *100.5* | *102.0* | *81.8* | *94.5* | *118.1* | .. |
| **Family courts** | .. | .. | .. | 86.4 | .. | .. | .. | .. | 107.0 |
| **Federal Magistrates** | .. | .. | .. | .. | .. | .. | .. | .. | 99.4 |
| **Electronic[f]** | .. | 144.8 | 88.0 | 44.2 | 87.2 | .. | .. | .. | .. |
| **Coroners' courts** | 82.3 | 93.6 | 89.3 | 79.6 | 108.2 | 105.2 | 96.0 | 105.4 | .. |

[a] Excludes probate matters. [b] Queensland data are extrapolated. [c] Queensland District Court appeals finalised have been extrapolated. [d] The Victorian Magistrates' Court civil data include a proportion of hearings from the Victorian Civil and Administrative Tribunal. [e] The Queensland Children's Courts civil data for 2005-06 is based on a count of cases, not the number of children involved in the care and protection case. [f] The clearance rate relates to unpaid infringement notices. Excludes unpaid court fines. .. Not applicable.

*Notes:* *(a) Some clearances are underestimated due to the following:* [230]

- *in Queensland, some Children's Court matters are heard in the District Court. As a result, the inclusion of all Children's Court matters in the Magistrates' Court will lead to a slight overestimation of the Magistrates' Court total and an underestimation of the District Court total; and*
- *in the Victorian Magistrates' Court and the Australian courts the 12 month deeming rule for inactive cases has not been used. This may result in an underestimate of the finalised cases according to the report's counting rules for these courts.*

*(b) Under the deeming rule, lodgements that have not been acted upon in the past 12 months are counted as finalised for the purpose of the report, the aim being to focus on those matters that are part of an 'active pending' population. For this Report, the Victorian Magistrates' Courts have not applied this deeming rule, which may result in an increased pending caseload with longer duration. Some courts (e.g. the Australian courts) proactively manage all their civil cases. Consequently, cases that, by their nature, cannot be finalised for a lengthy period are not deemed finalised, but continue to be monitored from time to time by these courts* [231]

*Source:* *Productivity Commission, Report on Government Services 2007, Volume 1 Part C (Justice) Chapter 6 Court Administration, p.6.35*

[230] ibid., p.6.19, tables 6.5 and 6.6
[231] ibid., p.6.27

The *Report on Government Services 2007* indicated increasing delays and lower clearance rates (due in part to long and complex trials relating to police corruption, gangland killings and organised crime),[232] however it also confirmed that Victorian courts have continued to improve in many areas.

Despite the continued increase in lodgements, Victoria's courts still continued to increase its finalisations. A total of 1,089,900 civil and criminal lodgements (excluding probate lodgements) were received in 2005-06 (increase of 5 per cent over 2004-05),[233] but the courts continued to increase also its finalisations. In 2005-06 Victoria's courts finalised 1,380,700 civil and criminal cases,[234] compared to 1,342,400 for 2004-05 (an increase of 3 per cent).[235]

Victoria had the highest number of finalisations of the electronic courts, second highest number of civil finalisations, and third highest number of criminal finalisations. Despite a fall in clearance rates in some jurisdictions, Victoria has kept these rankings from previous years.[236]

Cost per finalisation indicates how much output is being generated for the level of funding for the court. A lower cost per finalisation indicates the same amount of output being done for less funding.[237] In cost per finalisation, Victoria still compares favourably with the other states and territories. The lower the cost per finalisation, the lower (and better) the ranking. Victoria ranks third (out of five states) in criminal matters and sixth out of eight states and territories in civil matters.[238]

The Supreme Court particularly showed improvements. Despite the impact of the long and complex trials dealing with police corruption, gangland killings and organised crime, and an increasing workload of 7 per cent per year, the Supreme Court's clearance rate for the period 2002-03 to 2005-06 for all matters improved from 68 per cent[239] to 86 per cent.[240] Also the level of finalisations have continued to rise since 2002-03 when 4,091 finalisations were achieved, representing an average annual increase since 2002-03 of 17 per cent a year.

At the end of 2005-06 the number of cases pending had increased, however despite the rise in cases pending, the Supreme Court has been able to improve on its backlog. Backlog is measured in percentage of cases pending greater than 12 months and percentage of cases pending greater than 24 months. The lower the percentage means lesser cases pending.[241] The proportion of its backlog pending for more than 12 months came down from 34.2 in 2003-04 to 28.9 per cent for 2005-06.

The Magistrates' Court of Victoria had the lowest in percentage of civil cases pending for more than 6 months (24 per cent)[242] and the second lowest in percentage of criminal matters pending for more than 6 months (20 per cent)[243]. In cases pending greater than 12 months, Victoria Magistrates' Court was third lowest in both civil and criminal.[244]

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232 Hon. R Hulls MP, Attorney-General, 2007-08 Budget Estimates hearing, transcript of evidence, 30 May 2007, p.4

233 Productivity Commission, *Report on Government Services 2007*, Volume 1 Part C (Justice) Chapter 6 Court Administration, pp.6.16, 6.17

234 ibid., p.6.19

235 Productivity Commission, *Report on Government Services 2006*, Volume 1 Part C (Justice) Chapter 6 Court Administration, p.6.18

236 ibid., p.6.19

237 ibid., p.6.37

238 ibid., pp.6.38, 6.40

239 Productivity Commission, *Report on Government Services 2004*, Volume 1 Part C (Justice) Chapter 6 Court Administration, p.6.50

240 Productivity Commission, *Report on Government Services 2007*, Volume 1 Part C (Justice) Chapter 6 Court Administration, p.6.35

241 ibid., pp.6.24, 6.25

242 ibid., p.6.29

243 ibid., p.6.26

244 ibid., p.6.26, 6.29

The cost per finalisation for Victoria's Magistrates' Court is the second lowest in the country at $91.[245]

Low clearance rates and increases in backlogs were experienced due to the additional workload and the more complex cases, however this should not overshadow the improvements that have been gained over time.

The Committee also observed that the Productivity Commission found that in relation to net expenditure per criminal and civil finalisation for Magistrates' Courts in 2005-06 (excluding electronic and childrens' courts), Victoria incurred lower costs than other states and territories in relation to the following types of cases:[246]

- criminal matters – New South Wales, Western Australia, the Australian Capital Territory and the Northern Territory; and
- civil matters – New South Wales, Queensland, Western Australia, South Australia, the Australian Capital Territory and the Northern Territory.

### Funding initiatives provided in the 2007-08 budget

The Committee noted that the 2007-08 budget committed a further $318 million over five years and $167 million TEI to strengthen the justice system.[247] Initiatives to be delivered under this funding included employing 350 new police officers, providing new or upgraded police stations and appointing additional judges to the Supreme and County Courts to reduce court delays. The funding will also be used to enhance Victoria's emergency response capability.[248]

In improving access to justice, the Committee also noted that of the $43 million provided over four years to provide for the additional judges and support staff for the Supreme and County Courts,[249] the additional funding will also provide for an additional Supreme Court Master, and additional prosecutors and support staff for the Office for Public Prosecutions and Corrections Victoria to increase capacity for prosecutions and to reduce court delays.[250]

### Deliberations emanating from the budget estimates hearing

At the estimates hearing, the Attorney-General explained that the 2007-08 target for fewer matters to be disposed has been based on the increasing complexity and length of major trials and hearings (such as those connected with police corruption, gangland killing and organised crime) as well as more matters coming before the courts.[251] In relation to this latter point, the Attorney-General brought to the Committee's notice that the Productivity Commission found that low clearance rates and delays have been experienced in the courts due to a continual increase in cases initiated. In terms of increased workload, the Attorney-General stated that: '*we have got more police out there, and more police means more people are being charged and more matters are coming before our courts'*.[252]

Some of the measures that have been applied to address this situation are set out below:[253]

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245 ibid., p.6.42
246 ibid., p.6.42, figure 6.7
247 Budget Paper No.3, *2007-08 Service Delivery*, p.6
248 ibid.
249 ibid., pp.27, 313, 317
250 ibid., p.27
251 Hon. R Hulls MP, Attorney-General, 2007-08 Budget Estimates hearing, transcript of evidence, 30 May 2007, p.4
252 ibid.
253 ibid.

- funding provided in the budget to provide two additional judges in the Supreme Court, two judges in the County Court, an additional master in the Supreme Court, additional resources for the Office of Public Prosecutions (OPP) for in-house and external prosecutions and also to help implement a strategy to encourage early pleas of guilty. Those resources will also go to Corrections Victoria, the Juries Commissioner and the Victorian court reporting service;
- the introduction of a new criminal trial practice note, which provides for criminal matters to be listed for a mention hearing (the first listing of an application in court) within 14 days of committal;
- a more aggressive approach to listing of criminal matters in the County Court;
- the introduction of a new electronic briefing system in the next 6 to 12 months by Victoria Police;
- the introduction and training of new procedures and stronger case management at the OPP; and
- courts examining the introduction of specialised lists.

The Attorney-General acknowledged the need to continue to monitor how courts can address their casework in a better way and the resources supplied to Victoria's courts, while courts will need to look at specialisation in future.[254]

In the light of these comments, the Committee raised with the Attorney-General whether the need to continue with committal hearings is to be examined in the context of reviewing how the higher courts could be made more efficient. The Attorney-General's advice on this matter is set out below:[255]

> *It is a good question. We have obviously conducted a review of committals, and there are some who say we should abolish committals altogether and just allow the Director of Public Prosecutions (DPP) to directly present. Others say – and this is how the argument went – that the committal process is actually efficient because it actually weeds out a lot of the issues and crystallises what the issues are at trial and, as a result, trials are shorter as a result of committals.*
>
> *We have introduced a whole range of reforms in relation to the committal process to ensure that certain witnesses cannot be cross-examined about certain matters. Those reforms are coming through the system and they are working. It means that people, particularly in sexual assault matters, cannot be cross-examined up hill and down dale, and basically you are able to crystallise at an earlier stage what the issues are.*
>
> *My view is that it is false economy to abolish committals; committals play a very important role in the system and they lead to shorter trials. That does not mean that we cannot continue to work on trying to make the committal system more efficient, but I certainly do not believe, as some do, in abolishing the committal process. I think it works well, but we have to continue to monitor it to make sure it is efficient as it can be.*

The Committee noted the additional funding in the 2007-08 budget that is directed at reducing court delays in relation to the Supreme Court, County Court and OPP, the various initiatives that have been introduced aimed at addressing delays in the justice system and the acknowledgement by the government to continue monitoring ways to improve the efficiency of the court system.

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254 ibid.
255 ibid., p.5

### 16.2.2 Case processing timelines in criminal matters

In examining case processing timelines in criminal matters, data collected by the Productivity Commission on the 'backlog indicator' for criminal matters as at 30 June 2006 revealed that Victoria performed well compared to most of the other states and territories in relation to the following courts:[256]

| | | |
|---|---|---|
| • Higher: appeal | Pending caseload cases > 12 months | 10.6 per cent |
| • Higher: appeal | Pending caseload cases > 24 months | 3.1 per cent |
| • Higher: non-appeal | Pending caseload cases > 12 months | 17.6 per cent |
| • Higher: non-appeal | Pending caseload cases > 24 months | 2.9 per cent |
| • Supreme: non-appeal | Pending caseload cases > 12 months | 19.9 per cent |
| • District/county: appeal | Pending caseload cases > 12 months | 8.6 per cent |
| • District/county: appeal | Pending caseload cases > 24 months | 3.7 per cent |
| • District/county: non-appeal | Pending caseload cases > 12 months | 17.3 per cent |
| • District/county: non-appeal | Pending caseload cases > 24 months | 2.3 per cent |
| • Magistrates | Pending caseload cases > 6 months | 20.1 per cent |
| • Magistrates | Pending caseload cases > 12 months | 5.4 per cent |
| • Children's | Pending caseload cases > 6 months | 13.2 per cent |
| • Children's | Pending caseload cases > 12 months | 1.6 per cent |

### 16.2.3 Case processing timelines in civil matters

In examining case processing timelines in civil matters, data collected by the Productivity Commission on the 'backlog indicator' for civil matters as at 30 June 2006 revealed that Victoria performed well compared to most of the other states and territories in relation to the following courts:[257]

| | | |
|---|---|---|
| • Higher: non-appeal | Pending caseload cases > 12 months | 35.4 per cent |
| • Higher: non-appeal | Pending caseload cases > 24 months | 17.4 per cent |
| • Supreme/Federal: non-appeal | Pending caseload cases > 12 months | 30.2 per cent |
| • Supreme/Federal: non-appeal | Pending caseload cases > 24 months | 10.9 per cent |
| • District/county: appeal | Pending caseload cases > 12 months | 2.2 per cent |
| • Magistrates (a) | Pending caseload cases > 6 months | 23.6 per cent |

*(a) data excludes Children's Courts but includes a proportion of pending caseload from the Victorian Civil and Administrative Tribunal* [258]

256 Productivity Commission, *Report on Government Services 2007*, Volume 1 Part C (Justice) Chapter 6 Court Administration, p.6.26, table 6.9
257 ibid., p.6.29, table 6.10
258 ibid., p.6.30, table 6.10 notes (d) and (e)

### 16.2.4 Costs per lodgement for criminal cases and civil cases

Using information compiled by the Productivity Commission on court administration recurrent expenditure and lodgements in the criminal and civil jurisdictions, the Committee calculated the average administration cost per lodgement for 2005-06 in each of these jurisdictions.

This information, which is presented in tables 16.2 and 16.3, shows that on average the administrative cost per lodgement of criminal cases at $672 for Victoria was higher than three other states (Queensland, South Australia and Tasmania) and lower than the remaining four states and territories. In relation to the average administrative cost per lodgement of civil cases at $436 for Victoria, this outcome for 2005-06 was the second lowest among the states and territories apart from Tasmania.

**Table 16.2: Average administration cost per lodgement for criminal cases, 2005-06**

| | NSW ($) | Vic ($) | Old ($) | WA ($) | SA ($) | TAS ($) | ACT ($) | NT ($) |
|---|---|---|---|---|---|---|---|---|
| Average cost per lodgement for criminal cases | 883 | 672 | 456 | 865 | 564 | 205 | 1,132 | 1,110 |

*Source: Productivity Commission, Report on Government Services 2007, Volume 1 Part C (Justice) Chapter 6 Court Administration, pp.6.12, 6.16–6.17*

**Table 16.3: Average administration cost per lodgement for civil cases, 2005-06**

| | NSW ($) | Vic ($) | Old ($) | WA ($) | SA ($) | TAS ($) | ACT ($) | NT ($) |
|---|---|---|---|---|---|---|---|---|
| Average cost per lodgement for civil cases | 658 | 436 | 490 | 934 | 784 | 389 | 1,013 | 1,443 |

*Source: Productivity Commission, Report on Government Services 2007, Volume 1 Part C (Justice) Chapter 6 Court Administration, pp.6.12, 6.16–6.17*

### 16.2.5 Role of the Victorian Auditor-General – examination of administrative systems of courts

The Committee also was pleased to see that, in response to its recommendation that the Department of Justice finalise the necessary protocols to allow the Auditor-General to conduct performance audits of the administrative systems and processes of Victoria's courts, in mid 2006 a performance audit protocol was endorsed by the Supreme, County and Magistrates' Courts.[259] The first performance audit of such systems and processes covered the administration of certain non-judicial functions of the Magistrates' Court of Victoria. This audit report, which was tabled in June 2007, included an

[259] Victorian Auditor-General, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.7

assessment of whether the following administrative functions efficiently and effectively supported the operations of the Court:[260]

- governance and structure;
- corporate planning, performance monitoring and reporting;
- budget planning, financial monitoring and reporting;
- asset management and security;
- staff recruitment and retention; and
- court user information and assistance.

The Committee noted that the response to the report from the Chief Magistrate, Magistrates' Court of Victoria, included the following comment:[261]

> *Increasing diversity within our community and the complexity of cases has presented a challenge to this court. We must continue to examine how the court can remain dynamic and responsive.*

The Committee believes that after a sufficient lead time has elapsed, the Auditor-General should consider undertaking a performance audit into the efficiency of the administrative functions of all courts in relation to access. Such a review should examine whether any improved processes need to be recommended to the Parliament to enhance productivity in terms of clearance rates, thereby increasing the number of criminal and non-criminal disposals.

The Committee recommends that:

**Recommendation 50:** **Given the downward trend in the number of criminal and non-criminal matters disposed across Victoria's courts, after a sufficient lead time has elapsed, the Auditor-General consider whether there is a need to build on his work covering the Magistrates' Court by undertaking a more targeted approach to examining efficiency aspects relating to the various levels of courts within the judiciary.**

## 16.3 Increased use of public transport and overcrowding of public transport during peak periods

In her presentation to the Committee, the Minister for Public Transport noted the recent significant increase in patronage on public transport, especially on the metropolitan rail network.[262]

260 ibid., pp.7–9
261 ibid., p.5
262 Hon. L Kosky MP, Minister for Public Transport, 2007-08 Budget Estimates hearing, transcript of evidence, 9 May 2007, pp.2–3.

> *... we have had an unexpected increase in the metropolitan rail network patronage of 18.4 per cent in 2004 and 2005-06 ... in the last calendar year we had a 12 per cent growth in patronage on the train network ... the forecast is that it will grow by an average of 3.5 per cent to 2012 and is expected to grow by 4.9 per cent in 2007-08 due to the removal or abolition of zone 2 fares. This is expected to result in about an additional 1.8 million train trips*

As shown in table 16.4, the Committee noted that there has been a 12.8 per cent increase in Melbourne public transport over the last two financial years and a 21.9 per cent increase in rail patronage. Total Melbourne patronage exceeded 400 million in 2006-07 – the last time that occurred was 40 years ago, in 1966-67.

## Table 16.4: Metropolitan Melbourne Public Transport patronage Historical time series – excluding Commonwealth Games (a)

| Financial Year | Train | | | | Tram | | | | Bus [b] | | | | Total | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Boardings (million) | | Annual growth (%) | | Boardings (million) | | Annual growth (%) | | Boardings (million) | | Annual growth (%) | | Boardings (million) | | Annual growth (%) | |
| 1998/99 | 118.0 | | 4.4 | | 120.4 | | 3.1 | | 91.5 | | -0.8 | | 329.9 | | 2.5 | |
| 1999/00 | 124.2 | | 5.3 | | 127.3 | | 5.7 | | 91.6 | | 0.1 | | 343.1 | | 4.0 | |
| 2000/01 | 130.3 | | 4.9 | | 129.4 | | 1.6 | | 92.0 | | 0.4 | | 351.7 | | 2.5 | |
| 2001/02 | 131.8 | | 1.2 | | 131.9 | (c) | 1.9 | | 92.0 | (c) | 0.0 | | 355.7 | | 1.1 | |
| 2002/03 | 133.8 | | 1.5 | | 134.7 | | 2.1 | | 93.9 | | 2.1 | | 362.4 | | 1.9 | |
| 2003/04 | 134.9 | (d) | 0.8 | | 135.9 | (d) | 0.9 | | 93.6 | | -0.3 | | 364.4 | (d) | 0.6 | |
| 2004/05 | 145.1 | (e), (f) | 4.0 | (g) | 145.3 | (e) | 2.0 | (g) | 90.0 | | stable | (g) | 380.4 | (e) | 2.5 | (g) |
| 2005/06 | 159.1 | (a), (f) | 9.7 | (a), (f) | 149.6 | (a) | 2.9 | (a) | 79.1 | (a), (e), (f) | stable | (a), (e) | 387.8 | (e) | 4.9 | (h) |
| 2006/07 | 178.6 | | 12.2 | | 154.9 | | 3.6 | | 85.0 | | 7.4 | | 418.4 | | 7.9 | |

*Notes:*

*(a) The figures in this table differ from the 2005-06 annual report which included additional patronage associated with the Commonwealth Games (CG). The annual report states train at 162.4 million (growth of 11.2 per cent including CG & 9.4 per cent excluding CG) tram at 151.1 million (growth of 4 per cent including CG & 2.9 per cent ex CG) and at Bus 78 million (stable growth)*

*(b) Bus includes metropolitan school bus services*

*(c) The 2001-02 patronage estimates for tram and bus are different to those published in the DOI Annual Report for 2001-02. Those in the Annual Report for trams and metro bus are incorrect due to an error introduced in the production of that report*

*(d) Patronage estimates for 2003-04 are based on operator supplied growth of 0.9 per cent for metro trams and 0.8 per cent for metro trains applied to the base patronage figures for 2002-03*

*(e) Patronage estimates for the three metropolitan modes are based on a new and improved measurement methodology from 2004-05. This methodology involves factoring up ticket validations from the Automatic Ticketing System database with a 'validation rate' obtained from surveys to obtain an estimate of patronage for each mode. This change in methodology means a step-change in patronage estimates from 2003-04 to 2004-05 for train and tram and 2004-05 to 2005-06 for bus. This needs to be considered when comparing estimates across years.*

*(f) These figures have been amended slightly from those in the annual report because of definitional changes and recovery of missing data. Train for 2004-05 was reported at 146 million and in 2005-06 at 162.4 million, with an inclusive CG growth rate of 11.2 per cent and exclusive CG growth rate of 9.4 per cent. Bus was revised upwards from 78 million*

*(g) Growth figures for 2004-05 are estimates arrived at jointly by DOI, Metlink and the operators due to the change in patronage measurement methodology between 2003-04 and 2004-05*

*(h) Total metropolitan public transport growth of 4.9 per cent assumes bus was stable from 2004-05 to 2005-06.*

*The double line in the above table shows the break in series.*

*Source: Public Transport Corporation and the passenger businesses, franchisees / bus operators / Department of Infrastructure, Metlink*

The Committee also noted from the budget papers the trend in the use of public transport as a proportion of motorised trips towards the government's long term indicative target of 20 per cent by 2020. [263] The Committee looks forward to further reporting on this by the Minister to Parliament and by the department in its annual report.

The issue of the overcrowding of trains during peak periods was of interest to the Committee, particularly in the light of the government's goals for greater use of public transport and lower carbon emissions.

The Minister provided the Committee with the following information:[264]

> *... the overcrowding is obviously an issue as a result of the incredible patronage growth that we have seen over the last two years, which was greater than what was anticipated. About 3 to 4 per cent growth each year has been anticipated, and then over the last two years we saw significant patronage growth largely as a result – not only as a result – of the spike in petrol prices. But what we saw this time, rather than what happened last time, was there was not a dramatic drop-off in public transport usage once the petrol prices dropped, so that has meant that we have had greater patronage growth than anticipated.*
>
> *The large part of that is actually during the peak periods, particularly in the mornings ... The busiest time of the day for Connex is during that 7.30 to 9.00 a.m. period during the weekdays, and, as I mentioned, whilst it occurs in the evening it tends to be less severe because it is spread out over a period of several hours.*
>
> *Under the franchise agreement, a railway line is considered overcrowded if, during a given hour, the average number of passengers per train exceeds 798. This is known as a load breach. Crowding levels are measured at the stations on the fringes of the CBD – that is, when trains are at their most crowded heading into or out of town ...*
>
> *The department does conduct surveys of crowding levels on trains once a year, and that is conducted in May. If a load breach is recorded, Connex is required to submit a plan to the department showing what it intends to do to eliminate the breach. If the breach cannot be eliminated without significant capital expenditure, Connex is required as a minimum to demonstrate it is doing everything it reasonably can to provide extra services. The May 2006 load survey revealed load breaches on the Pakenham, Cranbourne, Frankston, Broadmeadows, Epping, Sydenham and Werribee lines, and the worst overcrowding was concentrated on the Sydenham, Cranbourne and Pakenham lines. As a result of that the 2006 timetable change targeted extra services onto those lines.*
>
> *Services are changed, obviously looking at issues of capacity, where trains can be moved and services can be changed, and one of the reasons we have provided the 10 extra trains in this budget, or the initiation of the purchase of those trains, is as a response, because it is significant capital expenditure ... There are requirements of Connex, when it is within its power to actually deal with those, but obviously because of the significant patronage growth that we have had, particularly over the last 12 months, we are bringing forward the purchase of those 10 extra trains, as well, I should say, as keeping the 6 Hitachi trains in service, which have gone some way to alleviating the issue of overcrowding.*

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263 Budget Paper No.3, *2007-08 Service Delivery*, p.364

264 Hon. L Kosky MP, Minister for Public Transport, 2007-08 Budget Estimates hearing, transcript of evidence, 9 May 2007, pp.10–11

> *We are looking at other issues. Obviously the Dandenong triplication project is very important in terms of providing extra capacity within the system. There are also the works at Sunshine and the works that are occurring at Clifton Hill. With North Melbourne station, one of the reasons that is being redeveloped is so that where people are changing services it can actually be a more pleasant area to change in … I should say the load breaching does not mean that there are safety breaches. It is just based on what is judged as comfortable in terms of the overcrowding on the trains.*

At the estimates hearing, the Committee was also told that the extent of overcrowding was measured every May, on all lines and at all times of day, with a concentration on the morning peak when the level of crowding is at its greatest. Given the significant growth in patronage in recent times, the Minister has directed that there needs to be more frequent and intensive monitoring, including the need to obtain information about whether people are being left behind and, if so, where. This information, together with details about where people have to stand if the seating capacity is no longer available, flow into timetabling decisions going forward.[265]

The Committee understands that the May 2007 survey was more extensive than previous surveys, in that more stations further out in the network were surveyed. There does seem to be some issues in regard to survey methodology and the gathering of meaningful data.

The Committee noted that, despite being informed at the budget estimates hearing that surveys of overcrowding on the train network would be expanded to determine the extent of Melbourne commuters unable to board crowded trains and, if so, where, it is understood from subsequent reports in the media that this concept will not occur as it would be too difficult to gather this data as part of monitoring passenger numbers. While there will be passenger counts at more places citywide, the Minister has been reported as saying that:[266]

> *One of the difficulties with the count of passengers who are left behind is determining why they've decided not to board the carriage … .the advice is that its much better to do the count on the overcrowding on the trains*

The Committee remains of the view that data on passengers left behind at stations or indeed at tram stops is a useful additional indicator of overcrowding as well as evidence of actual overcrowding on trains and trams. Bypasses of stops is also another meaningful indicator. Bus drivers or tram drivers could be required as part of shift reports to indicate whether they were forced to bypass stops because of overcrowding.

The Committee believes there is scope for more frequent surveys of overcrowding and for improvement in survey methodology.

The Committee recommends that:

**Recommendation 51:** **More frequent surveys of overcrowding using improved methodology be undertaken, including surveys of actual numbers on vehicles/carriages and surveys of stranded passengers. Consideration also be given to including in shift reports of drivers, details of stops that they were forced to bypass because of overcrowding.**

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265 Mr J Betts, Director, Public Transport, Department of Infrastructure 2007-08 Budget Estimates hearing, transcript of evidence, 9 May 2007, p.11

266 A Gardiner, 'Commuters Out for the count', *Herald Sun* newspaper, 27 July 2007, p.4

The Committee also observed that measures addressed in the budget to address the overcrowding and reliability pressures on Melbourne's train network included output funding of $22.2 million ($2.6 million, 2007-08) and asset funding of $339.8 million ($37.7 million, 2007-08) over four years to increase the number of metropolitan train services.[267] This budget allocation includes funding for the purchase of an additional 10 trains, associated capital stabling, maintenance facilities and operating costs.[268]

In view of the 21.9 per cent increase in patronage growth that has occurred on the metropolitan train network over the past two years[269], the Committee was interested in examining whether the provision of new rolling stock would be responsive to the increase in passenger growth. To ensure timely delivery of the 10 new six-carriage trains, the Minister for Transport announced on 16 July 2007 that two companies would be invited to tender for the delivery of two primary train models that were already on Melbourne's network and were accredited by the independent safety regulator. The Minister also advised that the government had brought forward the $360 million funding in this year's budget to accelerate the purchase of new trains. In terms of the timelines for the delivery of the new trains, the Minister pointed out that:[270]

> *Trains are not bought off the shelf and immediately rolled out of the warehouse. New trains need to be designed and constructed and then extensively tested on our tracks to ensure safety … These 10 trains are part of a bigger $800 million plan to buy more trains for the metropolitan network over the next decade. In the meantime the government is introducing new timetables to reduce overcrowding on Melbourne's transport network. New morning peak services have already been added on the Dandenong line, and in October there will be 39 new daily services, including nine in peak periods.*

The Committee also noted that the new Premier, the Hon. John Brumby MP, will give further priority to public transport. In announcing the new Cabinet, the Premier stated that:[271]

> *Easing congestion on the public transport network by accelerating the government's $10.5 billion transport action plan 'Meeting our Transport Challenges' is another key priority for the next three years*

267 Budget Paper No.3, *2007-08 Service Delivery*, pp.299–302
268 ibid., p.300
269 Hon. L Kosky MP, Minister for Public Transport, *Tender for new trains on Melbourne tracks*, media release, 16 July 2007
270 ibid.
271 Hon. J Brumby MP, Premier, *Premier announces new cabinet*, media release, 2 August 2007

# SECTION D: OTHER

# CHAPTER 17: QUALITY OF MATERIAL PROVIDED BY MINISTERS AND DEPARTMENTS IN RESPONSE TO QUESTIONS RAISED BY THE COMMITTEE

## Key findings of the Committee:

**17.1** **In order for the Committee to effectively scrutinise financial and performance details relating to the budget, including the evaluation of particular expenditure in the order of $34 billion, it is essential that quality material be provided by Ministers and departments in response to its various lines of inquiry.**

**17.2** **The Committee appreciated that Ministers and accompanying staff regard the estimates process as a significant event and apply considerable resources into responding to it. (refer to Chapter 10).**

**17.3** **The Committee maintains that as a guide, responses that describe examples, bring to notice technical data and present statistical information enhance the meaningfulness of evidence by corroborating general statements or assertions.**

**17.4** **While the vast majority of material provided to the Committee through the estimates hearing process was generally informative and addressed the particular questions raised, there is always scope for improving the standard of responses provided by some departments to the budget estimates questionnaire.**

**17.5** **The Department of Justice provided the most comprehensive response to the Committee's budget estimates questionnaire in respect of the National Reform Agenda. Responses by the Department of Education, Department of Primary Industries and Department for Victorian Communities were judged as insufficient and requiring additional information.**

**17.6** **The Committee found that, while responses provided by Ministers to the questions raised in the estimates hearings were generally informative and addressed the issues raised by Members, scope existed for more input to be provided by senior public servants at the hearings in relation to technical details of proposed items of expenditure.**

**17.7** **With a view to enhancing the efficiency and effectiveness of processes involved in the budget estimates inquiry and the quality of material provided, the Committee will consider whether there is a need to:**

- **ask Ministers to include witnesses from statutory authorities and other agencies funded through the appropriation bills; and**
- **provide Ministers with some questions prior to the holding of each hearing.**

## 17.1 Introduction

By way of background, as part of conducting its inquiry into the budget estimates, the Committee obtained information from Ministers and departments through a variety of ways. These mechanisms involved:

- issuing departments and parliamentary departments with a budget estimates questionnaire that targeted various themes; and
- directing 529 questions to Ministers at the estimates hearings, in conjunction with issuing various questions taken on notice (125) or those that were not asked (35) at particular hearings.

Additional information was sought when the Committee deemed that further information was needed to supplement initial responses.

The Committee maintains that if it is to inquire into the budget estimates in an effective way, it is essential that quality material be provided in response to its various lines of inquiry.

This chapter includes some important messages governing the institutional framework that governs the processes by which the Committee scrutinises income and expenditure of around $34 billion and new net annual infrastructure investments, expected to average $3.3 billion over each of the four years to 2010-11. At the end of the process, the Committee needs to be satisfied that it has been given sufficient information and explanations to effectively discharge this role that has been entrusted to it on behalf of the Parliament and the community. This role is in effect similar to that of an audit committee of the Parliament.

## 17.2 Responses to the budget estimates questionnaire

The Committee concluded in its *Report on the 2007-08 Budget Estimates – Parts One* and the *Report on the 2007-08 Budget Estimates – Part Two* that in the vast majority of cases, departments provided detailed information for questions raised in the 2007-08 Budget Estimates questionnaire, while some were limited and required further amplification.

To illustrate this point, although most questions required responses to be provided in a standard format, question 11 dealing with the National Reform Agenda provides a good example of where departments were given the opportunity to submit an expansive and descriptive response to the Committee on a very important contemporary issue. Section 17.4 shows that of the ten initial responses from departments to this issue, four were considered by the Committee to be comprehensive, three were regarded to be brief and succinct in nature and three were deemed inadequate, which necessitated the Committee to request further information. Comprehensive responses were received from:

- Department of Justice (the most comprehensive);
- Department of Infrastructure;
- Department of Innovation, Industry and Regional Development; and
- Department of Human Services.

The above responses have been placed on the Committee's website as a guide to other departments when responding to questions raised by the Committee.

Responses by the Department of Education, Department of Primary Industries and Department for Victorian Communities were judged as insufficient and requiring additional information.

The Committee also noted a number of rounding differences between financial information provided by departments in response to the budget estimates questionnaire and information contained in the departmental financial statements contained in Budget Paper No.4, *2007-08 Statement of Finances*. Ideally, financial information submitted to the Committee from departments should reconcile exactly with information contained in the budget papers.

The Committee believes there is scope for some departments to provide more comprehensive information to the Committee when requested.

## 17.3 Responses to questions raised at estimates hearings

The Committee found that responses to questions were generally informative and addressed the issues raised by the Committee Members.

Importantly, on those occasions (17 hearings or 40 per cent) where senior departmental officers were given the opportunity to present information of a technical or more detailed nature in response to a minor number of questions, this type of feedback added considerably to the quality of material provided to the Committee's deliberations on the budget estimates. Areas where this was most prevalent related to Parliamentary Departments and certain portfolios associated with the Department of Infrastructure, Department of Justice and Department of Primary Industries. The Committee also welcomed the Premier's initiative to invite the Chair of the State Services Authority to give a brief overview to the Committee of the relatively new function of the department, its funding and its operation.

The Committee will consider whether there is a need to next year ask Ministers to include witnesses from statutory authorities and other agencies in order to obtain a wider coverage of technical details relating to particular items of proposed expenditure.

From observing this year's cycle as a new Committee, it was evident that Ministers and accompanying staff regard the estimates process as a significant event in their calendar and undoubtedly would have spent considerable time in preparing for their appearance and performance at the hearings. Chapter 10 of this report contains information that quantifies the resources involved in servicing Committee inquiries.

The Committee maintains that as a guide, responses that describe examples, bring to notice technical data and present statistical information enhance the meaningfulness of evidence provided to the Committee by corroborating general statements or assertions, thereby providing the greatest value to its lines of inquiry.

To ensure the estimates hearing process is conducted in the most efficient and effective manner and culminates in the provision of meaningful information, the Committee will consider whether it would be desirable to:

- provide Ministers with some questions prior to the holding of each hearing; and
- offer feedback to Ministers if required.

As an example, the Committee could provide feedback on whether answers were too long or conversely did not address the question in sufficient detail. The Committee accepts, however, that Ministers are free to answer questions in a manner they deem appropriate.

The Committee recommends that:

**Recommendation 52:** **To ensure the estimates hearing process is conducted in the most efficient and effective manner and to further improve the quality of information provided to the Committee, the following measures be considered:**

**(a) Ministers place a greater emphasis on the importance of scrutinising the quality of material prepared by departments in response to the Committee's budget estimates questionnaire;**

**(b) Ministers consider utilising senior public servants more in answering detailed technical questions at the estimates hearings;**

**(c) responses provided by Ministers and departments include examples, technical data and statistical analyses, wherever possible, to uphold or corroborate information of a general nature and provide cogent evidence to support why decisions have been made;**

**(d) departments access the Committee's website to obtain guidance on best practice in drafting responses to the Committee's questions;**

**(e) departments include a key result area in their corporate or business plans that aims to obtain favourable feedback from the Committee on the quality of information provided in response to its lines of inquiry; and**

**(f) uniform rounding policies be applied by departments and the Department of Treasury and Finance so that financial information provided to the Committee reconciles exactly with the budget papers.**

## 17.4 Supplementary information

### Table 17.1: Standard of answers given to question 11 of the estimates questionnaire dealing with departmental responses to the National Reform Agenda

| Department | Comprehensive response | Brief/succinct response | Inadequate response that required the provision of additional information |
|---|---|---|---|
| Parliamentary Departments (a) | | | |
| Department of Education | | | ✓ |
| Department of Human Services | ✓ | | |
| Department of Infrastructure | ✓ | | |
| Department of Innovation, Industry and Regional Development | ✓ | | |
| Department of Justice | ✓ | | |
| Department of Premier and Cabinet | | ✓ | |
| Department of Primary Industries | | | ✓ |
| Department of Sustainability and Environment | | ✓ | |
| Department of Treasury and Finance | | ✓ | |
| Department for Victorian Communities | | | ✓ |

*Note:* *(a) The National Reform Agenda does not impact on the Parliament of Victoria's operations*

*Source:* *Information compiled by Committee based on departmental responses to the 2007- 09 Budget Estimates questionnaire*

**This report was adopted by the Public Accounts and Estimates Committee at its meeting held on 17 September 2007 in Meeting Room 4 at Parliament House, Melbourne.**

# APPENDICES

# APPENDIX 1: ACRONYMS AND ABBREVIATIONS

| | |
|---|---|
| AAV | Aboriginal Affairs Victoria |
| ABN | Australian Business Number |
| ABS | Australian Bureau of Statistics |
| ACMI | Australian Centre for the Moving Image |
| AIM | Achievement Improvement Monitor |
| ANHLC | Association of Neighbourhood Houses and Learning Centres |
| ANZAC | Australian and New Zealand Army Corps |
| BLA | Business Licensing Authority |
| CAF | Council for the Australian Federation |
| CALD | Culturally and Linguistically Diverse |
| CAV | Consumer Affairs Victoria |
| CBD | Central business district |
| CCG | Climate Change Group |
| CCS | Community Correctional Service |
| CFA | Country Fire Authority |
| CG | Commonwealth Games |
| CI | Corrections Inspectorate |
| COAG | Council of Australian Governments |
| CRC | COAG Reform Council |
| CRWG | Competition and Regulation Working Group |
| CSAC | Corrective Services Administrators' Conference |
| CSIF | Community Sector Investment Fund |
| CSO | Community Service Organisation |
| CV | Corrections Victoria |
| DHS | Department of Human Services |
| DIIRD | Department of Innovation, Industry and Regional Development |
| DOE | Department of Education |
| DOI | Department of Infrastructure |
| DOJ | Department of Justice |
| DPC | Department of Premier and Cabinet |
| DPI | Department of Primary Industries |
| DPP | Director of Public Prosecutions |
| DSE | Department of Sustainability and Environment |
| DTF | Department of Treasury and Finance |
| DVA | Department of Veteran's Affairs |

| | |
|---|---|
| DVC | Department for Victorian Communities |
| EC | Electronic conveyancing |
| ECCV | Ethnic Communities' Council of Victoria |
| ECIS | Early Childhood Intervention Services |
| EES | Environmental Effects Statement |
| EFT | Equivalent full-time |
| ETIS | Energy Technology Innovation Strategy |
| FOI | Freedom of Information |
| FTB | Family Tax Benefit |
| FTE | Full time equivalent |
| GDP | Gross Domestic Product |
| GP | General Practitioner |
| GSP | Gross State Product |
| GST | Goods and Services Tax |
| GVT | Growing Victoria Together |
| HARP | Hospital Admission Risk Program |
| HIA | Housing Industry Association |
| Hon. | Honourable |
| ICHR | Institute of Child Health Research |
| ICT | Information and Communication Technology |
| IT | Information Technology |
| KBN | Koori Business Network |
| KECEP | Koori Early Childhood Education Program |
| LPG | Liquefied Petroleum Gas |
| LSC | Legal Services Commissioner |
| MCEETYA | Ministerial Council on Education, Employment, Training and Youth Affairs |
| MLC | Member of the Legislative Council |
| MP | Member of the Legislative Assembly |
| NCC | National Competition Council |
| NCVER | National Centre for Vocational Education Research |
| NGO | Non-government Organisation |
| NHCP | Neighbourhood House Coordination Program |
| NILS | No Interest Loans |
| NRA | National Reform Agenda |
| NRMIC | Natural Resources Management Ministerial Council |
| OECD | Organisation for Economic Cooperation and Development |
| OfC | Office for Children |

| | |
|---|---|
| OHS | Occupational Health and Safety |
| OPP | Office of Public Prosecutions |
| OTTE | Office of Training and Tertiary Education |
| PAEC | Public Accounts and Estimates Committee |
| PERIN | Penalty Enforcement Registration Infringement Notice |
| QVWC | Queen Victoria Women's Centre |
| RAP | Registered Aboriginal Partie |
| RCA's | Relocatable Cellular Accommodation Units |
| REIV | Real Estate Institute of Victoria |
| RhED | Resourcing health and Education in the Sex Industry |
| RIDF | Regional Infrastructure Development Fund |
| RIS | Regulatory Impact Statement |
| ROGS | Report on Government Services |
| RPL | Recognition of Prior Learning |
| RTO | Registered Training Organisation |
| SBMC | Small Business Ministerial Council |
| SCOP | Stronger Community Organisations Project |
| SIMC | Statistical Information Management Committee |
| SOM | Senior Officials Meeting |
| SRP | Student Resource Package |
| SSSO | Student Support Services Officers |
| TAFE | Technical and Further Education |
| TEI | Total Estimated Investment |
| VAHS | Victorian Aboriginal Health Service |
| VCAL | Victorian Certificate of Applied Learning |
| VCAT | Victorian Civil and Administrative Tribunal |
| VCOSS | Victorian Council of Social Service |
| VECCI | Victorian Employers' Chamber of Commerce and Industry |
| VET | Vocational Education and Training |
| VGPB | Victorian Government Purchasing Board |
| VIYAC | Victorian Indigenous Youth Advisory Council |
| VLESC | Victorian Learning and Employment Skills Commission |
| VMC | Victorian Multicultural Commission |
| VOMA | Victorian Office of Multicultural Affairs |
| VPS | Victorian Public Service |
| VSBC | Victorian Small Business Commissioner |
| WIRE | Women's Information Referral Network |

| | |
|---|---|
| WPP | Workforce Participation Partnerships |
| WWCC | Working with Children Check |
| YACViC | Youth Affairs Council of Victoria |
| YTD | Year to Date |

# APPENDIX 2: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE AND RESPONSES TO THE ESTIMATES QUESTIONNAIRE

## Evidence

***3 May 2007***

***Portfolios: Premier's; Multicultural Affairs; and Veterans' Affairs***

***Department of Premier and Cabinet; Department for Victorian Communities***

Hon. S Bracks MP, Premier;
Mr T Moran, Secretary, Department of Premier and Cabinet;
Mr C Barrett, Deputy Secretary, Policy and Cabinet;
Mr C O'Farrell, Director, Organisational Development;
Mr B Hartnett, Chair, State Services Authority; and
Dr R Ben-David, Deputy Secretary, Office of Climate Change.

Hon. S Bracks MP, Minister for Multicultural Affairs and Minister for Veterans Affairs;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities;
Mr G Lekakis, Chairperson, Victorian Multicultural Commission; and
Mr J MacIsaac, Executive Director, Youth, Seniors, Veterans and Disability, Department for Victorian Communities.

***4 May 2007***

***Portfolios: Treasury; Innovation; Regional and Rural Development***

***Department of Treasury and Finance; Department of Innovation, Industry and Regional Development***

Hon. J Brumby MP, Treasurer;
Mr G Hehir, Secretary, Department of Treasury and Finance;
Mr S Helgeby, Deputy Secretary, Budget and Financial Management Division; and
Dr L Williams, Deputy Secretary, Economic and Financial Policy Division, Department of Treasury and Finance.

Hon. J Brumby MP, Minister for Regional and Rural Development and Minister for Innovation;
Mr W Hodgson, Secretary, Department of Innovation, Industry and Regional Development;
Mr D Hanna, Deputy Secretary, Economic Policy and Planning, and Chief Executive Officer, Innovation Economy Advisory Board; and
Mr D O'Brien, Chief Executive Officer, Regional Development Victoria, Department of Innovation, Industry and Regional Development.

***Portfolios: Small Business; Industry and State Development; Major Projects***

***Department of Innovation, Industry and Regional Development; Department of Infrastructure***

Hon. T Theophanous MLC, Minister for Small Business and Minister for Industry and State Development;
Mr W Hodgson, Secretary, Department of Innovation, Industry and Regional Development;
Mr I Munro, Deputy Secretary, Business Support;
Mr B Foskett, Chief Executive Officer, Invest Victoria;
Mr L Bruce, Acting Deputy Secretary, Business Development; and

Mr D Hanna, Deputy Secretary, Economic Policy and Planning, and Chief Executive Officer, Innovation Economy Advisory Board, Department of Innovation, Industry and Regional Development.

Hon. T Theophanous MLC, Minister for Major Projects;
Mr S Sweeney, Executive Director, Major Projects Victoria;
Mr R McDonald, Executive Director, Corporate Resources;
Ms P Sanderson, Chief Executive Officer, VicUrban; and
Mr A Smith, Deputy Secretary, Capital, Department of Infrastructure.

### *7 May 2007*

### *Portfolios: Education Services; Skills; Employment; Women's Affairs*

### *Department of Education; Department of Innovation, Industry and Regional Development; Department for Victorian Communities*

Ms J Allan MP, Minister for Skills, Education Services and Employment;
Dr P Dawkins, Secretary, Department of Education;
Ms K Henderson, Deputy Secretary, Policy, Planning and Evaluation;
Mr J Rosewarne, Deputy Secretary, Resources and Infrastructure; and
Ms C Britchford, Chief Finance Officer, Department of Education.

Ms J Allan MP, Minister for Skills, Education Services and Employment;
Mr W Hodgson, Secretary, Department of Innovation, Industry and Regional Development;
Ms P Neden, Deputy Secretary, Office of Training and Tertiary Education; and
Mr C Ingham, Assistant General Manager, Policy Development, Department of Innovation, Industry and Regional Development.

Ms J Allan MP, Minister for Skills, Education Services and Employment;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Ms P Digby, Executive Director, Local Government, Employment and Adult Education;
Mr S Ward, Director, Employment Programs; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

Ms J Allan MP, Minister for Women's Affairs;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Mr S Gregory, Chief Financial Officer; and
Ms F Sharkie, Director, Office of Women's Policy, Department for Victorian Communities.

### *8 May 2007*

### *Portfolios: Health*

### *Department of Human Services*

Hon. B Pike MP, Minister for Health;
Ms F Thorn, Secretary, Department of Human Services;
Mr L Wallace, Executive Director, Metropolitan Health and Aged Care Services;
Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services; and
Mr A Hall, Executive Director, Financial and Corporate Services, Department of Human Services.

### *9 May 2007*

### *Portfolios: Education*

### *Department of Education*

Mr J Lenders MLC, Minister for Education;
Professor P Dawkins, Secretary, Department of Education;
Ms K Henderson, Deputy Secretary, Policy, Planning and Evaluation; and
Mr J Rosewarne, Deputy Secretary, Resources And Infrastructure, Department of Education.

### *Portfolios: Public Transport; Arts*

### *Department of Infrastructure; Department of Premier and Cabinet*

Hon. L Kosky MP, Minister for Public Transport;
Mr H Ronaldson, Secretary, Department of Infrastructure;
Dr A Smith, Deputy Secretary, Capital;
Mr J Betts, Director, Public Transport; and
Mr B McDonald, Executive Director, Corporate Resources, Department of Infrastructure.

Hon. L Kosky MP, Minister for the Arts;
Ms P Hutchinson, Director;
Mr G Andrews, Deputy Director, Policy and Programs; and
Mr D Carmody, Deputy Director, Agencies and Infrastructure, Arts Victoria, Department of Premier and Cabinet.

### *10 May 2007*

### *Portfolios: Community Services; Aboriginal Affairs*

### *Department of Human Services; Department for Victorian Communities*

Mr G Jennings MLC, Minister for Community Services;
Ms F Thorn, Secretary, Department of Human Services;
Mr A Hall, Executive Director, Financial and Corporate Services;
Ms G Callister, Executive Director, Office for Children;
Mr A Rogers, Executive Director, Disability Services; and
Ms J Herington, Director, Aged-Care Branch, Department of Human Services.

Mr G Jennings MLC, Minister for Aboriginal Affairs;
Ms J Samms, Acting Deputy Secretary, People and Community Advocacy Division;
Ms A Jurjevic, Executive Director, Aboriginal Affairs Victoria; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

### *Portfolio: Roads and Ports*

### *Department of Infrastructure*

Mr T Pallas MP, Minister for Roads and Ports;
Mr H Ronaldson, Secretary, Department of Infrastructure;
Dr A Smith, Deputy Secretary, Capital;
Mr T Garwood, Executive Director, Freight Logistics and Marine;
Mr R McDonald, Executive Director, Corporate Resources; and
Mr G Liddle, Chief Executive Officer, VicRoads, Department of Infrastructure.

### *11 May 2007*

### *Portfolio: Presiding Officers of Parliament*

### *Department of the Legislative Assembly; Department of the Legislative Council; Department of Parliamentary Services*

Hon. R Smith MLC, President of the Legislative Council;
Hon. J Lindell MP, Speaker of the Legislative Assembly;
Mr R Purdey, Clerk of the Parliaments and 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.

### *Portfolios: Police and Emergency Services; Corrections*

### *Department of Justice*

Hon. B Cameron MP, Minister for Police and Emergency Services;
Ms P Armytage, Secretary, Department of Justice; and
Dr R Kelleher, Executive Director, Police, Emergency Services and Corrections, Department of Justice; and
Chief Commissioner C Nixon, Victoria Police.

Hon. B Cameron MP, Minister for Corrections;
Ms P Armytage, Secretary, Department of Justice;
Dr R Kelleher, Executive Director, Police, Emergency Services and Corrections; and
Mr K Anderson, Commissioner, Corrections Victoria, Department of Justice.

### *14 May 2007*

### *Portfolios: Mental Health; Children; Aged Care*

### *Department of Human Services; Department for Victorian Communities*

Ms L Neville MP, Minister for Mental Health;
Ms F Thorn, Secretary, Department of Human Services;
Mr A Hall, Executive Director, Financial and Corporate Services; and
Dr R Vine, Executive Director, Mental Health and Drugs, Department of Human Services.

Ms L Neville MP, Minister for Children;
Ms F Thorn, Secretary, Department of Human Services;
Mr A Hall, Executive Director, Financial and Corporate Services; and
Ms G Callister, Executive Director, Office for Children, Department of Human Services.

Ms L Neville MP, Minister for Aged Care;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Mr J MacIsaac, Executive Director, Youth, Seniors, Veterans and Disability; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

### *15 May 2007*

### *Portfolios: Sport and Recreation; Youth Affairs*

### *Department for Victorian Communities*

Mr J Merlino MP, Minister for Sport, Recreation and Youth Affairs;
Mr S Gregory, Chief Financial Officer;
Mr T Healy, Acting Deputy Secretary, Community Strengthening; and
Mr P Hertan, Executive Director, Sport And Recreation, Department for Victorian Communities.

Mr J Merlino MP, Minister for Sport, Recreation and Youth Affairs;
Mr S Gregory, Chief Financial Officer;
Mr T Healy, Acting Deputy Secretary, Community Strengthening; and
Ms L Healy, Executive Director, Community Engagement, Department for Victorian Communities.

### *Portfolios: Water, Environment and Climate Change*

### *Department of Sustainability and Environment*

Hon. J Thwaites MP, Minister for Water, Environment and Climate Change;
Mr P Harris, Secretary, Department of Sustainability and Environment;
Mr M Clancy, Acting Chief Finance Officer;
Mr D Downie, General Manager, Office of Water; and
Mr K Love, Deputy Secretary, Department of Sustainability and Environment.

### *16 May 2007*

### *Portfolios: Victorian Communities; Energy and Resources*

### *Department for Victorian Communities; Department of Primary Industries*

Hon. P Batchelor MP, Minister for Victorian Communities;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Mr D Ferrie, Executive Director, Community Programs and Volunteering; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

Hon. P Batchelor MP, Minister for Energy and Resources;
Mr R Bolt, Secretary, Department of Primary Industries;
Mr D Seymour, Deputy Secretary; and
Mr S Condron, Chief Financial Officer, Department of Primary Industries.

### *17 May 2007*

### *Portfolios: Housing; Local Government*

### *Department of Human Services; Department for Victorian Communities*

Mr R Wynne MP, Minister for Housing;
Ms F Thorn, Secretary, Department of Human Services;
Mr A Hall, Executive Director, Financial and Corporate Services;
Dr O Donald, Director of Housing and Executive Director, Housing and Community Building; and
Mr R Jenkins, Manager, Corporate Planning and Performance, Department of Human Services.

Mr R Wynne MP, Minister for Local Government;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Ms P Digby, Executive Director, Local Government, Employment and Adult Education; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

### *Portfolios: Agriculture*

### *Department of Primary Industries*

Mr J Helper MP, Minister for Agriculture;
Mr R Bolt, Secretary, Department of Primary Industries;
Mr S Condron, Chief Financial Officer;
Mr D Seymour, Deputy Secretary, Energy Resources and Major Projects;
Dr P Appleford, Executive Director, Fisheries Victoria;
Dr B Kefford, Deputy Secretary, agriculture and Fisheries;
Mr P Bailey, Executive Director, Biosecurity Victoria; and
Dr C Noble, Executive Director, Primary Industries Resources Victoria, Department of Primary Industries.

### *29 May 2007*

### *Portfolios: Planning*

### *Department of Sustainability and Environment*

Hon. J Madden MLC, Minister for Planning;
Mr P Harris, Secretary, Department of Sustainability and Environment;
Mr M Clancy, Acting Chief Finance Officer; and
Ms G Overell, General Manager, Office of Planning and Urban Design, Department of Sustainability and Environment.

### *30 May 2007*

### *Portfolios: Attorney-General; Racing; Industrial Relations*

### *Department of Justice; Department of Innovation, Industry and Regional Development*

Hon. R Hulls MP, Attorney-General;
Ms P Armytage, Secretary, Department of Justice; and
Mr J Griffin, Executive Director, Courts Division, Department of Justice.

Hon. R Hulls MP, Minister for Racing;
Ms P Armytage, Secretary, Department of Justice; and
Mr R Kennedy, Executive Director, Office of Gaming and Racing, Department of Justice.

Hon. R Hulls MP, Minister for Industrial Relations;
Mr W Hodgson, Secretary, Department of Innovation, Industry and Regional Development; and
Mr T Lee, Deputy Secretary, Industrial Relations, Department of Innovation, Industry and Regional Development.

### *Portfolios: Consumer Affairs; Gaming*

### *Department of Justice*

Mr D Andrews MP, Minister for Consumer Affairs;
Ms P Armytage, Secretary, Department of Justice; and
Dr D Cousins, Executive Director, Consumer Affairs Victoria, Department of Justice.

Mr D Andrews MP, Minister for Gaming;
Ms P Armytage, Secretary, Department of Justice; and
Mr R Kennedy, Executive Director, Office of Gaming and Racing, Department of Justice.

### *31 May 2007*

### *Portfolios: Finance; WorkCover and Transport Accident Commission; Tourism; Information and Communication Technology*

### *Department of Treasury and Finance; Department of Innovation, Industry and Regional Development*

Hon. T Holding MP, Minister for Finance, WorkCover and the Transport Accident Commission;
Mr G Hehir, Secretary, Department of Treasury and Finance;
Mr G Tweedly, Chief Executive Officer, WorkCover; and
Mr P O'Connor, Chief Executive Officer, Transport Accident Commission, Department of Treasury and Finance.

Hon. T Holding MP, Minister for Tourism;
Mr W Hodgson, Secretary, Department of Innovation, Industry and Regional Development; and
Mr G Hywood, Chief Executive Officer, Tourism Victoria, Department of Innovation, Industry and Regional Development.

Hon. T Holding MP, Minister for Information and Communication Technology;
Mr W Hodgson, Secretary, Department of Innovation, Industry and Regional Development; and
Mr A Skewes, Acting Executive Director, Multimedia Victoria, Department of Innovation, Industry and Regional Development.

# Responses received to the Committee's 2007-08 Budget Estimates questionnaire

***Parliamentary departments***

- ***Department of the Legislative Assembly***
- ***Department of the Legislative Council***
- ***Department of Parliamentary Services***

***Department of Education***

***Department of Human Services***

***Department of Infrastructure***

***Department of Innovation, Industry and Regional Development***

***Department of Justice***

***Department of Premier and Cabinet***

***Department of Primary Industries***

***Department of Sustainability and Environment***

***Department of Treasury and Finance***

***Department for Victorian Communities***

# APPENDIX 3: RESPONSES TO REQUESTS FOR ADDITIONAL INFORMATION RELATING TO THE 2007-08 BUDGET ESTIMATES QUESTIONNAIRE

## Background

The responses provided in this Appendix were received after the tabling of the Committee's *Report on the 2007-08 Budget Estimates – Part Two*, on 7 June 2007.

## Parliamentary departments

### OUTPUT INITIATIVES

***Please provide at least a paragraph detailing content, estimated cost (including out years), staffing implications and expected outputs for each initiative.***

*Initial information provided by the departments on output initiatives was included in the Report on the 2007-08 Budget Estimates – Part One.*

*Supplementary information received from the departments relating to the estimated costs and staffing implications for output initiatives is detailed below.*

#### Electorate Office Wide Area Network upgrade

As this is an upgrade to the speed of the network no staffing implications are anticipated. This initiative links to the output Provision of Information and Resources primarily the provision of fully resourced electorate offices. $1 million ongoing funding is provided annually.

#### Relocation and refurbishment of electorate offices

As this is a project to be undertaken over two financial years, no long term staffing implications are anticipated. A maximum of 0.5 FTE is anticipated over the life of the project. This initiative links to the output Provision of Information and Resources primarily the provision of fully resourced electorate offices.

#### Infrastructure upgrade at 55 St Andrews Place

Funding of $900,000 has been provided as a once off as this is a capital item purchase. No staffing implications are anticipated. This initiative links to the output Provision of Information Resources primarily to ensure that the IT uptime remains at the target of 99 per cent.

### DEPARTMENTAL ASSET INVESTMENT

***Please provide a list of the asset investment projects for which capital expenditure is budgeted to occur in 2007-08.***

*Initial information provided by the departments on asset investment was included in the Report on the 2007-08 Budget Estimates – Part One.*

*Supplementary information received from the departments for asset investment projects is detailed below.*

- Additional infrastructure at 55 St Andrews Place $100,000 in 2007-08
- Continuation of cabling upgrade in Parliament House $220,000 in 2007-08
- Replacements of switchboard in Parliament House $250,000 in 2007-08

No further expenditure has been allocated to these items past the 2007-08 financial year.

# Department of Education

## NATIONAL REFORM AGENDA

***How is your department responding to the National Reform Agenda? What are the implications for departmental services? What state funding has been allocated in 2007-08 for initiatives under the National Reform Agenda?***

*Initial information provided by the department on the National Reform Agenda was included in the Report on the 2007-08 Budget Estimates – Part One and the Report on the 2007-08 Budget Estimates – Part Two.*

*Supplementary information received from the department relating to the implications of the National Reform Agenda on departmental services is set out below.*

Improving the literacy and numeracy attainment of school-aged children has been identified as one of three streams of priority work under the human capital stream of the National Reform Agenda. Literacy and numeracy attainment has been given priority due to evidence that supports its potential to boost workforce participation and productivity.

The ten actions the Victorian Government has committed to in Victoria's Plan to Improve Literacy and Numeracy Outcomes will be rolled out progressively by a number of Divisions across the Department of Education including the Human Resources Division, the Student Learning Programs Division, the Student Wellbeing and Support Division and the Infrastructure Division.

Departmental Officers within the Commonwealth-State and External Relations Division, Strategic Policy and Research Division and the Student Learning Programs Division will continue to work with other jurisdictions (through MCEETYA) to implement multilateral actions agreed by COAG under the National Reform Agenda.

## COMMUNICATION, ADVERTISING AND PROMOTION

***What is the communication, advertising and promotion budget for 2007-08? How does this compare with the actual expenditure incurred on communications, advertising and promotion in the previous two financial years?***

*Initial information provided by the department on the communication, advertising and promotion budget for 2007-08 was included in the Report on the 2007-08 Budget Estimates – Part One and the Report on the 2007-08 Budget Estimates – Part Two.*

*Supplementary information received from the department relating to the communication, advertising and promotion budget for 2007-08 is detailed below.*

Advertising and promotions activity undertaken by the Department of Education (DOE) provides the community with information about the Victorian education system. The level of expenditure varies each year according to the number and type of initiatives rolled out in a particular year.

Communication, advertising and promotion expenditure for the former Department of Education and Training was $2 million in 2003-04, $980,000 in 2004-05 and $3.9 million in 2005-06.

In 2005-06 additional expenditure was incurred on major promotional activities including:

- Bringing Learning to Life campaign; and
- information about the introduction of the new Student Report Cards.

These campaigns provided parents and the community with important information about key developments in the government school system.

Expenditure for 2006-07 will not be finalised until the end of the financial year. It is expected to be around $3 million. A number of key initiatives were rolled out in 2006-07, including:

- School Start Bonus (paid to parents of every Prep and Year 7 student);
- VET Way to Go and TAFE Way to Go campaigns (information about VET options and skill development options); and
- Youth Guarantee (guaranteed TAFE or adult and community education place for young people without Year 12 or equivalent).

Expenditure patterns from 2007-08 will change due to the recent machinery of government changes which resulted in the transfer of the Office of Training and Tertiary Education to the Department of Innovation, Industry and Regional Development and the transfer of the Adult, Community and Further Education function to the Department for Victorian Communities.

The DOE estimates that the communication, advertising and promotion budget for school-related activities 2007-08 will be comparable to previous years, taking account of these machinery of government changes.

# Department of Human Services

### COMMUNICATION, ADVERTISING AND PROMOTION

***What is the communication, advertising and promotion budget for 2007-08? How does this compare with the actual expenditure incurred on communications, advertising and promotion in the previous two financial years?***

*Initial information provided by the department on the communication, advertising and promotion budget for 2007-08 was included in the Report on the 2007-08 Budget Estimates – Part One.*

*Supplementary information received from the department relating to the communication, advertising and promotion budget for 2007-08 is detailed below.*

As previously advised, communication, advertising and promotional expenditure is determined by the different units within the Department of Human Services according to specific program needs. Budgeting an appropriate amount for these activities is conducted as part of program delivery and is embedded within overall program budgets.

At this stage there are no major departmental campaigns with a set budget for 2007-08, however campaigns that require funded communications may arise as an outcome of the 2007-08 business planning process, due for completion at the end of June 2007. However, in the context of Efficient Government Savings targets for the 2007-08 budget, it is expected that current expenditure on communication, advertising and promotion will be reduced. It is estimated that total expenditure in these areas will be approximately $12.5 million in 2006-07, reducing to an anticipated level of around $12.1 million in 2007-08 depending upon the outcomes of the 2007-08 business planning process and specific campaign activity.

Comparative communications, advertising and promotion expenditure:

- 2005-06 $15.1 million
- 2006-07 $12.5 million (estimate)
- 2007-08 $12.1 million (estimate)

# Department of Infrastructure

No further responses to the 2007-08 Budget Estimates questionnaire were requested by the Committee.

# Department of Innovation, Industry and Regional Development

No further responses to the 2007-08 Budget Estimates questionnaire were requested by the Committee.

# Department of Justice

No further responses to the 2007-08 Budget Estimates questionnaire were requested by the Committee.

# Department of Premier and Cabinet

### CARRY OVER FUNDING

***What funding for 2006-07 does the department estimate that it will carry forward to 2007-08 and for what purposes will this funding be applied, either by outputs or additions to the net asset base? What factors are expected to contribute to the carry over of funding?***

*Initial information provided by the department on the communication, advertising and promotion budget for 2007-08 was included in the Report on the 2007-08 Budget Estimates – Part One.*

*Supplementary information received from the department relating to carry over funding is set out below.*

**Table A3.1: Department of Premier and Cabinet total estimated carry over funding to 2007-08**

| Appropriation | State funds | Commonwealth funds | Total |
|---|---|---|---|
| | ($ million) | ($ million) | ($ million) |
| Provision of outputs *(section 29 of the Financial Management Act 1994 applies)* | 5.7 | 0.0 | 5.7 |
| Additions to the net asset base *(section 29 of the Financial Management Act 1994 applies)* | 2.8 | 0.0 | 2.8 |
| Payments on behalf of the state | 0.0 | 0.0 | 0.0 |
| **Total** | **8.5** | **0.0** | **8.5** |

*Source: Department of Premier and Cabinet, email, received 20 July 2007*

### COMMUNICATION, ADVERTISING AND PROMOTION

***What is the communication, advertising and promotion budget for 2007-08? How does this compare with the actual expenditure incurred on communications, advertising and promotion in the previous two financial years?***

*Initial information provided by the department on the communication, advertising and promotion budget for 2007-08 was included in the Report on the 2007-08 Budget Estimates – Part One and the Report on the 2007-08 Budget Estimates – Part Two.*

*Supplementary information received from the department relating to the communication, advertising and promotion budget for 2007-08 is detailed below.*

The Department of Premier and Cabinet's response, as reported in the Committee's *Report on the 2007-08 Budget Estimates – Part Two*, will not change as it is an accurate statement to the way advertising and promotions is conducted.

## Department of Primary Industries

### COMMUNICATION, ADVERTISING AND PROMOTION

***What is the communication, advertising and promotion budget for 2007-08? How does this compare with the actual expenditure incurred on communications, advertising and promotion in the previous two financial years?***

*Initial information provided by the department on the communication, advertising and promotion budget for 2007-08 was included in the Report on the 2007-08 Budget Estimates – Part One.*

*Supplementary information received from the department relating to the communication, advertising and promotion budget for 2007-08 is detailed below.*

As indicated in our previous response, the department does not have a separate budget for advertising and promotion costs. This is mainly due to the nature of services provided by the department, with little requirement for extensive campaign advertising and promotion activities. The department's advertising and promotion costs are predominantly in the areas of recruitment and communications to support its core services. These cannot be easily estimated and are predicated on the need for such expenditure.

The only costs that have been separately budgeted for 2007-08 are staffing costs in the marketing and communications area which are estimated at $2.5 million.

At this stage it is expected that costs for advertising and promotion (including staffing costs) in 2007-08 will be in line with costs incurred in 2006-07 ($2.7 million as at March 2007).

# Department of Sustainability and Environment

No further responses to the 2007-08 Budget Estimates questionnaire were requested by the Committee.

# Department of Treasury and Finance

No further responses to the 2007-08 Budget Estimates questionnaire were requested by the Committee.

# Department for Victorian Communities

### COMMUNICATION, ADVERTISING AND PROMOTION

***What is the communication, advertising and promotion budget for 2007-08? How does this compare with the actual expenditure incurred on communications, advertising and promotion in the previous two financial years?***

*Initial information provided by the department on the communication, advertising and promotion budget for 2007-08 was included in the Report on the 2007-08 Budget Estimates – Part One and the Report on the 2007-08 Budget Estimates – Part Two.*

*Supplementary information received from the department relating to the communication, advertising and promotion budget for 2007-08 is detailed below.*

The Department for Victorian Communities does not have a central budget for communication advertising and promotional activities. Appropriate communication, advertising and promotional expenditure is determined by the different units within the department according to specific program needs. At this stage budgets have not been allocated for 2007-08. A similar level of activity is envisaged in 2007-08 and thus budgets are likely to be comparable to actual expenditure over the previous two financial years, minus savings required on advertising and contractors.

#### 2007-08 estimated expenditure

At this stage budgets have not been allocated for 2007-08. A similar level of activity is envisaged in 2007-08 and thus budgets are likely to be comparable to actual expenditure over the previous two financial years, minus savings required on advertising and contractors.

#### 2005-06 and 2006-07 expenditure

In relation to communication expenditure up until the end of April 2007, the department had expended $2.8 million on advertising marketing and promotion. This expenditure reflects the new structure of the Department for Victorian Communities (DVC) following the machinery of government changes.

Based on expenditure to date, it is estimated that expenditure for the 2006-07 financial year would be $3.5 million. This cost reflects costs of advertising, marketing and promotion. Costs within this classification would include advertising, communication products (design, printing and editing), and promotional displays. It does not include the maintenance of web sites or staffing involved in communication services. These costs, while recorded, are not directly allocated to communication costs and would need to be collected individually.

As DVC's advocacy role supports a number of population groups across government, key communications relate to Skilled Migration, the Seniors Festival and Seniors Card, Cultural Diversity Awareness, Youth Week and *Go for your life*, to name a few. More than 20 per cent of the $2.8 million detailed above relates to the Skilled Migration Program as part of the Employment Programs output. Communication costs also cover requirements in relation to the publication of regulations, annual reports and normal staff recruitment.

The expenditure relating to each output for the 2005-06 financial year and the 2006-07 financial year up to April 2007 is as follows:

### Table A3.2: Department for Victorian Communities communication, advertising and promotion expenditure 2005-06 and 2006-07 YTD

| Program | 2005-06 Full Year Actual ($) | 2006-07 April YTD Actual ($) |
|---|---|---|
| Local Government Sector Development | 22,303 | 8,482 |
| Indigenous Community and Cultural Development (a) | 68,692 | 101,580 |
| Office of Women's Policy | 105,723 | 51,099 |
| Youth Affairs | 148,810 | 138,130 |
| Community Strengthening and Volunteering | 241,998 | 107,745 |
| Seniors and Veterans | 296,515 | 380,804 |
| Multicultural Affairs | 517,029 | 226,218 |
| Executive and Corporate | 426,709 | 231,168 |
| Sport and Recreation Victoria | 557,979 | 344,397 |
| Employment Programs | 1,283,745 | 875,650 |
| Disability (b) | 0 | 24,501 |
| Adult and Community Education (b) | 0 | 53,978 |
| Citizen Access and Transformation (c) | 62,418 | 115,304 |
| **Total** | **3,731,921** | **2,659,056** |

*Notes:* *(a) the increase in the expenditure for the Indigenous Community and Cultural Development Output is due to the $35,000 contribution to Victoria Police to fund the 'Violence against Women' public awareness campaign focusing on Indigenous Family Violence in the Mildura region.*

*(b) output not delivered by DVC in 2005-06*

*(c) 2005-06 figure includes Information Victoria component of output only.*

*Source:* *Hon. P Batchelor MP, Minister for Victorian Communities, response to the Committee's questions on notice, received 19 June 2007, p.2*

### Promotion of DVC Grants

DVC's grants approach is intended to improve the outcomes for the community.

- DVC is streamlining the process to make sure that grants are more accessible and the process simpler; and
- to make finding out about grants from DVC easier DVC has done two things.

Firstly, the department has established the Grants Information Line as the single place to call for assistance with applications. This information line (and general information about grants) is advertised in media releases, newspaper advertising, online and in printed brochures/guidelines. DVC also provides letters or email alerts to key stakeholder groups when grant rounds are coming up.

The Grants Information Line is answered by the Information Victoria Call Centre and is open from 8.30am – 10.00pm weekdays (except for public holidays). Call centre staff are able to answer queries about any DVC grant program, provide assistance with completing an online application or transfer enquiries to direct program areas if necessary.

Secondly DVC has established the Grants@DVC website. The website provides a single place to:

- find information about grant programs; and
- apply online for a DVC grant.

Some of the grant programs are open all the time and some operate on the basis of funding rounds. The Victorian Community Support Grants program and the Victorian Volunteer Small Grants Program, are examples of DVC grant programs that are open continuously.

Information about funding round dates and opening times is available at the Grants@DVC website, together with copies of the program guidelines and application forms. Guidelines for the grant programs that interest particular groups or individuals are always printed by DVC. These are available online from the Grants@DVC website or in printed format provided via mail.

DVC staff are available to help formulate community groups or individuals ideas and to assist in the completion of an application. There are various formats provided for completing an application. These include: handwritten, electronically in word format and online via the Grants@DVC website.

### Promotion of the Victorian Volunteer Small Grants

The Victorian Volunteer Small Grants are advertised on the grants section of the DVC website. DVC local teams promote the grants to community organisations in their respective regions. All successful grants are subject to a communications plan targeting local press, promoting both the organisations concerned and the grants in particular.

# APPENDIX 4: RESPONSES TO QUESTIONS ON NOTICE RELATING TO THE 2007-08 BUDGET ESTIMATES

# Thriving economy vision

# Thriving economy vision

## *Aged Care portfolio*

### QUESTION 1

***Expected impact of the budget, particularly new initiatives, on productivity in the portfolio.***

The portfolio is contributing to the productivity of the Victorian economy through initiatives to encourage seniors' participation in the Victorian workforce and in the community.

In the past decade there has been a significant increase in mature aged workforce participation in Victoria. In fact, participation rates increased from 59 per cent to 68 per cent for those aged 55 to 64. The government is pleased with this progress and increased productivity.

In the 2006 Victorian election policy a new program, 'Experience Counts' was announced which will focus on retaining and skills development for at least 700 recently retired people who wish to re-enter the workforce. An amount of $4 million has been committed to implement this program between 2007-08 and 2010-11. Department for Victorian Communities, Employment Programs Division will be leading this initiative.

Current efforts on mature aged workers participation follow the recently completed Office of Senior Victorians' funded Victorian Employers' Chamber of Commerce and Industry (VECCI) initiative, *Grey Matters*. *Grey Matters* was an awareness raising campaign providing small and medium size business with key messages about skills shortages. As part of the project, an information package was distributed, which provides advice to employers about retaining, retraining and employing mature workers.

In March 2006 the Premier, Hon. S Bracks launched Maintaining the Advantage; Skilled Victorians Package, which included targeting an additional 1,800 vocational education and training places for Victorians aged 35 to 64 years without year 12 or its equivalent.

The Victorians Senior Card supports businesses who sponsor the Card through directories and publications. The card provides discounts on many goods and services. Amongst its many benefits, Seniors Card provides free public transport on Sundays and two free travel vouchers per year – encouraging seniors to get out and about.

## *Agriculture portfolio*

### QUESTION 1

***Overall charts depicting how the timber industry is progressing.***

Australian exports of forestry and wood products by state of origin in 2005-06 are shown in the graph below. Victoria's exports are valued at $581 million.

**Figure A4.1: Australian exports of forestry and wood products 2005-06**

*Source: Mr J Helper MP, Minister for Agriculture, response to the Committee's questions on notice, received 13 June 2007, p.1*

## *Children portfolio*

### QUESTION 1

***Expected impact of the budget, particularly new initiatives, on productivity in the portfolio.***

Approximately 70 per cent of Office for Children (OfC) funding is provided to third parties, mostly Community Service Organisations (CSO), many of which are small.

OfC funding to these organisations is indexed by an agreed factor. This index has been set at 2.9 per cent for most programs. A separate index is set for Kindergartens, which is 3.75 per cent.

Given the large number of small organisations the OfC funds, the most practical ways to improve their productivity are by assisting with improvement of 'back office' functions and encouraging innovation in service models.

The Community Sector Investment Fund (CSIF) has been established to assist these small agencies in practical ways to improve their back office functions. The fund has commenced a number of projects that assist CSO's to reduce their costs: for example, it has arranged for them to access government fuel purchasing contracts.

The CSIF has created 39 CSO Networks, providing grants of up to $90,000 and a further $5,000 to evaluate each one. One example is Central Hume Support Services located in Wangaratta, this network brings together Cooroonya Domestic Violence Services and Upper Hume Community Health Service, to provide increased productivity through provision of joint IT support & management, group purchasing, fleet management, and administrative processes.

Other CSIF projects in train include assistance with WorkCover, Occupational Health & Safety, and other workforce related issues, as well as the development of a Knowledge Development Portal. The Occupational Health and Safety project is due to be rolled out on 30 June 2007 and a panel of WorkCover insurers has been established.

Workforce strategies are also being explored via the CSIF. Work on staffbank models has been undertaken and a training package developed to help CSO staff use the Community Services Training Package.

Funding provided in the 2007-08 budget will continue investment in these types of productivity improvement initiatives and establish a number of scholarships to upgrade the skills of kindergarten teachers and early childhood workers. Bridging courses to enable staff to advance to degree qualifications, as well as undertaking professional development and other training will be included in the scholarship scheme. The scholarships will assist kindergartens and childcare centres to access more highly qualified staff to continue to improve the quality and productivity of early childhood education and care services.

## *Energy and Resources portfolio*

### QUESTION 1

***The impact of new initiatives and portfolio spending on productivity in Victoria.***

Energy is an essential service on which our lifestyle, economy and wellbeing depend. Energy costs are an important cost input into the production of goods and services, and can affect our international competitiveness.

The Department of Primary Industries' (DPI) Energy Division works with the gas and electricity industries to ensure the continued delivery of secure, safe, reliable and affordable energy supplies, which are environmentally sustainable.

The advice it provides informs government on maintaining a stable regulatory environment which is essential to attracting and maintaining investments in important areas such as energy production and movement, and on ensuring that the prices paid by consumers are economically efficient. This includes advice in relation to providing certainty to investors with regards to any future cost of carbon.

In terms of the initiatives that have been or are being delivered, two examples that have had or will have major impacts are the introduction of full retail competition in the energy market and the roll out of advanced interval meters. These initiatives will ensure a more competitive retail market that will deliver competitive and innovative pricing packages to customers and improved service levels. Other initiatives such as the Victorian Energy Efficiency Target and Victorian Renewable Energy Target

will promote environmentally sustainable outcomes and will mitigate the impacts of any emissions trading scheme which will inevitably be introduced.

The productivity benefits of the Energy Division's relatively modest budget have not been measured, but the outputs of its work will have implications for just about every good and service produced in Victoria.

In respect of the Resources portfolio, the Victorian minerals and petroleum industries have been founded on three world class geological inheritances: Victoria's goldfields, the Latrobe Valley coalfields, and the Gippsland oil basin. Victoria also possesses substantial competitive resources for extractive industries.

In the 2007-08 budget, the Victorian Government funded two major initiatives in the minerals and petroleum sector – $3.8 million over three years to support the development of clean coal technologies and $5 million over four years to support exploration in the minerals and petroleum sector.

Government investment in the development of geological data fosters a competitive and informed market in the exploration of minerals and petroleum. Investment in exploration, research and development holds high levels of risk for industry. Government can help to reduce this risk through the development of data to characterise the state's resources.

Studies conducted by DPI into the impact of the Victorian Initiative for Minerals and Petroleum show that every dollar spent on geological data generates $5 to $9 in expenditure by industry. This will support economic growth, particularly in regional Victoria.

Mining also generates significant flow-on employment with 32,000 people employed in the petroleum, coal, chemical and associated product manufacturing sector, 41,900 in metal product manufacturing and 8,900 in non-metallic product manufacturing (ABS Labour Force Survey).

The value of Victoria's brown coal resources will depend on the development of clean coal technologies to reduce greenhouse gas emissions from Victoria's primary energy source while having a minimal impact on growth. Clean coal technologies could also hold significant value for Victoria in a carbon constrained economy. There may be potential in the export value of technologies that produce low emission sources of energy from brown coal and in the capacity to store carbon in geological structures through geosequestration.

## *Industrial Relations portfolio*

### QUESTION 1

***A list of which government instrumentalities comprise constitutional corporations under the provisions of the WorkChoices Act and the number of employees of each instrumentality.***

The Committee also asked whether the government was considering doing what has been done in New South Wales, which was to alter the status of some public sector workers to remove them from the reaches of the federal WorkChoices system.

As the Minister indicated during the PAEC hearing, Victoria is in a unique position as it supports a unitary system of industrial relations and has referred its industrial powers to the Commonwealth. The Victorian Government's approach is to support constructive collective bargaining with public sector employees and their unions, and to introduce measures to ensure that, as far as possible, Victorian public sector employees receive proper protection from the loss of entitlements arising from the

Howard Government's WorkChoices legislation. These measures have included restoring unfair dismissal rights to employees in smaller public sector workplaces, and enshrining a comprehensive safety net to protect award reliant employees, and to act as the comparator for a fairness test for new agreements.

To be a constitutional corporation the employing public entity must be both incorporated and fall within the definition of either a trading, financial or foreign corporation. In relation to the first aspect, a number of public entities are specifically created as incorporated bodies by their establishing legislation, or by orders made under that legislation. Other public entities may be established as corporate bodies under the *State Owned Enterprises Act 1992*.

I am advised that the State Services Authority does not keep separate lists of those public entities that are incorporated and those that are not. For the reasons outlined above in relation to the government's support of a unitary system and its support of cooperative collective bargaining, it has not been necessary to make this distinction.

In any event, the provision of the list of incorporated public entities would not fully answer the question. To be a constitutional corporation, the incorporated entity must fall within the definition of a trading financial or foreign corporation. This is a question of fact and degree. In the case of a trading corporation, the legal test is whether the entity engages in significant trading activities. Given the approach taken by the Victorian Government to public sector industrial relations outlined above, it has not been necessary or practical to assess each corporation entity's trading activities.

I am therefore not able to provide a list identifying which public sector entities are constitutional corporations as one does not exist. Accordingly, I am also unable to provide you with the number of employees by each public entity that is a constitutional corporation.

## *Information and Communication Technology portfolio*

### QUESTION 1

***Will Parliament be included in the Rosetta directory?***

No, Parliament will not be included in the Rosetta directory.

## *Regional and Rural Development portfolio*

### QUESTION 1

***In relation to the bay dredging project, the financial contribution made by the government to the preliminary work.***

In the 2004-05 budget the state government provided $14.9 million towards the preliminary work. $7.5 million of this was for the detailed design studies.

### QUESTION 2

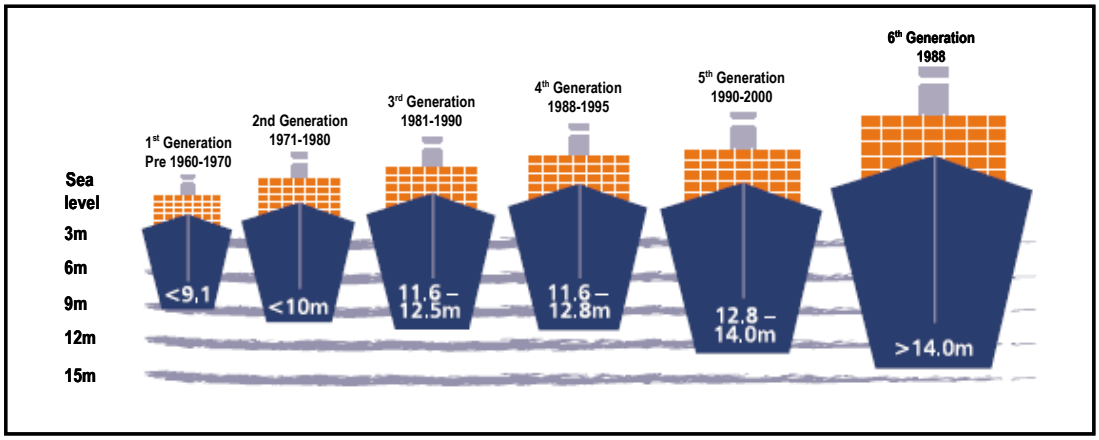
***In relation to the bay dredging project, the increasing size of ships.***

One of the most significant changes to have taken place over the last decade has been the dramatic increase in ship size. The *2004 Victorian Ports Strategic Framework* highlights the fact that shipping lines have increasingly sought to reduce costs by rationalising services and using larger ships to

consolidate their trades into centralised hub ports. These larger ships benefit Victoria's exporters and importers through efficiencies gained by the economies of scale.

Currently up to 4th generation container ships come to Melbourne, which can accommodate vessels with a draft of up to 12.1 m with tide assistance. However as demonstrated in the following diagram some 3rd and many 4th generation vessels cannot access Melbourne fully loaded.

**Figure A4.2: Size of container ships**




*Source:* *Hon. J Brumby MP, Minister for Regional and Rural Development, response to the Committee's questions on notice, received 19 July 2007, p.1*

## *Small Business portfolio*

### QUESTION 1

***The recommendations made by KPMG in relation to the operation of the small business commissioner.***

I am happy to provide you with a complete copy of this report and have attached for your Committee.

*The Committee has extracted the following recommendations from the KPMG, Evaluation of the Victorian Small Business Commissioner, November 2006, pp.3–5.*

A number of recommendations have been made throughout the report in response to the findings of this review. These recommendations are summarised below:

Recommendation 1: KPMG recommends investigating increased utilisation of the website and regular emails to inform and educate the small business community. Topics for information and education should be drawn from issues and emerging trends identified in the analysis of small business queries and investigations handled by the Victorian Small Business Commissioner (VSBC).

Recommendation 2: KPMG recommends the VSBC commence using the section 25 notification database (under *Retail Leases Act 2003*) for information and education activities such as providing emails on current retail lease issues directly to small business leaseholders.

Recommendation 3: KPMG recommends VSBC improve the cost efficiency of the section 21 certificate request activity (under *Retail Leases Act 2003*). Analysis of the types and volumes of calls could indicate issues to be addressed in information and education activities such as updates

in industry association newsletters or on the website that would then reduce calls or the length of calls to the VSBC.

Recommendation 4: KPMG recommends the VSBC put in place a system to collect and analyse the volumes and types of investigations undertaken by the VSBC to assist in identifying and reporting on emerging trends and inform topics for information and education activities.

Recommendation 5: KPMG recommends the VSBC should review the skills required to support investigations as part of the strategic planning process.

Recommendation 6: KPMG recommends the VSBC put in place a system to collect and analyse the volumes and types of preliminary assistance calls handled by the VSBC to identify if there is a repetitive nature to the calls that could be addressed through information and education activities such as newsletters, the website or direct email. Handling repetitive or common queries through alternative cost efficient channels (such as the website) will make this activity more cost efficient for the VSBC.

Recommendation 7: KPMG recommends the VSBC put in place a system to collect and analyse the volumes and types of investigations handled by the VSBC to identify and report on emerging trends for dissemination to government and industry stakeholders as well as the small business community.

Recommendation 8: KPMG recommends that the VSBC in consultation with the Department of Innovation, Industry and Regional Development (DIIRD) put in place a facility to allow the VSBC to have the confidence to pursue prosecutions if required. Funding facility options that could be considered include providing an additional allocation as part of the annual budget allowance that can be rolled over into subsequent years if it is not utilised; access to funds from DIIRD as required based upon a mutually agreed protocol; and accessing a Treasurer's Advance.

Recommendation 9: KPMG recommends the VSBC reforms its mediation process with the aim of reducing time taken from lodgement to mediation to under 60 days.

Recommendation 10: KPMG recommends the VBSC improve the cost efficiency of the appointment of specialist retail valuers and quantity surveyors activity.

Recommendation 11: KPMG recommends that as part of the annual strategic planning process the VSBC should identify one or two key topic areas that are of interest to stakeholders based upon analysis of emerging market trends. Should additional resources be required to implement or follow-up these identified topics, additional resources should be included in the financial budget that accompanies the strategic plan.

Recommendation 12: KPMG recommends the VBSC introduce a strategic planning process that would include production of an annual strategic plan and operating budget. This strategic plan would be agreed with key stakeholders.

Recommendation 13: KPMG recommends the introduction of systems to collect and report more comprehensively on key data within the VSBC such as types and volumes of queries and investigations undertaken which as a minimum should be reported quarterly.

Recommendation 14: KPMG recommends the VBSC appoint a financial/analytical resource to supplement the current team and to provide the analytical and financial support required to support the strategic planning process, introduce data collection systems and to undertake the analytical work required to improve inefficient activities and processes. Options for support include a permanent appointment or alternatively a temporary appointment for help with preparation of the

first year's strategic plan and operating budget including data analysis after which a decision could be made as to the overall support required on a more permanent basis.

Recommendation 15: KPMG recommends the government consider whether any increase to the current mediation fee would substantially reduce the achievement of the 'low cost' dispute resolution objective of the VSBC. If the government is satisfied that the objective could be maintained with a fee increase, KPMG recommends the structure of the fees be amended such that the mediation fee charged to each party increase to $197.

Recommendation 16: KPMG recommends the VSBC continue the annual review of mediation fees and associated mediator fees.

Recommendation 17: KPMG recommends DIIRD rebase the operating budget of the VSBC to $2.8 million for the 2007-08 financial year.

# Quality health and education vision

# Quality health and education vision

## *Children portfolio*

### QUESTION 1

***Whether the department will be funding the provision of EpiPens to childcare centres and kindergartens.***

Children who are diagnosed at risk of anaphylaxis are often, but not always, prescribed an EpiPen for the emergency treatment of anaphylactic shock. A child's treating medical practitioner prescribes the appropriate medication for the child.

The EpiPen can be purchased at a reduced rate through the Pharmaceutical Benefits Scheme for patients who have been diagnosed at significant risk of anaphylaxis by, or in consultation with, a clinical immunologist, allergist, paediatrician or respiratory physician.

The Pharmaceutical Benefits Scheme also indicates that the EpiPen should be provided in the framework of a comprehensive anaphylaxis prevention program and an emergency action plan, including training in recognition of the symptoms of anaphylaxis and use of the EpiPen.

The *Children's Services Regulations 1998* require the proprietor of a children's service to include the details of the child's allergies and any management procedure to be followed with respect to that allergy in the child's enrolment record.

Currently, a parent provides all medication to be administered to their child while in the care of a children's service. This administration may not be undertaken without the written permission of the parent.

There are a number of potential risks and issues associated with the provision and use of an EpiPen that has not been prescribed for an individual child:

- if a child has not been diagnosed at risk of anaphylaxis by a medical practitioner it is inappropriate for children's services workers and teachers to administer an EpiPen; and
- if a child has been diagnosed at risk of anaphylaxis by a medical practitioner and an EpiPen has been prescribed, it is incumbent on the emergency action plan developed by the medical practitioner to specify the conditions for the administration of the EpiPen.

The Department of Human Services Allergy Working Group which has the appropriate representation from medical professionals, peak bodies and senior health advisers, is currently considering the issues related to the diagnosis, prevention and management of allergic disorders (including anaphylactic reactions) in children and adults in Victoria and will be reporting to the Minister for Health.

## *Education portfolio*

### QUESTION 1

***Full details of literacy and numeracy performance of years 3 and 5 for each state in Australia.***

National comparative benchmark data by state and territory are published by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) Secretariat in the *National Report on Schooling in Australia*. The most recent data published is from August 2005. It is expected that the 2006 data will be published in December 2007.

In Victoria, Years 3 and 5 students are assessed annually through the Achievement Improvement Monitor (AIM) tests. Data in relation to achievement against the national benchmarks are derived from these test results.

The table below provides an overall summary of Victoria's results compared with other states and territories.

**Table A4.3: Summary comparisons of performance by state and territory 2005**

| Year 3 2005 | | | |
|---|---|---|---|
| | **Better than Victoria** | **Similar to Victoria** | **Below Victoria** |
| Reading | • ACT | • NSW<br>• South Australia<br>• Queensland<br>• Tasmania<br>• Western Australia | • Northern Territory |
| Writing | nil | nil | • NSW<br>• ACT<br>• Tasmania<br>• South Australia<br>• Queensland<br>• Western Australia<br>• Northern Territory |
| Numeracy | nil | • NSW<br>• ACT | • Tasmania<br>• South Australia<br>• Queensland<br>• Western Australia<br>• Northern Territory |

## Table A4.3: Summary comparisons of performance by state and territory 2005 *(continued)*

| Year 5 2005 | | | |
|---|---|---|---|
| | **Better than Victoria** | **Similar to Victoria** | **Below Victoria** |
| Reading | • ACT<br>• Tasmania | • South Australia<br>• Western Australia<br>• NSW | • Northern Territory<br>• Queensland |
| Writing | nil | nil | • Queensland<br>• NSW<br>• Western Australia<br>• ACT<br>• South Australia<br>• Tasmania<br>• Northern Territory |
| Numeracy | nil | nil | • NSW<br>• ACT<br>• South Australia<br>• Queensland<br>• Tasmania<br>• Western Australia<br>• Northern Territory |

*Source: Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.2*

*Detailed tables showing performance for each state and territory in Australia for 2005 were provided by the Minister. These tables are published in the 2005 National Report on Schooling in Australia which can be accessed from the MCEETYA website at www.mceetya.edu.au/mceetya/anr/*

### QUESTION 2

***Number of Principals who have completed leadership and professional development training in best practice principles.***

760 principals have completed the following leadership and professional development programs in best practice principles since 2004.

## Table A4.4: No. of Principals who have completed leadership and professional development programs since 2004

| **Program** | **Number of Principals** |
|---|---|
| Mentoring for First Time Principals | 320 |
| Coaching to Enhance the Capabilities of Experienced Principals | 297 |
| Development Program for High Performing Principals | 47 |
| Coaching for Principals of Small Schools | 40 |
| Building the Capacity of Leadership Teams | 13 |
| Building Capacity for Improvement | 43 |

*Source: Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.3*

An additional 338 principals are currently participating in the programs listed above.

## QUESTION 3

***For literacy and numeracy performance in Victoria, specifics of the changes in the way tests in Victoria are assessed relative to previous years for the performance of writing category.***

States and territories regularly seek improvements in the way that they mark in order to ensure accuracy. The change made to marking of writing in 2004 (and in subsequent years) was one where markers were provided with a starting point for each year level being assessed. The adjustment was also made to ensure ease of use in the marking guide for markers.

The change in marking instructions is explained in the *National Report on Schooling in Australia 2005 Preliminary Paper*, which was released in March 2007. It includes a footnote on pages 6, 15 and 24 related to results for writing in Years 3, 5 and 7 as follows:

> *Victoria has advised that the increase in 2005 (and in 2004) in the percentage of students reaching the Writing benchmark in Victoria was due to changes in the marking instructions. From 2004, markers were instructed to start with a particular marking category deemed appropriate for a particular year level of students. This resulted in a somewhat narrower distribution of scores as compared to those in 2003. Consequently, the 2005 Victorian marking procedures do not spread students to the lower (and upper) ends of the ability distribution. This in turn results in fewer students in Victoria deemed as below the writing benchmark.*

Changes in marking methodology occur in all states and territories and the change adopted by Victoria in 2004 is currently used in most other jurisdictions.

Any change of methodology in marking might result in small shifts in the results, however these could be in either direction. A comparison of the results in writing of Victorian students from 2003 to 2005 shows that there have been some small improvements however these are not consistent for all year levels.

There are many other variable factors from year to year that might explain small increases or decreases in the results. These include the particular cohort of students in any given year, the level of training of markers and the monitoring of markers.

## QUESTION 4

***List of rural and regional schools which have the Victorian Certificate of Applied Learning (VCAL) program.***

## Table A4.5: Summary of rural and regional schools providing VCAL

| | No. of schools |
|---|---|
| **Barwon South-West Region** | |
| Catholic | 8 |
| Government | 29 |
| Independent | 3 |
| **Sub-total** | **40** |
| **Gippsland Region** | |
| Catholic | 5 |
| Government | 17 |
| Independent | 2 |
| Specialist | 5 |
| **Sub-total** | **29** |
| **Grampians Region** | |
| Catholic | 3 |
| Government | 22 |
| Independent | 1 |
| Specialist | 1 |
| **Sub-total** | **27** |
| **Hume Region** | |
| Catholic | 7 |
| Government | 24 |
| Independent | 2 |
| Specialist | 4 |
| **Sub-total** | **37** |
| **Loddon-Mallee Region** | |
| Catholic | 4 |
| Government | 24 |
| Specialist | 2 |
| **Sub-total** | **30** |
| **Total** | **163** |

*Source:* *Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.8*

## Table A4.6: Schools providing VCAL in Department of Education non-metropolitan regions

| **Barwon South-West Region** |
|---|
| **Catholic** |
| Clonard College |
| Emmanuel College |
| Mercy Regional College Camperdown |
| Monivae College |
| Sacred Heart College Geelong |
| Saint Ignatius College Geelong |
| St Joseph's College Newtown |
| Trinity College Colac |
| **Government** |
| Apollo Bay P-12 College |
| Baimbridge College Hamilton |
| Balmoral High School |
| Bellarine Secondary College |
| Belmont High School |
| Brauer College |
| Camperdown College |
| Casterton Secondary College |
| Cobden Technical School |
| Colac College |
| Colac High School |
| Corio Bay Senior College |
| Derrinallum P12 College |
| Geelong High School |
| Grovedale College |
| Hawkesdale College |
| Heywood and District Secondary College |
| Lara Secondary College |
| Lavers Hill P12 College |
| Matthew Flinders Girls' Secondary College |
| Mortlake College |
| Nelson Park School |
| Newcomb Secondary College |
| North Geelong Secondary College |
| Oberon High School |
| Portland Secondary College |
| Terang College Secondary Campus |
| Warrnambool College |
| Western Heights College |
| **Independent** |
| Australian Technical College – Geelong |
| Bayview College |
| Christian College Institute of Senior Education |

## Table A4.6: Schools providing VCAL in Department of Education non-metropolitan regions *(continued)*

| **Gippsland Region** |
|---|
| **Catholic** |
| Catholic College Sale |
| Lavalla Catholic College |
| Marist Sion College |
| Mary MacKillop Catholic Regional College |
| Nagle College |
| **Government** |
| Bairnsdale Secondary College |
| Drouin Secondary College |
| Korumburra Secondary College |
| Kurnai College – Precinct Campus |
| Lakes Entrance Secondary College |
| Leongatha Secondary College |
| Lowanna College |
| Maffra Secondary College |
| Neerim District Secondary College |
| Orbost Secondary College |
| Sale College |
| South Gippsland Secondary College |
| Trafalgar High School |
| Traralgon College |
| Warragul Regional College |
| Wonthaggi Secondary College (McBride Campus) |
| Yarram Secondary College |
| **Independent** |
| Australian Technical College – Gippsland |
| Gippsland Grammar – Senior |
| **Specialist** |
| Baringa School |
| East Gippsland Specialist School |
| Sale Specialist School |
| South Gippsland Specialist School |
| Warragul & District Specialist School |
| **Grampians Region** |
| **Catholic** |
| Damascus College |
| Loreto College |
| Marian College Ararat |
| **Government** |
| Ararat Community College – Secondary |
| Bacchus Marsh College |
| Ballarat High School |
| Ballarat Secondary College |
| Beaufort Secondary College |
| Birchip P-12 School |
| Daylesford Secondary College |
| Dimboola Memorial Secondary College |

## Table A4.6: Schools providing VCAL in Department of Education non-metropolitan regions *(continued)*

| |
|---|
| Donald High School |
| Edenhope College |
| Goroke P-12 College |
| Hopetoun Secondary College |
| Horsham College |
| Kaniva P-12 College |
| Lake Bolac College |
| Mount Clear College |
| Nhill College |
| Rainbow Secondary College |
| Sebastopol College |
| St Arnaud Secondary College |
| Stawell Secondary College |
| Warracknabeal Secondary College |
| **Independent** |
| Bacchus Marsh Grammar |
| **Specialist** |
| Horsham Special School |
| **Hume Region** |
| **Catholic** |
| Assumption College |
| Catholic College Wodonga |
| F.C.J. College |
| Galen College |
| Marian College Myrtleford |
| Notre Dame College |
| St Mary of the Angels School |
| **Government** |
| Alexandra Secondary College |
| Beechworth Secondary College |
| Benalla College – Faithfull Campus |
| Bright P-12 College |
| Broadford Secondary College |
| Cobram Secondary College |
| Corryong College |
| Euroa Secondary College |
| Mansfield Secondary College |
| McGuire College Shepparton |
| Mooroopna Secondary College |
| Mount Beauty Secondary College |
| Myrtleford Secondary College |
| Nathalia Secondary College |
| Numurkah Secondary College |
| Rutherglen High School |
| Seymour Technical High School |
| Shepparton High School |
| Tallangatta Secondary College |
| Wanganui Park Secondary College |

## Table A4.6: Schools providing VCAL in Department of Education non-metropolitan regions *(continued)*

| |
|---|
| Wangaratta High School |
| Wodonga Senior Secondary College |
| Yarrawonga Secondary College |
| Yea High School |
| **Independent** |
| Albury Wodonga Community College |
| Continuing Education Centre |
| **Specialist** |
| Belvoir Special School |
| Seymour Special School |
| Verney Road School |
| Wangaratta District Specialist School |
| **Loddon – Mallee Region** |
| **Catholic** |
| Catholic College Bendigo |
| Sacred Heart College Kyneton |
| St Joseph's College Echuca |
| St Joseph's College Mildura |
| **Government** |
| Bendigo Senior Secondary College |
| Boort Secondary College |
| Castlemaine Secondary College |
| Charlton College |
| Cohuna Secondary College |
| East Loddon P-12 College |
| Echuca College |
| Gisborne Secondary College |
| Kerang Technical High School |
| Kyabram Secondary College |
| Kyneton Secondary College |
| Manangatang P-12 College |
| Maryborough Education Centre |
| Mildura Senior College |
| Murrayville Community College |
| Red Cliffs Secondary College |
| Robinvale Secondary College |
| Rochester Secondary College |
| Rushworth P-12 College |
| Swan Hill College |
| Tyrrell College |
| Wedderburn College |
| Werrimull P-12 College |
| Wycheproof P-12 College |
| **Specialst** |
| Mildura Specialist School |
| Swan Hill Specialist School |

*Source:* *Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, pp.8–11*

## *Housing portfolio*

### QUESTION 1

***In broad groups, a breakdown of the differing amounts of family tax benefits that tenants are receiving and the rent increase for each of these groups.***

The following table shows the rates of Family Tax Benefit (FTB) A and B received by household type and the increase in rent resulting from changing the assessment of FTB payments from 11 per cent to 15 per cent. Also shown is a calculation of the percentage of total household income charged as rent for these households when FTB is assessed at 15 per cent.

Because FTB payments: vary by the age of children; vary according to other income received; and are indexed to increase over time, the following assumptions are made:

- projected rent increase based on Centrelink Family Tax Benefit rates as at 20 March 2007. The actual rent outcome by 2011 will depend on increases to Centrelink family payments in the intervening period;
- the calculation assumes that the first two children are aged 13 to 15 years and at least one of the subsequent children is aged less than five years. Households with at least one child aged less than five years old attract the highest rates of FTB A and B; and
- that the household receives Centrelink income only.

### Table A4.7: Impact of changes to Family Tax Benefits on rental payments

| Household type | Total FTB ($) | Max total rent increase ($) | Total rent as % of total income – FTB@11% (%) | Total rent as % of total income – FTB@15% (%) |
|---|---|---|---|---|
| Single Parent + 1 child | 149.94 | 6.00 | 19 | 21 |
| Single Parent + 2 children | 251.86 | 10.07 | 18 | 20 |
| Single Parent + 3 children | 357.56 | 14.11 | 16 | 19 |
| Single Parent + 4 children | 444.92 | 17.40 | 16 | 18 |
| Single Parent + 5 or more children | 532.28 | 20.70 | 15 | 18 |
| Couples + 1 child | 127.90 | 5.12 | 21 | 22 |
| Couples + 2 children | 229.82 | 9.19 | 19 | 21 |
| Couples + 3 children | 335.52 | 13.22 | 18 | 20 |
| Couples + 4 children | 422.88 | 16.52 | 17 | 19 |
| Couples + 5 or more children | 510.24 | 19.82 | 17 | 19 |

*Source: Mr R Wynne MP, Minister for Housing, response to the Committee's questions on notice, received 19 June 2007, p.1*

## *Skills portfolio*

### QUESTION 1

***Provision of city/country split of figures relating to apprenticeship commencements and apprentice and trainee completions over twelve months to June 2006.***

### Table A4.8: Apprenticeship commencements and completions 2005-06

| **Total** | **2006** |
|---|---|
| Commencements | 79,600 |
| Completions | 43,800 |
| In-training at 30 June | 112,500 |
| **Metropolitan** | |
| Commencements | 59,900 |
| Completions | 32,600 |
| In-training at 30 June | 81,300 |
| **Regional Victoria** | |
| Commencements | 19,700 |
| Completions | 11,200 |
| In-training at 30 June | 31,200 |

*Source: Ms J Allan MP, Minister for Skills, response to the Committee's questions on notice, received 13 June 2007, p.1, derived from National Centre for Vocational Education Research (NCVER) Sept 2006 Apprentices Estimates*

### QUESTION 2

***Aggregate 2007-08 funding for TAFE capital works incorporating previous years' allocations.***

The total funding for capital works in 2007-08 is $51.4 million.

### QUESTION 3

***Reasons why enrolments in the certificate programs under the government initiative Later Years and Youth Transitions are reducing. This question was taken on notice by the Minister on behalf of the Minister for Education for transmittal to that Minister.***

*The Committee will request information from the Minister for Skills during the budget outcomes process. Information received will be considered for inclusion in the Report on the 2006-07 Budget Outcomes.*

# Healthy environment vision

# Healthy environment vision

## *Education portfolio*

### QUESTION 1

***Options available to schools and programs in place to create environmentally sustainable schools.***

Schools have access to a variety of programs to assist them in creating environmentally sustainable schools. A range of initiatives to support this endeavour include water conservation, energy efficiency and ecologically sustainable design. The Department of Education (DOE) is also promoting passive design measures within its school capital program such as building orientation and water tanks. Details of these initiatives are outlined below.

### Water

The Victorian Government announced in March 2007 that all schools would be required to participate in the Schools Water Efficiency Program managed by the Department of Sustainability and Environment.

Since 2005-06, all capital works projects including new buildings, refurbishments and upgrades have included provision of water tanks. Wherever possible these are connected to toilet systems to achieve year round water savings.

The DOE has in place a program for the fixing and refurbishment of toilets in schools. Fixing leaking toilet cisterns is part of the water conservation solution.

The Commonwealth Community Water Grants Program has provided funding for many schools to purchase water tanks and other water saving initiatives.

The *Water – Learn It! Live It!* education program shows how Victorian primary and secondary schools can actively implement water savings and conservation. The program provides online educational resources for students and teachers on topics like freshwater ecology, the water cycle, water supply, water quality and sewerage.

### Energy Efficiency and Greenhouse Gas Emissions

New school buildings must comply with Section J of the Building Code of Australia, which provides the new minimum legal standards for energy efficiency in a range of buildings.

This matter is also covered in the department's guidelines known as the Building Quality Standards Handbook.

Many of the energy and greenhouse performance standards are being achieved through good practice passive design measures. Departmental guidelines provide that buildings are oriented correctly to maximise north-south daylight and minimise east-west sunlight. As part of the design process, the DOE works with schools and project managers to ensure that appropriate shading, insulation, natural cooling and ventilation, building materials with appropriate thermal mass and sound landscaping are all included in the school design.

The DOE has funded the following measures through its capital works program: double glazing, motion controls for lighting, day lighting controls over internal lighting, thermal chimneys and ventilation to remove heat, wind turbines for energy generation, use of recycled materials, use of alternative building materials like hay bales and improved roof structures.

The DOE assesses all ecologically sustainable design options on a case by case basis as part of the construction planning process and aims to progress cost effective and ecologically sustainable design solutions.

### Rating Tools

The DOE is developing Ecologically Sustainable Development Guidelines for Schools to complement the Building Quality Standards Handbook. These guidelines will inform the future development of ecologically sustainable school infrastructure, and incorporate the energy efficiency requirements of the Building Code of Australia.

### Green Power and Schools

The government has negotiated various whole of government electricity contracts which allow schools to purchase green power. Currently, approximately 1130 government schools purchase 10 per cent of their electricity as green power. The remaining schools have been encouraged to take up the offer to join the contract.

As part of the 2007-08 budget the government announced an initiative to invest $5 million in the installation of solar panels in 500 schools. The program is being managed by Sustainability Victoria.

### Energy Audits and Retrofits

Energy audits and retrofit programs are in place to identify how schools can make changes to reduce their overall environmental impact. A toolkit known as TREES has been developed to assess a school's current energy bills and practices, with a view to providing low cost energy saving measures. The DOE has also run education and behaviour change programs called Save Energy @ school which have provided a shut down guide for energy consumption for teachers and school business managers, energy buster resources and workshops. Approximately 170 schools have participated in these programs.

## *Energy and Resources portfolio*

### QUESTION 1

***Information on the 'code of conduct for supply' in place for LPG suppliers.***

The LPG Retail Code, which was introduced in 2005, outlines the rights and obligations of consumers regarding access to the supply of LPG for residential use. The Code also enhances the impact of government financial assistance for disadvantaged LPG customers by codifying access to concessions.

The use of LPG is far more common in rural areas, and hence typically involves local suppliers providing customers with delivery by truck of the required number of LPG cylinders (or bottles). This contrasts with metropolitan and regional areas where gas is reticulated and sold by a relatively small number of large businesses where retail competition and regulation arrangements are well established.

While the physical delivery of LPG is very different to natural gas reticulation, the rights in the LPG Retail Code are in practice similar to those in the Energy Retail Code, which deals with reticulated energy supply. The LPG Retail Code contains provisions preventing companies from refusing supply solely on account of inability to pay – the equivalent to wrongful disconnection involving gas and electricity (a matter which had been discussed at the hearing).

Unlike the Energy Retail Code, the LPG Retail Code is not overseen by the Essential Services Commission because that body does not have a statutory role in licensing LPG suppliers. The LPG Retail Code is instead overseen by a Code Governance Body comprising representatives from the Energy and Water Ombudsman of Victoria, consumer groups and the LPG industry.

Participation in the Energy Retail Code is mandatory, while participation in the LPG Retail Code is voluntary. However all direct LPG suppliers (other than one small new entrant) have signed up to the Code. It is estimated that the Code now covers 60 per cent of residential customers.

The remainder of the market is supplied by localised LPG resellers such as local hardware stores. It is not practical to require these resellers to sign up to the Code, as the compliance costs incurred by resellers may cause them to withdraw from LPG supply.

Some LPG purchases occur by way of cash transactions while most transactions relating to natural gas involve credit accounts. Many of the provisions in the Energy Retail Code relate to credit purchases which, under the LPG Retail Code, are now applicable to LPG credit purchases.

Although there are differences between the two Codes, the LPG Retail Code provides important information and protections to consumers who previously did not have access to them.

## *Industry and State Development portfolio*

### QUESTION 1

***To which Minister are water management plans for the top 200 water users and industry plans submitted?***

The top 200 industrial and commercial water users across Melbourne are required to submit their Water Management Plans to their water authority. This is anticipated to be completed by 30 June 2007. The Premier announced on 22 March 2007 that this program would be expanded in the central region to all the industrial and commercial users that use 10ML or more of water per year (this is approximately 1500 customers in total).

## *Premier's portfolio*

### QUESTION 1

***Breakdown of the planned investment of $1.7 billion in water and catchment projects, identified on page 7 of the Treasurer's Budget Speech, identifying estimated expenditure for individual projects and whether the government or a water authority will be incurring the expenditure.***

The breakdown of the planned investment of $1.7 billion in water catchments projects has been provided in the Treasurer's evidence to the Committee (page 26 of the verified transcript, 4 May).

*In examining the Treasurer's evidence at the hearing, it was evident that the Treasurer outlined some of the major projects that formed part of the $1.7 billion. The Committee will request information from the Treasurer during the budget outcomes process. Information received will be considered for inclusion in the Report on the 2006-07 Budget Outcomes.*

### QUESTION 2

***Timetable for complementary Commonwealth/state legislation on the carbon capture and storage regulatory regime.***

In November 2005, the Ministerial Council on Mineral and Petroleum Resources published *Australian Regulatory Guiding Principles for Carbon-dioxide Capture and Geological Storage*. The Commonwealth has been working on its legislation to govern carbon dioxide capture and storage projects at least since that date. We understand the Commonwealth legislation will take the form of amendments to the *Offshore Petroleum Act 2006*, but Victoria has not seen any drafts of the legislation or received any formal notice of the Commonwealth Government's proposed timing for its introduction.

Following passage of the Commonwealth legislation, state and territory governments have agreed to introduce complementary legislation, so that there is a consistent framework of controls nationally. The timing of Victoria's complementary Bill depends on the passage of the Commonwealth's legislation.

## *Roads and Ports portfolio*

### QUESTION 1

***Public transport trips as a percentage of motorised trips for 2006-07.***

Data to calculate public transport trips as a percentage of motorised trips for 2006-07 is not yet available. The motor vehicle travel component of the calculation relies on data from the Australian Bureau of Statistics Survey of Motor Vehicle Use. The 2006-07 data will not be available until September 2007.

*The Committee will request information from the Minister for Road and Ports during the budget outcomes process. Information received will be considered for inclusion in the Report on the 2006-07 Budget Outcomes.*

## *Treasury portfolio*

### QUESTION 1

***The Committee be provided with a full list of the proposed water projects provided for in the budget papers.***

| **Victorian Water Trust ($320 million)** |
|---|
| Water smart gardens and homes |
| Smart farms |
| Healthy rivers |
| Research in water conservation and recycling |
| Water conservation assistance program |
| Country towns water supply and sewerage |
| Goulburn and Broken Rivers irrigation systems upgrade |
| Sunraysia irrigation systems upgrade |
| Gippsland Lakes and Macalister River irrigation systems upgrade |
| Werribee Plains |
| Gippsland water factory |
| Mount Hotham wastewater reuse and water conservation |
| Mount Buller recycling and conservation |
| ***Our Water Our Future*** **(white paper – environmental contribution levy ($225 million)** |
| Protecting and repairing our water sources |
| (Managing the environmental water reserve, large scale river restoration projects, groundwater metering program, state observation bore network, river health research) |
| Smart urban water initiative and recycling |
| (Eastern water recycling, water recycling fund, water conservation programs) |
| Smart farms sustainable irrigation |
| (Sustainable irrigation and land management initiatives) |
| Water security for cities, towns and the environment |
| (Water register, Water Resources Management Act, sustainable water strategies, establish environmental water reserve, urban water regulatory reform) |
| CoAG living Murray |
| (Sales water package, Eildon Dam reconfiguration) |
| Other state budget funded initiatives (DSE) |
| Wimmera Mallee pipeline |
| Water security – Bendigo pipeline |
| Victoria's payments to Murray Darling Basin Commission |
| Barmah Choke interconnect feasibility Study |
| Northern irrigation revitalisation design works |
| Campaspe pipeline to Waranga channel |
| Northern Mallee pipeline |
| Gippsland Lakes rescue package |
| New town sewerage program |
| Irrigation efficiency program |
| Catchment and waterway grants |
| Waterways – Restoring environmental flows (Snowy) |

| |
|---|
| River Murray environmental flows |
| Water-related bushfire recovery |
| Improved public safety on public land |
| River health and water quality/healthy rivers and environmental flows |
| Sunraysia – Salt interception scheme |
| Central Region Sustainable Water Strategy |
| Goldfields superpipe |
| Large scale options analysis for Geelong |
| Barwon Water/Shell project |
| Large scale supply options analysis for Melbourne |
| Annual reviews process for the water sector |
| Contributions from other state departments |
| Regional Infrastructure Development Fund (RIDF) contribution to Gippsland water factory |
| RIDF contributions to various water projects |
| 2007-08 budget initiatives |
| Altona industrial recycling project – Stage 1 |
| Frankston community/sports facilities project |
| Onsite recycling projects at Australian vinyls and qenos |
| Small towns water quality fund |
| Somers treatment plant/Bluescope Westernport plant upgrade |
| Stormwater and urban recycling |
| Top 1500 industry program |
| Water service industry saving package |
| Water rebate scheme (including tanks) |
| Water smart farms initiative |
| Continue Werribee vision |
| Modernisation of Shepparton irrigation area |

*Source: Hon. J Brumby MP, Treasurer, response to the Committee's questions on notice, received 22 June 2007, pp.4–5*

## Table A4.9: Water Authorities' capital expenditure 2001-02 to 2005-06

| | 2001-02 ($ million) | 2002-03 ($ million) | 2003-04 ($ million) | 2004-05 ($ million) | 2005-06 ($ million) | Total ($ million) |
|---|---|---|---|---|---|---|
| Water Authorities' expenditure (capital) | 451.30 | 506.20 | 596.30 | 830.20 | 1,046.60 | 3,430.60 |

*Source: Hon. J Brumby MP, Treasurer, response to the Committee's questions on notice, received 22 June 2007, p.5*

## *Water, Environment and Climate Change portfolio*

### QUESTION 1

***The progress that the Committee can expect, in the next financial year, in regard to the native vegetation permit tracking project –stage 2.***

The native vegetation tracking system is being developed to record online a variety of types of losses and gains in the extent and quality of native vegetation. This system will record the outcomes from the applications to clear native vegetation that have been referred to the Department of Sustainability and Environment (DSE) by local government.

The information on losses of any native vegetation approved for clearing (including the location, vegetation type and quality) and similar information on the associated offsets that are required under the Native Vegetation Management Framework will be captured.

This information will be combined with information from other sources, such as the outcomes from investment by Catchment Management Authorities, which are usually gains in extent and/or quality. The information will be used to estimate progress against the *Growing Victoria Together* (GVT) target of a net gain in native vegetation and will be used in future reporting against that target.

This analysis will inform the balancing of effort required across activities such as regulation, education, incentives and development facilitation that comprise the government's native vegetation program.

The native vegetation tracking system will replace a manual recording system. Stage one, which focuses on planning permit outcomes, is scheduled to be operational for DSE staff later in 2007. The annual GVT progress report will draw on the information from the native vegetation tracking system.

# Caring communities vision

# Caring communities vision

## *Aboriginal Affairs portfolio*

### QUESTION 1

***Methods of income generation available for registered Aboriginal parties to fulfil their obligations in relation to cultural heritage under the proposed Aboriginal heritage regulations. Case studies available to demonstrate how income will be generated to cover these obligations.***

Registered Aboriginal Parties (RAPs) have a range of functions under section 148 of the *Aboriginal Heritage Act 2006 (the ACT)*:

(a) to act as a primary source of advice and knowledge for the Minister, Secretary and Council on matters relating to Aboriginal places located in or Aboriginal objects originating from the area for which the party is registered;

(b) to advise the Minister regarding, and to negotiate, the repatriation of Aboriginal cultural heritage that relates to the area for which the party is registered;

(c) to consider and advise on applications for cultural heritage permits;

(d) to evaluate and approve or refuse to approve cultural heritage management plans that relate to the area for which the party is registered;

(e) to enter into cultural heritage agreements;

(f) to apply for interim and ongoing protection declarations; and

(g) to carry out any other functions conferred on registered Aboriginal parties by or under this Act.

The Regulatory Impact Statement (RIS) sets out the costs and benefits associated with the proposed Regulations (rather than those relating to the broader legislative framework).

In relation to RAPs, the proposed regulations establish a set of prescribed fees for RAPs to evaluate cultural heritage management plans. The fees very according to the size of the activity and the nature of the assessment required. The sponsor will pay the relevant fee to the RAP in order to cover the RAP's costs in evaluating the cultural heritage management plan. The actual fee amounts are based on estimates provided by Aboriginal groups on the steps that they would go through, and the costs that they would face, in evaluating cultural heritage management plans.

The proposed Regulations do not relate to the other functions of RAPs as set out in the Act. These other functions, and the mechanisms for RAPs to cover the cost of performing them, are not required to be considered in the RIS, and therefore have not been included. Consideration of other sources of income from RAPS (that is, in addition to income from evaluation fees) would need to occur outside the RIS process.

Section 143 (f) of the Act provides for the Secretary to publish standards and guidelines for the payment of fees to RAPs who assist in the development of cultural heritage management plans, for example consulting with the sponsor in relation to the assessment of the area or in relation to the recommendations to be included in the plan, or participating in the conduct of the assessment.

The objective of publishing standards and guidelines on payment of fees to RAPs is to ensure RAPs are appropriately recompensed for taking part in the cultural heritage assessment process and create certainty and transparency in relation to RAP fees for all stakeholders.

Aboriginal Affairs Victoria is currently developing standards and guidelines to be published by the Secretary of the Department for Victorian Communities.

## QUESTION 2

***Activities that fall within the department to assist in ensuring that agencies are compliant with the Charter of Human Rights and Responsibilities Act, in particular, section 38.***

Aboriginal Affairs Victoria (AAV) is engaged in a number of activities to ensure that all policies and procedures comply with the human rights outlined in the Charter. Consistently with the underlying aims of the Charter, AAV is also working with other divisions within the Department for Victorian Communities (DVC) to ensure that protection and promotion of human rights becomes a cultural norm not only within AAV but also across DVC and across the entire Victorian Public Sector.

Activities specific to AAV include:

### Legislative Review

The two acts that are administered by AAV, the *Aboriginal Heritage Act 2006* and the *Aboriginal Lands Act 1970* have been reviewed and were found to be compatible with the Charter. Furthermore, in developing the Aboriginal Heritage Regulations, a Human Rights Certificate was prepared as required by the Charter. The regulations were found to be compatible with the Charter.

Cost of the legislative review has been met from within the existing budgetary resources.

### Raising Awareness/Community Strategy

AAV made contributions to the whole of government communication strategy being developed by the Human Rights Unit (Department of Justice) to ensure effective dissemination of information on human rights and to promote and support a culture of human rights.

AAV's contributions to DVC activities to ensure compliance with the Charter when it becomes fully operational next year form part of the response by DVC. Questions relating to DVC's activities should be referred to the Minister for Victorian Communities, the Hon. P Batchelor MP.

Implementation of the Charter across the Victorian Public Sector is being led by the Human Rights Unit within the Department of Justice. Questions relating to the whole of government implementation of the Charter should be referred to the Attorney-General, the Hon. R Hulls MP.

### QUESTION 3

***The percentage of funding provided over four years to improve the lives of Indigenous Victorians that will be directed towards urban Aboriginal programs. Details on the period and method of assessment of these programs.***

The $20 million announced in the 2007-08 budget is comprised of:

- $11.5 million over four years as part of the Improving the Lives of Young Indigenous Victorians Program, providing a range of measures that improve the participation of Indigenous children and families in early childhood and education services and a child health survey of Indigenous communities to guide future decisions by government. This funding will be provided through the Department of Human Services (DHS);
- $1.1 million to continue to support services for Aboriginal women during pregnancy and the post natal period though the Aboriginal Cooperatives in Dandenong and Echuca. This funding will be provided through the DHS;
- $5.1 million over four years to continue the government's investment in a range of leadership and capacity building initiatives and improve administrative arrangements between Indigenous organisations. This funding will be provided through the Department for Victorian Communities (DVC); and
- $1.8 million over two years to fund the Koori Business Network to promote Indigenous business products and services, develop new Indigenous businesses and create employment opportunities. This funding will be provided through the Department for Innovation, Industry and Regional Development.

Questions relating to the Improving the Lives of Young Indigenous Victorians Program fall within the responsibility of the Community Services portfolio.

Questions relating to the pregnancy support services for Aboriginal women fall within the responsibility of the Minister for Health.

The DVC is being funded $5.1 million over four years for continuing initiatives that build Indigenous capacity. This funding is comprised as follows:

## Table A4.10: Indigenous capacity initiatives 2007-08 to 2010-11

| Initiative | Funding 2007-08 to 2010-11 ($ million) |
|---|---|
| Governance training to staff and board members in Indigenous organisations | 2.1 |
| Indigenous leadership and Victorian Indigenous Youth Advisory Council | 0.5 |
| COAG community trial in Shepparton | 1.1 |
| Administrative support for Lake Tyers | 0.4 |
| Streamlining administrative arrangements | 1.0 |
| **Total** | **5.1** |

*Source: Mr G Jennings MLC, Minister for Aboriginal Affairs, response to the Committee's questions on notice, received 15 June 2007, p.4*

Other than the funding which will support the Lake Tyers community and COAG trial in Shepparton, the other initiatives are being conducted on a statewide basis and will benefit all Indigenous people living throughout metropolitan Melbourne and regional Victoria.

*Further information was requested from the Minister for Community Services regarding Improving the Lives of Young Indigenous Victorians program.*

***In relation to the $11.5 million allocated over four years as part of the Improving the Lives of Young Indigenous Victorians Program, could you indicate: how much of this funding will be directed towards urban Aboriginal programs; how these programs will be assessed; over what period will these programs be assessed?***

$2.9 million over two years is being directed to conducting the first Victorian Indigenous Child Health, Development and Wellbeing Survey of approx 3,000 0-18 year olds to build the evidence about risk and protective factors to underpin future outcomes based services. This survey aims to include a representative sample of urban and rural children and young people.

The remaining funds are provided for Early Childhood Education and Care Initiatives which include:

- $2.7 million over four years to provided free kindergarten for 3 year old Aboriginal children (health care card holders);
- $4.1 million over four years for phased expansion of the Koori Early Childhood Education Program (KECEP); and
- $1.8 million over four years to develop and implement an Enriched Home Learning School will be subject to phased rollout over the next few years.

Distribution of these funds to specific sites has not yet been resolved. Funding will initially be directed to sites with higher concentrations of Aboriginal children in the first years. These initiatives will be extended to all Aboriginal three year old children covered by a health care card by 2010.

Priority sites for additional KECEP workers and three pilots for Enriched Home Learning Initiative are currently being determined, but these will encompass both rural and urban locations in line with the geographical distribution of Aboriginal children.

A formal evaluation will be conducted in relation to the Enriched Home Learning Program and kindergarten participation will be assessed through annual survey of participation rates in April of the relevant year. The survey specifically queries all kindergarten program providers to determine the impact of three year old kindergarten participation on subsequent four year old participation rates.

The *Survey of Victorian Indigenous Child Health, Development and Wellbeing* which is to be based on the successful work of the Telethon Institute of Child Health Research (ICHR) will collect valuable information on all aspects of Aboriginal children's health, development and wellbeing and provide baseline data for future evaluation efforts. The survey tool is currently being adapted and piloted by professional researchers at Onemda Centre Melbourne University.

The Survey of Victorian Indigenous child health, development and wellbeing will be completed by May 2009 and the final report published as the *State Report of Victoria's Indigenous Children* by November 2009. The Enriched Home Learning Program will be evaluated by June 2010 and other initiatives monitored on an ongoing basis.

*Further information was requested from the Minister for Health regarding pregnancy support services for Aboriginal women.*

***In relation to the allocation of $1.1 million to continue to support services for Aboriginal women during pregnancy and the post natal period, could you please indicate: how much of this funding will be directed towards urban Aboriginal programs; how these programs will be assessed; over what period will these programs be assessed?***

This funding is used to employ a midwife and Aboriginal maternity worker to provide a range of clinical, linkage, advocacy and health promotion services, including a focus on outreach services in two services at Dandenong and Echuca. The 2007-08 budget allocation provides funding of $137,000 per service over four years ($1.1 million) to continue delivery of these services. The services in Dandenong and Echuca are two of a total of 11 services providing crucial services to Aboriginal women in pregnancy and in the postnatal period, throughout Victoria. The Dandenong service is the only urban program funded from this source.

These programs are subject to annual performance reporting. In addition a small evaluation project will be conducted later this year with the Melbourne University Centre for Women's Health. This evaluation will review available data on activities and where possible outcomes for women in all 11 Koori maternity services sites, and compare these outcomes with other Aboriginal women who did not receive Koori Maternity Services. Activities and outcomes of interest include:

- week (or trimester) antenatal care began;
- antenatal Care type (formal shared care, care informally shared between Aboriginal health service and hospital, hospital provided antenatal care);
- number of antenatal visits;
- parity;
- smoking status of women at 20 weeks and at birth;
- report of alcohol/substance abuse use during pregnancy;
- age of mother at birth;

- mode of delivery (normal vaginal delivery, forceps/vacuum extraction, c-section);
- birthweight;
- gestational age;
- perinatal mortality; and
- breastfeeding status.

The evaluation project will review a recent two year period while Koori maternity services generally, are monitored on an annual basis.

*Further information was requested from the Department of Innovation, Industry and Regional Development regarding the Koori Business Network.*

***In relation to the $1.8 million allocated over two years to fund the Koori Business Network, could you indicate: how much of this funding will be directed towards urban Aboriginal programs; how these programs will be assessed; over what period will these programs be assessed?***

Salaries dedicated to overall delivery of the Koori Business Network (KBN) Programs for the next two years will be $1.2 million. $200,000 over the next two years has been identified for urban Aboriginal programs, some of which are in the process of being developed.

These programs will be assessed over a two year timeframe, but linked to a broader research program within KBN and in partnership with major academic institutions. This process will allow KBN to measure success and identify benchmarks as well as developing new models for Indigenous growth and development.

The programs will be assessed via the following methods:

- project proposals;
- clearly defined outcome measures;
- evaluation of projects linked to the KBN database;
- monitoring progress through project milestones;
- providing appropriate briefs and reports within the Department of Innovation Industry and Regional Development and across government;
- government working groups;
- feedback from the Aboriginal community via consultation; and
- success for businesses operating as a commercial entity.

*Further information was requested from the Department for Victorian Communities relating to continuing Indigenous capacity building initiatives.*

The Department for Victorian Communities is being funded $5.1 million over four years for continuing initiatives that build Indigenous capacity. Other than the funding which will support the Lake Tyers Aboriginal community and the COAG trial in Shepparton, the initiatives are being conducted on a statewide basis and will benefit Indigenous people living throughout metropolitan Melbourne and regional Victoria.

## Governance Training Program

The components of the Governance Training Program (three day workshops and Certificate IV) are reviewed after each week of training and reports are prepared at the completion of each course. The Program is reviewed annually during the first quarter of the following year and an impact evaluation will be conducted every two years (the first) is planned in 2008-09). The reviews focus on the effectiveness of the training and levels of participation. The impact evaluation will assess the effects on governance and participants resulting from the program.

To date eight three day workshops have been held in Melbourne (3), Lakes Entrance, Bendigo and Warrnambool, Shepparton and Swan Hill. Representatives from 64 Indigenous organisations across the state have participated in the program.

## Victorian Indigenous Youth Advisory Council (VIYAC)

The government has invested in VIYAC to:

- provide Victoria's Indigenous young people who are motivated to become involved in youth issues with a supported development opportunity; and
- because a relationship with VIYAC will create shared understanding of youth issues and government policy priorities. With approximately 60 per cent of Victoria's Indigenous population under the age of 25 years there is a need for and Indigenous specific youth policy to support these young people who are the future Indigenous leaders, develop leadership at the local level to act as successors to today's Indigenous leaders.

A service agreement including a 12 month service plan has been agreed with the peak youth agency for Victoria, the Youth Affairs Council of Victoria (YACViC) which auspices the funds for VIYAC. This service plan includes agreed outputs, outcomes and targets for VIYAC which must be reported on annually.

In addition it is planned to undertake an impact evaluation at the end of year three of funding (June 2010).

## Shepparton COAG Trial

The Victorian Government is partnering with the Aboriginal community in Shepparton, the federal government and Greater Shepparton Council on the COAG trial in Shepparton. This initiative is about governments working together with the Shepparton Indigenous communities to get better results for people on the ground through a focus on community priorities.

The performance monitoring and evaluation framework has several key elements and monitoring and evaluation will be undertaken at a number of different levels including:

- at the community and/or regional level;
- at the state and national level; and
- within the Australian and state and territory public services.

The whole of government initiative was evaluated by an independent expert two years after commencement of the trial and will be evaluated again after five years. Data collected and analysed through the performance monitoring process and feedback received from trial regions is included in the evaluation.

A copy of the Australian Government performance monitoring and evaluation framework can be obtained from the COAG trial website at:

http://www.indigenous.gov.au/coag/docs/PerfMonFramework_Oct2003.pdf

The funding provided in the 2007-08 budget will support a further period of administration for the Lake Tyers community. This will include the development of new structures which will be undertaken in partnership with the Lake Tyers community.

There have been improvements in the internal administration at Lake Tyers; however there continues to be a need to provide assistance in establishing internal governance structures sufficient to enable management to be returned to an elected Trust Board.

### Streamlining administrative arrangements

This initiative is delivering on *A Fairer Victoria* commitment to make it easier for Indigenous communities to work with government.

One of the ways this will be achieved is through improving the way funding to Indigenous community organisations is administered. The end result of this work will be that an Indigenous community organisation which receives grants from three or four different departments for example, will be able to manage and administer that funding in the same way for each department and be confident that they are meeting the expectations of the government.

## *Aged Care portfolio*

### QUESTION 1

***The Minister undertook to provide details of the expenditure associated with addressing elder abuse during 2006-07.***

In the year to date up to the 30 April 2007 a total of $151,646 has been expended in the development of a range of initiatives to address the problem of elder abuse. These include a statewide community education service and older persons' legal service, professional education and support for workers in the field, revision of a guide for aged and community services, an information campaign to the Victorian community and whole of government coordination. Tenders to establish the community education and older persons' legal centre will be called on 11 July 2007.

### QUESTION 2

***With regard to public transport services available to senior Victorians, the Minister to detail the:***

- ***number of senior Victorians that have applied for a Seniors Sunday Pass since it commenced on Sunday 27 August 2006;***
- ***expected cost for 2006-07; and***
- ***total output cost of this measure in the 2007-08 budget.***

*This question was referred to the Minister for Public Transport who provided the following response.*

The Seniors Sunday Pass was launched on Sunday 27 August 2006 as part of the Senior Travel Package contained in the government's Meeting Our Transport Challenges action plan. Victorian Seniors Card holders have been able to apply for a Seniors Sunday Pass since July 2006 at railway

stations or by mail. In the 12 months from July 2006 to the end of June 2007, over 350,000 Seniors Sunday Passes have been issued.

The expected cost of the Senior Sunday Pass in 2006-07 is $1 million.

The estimated output cost of the Seniors Sunday Pass included in the 2007-08 budget is $1 million.

## *Attorney-General portfolio*

### QUESTION 1

***Question that was transferred from the Women's Affairs portfolio for response by the Attorney General's portfolio relating to the extent of support provided by the government for women who wish to leave the sex industry.***

*This question was referred to the Minister for Consumer Affairs who provided the following response.*

The Bracks Government, through the Department of Human Services, funds the community based sex worker organisation RhED (Resourcing health and Education in the sex industry). RhED undertakes a vast array of activities including education (on sexually transmitted infections, the law, personal physical safety, mental health issues in the industry and occupational health and safety), community liaison work, advocacy, building linkages and non-discriminating referral pathways for sex workers to other community organisations and professionals (lawyers, tax consultants, bank managers).

In addition, the government, through the Department of Justice, will provide $180,000 over three years for Project Respect and the Good Shepherd Social Justice Network to assist women who have been trafficked into Australia to work in the sex industry.

Further to the above, there are a range of specialised programs tackling the types of social disadvantage highlighted by the Project Respect outreach worker, such as problem gambling, domestic violence, drug addiction and low self-esteem. The social policy platform *A Fairer Victoria* includes a range of programs designed specifically to address such disadvantage.

## *Consumer Affairs portfolio*

### QUESTION 1

***Further information on the financial counselling program and how low income Victorians who experience this will be assisted.***

As part of our commitment to *A Fairer Victoria*, the Bracks Government, through Consumer Affairs Victoria, funds a financial counselling program which provides advice and assistance to low income Victorians experiencing financial difficulty.

44 community agencies are funded to provide financial counselling services as well as the Financial and Consumer Rights Council, the peak financial counselling body within Victoria. I am pleased to have visited 7 of these services located across Victoria so far this year.

The Program provides assistance and advice to around 36,000 persons each year which is constituted by 11,000 substantive services[272] and 25,000 non-substantive services.[273] The Program is particularly well targeted with 96 percent of clients being low income Victorians holding a Health Care Card. The Program is meeting its objectives and is run efficiently.

The cost of the Program in 2006-07 was $5.1 million with $2.2 million of this provided by the Community Support Fund. All funding for the Program in 2007-08 will be drawn from appropriations.

$5.2 million (excluding GST) has been allocated for the generalist financial counselling program in 2007-08. This funding includes an indexation increase of 2.9 percent on the 2006-07 year.

One of our key election commitments in the Consumer Affairs portfolio is implementing the government's response to the *Report of the Consumer Credit Review*. The review emphasised the importance of access to financial counselling services for all Victorians, particularly vulnerable and disadvantaged consumers, and recommended early intervention counselling and quality standards for services providers. The government's response supported these recommendations.

Services provided by financial counsellors include:

- explaining financial options and the potential consequences of not paying bills, fines, or other debts;
- working out budget and payment strategies;
- helping to negotiate with creditors;
- providing advice about govt services or benefits, like bond assistance, rent or mortgage relief etc;
- indicating possible ways to recover fines and costs, or overcome legal action to seize assets;
- providing information about legal rights & options, and
- providing referrals to other organisations that can help.

The funding agreements for 2007-08 will include:

- enhanced performance indicators in relation to standards for financial counselling;
- service delivery targets for local government areas; and
- community development activities and service hours of operation.

The Department of Justice is currently conducting a review of the Financial Counselling Programs in Consumer Affairs Victoria and the Office of Gaming and Racing. The findings of the review will inform the future administration and funding arrangements of the programs.

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272 Substantive – a substantial engagement with the client and usually involves a broad assessment of their financial situation.

273 Non-substantive – a short interaction with a client, either in person or by telephone, usually involving a single issue. For funding purposes, nine non-substantive cases equal one substantive case.

## *Corrections portfolio*

### QUESTION 1

***Estimate of the annual daily recurrent cost of housing prisoners in public and private prisons respectively, for the estimates period, by prison.***

The annual daily recurrent cost of housing public and private prisoners has been provided for the 2007-08 period only. The numbers of beds in operation in this period include additional funded capacity as agreed in the 2007-08 budget. Future estimates of capacity beyond 2007-08 will be established as part of the *Prison Facilities Master Plan 2007-2012*. Until this is determined, forward estimates beyond 2007-08 are unable to be provided.

### Table A4.11: Annual daily recurrent cost of housing prisoners 2007-08

| Prison | 2007-08 ($ per day) |
|---|---|
| Ararat Prison | 177.8 |
| Barwon Prison | 255.7 |
| Beechworth Correctional Centre | 187.1 |
| Dame Phyllis Frost Centre | 269.2 |
| Dhurringile Prison | 186.0 |
| Langi Kal Kal | 165.1 |
| Loddon Prison | 180.8 |
| Marngoneet Correctional Centre | 227.8 |
| Melbourne Assessment Prison | 248.7 |
| Melbourne Remand Centre | 222.4 |
| Tarrengower Prison | 242.7 |
| **Public Prison Average** | **217.1** |
| **Private Prison Average** | **200.6** |
| **Average for all Prisons** | **211.2** |
| **Number of Beds (as per BP3)** | **4,100** |

*Explanatory Notes:*

- *The calculations in the above table are based on the Corrections Victoria Forward Estimates information as at May 30, 2007, with applicable adjustments applied to align with the COAG methodology*
- *Cost per day, consistent with the COAG methodology, includes direct costs at each location, attribution of indirect costs from within CV, attribution of education costs from the Office of Training and Further Education (OTTE) and the allocation of corporate costs from within Department of Justice*
- *Cost per day is based on recurrent costs per day for each location, excluding asset related expenses such as depreciation, capital asset charge and debt service payments*
- *The number of occupied beds is based on the outputs included in the budget papers at approximately 95 per cent occupancy. This provides for 4,100 beds in 2007-08*
- *A combined average cost has been shown for the private prisons for commercial in confidence reasons arising from the current review of the Prison Services Agreements for one of the private contractors*

*Source:* *Hon. B Cameron MP, Minister for Corrections, response to the Committee's questions on notice, received 22 June 2007, p.1*

## *Gaming portfolio*

### QUESTION 1

***Breakdown of individual funding of the 17 services provided under the Gamblers Help Service facility.***

### Table A4.12: Breakdown of approved funding allocation 2006-07 and 2007-08

| Region | Auspice agency | 2006-07 Total ($) | 2007-08 Total ($) | Change (%) |
|---|---|---|---|---|
| Barwon South West | Bethany Community Support Inc. | 513,283 | 537,548 | 4.5 |
| | Community Connections (Victoria) Limited | 227,996 | 236,245 | 3.5 |
| **Sub-total** | | **741,279** | **773,793** | **4.2** |
| Eastern | Eastern Access Community Health Inc | 1,168,501 | 1,290,490 | 9.5 |
| **Sub-total** | | **1,168,501** | **1,290,490** | **9.5** |
| Gippsland | Anglicare Victoria (Gippsland) | 681,261 | 735,413 | 7.4 |
| **Sub-total** | | **681,261** | **735,413** | **7.4** |
| Grampians | Child and Family Services Ballarat Inc | 142,405 | 145,969 | 2.4 |
| | Relationships Australia (Victoria) Inc | 395,927 | 405,827 | 2.4 |
| **Sub-total** | | **538,332** | **551,796** | **2.4** |
| Hume | Goulbourn Valley Community Health Service Inc | 274,710 | 279,598 | 1.7 |
| | Mitchell Community Health Services inc | 70,220 | 74,093 | 5.2 |
| | Upper Hume Community Health Service | 261,821 | 272,769 | 4.0 |
| **Sub-total** | | **606,752** | **626,460** | **3.1** |
| Loddon Mallee | Bendigo Community Health Centre | 325,207 | 341,575 | 4.8 |
| | Mallee Family Care Inc | 188,127 | 207,193 | 9.2 |
| | St Luke's Anglicare | 63,101 | 71,412 | 11.6 |
| **Sub-total** | | **576,435** | **620,180** | **7.1** |
| North and West | Victorian Aboriginal Health Service (VAHS) | 226,713 | 232,382 | 2.4 |
| | Banyule Community Health Service | 1,210,888 | 1,312,118 | 7.7 |
| | Isis Primary Care Inc | 681,827 | 722,386 | 5.6 |
| | The Salvation Army (Victoria) Property Trust-Western | 807,199 | 986,632 | 18.2 |
| **Sub-total** | | **2,926,626** | **3,253,518** | **10.0** |
| Southern | Bentleigh Bayside Community Health Service Inc | 1,561,769 | 1,775,439 | 12.0 |
| **Sub-total** | | **1,561,769** | **1,775,439** | **12.0** |
| Statewide | Council of Gamblers Help Services | 246,610 | 339,026 | 27.3 |
| **Sub-total** | | **246,610** | **339,026** | **27.3** |
| **Total** | | **9,047,564** | **9,966,115** | **9.2** |

*Source: Mr D Andrews MP, Minister for Gaming, response to the Committee's questions on notice, received 29 June 2007, p.2*

## *Health portfolio*

### QUESTION 1

***Details regarding the Victorian taskforce's 29 separate recommendations concerning the issue of violence against nurses.***

In 2004, the government established the Victorian Taskforce on Violence in Nursing to examine key issues and recommend specific strategies to address occupational violence and bullying against nurses. The final report, *Victorian Taskforce on Violence in Nursing (final report)*, including 29 recommendations aimed at addressing the problem of violence and bullying against nurses in a more consistent and coordinated manner, was presented in December 2005.

Funding has been committed to implement the recommendations and the implementation is being undertaken in collaboration with a range of stakeholders including WorkSafe, Department of Justice, unions and health services. A reference group has been established to assist with implementation of the recommendations and provide advice when required.

Implementation of the recommendations commenced in March 2006 and considerable progress has been made by health services, other agencies and the department over the past twelve months. An integrated workplan has been developed to incorporate all 29 recommendations in a logical and structured way that builds on the work and initiatives occurring across the department affecting all health workers, including nurses.

The principles guiding the workplan include:

- that a whole of workforce approach (inclusive of nurses) is essential to comprehensively address violence and bullying in the workplace;
- building on existing occupational health and safety infrastructure rather than duplication is necessary to ensure sustainable progress;
- related work/initiatives being undertaken across the department should be capitalised on to support implementation;
- there should be clear alignment of occupational violence (in nursing) policies with related policies already in place; and
- activities requiring funding need to be prioritised by both the department and health services.

The implementation of a number of the recommendations from the Victorian Taskforce on Violence in Nursing will require the allocation of resources to build the capability of health services to assist in the prevention and management of occupational violence and bullying. The 2007-08 budget allocates $1 million over four years as part of Hospital Futures to improve the safety of nurses and patients in emergency departments, and enable implementation of the recommendations of the Victorian Taskforce on Violence in Nursing. This activity forms part of the government's 2006 election commitment to improve emergency and critical care services.

Considerable work has been progressed by health services in relation to the management and prevention of occupational violence and bullying for those taskforce recommendations that are the responsibility of health services to implement.

The *Occupational Health and Safety Act 2004* sets out a framework for the prevention of workplace injury and disease and health services are required to meet their obligations to provide as far as reasonably practicable, a workplace that is safe and without risk to health. Since the release of the final report, many health services have continued to address occupational violence as part of an integrated OHS approach.

A focus on safety at emergency departments reflects the findings of the taskforce that over half of all internal security responses to actual or potential violence in health services occurred in the emergency department. The implementation of the recommendations as described above, will build capacity in all areas of health services including emergency departments.

## *Local Government portfolio*

### QUESTION 1

***The Minister undertook to provide further details on those neighbourhood houses that are partially funded by the government and on those houses that are fully funded by local councils***

The Neighbourhood House Coordination Program (NHCP) provides recurrent coordination funding to neighbourhood houses and neighbourhood house networks, as well as recurrent support to the Association of Neighbourhood Houses and Learning Centres (ANHLC).

A total of 8981 hours of coordination funding per week are now provided under the NHCP, with the 348 funded houses receiving a total of 8638 hours per week (or an average of 24.8 hours of funding each) and the 16 Neighbourhood House networks receiving a total of 343 hours per week (an average of 21.4 hours each).

The table below provides a summary of the number of hours of funding currently provided to neighbourhood houses:

### Table A4.13: Hours of funding per week to Neighbourhood Houses

| No. of hours of funding per week | No. of houses |
|---|---|
| 5* | 1 |
| 10* | 3 |
| 15* | 10 |
| 20 | 128 |
| 25 | 122 |
| 30 | 41 |
| 35 | 21 |
| 38 | 1 |
| 40 | 21 |
| **Total** | **348** |

*Note:* **All houses receiving less than 20 hours of coordination funding per week were offered additional hours in 2006 to lift their total to 20 hours. This offer was not taken up by all houses*

*Source:* *Mr R Wynne MP, Minister for Local Government, response to the Committee's questions on notice, received 26 June 2007, p.1*

While the NHCP makes a significant contribution to the cost of employing coordinators, neighbourhood houses are able to use a proportion of program specific funding and revenue generated through other activities to 'top-up' funding for coordination positions. In many cases, local councils also make a financial contribution to neighbourhood houses and these funds may, in part, be used to assist with the employment of a coordinator.

The Department for Victorian Communities does not maintain records on the financial contribution that councils make to neighbourhood houses.

In addition to the 348 neighbourhood houses currently funded under the NHCP there are approximately 30 to 40 other community based organisations in Victoria that run neighbourhood house type programs and activities. These are funded through a combination of council grants and fee revenue generated through the provision of programs.

In July 2007, organisations not currently receiving funding under the NHCP will be invited to apply for funding under the new Neighbourhood House Foundation Grants Program. Successful applicants will receive an infrastructure grant of up to $2,500 and up to eight of these organisations will receive ten hours of coordination funding per week through the NHCP.

## *Parliamentary departments*

### QUESTION 1

***Whether it is possible for members to donate existing computers to their communities through existing local arrangements.***

Members have previously made requests to the Speaker for approval to have 'old' and replaced parliamentary computers donated to local communities of their choice. To comply with the recent safety legislation, the Parliament's policy has been to forward all unserviceable and/or replaced PCs and laptops to a third party and in this case to Infoxchange Australia (greenpc.com.au). Members who seek 'old' equipment on behalf of Clubs or Associations are given the following contact to access redundant equipment: Claudio Angelucci, Operations Manager, Affordable Access Unit, 375–377 Johnson Street, Abbotsford Vic. 3067 (Ph. 03 94869355).

## *Police and Emergency Services portfolio*

### QUESTION 1

***Activities and educational programs in place to limit the use of force and prevent fatal shootings.***

*The Committee will request information from the Minister for Police and Emergency Services during the budget outcomes process. Information received will be considered for inclusion in the Report on the 2006-07 Budget Outcomes.*

## QUESTION 2

***The combined number of fatal shootings for all states and territories, except Victoria, since 1990.***

Between 1990 and 2005, there have been a total of 48 shootings for all other states and territories, except Victoria. The Australian Institute of Criminology has yet to publish the 2006 data.

NSW had a total of 18 fatal shootings over this period, Queensland had 11, Western Australia 4, South Australia and the Northern Territory had 6 each, Tasmania 2, and the ACT 1.

## QUESTION 3

***Gender breakdown of the 1,625 offenders who have had vehicles impounded since 1 July 2006.***

Of the 1,625 first time impoundments undertaken between 1 July 2006 and 30 April 2007, 25 were female drivers and 1,599 were male. The record on one of the impoundments does not record gender.

## QUESTION 4

***Criteria used by the Country Fire Authority to develop a base kit of equipment for each brigade.***

The Country Fire Authority (CFA) provides brigades with equipment based on the level of risk for their area of responsibility. Currently CFA has equipment criteria for five levels of risk:

1. Wildfire
2. Wildfire/low structure
3. Structure/wildfire
4. Structure/low wildfire
5. Structure

## QUESTION 5

***Percentage of road deaths attributed to suicides.***

I am advised by Victoria Police that in the 2005-06 year, 12 road deaths (which occurred in country Victoria) were attributed to suicide. The road toll for the financial year 2005-06 was 322 (eight below the 'arrive alive!' target of 330); however, incidents of suicide are not formally included in road toll figures. The 12 road deaths represent 3.6 per cent of the combined total of 334 road deaths.

## QUESTION 6

***Status of the existing upgrades and replacement program for police stations and police facilities.***

At 31 March 2007, the status of upgrades and replacement projects for Victoria Police was:

- 20 large metropolitan or regional centre police stations;
- 21 small rural police stations;
- 34 one member police stations;
- 13 police residences;
- the forensic facility at Macleod; and
- the police air wing relocation project.

The status of the projects not yet completed is as follows:

- 3 station sites have been secured;
- 1 station has had a site secured and design completed;
- 9 stations are in construction; and
- 3 station sites are yet to be identified.

Funding is provided in the 2007-08 budget to build eight new police stations. The recent budget also provided funding to undertake substantial upgrade works at the St Kilda Road Police Complex, for the Crime Department.

## QUESTION 7

***Number of sworn police officers on permanent or indefinite sick leave, WorkCover, maternity leave or extended maternity leave and leave without pay.***

At 30 April 2007, the breakdown of sworn police officers on long term leave (defined as greater than 110 days) was as follows:

| | | |
|---|---|---|
| • sick Leave | 27 | |
| • maternity/paternity Leave | 8 | |
| • workover | 110 | |
| • leave without pay | 35 | |
| • *other | 24 | *(* includes items such as military leave, suspensions (with and without pay) and temporary pensions)* |

### Short Term Leave

On 30 April 2007, an additional 107 sworn police officers were recorded as being absent, either on Maternity/Paternity Leave or Leave Without Pay, who were not captured in the long term figures cited above. The totals of absent staff in these two categories on this date were:

- maternity/paternity leave 83 *(including 8 long term noted above)*
- leave without pay 67 *(including 35 long term noted above)*

## *Premier's portfolio*

### QUESTION 1

***Provision of additional detail relating to potential anomalies in the provision of certain forms of drought assistance to rural communities.***

Applications for the Drought Relief for Country Sports Program 2007 closed on 21 February 2007. Only Councils within towns on stage 3 and stage 4 water restrictions were eligible for funding. While not specifically targeted as drought assistance, funding for development and upgrade of football playing fields is available to country football clubs through the Country Football and Netball Program. Clubs can access funds by submitting an expression of interest to their local council. Councils can then choose to endorse project proposals and submit applications to the Department for Victorian Communities for funding consideration. The focus of the Program is capital works projects. For instance, a club could make an application for funding for the instillation of irrigation lines, bores or other water delivery infrastructure. All project applications are assessed against the Country Football and Netball Program eligibility and assessment criteria.

The Victorian Government has taken great care in ensuring that a wide range of resources are available to help support the rural community through this drought. The broad eligibility criteria for the provision of drought assistance are generally based on the status of Exceptional Circumstances and water restrictions. These criteria have been selected to provide fair and equitable support for those in the greatest need and hence there may be instances in which communities or individuals are not eligible for some forms of assistance.

## *Victorian Communities portfolio*

### QUESTION 1

***The total number of funding applications made to the Community Support Fund in 2006-07 and the proportion of those funded or ruled ineligible.***

- total number of community grant applications 2006-07 146
- approved 21.2 per cent
- under assessment 32.2 per cent
- unsuccessful 23.3 per cent
- withdrawn (ineligible/incomplete/referred to other source) 23.3 per cent

The program does not operate on a financial year basis. Applications can be submitted at any time and are not automatically assessed within the financial year they are received.

## QUESTION 2

***A list of organisations that provide No Interest Loans.***

No Interest Loans (NILS) Providers in the process of being re-accredited or newly accredited since Victorian Government funding of Good Shepherd Youth and Family Service announced in June 2006 are as follows:

## Table A4.14: Organisations providing No Interest Loans

| **NILS re-accredited providers** |
|---|
| Wellsprings for Women |
| Goulburn Valley NILS |
| Wellington Community NILS |
| Yarra Ranges NILS |
| Port Phillip Community Group NILS |
| Ballarat NILS |
| Concern NILS |
| Mornington Community Information and Support Centre NILS |
| Goulburn Valley Family Care Inc |
| Anglicare Victoria |
| East Burwood Centre Inc |
| Financial Counselling Victoria Inc |
| Knox City Council |
| Kildonan Child and Family Services NILS |
| Broadmeadows NILS |
| Maroondah NILS |
| Moreland NILS |
| Dandenong Advisory Centre Inc NILS |
| **NILS new providers** |
| Bendigo Family and Financial Services NILS |
| East Gippsland NILS |
| Sunraysia NILS |
| Springvale NILS |
| South Gippsland NILS |
| Darebin – Northcote Community Information Service – NILS |
| Women's Health Goulburn NE NILS |
| Women's Health Goulburn NE NILS (domestic violence program) |

*Source: Hon. P Batchelor MP, Minister for Victorian Communities, response to the Committee's questions on notice, received 19 June 2007, p.4*

## *Women's Affairs portfolio*

### QUESTION 1

***Projects currently provided by the Department of Human Services in relation to the women's safety strategy.***

The work of the Women's Safety Strategy is monitored by the annual meeting of 11 ministers who have signed up to the Strategy. It demonstrates government's commitment to the issue and a concerted effort to a joined up, whole of government approach.

While the Minister for Women's Affairs is the coordinating Minister for the strategy, each individual initiative is funded within a specific portfolio and overseen by the Minister responsible for that portfolio.

Projects provided by the Department of Human Services under the strategy are as follows:

### Table A4.15: Women's Safety Strategy Projects provided by the Department of Human Services

| Initiative | Department/agency |
|---|---|
| 1. Whole of government response to family violence | Department for Victorian Communities<br>Department of Justice<br>Department of Human Services |
| **Protection and Justice** | |
| 2. Protocol Resource Guide: A Joint Child Protection and Family Violence Services project | Department of Human Services |
| 3. Research on the Safety and Related Needs of CALD Women in Rural Areas who are Experiencing Family Violence | Department of Human Services |
| 4. Researching Recovery from Family Violence Project | Department of Human Services |
| 5. Supporting Vulnerable Families – Innovation Projects | Department of Human Services |
| 6. Violence and Women with Disabilities project | Department of Human Services |
| 7. Women's Health and Wellbeing Strategy | Department of Human Services |
| 8. Health Costs of Violence: measuring the burden of disease caused by intimate partner violence | Department of Human Services |
| 9. High Rise Strategy | Department of Human Services |
| **Community Action and Coordination** | |
| 10. Enhancing community responses to men who use violence | Department of Human Services |
| 11. Enhanced Family Violence Network Program | Department of Human Services |
| 12. Neighbourhood Renewal Strategy | Department of Human Services |
| 13. Resourcing local communities to prevent family violence | Department of Human Services |
| 14. Indigenous Family Violence Strategy for Victoria | Department for Victorian Communities<br>Department of Human Services |

*Source: Ms J Allan MP, Minister for Women's Affairs, response to the Committee's questions on notice, received 18 June 2007, p.1*

### QUESTION 2

***Current rental charge for the tenant, Emily's List, at the Queen Victoria Women's Centre.***

Emily's List has been a tenant of the Queen Victoria Women's Centre (QVWC) since 12 January 2005.

The following Charter is contained in leases for space within the QVWC:

> *The Queen Victoria Women's Centre will be occupied by a combination of tenants, in such a way as to complement and maximise the Centre's capacity to provide services and facilities for women, including health information services, rest and meeting rooms and other services and facilities. (This reflects section 59(e) of the Queen Victoria Women's Centre Trust Act 1994)*

Leases at the QVWC are negotiated with each tenant on the basis of location within the building and current circumstances. Lease agreements are commercial in confidence as between the QVWC and its tenants.

## *Youth Affairs portfolio*

### QUESTION 1

***Breakdown into new and existing funding of the $14 million referred in the Minister's budget day press release as funding provided for youth programs.***

The budget for the Office of Youth is $14.9 million. Of this $800,000 is new funding for programs. The balance of $14.1 million is existing funding.

# Vibrant democracy vision

# Vibrant democracy vision

## *Aboriginal Affairs portfolio*

### QUESTION 1

***Further elaboration on the method of calculation of extra costs for management plans of $15.6 million over ten years for the Aboriginal heritage regulations. Total projected amount anticipated to be paid during this period to all registered Aboriginal parties in Victoria.***

Information on how the $15.6 million is calculated is provided on pages 33–34 of the Regulatory Impact Statement (RIS).

Based on consultations with cultural heritage advisers, the cost of preparing an assessment under the previous system varied according to its complexity:

- a desktop assessment covering small activities had a cost range averaging $4,250;
- a standard assessment which covers the majority of activities and entails the results of the desktop analysis, field assessment encompassing a survey at minimum, and sub surface testing in some cases had a cost averaging $8,500; and
- a complex assessment covers large activities such as some of those warranting an Environment Effects Statement. The cost of complex assessments averaged $31,575.

It is estimated that on average approximately 20 per cent of assessments are desktop, 50 per cent are standard and 30 per cent are complex. This implies that the (weighted) average price of a management plan under the previous system was $14,573.

Based on the standards in the proposed Regulations, the cost of preparing cultural heritage management plans will increase. In particular, there will be costs involved in changes to the cultural heritage assessment, and in developing dispute resolution procedures. In total it is expected that the cost of management plans will increase by $5,889 on average per plan to $20,462. Of course, for individual plans the actual amount may be less, or more than this amount, reflecting the fact that this amount is a weighted average of the increase across the three different types of plans.

In 2006 Aboriginal Affairs Victoria received 380 cultural heritage assessments in relation to approximately 50,000 activities requiring planning permits in Victoria.

An increase of $5,889 on average per plan for an estimated 380 management plans equates to $15.6 million net present value over ten years (the 'net present value' represents the stream of future costs – $2.2 million per year – discounted at a rate of 5 per cent each year in order to express those costs in today's dollars).

This amount represents the estimated additional cost for sponsors to have those plans prepared each year. The amount that sponsors pay for Registered Aboriginal Parties (RAPS) to evaluate plans (once plans have been prepared) is considered elsewhere in the RIS.

## *Aged Care portfolio*

### QUESTION 1

***A reconciliation be provided that reconciles table 2.10.1 in Budget Paper No.4 (p.122) regarding output appropriations with the output summary (p.235) in Budget Paper No.3.***

### Table A4.16: Reconciliation of funding for the Aged Care portfolio

| | **($ million)** |
|---|---|
| **Output appropriations table 2.10.1, Budget Paper No.4, *2007-08 Statement of Finances*** | 292.6 |
| Add: Community Support Fund (a) | 17.8 |
| Add: VLESC Funding (b) | 13.5 |
| **Output summary Budget Paper No.3, *2007-08 Service Delivery*, p.235** | **323.9** |

*Notes:* *(a) The $17.8 million adjustment for the Community Support Fund is the difference between estimated revenue of $90.2 million and estimated payments of $108 million in 2007-08. The fund itself is not budgeted to be in deficit as a result*

*(b) VLESC funding of $13.5 million is expected to be received from the Office of Training and Tertiary Education*

*Source:* *Ms L Neville MP, Minister for Aged Care, response to the Committee's questions on notice, received 21 June 2007, p.1*

### QUESTION 2

***The level of services the portfolio expects to provide, both in terms of resources and funding, in servicing the Committee next year, bearing in mind its experience over the last few years.***

*The Minister for Victorian Communities provided the following response.*

In relation to this issue the preparation of information for PAEC is seen as an integral part of the budget development process within the department and therefore is not costed as a separate activity. As part of preparing all budget briefings, they are prepared by administrative officers within the department and then reviewed by executive officers. No additional costs are incurred as the costs are seen as part of the departments operations. In addition, much of the information is prepared as part of developing bids as part of the budget process and submitting a budget submission. The work in relation to PAEC is to a large degree, collating budget information already prepared as part of the budget process.

To assist the Committee, an estimate has been prepared in relation to the 12 budget estimates hearings at which the department ministers appear. It has been assumed that an administrative officer at a VPSG5 level would prepare the brief and this would involve approximately three hours per brief. Therefore the number of briefs by the hourly costs and adding an executive review cost of 10 per cent provides an indicative cost for the Committee. It is also estimated that one VPSG5 officer also coordinates the collation and review process of all PAEC briefs for approximately 40 days. The table below details the costs per portfolio based on the above methodology.

### Table A4.17: Estimated cost for PAEC activities in 2007-08

| Function | Cost ($) |
|---|---|
| 506 briefs at 3 hours per brief at $45 per hour including on-costs | 68,310 |
| Estimated 10 per cent executive review cost on above | 6,831 |
| Cost of Grade 5 coordination for 40 days | 13,680 |
| **Total estimated cost** | **88,821** |

*Source: Hon. P Batchelor MP, Minister for Victorian Communities, response to the Committee's questions on notice, received 19 June 2007, p.5*

## *Agriculture portfolio*

### QUESTION 1

***Amount of the total spend in the agriculture portfolio.***

Total budgeted expenditure for the agriculture portfolio for 2007-08 is $396.2 million.

### QUESTION 2

***Level of resources the portfolio's department expects to spend, both in terms of staffing and finances, in regards to servicing the Committee next year, having regard to experience over the last few years.***

Resources used by the Department of Primary Industries (DPI) for all PAEC processes has been conservatively estimated at $80,000 per year. This includes hearings, questionnaires and follow-up

questions and takes into account staffing costs and other operating supplies such as paper, printing, copying and stationery.

DPI has a team of three Victorian Public Service (VPS) staff who have primary responsibility for coordinating all PAEC related processes across DPI. The Chief Finance Officer dedicates time to the PAEC processes and significant input is also provided by other VPS grade staff for financial advice, communication advice and coordinating updates to parliamentary briefings. Input is also provided by various senior executives and other staff members across DPI.

## *Arts portfolio*

### QUESTION 1

***Estimated savings from the closure of the National Gallery of Victoria International on Tuesdays and of the National Gallery of Victoria Australia on Mondays.***

The savings from one day per week closing at the National Gallery of Victoria are around $1.6 million per annum.

## *Attorney-General portfolio*

### QUESTION 1

***A reconciliation of the number of court matters disposed of (316,500 in Budget Paper No.3, p.162) and the Minister's statement at the budget estimates hearing of over a million matters disposed of.***

The number of initiations and finalisations as reported in the *Report on Government Services 2007* are 1,089,900 and 1,380,700 respectively. These numbers include the initiations and finalisations of the Infringements Court, formerly known as Penalty Enforcement Registration Infringement Notice (PERIN) Court. Approximately 741,300 initiations and approximately 1,073,300 finalisations are associated with the Infringements Court out of the total initiations of 1,089,900 and total finalisations of 1,380,700. These were the results for the 2005-06 financial year.

The total of matters disposed target in BP3, page 162 of 316,500, does not include the Infringements Court. Targets for the Infringements Court are included in the Infringements and Orders Management output which is part of the Community Operations output group.

It is not possible to totally reconcile these two figures as there are different approaches used in the collection of data in the *Report on Government Services 2007* and those used to compile BP3 targets, for example the BP3 target is 'cases' while the finalisations in the *Report on Government Services 2007* is 'defendants'. As stated previously the BP3 target does not include the workload of the Infringements Court. Also note the target in BP3 is for the 2007-08 financial year, while the *Report on Government Services 2007* results was for 2005-06.

The target in BP3 of 316,500 refers to finalisations by the courts (excluding the Infringements Court). Out of 1,380,700 finalisations in the *Report on Government Services 2007* there were 307,400 finalisations in 2005-06 associated with the courts excluding Infringements Court. The target in BP3 for 2007-08 for the courts (excluding the Infringements Court) is 316,500. It is not unreasonable to expect the *Report on Government Services* for 2009 to show finalisations for the courts (excluding the Infringements Court) to be in the vicinity of 316,000 for 2007-08.

### QUESTION 2

***Whether the Legal Services Commissioner publishes any statistics on the number of matters it disposes of, how many matters it receives from the profession and how they are disposed of, whether it produces an annual report, and whether such report is tabled in Parliament.***

The Legal Services Commissioner (LSC) was established by the *Legal Profession Act 2004* (the Act). The LSC commenced operation on 12 December 2005.

Under the Act the LSC is required to produce an annual report. The annual report is required to be tabled in Parliament.

The LSC must include in its annual report (s6.3.13 of the Act):

- the number of disciplinary complaints referred to a prescribed investigatory body and the number investigated by the Commissioner during the year; and
- the number and type of applications made to the Victorian Civil and Administrative Tribunal (VCAT) during the year, whom they were made by and the result of those applications.

The Law Institute of Victoria and the Victorian Bar Inc are 'prescribed investigatory bodies' under the Act and are referred some disciplinary complaints to investigate; the rest are handled by the LSC in their entirety. It is the intention of the Act that the LSC makes the decision regarding a complaint after it has been investigated.

The first annual report of the LSC was for a period of less than seven months and reflected the transitional period from the old regulatory regime to the new.

### QUESTION 3

***Timeframe for the completion of the Moorabbin Court Complex.***

The builder is on target to complete the construction contract in September 2007 and, allowing for a period of commissioning of the data and audio visual equipment by Department of Justice technicians, the building should be ready for occupation before the end of 2007.

## *Community Services portfolio*

### QUESTION 1

***The Department of Human Services to provide a further response to question 9 of the Committee's questionnaire dealing with communication, advertising and promotional expenditure.***

*This question was referred to the Department of Human Services who provided the following response.*

As previously advised, communication, advertising and promotional expenditure is determined by the different units within the Department of Human Services according to specific program needs. Budgeting an appropriate amount for these activities is conducted as part of program delivery and is embedded within overall program budgets.

At this stage there are no major departmental campaigns with a set budget for 2007-08, however campaigns that require funded communications may arise as an outcome of the 2007-08 business planning process, due for completion at the end of June 2007. However, in the context of Efficient Government savings targets for the 2007-08 budget, it is expected that current expenditure on communication, advertising and promotion will be reduced. It is estimated that total expenditure in these areas will be approximately $12.5 million in 2006-07, reducing to an anticipated level of around $12.1 million in 2007-08 depending upon the outcomes of the 2007-08 business planning process and specific campaign activity.

Comparative communications, advertising and promotion expenditure:

- 2005-06 $15.1 million
- 2006-07 $12.5 million (estimate)
- 2007-08 $12.1 million (estimate)

### QUESTION 2

***The department to give an indication of the costs involved for the portfolio department in regard to servicing the Committee, both in terms of staffing and resources, on the basis of past experience***

Resources applied by the department in servicing Committee requests varies with the nature, volume and complexity of the issues raised and depends largely upon the ready availability of pre-existing source material.

Generally, the departmental response follows a development and coordination process that includes assigning and researching items, sourcing and collating relevant material, drafting replies, and endorsement at senior officer and Ministerial levels.

It is estimated that, taking into account on-costs and the overlap of Committee related work with that undertaken in relation to normal departmental business, the total cost of servicing the Committee's requests for the Community Services portfolio is in the order of $11,700.

## *Consumer Affairs portfolio*

### QUESTION 1

***Will the update of expected output figures for 'protecting consumers, promoting and protecting consumer issues' be available before the end of the financial year?***

Final figures will not be known until after the end of June 2007. These will be provided to the Committee when they are available.

### QUESTION 2

***Quantification of the statement, Consumer Affairs have 'regularly conducted compliance work … and had a number of blitzes in terms of inspectors going out en masse to supervise auctions' since legislative changes come into place in 2004.***

The Bracks Government has made the auction process more transparent for consumers so they can be confident in making what is usually their largest financial commitment.

We take these matters very seriously, and since legislative changes came into place in 2004, Consumer Affairs Victoria (CAV) has regularly conducted compliance work in relation to real estate auctions.

Since May 2004, CAV has conducted eleven regional and metropolitan Compliance and Enforcement Exercises. These exercises involve the inspection of estate agents' records to monitor compliance with the Act and the regulations. From March 2006 to March 2007, CAV staff have conducted 109 inspections of estate agents' records. Also from March 2006, inspectors have paid particular attention to estate agent's compliance with the under and over quoting provisions of the Act.

Further, over the first twelve months following the introduction of the new provisions (February 2004 to February 2005), CAV inspectors conducted 69 inspections of auctions to monitor compliance with, in particular, the amendments to the *Sale of Land Act 1962*.

In April 2005, this activity was followed up with a more comprehensive inspection program where some 200 auctions were attended over a four week period. The aim of these two programs was to ensure that auctioneers were advising those present at auctions about vendor bids.

From mid to late 2006, CAV randomly reviewed over 800 advertised auction results across Melbourne's inner suburbs comparing advertised prices with sale prices. This exercise was aimed at increasing market intelligence and identifying which agency's selling prices were consistently above advertised prices.

On the 19, 20 and 26 May 2007, 14 CAV inspectors conducted an auction blitz on 73 auctions scheduled in the inner and outer suburbs of Melbourne and in Bendigo and Elmore. Inspectors are in the process of collecting information, but preliminary results reveal that further enquiries need to be made into the conduct of three estate agents where they may have engaged in underquoting during the advertising of the properties. A further four estate agents overquoted in their auction authorities by exceeding the allowed estimated price range of 10 per cent and one agent incorrectly completed the auction authority.

## *Corrections portfolio*

### QUESTION 1

***A list of relocatables at prisons that are currently still in use.***

Details of Relocatable Cellular Accommodation Units (RCA's) currently in operation in the Victorian prison system are as follows:

- Fulham Correctional Centre, 52 bed RCA (Erica Unit);
- HM Prison Barwon, 46 bed RCA (Hoya Unit);*
- HM Prison Dhurringile, 52 bed RCA (Kyabram);
- Dame Phyllis Frost Centre, 52 bed RCA; and
- Tarrengower, 12 bed RCA

** The Hoya Unit at Barwon Prison has been temporarily reopened for the period February to August 2007 whilst the redevelopment of the Melaleuca High Security Unit occurs. Melaleuca is due to open in August 2007.*

## QUESTION 2

***Prison design capacity as the national measure used for prison utilisation; Australian states that use that measure; and details for all prisons in Victoria.***

A measure of 'average design capacity utilisation rate' was previously included as a BP3 measure, but was deleted by the Department of Justice as recommended by PAEC in its *Report on the 2003-04 Budget Estimates*. PAEC recommended that a measure of the utilisation rate of total prison capacity should be used, not just utilisation of design capacity.

The occupancy rate of prison design capacity is still utilised as an efficiency measure for the Corrective Services chapter of the *Report on Government Services (ROGS)*. Victoria does not report against this measure for the ROGS, and raised its concerns about the use of this measure at the Corrective Services Administrators' Conference (CSAC) in May 2007. Due to the lack of specificity in the definition of design capacity, there is variability in how individual jurisdictions calculate this measure. For example, it is possible that temporary beds can be either included or excluded under the ROGS definition. The outcome from the CSAC meeting was that all other jurisdictions will continue to report on this measure, but Victoria will report on total capacity in line with the direction by PAEC, which provides clarity.

Prison capacity can be increased by additional beds being built in at any time. This is the reason that PAEC did not want design capacity as the measure.

The following table details the current capacity available in Victorian prisons as at 19 June 2007 which, I understand, is the information required by PAEC.

### Table A4.18: Capacity available in Victorian prisons as at 19 June 2007

| Prison | Current bed capacity as at 19 June 2007 |
|---|---|
| Ararat | 374 |
| Barwon | 461 |
| Beechworth Correctional Centre | 120 |
| Dhurringile | 160 |
| Fulham | 845 |
| Langi Kal Kal | 120 |
| Loddon | 400 |
| Marngoneet | 300 |
| Melbourne Assessment Prison | 275 |
| Metropolitan Remand Centre | 600 |
| Port Phillip Prison | 745 |
| Dame Phyllis Frost Centre | 260 |
| Tarrengower | 54 |

*Source: Hon. B Cameron MP, Minister for Corrections, response to the Committee's questions on notice, received 22 June 2007, p.3*

## QUESTION 3

***Resources, both in terms of staffing and costing, the department anticipates spending on servicing the PAEC in 2007-08, based on experience over the last few years.***

*The response provided by the Minister for Corrections covers all Department of Justice portfolios.*

The PAEC process runs intensely for a two month period involving a number of officers in the production of a response to the PAEC questionnaire; hearings preparation, and input into the government's response to the PAEC report on budget outcomes.

Full-time roles and responsibilities over this 2 month period include divisional coordination (8 x Grade 6 officers); briefing writers (12 x Grade 6 officers); central coordination (1.5 x Grade 6 Officers); ministerial liaison (3 x Grade 5 officers) and quality control (20 x EOs at 10 per cent of their time).

Estimated staff cost for PAEC processes based on these classifications and time is $420,000. Consumables, such as paper and binding materials, are estimated to cost $2,500. The department intends to apply the same level of resourcing to PAEC each year.

## QUESTION 4

***Staff numbers for the Country Fire Authority, Metropolitan Fire and Emergency Services Board, Victoria Legal Aid and judicial officers***

### Table A4.19: Equivalent full-time staff – Country Fire Authority

| Classification | 30 June 2006 Actual | | | | 31 May 2007 Actual | | | | 30 June 2008 Estimate | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) |
| Administration | 336.5 | 55.3 | 29.1 | 420.9 | 324.5 | 88.8 | 28.8 | 442.1 | 324.5 | 88.8 | 28.8 | 442.1 |
| Executive officers | 0.0 | 30.0 | 0.0 | 30.0 | 0.0 | 31.0 | 0.0 | 31.0 | 0.0 | 31.0 | 0.0 | 31.0 |
| Field support | 88.5 | 1.0 | 5.2 | 94.7 | 90.5 | 1.0 | 13.1 | 104.6 | 90.5 | 1.0 | 13.1 | 104.6 |
| Firefighters | 520.0 | 0.0 | 0.0 | 520.0 | 552.0 | 0.0 | 0.0 | 552.0 | 579.0 | 0.0 | 0.0 | 579.0 |
| Management | 69.5 | 5.0 | 0.0 | 74.5 | 71.5 | 2.0 | 0.0 | 73.5 | 71.5 | 2.0 | 0.0 | 73.5 |
| Operational management | 97.0 | 0.0 | 0.0 | 97.0 | 99.0 | 0.0 | 0.0 | 99.0 | 104.0 | 0.0 | 0.0 | 104.0 |
| Technical | 40.0 | 5.0 | 0.0 | 45.0 | 41.0 | 7.0 | 0.0 | 48.0 | 41.0 | 7.0 | 0.0 | 48.0 |
| Other | 14.8 | 0.0 | 4.6 | 19.4 | 14.8 | 0.0 | 6.8 | 21.5 | 14.8 | 0.0 | 6.8 | 21.5 |
| **Total** | **1,166.2** | 96.33 | 38.9 | 1,301.5 | 1,193.3 | 129.8 | 48.7 | 1,371.8 | 1,225.3 | 129.8 | 48.7 | 1,403.8 |

*Source: Hon. B Cameron MP, Minister for Corrections, response to the Committee's questions on notice, received 22 June 2007, p.4*

## Table A4.20: Equivalent full-time staff – Metropolitan Fire Brigade

| Classification | 30 June 2006 Actual | | | | 31 May 2007 Actual | | | | 30 June 2008 Estimate | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) |
| Firefighters | 1,606.0 | 0.0 | 0.0 | 1,606.0 | 1,671.0 | 0.0 | 0.0 | 1,671.0 | 1,737.0 | 0.0 | 0.0 | 1,737.0 |
| Corporate Staff | 251.0 | 0.0 | 0.0 | 251.0 | 258.0 | 0.0 | 0.0 | 258.0 | 265.0 | 0.0 | 0.0 | 265.0 |
| **Total** | **1,857.0** | **0.0** | **0.0** | **1,857.0** | **1,929.0** | **0.0** | **0.0** | **1,929.0** | **2,002.0** | **0.0** | **0.0** | **2,002.0** |

*Source: Hon. B Cameron MP, Minister for Corrections, response to the Committee's questions on notice, received 22 June 2007, p.4*

## Table A4.21: Equivalent full-time staff – Victoria Legal Aid

| Classification | 30 June 2006 Actual | | | | 30 June 2007 Estimate | | | | 30 June 2008 Estimate | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) |
| VPS grade 1 | 6.0 | 6.0 | 6.0 | 18.0 | 6.0 | 6.0 | 0.0 | 12.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| VPS grade 2 | 115.0 | 6.0 | 3.0 | 124.0 | 135.0 | 10.8 | 0.0 | 145.8 | 143.0 | 16.8 | 0.0 | 159.8 |
| VPS grade 3 | 68.6 | 0.0 | 2.0 | 70.6 | 70.6 | 6.0 | 0.0 | 76.6 | 70.6 | 6.0 | 0.0 | 76.6 |
| VPS grade 4 | 21.0 | 0.0 | 0.0 | 21.0 | 22.0 | 0.0 | 0.0 | 22.0 | 25.0 | 2.0 | 0.0 | 27.0 |
| VPS grade 5 | 9.8 | 0.0 | 0.0 | 9.8 | 8.8 | 0.0 | 0.0 | 8.8 | 9.8 | 1.0 | 0.0 | 10.8 |
| VPS grade 6 | 10.6 | 0.0 | 0.0 | 10.6 | 11.6 | 2.0 | 0.0 | 13.6 | 11.6 | 2.0 | 0.0 | 13.6 |
| VPS grade 7 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EO1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EO2 | 0.0 | 1.0 | 0.0 | 1.0 | 0.0 | 1.0 | 0.0 | 1.0 | 0.0 | 1.0 | 0.0 | 1.0 |
| EO3 | 0.0 | 7.0 | 0.0 | 7.0 | 0.0 | 7.0 | 0.0 | 7.0 | 0.0 | 6.0 | 0.0 | 6.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Solicitor grade 1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Solicitor grade 2 | 0.0 | 20.2 | 0.0 | 20.2 | 0.0 | 28.0 | 0.0 | 28.0 | 0.0 | 28.0 | 0.0 | 28.0 |
| Solicitor grade 3 | 86.0 | 14.0 | 0.0 | 100.0 | 86.0 | 20.0 | 0.0 | 106.0 | 86.0 | 20.0 | 0.0 | 106.0 |
| Senior solicitor grade 5 | 51.6 | 5.4 | 0.0 | 57.0 | 51.6 | 7.6 | 0.0 | 59.2 | 51.6 | 7.6 | 0.0 | 59.2 |
| Principal solicitor grade 6 | 18.0 | 0.0 | 0.0 | 18.0 | 18.0 | 0.0 | 0.0 | 18.0 | 18.0 | 0.0 | 0.0 | 18.0 |
| **Total** | **386.6** | **59.6** | **0.0** | **457.2** | **409.60** | **88.4** | **0.0** | **498.0** | **415.6** | **90.4** | **0.0** | **506.0** |

*Source: Hon. B Cameron MP, Minister for Corrections, response to the Committee's questions on notice, received 22 June 2007, p.5*

## Table A4.22: Equivalent full-time staff – Judicial officers

| Classification | 30 June 2006 Actual | | | | 30 June 2007 Estimate | | | | 30 June 2008 Estimate | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) | Ongoing (EFT) | Fixed term (EFT) | Casual (EFT) | Total (EFT) |
| Chief Justice | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 |
| President of the Court of Appeal | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 |
| Court of Appeal Judges | 11.0 | 0.0 | 0.0 | 11.0 | 11.0 | 0.0 | 0.0 | 11.0 | 11.0 | 0.0 | 0.0 | 11.0 |
| Supreme Court Judges | 23.0 | 0.0 | 0.0 | 23.0 | 23.0 | 0.0 | 0.0 | 23.0 | 26.0 | 0.0 | 0.0 | 26.0 |
| Supreme Court Masters | 7.0 | 0.0 | 0.0 | 7.0 | 9.0 | 0.0 | 0.0 | 9.0 | 9.0 | 0.0 | 0.0 | 9.0 |
| Chief Judge | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 |
| County Court Judges | 55. | 0.0 | 0.0 | 55.0 | 56.0 | 0.0 | 0.0 | 56.0 | 58.0 | 0.0 | 0.0 | 58.0 |
| Acting County Court Judges | 0.0 | 4.3 | 0.0 | 4.3 | 0.0 | 4.1 | 0.0 | 4.1 | 0.0 | 2.1 | 0.0 | 2.1 |
| Chief Magistrate | 1.0 | 0.0 | 0.0 | 1.0 | 1.00 | 0.0 | 0.0 | 1.0 | 1.0 | 0.0 | 0.0 | 1.0 |
| Magistrates | 103.0 | 0.0 | 0.0 | 103.0 | 104.0 | 0.0 | 0.0 | 104.0 | 108.0 | 0.0 | 0.0 | 108.0 |
| Acting Magistrates | 0.0 | 8.0 | 0.0 | 8.0 | 0.0 | 4.0 | 0.0 | 4.0 | 0.0 | 6.0 | 0.0 | 6.0 |
| Judicial Registrars | 0.0 | 2.0 | 0.0 | 2.0 | 0.0 | 3.0 | 0.0 | 3.0 | 0.0 | 1.0 | 0.0 | 1.0 |
| **Total** | **203.0** | **14.3** | **0.00** | **217.3** | **207.0** | **11.1** | **0.00** | **218.1** | **216.0** | **9.1** | **0.00** | **225.1** |
| **No. of VCAT sessionals (a)** | **135.00** | **0.0** | **0.0** | **135.0** | **130.0** | **0.0** | **0.0** | **130.0** | **130.0** | **0.0** | **0.0** | **130.0** |

*Note:* *(a) VCAT sessionals are used on a demand basis. VCAT operate a number of lists, which they are able to draw upon sessionals to hear. If the work does not exist then a sessional may not be used at all during the year. Then at the other extreme, you have a sessional that is used every day. As a result, it is difficult to determine and EFT calculation*

*Source:* *Hon. B Cameron MP, Minister for Corrections, response to the Committee's questions on notice, received 22 June 2007, p.6*

# *Education portfolio*

## QUESTION 1

***Comparison of current funding levels for non-government schools to previous years and the level of assistance to non-government schools compared with other states.***

National comparative data by state and territory on funding levels for non-government schools are published in the *National Report on Schooling in Australia*.

> *Detailed tables showing income and expenditure data for 2003-2005 for each state and territory in Australia were provided by the Minister. These tables are published in the 2005 National Report on Schooling in Australia which can be accessed from the MCEETYA website at www.mceetya.edu.au/mceetya/anr/*

## QUESTION 2

***Ministerial responsibility for universities.***

Pursuant to the Supplement to the General Order of 1 December 2006 signed by the Premier on 26 March 2007, Acts of Parliament relating to universities are administered by the Minister for Skills, Education Services and Employment.

The functions relating to universities are supported by the Department of Innovation, Industry and Regional Development, rather than the Department of Education.

## QUESTION 3

***A list of all capital projects, including the amount, to be carried over to 2007-08 and the reason for the carry over.***

## Table A4.23: Capital projects to be carried over to 2007-08

| | Forecast 2006-07 ($ million) | Budget 2006-07 ($ million) | Estimated carry forward ($000) | Approved Budget rephasing ($000) | Note |
|---|---|---|---|---|---|
| Corporate Software | 22.4 | 31.2 | 8.8 | 0.0 | (1) |
| VCAA – Re-engineering the Assessment Processing System – ERC pre 2005-06 | 0.0 | 3.0 | 3.0 | -3.0 | (2) |
| Academic Number – ERC 2006-07 | 0.4 | 1.1 | 0.7 | 0.0 | (3) |
| Transformation Projects | 10.0 | 20.0 | 10.0 | -10.0 | (4) |
| Relocatable School Buildings | 0.4 | 6.6 | 6.2 | -6.2 | (5) |
| New and Replacement Schools | 44.4 | 57.5 | 13.1 | -13.1 | (6) |
| Assets to Support Better Education and Training Outcomes | 5.4 | 6.2 | 0.7 | 0.0 | (7) |
| **Sub-total** | **83.0** | **125.6** | **42.5** | **-32.3** | |
| Anticipated Additional Asset Sales Revenue | 0.0 | 0.0 | 5.1 | 0.0 | |
| **Total** | **83.0** | **125.6** | **47.6** | **-32.3** | (8) |
| **Anticipated carry forward after rephasing** | | | 15.3 | | |

*Notes:*

*(1) Delays in the implementation of several projects contributed to the requirement to carry forward funding: Electronic Document Management System – $3 million; HRMS – $4.9 million (including discretionary funding); other system enhancements $900,000*

*(2) Delays have been experienced largely due to early caution around the procurement strategy and the resolution of issues arising out of the early Gateway Reviews. A revised schedule has now been approved and the Phase 3 implementation stage has been revised to commence in July 2007 and complete in March 2008*

*(3) Delays in finalising business ownership and the appointment of a suitable high level project manager resulted in an anticipated under expenditure of the annual allocation and the requirement to carry the funds forward*

*(4) Delays are being experienced in the program due to the complexity and individual nature of the projects and the need to manage expectations of the various stakeholders involved*

*(5) The phasing of the 2006-07 appropriation required adjustment given the level of planning on the projects. Documentation on the projects is proceeding and it is expected that tenders will be accepted in June 2007*

*(6) Delays associated with the Victorian College of the Arts Secondary School project resulted in a projected under expenditure of $13.1 million in 2006-07. The delays were due to a review of possible locations for the school and the extent of Commonwealth involvement and funding*

*(7) Funds are required to be carried forward for planning associated with Phase 1 of the Altona Initiative project due to the complexity and individual nature of the project and the need to manage expectations of the various stakeholders involved*

*(8) The Department of Treasury and Finance (DTF) has approved the rephasing of $32.3 million of the 2006-07 allocation into subsequent financial years to fund the implementation of these programs. This will reduce the estimated carry forward to $15.3 million. The program budgets for 2006-07 have been realigned between programs and are subject to further endorsement by the DTF*

*Source: Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.4*

## QUESTION 4

***Components of school revenue received to supplement government funding and expected increases over the forward estimates period.***

Schools derive revenue from various sources including:

- Student Resource Package (SRP) funding ($3.9 billion in 2006) from the Department of Education (DOE);
- DOE grants outside the SRP for a range of government and program initiatives including school building works and maintenance, provision of information technology equipment and services, and international student fees;
- grants from state, Commonwealth and local governments; and
- locally raised funds such as curriculum specific funds and school based activities/services ($376 million in 2006, equivalent to 9.6 per cent of the SRP).

Curriculum specific funds in 2006 totalled $171 million (equivalent to 4.4 per cent of SRP funding). These funds include revenue received to cover the higher costs incurred in elective subjects, such as outdoor education, food technology, photography and ceramics, where students retain the output of the subject.

Other locally raised funds in 2006 totalled $205 million (equivalent to 5.2 per cent of SRP funding). They include trading operations (canteen, book and uniform stores), hire of school facilities, fundraising and donations.

For many of the fundraising activities there is a corresponding expenditure that offsets the revenue, with the school operating as a banker, collecting payments from parents and passing the funds to a third party. Examples of this are services such as the provision of book and uniform stores where schools are able to purchase items in bulk and pass the savings on to parents.

Budget Paper No.4, *2007-08 Statement of Finances*, Chapter 3 states that revenue from the sale of goods and services is estimated to increase due to expected increases in TAFE fees and schools revenue. Locally raised funds form part of school's sale of goods and services.

The DOE does not require schools to provide forward estimates of their operations. In the absence of school based estimates, DOE has incorporated a marginal increase for schools of $500,000 for sale of goods and services in 2007-08 (0.4 per cent increase compared to 2006-07).

## QUESTION 5

***Specific funding arrangements in the 2007-08 budget for basic maintenance and construction at Kyabram Secondary College and Myrtleford Secondary College.***

Since 1999 an additional $2.3 billion has been invested in rebuilding or modernising more than 500 schools. With the announcement of The Victorian Schools Plan, the government has committed to rebuilding or modernising all remaining schools over the next ten years. However work cannot be undertaken on all schools at once.

The DOE has a rigorous and transparent process called *Building Futures* in place to assess submissions for improved infrastructure from individual schools and communities of schools.

There were no specific funding initiatives in the 2007-08 budget for capital works at either Kyabram Secondary College or Myrtleford Secondary College.

Myrtleford Secondary College may be considered for inclusion in a further *Building Futures* process by nomination from the DOE Regional Office.

In the 2005-06 budget, an allocation of $4 million was provided to Kyabram Secondary College for a capital works project to upgrade or replace the school's technology facilities. This project was put on hold while the Kyabram community investigated a different model for education in the town.

Kyabram has since been reconsidered as part of a broader Prep–Year 12 (P-12) regeneration project.

The Kyabram P-12 regeneration project is currently being considered in Stage 3 of the *Building Futures* process. This project will be considered for a future budget once it has progressed through this process.

## QUESTION 6

### *Payment arrangements for working with children checks and the associated cost savings to the department.*

Teachers are exempt from the provisions of the *Working with Children Act 2005* as a Working with Children Check is part of their annual registration with the Victorian Institute of Teaching.

Non-teaching staff in schools are required to have a Working with Children Check by 30 December 2007 at a cost to individuals of $70. This is valid for a period of five years. This will involve approximately 17,000 non-teaching employees of which approximately 14,500 are employed by the Department of Education and 2,500 by school councils. The total cost of checks for these staff would amount to $1.2 million.

## QUESTION 7

### *Breakdown of Catholic schools current funding per student compared with other states for both primary and secondary schools.*

National comparative data by state and territory on funding levels for non-government schools are published in the *National Report on Schooling in Australia*.

*Detailed tables showing income and expenditure data for 2003-2005 for each state and territory in Australia were provided by the Minister. These tables are published in the 2005 National Report on Schooling in Australia which can be accessed from the MCEETYA website at www.mceetya.edu.au/mceetya/anr/*

Note that data is not available separately for primary and secondary schools.

## QUESTION 8

### *The proportion of the total WorkCover premium of $41 million in 2006-07 associated with stress related claims by teachers*

In addition to the cost of claims lodged over the premium calculation period, employers' annual WorkCover premium costs are affected by a number of other factors. These include employers' annual remuneration, the industry group to which the employer belongs, and the Victorian WorkCover Authority 'Industry Rate' that is struck for the purpose of premium calculation.

The cost of an employer's premium is also determined by how an individual employer's claims performance compares with other employers in the same industry group, and whether or not the employer's claims performance has improved or deteriorated over time.

Accordingly, it is not possible to accurately estimate that proportion of the department's 2006-07 WorkCover premium of $41 million that is attributable to the costs of the stress claims that have been lodged by teachers.

However, data is available on the actual costs of teacher stress claims that were lodged over the premium calculation period from 1 July 2003 to 31 March 2006. Over this period teachers lodged 383 claims for stress related medical conditions. The actual costs incurred on these claims amounted to $11.1 million, which accounted for 55.6 per cent of the costs of all claims lodged by teachers.

In the 2006-07 premium calculation period, the department's performance on WorkCover claims improved. Total claim numbers fell by 416 or 16.13 per cent from the 2005-06 premium calculation period. This reduced total claims costs by $4.8 million or 5.15 per cent. Also, of the 186 stress claims lodged in 2005-06, 156 were lodged by teachers and 14 were lodged by principals. This constitutes reductions of 10 per cent and 46 per cent respectively from the 174 and 26 claims lodged by teachers and principals in 2003-04.

Workplace stress is a matter of serious concern to the department as reflected in the stress prevention initiatives in place, including:

- the Medical Advisory Service established to assist principals better manage and support the health and wellbeing of at risk staff;
- an expansion of the department's Employee Assistance Program; and
- publication of *Healthy Schools Are Effective Schools: A Resource Package For Improved School Climate*, which focuses on preventative stress intervention.

## QUESTION 9

***Resources and staffing costs the department anticipates applying to service PAEC hearings in 2007-08 based on experience over the last few years.***

The Department of Education takes its public accountability and reporting requirements seriously and accords them the highest priority.

Each year the department brings together a small team to coordinate responses to the PAEC questionnaire and provide support to Ministers in the lead up to the budget estimates hearings.

The department estimates that the coordination role equates to approximately 1.0 equivalent full-time position over the course of the year. In addition, officers across the department contribute to the preparation of responses to Committee questions and support material for Ministers.

## QUESTION 10

***Reminder of the importance of providing an updated and fuller response to the incomplete question 9 of the PAEC department questionnaire.***

Further information will be provided when the department's policy and program areas have determined their communication, advertising and promotional budgets for 2007-08

*The Department of Education provided the following response.*

Advertising and promotions activity undertaken by the Department of Education provides the community with information about the Victorian education system. The level of expenditure varies each year according to the number and type of initiatives rolled out in a particular year.

Communication, advertising and promotion expenditure for the former Department of Education and Training was $2 million in 2003-04, $980,000 in 2004-05 and $3.9 million in 2005-06.

In 2005-06 additional expenditure was incurred on major promotional activities including:

- bringing Learning to Life campaign; and
- information about the introduction of the new student report cards.

These campaigns provided parents and the community with important information about key developments in the government school system.

Expenditure for 2006-07 will not be finalised until the end of the financial year. It is expected to be around $3 million. A number of key initiatives were rolled out in 2006-07, including:

- School Start Bonus (paid to parents of every Prep and Year 7 student);
- VET Way to Go and TAFE Way to Go campaigns (information about VET options and skill development options); and
- Youth Guarantee (guaranteed TAFE or adult and community education place for young people without Year 12 or equivalent).

Expenditure patterns from 2007-08 will change due to the recent machinery of government changes which resulted in the transfer of the Office of Training and Tertiary Education to the Department of Innovation, Industry and Regional Development and the transfer of the Adult, Community and Further Education function to the Department for Victorian Communities.

The Department of Education estimates that the communication, advertising and promotion budget for school related activities 2007-08 will be comparable to previous years, taking account of these machinery of government changes.

## *Education Services portfolio*

### QUESTION 1

***Confirmation of accuracy of progressive five year funding for program for students with disabilities as identified in 2006-07 budget.***

The 2006-07 budget included the following additional funding for the program for students with disabilities:

## Table A4.24: Program for students with disabilities funding 2005-06 to 2009-10

| 2005-06 ($ million) | 2006-07 ($ million) | 2007-08 ($ million) | 2008-09 ($ million) | 2009-10 ($ million) | Total ($ million) |
|---|---|---|---|---|---|
| 35.4 | 54.9 | 75.5 | 25.0 | 25.0 | 215.8 |

*Source:* *Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.1, derived from Budget Paper No.3, 2006-07 Service Delivery*

### QUESTION 2

***Details of how the program for students with disabilities has grown over the last four to five years, broken down by category such as language disorder and the related movements in funding.***

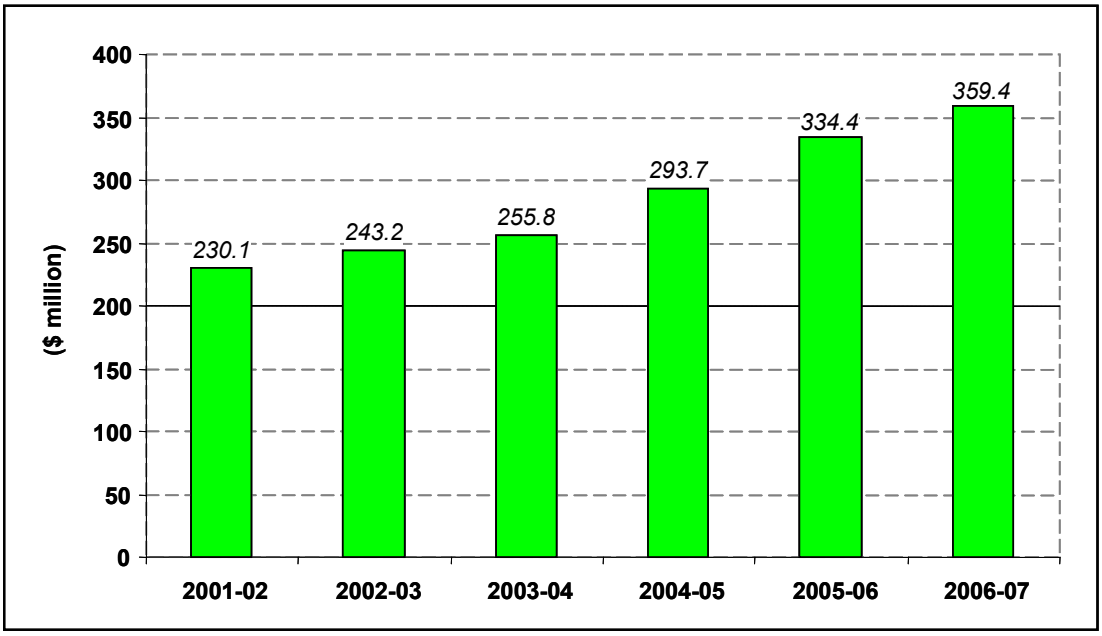
## Table A4.25: Program for students with disabilities student numbers by category 2000-2007

| Year | Intellectual disability | Severe language disorder | Autism spectrum disorder | Physical disability | Severe behaviour disorder | Vision impairment | Hearing impairment |
|---|---|---|---|---|---|---|---|
| 2000 | 8,468 | 2,693 | 325 | 858 | 585 | 59 | 551 |
| 2001 | 9,490 | 3,283 | 398 | 909 | 537 | 64 | 603 |
| 2002 | 10,201 | 3,978 | 827 | 943 | 664 | 83 | 620 |
| 2003 | 10,333 | 4,284 | 1,023 | 975 | 681 | 93 | 618 |
| 2004 | 10,888 | 5,193 | 1,174 | 1,076 | 627 | 116 | 630 |
| 2005 | 11,792 | (a) 163 | 1,516 | 1,166 | 756 | 97 | 734 |
| 2006 | 11,735 | (a) 202 | 1,950 | 1,152 | 796 | 98 | 738 |
| 2007 | 11,849 | (a) 219 | 2,457 | 1,127 | 779 | 98 | 768 |

*Note:* *(a) New category – Severe Language Disorder and Critical Education Need (caters to students with severe language disorders). In 2005, the language support Program was introduced. Every mainstream school receives funding and is therefore able to meet the needs of students with language disorders or delayed development. Prior to 2005, one in four schools did not receive funding to support students with language difficulties*

*Source:* *Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.2*

**Figure A4.26: Program for students with disabilities funding from 2001-02 to 2006-07**




*Source: Ms K Rozenbergs, Acting Assistant General Manager, Schools and Communities Division, response to the Committee's questions on notice, received 13 June 2007, p.2*

The above chart does not include funding for Student Support Services Officers (SSSOs).

## *Employment portfolio*

### QUESTION 1

***Further analysis and expansion of regional unemployment figures.***

Since the government came to power the Victorian unemployment rate has been decreasing. This is also true for the unemployment rate in regional Victoria.

Limited data is available on unemployment rates at the regional level. The ABS produces the least volatile estimates of regional unemployment, which provide seasonally unadjusted estimates for nine metropolitan Labour Force Regions and five non-metropolitan Labour Force Regions as well as aggregates for Victoria, metropolitan Melbourne and country Victoria.

In March 2007, unemployment rates were 4.9 per cent for both Victoria and country Victoria. Fluctuations in the unemployment rate occur in both the metropolitan and regional areas. The unemployment rate in metropolitan Melbourne ranged from 3.2 per cent in Outer Eastern Melbourne Labour Force Region to 7.7 per cent in Outer Western Melbourne Labour Force Regional in March 2007. In regional Victoria the rate ranged from 2.8 per cent in Goulburn – Ovens – Murray to 6.9 per cent in Central Highlands – Wimmera in March 2007. (source: ASB original estimates).

## Table A4.27: ABS Labour Force Region original (seasonally unadjusted) estimates March 2007

| Region | Unemployment Rate (%) |
|---|---|
| **Victoria** | **5.0** |
| **Metro. Melbourne** | **5.1** |
| Outer Western Melbourne | 7.7 |
| North Western Melbourne | 5.7 |
| Inner Melbourne | 4.7 |
| North Eastern Melbourne | 5.0 |
| Inner Eastern Melbourne | 4.3 |
| Southern Melbourne | 3.7 |
| Outer Eastern Melbourne | 3.2 |
| South Eastern Melbourne | 6.0 |
| Mornington Peninsula | 5.2 |
| **Country Victoria** | **4.9** |
| Barwon –Western District | 5.4 |
| Central Highlands – Wimmera | 6.9 |
| Lodden – Mallee | 4.2 |
| Goulburn – Ovens – Murray | 2.8 |
| Gippsland | 6.2 |

*Source: Ms J Allan MP, Minister for Employment, response to the Committee's questions on notice, received 13 June 2007, p.2, derived from ABS Labour Force Australia, Detailed, Catalogue 6291.0.55.001*

### QUESTION 2

***Reasons for the reduction in expected expenditure from the previous year.***

The difference between expected original budget for 2006-07 and the expected outturn for 2007-08 is due to the timing of payments to operators managing the employment grant programs. The funds are carried over into 2007-08 and are expected to be expended in the first quarter of 2007-08.

Actual funds for 2007-08, less the estimated carry over from 2006-07, are lower due to:

(a) The bulk of the Workforce Participation Partnerships (WPP) program being delivered in 2006-07. The program was always planned to have lower expenditure in the third year as residual payments were made to the providers. A review of the WPP program will occur in 2007-08; and

(b) identified savings in the allocation of corporate overheads.

## *Energy and Resources portfolio*

### QUESTION 1

***The level of resources, funding and staffing costs the department expects to apply to servicing the Public Accounts and Estimates Committee in 2007-08, based on experience over the past few years.***

Resources used by the Department of Primary Industries (DPI) for all PAEC processes has been conservatively estimated at $80,000 per year. This includes hearings, questionnaires and follow-up questions and takes into account staffing costs and other operating supplies such as paper, printing, copying and stationery.

DPI has a team of three Victorian Public Service (VPS) staff who have primary responsibility for coordinating all PAEC related processes across DPI. The Chief Finance Officer dedicates time to the PAEC processes and significant input is also provided by other VPS grade staff for financial advice, communication advice and coordinating updates to parliamentary briefings. Input is also provided by various senior executives and other staff members across DPI.

## *Finance, WorkCover and Transport Accident Commission portfolio*

### QUESTION 1

***Residual level of leased but unoccupied space that has resulted as a consequence of the consolidation of the accommodation for the public service (and which has not yet been disposed of either through sub-leases or leases exited) as well as future expectations.***

There is no vacant space as a result of the consolidation of the Department of Justice; Department of Innovation, Industry and Regional Development and the State Revenue Office into 121 Exhibition Street and the Department of Human Services into 50 Lonsdale Street.

All areas vacated by the respective government departments have been sub-leased or the leases have expired.

### QUESTION 2

***Details of efficiency gains such as lower water and energy consumption resulting from the consolidation for the public service.***

The consolidation of some government departments into 121 Exhibition Street and 50 Lonsdale Street was effected in mid 2006. Both buildings have implemented substantial water and energy saving initiatives.

The minimum 5 star rating for new government office buildings provides for savings in energy and water usage, a reduction in waste and, the use of sustainable materials.

The expected savings will be in the form of a reduction in energy costs and water consumption.

The current data available on water and energy usage is still preliminary. Before any meaningful data can be gathered it will be necessary for the buildings to have been occupied for a minimum of two years.

### QUESTION 3

***Undertaking by the Minister to obtain advice on the exact circumstances surrounding the reasons for the increasing trend in exemptions to purchasers from going through the Victorian Government Purchasing Board.***

Under Victorian Government Purchasing Board (VGPB) policy, a public tender must normally be undertaken for purchases over $102,500.

Currently departments purchase under delegation from the VGPB to a threshold of either $1 million or $10 million, depending on the department's accreditation level. Under this delegation the Accountable Officer (Secretary or their delegate) has the discretion to exempt a purchase from public tender requirements.

In 2005-06, exemptions were provided in accordance with the required criteria. These were:

- 33 matters of urgent public health, security or safety;
- 16 situations of genuine urgency and unforeseen circumstances;
- 151 circumstances where there was a sole supplier with a particular product or highly specialised skills; and
- 13 instances based on security or confidentiality requirements.

### QUESTION 4

***Appropriateness of the practice of giving retrospective exemptions in response to breaches of policy.***

Retrospective approval of exemptions is not permitted.

## *Gaming portfolio*

### QUESTION 1

***Provision of a copy of the issues paper and draft ministerial order relating to the government's proposed reform of the community benefits statements system.***

*A copy of the issues paper titled Community Benefit Statements: A new direction, Information Paper, Office of Gaming and Racing June 2007 was provided by the Minister. The paper can be accessed from the Department of Justice website at www.justice.vic.gov.au*

### QUESTION 2

***Clarification of the composition of the budget allocated to the gaming review panel.***

The government has approved a budget of up to $3.2 million over the next three years to meet the anticipated costs of all aspects of the Gambling Licences Review, including the requirements of the independent review panel.

The government will ensure that the panel is adequately funded. Any additional funding that is required will be provided through the reprioritisation of departmental resources.

### QUESTION 3

***Level of resources the department anticipates providing to support the Committee in 2007-08 based on experience over the last two years.***

*The response provided by the Minister for Gaming covers all Department of Justice portfolios.*

The PAEC process runs intensely for a two month period, involving a number of officers in the production of a response to the PAEC questionnaire, hearings preparation and input into the government's response to the PAEC report on budget outcomes.

Full-time roles and responsibilities over this two month period include divisional coordination (8 x grade 6 officers); briefing writers (12 x grade 6 officers); central coordination (1.5 x grade 6 officers); ministerial liaison (3 x grade 5 officers) and quality control (20 x Executive Officers at 10 per cent of their time).

Estimated staff cost for PAEC processes based on the classifications and time is $420,000. Consumables, such as paper and binding materials, are estimated to cost $2,500.

The Department of Justice intends to apply the same level of resourcing to PAEC each year.

## *Health portfolio*

### QUESTION 1

***The number of medical students undergoing some of their training at Box Hill.***

Deakin University will place a small proportion of its medical students at Eastern Health (Box Hill and Maroondah hospitals) for the purposes of clinical training. The statewide distribution of medical clinical placements, which has been developed by the Department of Human Services in partnership with universities and health services, indicates that the numbers of equivalent full-time students at Eastern Health from Deakin University will be ten in 2010, 20 in 2011 and 38 from 2012 onwards. It is not possible at this stage to give the breakdown between Box Hill and Maroondah hospitals as these details are yet to be finalised between the health service and the university.

Deakin University students undertaking placements at Eastern Health will spend approximately half their total clinical placement requirement in rural services.

Undertaking a clinical placement at Eastern Health will enable students to obtain a greater range of medical experiences during their training. Universities aim to provide a variety of clinical settings to ensure students are exposed to a wide range of disciplines and working environments. Metropolitan hospitals offer the scale of patient throughput and breadth of disciplines that are not found in all category B and C hospitals in rural/regional settings.

### QUESTION 2

***Clarification sought regarding the status of widening the definitions under the concept of bed numbers as a performance measure.***

In 2005, Victoria initiated work at the national level to improve the counting of hospital beds. Victoria is leading a working party of the Statistical Information Management Committee (SIMC) and agreement has so far been reached on several issues including the need to improve bed information by expanding beyond a single measure and by clarifying the counting rules. Specific agreement has been reached on:

- counting same day only beds separately from other beds – there is widespread sector agreement that the concept of a single bed measure is of limited use in a contemporary public hospital system where about half of the admissions are for same day procedures. Use of a single measure would undermine the usefulness and accuracy of performance measurement and detract from understanding service usage and effective management, for instance facilities may well be used for two or more admitted patients during the course of a day, and thus generate two or more patient days and an 'occupancy rate' of 200 per cent or greater – simply counting the beds used would lack meaning in terms of service performance;
- separately counting neonatal cots – cots for normal neonates (those not in neonatal intensive care or special care nurseries) need to be brought into scope because, unlike the practice at the time the original definition of 'number of available beds' was adopted, normal neonates are now counted as admitted patients and contribute to bed occupancy rates. It should be possible to manage this provided the cots are separately identified from other beds for comparison with previous years' data;
- clarifying the counting rules – the current definition of bed availability, adopted with effect from 1 July 1997, is deficient in the number of key areas:
  - it is based on a concept of 'staffed within a reasonable period' without defining what 'staffed' or 'within a reasonable period' means – this concept also needs to deal with the impact of nurse-patient ratios on availability;
  - it states that the average is to be calculated from monthly figures, but there is no advice on how to derive them (averaged daily count or measured on a particular day, taken at midday or midnight, etc) and it is unclear how to deal with beds that are unavailable at weekends, so practice varies; and
  - inclusions and exclusions, which are reasonably clear for overnight patients, are considerably less so for same day patients.

The working party has sought to address all of these issues in updating the definition of an available bed. However, progress on this project, including the acceptance of new and revised data standards, has not advanced in 2007 because of a long running dispute between the Commonwealth and the states and territories about whether patients in emergency departments and short stay units may be regarded as admitted patients (and therefore whether resources in these areas should be included in the count of available beds for admitted patients). This issue is impacting several other national information initiatives in the same way.

The admitted/non-admitted patient boundary issue has still not been resolved, and as it is not certain that it will be in the near future, Victoria will present a paper at SIMC's July meeting, seeking to resolve all other outstanding issues, including the need to separately count hospital in the home and medi-hotel beds, in order to bring up to date, and more accurately describe, measures of hospitals' ability to accommodate patients. For example, hospital in the home has been a fully funded acute service for several years in Victoria, but has never been picked up in the Australian Institute of Health and Welfare's bed count.

In advance of the national changes, Victoria has acted to make significant amendments to its routine beds data collection from 1 July 2007. Overnight and same day bed will be collected separately and hospitals will be provided with much clearer and comprehensive counting rules. The department will also collect medi-hotel and neonatal cot data and calculate hospital in the home bed equivalents during 2007-08.

In summary, Victoria will continue to actively pursue the development of nationally consistent definitions and data standards, to provide a combination of measures to better describe hospitals' ability to accommodate patients. However, given the development delays at the national level,

Victoria has taken steps to augment its own bed data collections to provide a more comprehensive picture of hospital capacity for 2007-08.

### QUESTION 3

***The level of resources, funding and staffing the department expects to apply to servicing the Public Accounts and Estimates Committee in 2007-08, based on experience over the past few years.***

Resources applied by the department in servicing Committee requests varies with the nature, volume and complexity of the issues raised and depends largely upon the ready availability of pre-existing source material.

Generally, the departmental response follows a development and coordination process that includes assigning and research items, sourcing and collating relevant material, drafting replies, and endorsement at senior officer and ministerial levels.

It is estimated that, taking into account on-costs and the overlap of Committee related work with that undertaken in relation to normal departmental business, the total cost of servicing the Committee's requests for the Health portfolio is in the order of $16,000.

## *Industry and State Development portfolio*

### QUESTION 1

***Level of resources and staffing costs the department anticipates applying to servicing PAEC hearings and inquiries in 2007-08, based on experience over the past few years.***

It is difficult for the department to estimate the cost of staff and resources for individual portfolios, however based on the eight portfolios serviced by the Department of Innovation, Industry and Regional Development, it is estimated that the cost (conservatively) for preparing for the PAEC budget estimates hearings alone is approximately $116,000. This is based on the preparations for these hearings which is consistent with previous years. These estimates do not include responding to follow-up questions, the estimates and outcomes reports or other PAEC inquiries.

## *Major Projects portfolio*

### QUESTION 1

***Provision of details of the progress of the letter from Austexx to Mr John Phillips.***

A letter dated 28 March 2007 from Ms Amanda Johns of Austexx to Mr John Phillips of the Department of Sustainability and Environment, was tabled at the Major projects PAEC hearing on 8 May 2007. The letter had a Department of Infrastructure (DOI) mailroom stamp with the date of 2 April 2007 on it.

The street address of the letter was incorrectly addressed as Level 18, 80 Collins Street which is the address of Major Projects Victoria.

In spite of being date stamped by the DOI mailroom, I am advised that this letter was never received at Major Projects Victoria. This is because Mr John Phillips works for the Department of Sustainability and Environment and not at Level 18, 80 Collins Street.

I am further advised that the letter was redirected by the DOI mailroom to the addressee (at his correct street address) once it was realised that he did not work at the street address noted on the letter.

## *Mental Health portfolio*

### QUESTION 1

***Clarification of composition of provision of $26.6 million in capital works for new and improved mental health facilities as mentioned by the Minister at the hearing.***

- The composition of the $26.6 million for capital works for new and improved mental health facilities includes $9.6 million for the development of PARC services at Deer Park, Preston and Broadmeadows, $1.5 million for the commencement of demolition and preliminary works for the development of a new veterans' mental health facility and $15.5 million for the development of 25 inpatient mental health beds at Northern Hospital.
- The funding for the Northern Hospital mental health expansion project also comprises an additional investment of $500,000 for engineering and infrastructure works to be undertaken as part of the project, which is reflected in the total investment of $16 million on page 268 of Budget Paper No.3.

## *Parliamentary departments*

### QUESTION 1

***A table be prepared for the Committee that reconciles the Parliamentary departments' Budget with the Appropriation Bill.***

The Parliament of Victoria provides the following reconciliation for Budget Papers No.3 and No.4, the Appropriation (Parliament 2007/08) Bill 2007 and the PAEC questionnaire response provided to the Committee.

## Table A4.28: Parliamentary departments funding reconciliation

| | Legislative Council ($ million) | Legislative Assembly ($ million) | Parliamentary services ($ million) | Investigatory Committees ($ million) |
|---|---|---|---|---|
| Budget Paper 3 Output summary balances* | 8.6 | 17.2 | 65.2 | 6.2 |
| PAEC questionnaire output response | 8.6 | 17.2 | 65.2 | 6.2 |
| Less special appropriations | 5.9 | 13.1 | 0.0 | 0.0 |
| Allocation to incorrect output authority | 0.0 | 0.0 | 0.4 | -0.4 |
| Less 2006-07 output carry over | 0.0 | 0.0 | 3.1 | 0.0 |
| Add additions to net asset base | 0.0 | 0.0 | 5.4 | 0.0 |
| Appropriation (Parliament 2007/08) Bills 2007 | 2.7 | 4.1 | 67.9 | 5.8 |

*Note:* ** Please note all total figures appearing in Budget Paper No.3, 2007-08 Service Delivery, Budget Paper No.4, 2007-08 Statement of Finances and the Appropriation (Parliament 2007/08) Bill 2007 are inclusive of the figures for the Victorian Auditor-General's Office (VAGO). To reconcile with these reports, the responses from VAGO would need to be taken into consideration*

*Source:* *Dr Stephen O'Kane, Secretary, Department of Parliamentary Services, response to the Committee's questions on notice, received 12 June 2007, p.1*

### QUESTION 2

***The extent of investigations into the potential for provision of mobile broadband to the laptops of Members of Parliament.***

Parliament's IT unit has been investigating the installation of remote access service for Members who have a need to use this service. IT has been negotiating with service providers for some time. IT has identified some difficulties with accessing the service on an individual basis and is negotiating a far simpler yet secure solution for member access, with Telstra. The provision of a remote server will be required in the near future as the existing AAPT dial up service and the current whole of government contract solution will be cancelled in July 2007. Also, no such dial up service is expected to be renegotiated for the future. It is expected that the proposed solution will be implemented by the end of August 2007.

## *Planning portfolio*

### QUESTION 1

***Clarification of the inconsistency between information contained in the budget papers and the department's response to the Committee's questionnaire for administered Commonwealth specific purpose grants.***

The output summary table 3.8 on page 196 of BP3 indicates a total output budget for 2007-08 of $1.2 billion. This statement shows operating expenses and is consistent with the expenses shown in the Operating Statement table 2.8.1 on page 107 of BP4.

Table 2.8.5 administered items statement on page 111 of BP4 and the departmental summary administered operating statement details Commonwealth grants income of $98.8 million separately from other sources of income. The departmental summary statement included these Commonwealth grants in the other revenue line item with other grants, taxes, fees and other income rather than separately detailed in the Commonwealth specific purpose payment line of the statement. The table below separates these amounts.

## Table A4.29: Administered items statement

| Operating statement | Column 1<br>2006-07 Estimated Actual<br>($ million) | Column 2<br>2007-08 Budget<br>($ million) | Column (2-1)/1<br>Variation<br>(%) |
|---|---|---|---|
| **Income from transactions** | | | |
| Output appropriations – payments on behalf of the state | 25.0 | 25.9 | 3.3 |
| Commonwealth specific purpose payments | 136.6 | 98.8 | 0.0 |
| Other revenue | 348.3 | 353.3 | -6.8 |
| **Total** | **510.0** | **477.9** | **6.3** |
| **Expenses from transactions** | | | |
| Supplies and services | 3.2 | 4.1 | 25.8 |
| Grants and other payments | 506.7 | 473.9 | -6.5 |
| **Total** | **510.0** | **478.0** | **-6.3** |
| **Net result from transactions** | **0.0** | **-0.1** | **-** |
| **Income/expenses from other economic flows** | | | |
| **Include items as disclosed in the 2007-08 Budget Paper No.4, *2007-08 Statement of Finances*** | **0.0** | **0.0** | **0.0** |
| **Net result from other economic flows** | **0.0** | **0.0** | **0.0** |
| **Net result** | **0.0** | **-0.1** | **0.0** |

*Source:* *Hon. J Madden MLC, Minister for Planning, response to the Committee's questions on notice, received 4 July 2007, p.1*

### QUESTION 2

***A more comprehensive response to the budget estimates questionnaire in terms of changes to performance measures.***

All changes to the Liveable Cities, Responsible Development; Effective Property Markets; and Living Cultural Heritage performance measures can be found in Budget Paper No.3, *2007-08 Service Delivery*, pp.213–215 and Appendix C pp.423–424.

### QUESTION 3

***Further details of all initiatives that have been affected by the redistribution of overhead costs and the reason the redistribution has occurred.***

The redistribution of corporate overheads has had no impact on initiatives.

The significant movement is due to:

- the redistribution of corporate overhead costs of -$18.3 million. This redistribution now more accurately reflects corporate allocation across the department, than the original allocation did; and
- the Landata fees were overstated by -$9 million when a decision was made to move from a trust account arrangement to a Section 29 revenue retention arrangement. This accounting error has been rectified with a downward revision to the estimate.

## QUESTION 4

***Protocols in place to assess alternative proposals from the community on planning decisions, for example the proposal to decommission Lake Mokoan and funding implications of the Future Land Use Committee's request to underwrite this proposal.***

*This question was referred to the Minister for Water, Environment and Climate Change who provided the following response.*

The decommissioning of Lake Mokoan was assessed under the *Environment Effects Act 1978* as not requiring an Environmental Effects Statement (EES) on the basis that a comprehensive Environment Management Plan be required for the project.

The Minister for Planning agreed in principle to make the necessary amendments to the Benalla and Greater Shepparton Planning Schemes to facilitate the project using his powers under section 20(4) of the *Planning and Environment Act 1987*. This decision recognises the 18 months extensive community consultation process under the direction of the community based Lake Mokoan Future Land Use Steering Committee.

Any alternative proposal would likely go through a similar process.

The Future Land Use Strategy identified funding requirements in three phases, namely decommissioning including initial wetland rehabilitation, establishment and enhancement. Funding is committed for the first phase as part of the decommissioning project (under Living Murray and Snowy water savings initiatives) and additional funding is being sought for the establishment phase.

The enhancement phase is of a more long term and aspirational nature and will potentially be funded jointly by public and private interests. The funding required for the decommissioning and establishment is $14 million.

## QUESTION 5

***Details of which councils have been provided funding assistance to complete green wedge management plans as per table A.17, Budget Paper No.3, p.327.***

The government has provided $350,000 (Budget Paper No.3 p.327) to fund the completion of Green Wedge Management Plans.

The Department of Sustainability and the Environment (DSE) has worked with councils to scope the works required and develop project briefs tied to the funding.

DSE is currently finalising grant deeds with councils prior to the funds being released. Subject to final agreements, the following councils will be provided with additional funds to advance or complete their Green Wedge Management Plans for the Green Wedges indicated below:

- City of Wyndham ($20,000) – Western Plains South Green Wedge;
- Shire of Melton (have been offered $20,000) – Western Plains North and South Green Wedges;
- Hume City Council ($45,000) – Sunbury Green Wedge;
- City of Whittlesea ($65,000) – Whittlesea Green Wedge;
- Shire of Nillumbik ($45,000) – Nillumbik Green Wedge;
- Yarra Ranges Shire Council ($65,000) – Yarra Valley and Yarra and Dandenong Ranges Green Wedge, Southern Ranges Green Wedge and Nillumbik Green Wedge; and
- Mornington Peninsula ($45,000) – Mornington Peninsula Green Wedge.

DSE will hold and allocate funds ($45,000) on behalf of the Cities of Frankston, Greater Dandenong, Casey and Kingston for the South East Green Wedge.

### QUESTION 6

***Level of resources and staffing costs anticipated by the department to apply to servicing the Committee's activities in 2007-08, based on experience over the past few years.***

### Budget Estimates

The calculation of PAEC costs to the department cover the following key tasks of the budget estimates PAEC process:

- response to the PAEC 2007–08 Budget Estimates questionnaire;
- preparation of briefings by policy officers, briefing sign off, financial scrutiny of briefings, preparation of the presentation and collation of PAEC folders; and
- project management of the PAEC process.

The total cost for this year is $74,787.

A total of 57 staff were involved in this year's process.

### Budget Outcomes

The total cost, based on last year's budget outcomes questionnaire and response to PAEC outcomes report was $7,439.

A total of five staff were involved in the process.

## *Premier's portfolio*

### QUESTION 1:

***Number of staff positions and quantum of related funding for the Liberal and National parties within the line item Number of staff positions.***

The Office of the Leader of the Opposition (Liberals) 2007-08 base budget is $1.4 million which includes an additional $106,000 of ERC funding. Departmental staff are advised by the Office of the Leader of the Opposition that the planned staffing allocation is 11 FTE for 2007-08.

The Office of the Leader of the National Party 2007-08 base budget is $704,000 which includes and additional $106,000 ERC funding. Departmental staff are advised by the Office of the Leader of the National Party that the planned staffing allocation is 5.25 FTE for 2007-08.

### QUESTION 2

***Confirmation of accuracy of aggregate figure of $1.611 billion in unallocated capital identified on page 45 of Budget Paper No.2 in the light of other comments on the subject allegedly made by the Treasurer.***

*This question was referred to the Treasurer who provided the following response.*

During each budget process, the unallocated capital contingency is reduced as ERC approves capital expenditure and allocated funds to departments.

Following the 2007-08 budget process, the available unallocated contingency for 2008-09 was $263 million, for 2009-10 it was $532.3 million and for 2010-11 it was $815.9 million – this amounts to **$1.6 billion of cash flow** over the forward estimates period. This is shown on page 45 of Budget Paper No.2.

The Total Estimated Investment (TEI) associated with each year of available unallocated capital contingency is based on the average expenditure profile of capital projects over recent years and assumes the following pattern of expenditure:

- year one 28 per cent;
- year two 28 per cent;
- year three 28 per cent; and
- year four 16 per cent.

Using the historical spend profile, this corresponds to an indicative **announceable TEI totalling $2.9 billion** over the forward estimates period:

- $939 million in 2008-09 (ie $263m[274] divided by 0.28);
- $962 million in 2009-10 (ie $532.3m[275] less $263m[276] = $269m, divided by 0.28); and
- $1,013 million in 2010-11 (ie $815.9m[277] less $263m[278] less $269m[279] = $284m divided by 0.28);

This approach has been consistently applied by the department for at least the last decade.

### QUESTION 3

***Composition of line item on 'other efficiencies' shown in Budget Paper No.3, 2007-08 Service Delivery, relating to the Department of Premier and Cabinet.***

The majority of the 'other efficiencies' for Department of Premier and Cabinet relate to head office capping. There are no other efficiencies which are financially significant for the department.

### QUESTION 4

***In regard to the portfolio, the level of resources and staffing costs to be applied by the department in 2007-08 to servicing hearings of the Committee, based on experience in previous years.***

The level of resources and staff costs incurred by the department in servicing the specific demands of PAEC is difficult to estimate as this activity constitutes the department's ongoing role to provide strategic policy advice. The cost of $22,500 has been determined based on specific resources applied to servicing the Committee.

## *Public Transport portfolio*

### QUESTION 1

***Clarification of the nature of the allocation of $25 million identified in the 2007-08 budget as a provision for maintenance of the rail freight network to be expended in 2006-07.***

The $25 million for the rail freight network was announced in November 2006. In accordance with normal budget practice this decision was reflected in the 2007-08 budget papers. Expenditure in 2006-07 is estimated to be up to $15 million. The remainder will be carried over for expenditure in 2007-08.

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274 Refer table 3.5 in Budget Paper No.2, *2007-08 Strategy and Outlook*, p.45
275 ibid.
276 Equals the second year cash flow of the $939 million TEI based on use of the historical spend profile
277 Refer table 3.5 in Budget Paper No.2, *2007-08 Strategy and Outlook*, p.45
278 Equals the third year cash flow of the $939 million TEI based on use of the historical spend profile
279 Equals the second year cash flow of the $962 million TEI based on use of the historical spend profile

## QUESTION 2

***Outcome of expanded monitoring of crowding levels on trains in May 2007.***

The outcome of the monitoring in May 2007 will not be known until end July 2007.

*The Committee will request information from the Minister for Public Transport during the budget outcomes process. Information received will be considered for inclusion in the Report on the 2006-07 Budget Outcomes.*

## QUESTION 3

***Nature of access arrangements with Pacific National regarding the regional rail network and amount expected to be recouped from that entity in access fees to offset future maintenance costs.***

The documentation for the country rail buy back will be published in the near future. Information on access charges is also available on the V/Line's website: www.vline.com.au Estimates of revenue are subject to substantial variability depending particularly on the volume of grain freight carried by rail in any specific year. The access charges agreed with Pacific National are expected to generate about $15 million in a normal harvest year (based on volume estimates used by the Essential Services Commission. These would recoup about 40 per cent of the estimated cost of maintaining the regional rail freight network.

## QUESTION 4

***Specific quantification of additional costs associated with purchase of six Hitachi trains.***

The state is not purchasing, but is rather refurbishing, the six Hitachi trains.

A Hitachi Safety and Maintenance Upgrade project has commenced which will deliver:

- the ability for the fleet to remain in service for at least four further years without major planned maintenance interventions, by undertaking mechanical/electrical overhauls on the Hitachi fleet;
- fleet modifications (including remote trip release, emergency saloon lighting, and automated passenger announcements) which were previously deferred due to the Hitachi fleet's anticipated retirement;
- upgraded Hitachi driver cabs to a standard comparable to that of the Comeng cab, including the replacement of the current airconditioner with a new roof mounted system; and
- improved passenger travelling environment with new upholstery, flooring and tinted windows.

Tenders for the upgrade works are being reviewed at present. The costs of the program are expected to be in the range of $14 million to $16 million.

In addition, a seventh train will be acquired and upgraded to ensure that an operational fleet of six trains can be provided after allowing for maintenance requirements. Further costs in the vicinity of $1 million will be incurred for the seventh train and for other spare parts.

## QUESTION 5

***Past movements in the level of the administration fee paid to operators for issuing of transport fines and generation of fine revenue.***

Administration payments were negotiated as part of the current franchise arrangements with Yarra Trams and Connex which commenced on 18 April 2004. The initial administration payment was $20 per penalty paid. This was increased to $30 per penalty paid on 1 December 2005.

These payments partially cover the costs associated with the engagement of Authorised Officers who act in relation to ticketing and customer behaviour issues on public transport.

No other operators receive any payments relating to fines.

## QUESTION 6

***Provision of additional explanatory information on footnote in budget papers identifying reasons for revised target for completion of core design work for replacement of the Metrol system.***

The original target date for the completion of design activity by the supplier, for the replacement Metrol train control system, was based on a pre-tender internal departmental estimate. This assumed a six month design phase after contract award.

The subsequent tender phase specified a strong emphasis on the need for a robust and stable system, and an essential requirement to avoid service disruption during the transition of train control operations to the new system. Suppliers took these risks into account when formulating their tender responses for the design, development, installation and commissioning of the new system. To comprehensively address these risks before commencing on-site works, Westinghouse, the selected supplier, allowed for an additional six months in the planning and design phase.

In addition to this, an extended period was needed to conclude contract negotiations with Westinghouse and to finalise details of the project delivery model within the department, resulting in a further additional six months to the project schedule.

In summary, the original target of Qtr 4 in FY 2006-07 has been revised to Qtr 4 in FY 2007-08.

## QUESTION 7

***Level of resources and staffing costs anticipated by the department to apply to servicing the Committee's activities in the 2007-08 financial year, based on experience over the past few years.***

The department develops and collates briefing material for the PAEC hearings each year for each of the ministerial portfolios that it supports.

Based on the department's current and previous experience, it is estimated that the following cost and staffing requirements would be required to service the associated activities in relation to the public transport PAEC hearing in the 2007-08 financial year:

- estimated resource effort 217 person days; and
- estimated cost $110,000

The cost estimates reflect the seniority of staff involved, and include materials.

## *Roads and Ports portfolio*

### QUESTION 1

***Identification of parties involved in carrying out the last safety audit in 2006 on the West Gate Bridge structure.***

The last structural review on the West Gate Bridge in 2006 was completed by Hyder Consulting Pty Ltd.

## *Sport and Recreation portfolio*

### QUESTION 1

***The number of police checks that have been undertaken under working with children legislation and whether adequate reward for effort has been achieved.***

The Department of Justice advises that as at 12 June 2007, the Working with Children Check (WWCC) unit has received 69,712 applications. Of those, 51,081 have been issued a WWCC card. The remaining applications are at various stages in the processing cycle. Of the 51,081 applications that have been issued WWCC cards, 31,795 are volunteer cards and 19,286 are employee cards.

It should be noted that there are around 20 categories of 'child related employment' which are not specific to the sport sector. Approximately four of the categories may be relevant to people employed and/or volunteering in the sport sector.

I am pleased that the Victorian community has embraced the WWCC as many people are applying early for their WWCC. This has been evidenced by the fact that a large number of applicants who work with sporting organisations have already applied for their WWCC, despite not being required to apply prior to 1 July 2008.

## *Tourism portfolio*

### QUESTION 1

***A detailed breakdown of the tourism output funding for 2007-08.***

## Table A4.30: Tourism output funding 2007-08

| Program Area | Purpose | ($ million) |
|---|---|---|
| Domestic Marketing | Activities to stimulate growth in domestic travel including advertising; public relations; research; and various marketing activities | 20.6 |
| International Marketing | Operating costs for eight international offices; international cooperative marketing; public relations activities; and trade training initiatives | 7.7 |
| **Events** | | |
| Business Events | Source and secure new business events for Victoria | 5.6 |
| Major Events | Source and secure new major events for Victoria | 14.2 |
| Industry Development and Investment | Tourism awards; tourism accreditation activities; secure new direct flights to Melbourne and facilitate new tourism infrastructure for the state | 2.9 |
| Strategic Planning & Policy | Various service activities | 2.3 |
| Executive & Corp Services | Various service activities | 8.5 |
| Major Projects | Source and secure new major projects for Victoria | 8.5 |
| **Total** | | **70.3** |

*Source: Hon. T Holding MP, Minister for Tourism, response to the Committee's questions on notice, received 13 July 2007, p.1*

The variance in tourism output funding for the 2007-08 budget is predominantly due to machinery of government changes. This has resulted in a shift of major events and major projects funds to the tourism output group.

The $14.2 million allocation for major projects includes $11.5 million for the major events cap and $2.7 million for the Victorian Major Events Company.

The major projects initiatives include funds for South Wharf Sheds [280] ($5.5 million) and the Melbourne Convention Centre ($3 million).

New funding allocated to tourism in the 2007-08 budget includes promoting the state's diverse destinations internationally ($5.5 million over four years), developing nature based tourism and promoting car touring ($6.3 million over four years) and the promotion of food and wine and fly-drive holidays ($2.2 million)[281].

[280] 2007-08 Budget Paper No.3, *2007-08 Service Delivery*, p.305
[281] ibid., p.304–305

## *Treasury portfolio*

### QUESTION 1

***Consideration by the government to tabling in Parliament the reports of the Victorian Competition and Efficiency Commission in future.***

The Treasurer will table the reports of the Victorian Competition and Efficiency Commission in future, including, if relevant, the government's response to such reports, pursuant to Standing Order 176.

### QUESTION 2

***Level of resources and staffing costs the department anticipates will apply to servicing the PAEC hearings in the 2007-08 financial year based on past experience.***

The department will support two ministerial portfolios in 2007-08 – Treasury and Finance, WorkCover and TAC portfolios. The majority of resource costs incurred by the department are in the form of staff time. The contributions that come from across the department are piecemeal and are by nature difficult to place an exact cost on. The costing indicated below is an estimate of indirect and direct resources used to support and service the PAEC budget estimates and outcomes processes in 2007-08.

The department appoints a project manager to coordinate the department's input. In terms of the hearings, staff from across the department and its portfolio agencies (for example, State Revenue Office, Transport Accident Commission, and Victorian WorkCover Authority) prepare advice for both portfolios.

The department's work extends to completing the Committee's questionnaires and follow-ups both in relation to the budget estimates and budget outcomes processes. Again these involve a number of staff from across the Department of Treasury and Finance working to provide the information sought by the Committee.

The department recognises that its contribution to the PAEC process is important to ensure public scrutiny, accountability and transparency.

Estimated level of resources and staffing costs are as follows:

- 550 hours (indicative only)

The estimate is based on the following breakdown:

### Table A4.31: Estimated staffing for PAEC activities in 2007-08

| Resources | Staff (EFT) | Resource allocation (hours) |
|---|---|---|
| **Direct resources** | | |
| Project manager | 1 | 200 |
| Support staff | 2 | 60 |
| **Indirect resources** | | |
| Executive officers | 11 | 40 |
| Various support staff | 20 | 250 |
| **Total** | | **550** |

*Source: Hon. J Brumby MP, Treasurer, response to the Committee's questions on notice, received 11 July 2007, p.6*

## *Victorian Communities portfolio*

### QUESTION 1

***Further response from the Department for Victorian Communities to the Committee's budget estimates questionnaire in respect to question 9 on 'communications, advertising and promotion spending', including information on schemes such as the volunteering grants scheme.***

The Department for Victorian Communities (DVC) does not have a central budget for communication advertising and promotional activities. Appropriate communication, advertising and promotional expenditure is determined by the different units within the department according to specific program needs. At this stage budgets have not been allocated for 2007-08. A similar level of activity is envisaged in 2007-08 and thus budgets are likely to be comparable to actual expenditure over the previous two financial years, minus savings required on advertising and contractors.

#### 2007-08 estimated expenditure

At this stage budgets have not been allocated for 2007-08. A similar level of activity is envisaged in 2007-08 and thus budgets are likely to be comparable to actual expenditure over the previous two financial years, minus savings required on advertising and contractors.

#### 2005-06 and 2006-07 expenditure

In relation to communication expenditure up until the end of April 2007, DVC had expended $2.8 million on advertising marketing and promotion. This expenditure reflects the new structure of the DVC following the machinery of government changes.

Based on expenditure to date, it is estimated that expenditure for the 2006-07 financial year would be $3.5 million. This cost reflects costs of advertising, marketing and promotion. Costs within this classification would include advertising, communication products (design, printing and editing), and promotional displays. It does not include the maintenance of web sites or staffing involved in communication services. These costs, while recorded, are not directly allocated to communication costs and would need to be collected individually.

As DVC's advocacy role supports a number of population groups across government, key communications relate to Skilled Migration, the Seniors Festival and Seniors Card, Cultural Diversity Awareness, Youth Week and *Go for your life*, to name a few. More than 20 per cent of the $2.8 million detailed above relates to the Skilled Migration Program as part of the Employment Programs output. Communication costs also cover requirements in relation to the publication of regulations, annual reports and normal staff recruitment.

The expenditure relating to each output for the 2005-06 financial year and the 2006-07 financial year up to April 2007 is as follows:

## Table A4.32: Department for Victorian Communities communication, advertising and promotion expenditure 2005-06 and 2006-07

| Program | 2005-06 Full Year Actual ($) | 2006-07 April YTD Actual ($) |
|---|---|---|
| Local Government Sector Development | 22,303 | 8,482 |
| Indigenous Community & Cultural Development(a) | 68,692 | 101,580 |
| Office of Women's Policy | 105,723 | 51,099 |
| Youth Affairs | 148,810 | 138,130 |
| Community Strengthening & Volunteering | 241,998 | 107,745 |
| Seniors and Veterans | 296,515 | 380,804 |
| Multicultural Affairs | 517,029 | 226,218 |
| Executive and Corporate | 426,709 | 231,168 |
| Sport and Recreation Victoria | 557,979 | 344,397 |
| Employment Programs | 1,283,745 | 875,650 |
| Disability(b) | 0 | 24,501 |
| Adult and Community Education(b) | 0 | 53,978 |
| Citizen Access and Transformation (c) | 62,418 | 115,304 |
| **Total** | **3,731,922** | **2,659,057** |

*Notes:* *(a) The increase in the expenditure for the Indigenous Community and Cultural Development Output is due to the $35,000 contribution to the Victoria Police to fund the 'Violence against Women' public awareness campaign focusing on Indigenous Family Violence in the Mildura region*

*(b) Output not delivered by DVC in 2005-06*

*(c) 2005-06 figure includes Information Victoria component of output only*

*Source:* *Hon. P Batchelor MP, Minister for Victorian Communities, response to the Committee's questions on notice, received 19 June 2007, p.2*

## Promotion of DVC Grants

DVC's grants approach is intended to improve the outcomes for the community.

- DVC is streamlining the process to make sure that grants are more accessible and the process simpler; and
- to make finding out about grants from DVC easier, DVC has done two things.

Firstly, the department has established the Grants Information Line as the single place to call for assistance with applications. This information line (and general information about grants) is advertised in media releases, newspaper advertising, online and in printed brochures/guidelines. DVC also provides letters or email alerts to key stakeholder groups when grant rounds are coming up.

The Grants Information Line is answered by the Information Victoria Call Centre and is open from 8.30am – 10.00pm weekdays (except for public holidays). Call centre staff are able to answer queries about any DVC grant program, provide assistance with completing an online application or transfer enquiries to direct program areas if necessary.

Secondly DVC has established the Grants@DVC website. The website provides a single place to:

- find information about grant programs; and
- apply online for a DVC grant.

Some of the grant programs are open all the time and some operate on the basis of funding rounds. The Victorian Community Support Grants program and the Victorian Volunteer Small Grants Program, are examples of DVC grant programs that are open continuously.

Information about funding round dates and opening times is available at the Grants@DVC website, together with copies of the program guidelines and application forms. Guidelines for the grant program that interest particular groups or individuals are always printed by DVC. These are available online from the Grants@DVC website or in printed format provided via mail.

DVC staff are available to help formulate community groups or individuals ideas and to assist in the completion of an application. There are various formats provided for completing an application. These include: handwritten, electronically in word format and online via the Grants@DVC website.

## Promotion of the Victorian Volunteer Small Grants

The Victorian Volunteer Small Grants are advertised on the Grants section of the DVC website. DVC local teams promote the Grants to community organisations in their respective regions. All successful grants are subject to a communications plan targeting local press, promoting both the organisations concerned and the grants in particular.

## *Water, Environment and Climate Change*

### QUESTION 1

***The level of resources, in terms of staffing and funding, the department expects to spend in 2007-08 servicing the Committee and its inquiries, based on past experience.***

### Budget Estimates

The calculation of PAEC costs to the department cover the following key tasks of the budget estimates PAEC process:

- responses to the PAEC 2007-08 Budget Estimates questionnaire;
- preparation of briefings by policy officers, briefing sign off, financial scrutiny of briefings, preparation of the presentation and collation of PAEC folders; and
- project management of the PAEC process.

The total cost for this year is $48,364.

A total of 82 staff were involved in this year's process.

### Budget Outcomes

The total cost, based on last year's budget outcomes questionnaire and response to PAEC outcomes report was $7,439.

A total of five staff were involved in the process.

## *Women's Affairs portfolio*

### QUESTION 1

***Breakdown of the women's policy output costs for 2007-08.***

The 2007-08 Office of Women's Policy budget allocation of $4.9 million funding enables the funding of the government's policy objectives for women:

- New Women's Policy Framework 2008-2011;
- Women's Safety Strategy Evaluation;
- Safer Families Training Program;
- Women's Financial Literacy Training; and
- Centenary of Women's Suffrage Celebrations for 2008.

The budget breakdown for the Office of Women's Policy for the period 2007-08 is as follows:

## Table A4.33: Office of Women's Policy output funding for 2007-08

| Office of Women's Policy budget breakdown | 2007-08 ($ million) |
|---|---|
| **Employee related costs** | |
| FTE 12.7 | 1.2 |
| **Operating costs** | |
| Consultation events, publications, reports and website, office materials | 0.2 |
| **Total operating** | **0.2** |
| **Grants – Operating** | |
| Women's Information Referral Network (WIRE) | 0.2 |
| Queen Victoria Women's Centre | 0.3 |
| **Total grants** | **0.5** |
| Family Violence Reform Strategy | 1.0 |
| Women's Suffrage | 0.7 |
| Financial Literacy | 0.3 |
| Office and corporate costs (including IT, payroll, finance etc) | 1.1 |
| **Total** | **5.0** |

*Source: Ms J Allan MP, Minister for Women's Affairs, response to the Committee's questions on notice, received 18 June 2007, p.3*

### QUESTION 2

***Resources and staffing costs the Minister's portfolio departments anticipate applying to serving PAEC hearings and inquiries in the coming year, based on experience over the past four years.***

*The Minister for Victorian Communities provided the following response.*

In relation to this issue the preparation of information for PAEC is seen as an integral part of the budget development process within the department and therefore is not costed as a separate activity. As part of preparing all budget briefings, they are prepared by administrative officers within the department and then reviewed by executive officers. No additional costs are incurred as the costs are seen as part of the departments operations. In addition, much of the information is prepared as part of developing bids as part of the budget process and submitting a budget submission. The work in relation to PAEC is to a large degree, collating budget information already prepared as part of the budget process.

To assist the Committee, an estimate has been prepared in relation to the 12 budget estimates hearings at which the department ministers appear. It has been assumed that an Administrative officer at a VPSG5 level would prepare the brief and this would involve approximately three hours per brief. Therefore the number of briefs by the hourly costs and adding an executive review cost of 10 per cent provides an indicative cost for the Committee. It is also estimated that one VPSG5 officer also coordinates the collation and review process of all PAEC briefs for approximately 40 days. The table below details the costs per portfolio based on the above methodology.

## Table A4.34: Estimated cost for PAEC activities in 2007-08

| Function | Cost ($) |
|---|---|
| 506 briefs at 3 hours per brief at $45 per hour including on-costs | 68,310 |
| Estimated 10 per cent executive review cost on above | 6,831 |
| Cost of Grade 5 coordination for 40 days | 13,680 |
| **Total estimated cost** | **88,821** |

*Source: Hon. P Batchelor MP, Minister for Victorian Communities, response to the Committee's questions on notice, received 19 June 2007, p.5*

# *Youth Affairs portfolio*

### QUESTION 1

***Provision of an estimate of the number of schools likely to participate in the Advance program in the 2008 calendar year.***

The Office for Youth accepts expressions of interest until December 2007 to deliver Advance in 2008. However, based on the figures for 2006 and 2007 it will be approximately between 400 and 405 school campuses.

# APPENDIX 5: RESPONSES TO UNASKED QUESTIONS RELATING TO THE 2007-08 BUDGET ESTIMATES

## Thriving economy vision

There are no unasked questions relating to the thriving economy vision.

## Quality health and education vision

### *Health portfolio*

#### QUESTION 1

***Effect of the increased resources allocated to dental services on reducing the waiting list for people in areas such as Gippsland.***

Since the Commonwealth Dental Heath Program ceased in 1996, the Victorian Government has delivered public dental health services and waiting times in Victoria during this time have shown steady improvements. Clients requiring urgent care are assessed within 24 hours and provided with appropriate treatment.

Overall, waiting times for general dental treatment have dropped from 30.98 months in December 2004 to 23.51 months at the end of June 2006. Over the same period, waiting times for dentures have fallen from 34.6 months to 22.39 months.

Waiting times vary across Victoria and are directly related to workforce shortages in particular geographic areas. Waiting times in the Gippsland region are predominantly related to the availability of both private and public sector dental workforce, which can only be effectively addressed through medium to long term strategies.

The Victorian Government continues to respond to the need in rural areas by implementing a number of strategies to strengthen the rural workforce. Responses include increasing rural student clinical placements and rural bonded scholarships, expanding incentives for dentists working in rural Victoria including increased rural allowances to boost recruitment and retention, and supporting the establishment of the Batchelor of Oral Health Science at Latrobe Bendigo, with the first group of dual qualified practitioners expected to graduate in 2008.

Additional resources are allocated to areas with the longest waiting times. The department is exploring alternative service models targeted to address specific waiting lists. It is anticipated that waiting lists in public dental clinics with waits over four years will reduce in the next 12 months.

## *Veterans' Affairs portfolio*

### QUESTION 1

***Commencement date and full funding details of the proposed 20 bed ward for veterans with psychiatric conditions at the Heidelberg Repatriation Hospital.***

*This unasked question was referred to the Minister for Mental Health who provided the following response.*

The government's veteran's policy, 'Respecting Victoria's Veterans', provides a commitment of $10 million to develop a new mental health facility at the Heidelberg Repatriation site. $1.5 million has been committed in the 2007-08 budget to begin initial design of the facility together with site clearance and demolition works. This new facility will replace the existing psychiatry buildings and provide support to the more than 600 veterans who are treated at the facility each year. The facility will also support other trauma survivors, such as those affected by the Bali and tsunami tragedies.

A service plan is currently being prepared, and capital planning will follow. It is anticipated that demolition works will commence in 2007 to clear the site for the new building. The balance of funding for construction of the facility is expected to be considered in the context of the 2008-09 budget.

### QUESTION 2

***Full costing to deliver a hydrotherapy pool, gymnasium and physical therapy area at the new Health and Rehabilitation Centre.***

*This unasked question was referred to the Minister for Mental Health who provided the following response.*

The Heidelberg Repatriation Hospital Health and Rehabilitation Centre will include a new hydrotherapy pool and a redeveloped Kokoda gymnasium to provide physical therapy in a world class facility for veterans and the broader community. These facilities will be fully delivered within the projected funding commitment.

# Healthy environment vision

There are no unasked questions relating to the healthy environment vision.

# Caring communities vision

## *Consumer Affairs portfolio*

### QUESTION 1

***Has the government increased funding for financial counsellors this year and budgeted to increase funding to the financial counselling program over the forward estimates period?***

The funding for the financial counselling program for 2007-08 includes an indexation increase of 2.9 per cent on the 2006-07 year, taking the total allocated to $5,227,286 (excluding GST).

An extension of $2.2 million has been provided from appropriations as a one-off in 2007-08. This replaces the 40 per cent of funding previously provided by the Community Support Fund. (In previous years, approximately 60 per cent of funding was from appropriations and 40 per cent from the Community Support Fund).

In regard to support for farmers, the Ministerial Drought Taskforce has delivered almost $170 million in drought response initiatives since September last year. This package includes initiatives for regional employment, infrastructure, securing water supplies, drought related advice for farmers, rural water bill relief, health and welfare services, financial counselling and community activities. The Department of Primary Industries is coordinating the implementation of these initiatives.

### QUESTION 2

***Re fees on fringe loans:***

- ***is the government confident low income lenders will have the capacity and knowledge to challenge fees on fringe loans?***
- ***will the funding for CAV be sufficient to meet the increasing number of consumer credit case complaints?***
- ***the number of consumer credit court cases taken in the past year?***
- ***when the proposed 'unreasonableness' law comes into force, will there be an increase in funding to CAV to take on these cases?***

In September 2006, the Bracks Government released its response to the comprehensive Report of the *Consumer Credit Review* (the Review). This Review was a landmark piece of work that gave priority to concerns raised in the government's April 2005 social policy statement, *A Fairer Victoria*. This statement committed the government to improving the position of consumers who lack access to affordable credit and are therefore susceptible to predatory lending practices and the harm this causes.

Consumers of high cost, small amount lending products (also known as fringe loans) without complementary education and information campaigns are unlikely to challenge the unreasonableness of fees and charges. That's why Consumer Affairs Victoria (CAV) will undertake a targeted education campaign for consumers of these products and for community agencies assisting low income and vulnerable consumers to raise awareness of their rights and how to exercise them.

The introduction of an unreasonableness test was proposed in the Review and is being considered by the Ministerial Council on Consumer Affairs. The concept of 'reasonableness' (and its opposite) is well known to the law, and courts and tribunals have proven more than capable of construing it in the particular context in which it is used. New Zealand recently adopted a test of 'unreasonableness'

following a comprehensive review, and the United Kingdom's wholesale review of credit regulation resulted in the introduction in 2006 of a similar 'unfairness' test.

Submissions from advocates and regulators to the Review argued also that if government Consumer Agencies, such as CAV, should be empowered to challenge the unreasonableness of fees in their own right rather than leaving this solely up to consumers. To better protect consumers from unreasonable fees and charges the government response to the report agreed with this proposal.

The Bracks Government, through CAV, will use research and consultation with industry to assist credit providers to identify and address areas of concern where the fees and charges appear excessive.

CAV already handles enquiries and complaints relating to high cost small amount lending and has the capacity to deal with a higher volume of enquiries and complaints by reprioritising within existing resources. In addition, the Consumer Action Law Centre, which receives funding from CAV, assists low income and vulnerable consumers with credit complaints, specifically focusing on assisting consumers with problems relating to high cost small amount loans.

No new consumer credit court action was undertaken in the last year but CAV is currently devoting considerable resources to three significant public interest cases on consumer credit, one of which has reached the High Court. In the last year, CAV has conducted 27 consumer credit investigations, which have addressed the consumer's complaints.

CAV does not have access to a 'litigation fund' to finance consumer credit cases. However, the Director of CAV can make an application to the Consumer Credit Fund to run a test case.

The Consumer Action Law Centre is also well placed to take advantage of any new unreasonableness provisions. The expectation is that only a small number of public interest test cases, challenging the unreasonableness of certain fees and charges, would be necessary to make strategic use of the unreasonableness test.

## QUESTION 3

***What is being done to protect tenants from exploitative practices of Real Estate agents, particularly rental bidding; how many have been fined and/or deregistered; and what is being done to improve the standards of the industry?***

The Bracks Government has a proud record of standing up for the rights of Victoria's tenants. The *Residential Tenancies Act 1997* sets out a strong framework for the rights and responsibilities of tenants.

While the practice of 'bidding up' is not against the law, tenants are only required to pay the amount which the property was advertised at. Prospective tenants need to be aware that others may be making higher bids. But, if an agent has deliberately advertised a property at a price at which it was not intended to be let, that is considered misleading conduct, and is illegal under the *Fair Trading Act 1999*.

Consumer Affairs Victoria (CAV) will be vigilant in ensuring estate agents are not engaging in conduct that is misleading or deceptive to consumers, and will continue to work closely with the sector, including the Real Estate Institute of Victoria (REIV) and the Tenants' Union of Victoria.

In February 2007 the REIV released guidelines discouraging its members from using rental auction techniques. It advised professional property managers to set a rental price that reflected current market value to ensure the system of matching good tenants to properties remains robust.

CAV is monitoring complaints from tenants in respect to rental bidding or auctions, and will act if agents engage in misleading and deceptive conduct. Notwithstanding this, on the issue of rental bidding, CAV has received a negligible number of complaints from tenants.

## *Corrections portfolio*

### QUESTION 1

***Re the Corrections Inspectorate:***

***Names of systemic and thematic reports and audits of individual prisons from 1 January 2003 to present, recommendations from these reports, and action taken on these recommendations;***

Since its inception on 1 July 2003, the Corrections Inspectorate (CI) has conducted a number of reviews relating to the operation of the Victorian corrections system. All reviews include recommendations, which when implemented, have significantly enhanced the correctional system and promoted industry 'best practice'.

In response to each of the reviews Corrections Victoria and the private prison operator provides a full action plan addressing each of the recommendations. The CI comments and reviews each action plan. The prison operator subsequently monitors the implementation of these plans and the CI conducts post audits on selected reviews.

Review findings and implementation issues are also progressed through the quarterly reporting process, where prisons report on post-audit findings to the Commissioner.

The reviews have included the following systemic and thematic reviews and compliance audits:

- Seven (7) *Healthy Prison Reviews* of the following correctional facilities: Loddon, Ararat, Metropolitan Assessment Prison, Nalu Youth Unit at Fulham Correctional Centre, Barwon, Fulham Correctional Centre and Tarrengower Women's Prison.

  A Healthy Prison Review is a holistic assessment of the custodial environment and seeks to determine the 'health' of a prison by assessing it against the four 'healthy prison principles' of safety, respect, purposeful activity and family engagement/preparation for return to the community.

  Reviews may contain up to 30 recommendations addressing issues such as accommodation, staff management, prisoner property, record keeping and programs. Enhancements to the correctional system include the drafting of new correctional standards, improved conditions for prisoners and visitor access and a more transparent and accountable correctional system.

- Fourteen (14) *Thematic Reviews* to provide a systemic finding in relation to particular aspects of correctional service delivery. These have covered issues such as: key control; fire preparedness; analysis of prisoner lockdowns; separation of prisoners; management of firearms; management unit regimes; fire incidents; prisoner mail; validation of contracted service delivery outcomes; prison technological systems; prisoner discipline; security at Port Phillip Prison; security at Dame Phyllis Frost Centre; and prisoner transport.

  Thematic Reviews are conducted across a number of prisons. A Thematic Review may be conducted following adverse findings from a compliance review or identified systemic areas, which may present significant risks to the system if not managed appropriately.

Thematic reviews may contain up to 50 recommendations, which cover areas such as improved compliance with operational procedures; improved provision of maintenance; uniform testing of security and safety systems; and improved quality control systems.

- Seven (7) *Post-Audit Reviews* covering: Security at Port Phillip Prison; fire preparedness; management of firearms; security at the Dame Phyllis Frost centre; Barwon Healthy Prison Review; Tarrengower Healthy Prison Review; and prisoner transport.

  Post Audits monitor the implementation of Action Plans and enable a detailed follow-up of actions resulting from the recommendations of reviews. Post Audits have confirmed that the majority of recommendations have been implemented or are in progress.

- Nine (9) *Annual Validation Reviews* of service delivery outcome data provided by private prisons: Fulham Correctional Centre and Port Phillip Prison on an annual basis and one validation review involving a number of public prisons.

  Annual Validation Reviews are undertaken to assess whether or not the performance data reported monthly by each prison to the Commissioner, is accurate against established definitions. The CI examines a range of prison data during the conduct of the review and recommendations focus on documentation, definition and Commissioner's benchmarks.

  Implementation of the recommendations of the reviews has resulted in improved understanding of the service delivery outcome definitional requirements, more accountable and transparent correctional systems, improvements in record keeping and adherence to established guidelines.

- Six (6) *Compliance Reviews*, where several subject areas are inspected at one location to determine whether procedures are adhered to in accordance with agreed standards/operating instructions, have been conducted. These include prisoner transport; treatment afforded prisoners in transit; prisoner lockdowns – Port Phillip Prison; prisoner property – Port Phillip Prison; targeted review of security at Dame Phyllis Frost Centre; and programs/activities at the Fulham Correctional Centre.

  Improvements made to the system have included strengthened security and intelligence functions, improved maintenance of electronic systems and risk management strategies.

  Compliance Reviews assess whether a particular correctional function or a number of functions (up to 40), are being carried out in accordance with established policies and procedures related to service delivery, operational and contractual requirements and Legislation.

- Fourteen (14) other reviews covering such things as monitoring of the default cure plan at Port Phillip Prison; administration of medication at Barwon Prison; review of the Security and Emergency Services Group; review of Intensive Corrections Orders by Community Correctional Services; commissioning of the Metropolitan Remand Centre and Marngoneet Prisons; review of escapes – Langi Kal Kal Prison; health services issues; and security related matters.

Recommendations from these reviews include enhancements to prison operations, management and culture as well as addressing systemic issues. Further, the reviews relating to the Community Correctional Services (CCS) have resulted in significant improvement in the supervision and compliance of CCS offenders on orders.

***Other investigations and reports completed since 1 January 2003;***

CI since 1 January 2003 eg:

- Deaths in custody
- Attempted suicide/serious self harm attempts
- Allegations of assaults on prisoners

Number of other investigations/reports since 1 July 2003:

- Deaths in custody – 13
- Attempted suicide/serious self harm attempts – 1
- Allegations of assaults on prisoners – 3
- Escapes – 7

Additional inquires have also been conducted covering such things as management of prisoner property; conduct of Governor's Disciplinary Hearings; prisoner transport injury; and staffing issues.

***Annual budget in each financial year of existence and the projected budget for 2007-08;***

- 2003-04: $1.0 million
- 2004-05: $1.3 million
- 2005-06: $1.4 million
- 2006-07: $1.6 million
- 2007-08: $1.5 million

***Breakdown of current staffing numbers;***

Current staff: 17 staff (16.6 FTE – includes two fixed term employees and one temporary administrative staff member)

| Position | Number |
|---|---|
| Director – Executive Officer (Level 3) | 1 |
| VPS Grade 6 | 5 |
| VPS Grade 5 | 8 |
| VPS Grade 4 | 1 |
| VPS Grade 3 | 2 |
| **Total** | **17** |

***External agencies with the right of access to CI's reports; and***

CI reports are accessible to the Ombudsman. In addition, reports are accessed by the Department of Human Services (for example in relation to the delivery of prisoner health services) and Victoria Police (for example in relation to allegations involving the possible commission of criminal offences). The availability of CI reports to other external agencies is considered by the Secretary of the Department of Justice on a case-by-case basis.

***Number of completed reports released to the public.***

No CI reports have been released to the public.

## *Multicultural Affairs portfolio*

### QUESTION 1

***Budget initiatives to assist the government to maintain its reputation as a leader of multicultural affairs.***

The government has committed funding from 2007-08 to a range of budget initiatives to strengthen Victoria's multicultural communities, including proving:

- $8 million over three years to further develop three of Melbourne's cultural and historic precincts – Lonsdale, Lygon and Little Bourke Streets – by restoring infrastructure and boosting resources for communities to showcase their culture and heritage, including key festivals;
- $280,000 over four years to increase core funding to the Ethnic Communities' Council of Victoria and enable it to better support and represent the interests of community organisations across Victoria;
- up to $1 million in matched funding in 2007-08 to establish a major multicultural centre, the D W Hope Centre, in Geelong;
- $4 million over four years to increase funding to the Victorian Multicultural Commission Community Grants Program. This will enable significant increases in funding for Culturally and Linguistically Diverse (CALD) seniors groups, women's and youth community groups, particularly from new and emerging communities, and help meet the increased demand for community grants; and
- $2 million over two years to support community harmony initiatives. The funding will support projects developed by the Premier's Multifaith Forum and grass roots community and interfaith networks aimed at promoting harmony, and will establish a Multifaith Multicultural Youth Network.

These initiatives will build on Victoria's success in addressing the needs of our multicultural community, and in meeting the challenges of the future.

### QUESTION 2

***Long term impact of improvement works to China Town, Lygon and Lonsdale Streets.***

The government is providing $8 million to establish a Cultural Precincts Enhancement Fund to refurbish three major cultural precincts in Melbourne: Lygon, Lonsdale and Little Bourke Streets.

This initiative, in partnership with the City of Melbourne, will provide funding to restore key laneways, landscaping, street art, lighting and boosting resources for community centres and key festivals.

The improvements to the infrastructure and streetscape of the three precincts will have positive economic impacts on a long term basis, attracting more visitors to the areas and boosting local economic growth.

## QUESTION 3

***Benefits of the community harmony funding allocations.***

In the 2006-07 budget, $2.1 million was allocated over four years to strengthen and promote multifaith and multicultural diversity. Projects undertaken through this funding have included hosting a Multifaith Multicultural Youth Forum and launching the Women Creating Harmony Grants Program.

The Multifaith Multicultural Youth Forum held in July 2006 provided an opportunity to promote ongoing dialogue between young people from a range of cultural and faith backgrounds. The Women Creating Harmony Grants Program, launched in August 2006, supports women from many different cultural backgrounds to develop cross-cultural harmony at the community level.

In the 2007-08 budget, an additional $2 million has been committed over two years to further promote community harmony initiatives. The funding will be used to support:

- projects recommended and supported by the Premier's Multifaith Leaders Forum, grass roots and interfaith networks;
- mentoring programs to strengthen Culturally and Linguistically Diverse (CALD) women's leadership capacity;
- the establishment of a Multifaith Multicultural Youth Network to strengthen youth participation and leadership; and
- a community education program to complement Victoria's annual Celebrate Our Cultural Diversity Week.

This new suite of community harmony initiatives will assist Victoria to maintain its record of interfaith cooperation. Working in partnership with faith and community leaders and promoting community events in a powerful way of increasing understanding and celebrating Victoria's diversity.

## QUESTION 4

***Benefits of an additional $1 million in community grants to Culturally and Linguistically Diverse community groups.***

The additional $1 million per year over four years (from 2007-08) will increase funding to the Victorian Multicultural Commission's Community Grants program to $4 million per year with a focus on supporting new and emerging communities, older Victorians and women from Culturally and Linguistically Diverse (CALD) backgrounds. This additional amount will increase both the size of individual grants as well as the number of grants: thereby increasing the capacity of ethnic community organisations to support their specific communities and members as well as the broader Victorian society.

## QUESTION 5

***Costs, including staff and wages, associated with the merger of VOMA and VMC; level of recurrent funding and staff numbers and wages before and after the merger; and temporary staffing costs during 2006-07.***

The merger process did not result in any additional costs outside of the budget parameters of either the Victorian Office of Multicultural Affairs (VOMA) or the Victorian Multicultural Commission (VMC). However, to assist the merger process $9,968 was spent to employ an independent project manager.

The merger will result in a decrease in both staff and wages.

Not including fixed period program allocations such as the Refugee Support Package, the recurrent budget in 2006-07 for VOMA is $3.1 million and for the VMC is $4.7 million, a total of $7.8 million. The recurrent budget for the new VMC in 2007-08 is $6.8 million.

In 2006-07, VMOA spent $110,847 and the VMC spent $49,657 on temporary staff up to 24 May 2007.

### QUESTION 6

***Provision of legal costs incurred to date in relation to the FOI case currently before VCAT, dealing with the Racial and Religious Tolerance Act.***

The Department for Victorian Communities received FOI request on 14 August 2006 requesting documents relating to work done by Freehills in relation to the *Racial and Religious Tolerance Act 2001*.

This request was dealt with through the usual processes and as quickly as possible.

The total cost of this work and the associated invoices were released in response to the FOI request. There has been no attempt to hide these documents from public scrutiny.

### QUESTION 7

***Level of funding allocated to assisting refugees and newly arrived immigrants from the Horn of Africa.***

At this stage some commitments are still to be made for 2007-08. However, it is expected that approximately $400,000 will be committed to support refugee and newly arrived communities through the Victorian Multicultural Commission's Community Grants Program and a further $925,000 through the Refugee Support Package.

### QUESTION 8

***Break down of planned investment of $8 million for the Cultural Precinct Enhancement Fund.***

The Cultural Precinct Enhancement Fund (the Fund) will provide a total funding of $8 million over three years in the following sequence: $1 million in 2007-08, $3 million in 2008-09 and $4 million in 2009-10.

### QUESTION 9

***Possible funding for the Greek Museum at the old mint building in William Street.***

No breakdown for a particular cultural precinct or project has been predetermined. The Fund will support initiatives put forward by the relevant communities and the City of Melbourne.

These initiatives will be assessed through a transparent process, using the *Strategic Framework for Melbourne's Cultural Precincts* as a guide for determining key needs for the communities and priorities for the fund generally. A committee will be established for each precinct, which will forward their respective priorities to an overarching steering committee that will make final recommendations to the Minister.

### QUESTION 10

***Source of funding for the Cypriot Community of Melbourne and Victoria building development.***

No breakdown for a particular cultural precinct or project has been predetermined. The Fund will support initiatives put forward by the relevant communities and the City of Melbourne.

These initiatives will be assessed through a transparent process, using the *Strategic Framework for Melbourne's Cultural Precincts* as a guide for determining key needs for the communities and priorities for the fund generally. A committee will be established for each precinct, which will forward their respective priorities to an overarching steering committee that will make final recommendations to the Minister.

### QUESTION 11

***Quantum of new funding arrangements for VMC Community Grants Program over the next four years.***

The $4 million over four years provided for the Victorian Multicultural Commission's Community Grants Program is new money.

### QUESTION 12

***Grants to the Ethnic Communities' Council of Victoria for 2006-07 and 2007-08.***

In 2006-07, the Victorian Government provided core funding of $180,000 per year to the Ethnic Communities' Council of Victoria (ECCV).

As provided for in the 2007-08 budget, core funding for ECCV will be increased by $70,000 from $180,000 to $250,000 per year for the next four years, starting from 2007-08.

## *Veterans' Affairs portfolio*

### QUESTION 1

***Details of the ongoing commitment to the Victorian Spirit of ANZAC Prize.***

The government provides $260,000 per annum to the Victorian Spirit of ANZAC Prize each year to coordinate the statewide schools competition and the overseas study tour for the ten winners of the schools competition. In 2006 the Spirit of ANZAC Prize Schools Competition attracted 242 applications from Year 9 students across the state. Ten of these students were selected to travel to Gallipoli, France, Belgium and the United Kingdom in April 2007.

### QUESTION 2

***Support provided to the Shrine of Remembrance.***

The government provides annual operating funding to the Shrine of Remembrance of around $1.1 million per annum for the following departments:

- Department for Victorian Communities;
- Department of Sustainability and Environment; and
- Department of Treasury and Finance.

The government has also provided $200,000 over three years to the Shrine for the replacement of its outdated and inadequate public address system in the 2007-08 budget.

## QUESTION 3

### *Delivery date to construct a new Health and Rehabilitation Centre at the Heidelberg Repatriation Hospital.*

*This unasked question was referred to the Minister for Mental Health who provided the following response.*

Detailed designs are currently being prepared for the Health and Rehabilitation Centre, which is expected to be tendered in late 2007 and completed in 2009. This Centre will include a new hydrotherapy pool and a redeveloped Kokoda gymnasium, which will provide a world class facility for veterans and the broader community.

## QUESTION 4

### *Funding arrangements for the Shrine of Remembrance, Galleries of Remembrance project.*

*NB: At the 2006 PAEC hearings, The Premier indicated that the government has helped fund the business case for the proposal.*

The government has provided a total of $234,000 to the Shrine to develop a business case for the proposed 'Galleries of Remembrance' development.

In the 2007-08 budget, capital funding of $200,000 was provided over three years to the Shrine to replace the outdated public address system.

The government is not able to determine what contribution it may make to the Galleries of Remembrance project until the details of the Commonwealth's contribution are known. However, in the meantime the government has established a working group, chaired by Mr Tony Robinson, MP to examine a range of issues associated with the proposed redevelopment from a whole of government perspective.

## QUESTION 5

### *Funding arrangements for the attendance of the Rats of Tobruk Memorial Pipe Band at the International Zoria Festival in Moscow this year.*

The government does not have a source of funds to support overseas travel by bands such as the Rats of Tobruk Memorial Pipe Band. However, the Rats of Tobruk Memorial Pipe Band has been referred to the Victorian Veterans Council, which manages the Victorian Veterans Fund to explore opportunities for funding in future years.

*The Committee was provided with a copy of the letter sent to the Rats of Tobruk Memorial Pipe Band Inc referring them to the Victorian Veterans Council.*

## *Women's Affairs portfolio*

### QUESTION 1

***Extent of support provided by the government for women who wish to leave the sex industry.***

*This unasked question was referred to the Minister for Consumer Affairs who provided the following response.*

The Bracks Government, through the Department of Human Services, funds the community based sex worker organisation Resourcing health and Education in the Sex Industry (RhED). RhED undertakes a vast array of activities including education (on sexually transmitted infections, the law, personal physical safety, mental health issues in the industry and occupational health and safety), community liaison work, advocacy, building linkages and non-discriminating referral pathways for sex workers to other community organisations and professionals (lawyers, tax consultants, bank managers).

In addition, the government, through the Department of Justice, will provide $180,000 over three years for Project Respect and the Good Shepherd Social Justice Network to assist women who have been trafficked into Australia to work in the sex industry.

Further to the above, there are a range of specialised programs tackling the types of social disadvantage highlighted by the Project Respect outreach worker, such as problem gambling, domestic violence, drug addiction and low self-esteem. The social policy platform *A Fairer Victoria* includes a range of programs designed specifically to address such disadvantage.

# Vibrant democracy vision

## *Arts portfolio*

### QUESTION 1

***Reason for replacement of output measure stating total number of visitors to each Arts Facility with a global users/attendance figure.***

The performance measure 'Access-users/attendances at all Agencies' does not replace another measure. This performance measure is the same as the measure 'Visitors/users to all Agencies', which has been used in previous budget papers, except for a change in the wording of the title of the measure and the inclusion of users of Public Records Office Victoria, included from 2007-08 onwards as a result of machinery of government changes.

Up to and including 2006-07, only two of the seven Arts Agencies individually reported attendance information in Budget Paper 3. This was in response to special funding initiatives in past financial years, which are no longer relevant in 2007-08 and beyond.

All Arts Agencies report detailed attendance information in their annual reports.

## QUESTION 2

***Re the Australian Centre for the Moving Image:***

***Extent of increase/decrease, if any, in Australian Centre for the Moving Image's (ACMI) revenues following $4 million asset initiative listed in 2005-06 budget;***

In 2005-06 the state government provided $4 million in capital funding to the ACMI to redevelop the Federation Square Plaza entrance, including a new information and ticket booth, new café/bar (ACMI Lounge) and ACMI Shop. The funding also enabled the re-branding of ACMI, including new signage at entries from Federation Square Plaza and Flinders Street.

As a result of the $4 million asset initiative revenues from the ACMI Lounge and ACMI Shop have increased.

The new ACMI Lounge and ACMI Shop opened in March 2006. 2006-07 will be the first full year of operation. It is expected revenue in the order of $1.6 million will be earned from these new facilities in the 2006-07 financial year.

An increase in the level of return is expected from both the ACMI Lounge and ACMI Shop in the second year of operation, although this may be impacted by the development works on the ground floor of ACMI in 2007-008 as part of Stage 2 of the Way Forward Redevelopment Project.

***Extent of predicted increase, if any, in ACMI's revenues following the $5.9 asset provision in the current budget; and***

In 2006-07, the state government provided $5.9 million in capital funding to enable the creation of a permanent exhibition at the ACMI. The exhibition will tell the story of over 100 years of the moving image and document the important contribution of Australians to its evolution.

The exhibition will be in the redeveloped ground floor, which will continue to be free entry and therefore will not result in any direct, increase in revenue. The increase in visitation expected as a result of the redevelopment is expected to positively impact revenues in the ACMI Lounge (café/bar) and ACMI Shop.

***Level of cash losses considered to be appropriate for ACMI.***

ACMI has recorded operating surpluses in the last three financial years, and the expectation is that ACMI will operate a balanced budget over time. However, due to timing factors ACMI may from time to time have a minor end of financial year deficit.

## QUESTION 3

***Expected date of completion of the State Library of Victoria refurbishment and projected aggregate cost of all seven stages of the refurbishment once completed.***

The current stage six will complete the funded redevelopment of the State Library of Victoria at a total of $191 million. Stage six will be largely completed by 30 June 2007 with some minor works and provision for warranties to be carried into 2007-08. Any remaining works to be completed will be subject to future budget consideration.

### QUESTION 4

***Details of performance standards/criteria that apply to the funding of festivals and how they compare to those used for major events.***

The funded festivals receive support through Arts Victoria's Organisations Program. All organisations receiving funding support through this program must meet the published eligibility criteria and submission guidelines. Performance standards are monitored and evaluated through a funding and performance agreement that requires organisations to submit financial and non-financial reports and meet agreed key performance measures through the period of the agreement.

Comparisons can be misleading between major arts festivals and major events due to variances in business model, programming style and capacity to access the international and interstate visitor markets.

Similar cultural products (major events and major festivals) receive support from the State of Victoria to achieve different outcomes. The characteristics that distinguish major events from major festivals is the core aims of generating significant economic impact and exclusive international media exposure in order to attract a national and international audience to Victoria.

## *Community Services portfolio*

### QUESTION 1

***The difference between an Early Intervention Place and an Enhanced Early Intervention Package.***

Within Victoria, government's investment in Early Childhood Intervention Services (ECIS) takes the form of funding for *places* and *packages* that provides services and support for children with a disability and their families.

A *place* may include individual or group therapeutic programs, family support assisting families to deal with the impact of caring for a child with a disability, support to local early childhood services to promote the inclusion of children with a disability and coordination of the range of services and support required to meet the needs of the child and family.

The *packages* have been introduced to strengthen ECIS, acknowledging that some parents require additional support to better care for their child with a disability.

A *package* may include additional specialised therapy or education programs, respite, access to transport, specialised equipment or home modifications, financial assistance to access early childhood programs. The *packages* are generally provided to children who have an ECIS *place*, providing additional resources for those children, and their families, with the most complex needs.

*Packages* were first introduced in the 2005-06 budget.

### QUESTION 2

***Whether the 200 extra Early Intervention Places for Children outlined in A Fairer Victoria have been provided in the 2007-08 budget.***

This question refers to an initiative of the 2006-07 budget, which provided an additional $4.2 million over four years to further expand Early Childhood Intervention Services for children with a disability or developmental delay, and their families.

This additional funding is now incorporated in the output budget for the Early Childhood Intervention Services output.

## *Health portfolio*

### QUESTION 1

***The Commonwealth Department of Veteran's Affairs has recently increased dental rates by 18 per cent to reflect the increased costs of dental services in the public health system for older Victorians living in supported residential facilities. Why has this increase in rates not been taken into account in allocating funds in the 2007-08 budget?***

The Department of Human Services (DHS) utilises private clinicians to increase sector capacity to deliver public dental services and reduce waiting lists. Workforce shortages in the public sector, particularly in rural regions, mean that private clinicians play an important role in the provision of public dental care.

A private sector voucher scheme is used to reimburse private clinicians for treatment of public patients as a measure to address waiting times and service access. Payment rates for the scheme were originally established by aligning voucher payments with the Department of Veteran's Affairs (DVA) Dental Items Schedule for treatment. In 2005-06, the DVA increased the Dental Item Schedule by 8.7 per cent per year over four years, in additional to providing annual indexation of approximately 5.3 per cent.

The DHS noted the DVA Dental Item Schedule increase but has not matched the higher rates as there is no evidence to date to suggest that the DVA rate increase has affected the participation rate of private clinicians in the voucher scheme. The DHS continues to monitor the participation of private clinicians along with the availability of the public sector dental workforce.

The Victorian Government continues to implement a number of initiatives to strengthen the public dental heath workforce. Responses include increasing rural student clinical placements and rural bonded scholarships, expending incentives for dentists working in rural Victoria including increased rural allowances to boost recruitment and retention, and supporting the establishment of the Bachelor of Oral Health Science at Latrobe Bendigo, with the first group of dual qualified practitioners expected to graduate in 2008. These responses will support increased capacity in the public dental system to mange waiting lists and reduce reliance on the private sector voucher scheme to meet demand for dental services across the state.

## *Multicultural Affairs portfolio*

### QUESTION 1

***Breakdown of total output cost for Multicultural Affairs between service delivery and wages.***

In 2006-07, expenditure on salaries and on-costs will be approximately $2.4 million, with the remainder being spent on service delivery and overheads. The expenditure for 2007-08 on salaries and on-costs is estimated to be $1.5 million, which includes funding for a number of positions announced in the 2007-08 budget such as for the Cultural Precincts enhancement project.

## QUESTION 2

***Total spending to date for advertising of multicultural government programs by government departments and agencies.***

In 2005-06, overall expenditure on advertising of programs and services in culturally and linguistically diverse media represented 3.1 per cent of total government expenditure on campaign advertising media. It is not appropriate to disclose the raw dollar amounts due to the commercial sensitivity of this information.

## QUESTION 3

***Allocation of allowances to VMC Commissioners for 2006-07 and 2007-08.***

In 2006-07, $44,015 was allocated for allowances to the Victorian Multicultural Commission, Commissioners. As at 24 May 2007, $28,660 had been expended. The allocation for allowances for the Commissioners is not anticipated to increase in 2007-08.

# MINORITY REPORTS

# MINORITY REPORT

# REPORT ON THE BUDGET ESTIMATES 2007-08 (PART THREE)

## Minority Report by Opposition Members


## Kim Wells MP
## Gordon Rich-Phillips MLC
## Richard Dalla-Riva MLC


***Pursuant to section 34 (2) of the Parliamentary Committees Act 2003***

**We:**

Kim Wells MP
Gordon Rich-Phillips MLC
Richard Dalla-Riva MLC

**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 2007-08 (Part Three).*

**It is our firm belief that there has been little or no independent analysis or consideration of the 2007-08 State Budget and Estimates outcomes during the review period. Similarly, the Report's key findings and recommendations are weak and have little or no substance.**

Despite our shared concerns having been raised in previous Committee meetings and in Parliament that this Report would be nothing more than a whitewash and a rubberstamp, no meaningful effort to independently analyse and consider the 2007-08 State Budget and Estimates outcomes eventuated.

The credibility of the Committee rests with ensuring that fair and reasonable analytical reports are tabled in Parliament. The Parliament also demands of the Committee that ministers and departments are properly held to account. If that is not done, Victorians will lose confidence in the parliamentary system.

In this instance, we believe that the Committee's Part Three Report lacks independent analytical vigour and therefore, a Minority Report was deemed necessary. Due to the dearth of independent analysis, we are not convinced that this year's report is of the same quality as previous years' reports on the Budget estimates.

The Committee has simply relied on the Budget Speech of the Treasurer, Australian Labor Party (ALP) election policy documents, government media releases and departmental responses, much of which has been presented as findings of the Committee.

The manner in which this Report has been undertaken departs significantly from the role of the PAEC as outlined in the *Parliamentary Committees Act 2003* (the Act). The Committee is required to inquire into, consider and report to Parliament on the annual estimates or receipts and payments and other Budget Papers, and any supplementary estimates of receipts and payments presented to the Assembly and the Council. [1]

As stated in a previous minority report, in the past the Committee has undertaken thorough investigation and analysis of the Budget Estimates, culminating in the production of an Estimates Report containing numerous key findings and recommendations. In the last six Estimates Reports for the years 2001/02 to 2006/07 the Committee made 716 recommendations to government, the majority of which were accepted.

In contrast, this latest Report of the Committee largely contains no proper analysis and key findings and recommendations which are weak and of no substance.

We wish to draw to the Parliament's attention, the following examples within the Report where there has been virtually no analysis or consideration undertaken: -

- Chapter 2: The Committee chose not to investigate whether the Treasurer's statement in relation to the State Budget delivering all of the Government's output and asset commitments was factual or not.

- Chapter 5: During the budget hearings, the Treasurer repeatedly and incorrectly claimed that unallocated capital of $2.9 billion was available over the forward estimates period, despite the Budget Papers showing only $1.6 billion. Consideration of this matter in Chapter 5 contains absolutely no references to the misleading statements made by the former Premier and then Treasurer that the Budget contained this amount when the forward estimates clearly revealed that only $1.6 billion in unallocated capital was available. The fact that there are references to press releases everywhere else in the Report, but not in this particular analysis, is noticeable.

- Chapter 7: In relation to Key Finding 7.1, we voted against the findings of the Committee. The Auditor-General's September 2006 Report on Government Advertising concluded that the Government had not taken up the PAEC's recommendation in April 2006 that government departments should provide information on advertising and promotion so as to ensure the Government was being transparent. The government members of the Committee took the position that because the government had accepted the PAEC's recommendations, "in-principle", that was good enough. We disputed this and point to the fact, as detailed in Chapter 7, that five departments did not develop a central budget for communications, advertising and promotional activities. In-principle support is simply not sufficient.

- Chapter 8: We believe that the continued reduction in Budget Paper output measures, as detailed in key finding 8.1, has eroded transparency and accountability of government reporting. The statement by the Committee that 23 fewer outputs and 114 fewer output measures will result in a "clearer and more focussed set of measures" is not substantiated. Changes to output measures should occur to improve accountability not to diminish the opportunity for proper scrutiny.

[1] *S.14, Parliamentary Committees Act 2003*

- Chapter 9 (& Chapter 13): Several references throughout the Report refer to ALP press releases and policies as evidence of fact; - for example, in Chapter 9, footnote 146, there is a reference to the ALP talking about regional Victoria initiatives while in Chapter 13, footnote 189, the ALP policy, *The Victorian Schools Plan* is cited.

- Chapter 9 (& others): There is no criticism of the delay on a range of issues – for example, Table 9.2 relating to Provincial Victoria projects is all about proposals well past the next Election period and yet there is no criticism by the Committee as to the delay in previous projects.

- Chapter 9: - Key Finding 9.6 - We note that this key finding also featured in last year's Estimates Report, however, we still find it difficult to believe that the Committee would claim 9.6, to be a key finding. Totalling the number of questions and calculating how many related to rural and regional Victoria is clear evidence that the Committee was struggling to identify key findings of any real substance.

- Chapter 9: In relation to Key Finding 9.6, despite a number of questions put to him by the Committee, the Treasurer was at the time unable to explain his water policy for rural and regional Victoria.

- Chapter 12 (& Chapter 4): In comparing Chapter 4 with Chapter 12, a significant amount of evidence was related to Australia's productivity and comparing Australia to places including Ireland, Greece and Finland (Page 64). Yet, in Chapter 12, under Thriving Economy, which has a very clear connection to world exports and trade, the issue of comparative analysis with other States or internationally is silent.

- Chapter 12: We find it extraordinary that the export sector has been highlighted by the Committee as a key factor in Victoria being a thriving economy. ABS figures for Victorian exports reveal that the state economy is struggling not thriving. The Government set a target of $12 billion worth of food and fibre exports by 2010. Presently food and fibre exports have stagnated at $7.2 billion, which is less than the $7.5 billion it was in 2001-02. In fact, Victoria's total export volumes have now fallen 16 per cent since 1999 and its share of national exports has now slumped to 12.0 per cent, an historic low from 20 per cent in 1999. The dollar value of our exports has also fallen - by $2.8 billion, or 12 per cent to $20.3 billion annually.

- Chapter 12: We also find it extraordinary that the decline in the proportion of freight transported by rail was dismissed by the Committee as being due to seasonal and economic factors despite the lack of investment in rail infrastructure since 1999. The Government promised rail standardisation worth $96 million back in 2001-02 - yet not a sleeper has been laid or a spike driven. The Government's 30 per cent target for rail freight is set as a proportion, therefore, changing the mode of transport from road freight to rail freight is not volume dependent. The fact is, the Government has simply failed to attract new business to rail from road and is attempting to lay the blame elsewhere.

- Chapter 13: In detailing expenditure for Victoria's two largest portfolios of health and education, there is a total commentary of only six (6) pages. This is nothing less than disgraceful – more so for the fact that it referenced Budget Papers and old reports. Equally, the recommendations for these significant portfolios total three (3) with no recommendation at all in the portfolio of Health. This reveals bias by the government members of the Committee in not wishing to express any criticism of their Health Minister.

- Chapter 13: No analysis was undertaken nor evidence offered to support Key Finding 13.2. No analysis was presented by the Committee to conclude that the reduction in four year old kindergarten participation is solely due to increased use of long day care centres. Other possible factors, including the cost to parents, have not been considered. The fact that the Government has failed to act in addressing the issue of long day care centres not offering state funded kindergarten programs, with the number of centres offering kindergarten declining from 420 in 2002 down to 347 in 2006, was given only scant regard.

- Chapter 13: The 2007-08 Budget Papers reveal an apparent shortfall of $1.3 billion in capital funding for the Victorian Schools Plan over the budget outlook period to 2010-11 with only $555 million of an estimated $1.9 billion capital program having been allocated. No explanation or analysis was provided to detail why such a shortfall in funding existed in the forward estimates.

- Chapter 14: There is no indication of the impact, in a financial way, of the $5.5 million to be spent for the establishment of the Office of Climate Change (reference Page 155). In 14.4, under *Melbourne's Water Use*, there are references to the Government's Budget Paper and the Minister's transcripts. The facts are that, in the three (3) pages of commentary on the significant issue of water, there is absolutely no analysis about the Government's proposed water infrastructure plan to deal with the current and looming water crisis and its financial impact on the State Budget, businesses and consumers.

- Chapters 15 & 16: The paucity of analysis in relation to the sections, *Caring Communities and Vibrant Democracies,* is glaring. With respect to housing affordability, we note with interest the criticism of the interest rate rises on Page 164 - yet on Page 165, relating to Footnote 223, there is no criticism by the Committee of the significant increases in land tax, stamp duty or the property developers' tax on new estates by the State Government.

- Chapters 15: There is simply no analysis of the impact of state taxation on housing affordability, despite Victoria still having the highest stamp duty in Australia on a median priced owner occupied home of $420,000, even allowing for the Government's recent modest cuts.

- Chapters 15: No analysis has been undertaken on the impact of the State Government's *Melbourne 2030* planning policy and other restrictive planning practices on housing affordability.

- Chapter 15: Recommendation No. 48 - We find that the statement, made by the Committee regarding applying a "significant portion of any budget surplus in excess of the initial prediction" to be used to increase the level of public housing, is extraordinary. No supporting evidence or analysis is provided to reach such a conclusion.

- Chapter 16: On the contentious issue of public transport and overcrowding, there are only (5) pages of commentary. We note particularly, the table on Melbourne public transport patronage, as presented. The government members of the Committee repeatedly stated the increase in patronage was 20 per cent over the last two financial years, whereas the fact is there has been a 44 per cent increase in the Government's own figures in train use since 1999. There is absolutely no analysis of this and no criticism of the Government's failure to deal with the problem. To suggest that the increased patronage has only been noticeable over the last two years is grossly misleading. This same analysis can be done for tram use and indeed the total

figure of increased usage has been 27.9 per cent since 1999. It is a disgraceful selected analysis at the extreme.

- Chapter 16: We believe that the Government's $360 million investment is totally insufficient to relieve train overcrowding, the time lags involved of benefiting from new trains are substantial and the measures do little to address increasing demand. Yet the Committee has stated that this funding is sufficient to "address this situation".

- Chapter 16: The Committee's recommendation that frequent surveys of train passengers be undertaken is nothing less than a joke and a sad indictment on how out of touch the government members of the Committee are on the real problems facing Victorians today. Rather than wasting money on pointless surveys on stranded, frustrated commuters, the money would be better spent on providing more trains, infrastructure and improving overall efficiency of the public transport network.

- Chapter 17: We note with interest on Page 188, recommendation 52(c) that, responses provided by Ministers wherever possible *"should uphold or corroborate the information provided"*. It is thus rather fitting that this, being the last recommendation of the entire Report, had absolutely no evidence or corroboration other than extracts from the Budget Papers, from press releases and even from the ALP. This is a good example of where even the recommendations are a joke.

The forgoing examples are representative of the Report which substitutes government spin and rhetoric for critical analysis.

It is our considered opinion that this Report is the result of an attempt by the government majority on the Committee to shut down critical analysis and consideration of the Budget Estimates thereby undermining proper scrutiny of the Government's performance and agenda.

Consequently, this Report contributes nothing to improving the transparency, openness and accountability of the State Government.

Collectively, we are incredibly disappointed with the Report. We believe the Committee has produced a lacklustre and biased Report which has been so blatantly used as a rubberstamp for the Government.

To have supported the adoption of the Report would have meant breaching our responsibilities as duly elected representatives of the people of Victoria in ensuring the government of the day is held to account in the most open and transparent manner possible.

Future Estimates Reports must adopt the traditional analytical format to restore proper scrutiny of the State Government.

**Kim Wells MP**
**Shadow Treasurer**

**Gordon Rich-Phillips MLC**
**Assistant Shadow Treasurer**

**Richard Dalla-Riva MLC**
**Shadow Minister for**
**Community Development**

## Public Accounts & Estimates Committee (PAEC)
## Report on the 2007-08 Budget Estimates

# Minority Report – Bill Sykes MLA, Benalla

I wish to congratulate the PAEC staff for their efforts in preparing the PAEC Report on the 2007-08 Budget Estimates within a very tight time frame with very limited resources.

However, I am unable to endorse the final report as I believe that there has been insufficient critical analysis of statements by Ministers and Government Departments.

For example in *Chapter 4 – Productivity – Impact of new initiatives and portfolios spending on productivity in Victoria* it is stated, "The Shepparton irrigation project illustrates how productivity is improving through the budget, whereby that irrigation system will be more efficient by some 50 billion litres a year".

A technical discussion paper prepared for the local Water Services Committee, using the Government's own figures on water losses, clearly demonstrates that substantially less than 50 billion litres of water savings will be available in dry years, the time when savings are most needed.

Critical analysis would identify this significant error of fact and lead to different conclusions on the economic, social and environmental impact of the project, in particular the availability of "water savings" for Melbourne via the North-South pipeline.

In *Appendix 4 – Response to questions on notice*, a ministerial response to a question regarding the level of funding for non government schools in Victoria is reported.

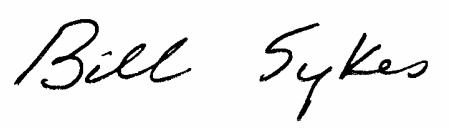
The response refers the reader to the 2005 National Report on Schooling in Australia website rather than reporting the specific information.

Why is the specific information not included in the report? Is it because the tables show that Victorian non Government schools are very poorly funded in comparison with non Government schools in other Australian States & Territories?

Finally, at time of announcing the Budget the then Treasurer and Treasury staff pointed out that the predicted rate of economic growth was reduced by around 20% due to the impact of the prevailing drought. It was stated this effect was predicted to disappear during 2007/08. The budget estimates are based on this improvement in conditions.

Given the current seasonal conditions it would be reasonable to re-assess the continuing impact of the drought and modify key projections accordingly.

The PAEC must retain its independence to ensure that it is able to fulfill its responsibility to provide thorough critical analysis of future budget estimates and to generally hold the Government accountable.



**Bill Sykes MLA, Benalla**

17 September 2007

# EXTRACT FROM THE MINUTES OF PROCEEDINGS

## Monday, 3 September 2007

**New Chapter:** **Introduction**

Motion: *That New Chapter: Introduction be agreed to*

Moved: Martin Pakula MLC Seconded: Kim Wells MP

Resolved.

**Chapter 1:** **Key aspects of the 2007-08 budget**

Motion: *That 1.1 be replaced by the following text:*

*The Committee is unable to determine whether the Treasurer's statement in relation to the budget covering its output and asset commitments is factual or not.*

Moved: Kim Wells MP Seconded: Gordon Rich-Phillips MLC

Further discussion ensued.

Amendment: *That new key finding 1.10 be inserted:*

*The Committee will evaluate in its outcomes report for the 2007-08 financial year the extent of implementation of the government's 2006 election output and asset commitments.*

Moved: Martin Pakula MLC Seconded: Judith Graley MP

The Committee divided on the amendment:

| **Ayes:** | **Noes:** |
|---|---|
| Greg Barber MLC | Gordon Rich-Phillips MLC |
| Judith Graley MP | Richard Dalla-Riva MLC |
| Janice Munt MP | Kim Wells MP |
| Martin Pakula MLC | |
| Robin Scott MP | |

Amendment agreed to.

Original motion lapsed.

**Chapter 5:** **Departmental workforce — comparative analysis**
(now chapter 6)

Motion: *That Chapter 5, as amended, be agreed to.*

Moved: Richard Dalla-Riva MLC Seconded: Judith Graley MP

Resolved.

## Monday, 10 September 2007

**Chapter 6:** **Communication, advertising and promotional expenditure**
(now chapter 7)

Motion: *That key finding 6.1 read as follows:*

*The Committee notes that the Auditor-General's report of September 2006 on government advertising concluded that the government had not taken up the Public Accounts and Estimates Committee recommendation of April 2006 that government departments should provide information on advertising and promotion so as to ensure that the government is being transparent.*

Moved: Kim Wells MP Seconded: Richard Dalla-Riva MLC

The Committee divided on the motion:

| **Ayes:** | **Noes:** |
|---|---|
| Richard Dalla-Riva MLC | Judith Graley MP |
| Gordon Rich-Phillips MLC | Janice Munt MP |
| Kim Wells MP | Martin Pakula MLC |
| | Robin Scott MP |

Motion negatived.

Motion: *That Chapter 6 be agreed to.*

Moved: Robin Scott MP Seconded: Martin Pakula MLC

Resolved.

**Chapter 7:** **Departmental output structures and performance measures**
(now chapter 8)

Motion: *That Chapter 7 be agreed to.*

Moved: Robin Scott MP Seconded: Janice Munt MP

Resolved.

**Chapter 8:** **Regional Victorian initiatives and related issues**
(now chapter 9)

Motion: *That Chapter 8, as amended, be agreed to.*

Moved: Judith Graley MP Seconded: Janice Munt MP

Resolved.

**Chapter 9:** **Measuring the commitment of Minister and departments in servicing the Public Accounts and Estimates Committee**
(now chapter 10)

Motion: *That, subject to the revision of key finding 9.4, Chapter 9 be agreed to.*

Moved: Martin Pakula MLC Seconded: Janice Munt MP

Resolved.

**Chapter 10:** **Overview of the linkages between the budget estimates hearings and Growing Victoria Together**
(now chapter 11)

Motion: *That Chapter 10, as amended, be agreed to.*

Moved: Martin Pakula MLC Seconded: Janice Munt MP

Resolved.

**Chapter 11:** **Thriving economy**
(now chapter 12)

Motion: *That Chapter 11, as amended, be agreed to.*

Moved: Robin Scott MP Seconded: Judith Graley MP

Resolved.

**Chapter 12:** **Quality health and education**
(now chapter 13)

Motion: *That Chapter 12 be agreed to.*

Moved: Martin Pakula MLC Seconded: Robin Scott MP

Resolved.

**Chapter 13:** **Healthy environment**
(now chapter 14)

Motion: *That Chapter 13 be agreed to.*

Moved: Judith Graley MP Seconded: Robin Scott MP

Resolved.

**Chapter 14:** **Caring Communities**
(now chapter 15)

Motion: *That Chapter 14 be agreed to.*

Moved: Janice Munt MP Seconded: Martin Pakula MLC

Resolved.

**Chapter 15:** **Vibrant democracy**
(now chapter 16)

Motion: *That Chapter 15, as amended, be agreed to.*

Moved: Judith Graley MP Seconded: Robin Scott MP

Resolved.

**Chapter 16:** **Quality of material provided by Ministers and departments in response to questions raised by the Committee**
(now chapter 17)

Motion: *That Chapter 16, as amended, be agreed to.*

Moved: Janice Munt MP Seconded: Judith Graley MP

Resolved.

**Appendix 1:** **Acronyms and abbreviations**

Motion: *That Appendix 1, as amended, be agreed to.*

Moved: Janice Munt MP Seconded: Robin Scott MP

Resolved.

**Appendix 2:** **List of persons and departments providing evidence and responses to the estimates questionnaire**

Motion: *That Appendix 2, as amended, be agreed to.*

Moved: Judith Graley MP Seconded: Janice Munt MP

Resolved.

**Appendix 3:** **Responses to requests for additional information relating to the 2007-08 Budget Estimates questionnaire**

Motion: *That Appendix 3 be agreed to.*

Moved: Martin Pakula MLC Seconded: Robin Scott MP

Resolved.

**Appendix 4:** **Responses to questions on notice relating to the 2007-08 Budget Estimates**

Motion: *That Appendix 4 be agreed to.*

Moved: Robin Scott MP Seconded: Judith Graley MP

Resolved.

**Appendix 5:** **Responses to unasked questions relating to the 2007-08 Budget Estimates**

Motion: *That Appendix 5 be agreed to.*

Moved: Martin Pakula MLC Seconded: Judith Graley MP

Resolved.

**Chapter 1:** **Key aspects of the 2007-08 budget (revised)**
(now chapter 2)

Motion: *That chapter 1 (revised) be agreed to.*

Moved: Martin Pakula MLC Seconded: Judith Graley MP

Resolved.

**Chapter 2:** **National Reform Agenda (revised)**
(now chapter 3)

Motion: *That chapter 2 (revised) be agreed to.*

Moved: Robin Scott MP Seconded: Janice Munt MP

Resolved.

**Chapter 3:** **Impact of portfolio spending including new budget initiatives on improving productivity in Victoria (revised)**
(now chapter 4)

Motion: *That chapter 3 (revised) be agreed to.*

Moved: Robin Scott MP Seconded: Janice Munt MP

Resolved.

**Chapter 4:** **Departmental asset investment (revised)**
(now chapter 5)

Motion: *That chapter 4 (revised) be agreed to.*

Moved: Martin Pakula MLC Seconded: Robin Scott MP

Resolved.

## Monday, 17 September 2007

Motion: *That the Committee congratulates the PAEC secretariat on their drafting of the report on the 2007-08 budget estimates, part one, part two and part three, particularly considering the tight timelines that have applied and lack of adequate staffing.*

Moved: Janice Munt MP Seconded: Martin Pakula MLC

Resolved unanimously.

Motion: *That the Committee further congratulates the PAEC secretariat on the very high level of analysis and research that they have undertaken as part of their drafting of the report on the 2007-08 budget estimates part three.*

Moved: Janice Munt MP Seconded: Martin Pakula MLC

The Committee divided on the motion:

| **Ayes:** | **Noes:** |
|---|---|
| Greg Barber MLC | Gordon Rich-Phillips MLC |
| Judith Graley MP | Richard Dalla-Riva MLC |
| Janice Munt MP | Kim Wells MP |
| Martin Pakula MLC | Bill Sykes MP |
| Robin Scott MP | |

Resolved in the affirmative.

Motion: *The Committee notes the significant analytical advances in the report on a wide range of issues as compared with previous years.*

The Committee divided on the motion:

| **Ayes:** | **Noes:** |
|---|---|
| Greg Barber MLC | Gordon Rich-Phillips MLC |
| Judith Graley MP | Richard Dalla-Riva MLC |
| Janice Munt MP | Kim Wells MP |
| Martin Pakula MLC | Bill Sykes MP |
| Robin Scott MP | |

Resolved in the affirmative.

Motion: *That the draft report as considered, be adopted as a whole and as the report of the Committee.*

Moved: Martin Pakula MLC Seconded: Janice Munt MP

The Committee divided on the motion:

| **Ayes:** | **Noes:** |
|---|---|
| Greg Barber MLC | Gordon Rich-Phillips MLC |
| Judith Graley MP | Richard Dalla-Riva MLC |
| Janice Munt MP | Kim Wells MP |
| Martin Pakula MLC | Bill Sykes MP |
| Robin Scott MP | |

Resolved in the affirmative.