PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

SIXTY SIXTH REPORT TO THE PARLIAMENT

REPORT ON THE 2005-06 BUDGET ESTIMATES

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Parliament of Victoria

Public Accounts and Estimates Committee

Report on the 2005-06 Budget Estimates

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 55TH PARLIAMENT

Hon. C Campbell, MP (Chair)

Hon. B Forwood, MLC (Deputy Chair)

Hon. B Baxter, MLC

Mr R Clark, MP

Ms D Green, MP

Mr J Merlino, MP

Hon. G Rich-Phillips, MLC

Ms G Romanes, MLC

Mr A Somyurek, MLC[1]

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

Executive Officer:	Ms M Cornwell
Assistant Executive Officer:	Ms J Nathan
Research Officers:	Mr I Claessen Mr K Swoboda *(to 3 June 2005)* Ms P Toh Mr P Stoppa *(from 10 February 2005 continuing)*
Specialist Advisors:	Mr T Wood Mr J Manders *(from 13 July 2005 to 15 September 2005)*
Office Manager:	Ms K Taylor

[1] Appointed to the Committee on 5 May 2005

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 nine Members of Parliament drawn from both Houses of Parliament and all political parties.

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; and
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council.

The 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.

GLOSSARY

Accrual accounting	Recognition of revenue, expenses, assets, liabilities and equity when a transaction occurs, irrespective of the timing of the related cash flow.
Additions to the net asset base	An appropriation which provides authority to increase the net capital base of a department's statement of financial position.
Administered items	Those resources which a department administers on behalf of the state, and over which it cannot exercise direct control.
Advance to Treasurer	See Treasurer's Advance.
Annual appropriation	The appropriations to departments and the Parliament contained in the Appropriation Act and Appropriation (Parliament) Act. These appropriations lapse at the end of each financial year.
Assets	Service potential or future economic benefits controlled by an entity (eg. a department) as a result of past transactions or other past events. Assets may be physical (eg. plant, equipment or buildings) or non-physical (eg. financial investments).
Balance sheet	A statement that provides information on the entity's assets and liabilities, and also reflects the net worth of an entity for the reporting period.
Benchmark	A measurement or standard that serves as a point of reference by which process performance is measured.
Benchmarking	A structured approach for identifying best practice.
Capital asset charge	A charge generally on the written down value of non-current, physical assets controlled by agencies within the budget sector. The cost is designed to reflect the full cost of service provision and to encourage the management of surplus or under performing assets.

Commonwealth grants	Includes general revenue from the federal government for the purpose of aiding in the financing of the current operations of the recipient; in addition to monies received for specific purposes (when the federal government wishes to have some involvement in the direction of the expenditure). Grants are also received for on-passing to third parties, for example to non-government schools, where the state has no discretion as to their allocation.
Consolidated Fund	The government's primary account that receives all consolidated revenue and from which payments appropriated by Parliament for government purposes are made. The Consolidated Fund together with the Trust Fund, form the Public Account.
Depreciation	The allocation of the cost of an asset over the years of its useful life.
Employee benefits	Entitlements which employees accumulate as a result of the rendering of their services to an employer up to the reporting date. They include wages and salaries, annual leave, sick leave, long service leave, superannuation benefits and other post-employment benefits.
Finance lease	Leasing arrangements in which substantially all risks and benefits incidental to the ownership of the leased property effectively pass from the lessor to the lessee. Finance leases are essentially borrowings.
Financial report	Consists of a set of financial statements, which comprise of a statement of financial performance, a statement of financial position and a statement of cash flows, for a given financial year.
Franchising	The sale to an external party (usually on the basis of a competitive bidding process) of the right to distribute particular goods or services to a particular market for a defined period. Franchising is often seen as a way of introducing competition into an industry that may otherwise be seen as a monopoly.
Goods and services tax (GST) grant	GST revenue collected by the federal government and distributed to the states and territories on the basis of horizontal fiscal equalisation principles.
Government business enterprise	Publicly owned entity providing goods or services on commercial terms with the objective of recovering its costs of production and, in most cases, of providing some financial return to its owner.

Gross Domestic Product	A measure of national economic output.
Gross State Product	A measure of state economic output.
Intellectual property	Ideas, information, or material which has been produced as a result of intellectual effort and is protected by law: for example, confidential information, technical and professional publications, copyright, trademarks, patents, plant variety rights and designs.
Liabilities	Liabilities comprise future payments that an entity is currently obliged to make to other entities as a result of past transactions or other past events. Liabilities are thus a broader concept than debt. They also include obligations which do not have a predetermined repayment schedule, and those which do not require payments of interest such as unfunded liabilities of superannuation funds, liabilities for employee benefits and trade creditors.
Net appropriations	Base parliamentary appropriations.
Net assets	The residual interest in the assets of an entity after deduction of its liabilities (the net worth).
Nominal value	Refers to financial data expressed ‘in the price of the day’ and which is not adjusted to remove the effects of inflation. Nominal dollars do not allow for inter-year comparisons because reported changes may reflect changes to financial levels (prices and/or expenditure) and the adjustments to maintain purchasing power due to inflation.
Operating statement	A statement providing information for the reporting period on the income and expenses, and the surplus or deficit, of an entity.
Outcomes	The government’s desired or intended effects on the community as a result of the funding of outputs. Outcomes establish both the rationale and foundation for the budget.
Output groups	For purposes of budgeting and reporting, a grouping of individual outputs that contribute to a common outcome.
Output management framework	A framework of planning for products or services on behalf of government. Under an output management framework, the government sets its strategic priorities or intended outcomes and then commissions departments to deliver outputs that the department determines will best achieve these outcomes.

Outputs	Products or services produced or delivered by departments/agencies.
Payments on behalf of the state	An appropriation which provides for payments to be made by an entity (eg. a department) on behalf of the state.
Performance measures	Quantity, quality and timeliness indicators used to describe how many, how well, when, or how frequently government funded outputs are delivered.
Performance targets	Intended output delivery levels expressed in terms of each of the performance measures.
Public Account	The Public Account is established under the *Financial Management Act* 1994 as the government's central bank account, which includes the transactions of the Consolidated Fund and the Trust Fund.
Responsible Minister(s)	One or more portfolio Minister(s) who have specific and/or collective responsibility over a department's activities and performance.
Revaluation	The act of recognising a reassessment of values of non-current assets at a particular date.
Sale of goods and services	This represents revenue earned from the sale of goods or provision of services to external parties in the current period, whether received or receivable.
Special appropriation	A standing authority that remains in force until amended or repealed by Parliament, for specific once-off or ongoing payments which need to be made independently of the government's annual budget priorities.
Specific purpose grants	Grants made by the federal government to state and territory governments subject to terms and conditions specified by the federal government, generally to ensure that the policy objectives (or national objectives agreed between the federal government and the states) are met.
State Administration Unit (SAU)	An account established within the Consolidated Fund to meet the accounting and accountability needs associated with the operation of the accrual based output management arrangements. These include the recording of the Treasurer's application of appropriations and the departmental draw-down of these funds from the Consolidated Fund.

Statement of cash flows	A statement that provides information on the cash inflows and outflows as they relate to operating, investing and financing activities of an entity.
Supplies and services	This encompasses the day-to-day running costs incurred in the normal operations of government entities, but specifically excluding the cost of employee benefits, superannuation, depreciation, amortisation, interest and other finance costs, grants and transfer payments, and other expenses.
Transitional grants	As part of the federal government's agreement with the states and territories that their budgetary position will be no worse under national tax reform, the federal government provides GST transitional payments to the states and territories. These are paid in the form of grants and an interest free loan. The loan is recognised as Commonwealth grants received in the operating statement.
Treasurer's Advance	An appropriation to the Treasurer, included in the annual Appropriation Act, to meet urgent expenditure claims that were unforeseen at the time of the budget.
Trust Fund	The Trust Fund is established to account for the receipt and disbursement of moneys not forming part of the Consolidated Fund and therefore not subject to parliamentary appropriation. The Trust Fund comprises various trust specific purpose accounts established under separate legislation or at the discretion of the Minister for Finance under the *Financial Management Act* 1994. The Trust Fund together with the Consolidated Fund, form the Public Account.
Unfunded superannuation liabilities	The present value of future benefits, determined by actuarial assessment, that superannuation scheme's members have accrued during past services which are not covered by fund assets. Unfunded superannuation liabilities arise when superannuation costs are not contributed as the members' benefits accrue.

CHAIR'S INTRODUCTION

The Committee's review of the budget estimates provides the major opportunity for Parliament to assess the performance of the public service and its administration of government policy, programs and services. Over the past seven years, the estimates process has evolved from seeking basic information about government expenditure to a wide ranging review that largely concentrates on what the expenditure is meant to achieve, rather than the narrower focus on how the funds will be spent. While an individual question asked at the estimates hearings may not appear to have any significant impact, the cumulative effect of the Committee asking questions and seeking explanations from Ministers and senior government officials helps to keep executive government accountable. It also places a great deal of information on the public record so Parliament and the community can make judgements about the effectiveness of programs and services and the value received for the public's money.

This report presents an overview of the key issues that were examined as part of the 2005-06 estimates process and contains 156 recommendations for changes which the Committee believes will improve accountability and the efficiency and effectiveness of government services.

The public service is working in an increasingly complex environment, with the move to the adoption of international financial reporting standards (IFRS), and the harmonisation of government finance statistics and generally accepted accounting principles (GAAP). These changes have significant implications for departments and agencies. It is vital that in the process of moving to new financial statements, the Australian Accounting Standards Board does not forget the importance of producing financial reports that are comprehensive, clear and understandable to Parliament and the community.

As with previous estimates reports, we call for improvements in the overall quality of public performance reporting. We believe that the central agencies, such as Department of Premier and Cabinet and the Department of Treasury and Finance, need to provide strong leadership and comprehensive guidance to assist departments to improve the quality and accuracy of performance information. We also want to see the major agencies benchmark their services against their peers in other jurisdictions and include the results in their annual reports. Much of this information is already available through external sources. We are very keen to see improvements so that the Auditor-General can provide some assurance to Parliament about the relevance and reliability of performance information. This information will also be of great assistance to government when it is allocating resources as part of the budget process.

I would like to place on record my gratitude for the contribution made by the Members of the Committee during the estimates process and the substantial amount of time they have given to reviewing this report. I also wish to acknowledge the professionalism and dedication of the Committee's staff, led by Michele Cornwell, which has been of the highest order.

I extend my thanks to Ministers and their staff for responding to our many requests for information.

I trust that this report provides useful information that will be of assistance to Parliament, government departments, agencies and the community.

Hon. Christine Campbell, MP
Chair

EXECUTIVE SUMMARY

Chapter 1: Introduction

The passing of Appropriation Bills by Parliament provides the Victorian Government with the authority to raise taxes and appropriate expenditure from the Consolidated Fund for the forthcoming year. Two separate Appropriation Bills are presented to the Parliament: one relating to the operations of the Parliament and the Auditor-General, and the other relating to general government activities. The *Appropriation (Parliament 2005-06) Act* 2005 and the *Appropriation (2005-06) Act* 2005 provided for net expenditure of $25,084.8 million.

Accompanying the introduction of Appropriation Bills in Parliament are the budget papers. The budget papers cover the application of additional funds to support service delivery and capital that do not require parliamentary approval each year. These additional funds include amounts that Parliament appropriates on an ongoing basis via special appropriations ($1,571.1 million in 2005-06), revenue received by agencies that is credited to appropriations ($1,721.6 million in 2005-06) and funding carried over from the previous year ($194.8 million).

There is no reconciliation in the budget papers of the government's aggregated revenues and expenses (around $30 billion) with the value of appropriations subject to parliamentary approval. For Parliament to have a more effective oversight of the activities of the government, the Public Accounts and Estimates Committee has been delegated the responsibility of reviewing the budget estimates and revenues contained in the budget papers, and presenting a report to the Parliament.

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

- facilitate a greater understanding of the budget estimates;
- assist Parliament and the community of Victoria to assess the achievement of the planned budget outcomes against actual performance;
- constructively contribute to the quality and the presentation of the budget information; and
- enable more effective monitoring of the performance of departments and agencies.

The 2005-06 Budget Estimates were subjected to 55 hours of scrutiny by the Committee at public hearings held with the Premier, each Minister and the Presiding Officers of the Victorian Parliament during the period May to June 2005. This report is based on the estimates hearings, as well as information contained in a range of documents, including the budget papers, departmental responses to the Committee's budget estimates questionnaire, reports of the Auditor-General, departmental and portfolio agency annual reports, and other public documents. Departments also

provided information in response to questions taken on notice at the estimates hearings or issues subsequently raised by the Committee.

Chapter 2: Government response to the Public Accounts and Estimates Committee report on the 2004-05 Budget Estimates

Of the 177 recommendations contained in the Committee's *Report on the 2004-05 Budget Estimates*, 73 were accepted, 22 were accepted in part, 46 were accepted in principle, 11 are under review and 25 were rejected. The Committee pays particular attention to the proportion rejected by government and examines the government's rationale for not accepting recommendations, given that they are primarily aimed at enabling more effective monitoring of department/agency performance and enhancing accountability.

The proportion of the Committee's recommendations rejected grew from 6 per cent in relation to the 2003-04 Budget Estimates report (five of 81 recommendations) to 14 per cent in relation to the 2004-05 Budget Estimates report (25 of 177). The Committee has identified 13 recommendations from the 2004-05 report where it maintains, although government proposed no further action, that benefits would be derived from government revisiting these issues. Exhibit 2.2 of this report details these recommendations.

Chapter 3: Budget overview

Similar to previous years, the 2005-06 Budget's broad strategy is to provide a sound and stable financial basis from which growth can be promoted across the state. The government has established five short term and five long term financial objectives to achieve this policy.

One short term financial objective is to maintain a surplus of at least $100 million each financial year. This objective was achieved again in 2004-05 with the Annual Financial Report showing the net result from transactions was a $794.9 million surplus. A net result from transactions of $365 million is projected for 2005-06, with estimated results averaging $394 million for the next three years.

International ratings agency Standard and Poor's confirmed Victoria's AAA credit rating on 13 July 2005. The agency noted, however, that grants from the federal government represent 47 per cent of the state's revenue.

Around 20 per cent of Victoria's revenue is from the federal government and consists of specific purpose grants that are designed to implement federal government policies, which may not be compatible with state policies. Victoria's share of specific purpose payments in 2005-06 will be about $4.2 billion, which is approximately $300 million less than the amount Victoria would receive if specific purpose payments were distributed on an equal per person basis.

The budget papers forecast that the Victorian economy would grow by 3 per cent in 2005-06 – slightly more than the expected growth of 2.75 per cent in 2004-05. The government expects growth to recover to 3.5 per cent beyond 2005-06, but stated that the Australian economy is entering a weaker stage as consumer spending slows and the property market weakens. The budget papers record that the main risks to the economy involve the high Australian dollar affecting trade-exposed sectors, the increase in global commodity prices and the domination of new markets by countries with low labour costs, large workforces and high volume manufacturing (such as China).

State revenue for 2005-06 is expected to rise by 4.3 per cent to $30.6 billion. The rise will reflect mainly increases in Commonwealth grants and investment returns, offset by a decrease in state taxation on account of the abolition of certain state taxes and land tax relief. State expenditure is projected to increase by 5.2 per cent to $30.3 billion, which includes net new policy funding of $585 million. The 2005-06 budget provides for increases in employee benefits ($576 million) and supplies and services ($358 million).

The projected net result from transactions of $365 million relative to revenue of $30.6 billion is not a large amount, but is critical to the funding of the state's capital program of $2,965 million in 2005-06. The Committee drew attention to the need to firmly control expenditure, particularly of a recurrent nature. Also relevant to maintaining the surplus is the decline in tax revenue, particularly stamp duty consequent on the softening of the property market.

Net general government debt is expected to increase from $1.9 billion at June 2005 to $5 billion at June 2009. Included in this debt are finance leases arising from public private partnership projects. In 2005-06, finance leases will account for $615 million of the increased debt arising from projects such as the handover of the Spencer Street Station redevelopment and the completion of two new prisons. Net debt expressed as a percentage of gross state product will increase from 0.9 per cent at June 2005 to 1.8 per cent at June 2008.

The largest liability of the state is the unfunded superannuation liability, which was estimated at $16.8 billion at June 2005. With the adoption of Australian equivalents to the International Financial Reporting Standards, the value of this liability increased by $5.8 billion based on the long term government bond rate. However, the change in the valuation method will have no impact on the amount of cash needed to satisfy the liability. The government intends to continue making additional payments to the superannuation fund to extinguish the unfunded superannuation liability by the target date of 2035.

Chapter 4: Parliamentary Departments

The 2005-06 budget allocation for the Parliamentary Departments is $81.5 million, a decrease of $11.9 million (or 12.7 per cent) on the estimated actual result of $93.4 million for 2004-05. This decrease is associated with the cessation of funding to

the Parliamentary Contributory Superannuation Fund; recent actuarial assessment of the fund has determined that past funding will bring it into a surplus position for the next three years.

The departments estimate a carry forward of $1.6 million in output funding and $3.8 million in asset funding from 2004-05 to 2005-06. Output funding carry over is associated with Members' budgets and communication allowances.

The departments anticipate staff numbers at June 2006 to remain at the same level as June 2005, at 413.75 full-time equivalent positions. The estimated number of parliamentary officers at June 2006 is 193.75 full-time equivalent positions; the estimate for electorate officers is 220 full-time equivalent positions.

The President of the Legislative Council and the Speaker of the Legislative Assembly have joint responsibility for the delivery of parliamentary services, following administrative reforms introduced in 2004-05 under the One Parliament project. These reforms were formalised by the *Parliamentary Administration Act* 2005, which came into operation from 1 July 2005.

Parliament's new organisational framework is designed to provide efficient services at no extra cost. The Department of Parliamentary Services faces a key challenge of ensuring that the administrative reforms lead to improved services and remain cost neutral.

The 2005-06 Budget provides the departments with additional funding of $400,000 over the next two years. This funding builds on an initial allocation of $200,000 in 2004-05 for a series of events to commemorate the 150th anniversary of democratic government in Victoria. The events are scheduled to take place between November 2005 and November 2006.

Implementation of the Parliament Heritage Asset Strategic Management Plan will commence during 2005-06. Funding of $9 million over the next three years, commencing with $1.5 million in 2005-06, has been allocated as the first stage of a program to maintain Parliament House, an historic and heritage asset, in peak condition. The departments have undertaken considerable work to identify the maintenance needs of Parliament House over the next 15 years, and intend to develop an urgency strategy to guide the direction of funding for the initial three year maintenance period.

In an important improvement initiative, the Victorian Parliamentary Library is working with its counterparts in New South Wales and Queensland to develop a model that will allow periodic benchmarking of library services. The Committee looks forward to assessing the results of future benchmarking studies.

Chapter 5: Department of Education and Training

The Department of Education and Training's budget allocation for 2005-06 is $7,180 million, an increase of $285.1 million (or 4.1 per cent) on the estimated actual result of $6,894.9 million for 2004-05.

While the department did not include estimates of output funding carry over from 2004-05 in its 2005-06 Budget, it anticipates there may be some funding carry over for the school maintenance program. The department estimates it will carry forward asset funding of $23.4 million from 2004-05 to 2005-06; $16 million is associated with the relocatable classroom replacement initiative that experienced delays in contract acceptance and the delivery of the buildings.

The department is required to achieve savings of $14.2 million in 2005-06 and aims to achieve this through general administration efficiencies, particularly in relation to expenditure on consultants and contractors. The department also anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates staff numbers to increase from the 51,009.6 full-time equivalent positions at June 2005 to 51,091.6 full-time equivalent positions, a net increase of 82. Teaching service staff (principals, teaching staff and instructors) and school services officers represent the largest increase between June 2005 and June 2006, at 50 and 60 full-time equivalent positions respectively.

The 2005-06 Budget includes $555.9 million in total output initiatives to 2008-09, of which $104 million is allocated for 2005-06. Funding for initiatives under the government's social policy, *A Fairer Victoria*, includes a further $2.3 million to 2008-09. Some of the more significant initiatives include:

- additional resources for schools ($40.4 million in 2005-06 and $173.1 million over four years), with $79.6 million allocated to meet enrolment growth in government and non-government schools and $93.4 million to ensure class sizes in the prep to grade 2 years remain small;
- increased equity in education and training funding ($18 million in 2005-06 and $112 million over four years) to target those government schools in most need, focusing on improving outcomes in literacy and numeracy. Additional funding has been provided to local learning and employment networks to encourage young people who have left school to remain in the education and training system, or get a job; and
- rollout of the SmartOne broadband network for government schools ($14.2 million in 2005-06 and $82 million over four years), a managed fibre-optic data communication network for all government schools. This initiative also includes an asset initiative with a total estimated investment of $7.3 million over four years for the network.

The adequate supply of suitably qualified teachers to government schools is a crucial issue, particularly in the context of the ageing teacher workforce. Both the Victorian Auditor-General and the Boston Consulting Group found that there was no overall teacher shortage.

The department acknowledges, however, that there are difficulties in filling some secondary school subject areas and that it is difficult to attract teachers to some geographic areas. The latest data indicates that the number of mathematics teachers in the 50-54 year age group, for example, has increased from around 10 per cent in 1995 to around 24 per cent in 2004. Approximately one-third of mathematics teachers in government schools are aged over 50 years. The Minister for Education Services has stated that the government's ability to address the potential increase in demand for mathematics teachers is hampered by the reduction in university places.

The Minister for Education Services launched the *Teacher Supply and Demand for Government Schools* initiative in 2004, which included a range of measures such as re-training non-teaching professionals as teachers. The extent to which these initiatives will address future residual demand in particular subject areas is unclear and should be assessed as a matter of urgency. An evidence based analysis of the potential imbalances between demand and supply is hampered by the absence of critical workforce information such as the actual number of teachers teaching by subject, attrition rates by subject and graduates by subject going on to teach in government schools.

There are a number of areas that merit further scrutiny and attention in terms of improving student educational outcomes. The department has, for example, set a 2005-06 target of 79 and 70 per cent of Indigenous year 3 students reaching national benchmarks in numeracy and reading respectively. The comparable target for all year 3 students is 95 and 92 per cent. A similar disparity exists for year 5 indigenous students.

The department has not increased the targets for Indigenous students reaching national benchmarks in numeracy and reading since they were first introduced in 2003-04. This is consistent with the fact that there were no specific Indigenous education initiatives contained in the government's major 2005 policy statement, *A Fairer Victoria*, which aims to assist the more disadvantaged groups in our society. The latest available Commonwealth data also highlights that Victoria's rate of apparent Indigenous retention is lower than the national rate in every age category.

Education outcomes in mathematical, scientific, and reading literacy and problem solving were reviewed by the Programme for International Student Assessment. The review covered 41 countries and found that while all Australian states performed at or above the Organisation for Economic Cooperation and Development average, Victoria, Tasmania and the Northern Territory were the lowest performing Australian states/territories.

A recent study for the Australian Council of Deans of Science found that 43 per cent of senior school physics teachers Australia-wide lacked a university physics major, and that one in four had not studied the subject beyond the first year of university. It was not possible to obtain the Victorian results from this study. Statewide details of government school teachers' qualifications and skills are not available from departmental records.

The department has indicated to the Committee that a teacher's pedagogical skills enable them to teach across a range of disciplines. Contemporary research, however, strongly suggests that effective teaching requires both pedagogical skills and subject matter knowledge.

Chapter 6: Department of Human Services

The Department of Human Services' budget allocation for 2005-06 is $10,854.8 million, an increase of $675.9 million (or 6.6 per cent) on the estimated actual result of $10,178.9 million for 2004-05.

The department estimates it will carry forward output funding of $59.5 million from 2004-05 to 2005-06. This carry over consists mainly of funding provided for the affordable housing initiatives, implementation of which have fallen behind schedule. The department estimates that the carry over of asset funding to 2005-06 is $45 million, which is largely the result of revisions to the cash flow forecast of the department's asset investment program during 2004-05.

The department is required to achieve savings of $29.1 million in 2005-06 and aims to achieve this through a reduction in operating expenditure, including expenditure on consultants and contractors; not filling some head office and corporate positions when they become vacant; improving consistency in the collection of fees; and a reduction in non-recurrent or one-off grants. The department also anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates staff numbers to remain at the June 2005 level. At June 2005, there were 11,129 full-time equivalent positions. The department is assessing the impact of the 2005-06 Budget on its staffing requirements.

Output-based funding for Victoria's public hospitals has grown from $3.4 billion in 1999-2000 to $5.8 billion in 2005, a 70 per cent increase. New funding introduced in the 2005-06 Budget includes $149 million for 2005-06 ($577.9 million over five years) to support the implementation of the Hospitals Futures initiative and provide additional capital funding of $419 million for health and aged care.

The Committee noted a number of interesting trends in terms of access to hospital services. Between 1999-2000 and 2005-06, the number of patients admitted to Victorian public hospitals is estimated to increase from 1,042,000 to 1,298,000 (a 24.6 per cent increase), while the number of patients treated in emergency departments rose from 634,000 in 1999-2000 to 798,000 in 2004-05 (an increase of

25.9 per cent). The department anticipates that an additional 40,000 hospital patients and 61,000 people presenting at emergency departments will be treated in 2005-06 under the Hospital Futures initiative.

When hospital performance is compared with key targets, there appears to be scope for improvement in the percentage of emergency department admissions to hospital beds that occur within 12 hours. The Committee noted that in 2004-05, 177,000 emergency patients admitted to hospital wards (or 85.1 per cent of total emergency department patients admitted to hospital beds) were in this category compared to the target of 90 per cent. The result for 2003-04 was 85.8 per cent. It is worth noting, however, that all elective patients in the urgent category were admitted within the national standard of 30 days between at least 1999-2000 and 2004-05. It was also encouraging to find that the median time to treatment over this period was generally seven days, a significant achievement against the national standard.

Continuing the government's mental health strategy developed in 2002, the 2005-06 Budget provides $30 million ($124.8 million over four years) to expand services. An additional $55 million in capital has also been provided over four years for new projects. Output based funding provided by the government for mental health has increased by 62 per cent since 1999-2000.

Although an improvement on the actual result for 2003-04, the waiting time outcomes for restorative dental care and dentures in 2004-05 exceeded the target for that year. While the targets set for waiting times in 2005-06 are longer than those for 2004-05, they are an improvement on the actual result for 2004-05.

There were significantly more persons with a disability in the 45-54 and 55-64 years age brackets, and carers in the 35-44 and 45-54 years age brackets in 2003 than in 1998. The Committee maintains that the ageing profile of these groups will create increasing demand pressures in future, with consequent budget ramifications in subsequent budgetary cycles. The Committee was encouraged to find that the department has adopted an individualised planning and support approach in 2003-04 and 2004-05. This approach provided accommodation through the government's Support and Choice initiative, giving 100 people the opportunity to move from their existing shared supported accommodation to independent community housing, and freeing up places in community residential units for others who might need them.

The Committee noted that there were 1,848 people on the urgent and high priority waiting list for housing and support needs in December 2004 and acknowledges that demand for disability services will grow in future. The Committee urges the department to be mindful of the need to carefully monitor the impact of the greater use of flexible choices of accommodation and support on personal outcomes, quality of life and waiting times for accommodation for people with a disability.

There is a view within the Department of Human Services that there is more difficult to manage clients entering the juvenile justice system. The government's commitment to increase the age limit of the Children's Court from 17 to 18 years of age to divert

young people from the adult criminal justice system is likely to exacerbate any such trends. It is critical that the department establishes and maintains a robust system of reporting and analysing incidents so that any decision making is soundly based. The Committee supports the undertaking of a risk based assessment of the resourcing of the three juvenile justice centres in light of the department's duty of care obligations to staff and other clients. The Committee noted that in response to an assault on a client at Malmsbury Juvenile Justice Centre, additional staff were engaged.

While there have been a number of inquiries in response to serious incidents, an annual program of audits should be introduced as a proactive management strategy covering key aspects of the operation of the juvenile justice system. For example, previous inquiries have highlighted concerns with the implementation of rehabilitation models at juvenile justice centres. These proposed audits should evaluate whether existing arrangements conform to best practice.

Twelve child protection innovation projects had commenced by the end of 2004. Latrobe University's interim results from evaluations it conducted show an overall reduction in notifications and substantiations. The government's *A Fairer Victoria* policy provides funding for an additional 12 projects.

While aggregate results from innovation projects have been positive, there have been some individual projects that have had less successful outcomes to date. The Committee considers that an assessment at the individual project level may be required to identify contributing factors and lessons learned.

Victoria is expected to outlay $51.2 million in 2005-06 for additional unmatched funding for Home and Community Care (HACC) services. The magnitude of this financial commitment reinforces the need for a renegotiated HACC agreement with the federal government that better reflects Victoria's growth in demand for HACC services.

Budgeted expenditure in 2005-06 for public sector residential aged care services amounts to $310 million. The government's future directions for public provision of residential aged care services have been outlined in its October 2004 policy statement, *Public sector residential aged care services*. Many of the initiatives included in the policy are expressed in terms of intended future actions, with little indication of how their implementation is to be monitored and measured. The department must establish suitable performance information to supplement the policy and to enable external reporting about its effectiveness in meeting intended outcomes.

The $20 million Building More Homes Together program will involve the private sector constructing social housing on behalf of the government, in return for development opportunities on public housing sites. The characteristics of this program point to the need for the department to report transparent information to Parliament on the program's implementation. Such information should include the differences between social housing and the prevailing public housing environment.

The Committee considers that the department has similar reporting obligations arising from the government's Strategy for Growth in Housing for Low Income Victorians. This strategy also extends the traditional boundaries of public housing to include participation of another party - registered housing associations - to assist the government meet a growing need for low cost housing. Funding of $47 million (from total funding of $70 million over four years that was provided in the 2003-04 Budget for affordable housing growth) has been allocated to the strategy in 2005-06.

Chapter 7: Department of Infrastructure

The Department of Infrastructure's budget allocation for 2005-06 is $3,470 million, an increase of $396 million (12.9 per cent) on the estimated actual result of $3,074 million for 2004-05. This increase is largely due to capital assets charge expenses relating to rail assets ($178 million).

The department estimates that it will carry forward output funding of $20.9 million from 2004-05 to 2005-06. The largest carry over ($12.8 million) is for expected costs associated with business disruption and compensation claims costs and other project costs relating to the regional fast rail project. The department's estimate of the carry over of asset funding to 2005-06 is $3.2 million.

The department is required to achieve savings of $14.2 million in 2005-06. The department aims to achieve this by focusing on information and communication technology programs and services, including the delivery of information technology services at VicRoads; through the successful completion of some programs; by improving operational efficiencies and reducing reliance on consultants and contractors; through research and development activities; and through the road safety efficiency initiatives.

The department anticipates staff numbers to increase from 958.3 at June 2005 to 993 full-time equivalent positions at June 2006, a net increase of 34.7 full-time equivalent positions. Staff numbers at VicRoads are expected to increase from 2,439 at 30 June 2005 to 2,598 full-time equivalent positions, a net increase of 159 full-time equivalent positions. This increase is attributed to a larger graduate intake in 2006.

The Committee noted that in relation to the Regional Fast Rail project, improvements to the track design on the Bendigo and Latrobe Valley lines as a result of intensive community and stakeholder consultation, a more reliable power supply along the Latrobe Valley line, increased costs of project insurance post September 11, higher land acquisition costs on the Ballarat line and extra funding to cover savings in track maintenance that were expected prior to the collapse of the National Express Group in December 2002 took the capital cost up to $617 million. The Minister for Transport indicated that the provision of a safer, more reliable and flexible public transport system, including the installation of an extensive train stopping safety system on the four lines, resulted in a further increase in the budget to $750 million. The Minister for Transport advised the Committee in May 2005 that the Regional Fast Rail project was

within the budget estimate and that there was sufficient capacity within the estimate to finish the program.

With regard to express services, it is anticipated that the Regional Fast Rail project will deliver travel time savings (based on the current fastest trains) of 18 minutes (22 per cent saving), six minutes (12 per cent saving), 15 minutes (15 per cent saving) and 21 minutes (18 per cent saving) for the Ballarat, Geelong, Bendigo and Latrobe Valley lines respectively. In terms of the average time savings for all trips on the four lines, an analysis of all weekday trains from Ballarat, Geelong and Bendigo to Spencer Street; and from Traralgon to Flinders street show that the savings of four minutes (four per cent), 3.5 minutes (six per cent), 2.5 minutes (two per cent) and 4.5 minutes (three per cent) will be minimal.

The Committee noted that there has been a gradual deterioration in the on-time performance of metropolitan train services over the past three years. The percentage of train services arriving at the destination on time has declined from 96.9 per cent (2002-03) to 95.9 per cent (2003-04) to 93.9 per cent (2004-05). The Committee noted that the target set for 2005-06 is 96 per cent, an improvement on the actual performance for 2004-05, but lower than the 97.1 per cent target set for 2004-05 and the actual result achieved three years earlier.

The expected performance outcome of only 94 per cent of metropolitan train services delivered on time during 2004-05 resulted in fines of $20.3 million being imposed on Connex (the private operator) that year. A substantial increase in fines occurred for the April-June 2005 quarter, amounting to $7.4 million, or $81,000 per day.

The on-time performance of V/Line passenger trains has significantly deteriorated over the past three years. The percentage of V/Line passenger trains arriving at the destination on time declined from 93.7 per cent in 2002-03 to 91.5 per cent in 2003-04 to 85.1 per cent during 2004-05. In other words, one in every 16 V/Line passenger trains did not run on time during 2002-03, compared with one in every 11 in 2003-04 and a disappointing one in every six in 2004-05.

According to the Minister for Transport, punctuality issues arose from a number of factors including a disruption to services attributable to the Regional Fast Rail project; the Spencer Street Station redevelopment; train driver shortages; repairs having to be made to some rolling stock and locomotives involved in accidents; and the need to take over the operations of the Warrnambool services.

The December 2004 target for completing the new roof of the Spencer Street Station redevelopment was extended from December 2004 to the second quarter of 2005-06, while the March 2005 target for completing the Spencer Street concourse is now the third quarter of 2005-06. The Committee learned that these delays arose due to the complexities of building the roof within the estimated time frame, and could not be achieved with the access planned. Safe working conditions also precluded construction of the concourse (below) while roof works proceeded (above). Further

delays occurred when contaminated materials were located in the old landfill and construction materials used in the old structures.

The Minister for Transport advised the Committee that final costs, budget and timelines for the Port of Melbourne channel deepening project cannot be determined until the environmental effects statement (including the supplementary environmental effects statement) process is completed and all required environmental protection measures are specified.

A significant portion of the 2004-05 capital expenditure flow for the Telecommunications Purchasing and Management Strategy (TPAMS) has been moved to 2005-06, mainly to align with departments' transition schedules and to accommodate planning required to implement the SmartOne initiative announced in the 2005-06 Budget. The Minister for Information and Communication Technology indicated that the change in the timing of capital expenditure flows will not affect the outcomes of the strategy. The government's expectation is that TPAMS will be delivered within budget, originally estimated at $47.7 million, by the end of 2005-06, the final year of its revised implementation time frame.

The government's latest estimates of the overall saving in government telecommunication costs through TPAMS is about $200 million over five years, compared with the preliminary estimate of $73 million over five years. The Auditor-General's May 2005 report states that it is too early to conclude if all expected benefits and cost savings of TPAMS will be achieved.

In October 2005, the Environment Effects Statement (EES) document for the Nowingi industrial waste long-tem containment facility was released after 18 months of investigations into the suitability of the location for the industrial waste long term containment facility. The EES document indicates that the industrial waste long term containment facility will store a 'high volume' of industrial waste. Under this scenario, the facility will receive up to 250,000 tonnes of waste over its operating life of 25 years.

The social impact study conducted as part of the Environment Effects Statement (EES) process identified that the communities closest to the industrial waste long term containment facility and specific industry sectors are more likely to experience the adverse effects of this project. Overall, the EES process found that the proposed industrial waste long term containment facility '*can be developed and operated in an environmentally, socially and economically acceptable manner and without any significant impact.*'

The time frame for the remainder of the project assessment process involves a community feedback on the EES followed by a recommendation by an independent panel to the Minister for Planning. The government has signalled its expectation that the latter process will conclude sometime '*well into next year'*. Given this expectation, there is the possibility that the government is unlikely to seek statutory approval to establish the industrial waste long term containment facility in 2006.

A major initiative contained in the 2005-06 Budget relates to the Energy Technology Innovation Strategy, with $103.5 million allocated to new innovative energy technologies over five years. The strategy includes the allocation of $83.5 million over five years to explore the development of large pre-commercial demonstration plants trialling new clean brown coal technology in the Latrobe Valley, which will require the involvement and support of the federal government and private industry.

The Minister for Energy Industries and Resources advised the Committee that the focus of the Victorian strategy was to find a future for coal production in the Latrobe Valley, because Victoria has a supply of brown coal in this location to last 500 years.

Chapter 8: Department of Innovation, Industry and Regional Development

The department's budget allocation for 2005-06 was $276.9 million, a decrease of $97.5 million or 26 per cent on the estimated actual result for 2004-05. The decrease is largely attributed to a reduction in funding for the Regional Infrastructure Development Fund in 2005-06 due to the lag between approval and allocation of funding on one hand and expenditure on the other.

The department has advised that $43.5 million was carried forward from 2004-05 to 2005-06, the majority of which relates to the Science Technology and Innovation and Regional Economic and Community Development outputs.

The department is required to achieve savings of $13 million in 2005-06. It aims to achieve these savings through streamlining and ceasing programs that have been superseded; efficiencies in grant administration; sharing corporate services with the Department of Justice; and reducing expenditure on contractors and consultants. The Department of Innovation, Industry and Regional Development also anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates that staff numbers will remain at the same level as June 2005. The estimated number of full-time equivalent staff at June 2006 is 729.3.

The government has committed $620 million between 1999-2000 and 2007-08 for the Science Technology and Innovation (STI) initiative. At May 2005, the Regional Infrastructure Development Fund had contributed over $220 million to major projects. One of the department's core roles is to spend a substantial amount of public funds developing industries and providing high quality jobs. Given the nature of the department's role, it should move towards including an outcomes focus into key activities such as planning, management and reporting processes and developing in-house skills in areas such as program evaluation. The Committee observed that the STI initiative performance measures included in the budget papers were generally not outcomes focused.

The department commissioned an external evaluation of the STI initiative, which forecast positive benefits to Victoria of between $767 million and $868 million over

the period 2000-2014. Of the 32 projects evaluated, four contributed to the majority of these forecast benefits. While the external evaluation signalled the difficulty of accurately evaluating scientific research at the time of project approval, the department should conduct rigorous individual post project reviews to identify the key lessons learnt with the aim of increasing the proportion of projects from which benefits are derived from the state's STI investment.

The government has a vision that Victoria will become one of the world's top five biotechnology locations by 2010. A report by the Boston Consulting Group, however, has flagged that if difficulties in obtaining venture capital within the industry are not addressed, the government's vision may not be achieved. The Committee has suggested a mid-cycle review of the *Biotechnology strategic development plan for Victoria 2004* to determine whether the plan's priorities, actions and targets need to be adjusted, and whether Victoria is on track to become a world leader in biotechnology by 2010.

Ten of the twelve budget funded public sector agreements negotiated between 31 August 2004 and 30 June 2005 in the Industrial Relations portfolio had an average annual wage increase of 3 per cent. The remaining two had increases of 2.25 and 4 per cent respectively. The government's policy is that an overall average increase of 3 per cent per year should be used as a guide to negotiations.

The government aims to achieve $30 billion in exports and double the number of Victorian companies involved in export activity by 2010. The baseline from which to measure the increase or decrease in the number of exporters was 2001-02 when there were 12,250 exporters. The value of exports has declined from $29.5 billion in 2001-02 to $25.7 billion in 2003-04. There was a decline in the number of exporters to 10,542 in 2003-04. An appreciation of the exchange rate, a weak global economy, increased international competition in manufacturing from countries such as China, and the impact of the drought were cited as reasons for these declines.

All 29 initiatives that comprise the $1.8 million financial services industry action plan, *Investing in Victoria's future*, will be implemented by June 2006.

The introduction of superannuation choice from 1 July 2005 is not expected to have a significant adverse affect on Victoria's position in the financial services industry.

An important initiative underway in the Tourism portfolio is the development of a ten year tourism and events strategy. A discussion paper was issued in July 2005 and the Minister for Tourism expects to launch the strategy later in the year. The Committee looks forward to the release of the strategy and expects that it will articulate future goals and planned actions, and provide a measurement framework for evaluating its effectiveness.

To improve services to the small business community, government departments and agencies are now required to pay suppliers within 30 days of billing or face interest penalties. It will be important, therefore, for the department to periodically monitor

the extent of compliance with this requirement and report on its impact on small businesses.

Chapter 9: Department of Justice

The Department of Justice's budget allocation for 2005-06 is $2,683.9 million, an increase of $317.5 million (or 13.4 per cent) on the estimated actual result of $2,366.4 million for 2004-05. This increase is due largely to funding for the Commonwealth Games security ($40.9 million),the planned commissioning of the 300 bed correctional programs centre and the 600 bed remand centre, new initiatives including organised crime and oversighting major crimes, better pathways women's offending initiatives and working with children, and the implementation of the new Major Crime (Seizure of Assets) Bill and the Sex Offenders Monitoring Act.

The department estimates that it will carry forward output funding of $37.6 million from 2004-05 to 2005-06. The largest carry over is $17 million due to delays in implementing the mobile data network. The department anticipates that it would fully apply its asset funding and has estimated no carry over of this funding in its 2005-06 budget. The department's revised estimate is for an asset funding carry over of approximately $14 million, which is attributed to difficulties in purchasing land for new police stations, particularly for the Carlton-North Melbourne complex.

The department is required to achieve savings of $4.7 million in 2005-06. The department aims to achieve this by reducing expenditure on consultants and contractors, and through vacancies and improved resource management. The department also anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates staff numbers (excluding statutory appointments such as judges, magistrates and members of tribunals) to increase from the 5,745.4 full-time equivalent positions at June 2005 to 6329.7 full-time equivalent positions at June 2006, a net increase of 584.3. This increase reflects appointments to newly established roles and staff recruitment to the new prisons.

Staff numbers at Victoria Police (excluding sworn police officers) are expected to increase from 2,220.6 at 30 June 2005 to 2,345 full-time equivalent positions, a net increase of 124.4 full-time equivalent positions. The estimated increase in public service staff takes into consideration potential changes to existing position descriptions and the civilianising of some positions.

The level of fines owed to the state, and the adequacy of associated management practices, have been the subject of a past Committee inquiry and of several audits by the Auditor-General. The most recent audit (results of which were reported to Parliament in May 2005) calls for the Sheriff's Office to better target and select warrants for actioning, and introduce performance indicators that measure the efficiency and effectiveness of the warrant management process.

The government is considering a range of measures such as wheel registration suspension, wage deductions, and non-renewal of a driver's licence and vehicle registration to encourage early settlement of fines. These proposals, together with the adoption of better management practices within the Sheriff's Office, offer significant potential to speed up fine and fee payment, and bring about a financial benefit to the state.

The Attorney-General and the Courts Consultative Council have accepted in principle that the Auditor-General should conduct performance audits of the administrative systems and processes of the courts. The Courts Consultative Council considered a draft performance audit protocol in May 2001 but has not yet adopted a final protocol. The Committee is very keen for the protocol to be finalised before the 2006-07 budget.

There has been a positive trend in the majority of Victorian crime statistics published by Victoria Police in its provisional crime statistics for 2004-05. The statistics show that the overall crime rate per 100,000 population has decreased by 7.3 per cent since 2003-04. However, increases in crime rates were recorded for offences that include assault, abduction/kidnap, non-rape sexual assault, homicide, weapons/explosives and aggravated burglary.

The Australian Bureau of Statistics national crimes statistics shows that for the calendar year 2004, Victoria continued to record a decrease in crime per 100,000 persons. It also shows that Victoria's recorded crime rate in 2004 is below that of the national average. Victoria's position as the jurisdiction to record the lowest crime rate per 100,000 persons was overtaken by Tasmania in the survey for 2004.

The Premier announced on 22 August 2005 that a new statutory body will be established to manage the Law Enforcement Assistance Program (LEAP) database. The new body will be responsible for the replacement of the database over three years, at an estimated cost of $50 million. The Premier's announcement followed a serious incident involving the release of confidential information to a member of the public. Future public confidence about data recorded in LEAP being used solely for legitimate policing and other purposes will depend on the effectiveness of the new arrangements.

Victoria's recidivism rates have fallen in recent years, following the 2001-02 implementation of the Corrections Long term Management Strategy. Victoria has also been active in bringing about a wider definition of recidivism that will be the basis of future reporting by Australian jurisdictions. The Committee looks forward to comparing Victoria's performance in this key area of corrections management with the other jurisdictions.

The Committee has sought information about costs provided for under contracts with Victoria's private prison operators since its 2002-03 budget outcomes inquiry. The Committee was advised in September 2005 that information pertaining to the original executed agreements for the Port Phillip Prison and the Fulham Correctional Centre

will now be made available to the Committee. The Committee intends to examine this information in its inquiry into the 2004-05 Budget Outcomes.

The government expects to collect $1.5 billion in gambling taxes in 2005-06, including $931 million from taxes on electronic gaming machines. There is evidence that 770,000 Victorians play Tabcorp gaming machines every week in Victoria, indicating the significant player interest in the gaming sector.

The Committee found that the majority of gaming revenue directed towards community purposes ($265.2 million or 62 per cent) was used to meet employment expenses. Gifts (including donations) and sponsorships amounted to only $9.3 million or 2.2 per cent of gaming revenue allocated to community purposes. To ensure that the community receives the maximum benefit from gaming machine revenue, the Committee recommends that the government explore avenues for encouraging gaming venue operators to allocate a larger proportion of gaming revenue to gifts and sponsorships. It is important to acknowledge, however, that 27 per cent of club revenue from gaming was allocated to community purposes in 2003-04 ($211 million from a $773 million revenue pool), compared with the minimum requirement of 8.33 per cent of gaming revenue.

While Victoria's Racing Tourism Plan 2005-07 disclosed objectives, strategies, actions, responsibilities and timing/milestones, the Committee found that there was a lack of quantifiable targets, funding/costing details and time frames to measure the plan's cost effectiveness.

Consumer Affairs has the lead role in implementing the $260,000 Commonwealth Games Consumer Protection Strategy in the lead up to the March 2006 Commonwealth Games. Funding of $210,000 will be spent on consumer and trader communications, compliance and enforcement, liquor licensing, and dispute resolution and trader education in 2005-06.

Chapter 10: Department of Premier and Cabinet

The Department of Premier and Cabinet's budget allocation for 2005-06 is $477.6 million, an increase of $28 million (or 6.2 per cent) on the estimated actual result of $449.6 million for 2004-05. This increase reflects funding to establish the State Services Authority ($10.5 million); additional funding for the Tsunami Development Reconstruction Fund ($3.5 million); and funding for increases in capital assets charges and depreciation expenses for the Office of the Chief Information Officer ($3.3 million).

The department has advised that the estimated carry forward from 2004-05 to 2005-06 was $2,855,000 for output funding and $12,302,000 for capital funding.

The department is required to achieve savings of $1 million in 2005-06. The department aims to achieve this through administrative efficiencies and by reducing expenditure on consultants and contractors. The department also anticipates savings to

flow from the centralisation of print, media and communications services because of improvements in administration and contract management.

The department anticipates staff numbers in 2005-06 to remain at similar levels to June 2005. The estimated number of central staff at June 2005 was 311 full-time equivalent positions. The State Services Authority at June 2005 had 35.64 full-time equivalent positions however further staff are expected to be employed during 2005-06. There may also be staff increases in the Office of Police Integrity and in the Office of the Ombudsman.

The Committee considers it important to ensure that any review undertaken by the State Services Authority at the request of executive government should not compromise the independence of the Auditor-General in examining the effectiveness, efficiency and economy of public sector bodies on behalf of Parliament. The Committee has suggested that protocols be established to ensure that the Auditor-General is consulted in the development of the Authority's annual plan.

The department has relaunched *Growing Victoria Together* (GVT), with some progress measures retained from the original framework and other measures added or deleted. The 2005-06 Budget Papers include explicit links between output groups and GVT outcomes, reporting on measures of progress. To meet better practice in whole of government performance reporting, further attention should be directed to reporting comprehensive government outcomes directly linked to the activities of all public sector agencies. Regular progress reporting on the status of outcomes should also be undertaken.

The government has made a significant contribution to the establishment of the Australian and New Zealand School of Government (ANZSOG) in conjunction with the Australian and New Zealand Governments, universities and business schools. The Premier advised the Committee that ANZSOG was established to develop the policy and management skills of leaders in the public sector, and that there were 117 students in the Executive Masters of Public Administration program. The first intake will complete the program in 2005.

The Victorian Auditor-General's 2004 report, *Meeting our future Victorian Public Service workforce needs,* highlighted the rapid ageing of the senior management group within the Victorian public service. While 28 per cent of executive officers were aged 50 years or over in 1996, this proportion had increased to 47 per cent by 2004. The Committee recommends that the department actively monitor the progression of program participants through the Victorian public sector, and encourage critical segments of the workforce to participate in these programs where future shortfalls at senior management levels are anticipated.

The Committee's *Report on the 2003-04 Budget Outcomes* highlighted concerns about the financial sustainability of the National Gallery of Victoria and the operating activities of the Museums Board of Victoria. The National Gallery of Victoria, for example, incurred an operating loss of $8.8 million in 2003-04. The Gallery was

provided with $1.2 million in 2005-06 to manage its campuses at St Kilda Road and Federation Square. A further $400,000 and $1.1 million will be provided in 2007-08 and 2008-09 respectively. The Gallery has announced cost cutting measures that will see the closure of the Federation Square site on Mondays and the St Kilda Road site on Tuesdays. These measures will commence in early October 2005.

The Committee has suggested that the department undertake a benchmarking review of government funding provided to interstate institutions comparable to the Gallery. Such a review would help guide budget negotiations on the appropriate level of funding for Victoria's major cultural institutions.

Chapter 11: Department of Primary Industries

The Department of Primary Industries' budget allocation for 2005-06 is $351.5 million, an increase of $4.4 million (or 1.3 per cent) on the estimated actual result of $347.1 million for 2004-05.

The department estimates that it will carry forward output funding of $15.8 million from 2004-05 to 2005-06. The largest of the carry over ($6 million) is associated with the Research and Experimental Industry Program.

The department is required to achieve savings of $4.7 million in 2005-06 and aims to achieve this through vacancies and resource management. The department also anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates staff numbers to decrease from the 2600.8 full-time equivalent positions at June 2005 to 2587.8 full-time equivalent positions at June 2006, a net decrease of 13.

A projected increase of $60.4 million in 'other financial assets' (relating to investment in the redevelopment of the Royal Melbourne Showgrounds) was the prime factor contributing to the increase in controlled assets from the estimated actual of $406.1 million at 30 June 2005 to the budgeted position of $451.5 million at 30 June 2006. The Committee noted that three years have elapsed since the government announced its commitment to redevelop the Royal Melbourne Showgrounds. The contracts for the $108 million redevelopment were signed by the joint venture partnership and the site developer (PPP Solutions) on 30 June 2005.

The Committee noted that works to enable a number of buildings at the Royal Melbourne Showgrounds to be refurbished before this year's Royal Melbourne Show commenced before the contracts were formally signed. These works commenced once a deed of undertaking with the preferred bidder was signed, guarantees were obtained, and contractual documents were initialled. The Committee suggests that all contractual documents should be signed before capital works commence in future.

The revised estimated closing cash balance of the department's Projects Trust Account was around $17 million at 30 June 2005 and $21.9 million at 30 June 2006. Investments did not represent any portion of the balance. The Committee considers that the department must implement a more transparent approach for its disclosure of the income and expenditure of this trust account in future. The Committee also considers that the significant cash reserves held in this trust account present an opportunity for examining whether the cash management return could be maximised by placing any funds not immediately required in short term investments.

The Committee noted that approximately $2.9 million was spent during 2004-05 on relocating the Melbourne Wholesale Markets, but found that there was little information about how the $8.4 million for implementation costs, change management and transitional expenses will be spent over the next four years. With regard to the costs to be involved in moving the cool stores of leaseholders from Footscray to the new Epping site, the Committee urges the Department of Primary Industries to make publicly available, as soon as possible, the mechanism that will be applied to allocating compensation to existing tenants and, when finalised, the size of the associated compensation package.

Given the marked decline in younger people employed in agriculture, the Committee was pleased to find that the department has implemented a number of promotional strategies to attract younger people to pursue a career in agriculture.

The department intends to improve the efficiency and effectiveness of its minerals and petroleum audit program by focusing on high risk areas in a larger number of mining and quarry sites, rather than undertaking a full audit approach to a smaller number of sites as occurred in the past. The Minerals and Petroleum Regulation Branch of the department has allocated an additional $75,000 towards managing a new royalty audit program that is expected to generate extra revenue of around $500,000 per year over the next four years. Because royalties collected from the mining, extractive and petroleum sector are forecast to increase over the next decade, the Committee recommends that the department monitor the cost effectiveness of royalty compliance activity, with a view to possible expansion. The Committee also recommends that the department arrange for a comprehensive audit of all sites subject to the state's royalty regime to determine the full extent of revenue foregone as a result of the underpayment of royalties. Action should then be taken to recover those amounts legally owing to the state.

Chapter 12: Department of Sustainability and Environment

The Department of Sustainability and Environment's budget allocation for 2005-06 is $926.3 million, an increase of $11.7 million (or 1.3 per cent) on the estimated actual result of $914.6 million for 2004-05.

While the department did not provide an estimate of the carry over of output and asset funding from 2004-05 to 2005-06, it expects asset funding carry over to 2005-06 to

include the Land Exchange project, the Wimmera Mallee Pipeline Project, the Murray River irrigation upgrade, and the accommodation consolidation project.

The department is required to achieve savings of $15.4 million in 2005-06 and aims to achieve this through administrative efficiencies at the corporate level. This may involve staff reductions. The department also anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates staff numbers to remain at the same level as June 2005. At June 2006, the estimated number is 2712.1 full-time equivalent positions.

The Committee noted that the Property, Plant and Equipment item has risen from $3.1 billion for 2004-05 to a revised figure of $7.2 billion in the 2005-06 Budget. This increase is attributable to a revaluation of Crown Land to fair value, as part of the department's transitional valuation program developed to comply with accounting standards.

Despite increased growth in recycling, the Minister for Environment advised the Committee that Victorians continue to generate more waste each year. The Committee considers that a time frame of more than two years to finalise the Towards Zero Waste strategy was less than ideal. The Committee also considers that developing reliable mechanisms to measure waste minimisation and progressively monitoring performance against targets will be crucial to assess the effectiveness of future waste minimisation strategies.

A significant proportion ($19.9 million) of the $31.8 million provided to implement the bushfire recovery strategy was likely to remain unspent at 30 June 2005. The Committee heard that underspending occurred where insurance claims were still uncertain; where some changes in payment amounts were necessary because initial estimates of moneys to be recovered through insurance claims were higher than what had materialised; and where an outstanding issue relating to the north-eastern water treatment plant could not be settled within the required time frame.

The Committee learned that over $1 million would be spent on the wild dog program in the north-east region in 2004-05. During the same period, almost $1 million would be spent on the program in Gippsland. In addition, support by way of wild dog fencing grants to farmers, predominantly in Gippsland, has been funded as part of the Bushfire Recovery Initiative.

The Minister for Water advised the Committee that the health of the major tributaries that feed into the River Murray (the Kiewa, the Ovens, the Broken, the Goulburn, the Campaspe, the Loddon and the Avoca Rivers) varies along their length, but generally the tributaries of the River Murray were in poor to moderate condition. The health of Victorian rivers is measured every five years by the Index of Stream Condition. The government aims to significantly improve the health of Victoria's rivers, floodplains and estuaries by 2010.

The Minister for Water advised the Committee about the status of the new pipeline in the Wimmera-Mallee region, Australia's biggest water infrastructure project, stating that the project was now ready to proceed to tender and construction, after the funding arrangements with the Commonwealth Government was announced on 24 June 2005.

Environmental contribution payments made by the entire water industry - estimated to generate $225 million over four years between October 2004 and June 2008 - will be used to fund initiatives designed to promote the sustainable management of water and to address adverse water-related environmental impacts.

Building activity for the 2004 calendar year was valued at $15.7 billion, a rise of 8.6 per cent on the previous record of $14.4 billion in 2003. Representing 56 per cent of the total value of building permits for the state, the domestic building sector performed very strongly, with $8.7 billion worth of approvals. Each of the state's seven regional areas experienced increased building activity in 2004 compared with 2003, while the rural sector experienced growth of 15 per cent in the value of building approvals.

The Committee noted that it is unlikely that the Lombard site will be completed in time for the March 2006 Commonwealth Games. Because the site is only to be used as a retail outlet for its paper showroom, the initial grounds for fast tracking the development and taking it into ministerial control were no longer relevant or applicable.

An element of the Hilton on the Park Hotel complex redevelopment project (involving the high rise construction of a 15-storey building comprising 89 apartments) will not be completed in time for the Commonwealth Games. By virtue of the intervention of the former Minister for Planning, this element will be exempt from the exhibition and notification provisions of the *Planning and Environment Act* 1987.

Chapter 13: Department of Treasury and Finance

The Department of Treasury and Finance's budget allocation for 2005-06 is $181.2 million, a decrease of $4.7 million (or 2.5 per cent) on the estimated actual result of $185.9 million for 2004-05.

The department indicates that it does not intend to carry forward any output and asset funding from 2004-05 to 2005-06.

The department is required to achieve savings of $31.2 million in 2005-06 and aims to achieve this through reduced consultant and contractor expenditure together with specific efficiency drives such as changes to the tax treatment of the Emergency Services Superannuation Scheme (the savings from this change represents three-quarters of the departments required savings); reduction in interest charges on its overnight borrowings (one-fifth of the required savings) and efficiency in asset and liability management by consolidating three outputs into one. The department also

anticipates savings to flow from the centralisation of print, media and communications services.

The department anticipates staff numbers at June 2006 to remain at the same level as June 2005, at 586 full-time equivalent positions. Staff numbers at the State Revenue Office are expected to increase from the 412.38 full-time equivalent positions at 30 June 2005 to 425 full-time equivalent positions, a net increase of 12.6. Staff numbers at the Essential Services Commission at June 2006 are expected to remain at the same level as June 2005, at 66.4 full-time equivalent positions.

The 2005-06 Budget Papers disclosed that Victoria's share of revenue from the federal government's goods and services tax (GST) is expected to increase, Victoria is still effectively subsidising some other states by around $1.6 billion per year due to the disproportionate allocation of the GST pool.

Victoria received an increase in GST grants of $106 million in 2005-06. The Heads of Treasuries review in 2004 which examined aspects of the methodology used by the Commonwealth Grants Commission (CGC) to distribute GST revenue found inadequacies in the data used by the Commonwealth Grants Commission. While the issues identified by this review are being addressed, the CGC's redistribution methodology is not scheduled to be reviewed again until 2010.

The Treasurer emphasised the need to reform the distribution of GST funds between states, especially in view of a reduced reliance on state revenue because of the abolition (and intended abolition) of certain state taxes as agreed with the federal government.

Under the GST agreement with the Commonwealth, there is a guarantee that no state or territory will be worse off. Where such a situation occurs the Commonwealth is to provide transitional grants to make up the difference. The Treasurer considers that Victoria is only marginally above the level where transitional grants will be required, especially with further state taxes to be abolished over the next few years.

The Mitcham-Frankston Freeway (now known as EastLink) was originally estimated to cost up to $1.8 billion in 2002, with potential savings from a public private partnership venture of up to $180 million. Costs are now expected to be $2.5 billion because of a range of additional enhancements to the project.

In May 2003, the Victorian Government announced it could not afford to provide funding of an additional $1.4 billion to build the freeway without tolls. Consequently, the federal government's offer of $445 million to build the freeway toll free, was no longer available.

The $2.5 billion construction costs are to be recouped by the contractor, ConnectEast, from tolls. The Treasurer advised the Committee that the toll charges are to be the lowest of any private toll road in Australia and the tolls cannot be increased annually beyond the consumer price index.

A City Precinct Strategic Plan was developed and is being progressively implemented. During 2005-06, the State Revenue Office and the Departments of Human Services; Innovation, Industry and Regional Development; and Justice will be relocated to the eastern end of the central business district.

The Minister for Finance advised the Committee that consolidation of this accommodation will result in the total occupied area increasing by nearly 900 square metres. Further, accommodation costs are likely to increase from an expected outcome of $295 per square metre in 2004-05 to $344 per square metre in 2005-06. The Committee considers that savings from consolidating the accommodation of public service departments should be closely monitored to ensure that the net benefit to government is not eroded by rising accommodation costs.

The Minister for WorkCover expressed concern over moves by large companies to leave the Victorian scheme and insure under the federal Comcare scheme. The Victorian Government has responded by:

- referring a Federal Court decision to allow Optus to join the Comcare scheme as a self-insurer to the High Court to ascertain whether the Commonwealth has exceeded its powers; and
- introducing changes to legislation that would provide for contributions by non-WorkCover employers, which would be applied to costs and expenses incurred by the Victorian WorkCover Authority (VWA) in the provision of occupation health, safety and welfare regulation and related education and prevention services.

The Committee will monitor the financial impact on the VWA scheme of large employers exiting the scheme as part of next year's budget estimates process.

The *Occupational Health and Safety Act* 2004 came into effect on 1 July 2005 and introduced significant changes to Victoria's occupational health and safety framework. These changes include increased penalties for employers who fail to provide a safe workplace; providing inspectors with new powers, including the capacity to apply for a search warrant; and requiring all key stakeholders to eliminate or reduce risks as far as reasonably practicable. Given the significance of these changes, the Committee suggests that the VWA prepare an annual report card on the extent of the impact of these changes, measured against baseline performance data for key indicators such as work related fatalities.

Chapter 14: Department for Victorian Communities

The Department for Victorian Communities' budget allocation for 2005-06 is $563.4 million, an increase of $169.3 million (or 43 per cent) on the estimated actual result of $394.1 million for 2004-05. This increase reflects funding for the 2006 Commonwealth Games ($218.4 million). Offsetting this increase was the one-off final

payment in 2004-05, which is the government's contribution to the redevelopment of the Melbourne Cricket Ground ($38.5 million).

The department estimates that it will carry forward output funding of $1.5 million from 2004-05 to 2005-06. This carry over is largely due to variations in the timing of the department's grant program payments. The department's estimate of the carry over of asset funding to 2005-06 is $7 million, which is largely due to variations in the timing of expenditure associated with the Melbourne Sports and Aquatic Centre redevelopment, and the sport camps project.

The department is required to achieve savings of $4.1 million in 2005-06. The department aims to achieve this through modifications to the Youth Employment Scheme Program ($2.9 million); contractors and consultants expenditure ($700,000) and changes to the operation of the Information Victoria bookshop ($500,000).

The department anticipates staff numbers to decrease from the 792.8 full-time equivalent positions at June 2005 to 765.8 full-time equivalent positions at June 2006, a net decrease of 27. Staff reductions are anticipated on the finalisation of the Commonwealth Games.

Under its Local Government Improvement Incentive Program, the government allocates 9 per cent of Victoria's National Competition Policy payment annually to local councils. The government expects to pass on $17.8 million to local councils in 2005-06. Continuation of the program will depend on the outcome of the current review of the National Competition Policy by the Council of Australian Governments.

The government has nominated a preferred proponent for the development of a national ice sports centre. Funding of $9.6 million over three years to 2006-07 was included in the 2004-05 Budget. The Minister advised the Committee that the proponent's submission will be reviewed to establish whether it meets the state's requirements. Further announcements about the project are expected later in 2005.

A new government initiative, the Refugee Support Package, received funding of $4.6 million over four years, including $1 million in 2005-06. The package aims to support Victoria's recently arrived refugees by removing barriers to opportunities and providing access to services, and involves the engagement of early intervention refugee service brokerage workers and refugee health nurses. Because the component relating to the engagement of refugee health nurses will be implemented by the Department of Human Services, a well structured interface between the two departments will be important to ensure effective management of the initiative.

The Council of Australian Governments commissioned the 2005 report, *Overcoming Indigenous disadvantage,* which highlighted that while some improvements have occurred since the 2003 report, Indigenous Australians lag significantly behind non-Indigenous Australians in areas such as life expectancy. The government has provided $45.7 million over four years for Indigenous communities in its initiative, *A Fairer Victoria*, which aims to improve opportunities and living standards for the more disadvantaged groups.

The Committee has indicated that it sees value in conducting an analysis of how Victoria compares with other states and territories in order to assess the potential to improve existing aboriginal policies and programs. This analysis should be conducted with key stakeholders such as Aboriginal Affairs Victoria, relevant departments such as Human Services, and representatives from Indigenous communities.

The government released its youth affairs policy and program development framework - *Respect: The government's vision for young people* - in 2002. Youth programs such as FReeZA (which involve the establishment of youth committees to implement music, entertainment and cultural events) continue to have funding provided in 2005-06. Similarly for women's affairs, a five year Women's Safety Strategy was launched in 2002. The Minister advised the Committee that an evaluation strategy will be developed in the latter half of 2005.

The Committee recommends that the department develop robust program evaluation policies and strategies with business units such as the Office for Youth and in consultation with the Australasian Evaluation Society. Specifically, this could include developing evaluation policies that require compliance with Australasian and international professional standards; ensuring that management processes build in the evaluation method at the initial program design stage; and having a policy of publicly releasing evaluation reports.

The Committee raised the issue of progress in redeveloping the Office for Youth website at the 2004-05 and the 2005-06 Budget Estimates hearing. The Minister advised the Committee that the new website was launched in December 2004. The Committee found the new website to be of a very high standard with a wide range of readily accessible and clearly written information. The new website also contains valuable links to other sites.

Gaming revenue received by the Community Support Fund on Anzac Day will be allocated to the proposed Veterans' Fund to be used for commemoration and education purposes, as from 2005-06.

The results of the community strength survey, which consists of 15 indicators that measure community attitudes, ability to get help and participation in the community, highlighted significant variations in community strength across local government areas. The state average score for the 15 indicators ranged from 23.6 per cent (lowest) to 92.9 per cent (highest).

The exclusion of the Commonwealth Games security costs implied that the whole of Games budget will be higher than the estimated whole of Games budget of $1.1 billion announced in 2003.

The Minister for Commonwealth Games did not provide the Committee with a revised whole of Games budget during the 2005-06 Budget Estimates inquiry. This prevented the Committee from ascertaining whether the government is on target to achieve its revenue targets for sponsorships, broadcasting rights, ticket sales and merchandising in the lead up to the Games.

The government's contribution towards the Games' capital project costs has increased by $12 million, from $223 million to $235 million. The Minister for Commonwealth Games provided the Committee with evidence that this increase will be funded from the government's contribution to the Games' operating cost (which includes a contingency allowance) that is capped at $474 million.

The 2004-05 and 2005-06 Budgets included a contingency allowance for the 'Commonwealth Games' output. Prior to 2004-05, additional Games related funding was provided through Treasurer's advances.

Most of the smaller Games infrastructure has been completed or is nearing completion, with the exception of the Commonwealth Games Village, the Melbourne Sports and Aquatic Centre, and the redevelopment of the Melbourne Cricket Ground. The construction of the Commonwealth Games Village has fallen behind target, but the Minister for Commonwealth Games indicated that the 30 November 2005 delivery date will be met.

The Auditor-General did not request that the reporting of the whole of Games special purpose report be put back to 30 September 2006, but instead suggested that the reporting date be extended to 30 September 2006 to ensure that all significant transactions are captured in the special purpose report.

RECOMMENDATIONS

The Committee recommends that:

Chapter 2: Government response to the Public Accounts and Estimates Committee report on the 2004-2005 Budget Estimates

Recommendation 1: **The government reconsider recommendations nos. 1, 3, 4, 8, 15, 18, 32, 37, 49, 69, 100, 129 and 153 in the Public Accounts and Estimates Committee's Report on the 2004-05 Budget Estimates in light of the Committee's further comments in exhibit 2.2.**

Page 93

Chapter 4: Parliamentary Departments

Recommendation 2: **The Presiding Officers give consideration to reinstating the practice of providing carry over funding for those parliamentary committees that can justify the retention of funds on the basis of their continuing work program.**

Page 118

Recommendation 3: **The annual report of the Department of Parliamentary Services contain information on the management of funds applied under the Parliament Heritage Asset Strategic Management Plan and on how the plan has led to enhanced maintenance of Parliament House as a heritage asset of Victoria.**

Page 120

Recommendation 4: **The annual report of the Department of Parliamentary Services include information on the performance outcome of its administrative reforms in terms of improved services and adherence to the cost neutral target.**

Page 120

Recommendation 5: **The Department of Parliamentary Services implement, within a reasonable timeframe, a suitable model to periodically benchmark the services of Victoria's Parliamentary Library against those of its counterparts in New South Wales and Queensland.**

Page 122

Chapter 5: Department of Education and Training

Recommendation 6: **The Department of Education and Training provide reasons in Budget Paper No.3 for discontinuing performance measures.**

Page 134

Recommendation 7: **The Department of Education and Training:**

(a) update the list of key risks to include the supply of teachers for difficult to fill vacancies; and

(b) regularly monitor and report on the success of initiatives to address this issue.

Page 136

Recommendation 8: **The Department of Education and Training ensure the initiatives contained in the *Teacher Supply and Demand for Government Schools* statement are adequate to address the current and future level of hard to fill vacancies.**

Page 137

Recommendation 9: **The Department of Education and Training include the capacity to provide key workforce supply and demand data (such as actual number teaching by subject; attrition rates by subject; and graduates employed by secondary teaching subject area) as part of the proposed human resources management system upgrade.**

Page 138

Recommendation 10: **The Department of Education and Training publicly report on the general level of unmet school maintenance and particularly the level of unmet urgent maintenance.**

Page 139

Recommendation 11: **The Department of Education and Training:**

(a) **in consultation with a range of key stakeholders, analyse key issues such as retention rates for indigenous students to develop a strategic approach to improving educational outcomes for these students; and**

(b) **establish performance targets in the budget papers over time to reflect expected levels of improved performance arising from this analysis.**

Page 141

Recommendation 12: **The Department of Education and Training:**

(a) **assess the currency and extent of skills and qualifications of years 10 to 12 mathematics and science teachers; and**

(b) **develop and implement a professional development program based on the results of this assessment.**

Page 144

Recommendation 13: **The Department of Education and Training:**

(a) **include a formal post-implementation improvement plan review to follow on from the initial diagnostic review process of schools; and**

(b) **conduct thematic reviews of issues emerging from diagnostic reviews to determine the appropriateness of the response at a corporate level.**

Page 145

Recommendation 14: **The Department of Education and Training establish a robust evaluation strategy as part of the design phase of literacy and numeracy programs that form part of the Equity in Education and Training initiative.**

Page 146

Recommendation 15: **The Department of Education and Training:**

(a) review targets linked to new initiatives; and

(b) examine the degree to which the targets can be increased.

Page 147

Recommendation 16: **The Department of Education and Training provide regular reports on its website on the progress and status of major initiatives.**

Page 148

Chapter 6: Department of Human Services

Recommendation 17: **The Victorian Government continue its liaison with the federal government to bring about early formal negotiations with the states and territories on an amended Home and Community Care agreement.**

Page 174

Recommendation 18: **The Department of Human Services widen its performance information on the use of unmatched Home and Community Care funding to provide more specific information on service expansion outcomes and qualitative user feedback.**

Page 176

Recommendation 19: **The Department of Human Services monitor the impact of land tax exemptions on the Aged Care portfolio and include information in its annual report on the outcomes.**

Page 178

Recommendation 20: **The Department of Human Services establish performance information to supplement the public sector residential aged care policy and to enable external reporting on the policy's effectiveness in meeting intended outcomes.**

Page 179

Recommendation 21: **The Department of Human Services, in conjunction with the Office of Children, conduct an across-the-board review of existing performance measures, to ensure a greater focus on outcomes and critical areas of responsibility.**

Page 180

Recommendation 22: **The Department of Human Services:**

(a) **introduce a management reporting framework for the custodial component of the juvenile justice system to allow for the systematic analysis of incidents and the implementation of an appropriate policy and program response;**

(b) **develop a quality assurance program to safeguard the integrity of incident reporting information; and**

(c) **closely monitor the effects of the increase in the age jurisdiction of the criminal division of the Children's Court (from 17 to 18 years) on the number and type of offenders entering the juvenile justice system.**

Page 182

Recommendation 23: **The Department of Human Services conduct a resourcing review of juvenile justice facilities that takes into account the risks posed by the type of client in the system as well as the impact of the changed age limit of the Children's Court on the client profile.**

Page 184

Recommendation 24: **The Department of Human Services undertake independent annual audits of key aspects of the management and operation of juvenile justice facilities.**

Page 186

Recommendation 25: **The Department of Human Services conduct a strategic workforce analysis aimed at addressing any gap between preferred and actual workforce capabilities, including the degree to which the workforce profile takes into account the diversity of offenders at the juvenile justice centres.**

Page 187

Recommendation 26: **In relation to the Family Support Innovation Projects, the Department of Human Services:**

(a) examine, at an individual project level, factors that have led to certain projects having outcomes not as good as those of other projects, and then incorporate any lessons learnt from this examination in a continuous improvement strategy; and

(b) monitor workforce outcomes in areas such as staff turnover and absenteeism.

Page 189

Recommendation 27: **The Department of Human Services review their performance targets for the 2006-07 budget so they reflect an expected increased level of performance flowing from the implementation of new initiatives.**

Page 190

Recommendation 28: **The Department of Human Services examine whether out-of-home care placements are keeping pace with the demand for these services and what additional incentives may be needed to increase the availability of foster care.**

Page 191

Recommendation 29: **The Department of Human Services, in conjunction with the Child Protection Service, develop a targeted improvement strategy to address significant concerns that have been consistently raised in the Victorian Child Death Review Committee's annual report relating to the adequacy of risk assessments and the lack of clarity between service providers at case closure in terms of their roles and responsibilities for the ongoing support of the child and family.**

Page 193

Recommendation 30: **The Department of Human Services continue to monitor whether:**

(a) adequate support is being provided to people with a disability who are pursuing more independent lifestyles in the community through flexible accommodation choices; and

(b) tailored support packages are reducing the aggregate number of people with a disability waiting for suitable accommodation, and not simply transferring numbers from the waiting list for shared supported accommodation to the waiting list for more independent flexible forms of accommodation.

Page 207

Recommendation 31: **The Department of Human Services include in its annual report relevant particulars covering the operations of the Disability Housing Trust.**

Page 208

Recommendation 32: **The Department of Human Services closely monitor implementation of the Victorian Government's affordable housing strategy, to ensure that affordable housing options are available to people with a disability. The department's annual report should also include information of progress in implementing the strategy over the next four years.**

Page 209

Recommendation 33: **The Department of Human Services in conjunction with the Minister for Planning, ensure the new building codes include works to deliver accessible housing.**

Page 211

Recommendation 34: **Regarding the provision of accommodation to the disability services sector, the government keep under review the adequacy of funding provided to reduce the numbers of individuals on the Disability Service Needs Register, who are classified as urgent and high priority.**

Page 212

Recommendation 35: **The Department of Human Services:**

(a) **disclose in its annual report instances of a material nature where information provided by non-government disability support providers through the self assessment process is not consistent with findings from the department's independently commissioned strategic reviews. The department should also report the actions taken to address these discrepancies;**

(b) **ensure acquittals for recurrent funding are provided by the non-government sector within the required timeframe;**

(c) **require, as a condition of funding over a certain limit, grantee organisations to disclose in their annual reports the level of remuneration paid to board members and senior management; and**

(d) ensure that an effective program of strategic reviews of funded disability support providers is in place to complement the self assessment process that is well targeted.

Page 215

Recommendation 36: **To ensure the functional independence of people with disabilities is not compromised by unacceptable delays waiting for aids and equipment, the Department of Human Services develop timeliness benchmarks for monitoring the efficiency of the Aids and Equipment program.**

Page 218

Recommendation 37: **The Department of Treasury and Finance ensure changes made to the output structure of a department (due to the consolidation of outputs from the previous year), are disclosed in the budget papers. This includes reporting the expected outcome and target for total output costs, to enable meaningful analysis of the budget to occur for output costs between the current and previous year.**

Page 220

Recommendation 38: **The Department of Human Services evaluate the causes of the decline in home visits by general practitioners to persons aged 65 and over and the decline's impact on the number of primary care type patients using public hospital emergency departments.**

Page 226

Recommendation 39: **The Department of Human Services include in its annual report a commentary on movements in waiting times for elective surgery in key specialties.**

Page 228

Recommendation 40: **The Department of Human Services investigate why a significantly higher number of people presenting to emergency departments in 2004-05 needed to be admitted to an inpatient bed.**

Page 231

Recommendation 41: **The Department of Human Services:**

(a) evaluate after a sufficient lead time whether the elective surgery waiting times database that can be found on the department's *Your Hospitals* web site has been an effective tool in reducing the elective surgery waiting times for patients; and

(b) consider other accessible ways for distributing information on waiting times for elective surgery to general practitioners who may not be computer literate or who may not elect to access this information electronically.

Page 237

Recommendation 42: **To complement the information contained in the budget papers, the Department of Human Services consider including the following suggestions in future reporting of health outcomes:**

(a) include objective quantitative data on the health status of Victorians rather than reliance on opinion-based data;

(b) provide a breakdown of the proportion of Victorians in each individual category of 'excellent', 'very good' or 'good' rather than presenting this information in aggregate form;

(c) define the criteria for assessing health as 'excellent', 'very good' or 'good';

(d) provide the Australian average life expectancy for comparative purposes;

(e) conduct a trend analysis that stratifies morbidity rates among illness groups and age groups; and

(f) include a commentary on how the health of Victorians depicted by the indicators correlates with:

(i) the effectiveness of public health initiatives;

(ii) activity-based indicators such as the volume of patients admitted and treated by public and private hospitals and visits to general practitioners; and

(iii) waiting lists for elective surgery.

Page 238

Recommendation 43: **The Department of Treasury and Finance compile asset initiatives for each department alphabetically and by portfolio, to make it easier to interpret the budget and differentiate between ministerial responsibilities for capital projects. This should also apply to asset and output initiatives disclosed in the budget papers according to significant policy statements such as *A Fairer Victoria* and those that relate to government wide initiatives.**

Page 240

Recommendation 44: **The Department of Human Services provide on its website details on the budget and timelines for the Royal Children's Hospital redevelopment when finalised.**

Page 241

Recommendation 45: **The Department of Human Services:**

(a) take a lead role in disclosing a consolidated financial statement in its annual report that shows the total costs incurred in the launch and promotion of the opening of the Austin and Mercy complex; and

(b) for the opening and promotion of major events, prepare an expenditure statement in a timely manner to enhance public accountability.

Page 243

Recommendation 46: **The Minister for Health hold discussions with the federal government, to seek the inclusion of mental health into the Australian Health Care Agreement, thereby securing a greater share of funding for mental health.**

Page 245

Recommendation 47: **The Department of Human Services ensure it has adequate systems in place to monitor the effectiveness of mental health services provided in de-institutionalised, non-hospital settings.**

Page 247

Recommendation 48: **The Department of Human Services evaluate the effectiveness of its strategies for reducing waiting periods for restorative dental care and dentures.**

Page 253

Recommendation 49: **The Department of Human Services develop a financial and performance reporting framework for the *Go for your life* initiative. Relevant information should be audited and published on the department's web site and in its annual report.**

Page 259

Recommendation 50: **The Department of Human Services progressively inform Parliament, through its annual report, on the implementation of the *Building More Homes Together* program, including the program's social and financial outcomes.**

Page 264

Recommendation 51: **The Department of Human Services ensure information included in its annual report on implementation of the *Strategy for Growth in Housing for Low Income Victorians* enables Parliament to readily assess the strategy's effectiveness in achieving intended outcomes.**

Page 267

Recommendation 52: **The Department of Human Services widen its performance measurement regime for housing waiting times and vacancy management.**

Page 272

Chapter 7: Department of Infrastructure

Recommendation 53: **The Department of Infrastructure discuss with the federal government what action could be taken to facilitate a greater level of certainty for investors regarding greenhouse abatement requirements when making investment decisions relating to future power stations in Victoria.**

Page 295

Recommendation 54: **The Department of Infrastructure commission a research project that investigates the risks, costs and benefits of using alternative energy resources that are available to Victoria. This exercise should draw on overseas experiences. A discussion paper, reflecting the outcome of the research, should be released to the public for debate on this issue.**

Page 300

Recommendation 55: **The Department of Infrastructure release a record card on the telecommunications purchasing and management strategy, which details:**

- **(a) progress of the implementation of the strategy against budget and timeframes;**
- **(b) benefits achieved from the strategy compared to initial estimates;**
- **(c) telecommunications costs savings achieved by the government, including method for costing these savings, compared to initial estimates; and**
- **(d) case studies of telecommunications services taken up by departments and the cost savings achieved.**

Page 309

Recommendation 56: **The Department of Treasury and Finance clarify the responsibility for reporting performance measures of projects that Major Projects Victoria manages on behalf of other departments and agencies.**

Page 314

Recommendation 57: **Major Projects Victoria:**

(a) **publish on its website the timetable for the industrial waste long term containment facility project; and**

(b) **update the timetable to reflect new developments as the project progresses.**

Page 326

Recommendation 58: **Regarding outcomes to be delivered from the Regional Fast Rail project, the budget papers and the annual report of the Department of Infrastructure, disclose performance information on actual journey times achieved and time savings compared to targets for both express services and stopping services on each of the four lines. The method used to calculate time savings should also be fully disclosed.**

Page 333

Recommendation 59: **The Department of Infrastructure:**

(a) **continue its efforts to improve the reliability of passenger services to those who use the train network; and**

(b) **consider ensuring penalties collected from private operators not complying with contractual obligations (in terms of the punctuality of train services) be used to help fund measures designed to minimise disruption to passenger services.**

Page 339

Chapter 8: Department of Innovation, Industry and Regional Development

Recommendation 60: **In relation to carry forward funding, the Department of Innovation Industry and Regional Development:**

(a) conduct a formal review to identify the major factors that are contributing to grantees' failure to meet designated project milestones;

(b) develop strategies to address key concerns; and

(c) establish indicative targets on the level of future carry forward amounts.

Page 355

Recommendation 61: **The Department of Innovation Industry and Regional Development, in conjunction with Industrial Relations Victoria, develop performance measures that focus more on outcomes achieved, such as the degree to which wages outcomes negotiated through enterprise bargaining agreements are consistent with the government's wages policy.**

Page 361

Recommendation 62: **The Department of Innovation, Industry and Regional Development:**

(a) review the performance measures in the budget papers to incorporate more of an outcomes focus, particularly for the Science Technology and Innovation output;

(b) ensure expected outcomes for the current financial year for performance measures in the budget papers reflect the most accurate and up-to-date information available; and

(c) examine whether the setting of performance targets is at a sufficiently high level to encourage continuous improvement and drive improved departmental performance.

Page 364

Recommendation 63: **The Department of Innovation, Industry and Regional Development develop an ongoing strategy of progressively introducing an outcomes focus into its planning, management and reporting processes, as well as upgrading its program evaluation capabilities.**

Page 365

Recommendation 64: **The Department of Innovation Industry and Regional Development develop a structured post-project review method so project-specific and cross-project issues can be identified for consideration as part of a continuous improvement process aimed at increasing the benefits to the state from its investment in Science Technology and Innovation projects.**

Page 367

Recommendation 65: **The Department of Innovation, Industry and Regional Development oversee a mid-term review of the *Biotechnology Strategic Development Plan For Victoria 2004* to determine whether the plan needs to be modified in order to achieve the government's vision of Victoria becoming a leading centre for biotechnology by 2010.**

Page 368

Recommendation 66: **To supplement existing government targets of $30 billion in exports and double the number of companies involved in export activity by 2010, the Department of Innovation, Industry and Regional Development consider:**

(a) setting additional targets that measure cumulative export volumes both in total and by key sector; and

(b) measuring the level of exporter sustainability by identifying the number of exporters involved in exporting over a number of financial years.

Page 370

Recommendation 67: **The Department of Innovation, Industry and Regional Development develop its in-house capacity to conduct formative evaluations as part of a continuous improvement strategy.**

Page 371

Recommendation 68: **The Minister for Manufacturing and Export make representations to the federal government on the need for tax incentives for research and development as part of a comprehensive government and industry response to increasing Australia's investment in research and development.**

Page 371

Recommendation 69: **The Department of Innovation, Industry and Regional Development:**

(a) periodically monitor the extent to which government organisations comply with the new fair payment policy, and outline in its annual report, the impact of the policy on small businesses; and

(b) help finalise the proposed whole of government small business charter to improve the quality of services to small businesses.

Page 375

Recommendation 70: **The Department of Innovation, Industry and Regional Development, in conjunction with agencies such as Regional Development Victoria, review its performance measures in the 2005-06 Budget Papers to improve the public reporting of outcomes in the 2006-07 Budget Papers.**

Page 376

Recommendation 71: **Regional Development Victoria:**

(a) develop a program to progressively work towards introducing an outcomes focus to its planning, management and reporting activities; and

(b) implement the evaluation framework within this broader organisational context.

Page 378

Recommendation 72 : **Regional Development Victoria strengthen internal control processes to ensure that all future grant payments are made in accordance with legislative authority.**

Page 379

Recommendation 73: **The government's impending ten year strategy for the tourism and events industry clearly articulate goals, planned actions and a measurement framework for evaluating the progress of the strategy's effectiveness.**

Page 381

Recommendation 74: **Tourism Victoria externally report on the tourism outcomes for Victoria arising from the 2006 Commonwealth Games.**

Page 383

Chapter 9: Department of Justice

Recommendation 75: **The Department of Justice introduce and report on revised performance targets for fine and fee collection to measure the impact of:**

(a) any action taken to upgrade management practices within the Sheriff's Office in response to the May 2005 Auditor-General's report; and

(b) infringement system reforms introduced by the government.

Page 407

Recommendation 76: **The Department of Justice:**

(a) continue to take the lead in seeking a way for the Auditor-General to conduct performance audits of the courts' administrative functions; and

(b) finalise the necessary protocols before the next budget.

Page 408

Recommendation 77: **The Department of Justice ensure that:**

(a) the Criminal Justice Enhancement Program is successfully implemented within final cost and time parameters; and

(b) adequate performance information on the beneficial outcomes of the Criminal Justice Enhancement Program is published externally, including the way in which the program has helped implement the Integrated Courts Management System.

Page 411

Recommendation 78: **The Department of Justice continue its efforts to ensure that the Children's Court annual report is provided to Parliament in a timely manner.**

Page 413

Recommendation 79: **Consumer Affairs Victoria include a list of all its fees and charges in its annual report.**

Page 415

Recommendation 80: **Consumer Affairs Victoria include in its annual report the outcomes of bringing the credit advisory services in-house.**

Page 416

Recommendation 81: **The government include in the budget papers a measure showing annual percentage movements in Victoria's prisoner recidivism rates.**

Page 421

Recommendation 82: **The Department of Justice include in its annual report information on the effectiveness of its multiple strategies for lowering prisoner re-offending, including how these strategies contribute to changes in recidivism rates.**

Page 421

Recommendation 83: **The Department of Justice progressively monitor and report in its annual report, action taken to implement recommendations in the Auditor-General's 2003 performance audit report *Assessing the needs of Victorian prisoners* to ensure that all audit issues are adequately addressed.**

Page 424

Recommendation 84: **The Department of Justice incorporate in its annual report a signed certification from the Director of the Corrections Inspectorate that identifies for that particular period:**

(a) the major findings arising from the Corrections Inspectorate's review activities, and the Inspectorate's assessment of actions taken by the prison operators to rectify the identified problems; and

(b) any impediments to the Corrections Inspectorate's independence and its freedom to operate impartially.

Page 427

Recommendation 85: **The Victorian Government explore avenues for encouraging gaming venue operators to allocate a larger proportion of gaming revenue to the provision of gifts and sponsorships to their local communities to ensure the community receives the maximum benefit from revenue earned from gaming machines.**

Page 431

Recommendation 86: **The government consider commissioning research to quantify average gambling losses in Victoria as a percentage of total household final consumption expenditure, where at least one member of the household engages in some form of gambling.**

Page 432

Recommendation 87: **The government report on the impact of its wide ranging gaming initiatives on community behaviour and the achievement of government objectives.**

Page 434

Recommendation 88:

(a) The government ensure that a strong message about responsible and sensible gambling is effectively delivered and understood by the public; and

(b) The government continually review the adequacy of funding targeted at problem gamblers that is provided by the Community Support Fund.

Page 436

Recommendation 89: **For the 2006-07 budget, Victoria Police include a performance measure that shows the number of offences against the person.**

Page 437

Recommendation 90: **Victoria Police ensure future movements in crime statistics on family violence offences are adequately explained in its annual report, so Parliament can assess the extent to which expected outcomes from current initiatives are realised.**

Page 443

Recommendation 91: **Victoria Police encourage early development by the Australian Bureau of Statistics of a National Crime Reporting Standard for the recording of assault and sexual offences, to assist assessments of Victoria's performance in these areas relative to other jurisdictions.**

Page 444

Recommendation 92: **Victoria Police include within the performance framework developed for forensic services measures of the extent to which forensic services contribute to wider benefits to the justice system.**

Page 446

Recommendation 93: **The government evaluate the desirability of expanding analyses that quantify the economic impact of major events that are staged on a recurring basis in Victoria.**

Page 450

Recommendation 94: **The Department of Justice evaluate, after a sufficient lead time, the outcomes realised from government funding in terms of enhancing the growth and development of the Victorian country racing industry.**

Page 452

Recommendation 95: **The Department of Justice, in conjunction with Tourism Victoria, quantify the tourism benefits expected to accrue from implementing Victoria's Racing Tourism Plan 2005-07, together with costing details, so that the cost effectiveness of the plan can be measured in future years.**

Page 453

Recommendation 96: **In the event of any prolonged delays in the planning for recycled water connection and site drainage collection at the Cranbourne Training Centre and Cranbourne Racecourse, the government consider an alternative site for a demonstration project to ensure potential water conservation measures are implemented and alternative sources are identified in a timely manner to minimise the impact of the drought on country racecourses.**

Page 455

Recommendation 97: **The government ensure that the racing industry is adequately compensated for the 2005-06 budget initiative to increase the annual health benefit levy from $1,533.33 to $3,033.33 on each electronic gaming machine.**

Page 458

Chapter 10: Department of Premier and Cabinet

Recommendation 98: **The Department of Premier and Cabinet, in conjunction with Arts Victoria, review the performance measures for the Arts and Cultural Development output group to ensure they:**

(a) are more informative in terms of the outcomes achieved and improve the reliability and robustness of the methods used to assess quality;

(b) reflect the priorities and measures of progress contained in the *Creative Capacity* + *Arts for all Victorians* framework, with performance reporting occurring relative to established baseline data where relevant; and

(c) establish new data collection methods relating to the new performance measures.

Page 470

Recommendation 99: **To guide future budget discussions with the Victorian Government, Arts Victoria commission a study to benchmark the level of funding provided to major cultural institutions in other states in comparison with Victoria.**

Page 471

Recommendation 100: **The National Gallery of Victoria keep under active review its decision to close the Federation Square and St. Kilda Road sites on certain weekdays, particularly in light of any subsequent improvements in its financial position.**

Page 472

Recommendation 101: **Arts Victoria, in conjunction with key cultural institutions, give increased prominence in the 2006-07 Budget Papers to reporting on the stewardship of cultural assets.**

Page 473

Recommendation 102: **The State Services Authority and the Victorian Auditor-General's Office agree on protocols to ensure that the Auditor-General's Office is consulted on the development of the State Services Authority's annual plan and informed of progress in the plan's implementation.**

Page 475

Recommendation 103: **The Department of Premier and Cabinet establish a longitudinal study involving Australian and New Zealand School of Government graduates to continuously improve the delivery and coverage of the program, particularly given the strategic workforce planning needs of the Victorian public sector.**

Page 476

Recommendation 104: **The Department of Premier and Cabinet upgrade performance reporting frameworks to include more comprehensive reporting of whole of government outcomes across the Victorian public sector, with clear linkages to the activities of all public sector agencies and regular progress reporting of results.**

Page 478

Chapter 11: Department of Primary Industries

Recommendation 105: **To maximise the cash management return from the significant cash reserves held in the Projects Trust Account, the Department of Primary Industries and the Department of Treasury and Finance monitor the likely services to be funded from this account in the immediate term, and examine whether there is scope for placing any funds not immediately required into short term investments.**

Page 491

Recommendation 106: **To facilitate adequate transparency and accountability of the activities of the Projects Trust Account, the government's annual financial report and the Department of Primary Industries' annual report disclose relevant details of the income, expenditure and balance of this trust account.**

Page 491

Recommendation 107: **The Department of Primary Industries annual report disclose details relating to the redevelopment of the Melbourne Wholesale Markets, comparing expenditure against budget and progress against timelines.**

Page 493

Recommendation 108: **Regarding the costs of moving the cool stores of leaseholders from Footscray to the new Epping site as part of the relocation of the Melbourne wholesale markets, the Department of Primary Industries make publicly available, when finalised, details of the compensation package and the mechanism for compensating existing tenants.**

Page 493

Recommendation 109: **The Department of Primary Industries and the Department of Infrastructure ensure all key contractual documents are signed before capital works commence, or public private partnership arrangements are structured with sufficient flexibility to ensure project delivery continues to be on time and budget.**

Page 497

Recommendation 110: **In the event that Victoria experiences severe drought conditions, the Department of Primary Industries disclose in its annual report information on the effectiveness of the drought relief measures implemented.**

Page 502

Recommendation 111: **To ensure the measures employed to control the fox population in Victoria remain relevant and effective, the Department of Primary Industries:**

(a) continue to monitor the extent to which the number of foxes is reduced each year, to assess whether a greater level of funding needs to be directed at addressing the risk to Victoria's agriculture industries;

(b) investigate the need to strengthen its research directed at eliminating foxes; and

(c) adopt an outcome focused approach to disclosing progress in fox eradication (for example, in relation to movements in the value of agricultural production loss due to the impact of foxes).

Page 505

Recommendation 112: **The Department of Treasury and Finance develop a reporting regime whereby the budget papers summarise government information on a ministerial portfolio basis, rather than only as an aggregation of all industry sectors allocated on an activity basis across a particular department.**

Page 509

Recommendation 113: **The Department of Primary Industries:**

(a) evaluate whether audit outcomes for 2005-06 have improved as a result of modifying the minerals and petroleum audit program from undertaking a full audit of a smaller number of individual mining and quarry sites, to taking a more targeted approach that focuses on high risk areas at a larger number of sites; and

(b) determine, based on the outcomes delivered from the new audit approach, whether there is scope to increase the targeted number of audits of high or critical minerals and petroleum sites in future budget cycles.

Page 510

Recommendation 114: **The Department of Primary Industries arrange for a comprehensive audit of all sites subject to the state's royalty regime to determine the full extent of revenue foregone as a result of the underpayment of royalties. The government should then act to recover those amounts legally owing to the state.**

Page 512

Recommendation 115: **The Department of Treasury and Finance monitor the cost effectiveness of the new royalty audit program administered by the Minerals and Petroleum Regulation Branch of the Department of Primary Industries, to evaluate whether to allocate additional financial resources to expand this area of compliance activity across the minerals and petroleum sector.**

Page 512

Recommendation 116: **Annual reporting by the Department of Primary Industries include a progressive report on the actual and planned outcomes of the state's major mineral, exploration and petroleum investments that have been attracted to those areas subjected to geoscience mapping projects. Such reporting should feature the benefits derived from the successful promotion of Victoria's gold exploration potential.**

Page 515

Chapter 12: Department of Sustainability and Environment

Recommendation 117: **The Department of Sustainability and Environment provide a more informative response to future requests for detailed information from the Public Accounts and Estimates Committee.**

Page 524

Recommendation 118: **In drawing on the *Audit Act* 1994 provisions that relate to the examination of performance indicators, the Department of Sustainability and Environment consider whether its internal audit should examine whether the department's performance measures are relevant to the department's objectives, and appropriate for assessing performance, and whether they produce accurate information.**

Page 533

Recommendation 119:

(a) To complement the government's release of its Towards Zero Waste strategy, the Department of Sustainability and Environment develop a monitoring framework for reviewing the effectiveness of programs designed to minimise both household and industry waste; and

(b) the department finalise environmental policy formulation in a timely manner, to minimise delays in meeting government expectations and maximise outcomes.

Page 536

Recommendation 120:

(a) to inform the Parliament and the community on the suitability of the Yarra River for swimming and the extent of any additional funding initiatives that may need to be considered in future budget deliberations, the Department of Sustainability and Environment's annual report disclose trend data of stream condition, with an emphasis on water quality in urban areas; and

(b) the Department of Sustainability and Environment consider whether new research needs to be undertaken before 2008 to establish the causes of Yarra pollution and solutions.

Page 538

Recommendation 121:

(a) The Department of Sustainability and Environment's annual report disclose financial and performance information that will enable assessments of the efficient and effective use of government funding directed at the state's Bushfire Recovery Strategy and initiatives;

(b) The Department of Sustainability and Environment ensure there are no delays in completing the recovery works associated with the bushfires in the summer of 2002-03; and

(c) The Department of Treasury and Finance ensure for capital projects that have been ongoing for a number of years and have significant expenditure remaining, that appropriate explanations are contained in the government's information paper on its Public Sector Asset Investment Program.

Page 540

Recommendation 122: **The Department of Sustainability and Environment's annual report include a status report section that discloses outcomes of long term programs, such as the River Redgum rescue plan.**

Page 544

Recommendation 123: **The Department of Sustainability and Environment consider including a performance measure in the budget papers that covers the numbers of stock reported lost to wild dogs.**

Page 546

Recommendation 124: **The Department of Sustainability and Environment explore whether, leading up to 2010 when the success or otherwise of the restoration reforms surrounding Victoria's rivers, floodplains and estuaries will be judged, the Index of Stream Condition could be implemented at a shorter interval than every five years so that assessments can be used to modify the strategy if appropriate.**

Page 549

Recommendation 125: **The Department of Sustainability and Environment:**

(a) ensure that a sound project management framework is in place so the Snowy River projects are completed on time and within budget; and

(b) publish in its annual report, key outcomes of actions taken to return environmental flows to the Snowy River.

Page 552

Recommendation 126: **As part of the reporting on progress made against the government's commitment to achieve the water recycling target of 20 per cent by the year 2010, public reports disclose any changes in the definition of water recycling that lead to major variations in performance between successive years.**

Page 554

Recommendation 127: **The government ensure a rigorous project management regime is in place to govern the Wimmera Mallee pipeline project through the tendering and construction phases.**

Page 555

Recommendation 128: **The government ensure the salinity management strategies identified in the community based land and water management (salinity) plans are kept under review when resource priorities are evaluated for next year's budget. As part of this process, the extent of additional areas to be protected from salinity by surface and sub-surface drainage need to be assessed against other catchment priorities.**

Page 556

Recommendation 129: **The Department of Sustainability and Environment ensure that an outcome focused approach is adopted for disclosing the effectiveness of how environmental contributions from water authorities have been spent.**

Page 557

Recommendation 130: **The Department of Sustainability 557 Environment ensure the exceptional circumstances announced to justify ministerial intervention in the state's planning system continue to be relevant through the development of the projects.**

Page 561

Recommendation 131: **The Department of Treasury and Finance ensure the budget papers explain material instances where payments have been brought forward to the previous year resulting in the expected outcome being less than the output cost target for that year.**

Page 564

Recommendation 132: **The Department of Sustainability and Environment maintain records of expenditure by region for the Liveable Cities and Sustainable Regions output and disclose this information in its annual report.**

Page 565

Chapter 13: Department of Treasury and Finance

Recommendation 133: **The Department of Treasury and Finance evaluate the ongoing need to retain trust accounts with static balances, and close trust accounts if they are no longer warranted.**

Page 578

Recommendation 134: **The Department of Treasury and Finance actively monitor savings achieved in the implementation of the City Precinct Strategy Plan, to ensure the net benefit to the Victorian Government from this consolidation is maintained and not eroded by rising accommodation costs.**

Page 583

Recommendation 135: **The Department of Treasury and Finance focus its improvement initiatives for performance management and reporting by having clear links between departmental objectives and higher level government outcomes, and by ensuring the early involvement of the Auditor-General in performance statements audits.**

Page 586

Recommendation 136: **The Transport Accident Commission publicly disclose the value of individual sponsorships.**

Page 595

Recommendation 137: **The Victorian WorkCover Authority:**

(a) develop an annual report card on the impact of the *Occupational Health and Safety Act* 2004 in terms of key health and safety outcome indicators as measured against baseline data; and

(b) make this report publicly available and readily accessible.

Page 597

Chapter 14: Department for Victorian Communities

Recommendation 138: **The Department for Victorian Communities, in conjunction with Aboriginal Affairs Victoria:**

(a) develop quality performance measures with a focus on outcomes; and

(b) develop robust quantitative and qualitative data collection strategies that support the performance measures.

Page 610

Recommendation 139: **In conjunction with other key stakeholders, Aboriginal Affairs Victoria co-ordinate an analysis of key trends and outcomes emerging from the *Overcoming Indigenous Disadvantage Key Indicators 2005 Report* to explore the potential for improving the coverage and effectiveness of Victoria's indigenous affairs policies and programs.**

Page 611

Recommendation 140: **The Department for Victorian Communities annual report detail grants over $50,000 provided to external organisations.**

Page 612

Recommendation 141: **The Department for Victorian Communities annual report include in any reporting on the Commonwealth Games output:**

(a) a breakdown of the Games funding provided to departments, agencies and other organisations; and

(b) funding carry overs of all unspent Games funding, including those funds that were passed on to departments and agencies.

Page 614

Recommendation 142: **The Department for Victorian Communities ensure that the financial information in the final whole of Games *Special Purpose Report* is audited.**

Page 632

Recommendation 143: **The Department for Victorian Communities report in the post-Games report on all Games initiatives, regardless of whether funding was provided directly to the agencies, or through the Commonwealth Games output.**

Page 633

Recommendation 144: **The Employment Programs Division of the Department for Victorian Communities:**

(a) monitor the extent to which organisations have developed effective links between Jobs for Victoria programs and other employment, education and training programs; and

(b) based on the results of this monitoring, develop a range of strategies such as better practice guidance to encourage organisations to develop effective program links.

Page 636

Recommendation 145: **The Department for Victorian Communities, in the context of the review of performance measures, ensure these measures cover key result areas from the Jobs for Victoria Strategy such as provision of sustainable employment for program participants.**

Page 637

Recommendation 146: **The Department for Victorian Communities establish a sound framework for measuring the effectiveness of the Refugee Support Package.**

Page 646

Recommendation 147: **The Department for Victorian Communities advise Parliament, via its annual report, on the expenditure of funds allocated to promote physical activity under the *Go for your life* campaign and on the results of its evaluations of the effectiveness of this campaign.**

Page 650

Recommendation 148: **Future announcements on the proposed national ice sports centre outline construction timelines, the allocation of risks and the state's financial commitment to the project.**

Page 651

Recommendation 149: **The Department for Victorian Communities disclose new hypothecations of Community Support Fund revenue in the budget papers.**

Page 655

Recommendation 150: **The Department of Treasury and Finance direct departments to detail in the budget papers the key initiatives and programs funded from the Community Support Fund.**

Page 655

Recommendation 151: **The Department for Victorian Communities, in conjunction with the Office of Women's Policy, develop a robust means of assessing the quality of advice provided to stakeholders and report aggregated results in the budget papers.**

Page 660

Recommendation 152: **The Department for Victorian Communities:**

(a) in conjunction with the Office of Women's Policy, sponsor discussions between the Australasian Evaluation Society and departmental representatives aimed at adopting a set of standards to apply to future evaluations; and

(b) consider the adoption of department wide standards for all future evaluations.

Page 661

Recommendation 153: **The Office of Women's Policy, in consultation with other government agencies, coordinate the establishment of an evaluation strategy for the *Safety and Justice: A New approach to Family Violence in Victoria* strategy, in conjunction with the planning and development phases of this initiative.**

Page 662

Recommendation 154: **The Office of Women's Policy:**

(a) take a lead role in encouraging departments to refer to completed program evaluations in their annual reports and to make the relevant reports publicly available on their websites; and

(b) provide a consolidated listing of evaluations on the Department for Victorian Communities website with appropriate links to departmental websites.

Page 663

Recommendation 155: **The Department for Victorian Communities adopt a department wide policy of listing details of major program evaluations in its annual report and ensure copies of these evaluations are available via the internet.**

Page 663

Recommendation 156: **The Department for Victorian Communities, in conjunction with the Office of Youth:**

(a) examine the merits of retaining the www.youth.vic.gov.au website; and

(b) actively promote the value of the new www.youthcentral.vic.gov.au website and increase website access targets in the 2006-07 Budget Papers.

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CHAPTER 1: INTRODUCTION

1.1 Background

The Appropriation Bills relating to 2005-06 were passed by Parliament in June 2005[1] and provided for a net appropriation of $25,084.8 million.[2]

Accompanying the introduction of the Appropriation Bills in Parliament are the budget papers. The budget papers cover the application of additional funds to support service delivery and capital that do not require approval by the Parliament on an annual basis. These additional funds include amounts that are appropriated by Parliament on an ongoing basis via special appropriations ($1,571.1 million in 2005-06), revenue received by agencies that is credited to appropriations ($1,721.6 million in 2005-06), and funding carried over from the previous year ($194.8 million in 2005-06).[3]

The budget financial statements have been prepared under the Australian equivalents to International Financial Reporting Standards (A-IFRS).[4] The financial statements reveal that in 2005-06 the government expects to receive income of $30,623.6 million and expenses are budgeted to be $30,258.9 million.[5] These amounts exclude the impact of re-measurements required by the financial reporting standards.[6]

The budget papers also disclose that the cost of outputs to be delivered by departments in 2005-06 is expected to be $26,965.7 million.[7] However, as noted by the Auditor-General,[8] the budget papers do not include a reconciliation of the aggregated expenditures with the value of appropriations subject to parliamentary approval.

To assist Parliament to have a more effective oversight of the activities of the government, the Public Accounts and Estimates Committee has been delegated the responsibility of undertaking a detailed review of the budget estimates and revenues contained in the budget papers.

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1 *Appropriation (Parliament 2005/2006) Bill* 2005 passed by the Legislative Assembly on 26 May 2005 and the Legislative Council on 15 June 2005; *Appropriation (2005/2006) Bill* 2005 passed by the Legislative Assembly on 26 May 2005 and the Legislative Council on 16 June 2005

2 *Appropriation (Parliament 2005/2006) Act* 2005, schedule 1, p.4; *Appropriation (2005/2006) Act* 2005, schedule 1, p.5

3 Budget Paper No.4, *2005-06 Statement of Finances*, pp.187–190

4 ibid., p.7

5 ibid., p.10

6 ibid., p.20

7 Budget Paper No.3, *2005-06 Service Delivery*, pp.47, 67, 105, 129, 142, 172, 186, 194, 218, 237

8 Victorian Auditor-General's Office, *Report on Parliamentary control and management of appropriations*, April 2003, p.43

1.2 Objectives of the budget estimates process

In submitting this report, the Public Accounts and Estimates Committee does not intend to replicate the information contained in the 2005-06 Budget Papers. Rather, the Committee is presenting information on selected areas where additional information may assist in the public understanding of those budget documents.

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

- facilitate a greater understanding of the budget estimates;
- assist Parliament and the community of Victoria to assess the achievement of the planned budget outcomes against actual performance;
- constructively contribute to the quality and the presentation of the budget information; and
- enable more effective monitoring of the performance of departments and agencies.

1.3 Process followed by the Committee

In late March 2005, the Committee circulated a questionnaire to all departments requesting supplementary information to that likely to be contained in the 2005-06 Budget Papers. The Committee's questionnaire concentrated on several areas including:

- explanations for significant variations between the 2004-05 estimated actual outcomes and the 2005-06 budget, for revenue and expenditure, and assets and liabilities of departments;
- explanations for significant variations in output costs between the 2004-05 estimated actual outcomes and the 2005-06 budget;
- details of any carry over of funding from 2004-05 to 2005-06;
- departmental savings, including strategies to achieve these savings;
- departmental progress on environmental reporting;
- details of trust fund transactions, including controls established to monitor expenditure of trust funds;
- validation of departmental performance measures;
- reviews of departmental outputs;
- accountability for departmental outputs;
- key risks facing the department and the strategies to address those risks;
- departmental staffing profile; and

- progress in implementing the 2004-05 budget initiatives.

The 2005-06 Budget Estimates were subjected to 55 hours of scrutiny by the Committee at public hearings held with the Premier, each Minister and the Presiding Officers of the Victorian Parliament during the period May to June 2005 (see Appendix 2).

In preparing for the estimates hearings, the Committee draws heavily on the information contained in a range of documents, including departmental responses to the Committee's estimates questionnaire, the budget papers and the Auditor-General's reports.

Following the estimates hearings, the Committee wrote to Ministers to request answers to questions that had been taken on notice at the estimates hearings. In addition, because there is a myriad of complex policies, plans and strategies which underpin the financial and performance information contained in the budget papers, the Committee sought additional information on some matters.

The Committee is grateful to Ministers and senior department officers for their assistance at the estimates hearings and in providing responses to the Committee's follow-up questions.

Early next year, the Committee will undertake a review of the arrangements for the 2006-07 estimates process to see what actions are necessary to ensure that each portfolio is allocated adequate time at the hearings.

The cost of this inquiry was approximately $234,000.

CHAPTER 2: GOVERNMENT RESPONSE TO THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE REPORT ON THE 2004-05 BUDGET ESTIMATES

Key findings of the Committee:

2.1 The Public Accounts and Estimates Committee's *Report on the 2004-05 Budget Estimates* made 177 recommendations, of which 73 were accepted, 22 were accepted in part, 46 were accepted in principle, 11 are under review and 25 were rejected.

2.2 The proportion of recommendations rejected by the government has grown from 6 per cent of recommendations made in the 2003-04 Budget Estimates report (five of 81 recommendations) to 14 per cent of recommendations in the 2004-05 Budget Estimates report (25 of 177).

2.3 The Committee has identified 13 recommendations in the 2004-05 Budget Estimates report (detailed in exhibit 2.2) that it considers the government should revisit.

2.4 The government's response to the Committee's *Report on the 2004-05 Budget Estimates* indicated that certain recommendations are to be reviewed. The Committee intends following up the status of these matters and commenting on them in the 2006-07 Budget Estimates report.

2.1 Legislative requirement to respond to the Committee's recommendations

There is a legislative requirement for responsible Ministers to respond within six months to recommendations in the Committee's reports that are tabled in Parliament.[1]

2.2 2004-05 Budget Estimates report – previous recommendations

The Committee's *Report on the 2004-05 Budget Estimates* was tabled in the Legislative Assembly and the Legislative Council on 11 November 2004. A copy of the government's response was tabled in the Legislative Assembly on 17 May 2005.

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1 *Parliamentary Committees Act* 2003, s.36(1)

Of the 177 recommendations contained in the Committee's *Report on the 2004-05 Budget Estimates*, 73 (41 per cent) were accepted, 22 were accepted in part (13 per cent), 46 were accepted in principle (26 per cent), 11 are under review (6 per cent) and 25 were rejected (14 per cent).

Exhibit 2.1: Government response to the recommendations in the PAEC's 2004-05 Budget Estimates report

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total
Education and Training	0	0	8	0	9	17
Human Services	13	3	5	1	2	24
Infrastructure	6	0	0	3	0	9
Innovation, Industry and Regional Development	8	0	10	0	2	20
Justice	8	2	9	1	2	22
Premier and Cabinet	3	1	1	2	0	7
Primary Industries	2	1	3	0	1	7
Sustainability and Environment	6	4	0	1	1	12
Treasury and Finance	10	5	4	3	4	26
Victorian Communities	12	6	2	0	2	22
Parliamentary Departments	5	0	4	0	2	11
Total	**73**	**22**	**46**	**11**	**25**	**177**

Source: Victorian Government, response to the Committee's Report on the 2004-05 Budget Estimates, tabled May 2005, pp.1–95

The government rejected 25 (14 per cent) of the Committee's 177 recommendations. By comparison, five (or 6 per cent) of 81 recommendations in the PAEC's 2003-04 Budget Estimates report were rejected.[2] The Committee noted, however, that the government has taken positive action on a wide range of issues. The Department of Primary Industries, for example, is developing a performance report on its agricultural research activities. The Committee is disappointed that the Department of Education and Training rejected over 50 per cent of the Committee's recommendations relating to that department.

After considering the matters outlined in the government's response, the Committee identified 13 recommendations (listed in exhibit 2.2) that it considers the government should revisit with the departments concerned.

Regarding the 11 recommendations from 2004-05 that were under review at May 2005, the three recommendations in this category from 2003-04 and certain recommendations accepted or accepted in principle pending further review, the Committee intends to follow-up with departments what action has been taken to

[2] Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.91

address the issues raised by the Committee. If it considers that appropriate action has not been taken, the Committee will include further comment on these matters in next year's budget estimates report.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report

Recommendation	Action Taken/Planned	Committee's Further Comments
That the Parliamentary Departments adopt a recruitment policy that is consistent with the requirements applicable to the broader Victorian public service. *(Recommendation 1, page 93)*	**Accepted in principle** The Parliament has a recruitment policy that is mostly consistent with the broader public service community and also meets the particular and situational needs of Parliament. No further action will be taken on this recommendation.	All vacant positions, beyond a six month period, with the Parliamentary Departments should be advertised externally to support genuine contestability and enhance the application of the merit principle.
That the Department of Education and Training provide a consolidated statement in its annual report of expenditure on school capital projects and maintenance programs that separately identifies budgeted and actual expenditure directed to the construction of new schools, upgrades, modernisation and maintenance programs.*(Recommendation 3, page 96)*	**Rejected** Most of this information is already provided in Budget Information Paper No. 1 *Public Sector Asset Investment Program* which provides information on major investments. This paper lists major individual asset investments in the relevant budget year. Projects are listed as either existing projects or new projects for commencement in the particular budget year. For existing projects continuing into the new budget year, information is provided on the total estimated investment for each project, expenditure to date, expected expenditure for the budget year and remaining expenditure. For each new project, information is provided on the total estimated investment, expected expenditure for the budget year and remaining expenditure. Given that this information is already publicly available, the Department of Education and Training does not believe significant benefits would be gained from also including it in the annual report. In relation to expenditure on maintenance, the inclusion of budget and expenditure information at program level would be inconsistent with the current level of reporting provided in the annual report, which accords with the requirements of the *Financial Management Act* 1994. No further action will be taken on this recommendation.	The Committee reiterates its view that the significant funding directed towards constructing, upgrading and maintaining school facilities warrants the inclusion of a consolidated reporting framework in the department's annual report. This reporting framework needs to disclose actual expenditure incurred against appropriation, and other funding provided (for example contributions from schools) for each capital project, as well as maintenance programs.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report *(continued)*

Recommendation	Action Taken/Planned	Committee's Further Comments
That the Department of Education and Training include in the Training and Further Education output an additional quality performance measure relating to the percentage of apprentices/trainees that qualify for the completion bonus. *(Recommendation 4, page 97)*	**Rejected** The completion bonus is payable to a specific group of employers (those who have three or more apprentices and trainees). Additionally, only those apprentices and trainees who are less than 25 years of age attract the bonus. In both cases, this reflects the policy priorities of the Victorian Government. At present, the Department of Education and Training does not consider any significant value would be gained by monitoring the percentage of apprentices and trainees that qualify for the completion bonus. The Department of Education and Training will continue to monitor the completion rates of apprentices and trainees.	The Department of Education and Training needs to develop a performance measure that enables an assessment of the effectiveness of the completion bonus program in terms of outcomes, especially given that significant funding has been directed towards this initiative (including an additional $13.9 million over four years that was allocated in the 2004-05 Budget).
That the Department for Victorian Communities develop and report performance measures that reflect its efforts to improve the quality and timeliness of local government financial and performance reports to auditors. *(Recommendation 8, page 108)*	**Rejected** The Department for Victorian Communities (DVC) has overseen, supported and encouraged the system of local government, as stated in the report, by providing a standard set of financial statements, asset management policies and an accounting guide for infrastructure assets. The *Local Government Act* 1989 has been amended to require standard statements and the department has provided guidelines. It is not appropriate to measure the department's performance based on the quality and timeliness of local governments provision of financial and performance information to the Auditor-General because: • DVC is not a party to the process; • DVC does not have the authority to direct Councils to provide this information; • The Auditor-General already reports to Parliament on the timeliness and quality of local government financial and performance reports; • For DVC to also report on this process would add unnecessary duplication without adding any new information.	The Committee considers that the Department for Victorian Communities, in oversighting the system of local government, is the appropriate body to present a consolidated picture of the financial reporting performance of councils. The Committee maintains that performance measures dealing with the timeliness of financial reporting and the number and percentage of qualified financial and performance statements by the Auditor-General would be useful additions to the Local Government Sector Development output performance measures.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report *(continued)*

Recommendation	Action Taken/Planned	Committee's Further Comments
That the Department of Treasury and Finance direct all departments to explain the discontinuation of outputs and performance measures as detailed in Budget Paper No.3 *Service Delivery*. *(Recommendation 15, page 145)*	**Accepted in principle** In the 2004-05 Budget Papers, the Department of Treasury and Finance introduced a specific appendix for the publication of discontinued performance measures and outputs to assist users of the budget papers. DTF also requires departments to provide explanatory text for changes to their output structures which is published in the budget papers. DTF encourages departments to explain changes in performance measures and targets where material or otherwise significant. DTF will continue to publish discontinued outputs and performance measures in the budget papers and, where applicable, encourage departments to provide explanatory information to aid users in aspects of the budget papers, including the output statements.	The Committee noted from examining the appendix of discontinued measures published in the 2005-06 Budget Papers (pp.365–404, Budget Paper No.3) that there has been an improvement in the extent to which changes in performance measures and targets have been explained, but the Department of Human Services continues to be the only department that has commented on all discontinued performance measures. The Committee was disappointed to find that the Department of Education and Training and the Department of Premier and Cabinet provided no explanation for discontinuing measures, while the remaining seven departments commented only on certain discontinued measures and targets. The Department of Treasury and Finance should direct that explanations be provided for all discontinued measures and targets.
That the Department of Treasury and Finance require each department to indicate in the departmental output statements, the Minister responsible for each of the department's outputs. *(Recommendation 18, page 152)*	**Rejected** Departmental outputs reflect the external goods and services provided by a department. Therefore, elements of individual outputs can encapsulate areas of different ministerial responsibility. It is not considered feasible to report on individual outputs in terms of specific ministerial responsibilities. Ministerial portfolios and responsibilities can be found in departmental annual reports and in the 2005-06 Budget Papers. Section 40 of the *Financial Management Act* 1994 requires a description of the goods and services provided by each department to be published in the annual budget papers. The budget papers currently satisfy this requirement. No further action to be taken.	The Committee remains of the view that the government, to strengthen accountability for output performance, should disclose in the departmental output statements the Minister responsible for each output. Where more than one Minister shares responsibility for an output, the budget papers should specify each Minister together with the designated lead Minister. Including such linkages would constitute a sensible addition to the output statements.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report *(continued)*

Recommendation	Action Taken/Planned	Committee's Further Comments
That the Department of Education and Training include in the budget papers and its annual report the amount of funding separately allocated to: (a) primary schools; and (b) secondary schools. *(Recommendation 32, page 185)*	**Rejected** From 2004-05, the Department of Education and Training (DET) has implemented a new output structure which focuses on students in compulsory years, those in post-compulsory years, services to support students and services to manage the portfolio. These enhancements shift DET's output structure and associated performance measures from a provider to a client focus, based on student progression along the key stages of learning. Continuing to report against the abandoned primary and secondary outputs is inconsistent with the key stages of the learning approach underpinning the new output structure. No further action will be taken on this recommendation.	To complement reporting against DET's new output structure, the Committee advocates that funding allocations to primary schools, secondary schools, special schools or where mixed should be separately identified.
That the Department of Education and Training include in its annual report details of the method used to calculate the savings in maintenance derived by expending funds on capital works. *(Recommendation 37, page 202)*	**Rejected** Inclusion of data on the methodology used to estimate savings in maintenance derived by increasing capital investment would be inconsistent with the current level of reporting provided in the annual report, which accords with the requirements of the *Financial Management Act* 1994.	To enhance accountability and assist in decision making, the Committee reiterates its view that the method used to quantify savings in maintenance from the expenditure of funds on capital works should be disclosed in the department's annual report in future.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report *(continued)*

Recommendation	Action Taken/Planned	Committee's Further Comments
To enable an informed assessment to be made of the quality of health services delivered by Victoria's public hospital system, that can also be further utilised for budget deliberations, the range of performance measures contained in the budget papers be expanded to include areas currently reported by individual public health services such as infection control, medication errors, falls and pressure wound prevention and management and continuity of care. *(Recommendation 49, page 251)*	**Accepted in principle** Outputs and associated performance measures are reviewed and refined on an annual basis as part of the government's budget cycle. This includes an analysis of linkages to and alignment with departmental objectives and the outcomes sought by the government. The volume of measures that can be included in the budget papers is necessarily limited, given the large number and variety of outputs in the Human Services portfolios. Other avenues for publishing more detailed performance information on the quality of public hospital services may be more appropriate. Reports on a range of quality measures in public hospital services are currently produced and released publicly. The areas reported on in these publications are reviewed on an ongoing basis. Other areas of interest as described in the recommendation are reported publicly by individual public health services. Ongoing work is being undertaken to improve reporting and analysis at a local level to ensure adverse events are prevented or appropriately responded to.	As part of the Acute Health Services output group, the total 2005-06 output cost target for the Admitted Services output is $4,461 million. The budget papers for 2005-06 contain only four performance measures and targets relating to quality for this output covering the percentage of: • hospitals participating in the Victorian Hospital Acquired Infection Surveillance System; • major trauma patients transferred to a major trauma service; • public hospitals meeting cleaning standards, as assessed by external audit; and • public hospitals accredited. This level of disclosure needs improvement given the magnitude of the budget, the risks involved and the area's importance to the wider community. To enable informed judgements of the quality of acute and sub-acute patient services (elective and non-elective) provided at Victorian metropolitan and rural public hospitals, the Committee again calls on the Department of Human Services to include in the budget papers performance measures that reveal, on a hospital category basis, details on the extent of adverse events.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report *(continued)*

Recommendation	Action Taken/Planned	Committee's Further Comments
That the Department of Human Services disclose the costs associated with the Home Ownership and Renovation Assistance output in its annual report. *(Recommendation 69, page 298)*	**Rejected** The Department of Human Services' (DHS) annual report contains a financial report which is compiled according to appropriate Accounting Standards, other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act* 1994. The financial report is audited by the Auditor-General to ensure compliance with these standards and presents a view consistent with DHS's financial position, its financial performance and cash flows. No further action will be taken on this recommendation.	As disclosed in the Committee's *Report on the 2004-05 Budget Estimates* (p.298), the operating costs (excluding loans granted) for the Home Ownership and Renovation Assistance output amounted to $10.6 million in 2004-05. The Committee specifically sought information relating to the costs of this output, given the lack of disclosure of such information in the budget papers and the department's annual report. Whilst the government states it is complying with the requirements of the *Financial Management Act* 1994, the Committee reiterates its view that the department should disclose the operating costs of this output in future annual reports.
That Victoria Police adopt a broader Occupational Health and Safety reporting framework that specifically identifies its progress in addressing its most significant areas of workers compensation claims. *(Recommendation 100, page 424)*	**Accepted in principle** The Health and Safety Strategy has been reviewed and targeted projects implemented to address specific causal factors for stress, sprain and strain injuries. In 2004-05, projects to be implemented within the Health and Safety Strategy include: • implementation of a Workplace Conflict Resolution Policy and provision of mediation and conflict resolution training for managers; • review of claims identifying workload as the causal factor for stress to identify potential preventative strategies; • redesign of Operational Safety and Tactics training to reduce risks of injury to members participating; and • implementation of a pilot Team Leadership Training program to improve people management skills.	The Committee reiterates the need for the development of an occupational health and safety reporting framework that discloses progress made by Victoria Police in addressing the most significant areas of workers compensation claims according to the specific types of workplace injury. The absence of a reporting framework of this nature makes it difficult to assess the effectiveness of current programs implemented by Victoria Police to manage claims in significant categories (namely stress related claims and sprains and strains).

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's 2004-05 Budget Estimates report *(continued)*

Recommendation	Action Taken/Planned	Committee's Further Comments
That the Department of Primary Industries expand the performance measures contained in the budget papers covering the Agriculture portfolio. *(Recommendation 129, page 534)*	**Accepted in principle** The Department of Primary Industries (DPI) is currently in the process of revising the department's output structure as well as the performance measures. The proposed new structure will enable DPI to more clearly describe its key activities and services that are delivered on behalf of government. DPI will monitor the appropriateness of the new structure after it has been in place for a reasonable length of time. Performance measures will be subject to annual review to determine if they provide appropriate coverage of DPI's activities.	The Committee encourages the department to complement its activity-based performance indicators with those that are outcome orientated and focus on achievements.
That the Department of Treasury and Finance ensure public reporting on compliance and certification outcomes generated annually under the Financial Compliance Management Framework. *(Recommendation 153, page 631)*	**Rejected** There is no legislative requirement for the Minister for Finance nor the Department of Treasury and Finance (DTF) to publish a report on the results of the operation of the Financial Management Compliance Framework. Subsequently, DTF has no intention to publish a report on the results of compliance. No further action will be taken on this recommendation.	The view expressed by the government in its response was previously acknowledged in the Committee's *Report on the 2004-05 Budget Estimates* (p.630), before the Committee concluded that there was a sound need to publicly report on the outcomes of the compliance and certification reporting process. Given the spirit of the framework and the government's commitment to sound governance arrangements within the public sector, which extends beyond current legislative requirements, the Committee urges the government to reassess its stance on this matter.

The Committee recommends that:

Recommendation 1: **The government reconsider recommendations nos. 1, 3, 4, 8, 15, 18, 32, 37, 49, 69, 100, 129 and 153 in the Public Accounts and Estimates Committee's *Report on the 2004-05 Budget Estimates* in light of the Committee's further comments in exhibit 2.2.**

CHAPTER 3: BUDGET OVERVIEW

Key findings of the Committee:

3.1 **The Victorian Government in forecasting a net result from transactions under the Australian equivalents to the International Financial Reporting Standards of $365 million in 2005-06, with estimated results to average $394 million over the subsequent three years, has continued to meet its commitment to achieve budget surpluses of at least $100 million per year.**

3.2 **Revenue for 2005-06 is estimated to increase by $1,269.9 million, or 4.3 per cent from the 2004-05 estimated actual result, an outcome slightly lower than the estimated expenditure growth of $1,483.4 million, or 5.2 per cent over the same period.**

3.3 **Driving this growth in revenue to a projected amount of $30,623.6 million in 2005-06 are increases in Commonwealth grants and investment income, slightly offset by a decrease in taxation revenue.**

3.4 **Expenses for 2005-06 are projected to be $30,258.9 million, an increase of $1,483.4 million, or 5.2 per cent from the 2004-05 estimated actual result. The government states that the increase is largely due to net new policy funding, the impact of indexation under the departmental funding model and the associated flow-on costs of the estimated growth in Commonwealth specific purpose grants.**

3.5 **The 2005-06 Budget provides funding for the commencement of new infrastructure investment projects with a total estimated investment of $2 billion, in addition to $310 million announced in the 2004-05 Budget Update.**

3.6 **The total net investment in fixed assets of $2,965 million in 2005-06, which includes depreciation, will be funded mainly from the operating surplus of $364.7 million, net cash flow from operating activities, and an increase in net debt of $1,016 million, that is inclusive of finance lease arrangements of $615 million arising from public private partnership projects such as the handover of the Spencer Street Station redevelopment and the completion of two new prisons.**

3.7 The *Appropriation (2005/2006) Act* 2005 provided a total net appropriation of $25,007 million for the government to meet its service delivery responsibilities in 2005-06, which includes an advance to the Treasurer of $281.2 million to meet urgent claims that may arise before Parliament's sanction is obtained.

3.8 The 2005-06 Budget provided additional funding for new output initiatives of $740.4 million in 2005-06. After allowance is made for efficiencies and funding from the existing forward estimates contingency put aside for service delivery demand growth, the net budget impact of 2005-06 output funding is $494.7 million. The budget also included funding of $719.5 million in 2005-06 for new infrastructure projects.

3.9 The Budget Papers forecast that the Victorian economy would grow 3 per cent in 2005-06 with forecast growth of 3.5 per cent beyond 2005-06. In terms of unemployment, the rate was expected to decline from 5.5 per cent in 2005-06 to 5.25 per cent in 2006-07.

3.10 By adopting the Australian equivalents to the International Financial Reporting Standards from 1 January 2005, the estimated superannuation liability at 30 June 2005 is $16.8 billion or approximately $5.8 billion higher than under the previous funding method. It is important to recognise that this increase is due only to a change in valuation method; the amount of cash required to finance superannuation liabilities is unaffected by this change.

3.1 Budget strategies and priorities

The Victorian Government has continued its commitment to maintain a substantial budget surplus of at least $100 million in each year.[1] The government has estimated an Australian equivalents to the International Financial Reporting Standards (A-IFRS) net result from transactions of $365 million in 2005-06 (the 2004-05 actual result was a $794.9 million surplus[2]), with estimated results averaging $394 million over the next three years.[3] The 2004-05 budget reported that estimated surpluses would average $571 million over the three year period 2005-06 to 2007-08.[4]

The government maintains that these substantial forecast surpluses are an important funding source for its capital investment program, thereby restraining the call on debt to finance infrastructure.[5] The Committee noted that, while the general government

1 Budget Paper No.2, *2005-06 Strategy and Outlook*, Chart 1.1, p.4
2 Victorian Government, *2004-05 Financial Report for the State of Victoria*, p.13
3 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.4
4 ibid.
5 ibid., p.42

infrastructure program will largely be financed by the operating surplus, depreciation and other provisions, the government will use debt to fund key public investment projects that have a long term pay off.[6] Accordingly, general government net debt is projected to increase from $1.9 billion at June 2005 to an estimated $5 billion at June 2009.[7]

Revenue for 2005-06 is estimated to increase by $1,269.9 million, or 4.3 per cent from the 2004-05 estimated actual result.[8] This revenue projection is expected to be outpaced by an estimated growth in expenditure of $1,483.4 million, or 5.2 per cent over this same period.[9] In order for the government to meet its budget objectives, the government will need to:

- closely monitor collections against revenue projections; and
- adopt a disciplined approach to containing recurrent spending within projected levels.

The government's 2005-06 budget priorities are directed towards the following key themes:[10]

- delivering *A Fairer Victoria* to make Victoria a better place to live for disadvantaged members of the community;
- building Victoria's infrastructure;
- delivering high quality health and community services;
- investing in education;
- increasing community safety and improving access to justice;
- growing and linking the state;
- building a more competitive and innovative economy; and
- protecting the environment and promoting sustainable resource use.

New funding initiatives contained in the 2005-06 Budget relating to these themes are included in Budget Paper No.3, *2005-06 Service Delivery*, Appendix A.

Revenue for 2005-06 is projected to be $30,623.6 million (as stated earlier an increase of $1,269.9 million or 4.3 per cent from the 2004-05 estimated actual result).[11] Driving

6 ibid., p.15
7 ibid.
8 Budget Paper No.2, *2005-06 Strategy and Outlook*, calculated from Table 3.5, p.41
9 ibid.
10 Victorian Government, *2005-06 Victorian Budget Overview, Delivering Opportunity and Prosperity*, May 2005 pp.5–7
11 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.41

this growth are increases in Commonwealth grants and investment income, slightly offset by a decrease in taxation.[12] In summary, the revenue growth is attributed to:[13]

- Commonwealth grants which are expected to increase by $896 million (6.7 per cent) in 2005-06, largely due to growth in the goods and services tax (GST) pool and an upwards revision in Victoria's share of the GST pool ($493 million) and higher specific purpose grants with increases in Commonwealth assistance to government and non-government schools, health care grants; road grants; and $62 million towards the Melbourne 2006 Commonwealth Games;
- an increase in investment income of $75 million reflecting growth in dividend income from the public non-financial corporations sector and an increase in the brown coal royalty rate from 1 January 2006; and
- taxation which is expected to decrease by $49 million comprising a range of movements that include:
  - the abolition of the debits tax from 1 July 2005 estimated to be worth $235 million at the time the 2005-06 Budget was prepared;
  - a $160 million reduction in duty on conveyancing due to an expected continuing moderation in property market activity;
  - land tax to be $31 million lower than in 2004-05;
  - higher payroll tax growth of $185 million; and
  - growth in gambling taxation of $103 million in line with estimated growth in household final consumption expenditure, together with the increase in the annual health benefit levy on each electronic gaming machine.

Expenses for 2005-06 are projected to be $30,258.9 million, an increase of $1,483.4 million, or 5.2 per cent from the 2004-05 estimated actual result.[14] The increase is largely due to:[15]

- net new policy funding of $585 million;
- the impact of indexation under the departmental funding model of 2.5 per cent a year to cover general wages growth, which includes the effects of the enterprise bargaining agreements finalised in 2004-05 for nurses and teachers, and the impact of general inflation on non-wage costs; and
- the associated flow-on expense impacts arising from the forecast $380 million growth in Commonwealth specific purpose grants.

12 ibid., p.43
13 ibid., pp.43–44
14 ibid., Table 3.5, p.41
15 ibid., p.42

The Committee noted that the rate of increase in expenditure of 5.2 per cent is greater than the increase in revenue of 4.3 per cent for 2005-06. Although there still remains a positive margin of $364.7 million between revenue and expenditure in 2005-06,[16] to allow expenditure to increase at a greater rate than revenue cannot be sustained in the longer term and must be closely monitored through mechanisms such as the quarterly and mid year financial reports in order that corrective action can be taken if justified.

The 2005-06 budget provides funding for the commencement of new infrastructure investment projects with a total estimated investment of $2 billion, in addition to $310 million announced in the 2004-05 Budget Update.[17] Increased infrastructure spending is designed to help minimise bottlenecks in the transport chain and promote growth in the export sector.[18] Budget Paper No.2 indicates that the surplus is an important funding source for the state's infrastructure investment program.[19]

The total net investment in fixed assets of $2,965 million in 2005-06 will be funded mainly from the projected surplus of $364.7 million and from expense and income items that do not require or provide cash resources (principally depreciation) and non-cash movements in liabilities such as growth in unfunded superannuation liabilities and employee benefit liabilities.[20] Total funding from these sources amounts to $2,578.6 million.[21]

With the run down of the Growing Victoria Infrastructure Reserve in 2004-05, incurring moderate increases in net debt over the forward estimates period will be a secondary source of funding for the government's asset investment program.[22] Increased debt of $1,015.8 million in 2005-06 is the direct result of the government's infrastructure investment program. This increase also includes the recognition of finance lease arrangements of $615 million arising from public private partnership projects such as the handover of the Spencer Street Station redevelopment and the completion of two new prisons.[23] Public private partnerships will form a small but crucial part of infrastructure delivery in Victoria in the future.[24] However, the finance leases arising from these arrangements will also add to Victoria's debt over many years and outlays under them need to be closely controlled.

The *Appropriation (2005/2006) Act* 2005 provided a total net appropriation of $25,007 million for the government to meet its service delivery responsibilities in 2005-06.[25] This amount excludes funds that are credited to departments pursuant to

16 ibid., Table 3.5, p.41
17 ibid., p.37
18 ibid., p.7
19 ibid., p.52
20 ibid., p.51-52
21 ibid., Table 3.7, p.51
22 ibid., p.52
23 ibid., p.52
24 Hon. J Brumby, MP, Treasurer, 2004-05 Budget Estimates hearing, transcript of evidence, 19 May 2004, p.13
25 *Appropriation (2005/2006) Act* 2005, p.5

section 29 of the *Financial Management Act* 1994,[26] which allows departments to retain certain revenue, mainly generated from the recoupment of costs associated with service delivery. Included in the net appropriation is an amount representing an advance to the Treasurer of $281.2 million to meet urgent claims that may arise before Parliament's approval is obtained.[27]

3.2 Basis for preparation of the 2005-06 budget

The government's broad strategic priority is to provide a sound and stable financial basis from which growth can be promoted across the state.[28]

The government has established short term and long term financial objectives to achieve this priority (see exhibit 3.1).

Exhibit 3.1: Victorian Government 2005-06 financial objectives

Long term financial objectives:
• maintain a substantial budget operating surplus; • deliver world-class infrastructure to maximise economic, social and environmental benefits; • provide improved service delivery to all Victorians; • provide a fair and efficient tax system that is competitive with other states; and • maintain state government net financial liabilities at prudent levels.
Short term financial objectives:
• an operating surplus of at least $100 million in each year; • implement strategic infrastructure projects; • complete the implementation of the 2002 election commitments; • implement reforms to Victoria's business taxation system; and • maintain a triple-A credit rating.

Source: Budget Paper No.2, 2005-06 Strategy and Outlook, p.3

The Committee noted that the international ratings agency Standard and Poor's conducted an annual review 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.[29] The agency confirmed Victoria's AAA credit rating on 13 July 2005. The agency made the following points:[30]

- Victoria has a strong balance sheet. Net debt is low and financial performance is strong compared with AAA regional government peers;

[26] Budget Paper No.1, *2004-05 Treasurer's Speech*, p.13
[27] *Appropriation (2005/2006) Act* 2005, p.14
[28] Budget Paper No.2, *2005-06 Strategy and Outlook*, p.2
[29] Department of Treasury and Finance, www.dtf.vic.gov.au accessed 3 October 2005
[30] Standard and Poor's, *State of Victoria*, 27 July 2005, p.1

- Victoria's fiscal prudence, with the state keeping to strategy targets and in particular its target of keeping general operating surpluses no less than A$100 million; and
- Victoria has a diverse economic base, which provides a sound basis for growth with limited volatility.

Like other states, Victoria's relationship with the federal government is a supporting credit factor but it means that Victoria has limited fiscal flexibility with a mismatch between revenue and spending responsibilities. While Victoria relies on the federal government providing 47 per cent of its total revenue, its fiscal flexibility is limited by responsibility for major areas of government expenditure in health, justice and education.[31]

About 20 per cent of Victoria's total revenue is in the form of Commonwealth specific purpose grants which are tied to purposes stipulated by the federal government and are designed to implement federal government policies.[32] In terms of Commonwealth grants, Victoria is one of the smallest beneficiaries under this system, receiving a less than average per capita grant.[33] Victoria's share of specific purpose grants in 2005-06 will be about $4.2 billion.[34] This amount is approximately $300 million less than the amount Victoria would receive if specific purpose grants were distributed on an equal per capita basis.[35]

The Committee noted that general government net debt, which is determined by deducting liquid financial assets from gross debt[36], is expected to increase from $1.9 billion at June 2005 to $4.5 billion at June 2008. As a percentage of gross state product (GSP), net debt is expected to increase from 0.9 per cent in June 2005 to 1.8 per cent in June 2008.[37]

General government net financial liabilities, which are the sum of unfunded superannuation liabilities and general government net debt[38], are expected to increase from $18.7 billion at June 2005 to $22.3 billion at June 2008.[39] As a share of GSP, these liabilities are projected to increase slightly from 8.6 per cent June 2005 to 8.7 per cent in June 2008.[40]

Standard and Poor's did identify some lessening of the state's financial position due to its future capital expenditure program. The agency commented that:[41]

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31 ibid., pp.3–5
32 ibid., p.5
33 ibid., p.3
34 ibid., p.87
35 ibid.
36 ibid., p.69
37 ibid., p.71
38 ibid., p.72
39 ibid., p.71
40 ibid.
41 Standard and Poor's, *State of Victoria's 'AAA' Rating Affirmed; Outlook Stable*, 12 July 2005

> *The forecast average general government operating surplus has fallen to A$332 million over the three years to fiscal 2008 from A$511 million forecast last year. The new forecast surplus provides only a small buffer for the state to achieve its target of keeping the operating surplus at A$100 million or more each year.*

The agency, however, went on to conclude that:[42]

> *Victoria's strong balance sheet provides a degree of slack for carrying both extra debt and a mildly weaker operating position.*

3.3 New initiatives funding for 2005-06

The 2005-06 Budget provided additional funding for new output initiatives of $740.4 million in 2005-06 (exhibit 3.2) which is partly offset by efficiencies of $131 million.[43] After allowing for these efficiencies and funding from the existing forward estimates contingency put aside for service delivery demand growth of $114.7 million, the net budget impact of 2005-06 output funding is $494.7 million (exhibit 3.2).[44]

The 2005-06 Budget provided funding for the commencement of new infrastructure projects with a total estimated investment of $2 billion[45] with funding of $719.5 million for 2005-06.[46]

42 ibid.
43 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.35
44 ibid.
45 ibid., p.36
46 ibid., p.37

Exhibit 3.2: New output and asset initiatives funding for 2005-06

Departments	2005-06 Output initiatives ($ million)	2005-06 Asset initiatives ($ million)
Education and Training	99.9	178.0
Human Services	241.8	224.0
Infrastructure	84.2	208.9
Innovation, Industry and Regional Development	24.2	0.0
Justice	53.9	46.3
Premier and Cabinet	19.0	26.1
Primary Industries	12.0	0.0
Sustainability and Environment	23.4	19.0
Treasury and Finance	105.7	2.7
Victorian Communities	74.3	12.6
Parliament	2.1	1.8
Total	**740.4**	**719.5**
Less: Funding from demand contingency and efficiencies	**245.7**	**n/a**
Net budget impact of new 2005-06 Budget output funding (a)	**494.7**	**719.5**

Notes: *(a) excludes initiatives funded through internal reprioritisation or other existing fund sources and 2004-05 Budget Update output initiatives*

n/a not applicable

Some figures may not add up due to rounding

Source: *Budget Paper No.2, 2005-06 Strategy and Outlook, pp.36–37*

Examples of major initiatives announced by the government include:

- the Putting Children First – $102 million over four years to fund long-day care centres in kindergartens, increase kindergarten subsidies, and expand early intervention childhood services, family support innovation projects and tackle the poor health of indigenous children;[47]
- a full land tax exemption for aged care facilities and supported residential services backdated to 1 January 2004, at a cost of $30 million over five years;[48]
- continuation of the First Home Bonus scheme – $207 million until 30 June 2007;[49]

[47] Budget Paper No.3, *2005-06 Service Delivery*, p.6
[48] ibid., p.7
[49] ibid., p.8

- keeping class sizes small and managing anticipated increases in enrolment levels over the medium term – $173 million over four years;[50]
- increasing the amount of funding provided to schools – $83 million over four years. This additional funding will help students most in need to overcome disadvantage and learn to their full potential;[51]
- additional assistance to needy non-government schools by increasing the funds available for distribution through the per capita state government grant – $115 million over four years;[52]
- increasing hospital capacity, including services such as dialysis, chemotherapy, emergency services and mental health – $400 million over four years;[53]
- hospital diversion and substitution programs – $67 million over four years;[54] and
- further substantial land tax relief worth $823 million over five years (this includes land tax exemption for aged care facilities and supported residential services referred to above).[55]

Examples of major initiatives that include new assets:

- relocation and redevelopment of the Melbourne Wholesale Markets into a modern, efficient and innovative facility. The redevelopment has an approximate total estimated investment (TEI) of $300 million;[56]
- rolling out the SmartONE broadband network to provide a managed fibre-optic data communication network for all government schools using the government's Telecommunications Purchasing and Management Strategy (TPAMS) – $82 million over four years and $7.3 million TEI;[57]
- building or completing nine replacement schools – $57 million TEI;[58]
- school modernisation projects aimed at improving student outcomes and learning environments – $145 million TEI;[59]
- commencing the first stage of the Royal Children's Hospital redevelopment and supporting the detailed planning required for future stages of the new hospital – $38 million TEI;[60]

50 ibid., p.16
51 Budget Paper No.3, *2005-06 Service Delivery*, p.16
52 ibid.
53 ibid., p.19
54 ibid.
55 ibid., p.36
56 ibid., p.37
57 ibid., p.16
58 ibid., p.17
59 ibid.
60 ibid., p.20

- increasing capacity and safety for a number of outer metropolitan road linkages as part of the government's Linking the Suburbs initiative – $97 million TEI. Projects include the extension of South Road in the City of Kingston;[61]
- funding the final stage in the upgrade of the Calder Highway between Melbourne and Bendigo – a further $58 million TEI. This project will provide a four lane divided road between Faraday and Ravenswood and is being delivered in partnership with the federal government;[62] and
- renewing, restoring and upgrading assets within Victoria's parks estate to enhance visitor experiences and provide additional funding for priority purchases of land parcels identified for metropolitan open space – an additional $59 million TEI and $32 million over the next four years was provided for this and other projects.[63]

The budget papers also record that the election recurrent commitments outlined in *Labor's Financial Statement 2002* have now been provided with full or partial funding. Around 98 per cent of the capital commitments outlined in the statement have also been funded, with the remainder to be considered as part of the 2006-07 budget.[64]

3.4 Economic projections for 2005-06

There are major macro challenges facing the Victorian economy which include:[65]

- the internationalisation of production processes, which results in countries with low labour costs and large workforces (for example China) being able to dominate new markets such as high volume manufacturing. The impetus from this competition is likely to lead to further growth of high value-added goods and services and further industry specialisation; and
- increased longevity and low fertility rates leading to a shrinking working-aged population and a smaller proportion of the population participating in the workforce unless there are significant changes in age-specific patterns of workforce participation.

The budget papers also indicate that the Australian economy is entering a weaker phase as capacity constraints affect growth. Further, consumer spending has slowed and the property market appears to have cooled.[66]

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61 ibid., p.27
62 ibid., p.28
63 ibid., pp.31–32
64 ibid., p.263
65 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.93
66 Victorian Government, *2005-06 Victorian Budget Overview, Delivering Opportunity and Prosperity*, May 2005, p.8

Despite these challenges, the government considers the economic fundamentals of the Victorian economy are sound, with strong income and employment growth and high levels of business and infrastructure investment. Nonetheless, Victorian businesses face challenges through:[67]

- the rise in global commodity prices which places upward pressure on business costs; and
- the exchange rate which affects Victoria's trade-exposed sectors such as agriculture and manufacturing.

The budget papers forecast that the Victorian economy would grow 3 per cent in 2005-06 with expected growth in 2004-05 of 2.75 per cent. Strong economic fundamentals were considered likely to see growth increase to 3.5 per cent beyond 2005-06. Employment was expected to grow by 3 per cent in 2004-05.[68] The unemployment rate is expected to decline from 5.5 per cent in 2005-06 to 5.25 per cent by 2006-07.[69]

3.5 Budget surplus for 2005-06

The budget papers indicate a net result from transactions for 2005-06 of $365 million with results averaging $394 million for the following three years.[70] This is in comparison with the actual result of a $794.9 million surplus for 2004-05.[71] Commonwealth grants are estimated at $14,262 million or around 47 per cent of total state revenue in 2005-06. In the previous year, these grants represented around 45 per cent of total revenue.

The Committee draws attention to the need to firmly control state expenditure for recurrent purposes. The 2005-06 budget provides for a growth of $576.2 million in employee benefits and $357.9 million in supplies and services. The Committee also observed that state revenue from taxation, which is the second largest source of state revenue, is projected to decline marginally in 2005-06 after many years of growth.

Revenue from transactions is expected to increase by 4.3 per cent (relative to the revised estimate for 2004-05) to $30.6 billion in 2005-06. Conversely, taxation revenue is expected to decrease by 0.5 per cent in 2005-06 relative to the estimated actual result for 2004-05. Factors cited by the government that explain this decrease include:[72]

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67 ibid.
68 ibid.
69 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.21
70 Victorian Government, *2005-06 Victorian Budget Overview, Delivering Opportunity and Prosperity*,
71 Victorian Government, *2004-05 Financial Report for the State of Victoria*, p.13
72 Victorian Government, *2005-06 Victorian Budget Overview, Delivering Opportunity and Prosperity*, May 2005, p.9

- an expected continuing decline in property market activity;
- the land tax changes contained in the 2005-06 budget estimates, which are expected to result in revenue foregone of $206.1 million in 2005-06;
- the full year effect of the abolition of mortgage duty from 1 July 2004; and
- the abolition of the debits tax from 1 July 2005.

Total expenses from transactions are expected to increase by 5.2 per cent to $30,258.9 million in 2005-06 relative to the estimated actual result for 2004-05, mainly reflecting:[73]

- new policy funding of $585 million which contributes to budgeted increases in employee benefits of $576 million and supplies and services of $358 million; and
- annual wages growth is consistent with the government's wages policy.

3.6 Unfunded superannuation liability

Unfunded superannuation is the state's most significant liability and with respect to defined benefit schemes, represents the difference between the assets of these schemes and the present value of the underlying obligations to members.[74] The bulk of the unfunded superannuation liability is with the State Superannuation Fund.

The Committee signalled in last year's estimates report that the unfunded superannuation liability projections would be affected by changes arising from adopting International Financial Reporting Standards from 1 January 2005.[75] The Committee also requested that the Department of Treasury and Finance publish the effect of the standards on the budget estimates and outcomes.[76]

The 2005-06 Budget discloses that:[77]

> *In previous budgets, the present value of the underlying obligation was calculated using a discount rate equal to the expected long term earning rate on scheme assets, typically around 7.5 per cent. Using this methodology (the 'funding basis'), the estimated superannuation liability at 30 June 2005 is $11 billion [see exhibit 3.3].*

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73 Victorian Government, *2005-06 Victorian Budget Overview, Delivering Opportunity and Prosperity*, May 2005, p.9

74 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.64

75 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.137

76 ibid.

77 Budget Paper No.2, *2005-06 Strategy and Outlook*, pp.64–65

> *On adoption of A-IFRS, the present value of the underlying obligation must be calculated using a long term bond rate as the discount rate, specifically, the ten year Commonwealth Government bond rate.*
>
> *The long term bond rate is likely to differ from the long term earning rate leading to a different present value of the underlying obligation. This flows through to the unfunded liability that is recognised in the general government sector. Under A-IFRS, the estimated superannuation liability at 30 June 2005 is $16.8 billion or approximately $5.8 billion higher than under the previous 'funding basis' methodology.*

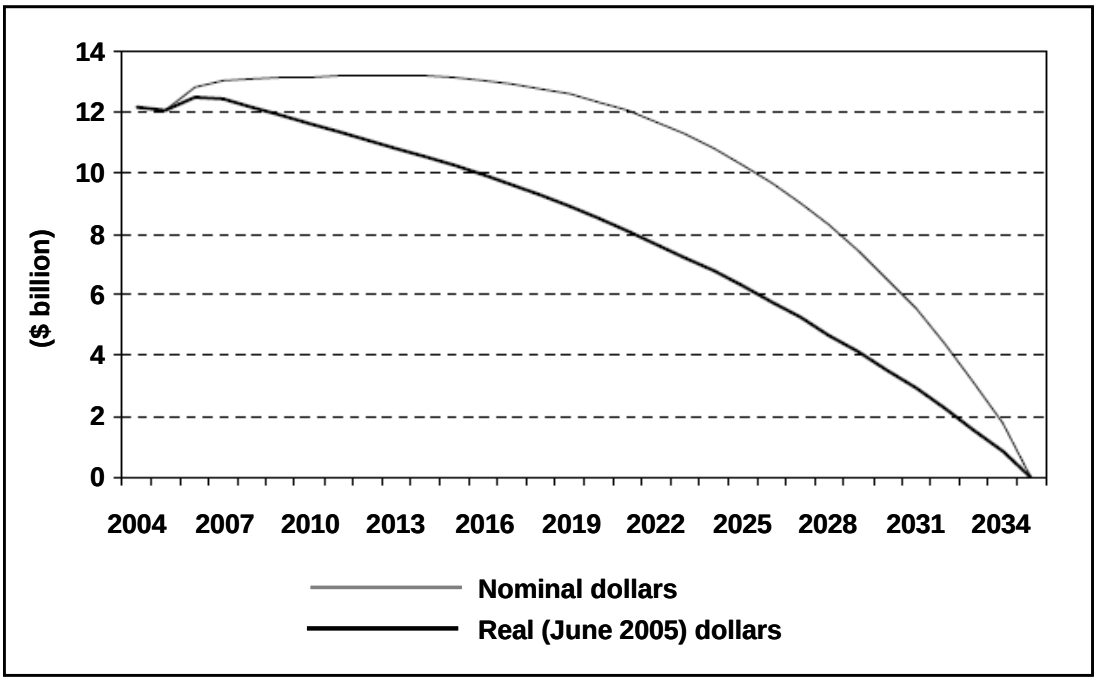
It is important to note that the increase in reported unfunded superannuation liability that arises from the application of A-IFRS is due only to a change in valuation methodology. The amount of cash that is required to finance superannuation liabilities is unaffected by this change.

Exhibit 3.3 shows the expected profile of the unfunded liability of the State Superannuation Fund until 2035. Budget Paper No.2 explains that for the purpose of preparing this exhibit, the liability has been determined using the 'funding basis' (that is, the scheme's assumed long term earning rate is used as the discount rate).[78]

The funding basis for this exhibit reflects the framework adopted in 2000.[79] It also ensures that the information presented in the exhibit more clearly indicates the point at which scheme assets are expected to be sufficient to meet accrued superannuation liabilities, and the expected progress towards achieving full funding.[80]

78 ibid., p.66
79 ibid.
80 ibid.

Exhibit 3.3: General government sector unfunded superannuation liabilities of the State Superannuation Fund – long term projections



Note: *The government is committed to fully funding superannuation liabilities by 2035. The chart above shows funding by this date but the actual progress of this may change depending on a range of factors including investment market conditions*

Source: *Budget Paper No.2, 2005-06 Strategy and Outlook, p.66*

Budget Paper No.2 discloses that additional payments are made to the fund from the Consolidated Fund under the 2035 full funding framework.[81] These additional payments are in addition to the regular payments made by departments and agencies to meet the accruing cost of benefits.[82] Additional payments amounting to $966 million were paid into the fund during 2003-04. This amount exceeded the amount required because it included $341 million that was brought forward from 2004-05.[83] Similarly, the additional payment of $477 million to the fund in 2004-05, exceeded that required due to amounts being brought forward from future years.[84]

The budget papers also indicate that the government has made payments to the fund above the schedule originally set out by the actuary to fully fund the state's liabilities in that scheme by 2035.[85] Between 1999-2000 and 2003-04, the state made additional payments of $4,278 million compared with the $2,488 million required under the original funding framework.[86] At 30 June 2004, the government was around

81 ibid.
82 ibid.
83 ibid.
84 ibid.
85 ibid., p.67
86 ibid.

$1.8 billion ahead of the original payment schedule.[87] Based on current projections, the state is on track to achieve full funding of these superannuation liabilities by the target date of 2035.[88]

The fund's unfunded superannuation liabilities calculated on a 'funding basis' are now expected to peak, in nominal terms, at $13.3 billion in 2013, before declining slowly to $12.9 billion by 2018 and declining rapidly thereafter (see exhibit 3.3).[89] The unfunded liability is projected to rise slowly in the short term due to members' benefits accruing a little more rapidly than the fund's assets.[90] The unfunded liability then declines as government contributions and investments earnings outweigh accrued liability growth. In real terms, the peak is reached in 2007.[91]

87 ibid.
88 ibid.
89 ibid.
90 ibid.
91 ibid.

CHAPTER 4: PARLIAMENTARY DEPARTMENTS

Key findings of the Committee:

4.1 **The Parliamentary Departments' budget allocation for 2005-06 is $81.5 million, a decrease of $11.9 million (or 12.7 per cent) on the estimated actual result for 2004-05. This decrease is due to funding for the Parliamentary Contributory Superannuation Fund ceasing, because the fund has been actuarially determined to be in surplus for the next three years.**

4.2 **Unspent 2004-05 output funding of $1.6 million and asset funding of $3.8 million have been carried over by the Parliamentary Departments to 2005-06. Carry over of output funding relates to Members' budgets and communication allowances. No carry over funding was provided for the output group Parliamentary Investigatory Committees.**

4.3 **The number of staff employed by the Parliamentary Departments is expected to remain unchanged from 2004-05. It is likely that full-time staff numbers will remain around 413. The number of full-time electorate officer positions has decreased by 13 (to 220) following abolition of the party pool.**

4.4 **The President of the Legislative Council and the Speaker of the Legislative Assembly now have joint responsibility for a number of parliamentary services under administrative reforms formalised by the *Parliamentary Administration Act* 2005.**

4.5 **The one output initiative included in the 2005-06 budget relating to the Parliamentary Departments is additional funding of $400,000 over two years for a series of events to commemorate the 150th anniversary of democratic government in Victoria.**

4.6 **The one 2005-06 budget asset initiative for the Parliamentary Departments provides funding of $9 million over three years for the first stage of the Parliament Heritage Asset Strategic Management Plan, a maintenance program for Parliament House.**

4.7 **The Department of Parliamentary Services must ensure that there is a sound basis in place for the prioritisation of maintenance works conducted under the Parliament Heritage Asset Strategic Management Plan, and adequate disclosure of the use of funds against cost and time targets.**

4.8 The Department of Parliamentary Services faces the challenge of ensuring its structural reforms lead to improved services and remain cost neutral.

4.9 The Victorian Parliamentary Library is working with its counterparts in New South Wales and Queensland to develop a model that will assist with regular benchmarking of library services.

Departmental review

4.1 Output management framework

The administrative structure of Parliament comprises three departments – the Departments of the Legislative Council, the Legislative Assembly and Parliamentary Services – with each constituting an output group for budgetary and financial management purposes. A fourth output group is in place for Parliament's eleven investigatory Committees, which are jointly administered by the Departments of Legislative Council and the Legislative Assembly.

Exhibit 4.1 provides details of the responsibilities of the President and the Speaker for the four output groups and associated outputs relating to the Parliamentary Departments.

Exhibit 4.1: Parliamentary Departments
Responsibilities of the President and the Speaker

Output groups/outputs	Responsibility of	
	President	Speaker
Legislative Council		
Procedural support, documentation preparation and provision of information for Council	✓	
Legislative Assembly		
Procedural support, documentation preparation and provision of information for Assembly		✓
Parliamentary Services		
Information provision	✓	✓
Information access	✓	✓
Research	✓	✓
Public relations and education	✓	✓
Hansard, sessional indexes and committee transcripts	✓	✓
Support services	✓	✓
Parliamentary Investigatory Committees		
Reports tabled and papers published	✓	✓

Sources: Parliamentary Departments, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.1; and provisions of the Parliamentary Administration Act 2005 operating from 1 July 2005

The inclusion of outputs within the Parliamentary Services output group followed changes to the administrative structure of Parliament, introduced in 2004-05 under the One Parliament project. Responsibility for these outputs rests jointly with the President and the Speaker from 2005-06, reflecting the administrative framework for Parliament formalised by the *Parliamentary Administration Act* 2005, which became fully operative from 1 July 2005.

The Speaker informed the Committee that:[1]

> *In the strategy that is set up by the two acts, the one that went through last year and the one that is going through now, you will find that the President and the Speaker are jointly responsible for all the services of Parliament. We are each responsible for our own house. Then the services for the Parliament are responsible to both of us through the*

[1] Mrs J Maddigan, MP, Speaker of the Legislative Assembly, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.15

Secretary of Parliamentary Services in conjunction with the two clerks. They work now as a management team for all of Parliament.

The new administrative structures of Parliament under the One Parliament initiative are now in place. The departments now face the challenge of ensuring that the expected benefits from the reforms, in terms of enhanced services and adherence to prescribed values and employment principles, are realised.

4.2 Internal/external reviews

The Parliamentary Departments advised the Committee that no internal reviews relating specifically to budget outputs have been recently conducted. The departments pointed out, however, that measuring the key quality performance measures within the budget outputs is derived from Parliament's client satisfaction survey that is conducted by an external consultant.[2]

The departments also indicated that an external review of the Parliamentary Departments performance indicators was carried out in 2002-03. This review examined the performance measures in place in other Parliamentary Departments, and the consultants concluded that the performance measures used in Victoria were suitable.[3]

The Committee was also advised that meaningful comparisons are difficult due, for example, to differences in House operations, numbers of Members, staffing levels. The Parliamentary Departments remain of the view that their performance measures ultimately must be measures they can control.[4] The departments intend to conduct a further review of performance indicators in 2005-06.[5] The Committee looks forward to reviewing the outcomes of that review.

4.3 Budget summary – output costs

The Parliamentary Departments' budget allocation for outputs in 2005-06 is $81.5 million, a decrease of $11.9 million (12.7 per cent) on the estimated actual result for 2004-05. Exhibit 4.2 provides a detailed breakdown of budget allocations.

2 Parliamentary Departments, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.5
3 ibid.
4 ibid., p.4
5 ibid.

Exhibit 4.2: Parliamentary Departments Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Legislative Council				
Procedural support, documentation preparation and provision of information for Council	14.1	14.1	8.8	-37.6
Legislative Assembly				
Procedural support, documentation preparation and provision of information for Assembly	27.1	27.1	16.4	-39.5
Parliamentary Services				
Information provision	0.4	0.4	0.4	0.0
Information access	1.3	1.3	1.3	0.0
Research	0.3	0.3	0.3	0.0
Public relations and education	0.4	0.4	0.4	0.0
Hansard, sessional indexes and committee transcripts	2.5	2.5	2.6	4.0
Support services	42.0	42.0	45.8	9.0
Sub total	46.9	46.9	50.8	8.3
Parliamentary Investigatory Committees				
Reports tabled and papers published	5.3	5.3	5.5	3.8
Total	**93.4**	**93.4**	**81.5**	**-12.7**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis

Source: *Parliamentary Departments, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.13*

The significant reduction in expected costs for the Legislative Council and Legislative Assembly output groups in 2005-06 is due to funding for the Parliamentary Contributory Superannuation Fund ceasing.[6] A three yearly actuarial assessment (required under the *Parliamentary Salaries and Superannuation Act* 1968) determined

[6] Budget Paper No 3, *2005-06 Service Delivery*, pp.254–255

that past funding has brought the superannuation fund into surplus for the next three years, so no funding will be required over this period.[7]

The only output initiative included in the 2005-06 budget relating to the Parliamentary Departments is additional funding of $400,000 over two years for a series of events to commemorate the 150th anniversary of democratic government in Victoria, between November 2005 and November 2006. This series of events includes an official launch, a twelve-month travelling exhibition and open days.[8] This funding is in addition to an allocation of $200,000 in the 2004-05 budget.[9]

4.3.1 Financial analysis

(a) Operating performance

The Parliamentary Departments are expected to have a balanced operating result in 2005-06 with controlled income and expenses for the year likely to equate with the respective output budgets (see exhibit 4.3).

Exhibit 4.3: Parliamentary Departments Operating statement

	Column (1)	Column (2)	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (%)**
Controlled items			
Income	96.1	81.5	15.2
Expenses	96.1	81.5	15.2
Net result	**0.0**	**0.0**	**0.0**

Source: Email received from Parliamentary Departments on 20 July 2005 clarifying Parliamentary Departments earlier response to the Committee's 2005-06 Budget Estimates questionnaire, p.10

The reduction of $14.6 million between the 2004-05 revised estimates and the 2005-06 budget is due to lower budgeted special appropriation income of $16 million, following cessation of funding for the Parliamentary Contributory Superannuation Fund. This decrease is partially offset by additional output funding for:

7 ibid.
8 ibid., p.317
9 ibid., p.305

- an increase in Parliament's operating costs; and
- celebrations to mark the 150th anniversary of democratic government in Victoria.[10]

There are no administered items within the financial management framework of the Parliamentary Departments.

(b) Balance sheet position

Exhibit 4.4 shows that the net asset position of the Parliamentary Departments is expected to improve by around $4 million from 30 June 2005 to 30 June 2006.

Exhibit 4.4: Parliamentary Departments Balance sheet

	Column (1)	Column (2)	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (%)**
Controlled items			
Assets	212.2	216.2	1.9
Liabilities	7.4	7.4	0.0
Net assets	**204.8**	**208.8**	**1.9**

Source: Email received from Parliamentary Departments on 20 July 2005 clarifying Parliamentary Departments' earlier response to the Committee's 2005-06 Budget Estimates questionnaire, p.1

The only 2005-06 budget asset initiative for the Parliamentary Departments is $9 million over three years for the first stage of the Parliament Heritage Asset Management Strategy, a maintenance program for Parliament House. The program includes repair and upgrade of the building's front steps, external stonework, electrical system, ventilation system, lifts [11] and kitchen.[12]

The expected improved net asset position in 2005-06 reflects initial funding of $1.5 million under the Parliament Heritage Asset Management Strategy and previously approved funding for capital works at Parliament House.[13]

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10 Budget Paper No.4, *2005-06 Statement of Finances*, p.139
11 Budget Paper No.3, *2005-06 Service Delivery*, p.317
12 Mrs J Maddigan, MP, Speaker of the Legislative Assembly, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.2
13 Budget Paper No.4, *2005-06 Statement of Finances*, p.139

4.3.2 Carry over funding

The Parliamentary Departments advised that unspent 2004-05 output funding of $1.6 million has been carried forward to 2005-06. The departments indicated this funding relates to Members' budgets and communication allowances as per the provisions of the Members' Guide.[14]

The departments also informed the Committee that $3.8 million funding for additions to net assets has been carried forward from 2004-05 to 2005-06. This amount represents unspent funding from 2004-05 asset initiatives.[15]

The Committee noted that no carry over funding was provided for the output group Parliamentary Investigatory Committees, even though the budget was underspent by around $540,000 and a number of inquiries were not completed. It was on the recommendation of the previous Public Accounts and Estimates Committee that parliamentary inquiries received approval to be funded out of normal appropriations rather than the previous system of special appropriations. This arrangement provided certainty of funding for those parliamentary inquiries that extend beyond a particular financial year. This is similar to the arrangement that applies to performance audits undertaken by the Auditor-General.

The Committee is most concerned that if carry forward funding is not allowed, this could impact on the capacity of parliamentary committees to complete on-going inquiries and finalise outstanding reports.

The Financial Management Act contains the requirement that before permitting any transfers of appropriations between items, the Presiding Officers must be of the opinion that an amount to be transferred from an item is not required for the purposes of that item. The Committee strongly urges the Presiding Officers to reinstate the practice of providing carry over funding for those parliamentary committees that can justify the retention of funds on the basis of their continuing work program, as was the original intention in moving from special appropriations to parliamentary appropriations.

The Committee recommends that:

Recommendation 2: **The Presiding Officers give consideration to reinstating the practice of providing carry over funding for those parliamentary committees that can justify the retention of funds on the basis of their continuing work program.**

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14 Parliamentary Departments, response to the Committee's 2005–06 Budget Estimates questionnaire, received 5 May 2005 p.15; and email received from the Parliamentary Departments on 21 July 2005 clarifying the initial response

15 ibid.

4.4 Human resources issues

The Parliamentary Departments have estimated that there will be no substantial change in the number of staff employed in 2005-06. Full-time staff numbers are expected to remain around 413, inclusive of electorate officers. The number of full-time electorate officers has decreased by 13 to 220 following abolition of the party pool.[16]

4.5 Key issues affecting the Parliamentary Departments

(a) Parliament Heritage Asset Strategic Management Plan

The Parliamentary Departments advised the Committee at the estimates hearing that they intend to commence a phased implementation of the Parliament Heritage Asset Strategic Management Plan during 2005-06. Funding of $9 million over the next three years ($1.5 million in 2005-06, $3 million in 2006-07 and $4.5 million in 2007-08) has been approved under the plan as the first stage of a maintenance program for Parliament House.[17]

The Committee was also informed the plan acknowledges that Parliament House is not only a home for the Parliament - it is also an historic and heritage asset that must be maintained in peak condition. The plan aims to ensure that the maintenance requirements of Parliament House are systematically identified and these costs are managed effectively. Government funding was approved following the departments' considerable work in assessing the maintenance needs of Parliament House over the next 15 years.[18] The departments initially intend to develop an urgency strategy to guide the early direction of funding, and envisage that ongoing maintenance funding will be sought beyond 2007-08.[19]

The Committee supports the proposed approach to managing this key strategic plan. It will be important for the Department of Parliamentary Services to ensure that there is a sound basis in place for the prioritisation of maintenance works and there is adequate disclosure of the use of funds against cost and time targets.

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16 Parliamentary Departments, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, pp.7–9

17 Mrs J Maddigan, MP, Speaker of the Legislative Assembly, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.5

18 ibid.

19 ibid.

The Committee recommends that:

Recommendation 3: **The annual report of the Department of Parliamentary Services contain information on the management of funds applied under the Parliament Heritage Asset Strategic Management Plan and on how the plan has led to enhanced maintenance of Parliament House as a heritage asset of Victoria.**

(b) New administrative structure

Within the restructured Department of Parliamentary Services, three new director positions have been established.[20] During the estimates hearings, the Committee asked about additional costs related to these new positions over and above corresponding positions in the old structure. It also sought information on any measures put in place to ensure that the heads of important business units have direct lines of communication with the Presiding Officers. The Committee sought information about those positions that report to one director (such as Hansard, the Parliamentary Library and Information Technology) and provide services directly to Members.

The Committee was advised that the new organisational structure underpinning Parliament's revised administrative framework is meant to be cost neutral and ensure a more efficient structure. The Speaker advised the Committee that the purpose of the new structure was not to save money but to provide more efficient services at no extra cost to Parliament.[21]

The Committee was also informed that the creation of the three director positions was primarily intended to bring about greater coordination between Parliament's professional units in the future.[22] The Department of Parliamentary Services faces the challenge of ensuring the administrative reforms lead to improved services and remain cost neutral. Information included in the department's annual report should demonstrate how this challenge has been progressively met.

The Committee recommends that:

Recommendation 4: **The annual report of the Department of Parliamentary Services include information on the performance outcome of its administrative reforms in terms of improved services and adherence to the cost neutral target.**

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20 ibid., p.6
21 ibid.
22 ibid.

(c) Parliamentary Librarian

In the Committee's report on the 2004-05 Budget Estimates, attention was drawn to the important role that the Parliamentary Library has in providing high quality information, analysis and advice to Members of Parliament and parliamentary committees and a number of recommendations were made to ensure the autonomy of the library in the new amalgamated Department of Parliamentary Services.[23]

Unfortunately, the Committee's recommendations providing for a protocol to formalise the independence of the parliamentary library and a resource agreement were rejected by the Presiding Officers.[24]

In July 2005, the position of Parliamentary Librarian was reclassified from an executive officer to a VPS 6.1 and a new executive management position responsible for the Parliamentary Library, Information Technology and Hansard, was created that now reports direct to the Secretary of the Department of Parliamentary Services, who in turn reports to the Presiding Officers. In addition, as a result of the *Parliamentary Administration Act* 2005 the Library Committee was abolished and the House Committee now has the role of advising the Presiding Officers on the management of the parliamentary library.[25]

All these changes have implications for the role of the Parliamentary Librarian and the resourcing of the Parliamentary Library. The Committee considers it is essential that the library receives adequate resources and services from the Department of Parliamentary Services and the new structural arrangements do not limit the opportunities for the free flow of ideas and interactions between the Parliamentary Librarian, Members of Parliament, the House Committee and the Presiding Officers.

(d) Benchmarking of Parliamentary Library

The Committee sought information on the extent to which the services of Victoria's Parliamentary Library compared with those provided by other parliamentary libraries and whether it was intended to regularly benchmark with other libraries that provide similar services.

The Committee was informed of the difficulties associated with benchmarking library services between Parliaments. Victoria was seen to have a lot more flexibility than some other parliamentary library services, for example, because of a multidisciplinary approach to the servicing of information requests from Members of Parliament.[26]

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23 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, p.175

24 Victorian Government, response to the Committee's *Report on the 2004-2005 Budget Estimates*, tabled 11 May 2005, pp.12, 13

25 *Parliamentary Administration Act* 2005, s.41(1)

26 Dr S O'Kane, Secretary of the Department of Parliamentary Services, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.7

The Committee was also advised that the parliamentary libraries in New South Wales and Queensland were most similar in terms of service to Victoria's Parliamentary Library. The Presiding Officers, therefore, consider that these similarities make the three libraries natural comparisons for benchmarking purposes. With this in mind, the Victorian Parliamentary Library is working with the two interstate counterparts to develop a model that will allow more comprehensive comparison of services and benchmarking against agreed comparison points.[27] The Committee looks forward to assessing the results of the benchmarking studies undertaken.

The Committee recommends that:

Recommendation 5: **The Department of Parliamentary Services implement, within a reasonable timeframe, a suitable model to periodically benchmark the services of Victoria's Parliamentary Library against those of its counterparts in New South Wales and Queensland.**

[27] Presiding Officers, response to the Committee's follow-up questions, received 20 June 2005, p.17

CHAPTER 5: DEPARTMENT OF EDUCATION AND TRAINING

Key findings of the Committee:

5.1 **The Department of Education and Training's budget allocation in 2005-06 is $7,180 million, an increase of $285.1 million or 4.1 per cent more than the estimated actual result for 2004-05.**

5.2 **The department estimates it will carry over asset initiatives funding of $23.4 million from 2004-05 to 2005-06, with $16 million of this amount attributed to delays in the execution of the contract for the classroom replacement initiative. The department anticipates there may be some carry over of output initiatives funding relating to the school maintenance program.**

5.3 **The department is required to find savings of $14.2 million in 2005-06. It will achieve this through general efficiencies in administration, particularly in the reduction in the use of consultants and contractors and from centralising print, media and communication services.**

5.4 **The total number of staff in 2004-05 is expected to increase by a net 951. The majority of this increase is attributable to the employment of additional ongoing teachers (an additional 1,390 teachers) offset by a reduction of 875 in the number of fixed-term teachers.**

5.5 **The 2005-06 Budget identifies $555.9 million in total output initiatives to 2008-09, of which $104 million is allocated for 2005-06. The Victorian Government's social policy statement, *A Fairer Victoria*, also includes education initiatives totalling $2.3 million to 2008-09.**

5.6 **Despite significant increases in the age profile of teachers in areas considered hard to fill (for example, mathematics), the potential imbalance between teacher supply and demand in these categories is not identified or monitored as a key departmental risk.**

5.7 **The extent to which initiatives in the *Teacher Supply and Demand for Government Schools* statement will address gaps between demand and supply for hard-to-fill teaching categories is not clear. This is exacerbated by the lack of basic workforce information such as the actual number of teachers teaching by subject, age and gender and associated attrition rates.**

5.8 There is no public reporting on the level of unmet school maintenance and in particular unmet urgent maintenance.

5.9 Educational outcomes for indigenous students as measured against national reading and numeracy benchmarks are significantly lower than the general student population. The apparent retention rate for indigenous students in Victoria is also lower than the national rate across all reported categories.

5.10 The Australian Council of Deans of Science study found that nearly 43 per cent of senior school physics teachers Australia-wide lacked a physics major. The Victorian results were not publicly available from this study. The department is not in a position to readily determine the qualifications and skills of teachers from its own records.

5.11 In 2004 the department conducted 54 diagnostic reviews of schools where student outcomes and other indicators are below expected levels. It is estimated that another 37 schools will be subject to a similar process in 2005.

5.12 The department has indicated it will monitor improvements in student literacy and numeracy outcomes from the Equity in Education and Training initiative. However, a robust program evaluation strategy has yet to be developed.

5.13 The Committee believes it is timely for the department to regularly report progress in implementing major initiatives and reforms on its website.

Departmental review

5.1 Output management framework

The Department of Education and Training supports the ministerial portfolios of Education and Training and Education Services. Exhibit 5.1 shows the ministerial responsibilities for output groups and associated outputs. Where ministerial responsibility is shared, the Minister for Education and Training has lead responsibility.[1]

[1] Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.1

Exhibit 5.1: Department of Education and Training Ministerial responsibilities

Output groups/outputs	Responsible Minister	
	Education and Training	Education Services
Compulsory years		
Early years	✓	✓
Middle years	✓	✓
Post-compulsory years		
Later years	✓	✓
Training and further education	✓	✓
Adult and community education	✓	✓
Cross-sectoral	✓	
Services to students		
Services to students		✓
Portfolio management		
Services to Ministers and policy	✓	✓
Regulation	✓	✓

Source: Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.1

The Minister for Education and Training also has responsibility for the following statutory bodies:[2]

- the Adult Community and Further Education Board;
- the Registered Schools Board;
- the Victorian Curriculum and Assessment Authority;
- the Victorian Institute of Teaching;
- the Victorian Learning and Employment Skills Commission;
- the Victorian Qualifications Authority; and
- the Victorian Schools Innovation Commission.

[2] Department of Education and Training, *2003-04 Annual Report*, pp.7, 27–28

5.2 Internal/external reviews

The department undertook three reviews of departmental outputs during 2004-05. [3] This involved:

- reviewing the delivery of education services to Koorie communities by focusing on performance measures, outcomes and guidance for principles applicable across broader disadvantaged groups;
- assessing the procedures and controls associated with maintaining the Students with Disabilities program database to assess the extent to which they result in the provision of accurate and timely data and related funding allocations; and
- conducting a performance audit of the Managed Individual Pathways Support program of three Technical and Further Education institutes and three Adult Community Education providers to assess whether the program has been implemented efficiently and effectively to achieve the desired outcomes.

5.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $7,180 million, an increase of $285.1 million (4.1 per cent) on the estimated actual result for 2004-05. Exhibit 5.2 provides a detailed budgetary breakdown.

[3] Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.9

Exhibit 5.2: Department of Education and Training Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Compulsory years				
Early years	1,855.1	1,910.9	2,001.3	4.7
Middle years	1,983.8	2,039.9	2,127.5	4.3
Sub-total	**3,838.9**	**3,950.8**	**4,128.8**	**4.5**
Post-compulsory years				
Later years	1,163.4	1,196.2	1,241.3	3.8
Training and further education	1,102.2	1,122.7	1,155.6	2.9
Adult and community education	34.9	35.0	36.0	2.9
Cross-sectoral	36.6	36.8	38.4	4.3
Sub-total	**2,337.1**	**2,390.7**	**2,471.3**	**3.4**
Services to students	**494.9**	**506.2**	**533.5**	**5.4**
Portfolio management services				
Services to Ministers and policy	26.9	27.1	27.8	2.6
Regulation	19.3	20.2	18.6	-7.9
Sub-total	**46.2**	**47.2**	**46.4**	**-1.7**
Total	**6,717.1**	**6,894.9**	**7,180.0**	**4.1**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis[4]

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.48–62*

The budget identifies $555.9 million in output initiatives to 2008-09, of which $104 million is allocated for 2005-06. The government's policy statement on addressing disadvantage, *A Fairer Victoria*, was launched in April 2005. This statement also includes initiatives totalling $2.3 million to 2008-09 and was reported in the 2005-06 Budget Papers.[5]

[4] Budget Paper No.3, *2005-06 Service Delivery*, p.47
[5] ibid., p.281

The major output initiatives in the 2005-06 Budget included:[6]

- Additional Resources for Schools – $40.4 million in 2005-06 and a total of $173.1 million over four years. The Minister indicated that $79.6 million will be allocated to meet enrolment growth in government and non-government schools, and $93.4 million to ensure class sizes in the prep to grade 2 years remain small;[7]
- Equity in Education and Training – $18 million in 2005-06 and a total of $112 million over four years. The budget papers indicate that this initiative increases the amount of funding targeted to government schools in most need, with a focus on improving outcomes in literacy and numeracy. The initiative also allocates additional funding to Local Learning and Employment Networks to encourage young people who have left school to remain in the education and training system or to get a job;
- Increased Support for non-Government Schools – $6.3 million in 2005-06 and a total of $115 million over four years. This initiative provides additional funding to target educational improvement in needy non-government schools through the per capita state government grant; and
- SmartOne Broadband Network for Government Schools – $14.2 million in 2005-06 and $82 million over four years. (The budget includes an asset initiative with a Total Estimated Investment (TEI) of $7.3 million over four years for the network.) This initiative provides a managed fibre-optic data communication network for all government schools.

The budget papers also include a range of asset initiatives with a TEI of $323.1 million to 2008-09.[8] Nearly three-quarters of this investment is for the following two initiatives:

- Building Better Schools: Modernisation – an allocation of $62.7 million in 2005-06 and $82.8 million in 2006-07, with a TEI of $145.5 million. The budget papers indicate that the program is designed to increase the flexibility and improve the quality of the infrastructure to improve student outcomes and learning environments; and
- New and Replacement Schools – an allocation of $47 million for 2005-06 and $47.1 million in 2006-07 with a TEI of $94.1 million. Funding is provided for 16 new and replacement schools.

6 ibid., pp.281–282

7 Hon. L Kosky, MP, Minister for Education and Training, media release, *State Budget 2005: $299 million to continue education reform*, 3 May 2005

8 Budget Paper No.3, *2005-06 Service Delivery*, pp.283–284

5.3.1 Departmental savings

The department is required to achieve savings of $14.2 million in 2005-06.[9] The department will achieve this through general efficiencies in administration, particularly in reduction of expenditure on consultants and contractors and from the whole of government savings initiative to centralise print, media and communication services.[10]

5.3.2 Financial analysis

(a) Operating performance

The department expects to receive $7.64 billion in income in 2005-06 which is 3.9 per cent higher than the estimated actual outcome for 2004-05. Expenditure in 2005-06 is expected to increase by four per cent in comparison with estimated actual 2004-05 expenditure (see exhibit 5.3).

Exhibit 5.3: Department of Education and Training Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	7,354.5	7,642.5	3.9
Expenses	7,242.9	7,535.1	4.0
Net result	**111.6**	**107.4**	**-3.8**
Administered items			
Administered income	1,892.7	2,019.8	6.7
Administered expenses	1,892.6	2,019.8	6.7
Income less expenses	**0.1**	**0.0**	**0.0**

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Sources: Budget Paper No.4, 2005-06 Statement of Finances, pp.59, 62

The 2005-06 Budget indicates that the increase in total operating income was due to:[11]

9 ibid., pp.281–282

10 Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.24

11 Budget Paper No.4, *2005-06 Statement of Finances*, p.57

- the funding of new initiatives announced in the 2005-06 Budget;
- the flow-through effect of initiatives contained in previous budgets that have an impact in 2005-06;
- the flow-through of supplementation to meet the employment costs of various enterprise bargaining outcomes; and
- general inflation indexation.

(a) Balance sheet position

The department's controlled net asset position is expected to improve by $282 million (or 2.9 per cent) between 30 June 2005 and 30 June 2006. This is due to an estimated increase in controlled assets of $331.9 million, offset by an increase in controlled liabilities of $49.9 million (see exhibit 5.4).

Exhibit 5.4: Department of Education and Training Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (%)**
Controlled items			
Assets	11,038.9	11,370.8	3.0
Liabilities	1,374.8	1,424.7	3.6
Net assets	**9,664.1**	**9,946.1**	**2.9**
Administered items			
Administered assets	32.2	32.2	0.0
Administered liabilities	3.3	3.3	0.0

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp. 61–62

The increase in controlled assets of $331.9 million is due to an increase in property, plant and equipment. The 2005-06 Budget Papers indicate that this is due to:[12]

- the modernisation of existing schools, the replacement and building of new schools, providing specialist facilities in secondary schools and upgrading teaching equipment in Technical and Further Education institutes;
- further investment in information technology infrastructure to provide an enhanced data communication network to all government schools; and
- the consolidation of the Victorian Curriculum and Assessment Authority's corporate leases through the modernisation of an existing building.

[12] ibid., pp.57–58

5.3.3 Carry over funding

The department advised that at the time the 2005-06 Budget was prepared, no carry over funding into 2005-06 had been approved for output initiatives. There may, however, be a need to request a carry over for items such as the school maintenance program. The department has indicated that the budget for 2004-05 was $50 million for this program with the estimated actual expenditure being $45.2 million.[13]

Carry over funding has been identified for the following asset initiatives:[14]

- Beyond the School Office – relieving the human resource administration burden in schools ($4.4 million) where revised project implementation timelines have required funds to be carried over;
- Classroom Replacement – relocatable classroom renewal ($16 million), where delays in contract acceptance have led to a subsequent delay in the delivery of buildings; and
- Getting up to Speed – a new foundation for bandwidth to government schools ($3 million).

5.3.4 Trust funds

The Committee requested estimates of trust account balances, and the income and expenditure of these trust accounts for the period 30 June 2006. The department advised that it is not in a position to provide this information as these details are not known until the completion of the financial year.[15]

However, the department advised that it has in place protocols and controls to ensure all trust accounts adhere to requirements stipulated in the funding agreement. Prior to the creation of a trust fund, funding agreement documentation must be provided. Financial monitoring tools are put in place (for example, monthly reports and system validation checks) to ensure that monthly revenue income and expenditure are monitored and charged correctly to the trust fund. At the end of the funding period, a summary financial statement is produced and checked by appropriate officers. An acquittal statement is prepared, approved and forwarded to the fund provider to satisfy accountability requirements.[16]

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13 Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.6
14 ibid., pp.20–21
15 ibid., p.21
16 ibid., pp.21–22

The department also advised it is conducting a review of existing trust funds to ensure that it adheres to Department of Treasury and Finance guidelines.[17]

5.4 Human resources issues

5.4.1 Departmental workforce

The department's workforce is located at a central office, in nine regional offices and in over 1,600 government schools.[18] At 30 June 2005 it is estimated that the total workforce consisted of just over 51,000 equivalent full-time staff of which more than 39,500 (or nearly 80 per cent) of the workforce were teachers. (See exhibit 5.5)

[17] ibid., p.22
[18] Department of Education and Training, *2003-04 Annual Report*, pp.7, 26

Exhibit 5.5: Department of Education and Training
Equivalent Full-Time Staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Ongoing staff			
Teaching	31,854.9	33,245.0	33,415.0
Non-teaching school based	5,345.0	5,530.6	5,570.6
Public service executive officer	65.0	65.0	68.0
Other public service	1,563.5	1,705.0	1,695.0
Other	2.0	4.0	4.0
Sub total	**38,830.4**	**40,549.6**	**40,752.6**
Fixed-term staff			
Teaching	7,170.0	6,295.0	6,175.0
Non-teaching school based	3,846.2	3,975.0	3,995.0
Public service executive officer	0.0	1.0	0.0
Other public service	210.4	186.0	166.0
Other	2.0	3.0	3.0
Sub total	**11,228.5**	**10,460.0**	**10,339.0**
All staff			
Teaching	39,024.9	39,540.0	39,590.0
Non-teaching school based	9,191.2	9,505.6	9,565.6
Public service executive officer	65.0	66.0	68.0
Other public service	1,773.9	1,891.0	1,861.0
Other	4.0	7.0	7.0
Sub total	**50,059.0**	**51,009.6**	**51,091.6**
Total	**50,059.0**	**51,009.6**	**51,091.6**

Source: Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.10–13

The total number of departmental staff was expected to increase by 951 in 2004-05, comprising:

- 1,390 ongoing teachers;
- 315 ongoing and fixed-term school based non-teaching staff (that is school services officers); and
- 141 non-school based ongoing public servants.

This increase is mainly offset by a reduction of 875 in fixed-term teachers.

Review of portfolios

5.5 Education and Training and Education Services

5.5.1 Performance measures

The department has introduced seven new performance measures. Some of the new measures replace and refine discontinued 2004-05 measures, for example, under the Middle years output, two new measures to assess the level of connectedness of years 5-6 and years 7-9 students with their school, replace a single measure of years 5-9 students.[19]

The department also discontinued 21 performance measures, but unlike most other departments, no explanation for these changes has been provided in the notes to appendix C of Budget Paper No.3.[20]

The Committee recommends that:

Recommendation 6: **The Department of Education and Training provide reasons in Budget Paper No.3 for discontinuing performance measures.**

5.5.2 Key issues affecting the portfolios

(a) Broadening key risks to include teacher supply

The department has identified the following areas of key risk:[21]

- achieving the government's goals and targets for education and training;
- financial management;
- information technology systems recoverability;
- duty of care to students;
- asset management; and
- security of external assessment processes.

19 Budget Paper No.3, *2005-06 Service Delivery*, pp.49–61
20 ibid., pp.365–367
21 Department of Education and Training, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.2

The Committee believes that teacher supply particularly for difficult to fill subjects should be included as a major risk given the critical role that suitably qualified teachers play in achieving the government's education outcomes.

The Committee noted the department's view that there is no general teacher shortage and this view is supported by:

- the Boston Consulting Group report entitled *School Workforce Development Strategy* which concluded that '*aggregate capacity in the Victorian government school system is broadly in balance at present and, based on our modelling, is likely to remain so in the medium term'*;[22] and
- the Victorian Auditor-General's performance audit report *Teacher work force planning* which found that based on an examination of 119 schools, 93 per cent of vacancies at the time of the audit were filled by the required date.[23]

Subject specific data on the other hand, reveals that the percentage of mathematics teachers in the 50-54 year age group increased from 9.7 per cent in 1995 to 23.7 per cent in 2004.[24] The Minister for Education Services has advised that the Teacher Demand by Subject Survey 2004 indicated that 34 per cent of mathematics teachers were aged over 50.[25]

The Committee noted that the *Teacher Supply and Demand for Government Schools* statement acknowledges a range of subject areas that are traditionally hard to staff such as mathematics, special education and science, and that the reduction in university places has exacerbated this shortfall in particular subject areas especially in mathematics.[26] The department acknowledges that some difficult to fill vacancies in key learning areas such as the arts have declined. However, the number of more difficult to fill vacancies in other key learning areas such as mathematics, Studies of Society and Environment (SOSE) and technology, has increased between 2000 and 2004.[27]

The Minister for Education Services advised the Committee that in terms of difficult to fill vacancies by geographic area, vacancies have declined between 2000 and 2004.[28] Primary/secondary, secondary and special government schools experience difficulties in filling around one in eight teaching vacancies.[29]

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22 The Boston Consulting Group, *Schools Workforce Development Strategy*, November 2003, p.18
23 Victorian Auditor-General's Office, *Teacher work force planning*, November 2001, p.73
24 Teacher Supply and Demand Reference Group, *Teacher Supply and Demand Report*, 2004, p.4
25 Ms J Allan, MP, Minister for Education Services, response to the Committee's follow-up questions, received 26 July 2005, p.13
26 Department of Education and Training, *Teacher Supply and Demand for Government Schools*, January 2004, p.4
27 Teacher Supply and Demand Reference Group, *Teacher Supply and Demand Report*, 2004, p.11
28 Ms J Allan, MP, Minister for Education Services, response to the Committee's follow-up questions, received 26 July 2005, p.14
29 Teacher Supply and Demand Reference Group, *Teacher Supply and Demand Report*, 2004, p.10

The Committee noted that schools in the local government areas of West Wimmera, Swan Hill and Towong were rated as experiencing very high difficulties in filling vacancies with schools in the local government areas of Hindmarsh, Yarriambiack, Buloke and Gannawarra experiencing a high degree of difficulty in filling vacancies.[30]

The Committee considers that the issue of teacher supply for difficult to fill vacancies, in particular subject areas should be regarded as one of the department's key risks, and the success in mitigating these risks should be regularly monitored.

The Committee recommends that:

Recommendation 7: **The Department of Education and Training:**

(a) update the list of key risks to include the supply of teachers for difficult to fill vacancies; and

(b) regularly monitor and report on the success of initiatives to address this issue.

(b) Addressing teacher supply issues

The department's response to the issue of teacher supply was contained in the *Teacher Supply and Demand for Government Schools* statement released in January 2004. This statement includes a number of initiatives including:[31]

- non-teaching professionals undertaking teacher education courses while employed as trainee teachers;
- refresher training for teachers re-entering the workforce;
- retraining teachers in rural schools in areas where schools are having difficulty attracting teachers;
- providing financial incentives for student teachers to undertake placements in hard to staff schools; and
- promotion of teaching as a career.

The Committee's *Report on the 2004-05 Budget Estimates* commended the department for introducing this policy statement.[32] Given the impact of the rapidly ageing workforce particularly within subject areas such as mathematics, the Committee considers that it would be prudent for the department to conduct a formal

30 ibid., p.11

31 Department of Education and Training, *Teacher Supply and Demand for Government Schools*, January 2004, pp.5–8

32 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.194

gap analysis of the degree to which the current initiatives are likely to be sufficient to address the hard to fill vacancies both now and in the future.

While the Committee is aware that centrally available teacher workforce data is limited, it favours this exercise being undertaken given the lead time required to develop new initiatives.

The Committee recommends that:

Recommendation 8: **The Department of Education and Training ensure the initiatives contained in the *Teacher Supply and Demand for Government Schools* statement are adequate to address the current and future level of hard to fill vacancies.**

(c) Improving data on the teacher workforce

The Committee is concerned that despite the decision to upgrade the human resources management system in the 2004-05 budget, basic teacher workforce information critical to central planning and decision making is not available. These issues were raised in several reports of the Victorian Auditor-General and by the Boston Consulting Group.[33]

The Committee requested information on the number of mathematics teachers aged over 50 years and the actual and projected attrition rates between 2004 and 2007. On the supply side, it asked for information about the number of mathematics teaching graduates entering the government school system.[34] The Minister for Education and Training responded that:[35]

> *Information about which subjects are taught by individual teachers is maintained at school level. While the Teacher Demand by Subject Survey does provide data as to the proportion of teachers of particular subjects by age group and gender, it is a sample survey; total numbers are not collected and hence attrition rates by subject are not calculated.*

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33 Victorian Auditor-General's Office, *Teacher work force planning*, November 2001, pp.64–65; Victorian Auditor-General's Office, *Report on Public Sector Agencies*, November 2003, p.69; and Boston Consulting Group, *Schools Workforce Development Strategy*, November 2003 p.45

34 Public Accounts and Estimates Committee, follow-up questions to the Minister for Education Services, 31 May 2005

35 Ms J Allan, MP, Minister for Education Services, response to the Committee's follow-up questions, received 26 July 2005, p.13

The Minister also advised that:[36]

> *…in 2004 there were 282 final year pre-teacher service education students who were undertaking a mathematics method. There is no research available as to the proportion of students in a particular method continuing on to teach at Victorian government schools.*

The Committee noted that the latest departmental projections indicate that the gap between expected aggregate demand and the supply of graduates will peak around 2006. The department concluded that schools will have to recruit an additional 650 teachers each year until 2008 from other non-graduate sources such as interstate and overseas to bridge this gap.[37] This is broadly consistent with projections undertaken by the Boston Consulting Group, that residual demand will peak around 2007 at slightly more than 500 teachers.[38]

The Committee sees some urgency in improving centrally available workforce data given the projected future widening in the gap between aggregate demand and supply. Ideally, the department should be in a position to respond to teacher workforce planning issues using an evidence-based approach. The Committee has previously recommended that the department examine the extent of any gap between the impact of existing supply and demand initiatives and future workforce needs.

The Committee recommends that:

Recommendation 9: **The Department of Education and Training include the capacity to provide key workforce supply and demand data (such as actual number teaching by subject; attrition rates by subject; and graduates employed by secondary teaching subject area) as part of the proposed human resources management system upgrade.**

(d) School maintenance

The Minister for Education Services told the Committee that audits of school maintenance would be conducted to allow school maintenance requirements to be updated.[39] The Minister has further advised that these audits will commence in August 2005 and will take approximately three months to complete. Information generated from these audits will be subject to quality assurances processes and then referred to the relevant school for comment. The quality assurance and post audit reviews are

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36 ibid.
37 Teacher Supply and Demand Reference Group, *Teacher Supply and Demand Report*, 2004, p.30
38 Boston Consulting Group, *Schools Workforce Development Strategy*, November 2003, p.31
39 Ms J Allan, MP, Minister for Education Services, 2005-06 Budget Estimates hearing, transcript of evidence, 16 May 2005, p.30

expected to take a further two to three months. The updated Physical Resource Management System database identifying planned maintenance is expected to be available for planning purposes between December 2005 and January 2006.[40]

The 2005-06 Budget provides for a substantial investment in school infrastructure through the Building Better Schools: Modernisation and the New and Replacement Schools initiatives referred to earlier in this chapter. Where the quality of existing school infrastructure is progressively upgraded, the Committee would expect the level of maintenance required to decline in the short to medium term. The Committee considers, however, that school maintenance is a critical issue not only from a health and safety perspective but also in terms of providing a quality learning environment.

The Committee recommended in its 2004-05 Budget Estimates report that an estimate of the level of unmet maintenance be included in the department's annual report.[41] The government rejected this recommendation, citing it as being inconsistent with the current level of reporting provided in the annual report of the Department of Education and Training.[42]

The Committee considers that the department should publicly report its performance in terms of reducing outstanding maintenance in general and urgent maintenance in particular. This view is based on the government's significant level of investment in school infrastructure and the importance of school maintenance in promoting a quality learning environment and reducing health and safety issues. This reporting should preferably be through the inclusion of quality measures in the budget papers, but could be part of reporting back to parents on school performance.

The Committee recommends that:

Recommendation 10: **The Department of Education and Training publicly report on the general level of unmet school maintenance and particularly the level of unmet urgent maintenance.**

(e) Aboriginal education

The 2005-06 Budget Papers include performance measures and targets for meeting national reading and numeracy benchmarks for indigenous students as well as for all students, exhibit 5.6 provides details.

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40 Ms J Allan, MP, Minister for Education Services, response to the Committee's follow-up questions, received 26 July 2005, pp.10–11

41 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.201

42 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled May 2005, p.17

Exhibit 5.6: Performance measures and targets
National reading and numeracy benchmarks

Performance measure	2005-06 Target	2004-05 Expected outcome
Percentage of Year 3 students reaching national benchmarks in:		
• numeracy	95	95
• reading	92	92
Percentage of Year 3 indigenous students reaching national benchmarks in:		
• numeracy	79	79
• reading	70	70
Percentage of Year 5 students reaching national benchmarks in:		
• numeracy	95	95
• reading	92	92
Percentage of Year 5 indigenous students reaching national benchmarks in:		
• numeracy	82	82
• reading	73	73

Source: Budget Paper No.3, 2005-06 Service Delivery, pp.48–51

According to a report of the Steering Committee for the Review of Government Service Provision, Victorian student results in terms of interstate comparisons (based on 2002 benchmarks), are generally around the national rate of year 3 and year 5 indigenous students meeting benchmarks; in some instances it is ahead, for example, year 5 numeracy.[43]

Data derived by the Commonwealth Department of Education Science and Technology from the Australian Bureau of Statistics National Schools Statistics Collection 2003 shows that Victoria is below the national rate in terms of apparent indigenous retention for every category. Victoria's retention rate for years 7-8 to 10, for example was 74.8 per cent against the national rate of 87.2 per cent.[44]

The Minister has advised the Committee that the department is working with the Victorian Aboriginal Education Association Inc. to implement strategies such as the Commonwealth funded Indigenous Tutorial Assistance Scheme, which will provide additional in-class tuition to support the needs of students not meeting literacy benchmarks.[45] The Committee noted that the policy *A Fairer Victoria* has allocated $45.7 million over four years for indigenous communities for initiatives to prevent chronic disease and provide support for family violence programs.[46] While these

43 Steering Committee for the Review of Government Service Provision, *Overcoming Indigenous Disadvantage, Key Indicators 2005 Report*, pp.6.9–6.14, 7.3–7.11

44 Commonwealth of Australia, *National Report to Parliament on Indigenous Education and Training 2003*, 2005, p.30

45 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.9

46 Victorian Government, *A Fairer Victoria, Creating opportunity and addressing disadvantage*, 2005, pp.39-41

initiatives may have some positive effect on indigenous education outcomes, the Committee noted a lack of focus on initiatives to improve indigenous numeracy and reading performance.

Since the Department of Education and Training commenced reporting against this performance measure in the 2003-04 budget, it has not increased the performance target for indigenous students meeting national benchmarks.[47] The Committee noted that the future performance of Victoria's indigenous students (of years 3 and 5 numeracy and reading) as measured against national benchmarks is expected to show no improvement between the expected outcome for 2004-05 and the 2005-06 target.[48]

The Committee supports a greater whole of government approach to developing more comprehensive initiatives designed to lift numeracy and reading outcomes for indigenous students. The Committee also believes that Victoria's comparatively poor retention rates for indigenous students are a cause for concern, and the department should conduct an analysis of the underlying causal factors.

The Committee recommends that:

Recommendation 11: **The Department of Education and Training:**

(a) in consultation with a range of key stakeholders, analyse key issues such as retention rates for indigenous students to develop a strategic approach to improving educational outcomes for these students; and

(b) establish performance targets in the budget papers over time to reflect expected levels of improved performance arising from this analysis.

(f) Assessing and upgrading subject knowledge of science and mathematics teachers

Australian and international research has consistently shown that the quality of teaching is by far the most critical influence on a student's learning and on improving student educational outcomes. This research has also shown that quality teaching should be supported by ongoing capacity building through teacher professional development.[49]

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47 Budget Paper No.3, *2003-04 Budget Estimates*, pp.29, 49–50, 55–56

48 ibid.

49 K Rowe, Australian Council of Educational Research, *The importance of teaching: Ensuring better schooling by building teacher capabilities that maximise the quality of teaching and learning provision – implications of findings from the international and Australian evidence-based research*, August 2004, p.1

A recent study for the Australian Council of the Deans of Science found that nearly 43 per cent of senior school physics teachers Australia-wide lacked a university physics major, and one in four had not studied the subject beyond their first year of university.[50] The Committee was interested in determining the breakdown of these results in the Victorian context.

The Minister responded that '*the report did not contain any information or figures on Victorian Government schools. Further, it was clear from the sample structure that comparable data for individual states could not be derived from the responses'*.[51] The Minister further responded that:

> *While secondary school teachers have specialist curriculum teaching areas based on their academic and teacher training qualifications, their teacher training provides them with the pedagogical skills to enable them to teach across a range of disciplines.*

The Committee's examination of research suggests that the subject knowledge of teachers, in addition to pedagogical skills, was a significant factor in the student's achievements. The results from this research supported initiatives to improve student achievement by improving teachers' subject knowledge.[52] As one educational researcher commented in relation to the teaching of mathematics:[53]

> *…Teachers cannot explain to their students the principles underlying the multiplication algorithm if they do not explicitly understand those principles themselves.*

The Committee noted that the PISA (Programme for International Student Assessment) 2003 results were released in December 2004. The study covered 41 countries and included all OECD countries and 11 partner (non-OECD) countries. The results revealed all Australian states performed at or above the OECD average for mathematical, scientific and reading literacy and problem solving but Victoria, Tasmania and Northern Territory were the lowest performing Australian states/territories.[54]

The Minister has advised that the results were based on a sample of 12,551 students aged 15 years across Australia with only 2,354 in Victoria.[55] Of the 62 schools and

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50 Report prepared for Australian Council of Deans of Science, *Who's Teaching Science? Meeting the demand for qualified science teachers in Australian secondary schools*, January 2005, Foreword viii

51 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.11

52 H Hill, B Rowan and D Loewenberg Ball, *Effects of Teachers' Mathematical Knowledge for Teaching on Student Achievement*, American Educational Research Journal, In Press, March 2005, p.1

53 D Loewenberg Ball, *Research on Teaching Mathematics: Making Subject-Matter Knowledge Part of the Equation*, pp. 38–39, Ed: J Brophy, *Advances in Research on Teaching*, Volume 2, 1991

54 *PISA in brief from Australia's perspective, A focus on mathematical literacy among Australian 15 year old students in PISA*, 2003, pp.3–6

55 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.6

2,354 students involved in the survey, the Victorian Government school system accounted for 39 schools and 1,420 students.[56] The Minister has further advised that:[57]

> *Therefore estimates of performance are associated with a degree of uncertainty. Results should be used with caution, in particular when comparisons are made between states and territories.*

The Committee accepts that while there will be a degree of statistical error associated with these studies, these samples are statistically valid at state and territory level. While a literal interpretation of the results between states and territories would not be appropriate, they indicate that Victoria's performance requires further analysis. The Committee welcomes the Minister's advice that the department, in consultation with the Australian Council of Educational Research, is undertaking a further analysis of the results of the PISA and TIMSS (Trends in International Mathematics and Science Study) studies to gain a better understanding of possible factors influencing students' performance.[58]

The Committee noted that the *Blueprint for Government Schools* initiative includes a range of teacher professional development initiatives including:[59]

- allowing teachers to take from four to ten weeks professional leave to enhance classroom practice; and
- expanding induction programs for beginning teachers and continuing mentoring programs to ensure good induction and mentoring practices are spread across the school system.

The Committee supports supplementary initiatives that examine the degree to which teacher subject knowledge and skills need to be upgraded and updated particularly for mathematics and science teachers of years 10 to 12. From this assessment, a professional development program could be considered to progressively address this issue.

In its 2004-05 Budget Estimates report the Committee noted that in terms of establishing a database of teacher qualifications and skills, upgrading the department's human resources management system would not lead to the on-line recording of workforce qualifications and skills. The Committee recommended that this situation be addressed.[60]

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56 *PISA in brief from Australia's perspective, A focus on mathematical literacy among Australian 15 year old students in PISA*, 2003, p.1

57 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.6

58 ibid.

59 Department of Education and Training, *Blueprint for Government Schools*, November 2003, pp.20–21

60 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.195

Given the lack of available data on teacher qualifications and skills, the Committee considers the department should conduct a survey of years 10 to 12 mathematics and science teachers, for professional development purposes. Considerations such as how current the qualifications and skills are and how adequate they are, should form part of this study. The department should also explore the degree to which information collected for the study commissioned by the Australian Council of Deans of Science could be used.

The Committee recommends that:

Recommendation 12: **The Department of Education and Training:**

(a) assess the currency and extent of skills and qualifications of years 10 to 12 mathematics and science teachers; and

(b) develop and implement a professional development program based on the results of this assessment.

(g) Schools with student outcomes below expected levels

The *Blueprint for Government Schools* initiative includes a major focus on school improvement as one of its key strategies. The blueprint referred to the enhanced reporting and accountability framework (announced in October 2002) to improve school accountability, but indicated that there was a need to address the variation in student outcomes between schools. Consequently, a differential model of school review has been introduced based on the current level of school performance.[61]

The Minister advised that schools will be reviewed every four years but a diagnostic review of a school may occur at any time where student outcomes and other indicators fall below expected levels.[62] These reviews are conducted by skilled independent reviewers and are designed to identify the underlying causal factors that affect performance and recommend improvement strategies. The Minister indicated that 54 schools were subject to a diagnostic review in 2004 and these schools were distributed across all regions. It is estimated that a further 37 schools will undergo a reference diagnostic review in 2005.[63]

Following these reviews, regional staff will work with schools to develop an improvement plan.[64] The Committee considers that a formal part of the review process

61 Department of Education and Training, *Blueprint for Government Schools*, November 2003, p.23
62 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.8
63 ibid.
64 ibid.

should include a post implementation review of the improvement plan, preferably by the review team that conducted the initial diagnostic review.

The blueprint initiative emphasises that *'Each school with performance issues is different and solutions likewise must be tailored to the realities identified by the analysis'*.[65] While the Committee supports this approach, it is possible that broad themes regularly emerge from diagnostic reviews which may then need to be addressed at a corporate level. This could include, for example, whether existing strategies are likely to be sufficient to address the issues identified through the diagnostic review process.

The Committee recommends that:

Recommendation 13: **The Department of Education and Training:**

(a) include a formal post-implementation improvement plan review to follow on from the initial diagnostic review process of schools; and

(b) conduct thematic reviews of issues emerging from diagnostic reviews to determine the appropriateness of the response at a corporate level.

(h) Evaluation strategy for literacy and numeracy programs

The 2005-06 Budget includes the Equity in Education and Training initiative that allocates $112 million over four years for government schools most in need and includes a range of programs such as literacy and numeracy.[66]

The Minister informed the Committee that schools will be expected to identify improvements in student literacy and numeracy outcomes as a major focus of their improvement strategies through:[67]

- reviewing student data to identify individual students most in need;
- setting targets for student improvement including identifying performance measures; and
- undertaking regular assessments of students to measure improvements.

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65 Department of Education and Training, *Blueprint for Government Schools*, November 2003, p.24

66 Budget Paper No.3, *2004-05 Service Delivery*, p.282

67 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.7

The Committee noted that the Victorian Auditor-General's report *Improving literacy standards in government schools* released in October 2003 commented that: [68]

> *Our analyses showed improvement in the reading proficiency of students who had participated in the three literacy programs. However, the department is unable to determine how much of this improvement is a direct result of program participation. To do so in the future, the department needs to develop a rigorous evaluation methodology.*

The report also highlighted the need for improvements in data collection strategies.[69]

The Committee sees the department's approach as a performance monitoring rather than a program evaluation method. While the Committee considers that the department's approach is an important component of an effective management strategy, it is of the view that there should also be a carefully designed evaluation strategy developed at the outset to measure the success of the government's investment in literacy and numeracy programs.

The Committee recommends that:

Recommendation 14: **The Department of Education and Training establish a robust evaluation strategy as part of the design phase of literacy and numeracy programs that form part of the Equity in Education and Training initiative.**

(i) Increasing performance targets for key initiatives

The Committee urges the department to set performance targets that encourage increased performance and improved outcomes.

The *Blueprint for Government Schools* initiative addresses the issue of under performing schools.[70] The Committee noted the 2005-06 performance targets for primary and secondary schools meeting or exceeding expected levels from the triennial review process had remained unchanged since 2004-05.[71] The Minister advised that '*in broad terms it takes a minimum of two years to obtain significant improvement in the performance of a primary or secondary school'*.[72]

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68 Victorian Auditor-General's Office, *Improving literacy standards in government schools*, October 2003, p.5
69 ibid.
70 Department of Education and Training, *Blueprint for Government Schools*, November 2003, pp.23–26
71 Budget Paper No.3, *2005-06 Service Delivery*, p.49, 51
72 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.7

Similarly, the It's Not OK To Be Away initiative was launched to promote the importance of regular school attendance.[73] The performance target for the average rate of school attendance in years 11 and 12 remains unchanged between 2004-05 and 2005-06.[74] The Minister advised the Committee that the impact from this initiative is likely to be seen in the 2006 school year.[75]

The Committee considers that the 2006-07 Budget performance targets should reflect the level of expected improvement from the progressive implementation of new initiatives.

The Committee recommends that:

Recommendation 15: **The Department of Education and Training:**

(a) review targets linked to new initiatives; and

(b) examine the degree to which the targets can be increased.

(j) Reporting on major reforms

The Committee was interested in determining the progress in implementing new initiatives including:

- the *Blueprint for Government Schools* initiative which details seven flagship strategies covering student learning, developing a new resource allocation model, building leadership capacity, creating and supporting a performance and development culture, teacher professional development, school improvement and the leading schools fund;
- the legislative review of the *Education Act* 1958 which was commissioned by the Minister to examine issues such as the relevance of current legislation (the current Act has not been revised since 1958) and the degree of regulation over schools. A discussion paper was released in February 2005 to canvass the views of the community; and
- the review of School Governance in Victorian Government Schools which was established to examine the operations of school councils, develop revised governance principles for schools, provide advice on the role of the local community in school governance and provide advice on the legislative framework for school governance. A discussion paper was released in March 2005.

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73 Budget Paper No.3, *2005-06 Service Delivery*, p.273

74 ibid., p.53

75 Hon. L Kosky, MP, Minister for Education and Training, response to the Committee's follow-up questions, received 26 July 2005, p.8

While the department's website allows access to documentation associated with these initiatives, the Committee considers that it would be beneficial to provide progress reporting on their status. Due to the lead time often involved in completing major projects, the Committee favours public reporting of progress either at quarterly or half yearly intervals.

The Committee recommends that:

Recommendation 16: **The Department of Education and Training provide regular reports on its website on the progress and status of major initiatives.**

CHAPTER 6: DEPARTMENT OF HUMAN SERVICES

Key findings of the Committee:

6.1 **The Department of Human Services' budget allocation for 2005-06 is $10,854.8 million, an increase of $675.9 million or 6.6 per cent from the 2004-05 estimated actual expenditure.**

6.2 **The Department of Human Services expects to carry-over funding from 2004-05 of $59.5 million for the provision of outputs and $45 million for additions to the net asset base. The output funding will be mainly used for affordable housing initiatives with projects to commence later in 2005. Revisions to cashflow for the department's Asset Investment program was the reason for the carry over of funding for asset initiatives.**

6.3 **The department is required to find savings of $29.1 million in 2005-06. This will be achieved through: not filling some head office and corporate positions as they become vacant; more consistent collection of fees; reduction in operating expenditure (including the use of consultants and contractors, and the centralisation of print, media and communication services) and reduction in non-recurrent or one-off grants.**

6.4 **There will only be a marginal increase of 0.5 per cent in the estimated equivalent full-time staff at 30 June 2005 (and 30 June 2006) of 11,129 compared to the staffing profile at 30 June 2004 of 11,073.**

6.5 **A non-recurrent payment of $107.3 million received in 2004-05 was a major factor in the reduction in the operating surplus from $96 million in 2004-05 to the estimated surplus of $27.2 million for 2005-06.**

6.6 **The non-current asset item Property, Plant and Equipment showed an increase of $419.5 million or 7.5 per cent between the estimated actual for 2004-05 of $5,573.3 million and the 2005-06 budget of $5,992.8 million.**

6.7 **In the health portfolio, a large number of outputs (31) from 2004-05 were consolidated into 13 new outputs in 2005-06. However, comparative total output cost data for prior years was not disclosed in the 2005-06 Budget Papers, a practice that varied from the way in which total output costs for most of the other departments have been disclosed in the 2005-06 Budget Papers. As a consequence, it was not possible to compare the budget allocation for these outputs in 2005-06, which included $4.46 billion allocated to the Admitted Services output, to the 2004-05 and expected outcome.**

6.8 **The Minister estimated that in 2004-05, the share of public hospital recurrent funding contributed by the Commonwealth will have fallen to 40 per cent, resulting in an additional $1 billion that would be required if the Commonwealth were to match state funding on a 50-50 basis.**

6.9 **Since 1999-2000, there has been a 70 per cent increase in funding for hospitals, with hospital funding standing at $5.8 billion in 2005-06 (in comparison, Commonwealth funds provided to Victoria for public hospital services have grown by 45 per cent over the same period). In 2005-06, $419 million in additional funding in the capital area has been provided in the budget for health and aged care.**

6.10 **From 1999-2000, the number of patients admitted to Victorian public hospitals increased from 1,042,000 to an estimated 1,298,000 in 2005-06 (a 24.6 per cent increase), while for the period from 1999-2000 to 2004-05 the number of patients treated in emergency departments rose from 634,000 to 798,000 (an increase of 25.9 per cent).**

6.11 **Between December 1999 and June 2005, elective surgery waiting list numbers for key metropolitan hospitals reduced marginally by 63 (or 0.2 per cent) from 28,328 to 28,265. During this timeframe, the largest growth occurred at the Sunshine Hospital (107.8 per cent), the Box Hill Hospital (73.7 per cent), the Dandenong Hospital (67.9 per cent) and the Angliss Hospital (57.3 per cent). Hospitals with the greatest reduction in waiting list numbers for elective surgery were the Alfred Hospital (59.6 per cent) and the Western Hospital (39.2 per cent).**

6.12 **An additional 40,000 hospital patients and 61,000 people presenting at emergency departments are expected to be treated in 2005-06 under the *Hospital Futures* initiative.**

6.13 **An additional $30 million has been allocated to shorten waiting times for elective surgery and reduce the number of patients who wait longer than the clinically recommended time for treatment. An additional 10,000 elective surgery patients are to be treated in 2005-06. Patients waiting longer than clinically recommended times will be targeted for treatment. Surgical specialties targeted comprise General Surgery, Orthopaedic Surgery, Vascular Surgery Ear Nose and Throat Surgery and Gynaecology.**

6.14 **For the period July 2004 to June 2005, surgical specialties that had the longest waiting times for semi-urgent (category 2) patients when compared to the clinically ideal time of 90 days (13 weeks) are listed below on a hospital basis:**

- **varicose veins (Monash Medical Centre) 83 weeks**
- **bunions and other toe deformities (Monash Medical Centre) 59 weeks**
- **knee replacement surgery (Geelong Hospital) 53 weeks**
- **orthopaedic – all other (Casey Hospital) 51 weeks**
- **hip replacement surgery (Geelong Hospital) 41 weeks**
- **arthroscopy of the knee (Geelong Hospital) 41 weeks**

6.15 **The government's target contained in the 2004-05 budget for 90 per cent of emergency department admissions to hospital beds to be admitted within 12 hours was not met. During this period, 177,000 emergency patients gained admission to a hospital bed within 12 hours, which represented 85.1 per cent of total emergency department patients admitted to hospital wards (2003-04, 86.0 per cent).**

6.16 **Between January and June 2005 the proportion of patients admitted to a bed from emergency departments that occurred within 12 hours varied considerably across hospitals. To demonstrate this contrast, the highest and lowest performing hospitals in terms of the percentage of emergency department admissions to beds achieved within 12 hours are listed below:**

- **Royal Victorian Eye and Ear Hospital: 100 per cent;**
- **Royal Women's Hospital: 100 per cent;**
- **Williamstown Hospital: 100 per cent;**
- **Monash Medical Centre: 82 per cent;**
- **Royal Melbourne Hospital: 81 per cent;**
- **St.Vincent's Hospital: 80 per cent; and**
- **Western Hospital: 66 per cent.**

6.17 With regard to the 2005-06 budget, the government has amended the performance measure to now cover emergency patients admitted within eight hours to align with the Australasian College of Emergency Medicine's policy. A target of 80 per cent has been set for this new measure.

6.18 There has been a substantial increase in the proportion of people presenting at emergency departments of hospitals that require admission to an inpatient bed, which has risen from 23.7 per cent (183,000 out of 771,000) in 2003-04 to 26.1 per cent (208,000 out of 798,000) in 2004-05. In comparing the situation in 1999-2000 to 2004-05, approximately 56,000 extra people attending emergency departments of public hospitals needed to be admitted to a hospital bed (a rise from 24 per cent to 26.1 per cent).

6.19 Since at least 1999-2000, 100 per cent of urgent (category 1) elective patients have been admitted within the national standard of 30 days. It was also encouraging to find that the median time to treatment was generally seven days, a significant achievement against the national standard.

6.20 Seventy-six per cent of semi-urgent (category 2) patients were admitted for elective surgery within the national standard of 90 days in 2004-05 which was below the target of 80 per cent.

6.21 The performance of hospitals varied widely between January and June 2005 in terms of the proportion of semi-urgent elective patients admitted within 90 days. The highest and lowest performing hospitals with regard to the percentage of semi-urgent patients admitted within 90 days are listed below:

- **Royal Women's: 100 per cent;**
- **Mercy Werribee: 99 per cent;**
- **Royal Children's: 99 per cent;**
- **Williamstown: 97per cent;**
- **Dandenong Hospital: 54 per cent;**
- **Austin: 53 per cent;**
- **Monash Medical Centre: 52 per cent; and**
- **Frankston: 40 per cent.**

6.22 The median time to treat semi-urgent patients admitted from the elective surgery waiting list for 2004-05 of 40 days was well below the national standard of 90 days, an outcome that has generally been realised since at least 1999-2000. Surgical specialties that have experienced the shortest median times to treat semi-urgent patients during 2004-05 were ophthalmology (13 days) and ear nose and throat (32 days).

6.23 In continuing the mental health strategy developed in 2002, the 2005-06 budget provides $30 million for additional services ($124.8 million over four years) to expand services as well as $55 million in capital over four years for new projects. Funding provided by the Victorian Government for mental health has increased by 62 per cent since 1999-2000.

6.24 Although an improvement on the actual result for 2003-04, the waiting time outcomes for restorative dental care and dentures in 2004-05 exceeded the target for that year. The targets set for waiting times in 2005-06 are longer than that of 2004-05, albeit an improvement on the actual result for 2004-05.

6.25 According to the Minister for Health, the additional funding in the 2004-05 budget to expand dental health services, provided care to 29,000 additional people on 2004-05 and consequently the are 22,463 less people on the waiting list.

6.26 **While the number of dental clinicians in the Community Dental program has increased by 20 per cent from June 2002 to June 2004, there are still dental workforce shortages, particularly in rural areas. In March 2005, the statewide vacancy rate was 17 per cent against the required EFT, however it was only 10 per cent in metropolitan areas and 31 per cent in rural agencies. The Minister indicated that, while waiting times for non-urgent care were now decreasing, workforce shortages had been a factor in the previous increases in waiting times.**

6.27 **Disability services for those with urgent accommodation and support needs is an area that is under constant pressure from rising demand.**

6.28 **In 2003 there were significantly more persons with a disability in the 45-54 and 55 to 64 age brackets and carers in the 35-44 and 45-54 age brackets than in 1998. The ageing profile of these groups will create increasing demand pressures in future, with ramifications for subsequent budgets.**

6.29 **The number of people with severe and profound disabilities will significantly increase over the next ten years. In 2003, one in five people in Australia (3,958,300 or 20 per cent) had a reported disability. People with severe or profound core activity restrictions accounted for approximately one third of all people who reported having a disability.**

6.30 **Australia-wide, there has been a substantial increase in the rates of severe or profound core activity restriction among children, in particular boys. Between 1993 and 1998, the rates for males aged 5-14 increased from 2.7 per cent to 4.9 per cent, which was more than twice the average increase for males aged 15-64.**

6.31 **The government is to expend $136 million over the next four years through the *Giving Children the Best Start in Life* and *Creating New Opportunities for People with a Disability* strategies.**

6.32 **The Committee noted that a wide range of disability supports are available through the provision of flexible packages tailored to meet individual needs. For example, during 2004-05 the government expected that 7,280 clients would receive individually tailored packages of support, 18,000 episodes of respite would be provided and 28,400 clients would access aids and equipment. As from 20 October 1999, over 5000 extra support services have been delivered to people with disabilities and their families, which have included the Support and Choice packages, the new transitional assessment support packages, respite for families and carers and the provision of aids and equipment.**

6.33 The individualised planning and support approach, through the Support and Choice initiative, provided an opportunity for 100 people to move from their existing shared supported accommodation to independent community housing in 2003-04 and 2004-05, which opens up those places in CRUs for others who might need them.

6.34 At June 2005, most of the work necessary to establish the Disability Housing Trust had been completed, which included work on appropriate structure and governance arrangements, clarification about the target groups and analysis of the financial parameters. It is intended that the Trust, which will be a community-based entity, will be in operation in 2005-06. The initial 20 targets for the Trust have been set for 2005-06.

6.35 As there were 1,848 people on the urgent and high-priority waiting list for housing and support needs in December 2004 and demand for disability services will grow in future, the Committee stresses the importance for the department to be mindful of the need to carefully monitor the impact of the greater use of flexible choices of accommodation and support on personal outcomes, quality of life and waiting times for accommodation for people with a disability.

6.36 Information obtained by the Committee showed that the target of 18,565 episodes of respite in 2005-06 is expected to be provided to 13,260 people (approximately 11,559 people in 2003-04).

6.37 In terms of the children's portfolio, the performance measures developed for outputs such as Statutory Child Protection Services are of a high standard and should serve as exemplars for other agencies to follow. On the other hand, performance measures for the Juvenile Justice and Youth Services output need further development to focus more on outcomes and to cover duty of care considerations, rates of recidivism and the degree to which key programs are completed by clients.

6.38 There have been substantial increases in categories of serious incidents within the juvenile justice system between 2002-03 and 2003-04 (e.g. incidents of aggressive behaviour have increased from 29 to 134) however an accurate assessment of the full extent of this apparent increase is dependent on the accuracy of incident recording at the juvenile justice centres. The Committee supports the introduction of a robust management reporting system to allow the systematic analysis of the significance of incidents and their implications for the management of the juvenile justice system. A quality assurance program should be developed to provide safeguards over the integrity of this information.

6.39 **There should be a risk-based resourcing review conducted of the three custodial juvenile justice centres which takes into account the extent and significance of incidents from a safety and security perspective as well as the impact of the increase in the age limit of the Children's Court on the number and type of offenders entering the juvenile justice system.**

6.40 **There have been a number of major external reviews conducted within juvenile justice centres that have been prompted by serious allegations or incidents. There is a need to establish an independently conducted program of audits that proactively assesses key elements of the management and operation of these centres with the results of these reviews forming part of a continuous improvement strategy.**

6.41 **In relation to child protection, there have been 12 innovation projects funded that involve child care workers and community based agencies working closely together to provide proactive assistance and support to families. The interim results of the external evaluation study found there were significant overall reductions in notifications and substantiations compared to areas not participating in these projects. A further 12 projects have been funded in the 2005-06 budget.**

6.42 **An assessment should be conducted of the degree to which out of home care placements are keeping pace with the demand for these services. This assessment should consider whether additional incentives are needed to increase the availability of foster care.**

6.43 **The annual reports of the Victorian Child Death Review Committee covering deaths of children, who are current or recent clients of the state's child protection system, reveal consistent concerns in areas such as risk assessment and the defining roles and responsibilities of service providers at case closure for the ongoing support of the child and family.**

6.44 **Land tax exemptions in the Aged Care portfolio, introduced in the 2005-06 Budget, are expected to improve the attractiveness of Victoria as a location for private sector or not -for-profit service providers to expand existing facilities or establish new facilities.**

6.45 **The government has allocated $47 million for 2005-06 under the *Strategy for Growth in Housing for Low Income Victorians* for the provision of capital grants to registered housing associations to bring about more affordable housing options and more choice for low income Victorians.**

6.46 **The Department of Human Services has introduced a range of initiatives to improve the management of public housing maintenance.**

6.47 There is a need for the Department of Human Services to widen its performance measurement regime for housing waiting times and vacancy management.

6.48 There will be continuation of funding for homelessness assistance from 1 July 2005 by the Commonwealth and Victorian Governments under a new SAAP agreement, with the Victorian Government increasing the quantum of its unmatched funding.

Departmental review

6.1 Output management framework

The Department of Human Services supports the ministerial portfolios of Health, Community Services, Children, Aged Care and Housing. Exhibit 6.1 outlines ministerial responsibilities for the department's output groups and associated outputs.

Exhibit 6.1: Department of Human Services Ministerial responsibilities

Output groups/outputs	Responsible Minister				
	Health	Community Services	Children	Aged Care	Housing
Acute health services					
Admitted services	✓				
Non-admitted services	✓				
Emergency services	✓				
Acute training and development	✓				
Ambulance services					
Ambulance emergency services	✓				
Ambulance non-emergency services	✓				
Mental health					
Clinical care	✓				
Psychiatric disability rehabilitation and support services	✓				

Exhibit 6.1: Department of Human Services Ministerial responsibilities *(continued)*

Output groups/outputs	Responsible Minister				
	Health	Community Services	Children	Aged Care	Housing
Primary and dental health					
Community health care	✓				
Dental services	✓				
Small rural services					
Small rural services – acute health	✓				
Small rural services – aged care				✓	
Small rural services – home and community care				✓	
Small rural services – primary health	✓				
Public health					
Health protection	✓				
Health advancement	✓				
Public health development, research and support	✓				
Drug services					
Drug prevention and control	✓				
Drug treatment and rehabilitation	✓				
Disability services					
Primary support		✓			
Community participation and inclusion		✓			
Individual support		✓			
Residential accommodation support		✓			
Information assessment and planning		✓			

Exhibit 6.1: Department of Human Services Ministerial responsibilities *(continued)*

Output groups/outputs	Responsible Minister				
	Health	Community Services	Children	Aged Care	Housing
Child protection and family services					
Statutory child protection services			✓		
Child protection specialist services			✓		
Placement and support services			✓		
Family and community services			✓		
Juvenile justice and youth services					
Juvenile justice custodial services			✓		
Community based services			✓		
Early years services					
Child health services			✓		
Kindergarten and child care services			✓		
Early childhood intervention services			✓		
Concessions to pensioners and beneficiaries					
Energy, water and municipal rates concessions		✓			
Trustee services		✓			
Aged and home care					
Aged care assessment				✓	
Aged support services				✓	
Aged residential care				✓	
HACC primary health, community care and support				✓	

Exhibit 6.1: Department of Human Services
Ministerial responsibilities *(continued)*

Output groups/outputs	Responsible Minister				
	Health	Community Services	Children	Aged Care	Housing
Housing assistance					
Homelessness assistance					✓
Long term housing assistance					✓
Home ownership and renovation assistance					✓

Source: Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, pp.34–35

6.2 Internal /external reviews

As part of the government's Integrated Management Cycle, the Ambulance Services Review was undertaken in conjunction with the Departments of Treasury and Finance and Premier and Cabinet in 2004-05.[1]

The review of ambulance services assisted with output and capital investment deliberations in this area by the Expenditure Review Committee of Cabinet as part of the 2005-06 budget process.[2]

The Committee was informed that the department continues to engage in processes to validate and review its performance measures.[3] The department participates in external reporting through the *Review of Commonwealth/State Service Provision's Annual Report on Government Services*.[4] Participation in this review provides the department with a basis for comparing the performance of Victorian health, community and aged care services with similar programs in other jurisdictions.[5]

In 2004-05, the department's output structure and performance measures were reviewed by the Department of Treasury and Finance and the Department of Human Services.[6] The objective of this review was to refine output structures to remove

1 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.16
2 ibid.
3 ibid. p.13
4 ibid.
5 ibid.
6 ibid.

ineffective or misaligned outputs to provide more integrated outputs and measures to better reflect the government's policy directions and desired outcomes.[7]

The review resulted in the adoption of a revised output structure of fewer outputs supported by an increased number of associated performance measures to provide a clearer indication of service performance and alignment with benchmarks in the relevant service areas.[8]

6.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $10,854.8 million, an increase of $675.9 million or 6.6 per cent on the estimated actual result for 2004-05.[9] Exhibit 6.2 provides a detailed budgetary breakdown.

Exhibit 6.2: Department of Human Services Output costs

Output groups/outputs	Column 1	Column 2	Column 3	Column (3-2)/2
	2004-05 Target	**2004-05 Estimated Actual**	**2005-06 Target (a)**	**Variation**
	($ million)	**($ million)**	**($ million)**	**(%)**
Acute health services				
Admitted services	n/a	n/a	4,461.5	n/a
Non-admitted services	n/a	n/a	750.8	n/a
Emergency services	235.0	227.6	252.7	(c) 11.0
Acute training and development	176.7	176.7	185.5	5.0
Sub-total (e)	**5,177.0**	**5,271.0**	**5,650.5**	**7.2**
Ambulance services				
Ambulance emergency services	n/a	n/a	303.3	n/a
Ambulance non-emergency services	n/a	n/a	60.2	n/a
Sub-total (e)	**318.9**	**340.9**	**363.5**	**6.6**
Mental health				
Clinical care	n/a	n/a	663.0	n/a
Psychiatric disability rehabilitation and support services	n/a	n/a	69.5	n/a
Sub-total (e)	**651.8**	**684.9**	**732.5**	**6.9**

7 ibid.
8 ibid.
9 Budget Paper No.3, *2005-06 Service Delivery*, p.67

Exhibit 6.2: Department of Human Services Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (a) ($ million)	Column (3-2)/2 Variation (%)
Aged and home care				
Aged care assessment	n/a	n/a	30.0	n/a
Aged support services	n/a	n/a	74.2	n/a
Aged residential care	n/a	n/a	218.9	n/a
HACC primary health, community care and support	n/a	n/a	408.3	n/a
Sub-total (e)	**678.6**	**695.8**	**731.4**	**5.1**
Primary and dental health				
Community health care	n/a	n/a	154.8	n/a
Dental services	n/a	n/a	125.2	n/a
Sub-total (e)	**258.4**	**262.3**	**280.0**	**6.7**
Small rural services				
Small rural services – acute health	173.0	178.5	194.2	8.8
Small rural services – aged care	78.8	87.5	91.4	4.5
Small rural services – home and community care	19.1	20.6	21.0	1.9
Small rural services – primary health	12.0	12.0	12.0	0.0
Sub-total (e)	**282.9**	**298.6**	**318.6**	**6.7**
Public health				
Health protection	n/a	n/a	126.6	n/a
Health advancement	n/a	n/a	44.9	n/a
Public health development, research and support	n/a	n/a	23.6	n/a
Sub-total (e)	**202.7**	**211.8**	**195.1**	**-7.9**
Drug services				
Drug prevention and control	n/a	n/a	22.1	n/a
Drug treatment and rehabilitation	n/a	n/a	88.8	n/a
Sub-total (e)	**104.4**	**107.2**	**110.9**	**3.5**

Exhibit 6.2: Department of Human Services Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (a) ($ million)	Column (3-2)/2 Variation (%)
Disability services				
Information assessment and planning	n/a	n/a	67.0	n/a
Primary support	n/a	n/a	111.1	n/a
Community participation and inclusion	n/a	n/a	182.2	n/a
Individual support	105.8	105.8	125.7	18.8
Residential accommodation support	n/a	n/a	501.6	n/a
Sub-total (e)	**910.4**	**926.0**	**987.6**	**6.7**
Child protection and family services				
Statutory child protection services	n/a	n/a	105.3	n/a
Child protection specialist services	n/a	n/a	40.5	n/a
Placement and support services	n/a	n/a	153.1	n/a
Family and community services	n/a	n/a	87.1	n/a
Sub-total (e)	**357.9**	**361.6**	**386.0**	**6.7**
Juvenile justice and youth services				
Juvenile justice custodial services	46.9	47.1	49.9	5.9
Community based services	n/a	n/a	54.2	n/a
Sub-total (e)	**93.8**	**94.2**	**104.1**	**10.5**
Early years services				
Child health services	n/a	n/a	77.6	n/a
Kindergarten and child care services	125.2	122.7	126.6	3.2
Early childhood intervention services	n/a	n/a	46.5	n/a
Sub-total (e)	**220.8**	**231.1**	**250.7**	**8.5**
Concessions to pensioners and beneficiaries				
Energy, water and municipal rates concessions	n/a	n/a	249.1	n/a
Trustee services	9.5	12.0	12.5	4.2
Sub-total (e)	**324.0**	**342.1**	**358.2**	**4.7**

Exhibit 6.2: Department of Human Services Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (a) ($ million)	Column (3-2)/2 Variation (%)
Housing assistance				
Homelessness assistance	107.1	108.2	112.9	4.3
Long term housing assistance	250.1	(d) 243.2	272.8	12.2
Home ownership and renovation assistance (b)	n/a	n/a	n/a	n/a
Sub-total (e)	**357.2**	**351.4**	**385.7**	**9.8**
Total	**9,938.8**	**10,178.9**	**10,854.8**	**6.6**

Notes: *(a) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting*[10]

(b) since 2002-03, this output has been funded by the Office of Housing[11]

(c) increase in 2005-06 output cost reflects additional funding provided for enterprise bargaining agreement outcomes, indexation for non salaries and policy initiatives including Hospital Futures and Health Workforce[12]

(d) reflects the net impact of reduction in expenditure due to the carry over of unspent appropriations between 2004-05 and 2005-06, and an increase in expenditure due to an adjustment to contributed capital[13]

(e) Budget Paper No.3, 2005-06 Service Delivery, p.67

n/a not applicable due to the consolidation of a number of outputs in 2005-06

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.67–100*

The Committee requested detailed explanations for output cost variations in excess of 10 per cent between the 2004-05 estimated actual and the 2005-06 target cost. Bearing in mind that 2004-05 output cost data was not available for all outputs following the restructure of the department's outputs[14] (see exhibit 6.2), the department, in confining its comments to that of output groups, indicated that the increase in the Juvenile justice and youth services output group was primarily due to additional funding associated with the new initiative to increase the age jurisdiction of the criminal division of the Children's Court from 17 to 18 years.[15] While comparative cost data was not available for all outputs in each of the five ministerial portfolios supported by the department, specific comment is included in the health section of this chapter on this issue.

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10 ibid., p.66
11 ibid., p.100
12 ibid., pp.69–70
13 ibid., pp.99–100
14 ibid., p.67
15 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.28

6.3.1 Departmental savings

As indicated in the budget papers, the department is required to find savings of $29.1 million in 2005-06.[16] The department advised that it will focus its savings on efficiency improvements, primarily at head office and corporate functions. The department advised its savings initiative will include: reduction in expenditure on consultants and contractors; centralise print, media and communication services; the non-filling of some head office and corporate positions as they become vacant; more consistent collection of fees; reduction in operating expenditure and reduction in non-recurrent or one-off grants.[17]

6.3.2 Financial analysis

(a) Operating performance

The Department of Human Services anticipated receiving $11,460.3 million in income for its controlled operations, around 5.5 per cent more than the expected outcome in 2004-05 (see exhibit 6.3). Estimated operating expenses of $11,433.2 for 2005-06 are anticipated to increase by 6.2 per cent compared to the expected outcome for 2004-05.

Exhibit 6.3: Department of Human Services Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	10,859.3	11,460.3	5.5
Expenses	10,763.3	11,433.2	6.2
Net result	**96.0**	**27.2**	**-71.7**
Administered items			
Administered income	3,040.6	3,147.4	3.5
Administered expenses	3,040.6	3,147.4	3.5
Income less expenses	**0.0**	**0.0**	**0.0**

Notes: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.68, 71

[16] Budget Paper No.3, *2005-06 Service Delivery*, pp.285–286

[17] Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, pp.32–33

The department provided the following explanations for major variations between the 2004-05 revised estimated actual results and the 2005-06 budget:[18]

- income from controlled operations:
  - Commonwealth grants increased from $85.5 million to $97.2 million or 13.7 per cent - the increase primarily relates to anticipated revenue increases of Commonwealth grants to Victorian public hospitals for the expansion of the Pharmaceuticals Benefits Scheme (PBS) and the cost of the Chemotherapy Access Program (CAP) that provides chemotherapy pharmaceuticals to patients on discharge. In 2005-06 there is expected to be a greater number of hospitals participating in the PBS and CAP schemes;
- expenses from controlled operations:
  - Depreciation and amortisation increased from $275.8 million to $310.5 million or 12.6 per cent - the increase is due to the growing asset stock held by the department and public hospitals as a result of the Approved Asset Investment program, and the impact of asset revaluations; and
  - Capital asset charge increased from $427.4 million to $482.8 million or 13 per cent - the increase is due to the growing asset stock held by the department and public hospitals as a result of the Approved Asset Investment program, and the impact of asset revaluations.

In explaining the estimated surplus of $27.2 million for 2005-06, the department advised the Committee that the operating result was determined by the following factors, which are also described in exhibit 6.4:[19]

- the provision of revenue in 2004-05 to fund the shortfall of gambling revenues in 2002-03;
- the transfer of employee entitlement balances to the Department for Victorian Communities (DVC) relating to the Office of Senior Victorians, which transferred to DVC on 1 July 2004;
- the utilisation of revenue earned in prior years to complete projects and services;
- increase in revenue for amortisation of finance leases associated with the Casey Community Hospital and motor vehicle leases;
- the recognition of additional insurance claims liabilities relating to medical claims incurred but not yet reported; and

[18] ibid., pp.20–21
[19] ibid., p.23

- hospital revenue from bequests, donations and special purpose grants from the private sector used to purchase assets.

Exhibit 6.4: Department of Human Services Breakdown of operating result 2004-05 and 2005-06

	2004-05 Budget ($ million)	2004-05 Revised ($ million)	2005-06 Budget ($ million)
Revenue to cover shortfall in gambling receipts	107.3	107.3	n/a
Transfer of employee entitlement balances to Office of Senior Victorians	n/a	-0.7	n/a
Spending of revenue earned in prior year	n/a	-7.6	n/a
Asset sale proceeds	-3.8	-3.8	-3.8
Amortisation of finance leases	3.3	3.3	7.1
Insurance claim liabilities	n/a	-26.4	n/a
Revenue received by hospitals and used for asset purchases (a)	23.8	23.8	23.8
Operating Surplus/ (Deficit)	**130.6**	**96.0**	**27.2**

Note: (a) The level of revenue that hospitals receive from bequests, donations and special purpose grants from the private sector varies year on year. Analysis over a number of years indicates that a budget estimate of $23.8 million was an appropriate estimate for the 2004-05 Budget, the 2004-05 Revised Budget and the 2005-06 Budget. These budget estimates will be reviewed in the next budget update for any changes in the actual level of revenues received in the 2004-05 financial year.

Sources: Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.24 and Department of Human Services, response to the Committee's additional follow-up questions, received 10 October 2005

(b) Balance sheet position

Exhibit 6.5 shows that the department's net asset position is expected to improve by $434 million from the position at 30 June 2005 ($4,742.8 million) compared to the position at 30 June 2006 ($5,176.8 million) for its controlled operations. This reflects a projected increase in total assets of $539.3 million and an increase in liabilities of $105.3 million over this period.

Exhibit 6.5: Department of Human Services
Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (%)**
Controlled items			
Assets	7,317.1	7,856.4	7.4
Liabilities	2,574.3	2,679.6	4.1
Net assets	**4,742.8**	**5,176.8**	**9.2**
Administered items			
Administered assets	114.9	114.9	0.0
Administered liabilities	108.5	108.5	0.0

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.70–71

The department provided the following explanations for major variances in controlled items between the 2004-05 revised estimated actual results and the 2005-06 budget:[20]

- controlled assets:
  - current receivables increased from $304.1 million to $361.4 million or 18.8 per cent - the increase represents the non-cash portion of the long service leave entitlements payable to staff employed in the human services sector. This amount is paid to public hospitals when the cash is required;
  - non-current receivables increased from $493.4 million to $551.9 million or 11.9 per cent - the increase primarily represents the settlement in the 2005-06 budget of advances for the Austin Hospital and the Royal Women's Hospital Redevelopment Projects; and increased employee entitlements for staff employed in the human services sector;
- controlled liabilities:
  - current interest bearing liabilities increased from $13.8 million to $17.4 million or 26.1 per cent - the increase relates primarily to the recognition of the whole of government motor vehicle leasing arrangements.

The Committee noted that net assets increased from $4,742.8 million (2004-05 revised estimated actual) to $5,176.8 million (2005-06 budget), an increase of $434 million or 9.2 per cent. (see exhibit 6.5) An increase in the non-current asset item *Property, plant and equipment* of $419.5 million or 7.5 per cent between the estimated actual for

[20] ibid., pp.25–26

2004-05 of $5,573.3 million and the 2005-06 budget of $5,992.8 million was a major factor contributing to the increase in net assets.[21]

6.3.3 Carry over funding

The department advised the Committee that the estimated carry over of funding from 2004-05 into 2005-06 to be $59.5 million for outputs and $45 million for additions to the net asset base (re: capital funding).[22]

The breakdown of the funding carried forward among state and Commonwealth funded programs is as follows:[23]

- provision of outputs:
  - State funded programs $51.7 million
  - Commonwealth funded programs $7.8 million
- additions to net asset base:
  - State funded programs $31 million
  - Commonwealth funded asset programs $14 million[24]

The department advised that the carry over output funds relate to activities whose implementation was delayed in 2004-05.[25] Carry over funding consists primarily of funds for affordable housing initiatives spanning two years involving partnership with the private and not-for-profit sectors, where an expression of interest process was being completed and projects were scheduled to commence later in 2005.[26]

The carry over of asset funding relates to revisions to the cash flow forecast of the Asset Investment program in 2004-05, and will be used to complete or continue these projects in 2005-06.[27]

6.3.4 Trust funds

The department operates 11 trust accounts. For its three largest trust accounts, the department expects that the income received during 2005-06 will be fully expended in the same year.[28] Estimated income and expenses for the Hospitals and Charities Fund,

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21 ibid., p.25
22 ibid., p.28
23 ibid., p.28
24 Department of Human Services, response to the Committee's additional follow-up question, received 7 September 2005
25 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.28
26 ibid.
27 ibid.
28 ibid., p.29

the Mental Health Fund and the Victorian Health Promotion Fund during 2005-06 amounted to $6,146.9 million, $91.6 million and $29.4 million respectively.[29]

The Committee was interested in identifying the controls in place to ensure monies expended from trust funds are used for the intended purpose. The Committee was advised that the department uses a number of methods to control expenditure, including:[30]

- establishing unique charging codes through the chart of accounts;
- allocating budgets and financial reports to officers responsible for the management of trust funds;
- devolving financial delegations to managers responsible for incurring expenditure against trust funds; and
- internal accounting control mechanisms in line with government funds management requirements.

6.4 Human resources issues

Based on information provided by the department, there will only be a marginal increase of 0.5 per cent in the estimated equivalent full-time staff at 30 June 2005 (and 30 June 2006) of 11,129 compared to 30 June 2004 of 11,073.[31] The Committee noted that, in comparison to the position at 30 June 2000, the department's equivalent full-time staff complement rose by 1,665 or 17.6 per cent from 9,464 to 11,129.[32] The Committee recognises, however, that various changes to departmental responsibilities over time impact on staffing numbers.

The Committee was advised that in line with government policy, the department will adjust staffing levels to meet service delivery and associated support requirements as the need arises.[33] The Committee understands that at May 2005, the department was assessing the impact of the 2005-06 budget on staffing requirements and determining the required adjustments to internal and externally delivered services.[34]

29 ibid.
30 ibid., p.30
31 ibid., pp.18–19
32 Public Accounts and Estimates Committee, *Report on the 2001-02 Budget Estimates*, November 2001, p.243
33 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.19
34 ibid.

Review of portfolios

6.5 Aged Care portfolio

6.5.1 Performance measures

The changes to the existing performance measures for outputs in the Aged Care portfolio, involved four discontinued measures associated with restructuring of the Aged and home care and the Small Rural Services[35] output groups.[36] Expected outcomes for these measures in 2004-05 are in line with budget expectations.[37]

A number of performance targets were revised for 2005-06 with some of the more significant changes being:[38]

- the Aged Support Services output – *Aged care service delivery* (measured in aged care units) increased by 4.6 per cent, and *Personal alert units allocated* increased by 12 per cent from the expected outcome for 2004-05;
- the Small Rural Services – Aged Care output – *Rural health service delivery* (measured in rural service units) increased by 10.1 per cent, and *Bed days in high care places* increased by 10.2 per cent from the expected outcome for 2004-05; and
- the Small Rural Services - Home and Community Care output – *Rural health service delivery* (measured in rural service units) increased by 25.6 per cent, and *Home and community care service delivery* (measured in HACC community service units) increased by 25.7 per cent from the expected outcome for 2004-05.

(a) Use of service units as a measure of performance

During the 2004-05 Budget Estimates hearings, the Committee sought information from the Department of Human Services on the method underpinning the use of service units as a measure of performance. In its *Report on the 2004-05 Budget Estimates*, the Committee recommended that the Department of Human Services include additional information alongside existing measures in the budget papers and in

35 The Minister for Aged Care has responsibility for the Small Rural Services – Aged Care, and the Small Rural Services – Home and Community Care outputs
36 Budget Paper No.3, *Service Delivery 2005-06*, p.369
37 ibid.
38 Budget Paper No.3, *Service Delivery 2005-06*, pp.75, 79–80

its annual report to supplement the use of 'service units' to allow for a more comprehensive assessment of the quantity and quality of service delivery.[39]

The government's response to the Committee's report indicated that the department was reviewing performance measures relating to the use of 'service units' and that changes would be considered for 2005-06 and 2006-07.[40]

The Minister for Health advised the Committee that the department conducted a review of service units and the major findings of the review were:[41]

- service units measure service effort where a diverse range of standardised services and prices are contained within an output and take into account throughput as well as complexity in representing service volume, to provide a more complete view of service provision;
- the use of service unit measures for service provision activities that are block funded, such as service system resourcing units, should be discontinued and more appropriate forms of accountability for such activities should be considered;
- supplementing service unit performance measures with additional quantity measures would better represent service delivery; and
- business rules should be developed to support consistent use and implementation of service units.

The Minister also advised that work has already commenced on the above findings, with the service system resourcing units now deleted from outputs for 2005-06. The remaining work is expected to be reflected in the 2006-07 Budget Papers.[42]

The Committee welcomes the Minister's advice on the department's review of service units and the action taken for 2005-06 outputs. It looks forward to assessing the results of the remaining work.

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39 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.286

40 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled May 2005, p.34

41 Hon. B Pike, MP, Minister for Health, response updating the position on a matter raised during the Committee's 2004-05 Budget Estimates inquiry, received 19 July 2005

42 ibid.

6.5.2 Key issues affecting the portfolio

(a) Funding arrangements for the Home and Community Care program

During its 2004-05 Budget Estimates inquiry, the Committee addressed the funding arrangements in place between the federal government and Victoria for the Home and Community Care (HACC) program. The Committee's report from that inquiry identified this program as Victoria's principal source of funding for services supporting frail aged people and people with disabilities living at home.[43] The report also identified that funding for the program was drawn from a number of sources including the Commonwealth Government, the state government, local government and user fees, and referred to the significant unmatched additional contributions made by Victoria in recent years.[44]

(i) Status of negotiations on a new HACC funding agreement

During the 2005-06 Budget Estimates process, the Minister informed the Committee that Victoria expected to provide additional HACC funding of $51.2 million to meet the shortfall in 2005-06.[45]. The Minister explained the implications of this additional unmatched component of Victoria's HACC funding:[46]

> *…it is unfortunate that the people of Victoria are almost penalised from Commonwealth payments because of that level of investment. Because we have a certain baseline within home and community care in Victoria, it is primarily inflated because of the state-only investment. There is an equalisation formula that applies from Commonwealth payments that means that our growth rate is less in Commonwealth payments than it otherwise would be. That is an extraordinary proposition.*

The Committee sought information on the extent of progress that had been made in renegotiating the HACC agreement with the federal government.

The Minister advised that:[47]

> *State and territory officials are engaged in informal discussions with officials from the Commonwealth Department of Health and Ageing,*

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43 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.286–288

44 ibid.

45 Mr G Jennings, MLC, Minister for Aged Care, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.5

46 ibid., p.9

47 Mr G Jennings, MLC, Minister for Aged Care, response to the Committee's follow-up questions, received 19 July 2005, p.10

reviewing the existing Home and Community Care (HACC) Amending Agreement and considering the form of a new HACC Agreement.

As the Commonwealth Minister for Ageing has not formally engaged state and territory Ministers to renegotiate the HACC Agreement, the views expressed by state and territory officials are without prejudice to the final position adopted by the Victorian government or any other jurisdiction.

In addition to this, joint work is proceeding between Commonwealth, state and territory officials to develop proposals to improve access to community care services arising from the Commonwealth Minister for Ageing's community care reforms. Three working groups are in place, chaired by Victoria, Western Australia and Queensland to advance this work. The working groups' work programs are set to January 2006, with the expectation that reforms will be implemented over the following two to three years, subject to state and territory governments' agreement.

In October 2005, the Committee was advised that the Agreement is still subject to negotiation with the federal government and will not be completed until after COAG has met in February 2006.[48]

The Committee is mindful of the continuing high level of annual unmatched funding that Victoria has deemed necessary to meet its obligations to deliver HACC services. The magnitude of this financial commitment reinforces the need for a renegotiated HACC agreement, which is more receptive to the state's needs, to be in place at the earliest possible time.

The Committee considers it important, therefore, that the government continue to actively lobby the federal government to commence formal negotiations with the states and territories on an amended HACC agreement.

The Committee recommends that:

Recommendation 17: **The Victorian Government continue its liaison with the federal government to bring about early formal negotiations with the states and territories on an amended Home and Community Care agreement.**

[48] Department of Human Services, response to the Committee's additional follow-up question, received 26 October 2005

(ii) Application of Victoria's annual unmatched HACC funding

The rising level of Victoria's annual unmatched HACC funding (which will be more than $50 million in 2005-06) prompted the Committee to seek information on how the unmatched funds are applied, and the performance measures in place to assess HACC services.

The Minister advised that Victoria's unmatched contribution to the HACC program of $47.3 million in 2004-05 was allocated in the following manner:[49]

- $31.2 million for service expansion;
- $12.8 million to cover costs over and above those allowed by the Commonwealth's rate of indexation; and
- $3.3 million to improve transport infrastructure and to develop services.

The Minister explained to the Committee about the use of the service expansion component of the unmatched funding:[50]

> *The particular areas I want to draw attention to are inequity, in trying to address the historical inequity in the way in which HACC services were provided on a geographic basis across Victoria and the way in which we can start to try to turn that around. In the last year significant use was made of unmatched money to provide for more equitable outcomes, in particular the northern and western suburbs of Melbourne that proportionately were under-represented.*
>
> *There was a great under investment in historical terms into certain communities geographically based in those subgroups, but also compounded in some instances by a cultural bias to the program. There was a significant under representation of people from culturally and linguistically diverse backgrounds who received home and community care, and we tried to address that as well through a significant investment of $6 million over three years to introduce a program known as Cultural Equities Gateway, to try to improve the participation of older members of our community, particularly from those diverse backgrounds, who are receiving care. As it turns out, the geographic overlay of that, and the equity money, has meant that there has been significant support given to councils such as Hume, Whittlesea, Brimbank, Melton and Wyndham in the north and west, and Casey, Greater Dandenong, Frankston and Mornington Peninsula in the south-east. There happens to be a very high overlay of disadvantage and diversity in those*

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49 Mr G Jennings, MLC, Minister for Aged Care, response to the Committee's follow-up questions, received 19 July 2005, p.10

50 Mr G Jennings, MLC, Minister for Aged Care, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.9

communities, but we have now been able to achieve more equitable outcomes through the distribution of state-only money.

On the nature of performance measures used to assess the delivery of services funded by the unmatched contributions, the Minister advised that the funds used for service expansion will be measured using HACC community service units and rural service units.[51] These measures equate with those used for services financed by the combination of Commonwealth and state funds provided under the HACC agreement.

The Committee considers that it would be beneficial for the department to supplement performance measurement information for unmatched HACC funding with:

- a comparison of actual against planned annual service expansion brought about through the use of the extra funding; and
- periodic qualitative data reflecting users' feedback on the extent to which the expanded services have met their needs.

The Committee considers, that this additional performance information would enhance accountability for the use of the funds. It would also highlight the predicament faced by the state of having to address a growing demand for HACC services with costs well in excess of funds available under the Commonwealth-State agreement.

The Committee recommends that:

Recommendation 18: **The Department of Human Services widen its performance information on the use of unmatched Home and Community Care funding to provide more specific information on service expansion outcomes and qualitative user feedback.**

(b) Land tax relief

A key revenue initiative announced in the 2005-06 Budget relating to the Aged Care portfolio is a land tax exemption for aged care facilities and supported residential services. This exemption will apply from 1 January 2004 with a refund available to any facility that paid land tax during 2004 or 2005.[52] The cost of this initiative, in terms of lower revenue to the state, is expected to be $30 million over 5 years.[53]

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51 Mr G Jennings, MLC, Minister for Aged Care, response to the Committee's follow-up questions, received 19 July 2005, p.10

52 Budget Paper No.3, *2005-06 Service Delivery*, pp.318, 320

53 ibid., p.318

Prior to the budget exemption, some private sector providers had been paying land tax, while others had been exempted as falling within the definition of 'retirement village'. Not-for-profit facilities run by charities, the state government or local government were exempt from land tax.

The Committee was interested to learn of the expected outcomes from this initiative such as the number of additional aged care residential places that will be provided or the level of improvements in the quality of care.

The Minister provided the following information:[54]

> *Exemption from land tax is an important initiative that will have strongly beneficial effects on residential aged care facilities, supported residential services and rooming houses.*
>
> *Removal of the land tax will assist existing operators by improving service viability and allowing them to add value to services and the quality of care. Removal of the tax from those aged care operators that were affected by the tax provides equity between providers.*
>
> *Supported Residential Services are privately operated businesses that accommodate and provide support services for both low-income and high-income people and meet the needs of some of the most disadvantaged people in our community.*
>
> *Prices for Commonwealth funded residential care are regulated, precluding operators from increase revenues in the face of rising operating costs. Accordingly, the reduction in operating expense brought about by removal of the tax will be welcome and will assist operators to maintain and improve services. The Commonwealth also controls the number of aged care places available, together with quality of care so the tax initiative will not directly affect those matters. However, it will make it more viable for operators to establish or remain in high land value areas (such as the inner city) and therefore better meet needs.*

The Committee recognises that this revenue initiative could be expected to improve the attractiveness of Victoria as a location for private sector or not-for-profit providers to expand existing aged care facilities or establish new facilities. It will be important for the department to progressively monitor the impact of the initiative in residential aged care facilities and supported residential services and communicate information on outcomes to Parliament.

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[54] Mr G Jennings, MLC, Minister for Aged Care, response to the Committee's follow-up questions, received 19 July 2005, p.8

The Committee recommends that:

Recommendation 19: **The Department of Human Services monitor the impact of land tax exemptions on the Aged Care portfolio and include information in its annual report on the outcomes.**

(c) Public sector residential aged care policy

The Minister signalled the government's future directions for public provision of residential aged care services in October 2004 in the statement *Public sector residential aged care policy*.[55]

At the estimates hearing, the Minister informed the Committee that:[56]

> *We are wanting to make sure that we are committed to continual clinical improvement in terms of the quality of care that we provide, and we have a number of strategies and measures in place designed to support ongoing improvement in the quality of care. Also very significantly in the last year we have embarked on an extensive analysis of the business management practices within public sector residential aged care and the viability of the sector. We have spent a lot of time with chief executive officers and boards trying to make sure that there is a tight business regime operating within their facilities.*

The statement expands on the various initiatives that will be pursued to implement the policy.[57] The policy indicates, for example, that the initiatives aim to build a quality of care focus into the strategic management and day-to day operation of public sector residential aged care facilities, strengthening the commitment to continuous improvement.[58]

Implementation of the policy also incorporates service planning, infrastructure development, financial sustainability, governance and reporting, workforce development, and research and evaluation.[59] The concluding paragraphs regarding the

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55 Department of Human Services, *Public sector residential aged care policy: The Victorian Government's role in residential aged care services*, October 2004, www.health.vic.gov.au/agedcare/resicare accessed 21 September 2005

56 Mr G Jennings, MLC, Minister for Aged Care, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.8

57 Department of Human Services, *Public sector residential aged care policy: The Victorian Government's role in residential aged care services*, October 2004, www.health.vic.gov.au/agedcare/resicare accessed 21 September 2005, pp.18–26

58 ibid., p.18

59 ibid., pp.21-26

development and communication of the policy confirms the government's intention to continue its major role in the provision of residential aged care.[60]

The budgeted outlays in 2005-06 for the provision of public sector residential aged care services amount to $310 million and comprise $218.9 million allocated under the output Aged residential care output and $91.1 million of the amount of $91.4 million allocated under the output Small Rural Services – Aged Care output.[61]

While some of the initiatives addressed in the policy are amenable to performance measurement (such as the quality of care indicators which require formulation of relevant targets), many others are expressed in terms of intended future actions, with little indication of how their implementation is to be monitored and measured.

The Committee considers the broad range of actions that will occur in implementing the policy should be accompanied by a well-developed performance measurement and reporting framework so that information is progressively available to Parliament on the level of achievement of the policy's intended outcomes. The Department of Human Services should also ensure that the framework incorporates appropriate measurement data for each of the policy's improvement strategies, so that the effectiveness of the directions can be readily assessed.

The Committee recommends that:

Recommendation 20: **The Department of Human Services establish performance information to supplement the public sector residential aged care policy and to enable external reporting on the policy's effectiveness in meeting intended outcomes.**

6.6 Children portfolio

The budget identifies funding for new output initiatives identified in the policy *A Fairer Victoria* which was released in 2005.[62] These include:

- Putting Children First – A total of $101.8 million over the four years to 2008-09 with $20.1 million allocated for 2005-06. The funding is provided to improve child and family support services in Victoria; and
- Change to Age Jurisdiction in the Children's Court – A total of $24.5 million is provided over four years to 2008-09 with $6.3 million allocated for 2005-06.

60 ibid., p.27
61 Budget Paper No.3, *2005-06 Service Delivery*, p.76, 79; Department of Human Services, email, received 29 August 2005
62 Budget Paper No.3 *2005-06 Service Delivery*, pp.270–274

6.6.1 Performance measures

The department has introduced a new timeliness measure *'Percentage of notifications requiring an immediate response visited within two days'* to replace the 2004-05 measure *'Investigations commencing within 14 calendar days of notification'* in relation to the Statutory Child Protection Services output. The Committee endorses comments contained in the budget papers that the new measure is an improvement on the 2004-05 measure by concentrating on all notifications requiring an urgent response.[63]

The Committee considers that the performance measures contained within the Statutory Child Protection Services, Child Protection Specialist Services and Placement and Support Services outputs are of a high standard and should be regarded as exemplars for other agencies.

However, the Committee is of the view that the quality measures contained in the budget papers for other output groups could be improved such as the Juvenile Justice and Youth Services output group. The Committee considers that the participation rates for pre-release and post release support activities are more a measure of the level of client involvement in activities rather than a measurement of the quality of services delivered.[64]

The existing budget performance measures could be improved by including:

- completion rates for key programs as specified in the client service plan;
- reference to the department's duty of care responsibilities to clients; and
- recidivism rates.

In the case of the Family and Community Services output within the Child Protection and Family Services Output Group, which covers family support, parenting, family violence support and sexual assault support services, no quality measures were contained in the budget papers.[65]

The Committee recommends that:

Recommendation 21: **The Department of Human Services, in conjunction with the Office of Children, conduct an across-the-board review of existing performance measures, to ensure a greater focus on outcomes and critical areas of responsibility.**

63 ibid., p.91
64 ibid., pp.92–93
65 ibid., p.90

6.6.2 Key issues affecting the portfolio

(a) Juvenile justice system

(i) Reporting and monitoring incidents and client profiles

Victoria maintains dual track juvenile justice and adult corrections systems where young offenders who, at the time of sentencing are under the age of 21, can be sentenced by courts to detention within the juvenile justice system.[66]

During the estimates hearing, the Secretary of the Department of Human Services commented that there appears to be a more difficult group coming into juvenile justice facilities.[67] In addition, both the Baird and Falconer reviews (see below) reported that juvenile justice centre management and staff and the Department of Human Services believed there was a higher proportion of the more serious offenders entering the juvenile justice system.[68]

The 2005-06 Budget includes funding for additional services such as rehabilitative services to implement the government's commitment to increase the age limit of the Children's Court from 17 to 18 in order to divert young people from the adult criminal justice system.[69] While the Committee supports the thrust of this initiative, the extent to which this increases the proportion of the more difficult to manage offenders entering the juvenile justice system should be closely monitored.

Despite fewer people being sentenced to detention, the Committee is aware that between 2002-03 to 2003-04, the rate of serious incidents in the three juvenile justice centres increased 45 percent from 1012 to 1472. Specifically, it was noted that:[70]

- aggressive behaviour had increased 362 per cent (29 to 134);
- possession of illegal drugs and syringes had increased by 105 percent (82 to 168); and
- possession of arms/dangerous goods increased by 82 per cent (22 to 40).

This level of increase suggests there is a prima facie case that juvenile justice centres are dealing with more difficult clients although this information is dependent on the accuracy of the recording and categorisation of incidents. The Minister reported that

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66 Hon. C Campbell MP, Minister for Community Services, Ministerial Statement, A *Balanced Approach to Juvenile Justice in Victoria*, August 2000, p.2

67 Ms. P Faulkner, Secretary, Department of Human Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.5

68 G Baird, *Malmsbury Independent Review*, 4 September 2000, p.9; B Falconer, *Review of the Security of Leave Provisions in Juvenile Justice Centres*, 28 October 2004, pp.36–38

69 Budget Paper No.3, *2005-06 Service Delivery*, p.270, 272

70 *The Age* newspaper, 6 June 2005, p.1

total recorded incidents for 2004-05 are expected to decrease by 8 per cent and incidents of assault by 20 per cent.[71]

The Committee supports introducing a robust management reporting framework to allow for the systematic recording and analysis of incidents. The Committee also supports the introduction of a quality assurance program to provide safeguards over the completeness and accuracy of this information thereby providing a degree of assurance to management that any decisions made in response to this information have a sound evidential basis. In addition, a formal monitoring program to assess the future impact of the increase in the age jurisdiction of the criminal division of the Children's Court from 17 to 18 years should be introduced.

Finally, having well supported and targeted client programs in place to meet the needs of offenders becomes even more important with a difficult to manage client population. The Committee has recommended that the department introduce an annual program of audits covering the custodial component of the juvenile justice system. The effectiveness of client programs should form an integral part of this audit program.

The Committee recommends that:

Recommendation 22: **The Department of Human Services:**

(a) introduce a management reporting framework for the custodial component of the juvenile justice system to allow for the systematic analysis of incidents and the implementation of an appropriate policy and program response;

(b) develop a quality assurance program to safeguard the integrity of incident reporting information; and

(c) closely monitor the effects of the increase in the age jurisdiction of the criminal division of the Children's Court (from 17 to 18 years) on the number and type of offenders entering the juvenile justice system.

[71] Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2005, p.8

(ii) Risk based assessment of resourcing of juvenile justice centres

The Minister advised that the cost of running the three juvenile justice facilities and the number of clients accommodated are as follows:

Exhibit 6.6: Cost of managing facilities and number of clients accommodated 2002-03 to 2004-05

	2002-03 Actual no. accommodated in each unit	2002-03 Cost of running facility (a) ($ million)	2003-04 Actual no. accommodated in each unit	2003-04 Cost of running facility (a) ($ million)	2004-05 Actual no. accommodated in each unit (b)	2004-05 Cost of running facility (a) (c) ($ million)
Melbourne Juvenile Justice Centre	67.9	13.3	47.4	12.1	37.9	11.7
Malmsbury Juvenile Justice Centre	63.5	10.2	72.5	11.2	78.4	11.2
Parkville Youth Residential Centre	24.5	4.7	18.2	4.6	15.5	4.5

Notes: *(a) The figures in the above table include on-costs and WorkCover expenses*

(b) The figures for 2004-05 are at 30 June 2005

(c) 2004-05 expenditure has not yet been finalised

Source: *Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2005, p.6*

In relation to the increase in the age limit, the Minister has flagged the need for additional custodial and program workers within the custodial component of the system and case and program workers for the community-based component.

The Committee was advised that four additional staff have been rostered onto the evening shift at Malmsbury in light of a recent assault on a client and an additional senior forensic psychologist position has been advertised.[72]

The Committee considers it is important from a duty of care perspective that the department undertakes a risk-based resourcing review of the three custodial juvenile justice centres to ensure staff have the capacity and capability to effectively supervise offenders with challenging behaviour as well as manage the facility. This review should take into account the results from the analysis of the reporting of incidents and the effects of the increase in the age limit of the Children's Court.

[72] Ms G Callister, Executive Director, Office for Children, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.2

The Committee recommends that:

Recommendation 23: **The Department of Human Services conduct a resourcing review of juvenile justice facilities that takes into account the risks posed by the type of client in the system as well as the impact of the changed age limit of the Children's Court on the client profile.**

(iii) Need to establish independent program of audits

The Committee is aware that a number of independent reviews have been commissioned into the juvenile justice system:

- a review of Malmsbury Juvenile Justice Centre (September 2000) conducted by external consultant Graeme Baird investigated serious allegations concerning the operations of the Centre. Some of the findings of the review were that a culture of intimidation existed, staff turned a blind eye to marijuana smoking, staff had abdicated their responsibilities, there was a huge increase in staff assaults and there was poor TAFE attendance by clients;[73]
- a review of the Melbourne Juvenile Justice Centre and the Parkville Youth Residential Centre (May 2001) by Graeme Baird. The review found that a poor level of operational performance existed at the Melbourne Juvenile Justice Centre with very high levels of staff turnover both at management and non-management levels and chronic absenteeism. The review also found that the approach of juvenile justice's to rehabilitation involving a casework/ relationship model, which uses mediation and negotiation to control clients, was inadequate, with poor skill levels of staff implementing the model and a lack of adequate resources to support implementation; and[74]
- a review of the Security of Leave Provisions in Juvenile Justice Centres conducted by Bob Falconer (October 2004), the catalyst for which was the escape from escort of a juvenile justice client while receiving hospital treatment. While the review specifically covered the review of leave programs, it was critical of the failure to refer issues of assaults and damage to property by juvenile justice clients to police.[75]

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73 G Baird, *Malmsbury Independent Review*, 4 September 2000, p.2
74 G Baird, *Ministerial Review - Parkville Juvenile Justice Precinct*, May 2001
75 B Falconer, *Review of the Security of Leave Provisions in Juvenile Justice Centres*, 28 October 2004

In relation to the case where a client was assaulted four times in less than two months, the Committee is aware of a media report that indicated that County Court Judge Peter Gebhardt repeated earlier criticisms of the Department of Human Services' handling of clients in the juvenile justice system.[76]

The Committee believes that investigations into serious incidents or allegations as described above should not obviate the need for a proactive and ongoing monitoring and audit system. This is particularly the case for the custodial component of the juvenile justice system given the problematic nature of clients held in detention and the department's duty of care responsibilities to these clients.

The Committee supports the development of an annual audit program initially covering Malmsbury Juvenile Justice Centre, Melbourne Juvenile Justice Centre and Parkville Youth Residential Centre. The Committee suggests that the audit program:

- focus on key areas such as security, client management (including intake assessment and ongoing case management), programs and emergency management, the provision of services such as food and accommodation/ infrastructure as well as the overall operational and strategic management of these centres;
- provide for centres to be examined annually by an expert independent internal or external review group; and
- include the conduct of post-implementation audits to assess the level of improvement flowing from the centre's response to the initial audit.

As highlighted above, the May 2001 Baird review detailed significant concerns with the implementation of rehabilitation models within the juvenile justice system. The Committee considers the suggested audit program should particularly evaluate the extent to which existing rehabilitation models/ programs are based on best practice in accordance with the latest research and make recommendations on how to bridge the gap between current practice and best practice. The Committee also favours setting targets for reductions in recidivism (e.g. the reduction of an offender's involvement in serious incidents). The achievement of these targets would then be subject to examination over time as part of the proposed post-implementation audit process. If rehabilitation programs are implemented successfully, they have the potential to make Victoria a safer place as well as to improve the lives of young offenders.

In summary, the Committee believes the proposed audit program would provide a proactive approach to anticipating and dealing with concerns as well as being a vehicle for continuous improvement. It would also provide a degree of public confidence that there was independent oversight of the operations of these centres.

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[76] *The Age* newspaper, 6 June 2005, p.13

The Committee will take up with the Auditor-General the potential to include a performance audit of the juvenile justice system during consultation on the Audit Office's annual plan for 2006-07.

The Committee recommends that:

Recommendation 24: **The Department of Human Services undertake independent annual audits of key aspects of the management and operation of juvenile justice facilities.**

(iv) Conducting strategic workforce assessment

The Auditor-General performance audit *Meeting our future Victorian Public Service workforce needs* examined seven private and public sector organisations considered to be at the leading edge of best practice. These organisations gave priority to articulating their business purpose and strategic directions and defining the necessary values, cultural fit, and capabilities against which staff were recruited and promoted to achieve these directions.[77]

The May 2001 Baird report in particular identified high levels of absenteeism and staff turnover and the practical difficulties of recruiting and retaining staff with the necessary capabilities to effectively operate within a detention environment that requires the ability to, for example:[78]

- adequately control clients; and
- negotiate and mediate with clients exhibiting challenging behaviour.

Notwithstanding these difficulties, the Committee believes it is important to undertake a formal analysis by:

- identifying the key strategic directions for juvenile justice and associated workforce implications;
- examining the specific set of juvenile justice centre workforce capabilities and degree of organisational cultural fit required to achieve these directions;
- assessing the existing workforce in terms of these capabilities and level of cultural fit; and
- conducting a gap analysis between the preferred and existing workforce capabilities and cultural fit and progressing addressing this gap.

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77 Victorian Auditor-General's Office, *Meeting our future Victorian Public Service workforce needs*, December 2004, pp.35–43

78 G Baird, *Ministerial Review Parkville Juvenile Justice Precinct*, May 2001, pp.8, 20, 29

In conducting the above analysis, the Committee's view is that the department should particularly consider the degree to which the workforce profile takes into account the diversity of offenders at the juvenile justice centres.

The Committee believes this approach will allow management to progressively look at how it manages and develops its existing workforce, the extent and pace of change that is necessary and feasible and what additional strategies are needed.

The Committee recommends that:

Recommendation 25: **The Department of Human Services conduct a strategic workforce analysis aimed at addressing any gap between preferred and actual workforce capabilities, including the degree to which the workforce profile takes into account the diversity of offenders at the juvenile justice centres.**

(b) Child Protection

(i) Further monitoring and assessment of key aspects of innovation projects

Twelve innovation projects had commenced at the end of 2004. In 2002-03, eight projects were funded (including 2 indigenous projects) and a further four projects funded (including 2 indigenous projects) in 2003-04. These projects constituted 5.5 per cent of the total child protection budget.[79]

A Fairer Victoria provides an additional $21.4 million over four years to increase the number of community-based family support innovation projects with an additional 12 projects to be funded. These projects involve child protection workers and community-based agencies working closely together to provide assistance and support to families in a proactive sense before children are placed in danger. [80]

Specifically, the aim of the projects is to:[81]

- reduce child protection demand by diverting a significant proportion of families currently notified to child protection to community-based services; and
- minimise progression of families into the child protection system, thereby reducing the growth in demand for high cost out of home care services.

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79 La Trobe School of Public Health, Interim Stage 2 Report to the Department of Human Services, *Innovations Projects Evaluation*, December 2004, p.6

80 Victorian Government, *A Fairer Victoria, Creating opportunity and addressing disadvantage*, April 2005, p.18

81 La Trobe School of Public Health, Interim Stage 2 Report to the Department of Human Services, *Innovations Projects Evaluation*, December 2004, p.6

The La Trobe University School of Public Health was commissioned by the Department of Human Services in September 2003 to conduct an evaluation of these projects. Two interim reports have been produced with a final evaluation report scheduled for November 2005.[82] In summary, the second interim report found that:[83]

> *If all of the round 1 projects are compared year to year for these periods, it is found that 4.1 per cent reduction in notifications was achieved i.e. 4 times the 1.1 reduction achieved for the non-Innovations benchmark areas… For substantiation data innovations projects achieved a reduction of 10.7 per cent in substantiations compared with benchmark areas of 6.0 per cent.*

The Committee noted that:[84]

- some indigenous projects had less favourable results with significant percentage increases in substantiations for Greater Shepparton and East Gippsland innovation projects. The second evaluation report concluded that because the numbers are small, caution needed to be exercised in interpreting these results;
- while aggregate project results were favourable, some individual projects were less successful. For example in terms of notifications, the Greater Shepparton project for the general population had an increase of 28.4 per cent between October 2001 to September 2002 and October 2003 to September 2004.

The Committee strongly supports the department's actions in commissioning an independent evaluation. The Committee is particularly pleased that this evaluation was commissioned relatively close to the projects' commencement to allow progressive analysis and reporting of evaluation results. As part of a continuous improvement strategy, the Committee sees value in further drilling down on an individual project level to monitor factors that may have contributed to comparatively less successful initial outcomes for particular projects.

The Committee also notes that the terms of reference for innovation projects have focused on improving child protection and out of home care outcomes. The Committee is also interested in whether the involvement of staff in these projects has had a positive effect on the child protection workforce and will follow-up this issue at next year's estimate hearing.

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82 La Trobe School of Public Health, Interim Stage 2 Report to the Department of Human Services, *Innovations Projects Evaluation*, December 2004, p.6

83 ibid., p.12

84 ibid., pp.8–9

The Committee recommends that:

Recommendation 26: **In relation to the Family Support Innovation Projects, the Department of Human Services:**

(a) examine, at an individual project level, factors that have led to certain projects having outcomes not as good as those of other projects, and then incorporate any lessons learnt from this examination in a continuous improvement strategy; and

(b) monitor workforce outcomes in areas such as staff turnover and absenteeism.

(ii) Increasing performance

The Committee would expect a progressive increase in performance targets as a result of anticipated improvements in performance flowing from the introduction of a number of major initiatives by the department.

The interim evaluation report conducted by La Trobe University's School of Public Health found that there had been a reduction in notifications and rates of substantiation (including re-substantiations) for Round 1 innovation projects however there was no change in 2005-06 performance targets from 2004-05. The Minister advised that:[85]

> *The additional projects funded in 2005-06 are not expected to be fully operational until February 2006. Their impact on child protection performance measures is therefore not expected to be felt until the following year.*

Similarly, *The Take Two – Intensive Therapeutic Service* is a specialist service for children or young people displaying or at risk of displaying serious behavioural and emotional disturbance as a result of trauma linked to abuse and neglect.[86] This service commenced in 2004 however the budget papers indicate that the low rate of re-referrals in 2003-04 and 2004-05 were caused by delays in the service becoming operational.[87]

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85 Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2005, p.13, 14

86 Victorian Auditor-General's Office, *Our children are our future: Improving outcomes for children and young people in Out of Home Care*, June 2005, p.46

87 Budget Paper No.3, *2005-06 Service Delivery*, p.91

Once fully operational, the Committee would expect this service to lead to a lowering in the performance target of 14 per cent for children and young people in out of home care who have had three or more placements in the last 12 months (not including placements at home). The 2005-06 performance target remains unchanged from 2004-05.

The Committee also believes that the timeliness performance measure of *sexual assault support services clients receiving an initial response within five working days of referral* could be upgraded.[88] In the Committee's view, it would prefer that the lead time of within five working days to receive an initial response be reduced to reflect the importance attached to clients receiving a speedy response.

The Committee recommends that:

Recommendation 27: **The Department of Human Services review their performance targets for the 2006-07 budget so they reflect an expected increased level of performance flowing from the implementation of new initiatives.**

(iii) Assessing the likely short term demand for out of home placements

In terms of children and young persons who are unable to live with their families due to abuse or neglect, the 2005-06 Budget Papers indicate that the expected outcome for 2004-05 in terms of daily average number of placements was 4,400. In 2003-04, the budget papers indicate the actual average number of placements was 4,242. [89] These placements may be in:[90]

- foster care where carers volunteer to become foster parents to children with care provided in the carer's home. An allowance is paid for the child's care. Foster care is the largest single category of home-based care;
- kinship care where either relatives or someone known to the child provides care in their home;
- permanent care where a child or young person is placed with permanent caregivers in home-based care; and
- residential care where children are placed in the care of paid staff in a residential building.

88 ibid., p.90
89 ibid.
90 Victorian Auditor-General's Office, *Our children are our future: Improving outcomes for children and young people in Out of Home Care*, June 2005, p.23

The budget papers indicate that the number of notifications is expected to increase from 37,006 in 2003-04 to 37,900 in 2004-05.[91] As mentioned above, the department has advised that additional innovation projects funded in 2005-06 are not expected to be fully operational until February 2006 therefore any impact from these projects on reducing notifications is expected to be felt some time after this.

Notwithstanding the potential impact of innovation projects, the Committee considers it is important that the department explore whether the availability of out of home care placements in the short term are keeping pace given the recent history of increasing demand for these placements. The Committee is aware that the Victorian Auditor-General in the performance audit report *Our children are our future: improving outcomes for children and young people in Out of Home Care* June 2005 examined the adequacy of the department's strategic approach to the reform of out of home care however the extent to which the demand for out of home care was being satisfied was not part of the scope of the audit.

The Committee recommends that:

Recommendation 28: **The Department of Human Services examine whether out-of-home care placements are keeping pace with the demand for these services and what additional incentives may be needed to increase the availability of foster care.**

(iv) Addressing systemic concerns arising from inquiries into child deaths

The Victorian Child Death Review Committee (VCDRC) undertakes a multi-disciplinary external review of child death enquiries conducted by the Department of Human Services. This is reflected in the Committee's *Annual Report of Inquiries into Child Deaths – Child Protection 2005* which covers deaths of children who are current or recent clients of the state's Child Protection Service. The 2005 report represents the tenth report of the Committee. In its latest report, the VCDRC reviewed 18 child deaths between April 2004 and March 2005 which have occurred over a three year period.[92]

The Committee observed that there were similar concerns raised in both the VCDRC 2004 and 2005 reports such as:

- the 2005 report indicated that inadequate risk assessment was a factor in 14 of the 18 cases examined and commented that *'Inadequate risk assessment was a feature in most of the child death inquiries reviewed by the VCDRC. Concerns*

[91] Budget Paper No.3, *2005-06 Service Delivery* p.89

[92] Victorian Child Death Review Committee, *Annual Report of Inquiries into Child Deaths, Child Protection 2005*, Chairperson's foreword, p.iii and Executive Summary p.ix

about risk assessment have been repeatedly expressed in all of the recent VCDRC annual reports'.[93] These concerns can be manifested in a number of ways such as by the following example:

In more than half of the child death inquiries reviewed in this period, it was noted that an episodic approach to risk assessment was taken in which each notification was considered in isolation from previous ones, failing to recognise the cumulative nature of significant risk factors. As a result, intervention responded to immediate harm, rather than the longer term needs of the child and their family.[94]

- in relation to case closure and the importance of defining roles and responsibilities for the future support of the child and family, the 2004 report commented that:

  Inquiry reports indicate that there have been problems in relation to the CPS formally advising service providers when it is about to close a case. Problematic information sharing between the CPS and other service providers, resulting in assumptions being made that other service providers will provide ongoing support and monitoring for the family, has also been identified as an issue. This culminated in a lack of clarity regarding the roles and responsibilities for providing the ongoing support for the child and family.[95]

  In relation to this issue, the 2005 report stated that:

  In this reporting period, the VCDRC saw several cases that would have benefited from a more rigorous role definition at closure. This should have involved clear agreement as to who is monitoring a family's ongoing participation with agreed services and specification of the behaviours or events that should trigger further involvement of Child Protection services.[96]

The Committee considers that there should be a significant focus on addressing concerns that seem to be more entrenched in nature as part of an overall organisational improvement strategy. Sound risk assessment and clarity at the case closure of the roles and responsibilities between service providers for the continuing support for the child and family are basic elements of an effective child protection system. The Committee is of the view that these issues should be addressed as a matter of urgency.

93 ibid., Executive Summary, p.x
94 ibid., Executive Summary, p.34
95 Victorian Child Death Review Committee, *Annual Report of Inquiries into Child Deaths, Child Protection 2004*, pp.47–48
96 Victorian Child Death Review Committee, *Annual Report of Inquiries into Child Deaths, Child Protection 2005*, p.37

The Committee recommends that:

Recommendation 29: **The Department of Human Services, in conjunction with the Child Protection Service, develop a targeted improvement strategy to address significant concerns that have been consistently raised in the Victorian Child Death Review Committee's annual report relating to the adequacy of risk assessments and the lack of clarity between service providers at case closure in terms of their roles and responsibilities for the ongoing support of the child and family.**

6.7 Community Services portfolio

6.7.1 Key issues affecting the portfolio

(a) Rising demand for disability services

The Department of Human Services advised that in terms of risk, disability services for those with urgent accommodation and support needs is an area that is under constant pressure from rising demand.[97] The department is continuing to transform the disability service system to a more sustainable mix of home-based, individual and carer supports, with specialist residential services targeted to those for whom home-based support is inappropriate.[98]

(i) Age profile of people with a disability and their carers

The Minister informed the Committee that the ageing of the population is presenting major challenges all around the country and in Victoria's disability service system.[99]

The Australian Bureau of Statistics (ABS) completes a survey of disability, ageing and carers every five years.[100] The most recently available surveys (exhibits 6.6 and 6.7) were conducted in 1998 and 2003. Exhibit 6.6 shows that there were significantly more persons with a disability in the 45-54 and 55-64 year age brackets in 2003 than in 1998.

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97 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.4

98 ibid., pp.5–6

99 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.3

100 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.9

According to the Australian Institute of Health and Welfare, variations in overall disability prevalence rates and the number of people with a disability in a population can be attributable to changes either in population age structure or underlying age-specific rates, or both. Hence, population ageing could result in an increase of the overall prevalence rate and the number of people with disability in the population, even though age-specific prevalence rates might remain constant.[101]

At any given time, the underlying prevalence of disability is determined by the combined effect of various factors, such as past and recent incidence, remission rates for diseases, rehabilitation rates, age at onset of disability, and survival rates of people with disability and of the general population.[102]

In addition to factors affecting the underlying prevalence of disability, there are a number of factors that can lead to changes in reported prevalence, including changes in community perceptions and awareness of disability, changes in social attitudes and economic incentives concerning the reporting of sickness and disability, and changes in survey methodology.[103]

These factors are likely to have the most impact on the reported prevalence of mild disability, and less impact on the reported prevalence of more severe disability, who are more likely to receive funded services.[104]

Exhibit 6.7 presents the age profile of carers in 2003, and shows that there were a significantly higher number of carers in the 35-44 and 45-54 year age brackets than in 1998.

Increases in the carer population between the age brackets of 35-44 and 45-54 are difficult to attribute to any particular trend, however there is an increasing recognition and understanding around the role of carers.[105]

The Committee maintains that the ageing profile of these groups will create increasing demand pressures in future, with ramifications for subsequent budgetary cycles.

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101 Department of Human Services' response to the Committee's additional follow-up questions, received 8 November 2005

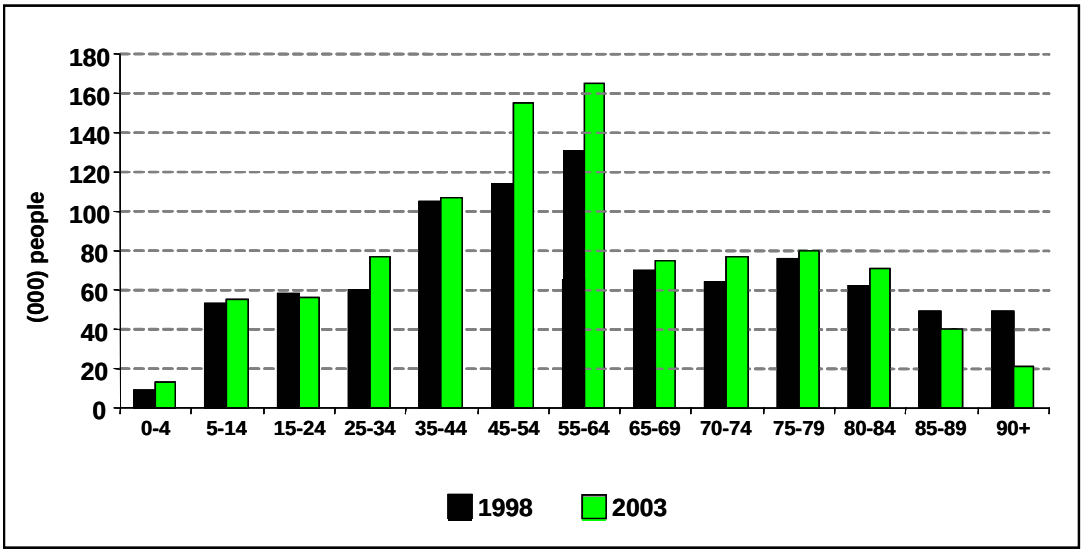
102 ibid.

103 ibid.

104 ibid.

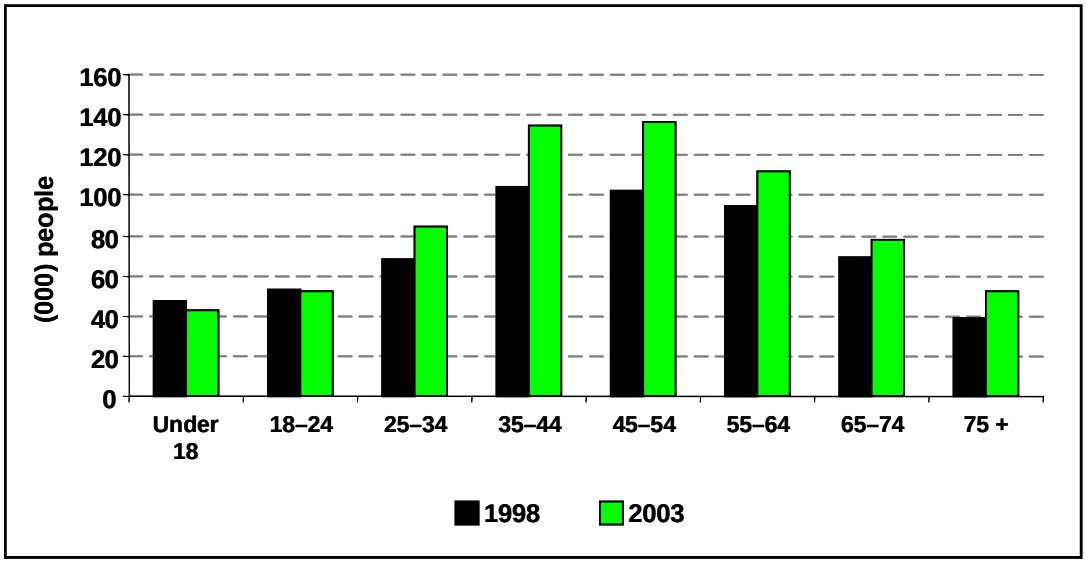
105 Department of Human Services, responses to the Committee's additional follow-up questions, received 8 November 2005; 24 November 2005

Exhibit 6.6: Victoria – All persons with reported disability by age – 1998 and 2003



Sources: *Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.9 and response from the Department of Human Services to the Committee's additional follow-up question, received 8 November 2005*

Exhibit 6.7: Age profile of Victorian carers 1998 and 2003



Source: *Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.10*

The Committee's analysis of information released by the Australian Bureau of Statistics revealed that in 2003 there were 939,700 persons with a reported disability in Victoria of which 781,500 or 83.2 per cent were 30 years and over.[106] Of those who were 30 years or over, 211,200 or 27 per cent had a severe or profound disability.[107]

(ii) People with severe and profound disabilities

Estimates from the Australian Institute of Health and Welfare indicate that the number of people with severe and profound disabilities will significantly increase over the next ten years.[108]

According to the ABS 2003 survey of disability, ageing and carers, one in five people in Australia (3,958,300 or 20 per cent) had a reported disability.[109] This rate was much the same for males (19.8 per cent) and females (20.1 per cent).[110]

Disability was defined as any limitation, restriction or impairment, which has lasted, or is likely to last, for at least six months and restricts everyday activities.[111] Examples range from hearing loss, which requires the use of a hearing aid, to difficulty dressing due to arthritis, to advanced dementia requiring constant help and supervision.[112]

These figures include all people with a reported disability in Victoria and all carers, not just primary carers.[113] Ordinarily, Victoria's Disability Services division of the department targets its services to people with a severe or profound core activity restriction.[114] People with severe or profound core activity restrictions accounted for approximately one third of all people who reported having a disability in the ABS 2003 survey (of the 939,700 persons with a reported disability in Victoria, 273,700 persons or 29.1 per cent per cent had a severe or profound disability[115]).[116] Changes in survey methods make it difficult to compare these clients with those in the 1998 survey. Any direct comparisons between people with a severe or profound core activity restriction over the five year timeframe is also difficult.[117]The Minister told the Committee it is important to recognise that disability is different from a lot of other

106 Victoria, Legislative Council, *Debates*, 18 May 2005, Table 1:All Persons with a Disability, p.1002
107 ibid.
108 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.3
109 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.10
110 ibid.
111 ibid.
112 ibid.
113 ibid.
114 ibid.
115 Victoria, Legislative Council, *Debates*, 18 May 2005, Table 1:All Persons with a Disability, p.1002
116 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.10
117 ibid.

issues.[118] Disability is often with a person for life, so the need for a service continues for the rest of their life.[119] People are living longer and do not leave the system in the way they leave hospitals or schools.[120] The Minister stated that there is a need to plan better and change the delivery of services to address these issues.[121] One of the most important actions that will have an impact on waiting lists is to:[122]

> *…provide more flexible services and provide them earlier so that people do not slip into a crisis and so we are able to link people into the supports that might already be there in the community. It is not just about providing more of the same; it is about providing things in a different way and providing new things. It is about strengthening the community so it is able to respond and help.*

(iii) Strategies and initiatives

The Committee was interested in examining whether the department had undertaken any long term forecasting of the likely demand for services over the next ten years and the impact on the state budget, given this situation.

The Minister indicated that the department was undertaking various strategies to respond to future demand.[123] Over the past two years, strategies have focused on improving access to high quality services and addressing the sustainability of the current disability service system, taking into consideration:[124]

- the pressures building on a system characterised by growth in demand, driven in particular by the ageing of carers;
- the long term dependency of clients once they enter the support system;
- the weighting of current service responses toward more intensive accommodation-based options and day programs; and
- the pattern over the past ten years of the crisis driven nature of access to the system.

The Minister informed the Committee that the strategies have considered the impact on the budget and focused on the need for timely investment to provide a more balanced service mix in the future.[125] Budget priorities are framed around:[126]

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118 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.3
119 ibid.
120 ibid.
121 ibid.
122 ibid., pp.3-4
123 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.10
124 ibid., pp.10–11
125 ibid., p.11

- early intervention and prevention;
- better targeted responses to meet individual client needs;
- support for carers; and
- broader accommodation and support options.

The Committee was told that funding had been reoriented to:[127]

- the individualised planning and support approach, and the provision of support and choice packages supported some individuals to move out of community residential units (CRU) into more independent accommodation options. As a result, additional CRU capacity is being created for those on the Service Needs Register with no other viable support options (the Committee noted that the target of 100 people moving out is equivalent of 2.3 per cent of the service capacity based on the 4,417 CRU places in 2003-04 when the measure was announced);
- the RuralAccess and MetroAccess programs, effectively building community capacity to support people with a disability, and reduce the requirement for formal services while increasing access to local community infrastructure and services;
- refocusing Futures for Young Adults as a transitional program, which was well advanced;
- commencing implementation of the early intervention program Signposts across the state, to prevent the development of challenging behaviours in children with intellectual disabilities; and
- increasing the provision of respite to support families and carers.

Various budget initiatives for 2005-06 create new opportunities for people with disabilities:

- additional output funding of $61.2 million over four years ($13.6 million in 2005-06) as part of *A Fairer Victoria* initiative for carers to look after family members in their own homes; increasing access to aids and equipment and respite care; behaviour intervention; and individual planning and support to assist in strengthening informal care arrangements.[128] This funding forms part of a $119.5 million plan which includes $28.7 million over four years to provide an additional 174 support packages each year to people with disabilities; $12.3 million for around 600 episodes of respite for individuals and their carers; $7.6 million to assist 5000 people with disabilities access equipment through the Aids and Equipment program; $12.8 million to provide

126 ibid.
127 ibid.
128 Budget Paper No.3, *2005-06 Service Delivery*, pp.270, 272

behaviour intervention services to assist 1500 families caring for children with a disability whose behaviours are difficult to manage; and $8.7 million for the Public Advocate for new staff and services;[129] and

- additional asset funding of $39.5 million over three years ($15 million in 2005-06) for a Strategic Asset Renewal program to improve the quality and standard of shared support accommodation facilities for people with a disability.[130] This will involve the refurbishment of 20 shared supported accommodation facilities and the construction of 27 replacement facilities.[131]

(b) Children with disabilities

The Committee was interested in examining the trend over the past five years in the numbers of children with disabilities. The Minister outlined the action taken by the department to address this situation from a policy and funding viewpoint. The Minister also advised the Committee about any associated new or additional services provided in the 2005-06 budget.

There has been a substantial increase Australia-wide in the rates of severe or profound core activity restriction among children, particularly boys.[132] According to the Australian Institute of Health and Welfare, between 1993 and 1998, the rates for males aged 5-14 years increased from 2.7 per cent to 4.9 per cent, more than twice the average increase for males aged 15-64 years.[133] Both higher levels of diagnosis and heightened awareness among parents, educators and health professionals may have contributed to the increase.[134]

The Minister advised the Committee that since coming to office, the government had increased funding to Disability Services by 73 per cent.[135] In addition, funding for Early Childhood Intervention Services had increased by 52 per cent.[136] As outlined in *A Fairer Victoria*, the government is to invest $136 million over the next four years through the Giving Children the Best Start in Life strategy and the Creating New Opportunities for People with a Disability strategy.[137] According to the Minister, these strategies will provide more flexible services and create new opportunities for people with a disability, including children with a disability and their families.[138]

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129 Hon. S Garbutt, MP, Minister for Community Services, media release, *Delivering better disability services*, 28 April 2005
130 Budget Paper No.3, *2005-06 Service Delivery*, pp. 276–277
131 ibid., p.11
132 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.11
133 ibid.
134 ibid.
135 ibid.
136 ibid.
137 ibid., pp.11–12
138 ibid., p.12

Specific initiatives funded over the four year program that will benefit children and their families include:[139]

- providing an additional 174 individualised support packages each year to support people with a disability and their families ($28.7 million);
- providing respite to around 600 individuals and their carers ($12.3 million);
- assisting 5,000 people with disabilities gain access to equipment, such as wheelchairs and shower aids through the Aids and Equipment program ($7.6 million);
- providing behaviour intervention services to assist 424 families caring for children with a disability whose behaviours are difficult to manage ($12.8 million); and
- supporting more families whose child has a developmental delay or a disability, such as autism, by providing earlier intervention and support and allowing families to better care for their child. This investment is to fund an additional 460 early childhood intervention service places for children with a developmental delay or a disability, as well as providing individually tailored support packages for families with a child with a serious disability to ease the burden on parents and carers ($16.4 million).

In 2004-05, funding was allocated over four years for Signposts, an early intervention program that aimed to provide parents or carers, who have children aged 3 to 15 years with a developmental delay or intellectual disability, with positive strategies for managing difficult behaviours before such behaviours escalate to the point where intensive behavioural intervention is required.[140] From 2005-06, the Office for Children will manage this program.[141]

The department recently commissioned a project that resulted in a *Report on the Review and Redevelopment of Support for Children with a Disability and their Families*.[142] Its recommendations reflect the broad policy directions as outlined in *Growing Victoria Together*, *A Fairer Victoria*, *the Victorian State Disability Plan 2002-2012*, and *Children First* with an emphasis on early intervention to prevent crisis response, support that corresponds to individual family need, and participation in community life.[143]

139 ibid.
140 ibid.
141 ibid.
142 ibid.
143 ibid.

Other initiatives that deal with services for children with disabilities include:[144]

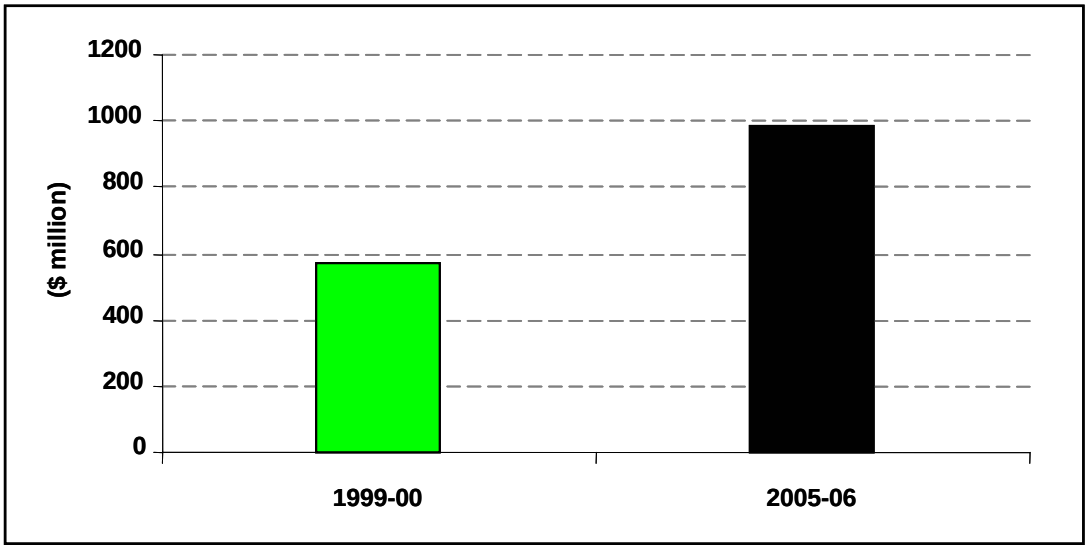
- protocols between Disability Services and the Office for Children to ensure smooth transitions for eligible children and families from Early Childhood Intervention Services to Disability Services, and to provide a coordinated response for families involved with Child Protection and Disability Services;
- giving priority to further program development to meet the needs of children with high and complex support needs, including children with high medical support needs, acquired brain injury, challenging behaviour and autism spectrum disorders; and
- distributing 15,000 copies of the Disability Services funded *Parent to Parent: Raising your child with special need* early in 2005 to families and support services.

(c) Funding for disability services

The budget papers indicate that people with a disability and their carers are among the most disadvantaged groups in Victoria.[145] The Committee was informed the government is tackling this inequality by rebuilding disability support services, and has increased funding by 73 per cent since 1999-2000 to $988 million in 2005-06[146] (see exhibit 6.8). The Committee noted that the budget for residential places has risen from $282 million in 1999 to $502 million for 2005-06 (92 per cent). Average recurrent funding per capita has increased by 68 per cent, from $58,880 at 30 June 1999 to $98,940 per capita in 2005-06, and places increased only from 4,789 in 1999-2000, to 5,070 in 2005-06 (6 per cent).[147]

144 ibid., pp.12-13
145 Budget Paper No.3, *2005-06 Service Delivery*, p.11
146 ibid.
147 Victoria, Legislative Council, *Debates*, answers to questions on notice, Q645, 16 September 2003; Q533; 11 June 2003

Exhibit 6.8: Disability Services Budget 1999-2000 to 2005-06



Source: Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, 2 June 2005, presentation slide 12

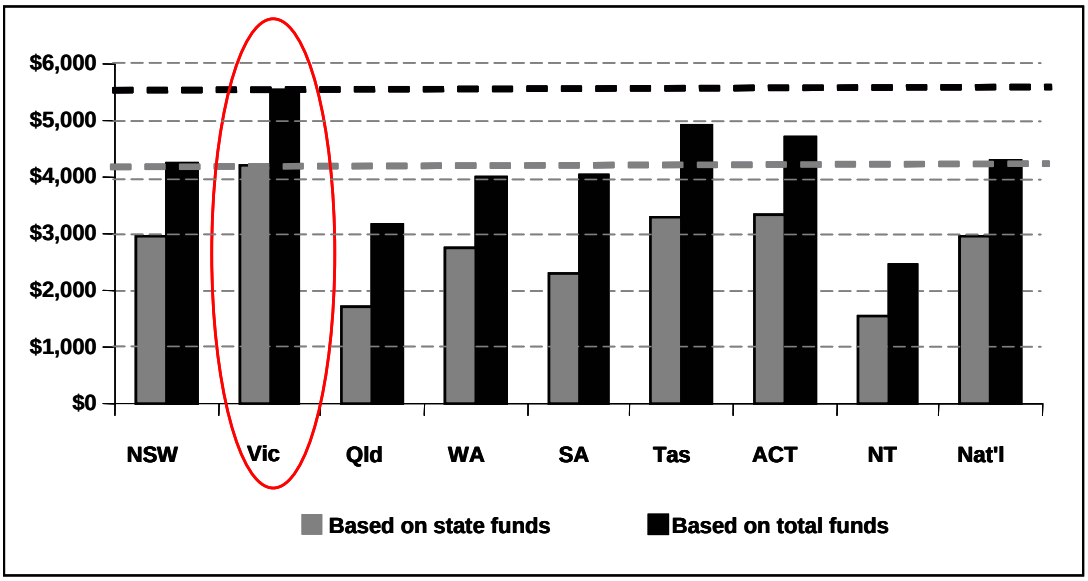
Interstate comparisons demonstrate that the per capita expenditure on services in Victoria remains higher than in any other state or territory (see exhibit 6.9). Victoria's per capita funding averaged $4,220 for 2002-03[148] compared to the national average of $2,947, while Victoria contributes 86 per cent of all funds to the Commonwealth State Territory Disability Agreement.[149] In interpreting these figures between jurisdictions, the Committee noted that states/territories with relatively low expenditure per capita of the potential population may be delivering a different mix of services rather than providing fewer services.[150]

148 Department of Human Services, response to the Committee's additional follow-up question, received 29 August 2005

149 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.3

150 *2002-03 Annual Commonwealth State/Territory Disability Agreement Public Report*, p.30

Exhibit 6.9: Commonwealth State Territory Disability Agreement per capita funding 2002-03



Source: Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, 2 June 2005, presentation slide 13

In clarifying with the Minister what action the state government has taken to maximise its share of funding from the Commonwealth Government, the Minister informed the Committee that the Commonwealth had provided relatively few opportunities for the Victorian Government to obtain additional funding for the provision of supports to Victorians with a disability, their families and carers.[151] In recent years, these opportunities have been limited to:[152]

- the Commonwealth State Territory Disability Agreement (CSTDA) ;
- the Aged Care Innovative Pool (ACIP); and
- the 2004-05 Respite for Older Carers funding.

Through the CSTDA, the Commonwealth will contribute approximately $647.8 million over five years for the provision of services in Victoria for people with a disability (this excludes Commonwealth funding for Disability Employment services).[153]

Victoria is the only jurisdiction to take up the ACIP funding opportunity, which piloted projects to move young people from aged care nursing homes to a community-based alternative.[154] The Commonwealth has provided $124,600 over two years for

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151 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.13

152 ibid.

153 ibid.

154 ibid.

this project.[155] In March 2005, the Minister for Community Services responded to correspondence from the Commonwealth Minister for Ageing about participating in the 2004-05 ACIP. This meeting was scheduled for July 2005.[156]

Through the 2004-05 Respite for Older Carers bilateral agreement, the Commonwealth will match Victoria's additional $17.4 million over four years for the provision of additional respite services for older carers.[157]

The Victorian Government has also initiated successful funding proposals to the Commonwealth for the provision of supports to people with a disability, including the Futures for Young Adults (FFYA) program and Signposts programs.[158] The Committee learnt that 350 FFYA clients have been transferred to the Commonwealth Disability Employment Services.[159]

A Memorandum of Understanding for the statewide roll out of the Signposts for Better Behaviours Early Intervention program has been negotiated, resulting in the Commonwealth contributing an additional $4 million funding over two years to this Victorian initiative.[160]

(d) Support services

People with a disability receive a wide range of supports through various outputs provided by the department. For example, it was expected that during 2004-05:[161]

- 5,300 clients would receive case management services;
- 3,000 general services plans would be completed;
- 28,400 clients would access aids and equipment;
- 18,000 episodes of respite would be provided;
- 2,000 clients would receive specialist services;
- 8,100 clients would access day activities;
- 7,280 clients would receive individually tailored packages of support based on choice;
- 4,465 clients located in shared supported accommodation would receive accommodation support services; and
- 605 clients in training centres would receive accommodation support services.

155 ibid.
156 ibid.
157 ibid.
158 ibid.
159 ibid.
160 ibid.
161 Budget Paper No.3, *2005-06 Service Delivery*, pp.86-88

People are now being offered a greater range of support options, rather than only shared supported accommodation or institutions.[162] The Minister informed the Committee that since 20 October 1999,[163] over 5,000 extra support services have been delivered to people with disabilities and their families.[164] This extra support includes the Support and Choice packages; the new transitional assessment support packages; respite; and the provision of aids and equipment.[165] The Committee heard about examples of people using their Support and Choice packages to rent public housing or private housing units and apartments and buying in the supports they need to live independently.[166] Furthermore, people have been able to pool their Support and Choice packages together and rent a bigger house and share the supports that they need.[167]

The Committee learned from the Minister that the individualised planning and support approach, through the Support and Choice initiative, provided an opportunity for 100 people to move from their existing shared supported accommodation in community residential units (CRUs) to independent community housing in 2003-04 and 2004-05,[168] which opens up those places in CRUs for others who might need them.[169]

In moving from shared support accommodation, residents have moved to a variety of accommodation options. These include private and public rentals, back with their family, and some older residents have moved to aged care facilities. Residents have chosen different living arrangements, including residing alone, with friends, and with family members.[170]

While HomeFirst support can still be provided, the preferred choice of transitioned residents has been Support and Choice packages. These packages have a strong focus on effective planning and individually tailored support packages to increase flexibility and responsiveness to client needs. Support and Choice packages are similar in intent to HomeFirst and both sit within the Individualised Support output group. However, Support and Choice is able to provide for functional development and community integration support, in addition to the attendant care services provided through HomeFirst, and is therefore more desirable to those accessing services.[171]

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162 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.4

163 Department of Human Services, response to the Committee's additional follow-up question, 3 October 2005

164 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.4

165 ibid.

166 ibid., p.8

167 ibid.

168 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.7

169 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.3

170 Department of Human Services' response to the Committee's additional follow-up questions, received 8 November 2005

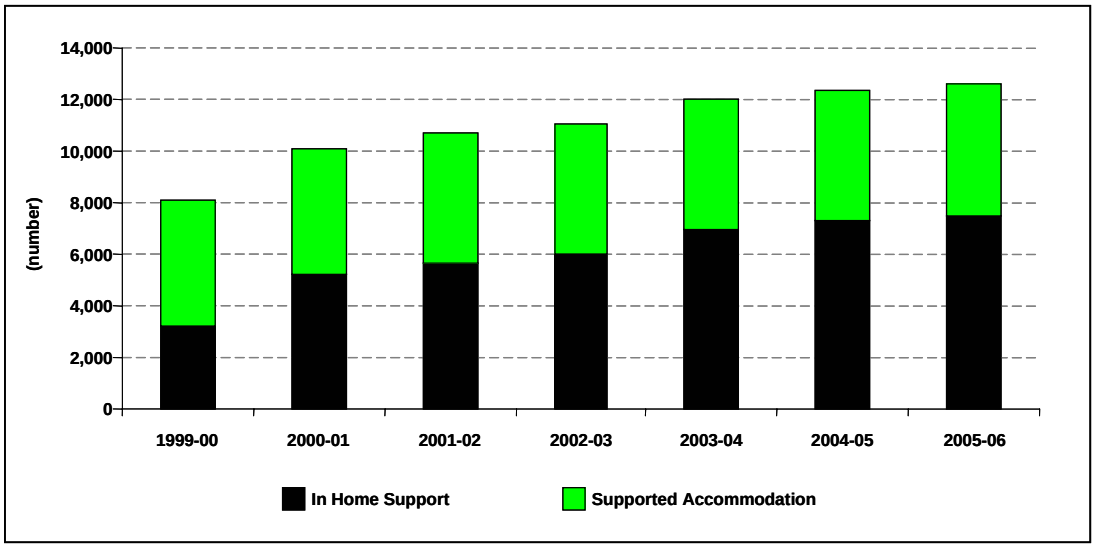
171 ibid.

There are approximately 1,000 people living independently in the community with the assistance of a HomeFirst package and since 2003-04, the government has provided an additional 1,506 Support and Choice packages to support people with a disability, their families and carers.[172]

The Committee was also interested in the forecast that by 2021, the number of Victorians over the age of 70 will increase by 65 per cent.[173] With the clear preference of older Victorians to remain active within their communities and to live independently in their own homes, the Committee noted that the government has invested an extra $36.1 million over four years in home support and a range of community-based services to make it easier for people to stay living independently.[174] The expansion of the Home and Community Care program will cover a range of expanded services, including help with home modifications and maintenance.[175]

Exhibit 6.10 shows changes in the service mix, between the provision of home support and flexible packages compared with supported accommodation, and the increasing numbers of people treated through the disability services system.

Exhibit 6.10: Changes in the service mix 1999-2000 to 2005-06



Source: Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, 2 June 2005, presentation slide 10

The Committee stresses the importance for the department to be mindful of the need to carefully monitor the impact of the greater use of flexible choices of accommodation and support on personal outcomes, quality of life and waiting times

172 ibid.
173 Victorian Government, *A Fairer Victoria, Creating opportunity and addressing disadvantage*, April 2005, p.26
174 ibid.
175 ibid.

for accommodation for people with a disability. The Committee understands that an independent evaluation of the program is under way.[176]

The Committee recommends that:

Recommendation 30: **The Department of Human Services continue to monitor whether:**

(a) adequate support is being provided to people with a disability who are pursuing more independent lifestyles in the community through flexible accommodation choices; and

(b) tailored support packages are reducing the aggregate number of people with a disability waiting for suitable accommodation, and not simply transferring numbers from the waiting list for shared supported accommodation to the waiting list for more independent flexible forms of accommodation.

(e) Disability Housing Trust

The government allocated $3 million in 2004-05 ($10 million over three years) to provide more sustainable and cost effective accommodation options for people with a disability.[177] Involving partnerships between not-for-profit non-government housing providers, local government and private investors, the Disability Housing Trust initiative is expected to deliver at least 100 new housing opportunities to people with a disability.[178]

The Minister informed the Committee that whether the new housing opportunities take the form of houses will depend on what people choose as their accommodation preferences.[179] Most of the work necessary to establish the Trust has been completed, including work on appropriate structure and governance arrangements, clarification about the target groups and analysis of the financial parameters.[180] It is intended that the Trust, which will be a community-based entity, will be in operation in 2005-06.[181]

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176 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.17

177 Budget Paper No.3, *2004-05 Service Delivery*, pp.275–276

178 ibid., p.276

179 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.8

180 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.7

181 ibid.

The Minister advised that, while preparations occurred in 2004-05 for the establishment of the Trust, the allocation of $3 million provided in the 2004-05 budget has been requested to be retained to support the establishment of the Trust in 2005-06.[182] The initial 20 targets for the Trust have been set for 2005-06.[183] The Committee noted that in 2005-06, the second tranche of funding of $3 million will be invested to continue the development of the Trust.[184]

The Committee recommends that:

Recommendation 31: **The Department of Human Services include in its annual report relevant particulars covering the operations of the Disability Housing Trust.**

(f) Affordable housing strategy

People with disabilities are an important target group for the government's affordable housing strategy. This strategy is being handled by the Minister for Housing.[185] The strategy announced in the 2003-04 Budget provided funding of $70 million over four years for the provision of more affordable housing options and greater choice and diversity.[186] Housing associations are being established under the strategy to acquire and manage the additional housing in partnership with community-based organisations, with local government or with the private sector.[187]

The Committee considers that the department should closely monitor the way the strategy is implemented and provide appropriate disclosure of progress made in its annual report, given the significance of this strategy to people with a disability.

182 ibid., p.4
183 ibid., p.4
184 Victorian Government, *Victorian State Budget 2005-06 Information Kit*, *Expanding the supply of affordable housing*, 3 May 2005, p.37
185 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005,.9
186 ibid.
187 ibid.

The Committee recommends that:

Recommendation 32: **The Department of Human Services closely monitor implementation of the Victorian Government's affordable housing strategy, to ensure that affordable housing options are available to people with a disability. The department's annual report should also include information of progress in implementing the strategy over the next four years.**

(g) Design of accessible housing for people with a disability

At the estimates hearing with the Minister for Planning, the Committee was interested in hearing about the initiatives to be used in the planning portfolio to achieve social justice outcomes.[188] The Minister indicated that one of the aims was to look at ways to deliver affordable housing and also disability access to the Victorian community.[189] The Committee heard that in April of this year, the Commonwealth was asked at the inaugural Building Regulation Reform meeting to take decisive action and resolve accessibility issues relating to building law.[190] The Minister for Planning advised the Committee that the federal Minister for Industry, Tourism and Resources was very keen to move this matter along.[191] The Minister for Planning advised that:[192]

> *Accessibility is a major issue for one in five Australians, but as yet there has been no decision made on this issue since the Disability Discrimination Act was introduced some 13 years ago. What is needed in my view is to better align the building code with the federal Disability Discrimination Act. There has been extensive consultation but no resolution. …Further work will be done in that area. Similarly with affordable housing, it is my view that obviously affordable housing is crucial to assist in reducing disadvantage. Without proper housing, as we know, people miss out on proper education, employment and other opportunities. I will be working with … the Minister for Housing to look at levers available in the planning portfolio to try to get much better affordable housing outcomes in Victoria.*

188 Hon. R Hulls, MP, Minister for Planning, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, p.4
189 ibid.
190 ibid.
191 ibid.
192 ibid.

According to a media release from the Minister for Planning that followed the inaugural Building Regulation Reform meeting, the Minister stated that:[193]

> *…the Australian Building Codes Board released a draft Disability Standard for Access to Premises for commercial and public buildings in January 2004.*
>
> *Despite this there has been no movement even though it could result in important changes through aligning the Building Code of Australia with the Disability Discrimination Act 1992.*
>
> *These changes would benefit all building users, with building accessibility issues predicted to affect one in three Australians by the year 2020.*
>
> *In Victoria we are committed to finding better ways to design and construct buildings to allow better access for all people.*
>
> *…the Victorian Government was acting, with new research into accessible housing needs into the domestic sector, in conjunction with the Australian Building Codes Board.*
>
> *This research will examine the supply and demand for accessible housing, implications for the future and recommended strategies for the future.*
>
> *Australia has no co-ordinated strategies to ensure that there are accessible houses to meet current and anticipated demand. That is why the research being undertaken by the Australian Building Codes Board and the Building Commission is vital.*
>
> *The research will be used by government and industry to plan for the future supply of accessible housing. It will evaluate the need for accessible homes and detail options available to stimulate appropriate supply.*
>
> *Once the research is complete, a consultation process with government, industry and community organisations will be essential to ensure there is sufficient input.*

[193] Hon. R Hulls, MP, Minister for Planning, media release, *Hulls calls for resolution on building access*, 20 April 2005

The Committee was advised that the research will evaluate whether or not there is a need for government intervention.[194] If there is a demonstrated need, the research will identify a range of options to stimulate appropriate supply.[195] The Committee understands that the final report is to be completed in late October 2005.[196] The total cost of the project is $107,120 plus travel expenses.[197]

The Committee looks forward to examining the outcome of the research work that is underway in this area to facilitate those situations where, for example, there is a willingness to accommodate family members with a disability within the family home.

The Committee recommends that:

Recommendation 33: **The Department of Human Services in conjunction with the Minister for Planning, ensure the new building codes include works to deliver accessible housing.**

(h) Community residential units

As part of the Residential Accommodation Support output, the Committee noted that the 2005-06 target for the number of clients in training centres had been set at 420.[198] (The number of clients in training centres has declined over the past three years from 745 in 2002-03 to 668 in 2003-04 with an expected outcome of 605 in 2004-05).[199] The Committee learnt that the corresponding increase of 185 in the number of clients in shared supported accommodation[200] was directly attributable to the reduction of clients in training centres through the redevelopment of Kew Residential Services as well as the redevelopment of Redlands.[201]

The Committee noted that there were 1,848 people on the urgent and high-priority waiting list for shared supported accommodation and 1,414 in these categories for home first (including in-home accommodation support) as of 21 December 2004.[202] With this in mind and demand for disability services likely to grow in future, the Committee encourages the government to evaluate the adequacy of funding directed at the provision of accommodation to persons with a disability.

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194 Hon. R Hulls, MP, Minister for Planning, response to the Committee's follow-up questions, received 15 July 2005, p.1
195 ibid.
196 ibid.
197 ibid.
198 Budget Paper No.3, *2005-06 Service Delivery*, p.88
199 Budget Paper No.3, *2004-05 Service Delivery*, p.95; Budget Paper No.3, *2005-06 Service Delivery*, p.88
200 Budget Paper No.3, *2004-05 Service Delivery*, p.95; Budget Paper No.3, *2005-06 Service Delivery*, p.88
201 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.6
202 Victoria, Legislative Council, *Debates*, 21 April 2005, pp.625–626

The Committee recommends that:

Recommendation 34: **Regarding the provision of accommodation to the disability services sector, the government keep under review the adequacy of funding provided to reduce the numbers of individuals on the Disability Service Needs Register, who are classified as urgent and high priority.**

(i) Services provided by the non-government sector

The Committee was interested in establishing the quantum of funding allocated to the non-government sector for 2005-06 to advance the well-being, and promote the quality of life, of people with disabilities.

The 2005-06 budget allocates $530.7 million to the non-government sector for a range of disability supports.[203] These support services are aimed at improving the quality of life for people with a disability, for example, day programs seek *'to provide people with high quality programs that address individual needs and enhance independence, abilities, community participation and quality of life'*.[204] Funding for this activity was $87.9 million in 2005-06.[205]

The 10 largest recipients of government funding for the provision of disability services in 2004-05 were:[206]

- Yooralla Society of Victoria;
- Scope (Vic) Ltd;
- St John of God Services Victoria;
- Wesley Mission Melbourne;
- Villa Maria Society;
- Golden City Support Services Inc;
- Melbourne City Mission Inc;
- E W Tipping Foundation Inc;
- Karingal Inc; and
- ParaQuad Victoria

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203 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.7

204 ibid.

205 ibid.

206 ibid., pp.7–8

Exhibit 6.11 provides a description of the monitoring and reporting accountability framework for the non-government sector. The Committee noted that there are a series of mechanisms in place to monitor disability services provided by the non-government sector and report on performance .

Exhibit 6.11: Disability services Monitoring and reporting framework for the non-government sector

Concept	Monitoring and reporting regime
Funding and accountability	Organisations funded via a Department of Human Services' Service Agreement are required to submit annual financial accountability returns. These returns are monitored at a regional level within the department. Acquittal of service delivery occurs via performance against output performance measures. Funding is generally linked to performance measure targets related to quantity, quality and service response timeliness. Reporting of actual results against these targets is performed through the department's Quarterly Data Collection (QDC) process. The QDC process has automated a previously paper-based manual reporting system and, according to the Minister, has made data collection more systematic and efficient.
Self assessment against standards	Annual organisational self-assessment against the Victorian Standards for Disability Services. As part of this process, organisations are required to complete a quality plan and describe at least two new quality improvement activities to be undertaken as a result of the self-assessment information received.
Consumer assessment	As part of the self-assessment process, organisations are required to consult consumers during the Victorian Standards for Disability Services organisational self-assessment process.
Incident reporting	Funded organisations are required to comply with the department's incident reporting requirements. Incident reports and complaints are investigated and followed through so that systemic issues can be addressed and future adverse events minimized.
Liaison and feedback	Each region has a partnerships team, staffed by program and service advisers. These officers maintain contact with funded organisations and provide a pivotal role in liaison and feedback on any individual, program, agency and systemic issues.
Community Visitors Program	The annual Community Visitors Program, managed by the Office of the Public Advocate, requires community visitors to report on government and non-government supported residential accommodation.
Satisfaction surveys	Satisfaction surveys are specific to some activity types e.g. aids and equipment and respite services.

Exhibit 6.11: Disability services Monitoring and reporting framework for the non-government sector *(continued)*

Concept	Monitoring and reporting regime
Strategic reviews	The program of Strategic Reviews (2002-05) of funded disability support providers requires independent consultants to report on the quality, governance and sustainability of funded disability support providers.
New departmental monitoring framework	A new departmental monitoring framework is currently being implemented for funded organisations. The framework provides core compliance requirements to be reported. The framework seeks to address any concerns about the performance and viability of funded organisations. The new framework specifies basic compliance and accountability, uses risk management to determine intensity of monitoring, assesses organisational governance and financial management where warranted and incorporates Improvement Action Plans if required.

Source: Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, pp.8–9

The Committee considers that the department's reporting and monitoring framework could be improved by the department:

- disclosing in its annual report, any significant variances on the standard of quality of care provided by non-government organisations between self assessment generated material and conclusions reached from independent strategic reviews commissioned by the department; and
- ensuring that grantee organisations provide the necessary acquittals for funding provided for specific projects within the required timeframes.

It is also important that the program of strategic reviews focus on high risk disability support providers from a financial viability and performance perspective, because independent selective analysis against recognised standards complements and verifies information obtained by the department through an organisation's self assessment and through various surveys.

The Committee also considers that the monitoring and reporting framework would be improved by disclosing in annual reports of grantee organisations, as a condition of funding that exceeds a certain limit, the level of remuneration and benefits paid to Board members and senior management. In a manner comparable with the reporting standards of publicly listed companies, this information would be of interest to, not only the department, but also to donors, volunteers and all other interested parties.

Given the significant level of funding provided to the non-government sector for disability services and the importance of preserving public confidence in these organisations, the Committee intends to suggest to the Auditor-General that he consider building into his performance audit plan a project that examines the efficiency and effectiveness of grant expenditure incurred by the non-government

sector on the provision of disability services. This audit should include, among other things, a review of:

- the self assessment process undertaken by non-government organisations and the processes involved in undertaking strategic reviews; and
- the extent of funding absorbed by the non-government sector in meeting the costs of administration as distinct from direct service delivery.

The Committee recommends that:

Recommendation 35: **The Department of Human Services:**

(a) disclose in its annual report instances of a material nature where information provided by non-government disability support providers through the self assessment process is not consistent with findings from the department's independently commissioned strategic reviews. The department should also report the actions taken to address these discrepancies;

(b) ensure acquittals for recurrent funding are provided by the non-government sector within the required timeframe;

(c) require, as a condition of funding over a certain limit, grantee organisations to disclose in their annual reports the level of remuneration paid to board members and senior management; and

(d) ensure that an effective program of strategic reviews of funded disability support providers is in place to complement the self assessment process that is well targeted.

(j) Respite for families and carers

Respite is fundamental in helping families to manage with their children in the long term. New funding of $12.3 million over the next four years has been provided in the budget to provide additional respite breaks for parents.[207] Agreement has been reached with the Commonwealth to match the state government contribution for respite support, which in total will provide an extra 1,130 episodes of respite in 2005-06 from

[207] Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.10

both funding sources.[208] For some people, the service takes the form of an overnight stay in a facility or house, but for others it might be a vacation camp.[209] Alternatively, it might be an activity that involves some form of recreation, for example a day out playing football or visiting the zoo.[210]

The government has also provided nearly $8 million in this budget for extra support packages for families of children with a disability, including autism.[211]

The Committee noted the volatility in the episodes of respite presented in the budget papers (an actual result of 19,200 in 2003-04 to a target in 2004-05 of 16,460 and an expected outcome in 2004-05 of 18,000 and a 2005-06 target of 18,565).[212] The Committee was interested in determining the factors that had contributed to this situation and in finding out how many individual people with disabilities were expected to benefit from the provision of these episodes of respite in 2005-06.

The Minister advised the Committee that the 2005-06 target increase to 18,565 episodes of respite reflects the expected performance for 2004-05, as well as the additional state funding for 565 episodes.[213] The Committee noted that despite additional funding in 2004-05 and 2005-06, the 2005-06 target remains lower than the 2003-04 actual performance where 19,200 episodes[214] of respite were provided.[215]

The department's Executive Director of Disability Services indicated that because the target for respite was changed from 'households' to 'episodes' in 2003-04, there has been some volatility in terms of how this activity is measured.[216] The department has elected to review performance over a couple of years in terms of episodes, and then adjust the target, rather than adjust it after one year because it has tended to fluctuate.[217] Because this measure was new in 2003-04, performance needs to be assessed in 2005-06 before a sustainable target is set for 2006-07.[218] In addition, because the measure counts episodes of respite, the volume actually delivered may fluctuate depending on the intensity of respite episodes.[219] Further, the introduction of

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208 Victorian Government, *Victorian State Budget 2005-06 Information Kit, Assisting people with a disability,* 3 May 2005, p.34

209 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.10

210 ibid.

211 ibid., p.11

212 Budget Paper No.3, *2005-06 Service Delivery*, p.87

213 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.15

214 Budget Paper No.3, *2005-06 Service Delivery*, p.87

215 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.15

216 Mr. A Rogers, Executive Director, Disability Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.18

217 ibid.

218 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.15

219 ibid.

a quarterly data collection system, has also been a factor in the department electing to examine the figures over a two year period before establishing a sustainable target.[220]

The Committee obtained information showing that the target of 18,565 episodes of respite in 2005-06 is expected to be provided to 13,260 people[221] (approximately 11,559 people in 2003-04 estimated by the Committee based on data received for the first three quarters).[222]

The Committee is of the view that where targets are set for an output measure where performance has been volatile for a number of years, transparency would be enhanced by disclosing in the budget papers the basis on which the target has been developed.

In relation to the level of unmet need for respite, the Committee noted that, based on information released by the Australian Bureau of Statistics (ABS), in Victoria, there are 93,900 people with disabilities living with parents who provide assistance to them. Given that there are 300 respite beds in Victoria, open 7 days a week that provide 15,600 weeks of respite per year, it could be argued that once in every 24 years these parents might get four weeks holiday-length respite.[223]

Clarifying the extent of unmet need in the important area of providing respite for families and carers involved in the care of people with disabilities and examining what has been achieved in addressing this issue during 2004-05 is a matter that is to be addressed in the Committee's forthcoming Budget Outcomes report.

(k) Aids and equipment

In relation to clients accessing aids and equipment, the budget papers indicate that in 2004-05, the department will meet its target of providing services to 28,400 people.[224] This is the expected outcome for the year, but the target of 24,310 set for 2005-06 is 4,090 less.[225] The Minister explained there was a $5 million one-off boost to the Aids and Equipment program in 2004-05 that was aimed at clearing the backlog from the waiting lists.[226] This was achieved in some issuing centres.[227] The Minister advised that the government has provided new ongoing funds for 2005-06, which has lifted recurrent funding by $1.2 million.[228]

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220 Mr. A Rogers, Executive Director, Disability Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.18

221 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.4

222 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received July 2004, p.6

223 Information provided by the Hon. B Forwood, MLC, 10 November 2005

224 Budget Paper No.3, *2005-06 Service Delivery*, p.86

225 ibid.

226 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.17

227 ibid.

228 ibid.

The Committee learned from the Minister that the nature of the Aids and Equipment program is that people are not necessarily coming back each year.[229] They do not need ongoing services to meet their needs.[230] While some pieces of equipment need updating from time to time, most of the 24,310 people who access the Aids and Equipment program in 2005-06 will be new, and not necessarily the same people as last year.[231] While last year's budget provided a one-off funding boost that cleared most of the backlog, recurrent funding in 2005-06 has been increased to keep moving forward.[232]

The Committee considers that where significant movements take place in the targets set for the budget year compared with the expected outcome and target for the prior year, the budget papers should explain these variances to ensure that the readers of the budget papers are well informed.

The Minister advised that individuals seeking supports through the Aids and Equipment program, are subject to priority criteria.[233] Consequently, waiting times can vary for each individual depending on their assessed priority; the availability of equipment for re-issue or purchase; and the demand on the program at the time.[234]

The Committee maintains that the department should develop timeliness benchmarks that enable an assessment to be made about whether clients requiring aids and equipment experienced unacceptable delays.

The Committee recommends that:

Recommendation 36: **To ensure the functional independence of people with disabilities is not compromised by unacceptable delays waiting for aids and equipment, the Department of Human Services develop timeliness benchmarks for monitoring the efficiency of the Aids and Equipment program.**

229 ibid.
230 ibid.
231 ibid.
232 ibid.
233 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2005, p.5
234 ibid.

6.8 Health portfolio

6.8.1 Performance measures

The number of output groups under the responsibility of the Minister for Health was reduced from eight to seven in 2005-06, with the amalgamation of the Primary Health and Dental Health output groups. The new output group is called Primary and Dental Health.[235]

The Department of Treasury and Finance and the Department of Human Services reviewed the output structure and performance measures in 2004-05.[236] The objective of this review was to remove ineffective or misaligned outputs, thus providing more integrated and refined outputs and measures that better reflect the government's policy directions and desired outcomes.[237]

The review resulted in a revised output structure with fewer outputs, supported by an increased number of performance measures that provide a clearer indication of service performance and alignment with benchmarks in the relevant service areas.[238]

A large number of outputs (31) from 2004-05 have been consolidated into 13 new outputs in 2005-06. Exhibit 6.1 list these outputs, together with the respective total output cost targets for 2005-06.

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235 Budget Paper No.3, *2005-06 Service Delivery*, pp.67, 77–78

236 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.12

237 ibid.

238 ibid.

Exhibit 6.12: Changes to Department of Human Services output structure 2005-06

2005-06 outputs	2005-06 Total output cost target ($ million)
Admitted services	4,461.5
Non-admitted services	750.8
Ambulance emergency services	303.3
Ambulance non-emergency services	60.2
Clinical care	663.0
Psychiatric disability rehabilitation and support services (a)	69.5
Community health care	154.8
Dental services	125.2
Health protection	126.6
Health advancement	44.9
Public health development, research and support	23.6
Drug prevention and control	22.1
Drug treatment and rehabilitation (b)	88.8

Notes: *(a) This output is a new output as shown on pp.73–74 of Budget Paper No.3, 2005-06 Service Delivery, but has not been included in the Summary Table (p.64 of Budget Paper No.3, 2005-06 Service Delivery) showing the changes to the output structure*

(b) This output is a new output as shown on p.85 of Budget Paper No.3, 2005-06 Service Delivery but has not been included in the Summary Table (p.65 of Budget Paper No.3, 2005-06 Service Delivery) showing the changes to the output structure

Source: Budget Paper No.3, 2005-06 Service Delivery, pp.68–85

The Committee noted that comparative total output cost data in relation to these 13 new outputs for prior years is not disclosed in the 2005-06 Budget Papers. This practice varies from the way that most of the other departments have disclosed total output costs for consolidated outputs in the 2005-06 Budget Papers. This practice also prevents analysis of variations between the total output cost target for 2005-06 for these new outputs and the expected outcome and target for the prior year.

The Committee recommends that:

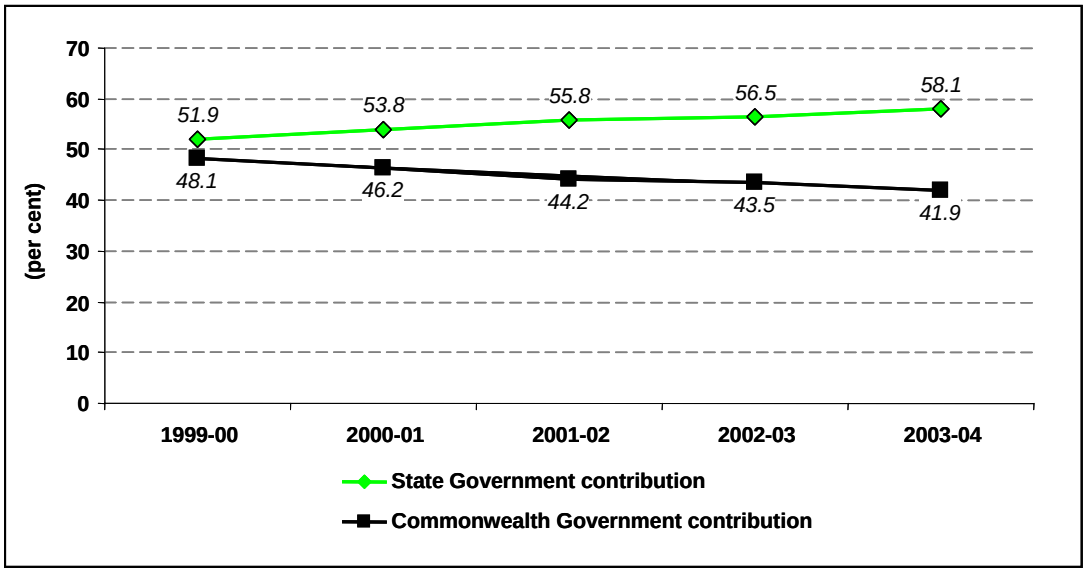
Recommendation 37: **The Department of Treasury and Finance ensure changes made to the output structure of a department (due to the consolidation of outputs from the previous year), are disclosed in the budget papers. This includes reporting the expected outcome and target for total output costs, to enable meaningful analysis of the budget to occur for output costs between the current and previous year.**

6.8.2 Key issues affecting the portfolio

(a) Hospital funding

In commenting on particular pressures that influence the performance of Victoria's public hospitals, the Minister presented the following information to demonstrate to the Committee that the Commonwealth's share of funding for public hospitals has been gradually diminishing (see exhibit 6.13).[239]

Exhibit 6.13: State share of recurrent hospital funding 1999-2000 to 2003-04 (per cent)



Source: Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, 11 May 2005, presentation slide 4

The Committee sought details from the Minister about the changing proportion of state and federal funding for public hospitals. The Minister indicated that the estimated share of public hospital recurrent funding contributed by the Commonwealth Government in 2004-05 has fallen to 40 per cent.[240] An additional $1 billion would be required if the Commonwealth Government was to match state funding on a 50-50 basis.[241]

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239 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.2

240 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.12

241 ibid.

In enquiring about the background to the Commonwealth agreeing to a 50-50 cost sharing of the costs of certain public hospital operating costs, the Committee was advised that:[242]

> *The arrangements for Medibank, established in 1975, provided one of the first major inputs by the Commonwealth Government in policy setting, funding and delivery of public hospital services. Under the funding Agreements (which were effectively ten year agreements, although in practice they were much more short-lived because of changes of government), the States agreed to provide free public hospital services and the Commonwealth agreed to 50-50 cost sharing of the costs of public hospital services. This was an open-ended commitment by the Commonwealth, which significantly increased its financial contribution to public hospital services. Commonwealth expenditure on public hospitals increased from $222.9 million in 1974-75 to $949.6 million in 1975-76. At the same time as the introduction of Medibank, the Commonwealth increased the use of Specific Purpose Payments (SPPs) to direct policy towards other programs and services, such as Community Health programs.*
>
> *A number of factors, including the need to control expenditure, led to the cost-sharing arrangement being amended from May 1976. The Commonwealth contribution was then limited to 50 per cent of approved hospital operating costs. This gave the Commonwealth the capacity to implement changes in the level of funding it provided. In addition, the new Coalition Government amended the scheme, allowing for individuals to opt for private health insurance or to make voluntary contributions to the public system. Charges for public hospital services were also re-introduced, although they were heavily subsidised for pensioners and those on low incomes.*

The Minister indicated that since 1999-2000, there has been a 70 per cent increase in funding for hospitals, with hospital funding standing at $5.8 billion in 2005-06 (see exhibit 6.14).[243] Additional funding of $419 million for capital projects has been provided in the 2005-06 budget[244] for health and aged care.[245] In comparison, Commonwealth funds provided to Victoria for public hospital services have grown by 45 per cent over the same period.[246]

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242 Department of Human Services, response to the Committee's additional follow-up question, received 28 October 2005 (extract quoted by the department from the Senate Report into Hospital funding, *First report – Public hospital funding and options for reform*, 11 July 2000, paragraphs 2.8 and 2.9)

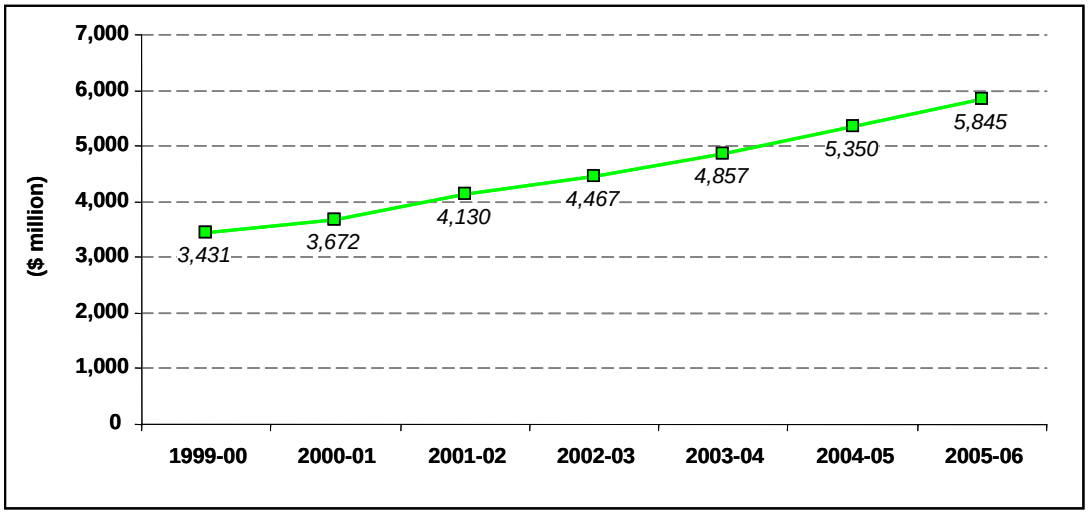
243 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.3

244 ibid.

245 Victorian Government, *Victorian State Budget 2005-06 Information Kit*, 3 May 2005, p.21

246 Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005*, September 2005, p.5

Exhibit 6.14: Output budget funding for hospitals 1999-2000 to 2005-06

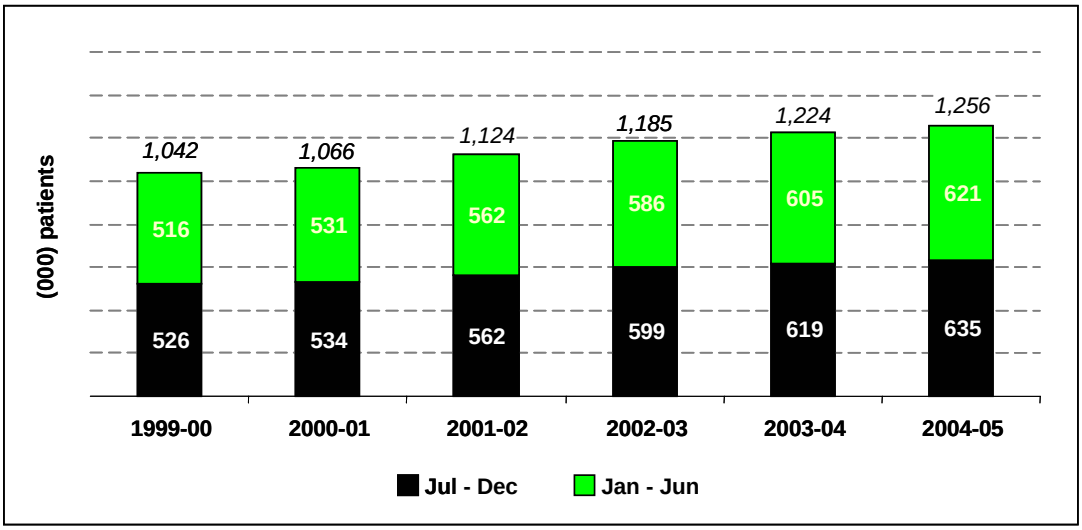


Source: Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, 11 May 2005, presentation slide 9

(b) Patients treated

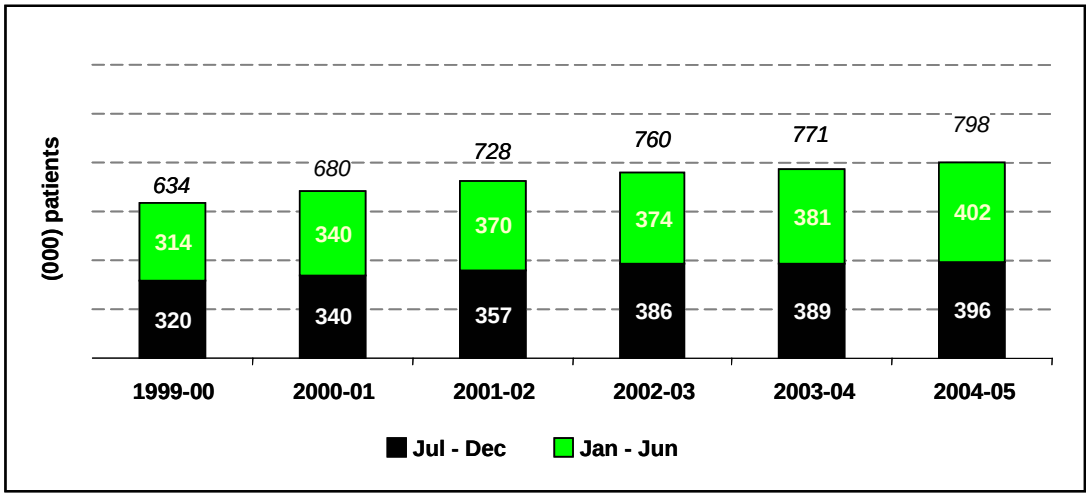
Exhibits 6.15 and 6.16 demonstrate that there has been a continual increase in patient admissions in Victorian public hospitals and patients treated in emergency departments since 1999-2000.

Exhibit 6.15: Patients admitted to Victorian public hospitals 1999-2000 to 2004-05



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Figure 18, p.18

Exhibit 6.16: Patients treated in emergency departments 1999-2000 to 2004-05



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Figure 19, p.18

In noting that recurrent hospital funding has risen from $3.4 billion in 1999-2000 to $5.8 billion in 2005-06 (a 70 per cent increase) while the number of patients admitted to Victorian public hospitals during this timeframe is expected to increase from 1,042,000 in 1999-2000 to 1,298,000 in 2005-06[247] (a 24.6 per cent increase), the Committee understands that a wide range of demand pressures impact on the acute health sector. The Minister informed the Committee that:[248]

> *…health systems worldwide are facing continuing demand pressures. Those demands are the effect of population growth and particularly in Western countries the ageing of the population, the rising expectations of consumers and the rising costs and availability of new treatments. The more technology gives us solutions to health issues, the more people want those services – and they are very expensive. These pressures are not just one-off – they accumulate every single year. Each and every year we have to find extra capacity to treat more patients just to maintain our current access and quality standards, let alone improve them further. It means that the challenge and focus for us is how do we meet the demand pressures in the long term and particularly how do we work towards prevention and early intervention so we can stop health problems and challenges from escalating.*

247 Department of Human Services, response to the Committee's additional follow-up questions, received 28 October 2005

248 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.2

In terms of rising costs, the Committee was informed that the unit costs for acute admitted patients as measured by the cost per casemix adjusted separation are as follows:[249]

Exhibit 6.17: Unit costs for admitted patients 1999-2000 to 2003-04

Year	$
1999-00	2,529
2000-01	2,761
2001-02	3,087
2002-03	3,285
2003-04	3,333

Source: Department of Human Services, response to the Committee's additional follow-up questions, received 28 October 2005

In relation to the increased direct cost of treating patients throughout Australia's hospitals, the Productivity Commission found that:[250]

> *The adoption of newer, more costly technologies – devices, some procedures and pharmaceuticals, for example – is likely to have played a key role in the observed increase in the direct cost of treating patients. However, other factors such as increases in medical wages above the rate of inflation can also explain some of the increase.*

The Committee also acknowledges the increased workload placed on emergency departments with the number of patients treated increasing from 634,000 in 1999-000 to 798,000 in 2004-05 (an increase of 25.9 per cent as shown in exhibit 6.16).

(c) The effect of population ageing on the health budget

The second edition of *Your hospitals, a six monthly report on Victoria's public hospitals* covering the period from January to June 2005 released new information about the challenges of an ageing population in terms of how population ageing interacts with various external factors that influence the performance of Victorian public hospitals.[251] The report predicts that by 2008, the number of people aged 65 and over will have grown by over one fifth compared to the situation in 1999 (i.e. an increase from 607,000 to 736,000).[252] Public hospital admissions by age group show that people 65 and over made up 37 per cent of all admissions to Victorian public

[249] Department of Human Services, response to the Committee's additional follow-up questions, received 28 October 2005

[250] Australian Government Productivity Commission Research Report, *Impacts of Advances in Medical Technology in Australia*, 31 August 2005, p.69

[251] Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005*, September 2005, pp.13–16

[252] ibid., p.13

hospitals in 2004-05 compared to 33 per cent in 1999-2000.[253] This group accounted for 51 per cent of all admitted patient days, given that older people usually need to stay longer in hospital.[254]

In examining the emergency admission rate by age group, people 65 and over were four times more likely to need an emergency hospital admission than younger people.[255] In 2004-05, there were 240 emergency admissions per 1,000 persons aged 65 and over compared to 61 per 1,000 people aged below 65 years of age.[256] Interestingly, one area of decline illustrated in the report was the 'family doctor' role that general practitioners have traditionally provided through home visits.[257] From 1999-2000 to 2004-05, the rate of home visits by general practitioners to people aged 65 and over declined by 44 per cent from 701 to 395 visits per 1,000 persons.[258] The Minister maintained that some of this decline will translate into greater use of public hospital emergency departments.[259]

The Committee considers that the Department of Human Services should evaluate the factors that have contributed to the declining trend in home visits by general practitioners in Victoria to persons aged 65 and over, and the impact of this phenomenon on the use of public hospital emergency departments.

The Committee recommends that:

Recommendation 38: **The Department of Human Services evaluate the causes of the decline in home visits by general practitioners to persons aged 65 and over and the decline's impact on the number of primary care type patients using public hospital emergency departments.**

(d) Waiting times in emergency departments and for elective surgery

(i) Budget initiatives

The Hospital Sustainability and Demand Management Strategy was a major funding initiative in the 2004-05 budget. It has continued relevance for the Health portfolio in 2005-06 and beyond ($391.2 million in 2005-06, $880 million in total for 2006-07 and

253 ibid.
254 ibid.
255 ibid., p.14
256 ibid.
257 ibid., p.15
258 ibid.
259 ibid.

2007-08).[260] This strategy was designed to establish a strong financial and governance base for Victoria's public hospitals and to continue and extend the implementation of the Hospital Demand Management Strategy that commenced in 2001-02.[261]

New funding introduced in the 2005-06 budget includes $149 million to be expended in hospitals in 2005-06 ($577.9 million over five years) to support implementation of the Hospital Futures initiative.[262] New expenditure in 2005-06 will concentrate on stabilising hospital bypass, improving waiting times for emergency patients and elective surgery, and further reducing avoidable hospital use for people with chronic and complex conditions.[263] An additional 40,000 hospital patients and 61,000 people presenting at emergency departments are to be treated in 2005-06 under this initiative.[264]

An additional $30 million will be invested by June 2006 to shorten waiting times for elective surgery and to reduce the number of patients who wait longer than the clinically recommended time for treatment.[265] An additional 10,000 elective surgery patients are to be treated in 2005-06, while patients waiting longer than clinically recommended times will be targeted for treatment.[266]

The Minister indicated that the following procedures from various surgical specialties had been targeted with the additional $30 million:[267]

- general surgery;
- orthopaedic surgery;
- vascular surgery;
- ear, nose and throat; and
- gynaecology.

The Committee was interested to learn which hospitals had the longest waiting times for semi-urgent (category 2) patients compared to the clinically ideal time of 90 days (13 weeks). Exhibit 6.18 presents the longest waiting times based on the time for treatment for patients admitted for surgery between July 2004 and June 2005.

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260 Budget Paper No.3, *2004-05 Service Delivery*, p.275
261 ibid., pp.275–276
262 Victorian Government, *Victorian State Budget 2005-06 Information Kit*, *Hospital Futures*, 3 May 2005, p.7
263 ibid.
264 Budget Paper No.3, *Service Delivery 2005-06*, p.286
265 Victorian Government, *Victorian State Budget 2005-06 Information Kit*, *Hospital Futures*, 3 May 2005, p.8
266 ibid.
267 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.10

Exhibit 6.18: Longest waiting times for elective surgery in targeted specialties Semi-urgent (category 2) patients July 2004 – June 2005

Specialty	Hospital	Time for treatment (weeks)
General surgery		
Cholecystectomy	Dandenong Hospital	27
Inguinal hernia repair	Dandenong Hospital	27
Other hernia repairs	Dandenong Hospital	26
Haemorrhoids	St.Vincent's Hospital	32
Orthopaedic		
Hip replacement surgery	Barwon Health (Geelong Hospital)	41
Knee replacement surgery	Geelong Hospital	53
Arthroscopy of the knee	Geelong Hospital	41
Bunions and other toe deformities	Monash Medical Centre	59
Shoulder and elbow procedures	Frankston Hospital	38
All other	Casey Hospital	51
Vascular		
Varicose veins	Monash Medical Centre	83
Other	Frankston Hospital	23
Ear, nose and throat		
Septoplasty	St Vincent's Hospital	16
Tonsillectomy/tons & adenoidectomy	Monash Medical Centre	15
Gynaecology		
Laparoscopy	Frankston Hospital	16
Hysterectomy	Frankston Hospital	25
Anterior posterior vaginal repair	Bendigo Hospital	33
Dilation & curettage	Maroondah Hospital	16

Source: *Time to treatment for patients admitted for surgery July 2004-June 2005, available at http://SVC023.wic022p.server-web.com/yourhospitals/resultsmedian.asp?hospital, accessed 14 October 2005*

The Committee will keep the effectiveness of the government's initiatives in shortening the time for treatment in targeted specialties under review.

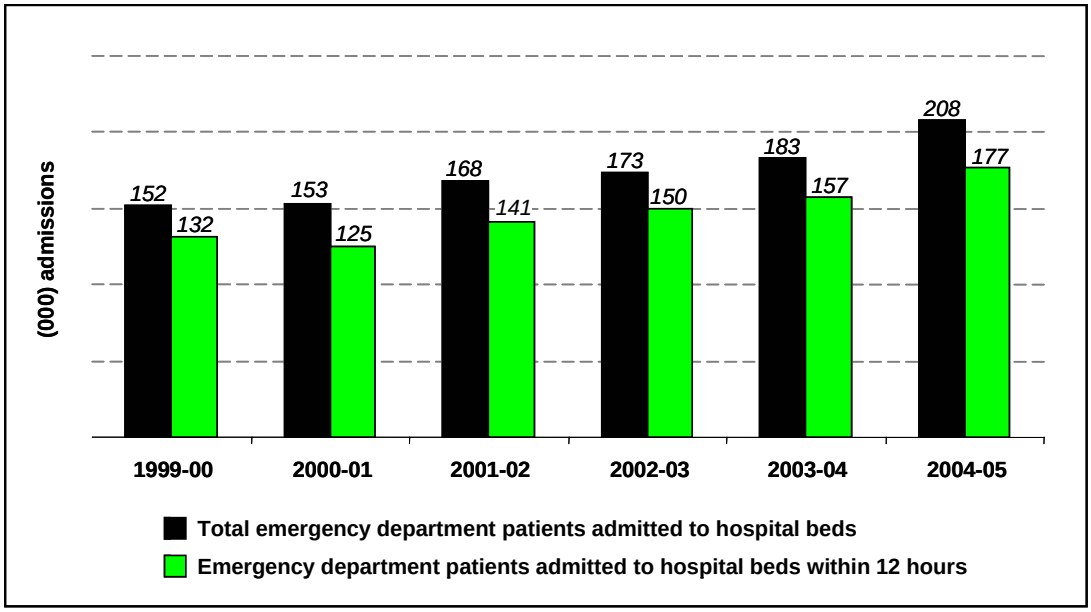
The Committee recommends that:

Recommendation 39: **The Department of Human Services include in its annual report a commentary on movements in waiting times for elective surgery in key specialties.**

(ii) Waiting times in emergency departments

The Committee noted that the government's 2004-05 target for 90 per cent of emergency department admissions to hospital beds to be admitted within 12 hours[268] was not met. Exhibit 6.19 shows that 177,000 emergency patients gained admission to a hospital bed within 12 hours, representing 85.1 per cent of total emergency department patients admitted to hospital beds. The expected outcome for 2004-05 was 84 per cent (2003-04, 86.0 per cent).[269] The Committee noted the government has amended the performance measure in the 2005-06 Budget Papers to now cover emergency patients admitted within eight hours to align with the Australasian College of Emergency Medicine's policy.[270] The government stated that the proposed new measure will lead to improved performance over time.[271] A target of 80 per cent in 2005-06 has been set for this new performance measure.[272]

Exhibit 6.19: Patients admitted from emergency departments to hospital beds within 12 hours 1999-2000 to 2004-05



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Figure 29, p.25

The Committee found from its examination of hospitals information released by the department for the six month period January to June 2005 that the percentage of emergency department patients admitted to a bed within 12 hours varied considerably between hospitals. Exhibit 6.20 provides a listing that contrasts those hospitals that

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268 Budget Paper No.3, *2004-05 Service Delivery*, p.70
269 Budget Paper No.3, *2005-06 Service Delivery*, p.368
270 ibid., pp.68, 70
271 ibid., p.70
272 ibid., p.68

achieved the highest and lowest proportion of emergency department admissions to hospital beds within 12 hours between January and June 2005:[273]

Exhibit 6.20: Hospitals with the highest and lowest proportion of emergency department admissions to hospital beds within 12 hours January to June 2005

Highest performing hospitals		Lowest performing hospitals	
Hospital	**Percentage of emergency department admissions to beds within 12 hours**	**Hospital**	**Percentage of emergency department admissions to beds within 12 hours**
Royal Victorian Eye and Ear	100	Western	66
Royal Women's	100	St.Vincent's	80
Williamstown	100	Royal Melbourne	81
Casey	99	Monash Medical Centre	82
Ballarat	98		
Mercy Hospital for Women	98		
Latrobe Regional	97		
Royal Children's	97		

Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Appendix 1, pp.52-56

In comparing the results between the first and second halves of 2004-05, the Committee acknowledges improved performances at the Alfred Hospital (62 per cent of emergency patients admitted to a bed within 12 hours during July and December 2004 compared to 89 per cent during January and June 2005) and the Dandenong Hospital (78 per cent, July to December 2004 compared to 90 per cent, January and June 2005).[274]

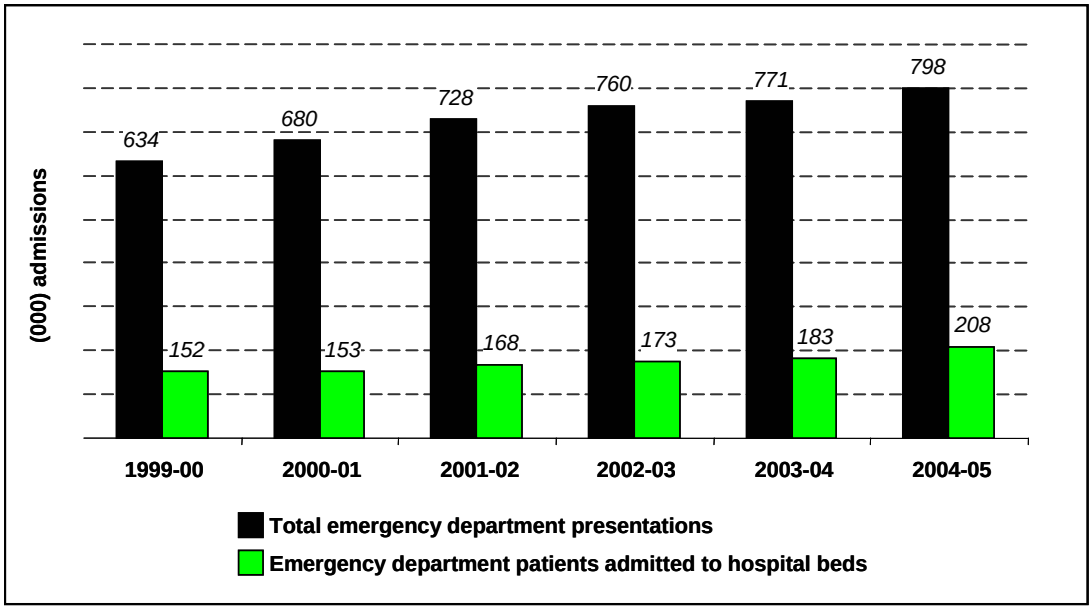
The Committee recognises that one of the factors affecting the timely admission of emergency patients to hospitals wards (which deteriorated in the first half of 2004-05), is the proportion of people presenting at hospital emergency departments that require admission to an inpatient bed. Exhibit 6.21 shows that there has been a substantial increase in this proportion, rising from 23.7 per cent (183,000 out of 771,000) in 2003-04 to 26.1 per cent (208,000 out of 798,000) in 2004-05. Comparing the situation in 1999-2000 to 2004-05, approximately 56,000 extra people attending

[273] Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005*, September 2005, Appendix 1, pp.52–56

[274] ibid.

public hospital emergency departments needed to be admitted to a hospital bed with the proportion rising from 24 per cent to 26.1 per cent.[275]

Exhibit 6.21: Patients admitted from emergency departments to hospital beds 1999-2000 to 2004-05



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Figure 28, p.25

The Committee considers that as part of its preventive agenda, the department should consider exploring the reasons for the larger numbers of people attending emergency departments of public hospitals that need to be admitted to a hospital bed. An analysis of any factors other than population growth and the ageing population should be used to inform future health policy.

The Committee recommends that:

Recommendation 40: **The Department of Human Services investigate why a significantly higher number of people presenting to emergency departments in 2004-05 needed to be admitted to an inpatient bed.**

[275] Calculated by the Committee as the difference between 1999-2000 and 2004-05 emergency department patients admitted to hospital beds shown in exhibit 6.7

(iii) Urgent and semi-urgent surgery waiting times

The Committee was pleased to see that 100 per cent of urgent (category 1) patients were admitted for elective surgery within the national standard of 30 days during 2004-05.[276] This has been the outcome in prior years since at least 1999-2000.[277] It was also encouraging to find that the median time to treatment was generally seven days since at least 1999-2000,[278] a significant achievement against the national standard.

The Committee noted that 76 per cent of semi-urgent (category 2) patients were admitted for elective surgery within the national standard of 90 days in 2004-05 (80 per cent in 2003-04).[279] This outcome was below the target of 80 per cent.[280] In explaining this result, the Minister stated that during this period, health services have focused on treating long term waiting patients and this has meant that the proportion admitted within the desirable time has declined.[281]

The Committee noted that the proportion of semi-urgent patients admitted within 90 days varied considerably across hospitals between January and June 2005. Exhibit 6.22 shows the contrast between the results achieved by the higher and lower performing hospitals:[282]

[276] Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005*, p.27 (Figure 31)
[277] ibid.
[278] ibid., p.27 (Figure 32)
[279] ibid., p.28
[280] Budget Paper No.3, *2005-06 Service Delivery*, p.68
[281] Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005*, September 2005, p.28
[282] ibid., Appendix 1 pp.52–56

Exhibit 6.22: Hospitals with the highest and lowest proportion of semi-urgent patients admitted within 90 days January to June 2005

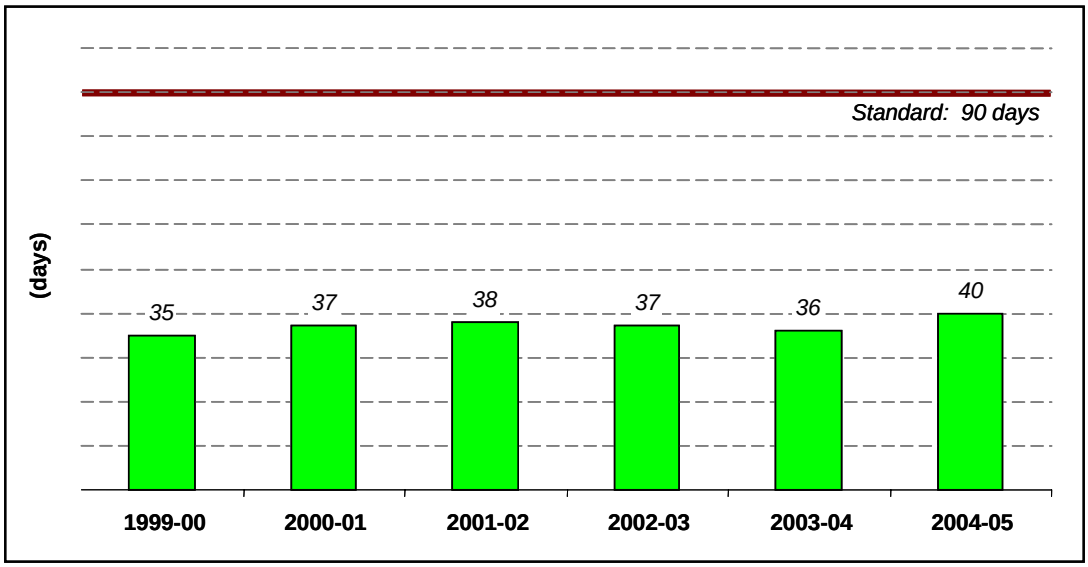
Highest performing hospitals		Lowest performing hospitals	
Hospital	**Percentage of semi-urgent patients admitted within 90 days**	**Hospital**	**Percentage of semi-urgent patients admitted within 90 days**
Royal Women's	100	Frankston	40
Mercy Werribee	99	Monash Medical Centre	52
Royal Children's	99	Austin	53
Williamstown	97	Dandenong	54
Latrobe	96	Casey	58
Royal Victorian Eye and Ear	96	St.Vincent's	58
Sunshine	96	Box hill	60
		Royal Melbourne	63
		Alfred	69

Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Appendix 1, pp.52-56

The Committee noted that with regard to the Bendigo Health Care Group, the proportion of semi-urgent patients admitted for elective surgery within 90 days increased from 59 per cent (July to December 2004) to 79 per cent (January to June 2005).[283] The Committee was also pleased to find that the median time to treat semi-urgent patients admitted from the elective surgery waiting list was well below the national standard of 90 days, an outcome that has been realised since at least 1999-2000 (see exhibit 6.23).

[283] ibid, pp.47, 52

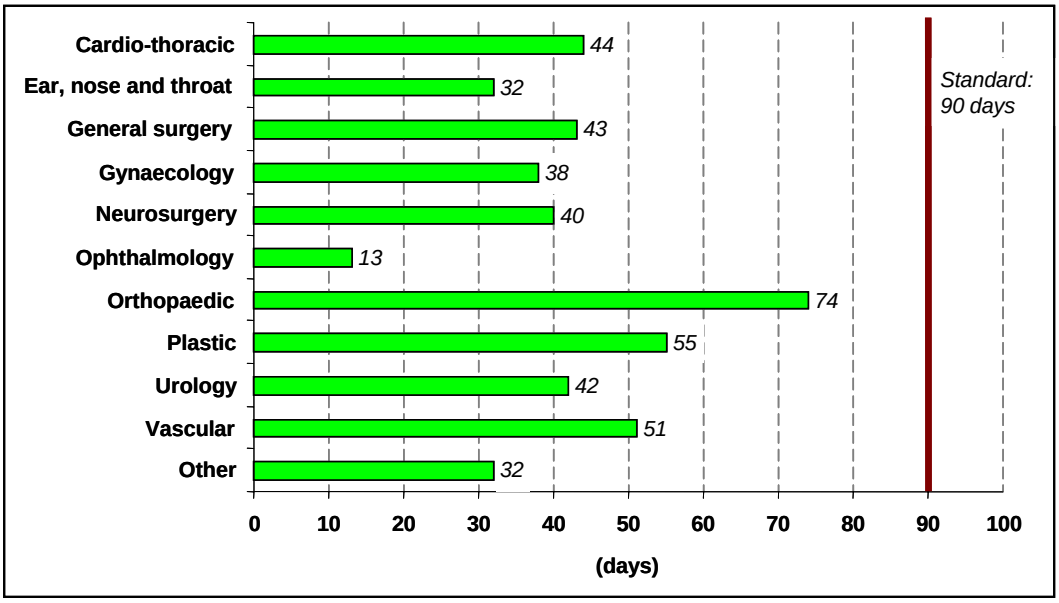
Exhibit 6.23: Median time to treat semi-urgent patients admitted from the elective surgery list 1999-2000 to 2004-05



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, p.28, Figure 35

Exhibit 6.24 shows that during 2004-05, ophthalmology (13 days) and ear, nose and throat (32 days) experienced the lowest median times to treat semi-urgent elective cases. While orthopaedic surgery displayed the longest median time of 74 days, it was well within the national standard of 90 days for all clinical specialties.

Exhibit 6.24: Median time to treat semi-urgent patients by clinical speciality 2004-05



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Figure 40, p.31

A comparison of elective surgery waiting list numbers for key metropolitan hospitals between the positions at December 1999 and June 2005 is shown in exhibit 6.25. The Committee's analysis revealed that during this period, elective surgery waiting list numbers for key metropolitan hospitals reduced marginally by 63 (or 0.2 per cent) from 28,328 to 28,265. The Committee noted that the largest growth occurred at the Sunshine Hospital (107.8 per cent), Box Hill Hospital (73.7 per cent), the Dandenong Hospital (67.9 per cent) and the Angliss Hospital (57.3 per cent). Hospitals that experienced the greatest reduction in waiting list numbers for elective surgery were the Alfred Hospital (59.6 per cent) and the Western Hospital (39.2 per cent).

Exhibit 6.25: Elective surgery waiting list numbers Key metropolitan hospitals December 1999 and 30 June 2005

Hospital	December 1999	30 June 2005	Movement	Percentage change
Sunshine (a)	436	906	470	107.8
Box Hill	1,166	2,025	859	73.7
Dandenong	1,713	2,875	1,162	67.9
Angliss	531	835	304	57.3
Monash Medical Centre	3,207	3,923	716	22.3
Austin	2,354	2,454	100	4.2
Maroondah	1,619	1,653	34	2.1
Royal Melbourne	2,968	2,934	-34	-1.1
Frankston	3,331	2,964	-367	-11.1
Sandringham	853	755	-98	-11.5
St Vincent's	1,962	1,729	-233	-11.9
Northern	2,873	2,082	-791	-27.5
Western (a)	1,948	1,184	-764	-39.2
Alfred	3,367	1,361	-2,006	-59.6
Williamstown (b)	-	585	-	-
Total	**28,328**	**28,265**	**-63**	**-0.2**

Notes: *(a) Western Hospital and Sunshine Hospital disaggregated on 4 May 1998 and commenced reporting separately to the Elective Surgery Information System (ESIS) from 31 January 1999*

(b) Elective surgery data for Williamstown Hospital only available as from 2003-04

Source: *Elective surgery performance data January to June 2005, available at http://svc023.wic022p.server-web.com/yourhospitals/result.asp, accessed 14 October 2005*

(e) Launch of the Your Hospitals web site and revised performance report – April 2005

The *Your Hospitals* web site and the revised performance report were launched by the Minister for Health on 15 April 2005.[284] The Committee was interested in examining the strategies in place to encourage patients and their doctors to use this information to compare hospitals' average waiting times for particular elective surgery procedures and then to make a decision on whether to seek a booking at a hospital with shorter waiting times for treatment.

The Minister advised that, while waiting times for elective surgery and dental will be published quarterly on the website, *Your Hospitals* is published in hard form six monthly to allow more information to be collated and analysed, so that a fuller picture

[284] Hon. B Pike, MP, Minister for Health, media release, *New website gives patients a priority pick for surgery*, 15 April 2005

of the performance of Victoria's public hospital system is presented.[285] As six monthly data is also subject to smaller seasonal fluctuations, the Minister indicated that this offers a more accurate indication of health system performance.[286] The Minister also stated that *Your Hospitals* reports on all the areas covered in the previous report[287] plus 18 additional areas of reporting.[288]

Subsequent to the launch of the *Your Hospitals* report and the web site to the media in April 2005, the Committee learnt that brochures and posters encouraging patients and their general practitioners to visit the *Your Hospitals* web site and discuss access to elective surgery were sent to all Victorian general practitioners and elective surgery waiting list coordinators in public hospitals.[289] The department is currently working with public hospitals to organise the distribution of the *What do I need to know about my elective surgery* brochures to all patients listed on public hospital elective surgery waiting lists.[290]

As the provision of comparative information was aimed at providing more meaningful information on the performance of hospitals that would serve to empower patients and doctors to book operations at a hospital which minimises their wait, the Committee considers that after a sufficient lead time the department should evaluate the effectiveness of this reform.

The Committee recommends that:

Recommendation 41: **The Department of Human Services:**

(a) evaluate after a sufficient lead time whether the elective surgery waiting times database that can be found on the department's *Your Hospitals* web site has been an effective tool in reducing the elective surgery waiting times for patients; and

(b) consider other accessible ways for distributing information on waiting times for elective surgery to general practitioners who may not be computer literate or who may not elect to access this information electronically.

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285 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.13

286 ibid.

287 refers to the Hospital Services Report

288 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.13

289 ibid.

290 ibid.

(f) Health outcomes

The Committee was pleased that various new indicators have been included in the budget papers that are aimed at providing a more meaningful and robust assessment of progress made by the government in achieving its vision and goals as set out in *Growing Victoria Together*.[291] Indicators contained in the budget papers to assess progress made in improving the health of Victorians comprise:[292]

- the self-rated health status of Victorians according to the proportion that rate their health as 'excellent', 'very good' or 'good'; and
- the average life expectancy of Victorians compared with the Australian average.

The budget papers reveal that 82.1 per cent of Victorians reported their health as 'excellent', 'very good' or 'good' in 2001.[293] This proportion rose to 83.2 per cent in 2004.[294] The Committee was interested in this outcome in the context of an ageing population.

While outcomes presented in the budget papers indicate favourable results, the Committee considers that there is scope to improve the quality of reported material, for example, by conducting quantitative research to provide more meaningful results. The Committee also considers that, in line with the government's intention to include new information as indicators and data sources improve over time,[295] consideration should be given to disclosing trends in the morbidity rates stratified according to illness groups and age categories.

The Committee recommends that:

Recommendation 42: **To complement the information contained in the budget papers, the Department of Human Services consider including the following suggestions in future reporting of health outcomes:**

(a) include objective quantitative data on the health status of Victorians rather than reliance on opinion-based data;

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291 Budget Paper No.3, *2005-06 Service Delivery*, pp.323, 335–336
292 ibid.
293 ibid., p.335
294 ibid.
295 Budget Paper No.3, *2005-06 Service Delivery*, p.323

(b) provide a breakdown of the proportion of Victorians in each individual category of 'excellent', 'very good' or 'good' rather than presenting this information in aggregate form;

(c) define the criteria for assessing health as 'excellent', 'very good' or 'good';

(d) provide the Australian average life expectancy for comparative purposes;

(e) conduct a trend analysis that stratifies morbidity rates among illness groups and age groups; and

(f) include a commentary on how the health of Victorians depicted by the indicators correlates with:

(i) the effectiveness of public health initiatives;

(ii) activity-based indicators such as the volume of patients admitted and treated by public and private hospitals and visits to general practitioners; and

(iii) waiting lists for elective surgery.

(g) Asset investment program

The government has a significant program under way and much work ahead to continue to redevelop health and community service facilities in this state.[296] This program includes around 63 projects, each valued at more than $2 million.[297]

The Minister pointed out that the budget provides $419 million of additional funding in the capital area[298] for health and aged care.[299] This amount comprised $363.4 million in asset initiatives designated to the department[300] and $55.5 million for various mental health infrastructure projects designated under the government's *A Fairer Victoria* policy.[301]

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296 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.7

297 ibid.

298 ibid., p.3

299 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing,11 May 2005, presentation slide 10

300 Budget Paper No.3, *2005-06 Service Delivery*, p.288

301 ibid., p.276

The Committee considers that because asset initiative projects listed under each department in the budget papers and *A Fairer Victoria* are shown in alphabetical order, with no linkage to a particular portfolio, it may be difficult to identify the entire breadth of capital funding in the budget papers on a portfolio basis.

The Committee recommends that:

Recommendation 43: **The Department of Treasury and Finance compile asset initiatives for each department alphabetically and by portfolio, to make it easier to interpret the budget and differentiate between ministerial responsibilities for capital projects. This should also apply to asset and output initiatives disclosed in the budget papers according to significant policy statements such as *A Fairer Victoria* and those that relate to government wide initiatives.**

With regard to project management, the Minister informed the Committee that:[302]

> *…we have brought in our projects on time and on budget. When you consider that it is large projects like the Casey Hospital development, on time and on budget – the first new public hospital in this state for 20 years – or the largest hospital development project, the Austin and Mercy development now creating the largest health precinct in Victoria, the department has been very successful in the way that it has delivered programs in the capital area.*

The Committee will be interested in reviewing progress made in the Royal Children's Hospital redevelopment where additional funding of $37.9 million was provided in the 2005-06 budget.[303] The Minister advised that the funding for the stage 1 works comprised $27.9 million and $10 million to fast-track the master planning and design of the new hospital.[304] The preliminary estimated indicative timelines for completing the stage 1 works is March 2007.[305]

In line with the government's stated emphasis on accountability for asset investment to yield greater transparency in delivery and quality in reporting arrangements,[306] the Committee would expect the department to provide on its website details of the

302 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.7
303 Budget Paper No.3, *2005-06 Service Delivery*, pp.288, 290
304 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.11
305 ibid.
306 Budget Paper No.1, *2004-05 Public Sector Asset Investment Program*, p.2

budget and timelines for significant capital projects such as the Royal Children's Hospital redevelopment.

The Committee recommends that:

Recommendation 44: **The Department of Human Services provide on its website details on the budget and timelines for the Royal Children's Hospital redevelopment when finalised.**

(h) Costs involved in the launch and promotion of the Austin and Mercy complex

On 7 May 2005, the new Austin Hospital and Mercy Hospital for Women opened their doors to the public for the first time.[307] In advertising the event, the Department of Human Services included on its web site, among other things, the following information:[308]

> *You are invited to be among the first to step inside Victoria's newest hospitals. This will be your chance to meet the hospital staff and have a look around before patients move in.*
>
> *From 10am – 4.00pm, the hospitals will be abuzz with family activities, roving entertainers, musicians, informative displays and much, much more.*

At the estimates hearing, the Committee attempted to obtain from the Minister details of the total amount of money that was spent on the launch and promotion of the opening of the new Austin and Mercy complex. The Minister's response included the following comments:[309]

> *Obviously the $376 million development of a new hospital, and, of course, the co-location with the Mercy Hospital for Women, is a very important event for Melbourne and for Victoria. Not only do the people of the north-east have a huge amount of interest in their new hospital, their public hospital, but people right around the state will be able to access specialist services that are only provided at the Austin. We certainly believe it was very important that people know about this hospital, know about the services that are there and have the opportunity to look at their hospital. Indeed 20,000 Victorians did avail themselves of that opportunity, voted with their feet and came to the community open*

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307 Health Redevelopment and Mercy Hospital for Women Relocation Project, www.armproject.org/Austin accessed 18 August 2005

308 ibid.

309 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, pp.14–15

> *day to look at their hospital – to look at the new emergency department, the 400 new beds, the expanded outpatient facilities, the new ICU and all of those other areas. Certainly the Department of Human Services has a media and communications area within it, as does the Department of Premier and Cabinet, and the resources for the publicity and the events on the day were funded within the normal budget allocations for the departments.*
>
> *You are certainly free to look at that global allocation within the annual report of the Department of Human Services. Whilst this was a big occasion, it is the normal kind of work that the Department of Human Services communications area undertakes. There are a number of communication activities. When we open hospitals and when we are in the middle of building programs, it is very important to communicate with the public. Certainly this hospital, which is now owned by the people of Victoria, is one of a number of developments that the communications area of the Department of Human Services has a responsibility to advertise.*
>
> *The communications task and the program on the day were the responsibility of a number of government departments. That funding is found within the communication budgets of all of those departments, and that will be reported on in the annual report.*

Subsequent to the hearing, in an endeavour to obtain relevant details from the Minister for Health, the Committee requested information but failed to obtain any additional detail until the release of the *Your hospitals* report. The Committee was interested in obtaining information that disclosed the total amount of expenditure incurred in the launch of the new complex, a breakdown of expenditure according to various categories (such as television, newspapers, equipment hire and consultants) and the sources of funding (such as the Department of Human Services, the Department of Premier and Cabinet and hospitals).

The Committee noted that the *Your hospitals* report for the six month period ended June 2005, released by the Minister in September 2005, disclosed that the open day was part of an extensive $458,000 information program to ensure people in the region knew all they needed to about the new hospitals.[310] The program also included a letterbox drop to 120,000 households in the local area, website information, advertising in local papers and television, as well as flyers and displays in the hospitals and local businesses.[311]

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[310] Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005*, September 2005, p.3

[311] ibid.

The Committee considers that not providing the relevant details of the cost of the launch and promotion of the Austin and Mercy complex, the largest ever public hospital redevelopment, when requested makes the task of the Committee to scrutinise government expenditure and the budget difficult. The Committee looks forward to examining the detailed information in the Department of Human Services' 2004-05 annual report.

The Committee also maintains that for similar 'big occasion' events in future that involve public money, it is important that to enhance financial accountability, an expenditure statement be prepared and made available publicly in a timely manner to interested parties.

The Committee recommends that:

Recommendation 45: **The Department of Human Services:**

(a) take a lead role in disclosing a consolidated financial statement in its annual report that shows the total costs incurred in the launch and promotion of the opening of the Austin and Mercy complex; and

(b) for the opening and promotion of major events, prepare an expenditure statement in a timely manner to enhance public accountability.

(i) Financial sustainability of public hospitals

The Committee reported in last year's estimates report that it intended to keep under review the financial viability of the public hospital system in light of findings in recent reports of the Auditor-General. These findings concerned hospitals exhibiting financial difficulties and the various initiatives designed to address the situation (for example, a $1.6 billion increase in public hospital funding over four years in the 2004-05 budget).[312] The Committee also pursued this matter as part of the 2005-06 estimates process.

According to information reported to Parliament on the financial position of public hospitals at 30 June 2004, the Committee noted that the Auditor-General found a slight improvement in the aggregate financial standing of public hospitals, with a reduction in the aggregate operating deficit and a surplus on net cash flows from operating activities (compared with a deficit in 2002-03).[313] The improvement was

312 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.251–253

313 Victoria Auditor-General's Office, *Results of 30 June 2004 financial statement and other audits*, December 2004, p.70

mainly due to additional funding provided to certain public hospitals.[314] The Auditor-General's analysis revealed that:[315]

- ten hospitals showed signs of financial difficulty with unfavourable results in all four indicators (compared with 15 hospitals in 2002-03); and
- a further 37 hospitals had unfavourable results in at least two of the indicators.

While the Committee is pleased that there had been a slight improvement in the financial viability of public hospitals at 30 June 2004, the Committee is concerned that, given the importance that public hospitals continue to efficiently operate as going concerns, there were still ten hospitals showing signs of financial difficulty. The Committee will be examining the audited position at 30 June 2005 in its Budget Outcomes report.

(j) Mental health

(i) Commonwealth/state funding contributions

The 2005-06 budget provides $30 million ($124.8 million over four years) to expand current services and provide additional services and $55.5 million in capital funding over four years for new projects.[316]

Exhibit 6.26 shows that government funding for mental health has increased by 62 per cent increase since 1999-2000.

Exhibit 6.26: Mental health funding provided by the Victorian Government 1999-2000 to 2005-06

Year	Funding ($ million)	Percentage change from 1999-2000 (a)
1999-2000	453	-
2000-01	512	13
2001-02	563	24
2002-03	605	34
2003-04	625	38
2004-05	652	44
2005-06	733	62

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

Source: *Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Table 1, p.5*

[314] ibid.
[315] ibid.
[316] Victorian Government, *Victorian State Budget 2005-06 Information Kit*, *Hospital Futures*, 3 May 2005, p.9

The Minister informed the Committee that:[317]

> *Under the Australian Health Care Agreements (ACHAs), Victoria actually only receives $18 million per annum out of the $681 million for mental health. We certainly believe, and I think all Australians and all Victorians believe, that mental health is as fundamental a part of the health system as physical health and really should be incorporated in the ACHAs. It is an area of such great need. The areas that the Commonwealth funds primarily benefit people with very mild to moderate mental disorders, particularly anxiety and depression. There is funding through the pharmaceutical benefits scheme.*
>
> *It is the people with the most challenging needs, the people with schizophrenia and high-level disorders, with severe depression, who really require the additional services that we think the federal government should partner with us. A lot of its funding goes to, for example, private psychiatry which, whilst it is important and valuable, has no means of being able to be prioritised to areas of greatest need. We think it is very important that the Commonwealth comes to the party and provides additional funding in the mental health area commensurate with the contribution that the Victorian Government makes, so we can continue to make inroads into this very difficult area.*

While the Committee acknowledges that the Victorian Government is responsible for the provision of mental health services, the Committee considers the department should pursue its efforts with the Commonwealth to obtain a greater share of the investment in mental health, particularly to fund mental health services for those people in the community with the most challenging behaviours.

The Committee recommends that:

Recommendation 46: **The Minister for Health hold discussions with the federal government, to seek the inclusion of mental health into the Australian Health Care Agreement, thereby securing a greater share of funding for mental health.**

[317] Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.16

(ii) Community mental health services

The Committee noted the Minister's comment that a $180 million package for mental health services is the largest growth in mental health funding for many years.[318] The Committee also acknowledges the government's initiative to develop a strategy aimed at increasing support for mental health services as part of its policy statement titled *A Fairer Victoria: Creating opportunity and addressing disadvantage*. The mental health strategy provides for a wide range of budget output initiatives that include: expanding community-based services to provide care and support to people with a mental illness in the community rather than in hospitals and to provide for rehabilitation ($44.2 million over four years); targeting services to support people with particular needs ($13.6 million over four years); and providing more resources for hospital and 'step down' mental health care for people with a mental illness to access inpatient care and community-based residential care ($23.7 million over four years[319]).[320]

The Committee noted the statement made by the Minister at the estimates hearing that:[321]

> *You sometimes hear concerns in the public arena about public safety and some people making noises about a return to the dark old days of institutions but I think there is genuine bipartisan support for non-institutional responses in mental health, and we appreciate that support. We have a responsibility to continue to grow the service system, and we are working towards that end as a government.*

The Committee also noted that additional funding of $13.6 million for targeted services to improve community-based mental health services for people who experience extreme or particular disadvantage includes $6.9 million for 'dual diagnosis' services for people experiencing a combination of mental health and alcohol or drug abuse problems.[322] These people are often homeless or extremely disadvantaged and the government will target the delivery of more services to this group by placing workers at agencies that have regular contact with them, such as the Sacred Heart Mission in St Kilda.[323]

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318 ibid., p.3

319 Hon. B Pike, MP, Minister for Health, media release, *$180 m for better mental health services*, 28 April 2005

320 Victorian Government, *A Fairer Victoria: Creating opportunity and addressing disadvantage*, April 2005, pp.47–48

321 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.19

322 Victorian Government, *A Fairer Victoria: Creating opportunity and addressing disadvantage*, April 2005, p.47

323 ibid.

The Committee considers it essential that the department ensure high quality mental health services are delivered by implementing a rigorous system for monitoring the effectiveness of services provided in de-institutionalised, non-hospital settings.

The Committee recommends that:

Recommendation 47: **The Department of Human Services ensure it has adequate systems in place to monitor the effectiveness of mental health services provided in de-institutionalised, non-hospital settings.**

(iii) Timeliness of service response

In examining the provision of services for adults facing a mental health crisis, the Committee noted that the Auditor-General discovered in October 2002 that 65 per cent of initial service contacts rated as urgent had not received a face-to-face assessment by an Area Mental Health Services clinical staff member within 24 hours.[324] Twenty-five per cent of urgent cases had not received an initial face-to-face assessment for seven or more days.[325]

The Committee intends keeping this matter under review to ascertain whether there has been any subsequent improvement in service response times.

(k) Dental health

(i) Funding responsibilities

In commenting on dental funding in July 2003, the Victorian Minister for Health stated that:

> *Under the Australian Health Care Agreements, the states and territories are not permitted to spend federal funding on dental services, as the Agreements explicitly require the spending of federal money on the provision of public hospital services.*[326]

The Minister also explained that the Labor Government always considered the Federal Dental program, introduced by the Labor Government and abolished by the federal coalition government in 1996, would be 'an ongoing program'.[327] The Commonwealth Dental Health Program (CDHP) provided dental care to concession card holders and

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324 Victorian Auditor-General's Office, *Mental health services for people in crisis*, October 2002, p.4
325 ibid.
326 Hon. B Pike, MP, Minister for Health, media release, *Patterson can't get it right on dental funding*, 18 July 2003
327 ibid.

their dependants and cost $100 million a year at its peak.[328] Under this program, waiting times for public dental care in Victoria alone decreased from over three years to under a year.

According to the Minister, '*the Australian Constitution clearly recognizes the Commonwealth's responsibilities for dental health, given that after the 1946 referendum the Commonwealth obtained power to make laws for the provision of hospital benefits, medical and dental services*.'

In the opinion of the Victorian Minister for Health, it is clear that '*the funding of dental services should be a shared responsibility between the states and the Commonwealth'*.[329]

The Committee is aware that the federal coalition government did not continue to fund the program and that on expiry of the original agreement the funding was not continued.

The Committee's comments on various issues connected with the provision of dental health services need to be considered in the context of the withdrawal of federal funding as from 1996.

(ii) Waiting times for restorative dental care and dentures

As evidenced by previous reports, the Committee has had a long standing interest in monitoring progress made by the department in reducing waiting times for restorative dental care and dentures. The Committee commented in its review of the 2004-05 Budget Estimates:[330]

> *The Minister advised the Committee that additional resourcing in the 2004-05 Budget amounting to $24.6 million including capital funds ($97.2 million over four years) to expand public dental health services will alleviate some of the very long waiting lists*

Exhibit 6.27 presents information that demonstrates an annual increase in state government funding for dental health services from 1999-2000 to 2005-06, highlighting a notable boost to funding of $26 million or 28 per cent from 2003-04 to 2004-05.

328 ibid.
329 ibid.
330 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.258

Exhibit 6.27: Dental health output funding provided by the Victorian government 1999-2000 to 2005-06

Year	Funding ($ million)	Percentage change between consecutive years (a)
1999-2000	75	
2000-01	79	5
2001-02	82	4
2002-03	87	6
2003-04	92	6
2004-05	118	28
2005-06	125	6

Note: (a) Calculated by the Public Accounts and Estimates Committee

Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Table 1, p.5

The Minister informed the Committee during the 2005-06 estimates hearing that in light of this additional funding (i.e. $26 million) provided in the previous budget (i.e. 2004-05):[331]

> *Certainly we anticipate that dental waiting times will reduce. Priority dental waiting times are already down to two months and well below the policy target of three months. After increasing by three months each year over the last four years, restorative dental waiting times have now stabilised because of new funding. So that is welcome news, and we anticipate that the times will reduce in fact over the next few months. Service delivery is on track to provide care to 29,000 additional people in 2004-05 and consequently there are 22,463 less people on the waiting list. So it is still an area of high demand but the additional funding that we will provide is making inroads.*

The 2005-06 Budget Papers indicate that although there has been an improvement on the actual result for 2003-04 (a reduction in the average waiting time to treatment for restorative dental care and dentures), the expected waiting time outcomes for 2004-05 will again exceed target.[332] The government indicated that, while the waiting times exceed the target, the new funds were beginning to take effect and should reduce the waiting times significantly over the four years of the program funding.[333] The Committee also notes that the targets set for waiting times in 2005-06 are longer than

[331] Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.20

[332] Budget Paper No.3, *2005-06 Service Delivery*, p.78

[333] ibid.

the targets set for 2004-05, although an improvement is expected compared to the actual result for 2004-05 (see exhibit 6.28).[334]

Exhibit 6.28: Waiting time outcomes for restorative dental care and dentures 2003-04 and 2004-05

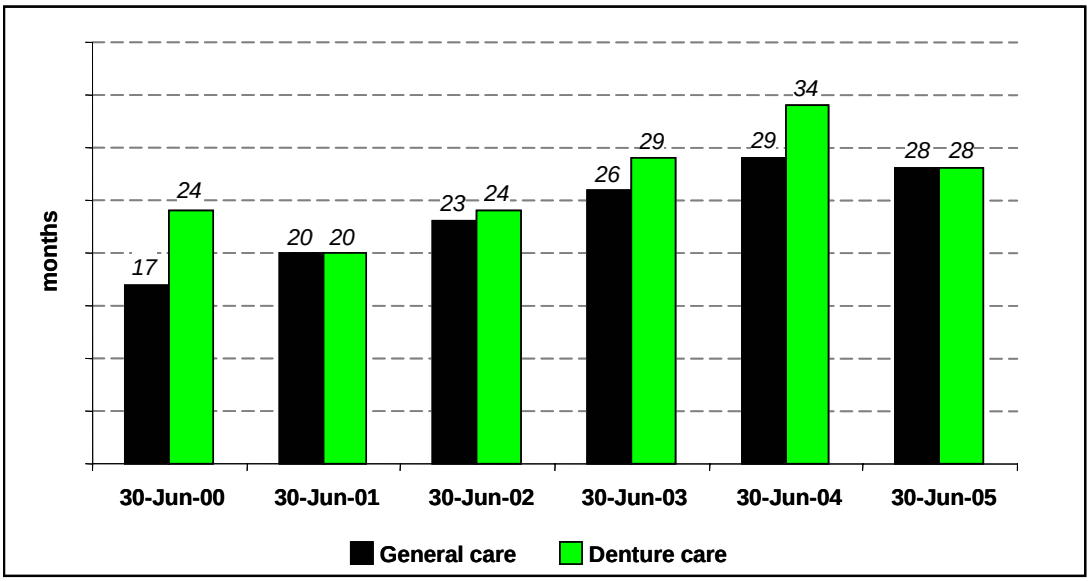
Performance measure timeliness	Unit of measure	2003-04 target	2003-04 actual	2004-05 target	2004-05 expected outcome	2004-05 actual	2005-06 target
Waiting time for restorative dental care	months	22	29	22	26	28	24
Waiting time for dentures	months	24	33	24	29	28	26

Sources: Budget Paper No.3, 2005-06 Service Delivery, p.78; Public Accounts and Estimates Committee, Report on the 2004-05 Budget Estimates, p.258; and Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, p.34

Exhibit 6.29 shows the trend in the average waiting time to treatment for restorative dental care and dentures from 30 June 2000 to 30 June 2005. The Committee noted that, although between June 2000 and June 2004 the average waiting time to treatment for restorative dental care and dentures increased by 12 months (70.6 per cent) and 10 months (41.7 per cent) respectively, the average waiting times decreased by one month for restorative dental care and six months for denture care from June 2004 compared to June 2005.

[334] ibid.

Exhibit 6.29: Average waiting times for restorative dental care and dentures 30 June 2000 to 30 June 2005



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005 September 2005, Figure 46, p.34

The Minister explained that although waiting times had been increasing for non-urgent restorative care and for dentures until December 2004, the trend has now been reversed.[335] According to the Minister, the additional resources provided in the 2004-05 and 2005-06 budgets for oral health are having a significant impact on numbers of people treated and on waiting times.[336]

Factors responsible for the increases in non-urgent waiting times until December 2004 include:[337]

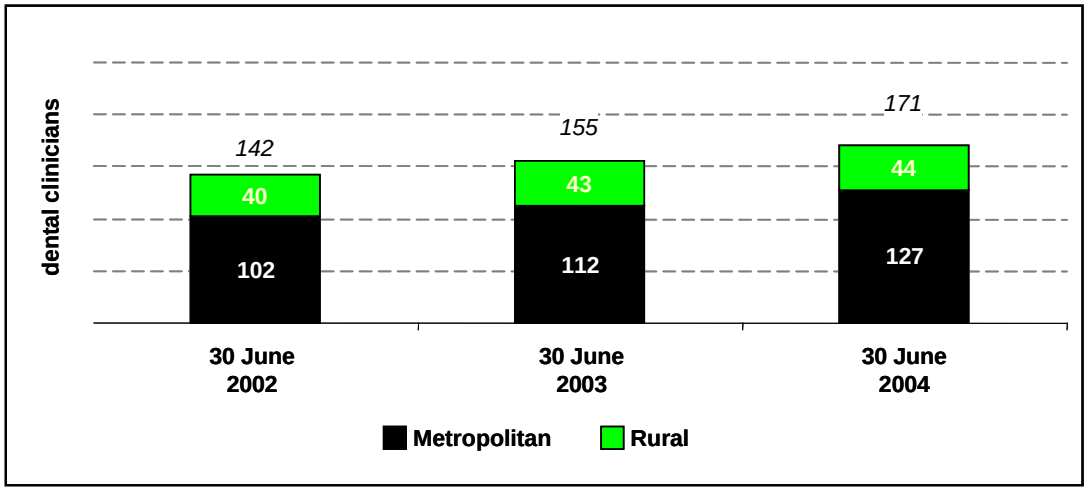
- demand for public dental care has risen for a number of reasons that include:
  - an ageing population with people keeping their teeth longer. These teeth are often heavily restored and require maintenance and repair. People with their own teeth demand care at three times the rate of people with dentures;
  - an increase in community expectations. More people want to retain their teeth rather than have extractions; and
  - the high cost of private care that often precludes access to services by low-income concession card holders;

335 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.14
336 ibid.
337 ibid., pp.14–15

- there has been a 14 per cent increase in the number of people who have received emergency care over the last four years. To assist with managing the increase in demand, an emergency triage system was introduced in May 2005, which will ensure a more equitable statewide approach. This system ensures that people with emergency needs are treated quickly (assessed within 24 hours). However, the increase in emergency demand has reduced the number of people who can be removed from non-urgent waiting lists; and
- while the number of dental clinicians in the Community Dental Program has increased by 20 per cent from June 2002 to June 2004, there are still dental workforce shortages, particularly in rural areas. When a clinic is not able to recruit public dentists, more work is contracted out to the private sector.

Exhibit 6.30 presents a breakdown of the 20 per cent increase in dental clinicians in the Community Dental program from 142 to 171 between June 2002 to June 2004 according to metropolitan and rural locations.

Exhibit 6.30: Number of dental clinicians in the Community Dental Program metropolitan and rural regions 30 June 2002 to 30 June 2004



Source: Department of Human Services, Your hospitals: A six monthly report on Victoria's public hospitals January to June 2005, September 2005, Figure 61, p.50

In addition the Minister stressed that, although there are waiting times for non-urgent dental services, eligible Victorians with urgent dental needs are assessed within 24 hours of contacting a public dental clinic.[338] Urgent dentures are provided within three months.[339] Over half of the people receiving dental care through the Community Dental Program receive care without having to be placed on waiting lists.[340]

[338] ibid., p.15
[339] ibid.
[340] ibid.

The Committee acknowledges that public dental health is an area experiencing high demand. The Committee considers that, given the substantial output funding directed at this area of in excess of $100 million over the past two budgets (taking into account the $6.4 million provided in the 2005-06 budget as part of Support for Seniors initiatives to fund approximately 2,000 extra people to receive dentures[341]), it would be timely for a mid-term evaluation to be undertaken in 2005-06 to assess the effectiveness of the department's strategies for, not only stabilising, but also reducing the time that the public have to wait to receive restorative dental care and dentures though the public system.

The Committee recommends that:

Recommendation 48: **The Department of Human Services evaluate the effectiveness of its strategies for reducing waiting periods for restorative dental care and dentures.**

(iii) Dental workforce

The Minister briefed the Committee on the workforce challenges:[342]

> *The one challenge, obviously apart from the demand – and we are meeting that with additional resourcing – is in the workforce area. We know that we require additional places at university level to train more dentists so we are seeking to utilise as much capacity in the public and the private sectors as we can to meet our targets. We are also putting more dental chairs into hub areas so that we can support those outlying services, and we are providing travel assistance to rural patients who want to come to Melbourne for dental services.*

The Committee sought information that quantified the workforce shortage, explained the workforce distribution and outlined the strategies to address the situation.

(iv) Workforce shortages

The Committee learned that the department commissioned the Oral Health Service Labourforce Planning Review in 1999. This review predicted a 20 per cent shortfall (about 600 providers) in the Victorian dental workforce in 2010, affecting both the public and private sectors.[343]

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341 Victorian Government, *Victorian State Budget 2005-06 Information Kit, Investment in community and dental health services*, 3 May 2005, p.17

342 Hon. B Pike, MP, Minister for Health, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.20

343 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.16

Community dental clinics across Victoria are currently suffering from workforce shortages, which are particularly felt in rural areas.[344] In March 2005, the statewide vacancy rate was 17 per cent against the required EFT, however it was only 10 per cent in metropolitan areas and 31 per cent in rural agencies.[345] While these vacancy rates are clearly a significant issue, the Minister indicated that there has been a 20 per cent increase in dental clinicians from 30 June 2002 (142) to 30 June 2004 (171), which demonstrated that strategies to recruit and retain dentists were making a difference.[346] The Minister also indicated that, while waiting times for non-urgent care were now decreasing, workforce shortages had been a factor in the previous increases in waiting times.[347]

The Minister also advised that enhancing the physical fabric of the dental services makes them more attractive places for people to work in.[348] Co-locating services also achieves this result and provides other benefits such as peer development.[349] Another feature to recognise is that public dental health responsibilities extend to multi-skilling of the dental workforce.[350] While dentists are needed, a significant proportion of work, particularly with children, is performed by hygienists, dental therapists and other people.[351]

Overall in Victoria, there has been a 5 per cent increase in the number of clinicians engaged in dental services. In rural areas there has been a 13 per cent increase.[352]

(v) Workforce distribution

In terms of the geographic location, the Committee was advised that where individual dentists practice is, in a sense, entirely at their discretion.[353] There is a concentration of dentists in some areas – for example, in Dandenong there is an oversupply of private dentists relative to the broad population.[354]

There has been a considerable expansion of public dental clinics since 1999 to bring services close to where people live.[355] Fifty three additional dental chairs have been built in community clinics – an increase of 34 per cent.[356] In addition, the new

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344 ibid.
345 ibid.
346 ibid.
347 ibid., p.15
348 Hon. B Pike, MP, Minister for Health2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.20
349 ibid.
350 ibid.
351 ibid., pp.20–21
352 Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.21
353 ibid.
354 ibid.
355 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.6
356 ibid.

$53 million Royal Dental Hospital of Melbourne opened in 2003 with a total of 139 dental chairs.[357] A total of 16 additional chairs became operational in 2004-05.[358] These include:[359]

- ten at the Whitehorse Community Health Service (Box Hill) in November 2004;
- two at the Plenty Valley Community Health Service (Epping) in March 2005; and
- four at the Inner East Community Health Service (Ashburton) in May 2005.

The project to build the Rural Dental Clinical School in Shepparton has gone out to tender.[360] This new 12 chair dental clinic will open in February 2006.[361] The upgrade of the Rumbalara Aboriginal Cooperative dental clinic in Shepparton to a two chair facility will be completed by November 2005.[362]

Detailed service and capital planning is being undertaken by Dental Health Services Victoria and the department following the Minister for Health's approval of the Oral Health Strategic and Service Plan for Victoria – Strategic Directions 2005-2010.[363] Future services will be targeted to areas with the highest number of eligible people with the highest levels of unmet need.[364]

Residents in locations without public dental clinics are able to seek care at any public dental clinic (as there are no agency catchment boundaries) or, if authorised by a public clinic, they can receive care from private practitioners who participate in the three private sector voucher schemes.[365] These are the Victorian Denture Scheme, the Victorian Emergency Dental Scheme and the Victorian General Dental Scheme.[366]

(vi) Workforce strategies

Strategies to increase workforce capacity include:

- increasing the rural allowance;
- increasing funding and support for mentoring of new graduates;
- raising awareness of careers in dentistry;
- improving the profile of public dentistry;

357 ibid.
358 ibid.
359 ibid.
360 ibid.
361 ibid.
362 ibid.
363 ibid.
364 ibid.
365 ibid.
366 ibid.

- improving voucher schemes for private care; and
- increasing private sector participation in the public system.[367]

Further work has been done in developing opportunities for international students, continuing support for rural dental student scholarships, and the funding of up to ten places in the University of Melbourne's Bachelor of Oral Health course.[368]

The Committee notes that Victoria has been an active member of the Australian Health Workforce Official Committee/National Advisory Committee that has developed the Public Sector Dental Workforce Scheme.[369] Under this scheme, dentists trained in Hong Kong, South Africa, Singapore, Malaysia and accredited educational facilities in Canada and the United States, will initially be exempted from the Australian Dental Council (ADC) preliminary exam.[370] These dentists will be granted conditional registration to work in the public sector for three years under supervision requirements determined by the relevant jurisdiction.[371] Dentists will need to sit the ADC exam within three years.[372]

The Department of Human Services and Dental Health Services Victoria are facilitating the employment of University of Melbourne full fee paying overseas students in public dental clinics once they have graduated.[373]

The Committee considers the workforce shortage, represented in particular by a vacancy rate of 31 per cent in rural areas, poses a challenge that will need to be effectively managed to ensure accessible dental services are provided in future to rural communities. The Committee acknowledges the workforce strategies aimed at addressing the issues confronting the department's Community Dental program and intends to keep outcomes under review in this important area.

(l) Go for your life initiative

In November 2004 the government released the *Go for your life* initiative that aims to get the community physically active, eating healthier and involved in the community.[374] The initiative contains activities across a range of government areas, including health, sport and recreation, community building, seniors and education.[375] The $22 million in new funding includes:[376]

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367 ibid., p.15
368 ibid.
369 ibid.
370 ibid.
371 ibid.
372 ibid.
373 ibid.
374 Hon. S Bracks, MP, Premier, media release, *New $22 m get active initiative goes beyond the norm,* 10 November 2004
375 ibid.
376 ibid.

- $10 million to prevent obesity and diabetes;
- $10 million to promote physical activity; and
- $1.9 million to promote healthy and active living for senior Victorians.

The government is looking at these issues in a coordinated way and a range of existing government programs, including the $21 million volunteering and community enterprise strategy aimed at encouraging people to participate in their communities and improve their local networks, will also come under the *Go for your life* banner.[377]

The Committee was interested in hearing about the progress made in implementing the initiative, the performance measures and targets to assess the effectiveness of the initiative and related funding included in the 2005-06 budget. In response, the Minister advised the Committee in August 2005 of the following developments shown in exhibit 6.31:[378]

Exhibit 6.31: *Go for your life* projects

Department	Activities	Project description and status
	Communication	The *Go for your life* communications campaign commenced in November 2004 with print, radio and television media promoting healthy eating, physical activity and community involvement for all Victorians. The campaign continued to June 2005, directing the public to the *Go for your life* web site and call centre.
Department of Human Services	*Kids - Go for your life*	This initiative promotes healthy eating, physical activity and healthy weight for children via children's settings such as primary schools, kindergartens, childcare and maternal and child health centres. The *Kids – Go for your life* service was publicly advertised in December seeking appropriate organisations to apply to implement this service. The consortium to implement this service has been selected and will commence the development and implementation of the service. A tender process was undertaken to select an organisation to evaluate the service, and the selection of this organisation is imminent.
	Community projects	Two community projects were initiated to address underlying environmental and lifestyle issues contributing to overweight and obesity - projects in Moreland (primary schools) and East Geelong (secondary schools). Both of these projects have commenced, with baseline results being collected for Moreland (*Fun 'n healthy in Moreland*) and the student-working group for East Geelong (*It's your move*) being established and developing their action plans.

377 ibid.
378 ibid., pp.17–18

Exhibit 6.31: *Go for your life* projects *(continued)*

Department	Activities	Project description and status
	Diabetes prevention	The aim of this program is to identify people with pre-diabetes and provide an intervention to support lifestyle changes to reduce the risk of progression to diabetes. The program will commence in 2005-06. This will include training of facilitators at the three Primary Care Partnerships (PCPs), and engagement of general practitioners to support their role in screening and referring to the program. The International Diabetes Institute will assist the department in steering the implementation of the program. PCPs have submitted Expressions of Interest to undertake the program and three PCPs will be selected shortly. A tender process was undertaken to select an organisation to evaluate the program. This process is close to finalisation. The evaluation of the effectiveness of the program will commence in 2005-06.
Department	**Activities**	**Project description and status**
Department for Victorian Communities (Sports and Recreation Victoria)	Various projects	Projects have included *Go for your life* community walking grants and physical activity grants, four physical activity flagship projects in targeted communities including the jointly funding *Fun 'n Healthy in Moreland*, and funding of *RecLink Australia*.
Department for Victorian Communities (Office of Senior Victorians)	Various projects	The department has held the Victorian Seniors Festival promoting the key messages of the strategy to seniors – titled *The Age to be – Go for your life.* Healthy living for seniors' projects and connecting seniors to local activity opportunities have also been promoted as part of *Go for your life*. Bicycle Victoria has been funded to conduct three pilot programs – two in rural locations and one in a metropolitan location - to get up to 200 'sedentary' seniors cycling.

Source: Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, pp.17–18

The Committee was informed that performance measures across the strategy are being developed by the Department of Human Services.[379]

With regard to whether any related funding initiatives are included in the 2005-06 budget, the Victorian Government has committed $1.7 million in 2005-06 ($7.1 million over four years) to prevent and better manage chronic disease in Aboriginal communities.[380] This recognises the much higher prevalence and earlier onset of chronic conditions such as diabetes, oral ill health, and cardiovascular and

[379] Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 15 August 2005, p.18

[380] ibid.

respiratory diseases among Aboriginal people in Victoria compared to non-Aboriginal people.[381] This funding has linkages to *Go for your life*.[382]

With about 60 per cent of Victorians overweight or obese and nearly half not active enough,[383] the effect that the *Go for your life* initiative has on changing attitudes and behaviour towards, among other things, involving the community in more exercise and eating healthier food and the impact on health outcomes and associated costs should be of vital interest to all Victorians.

The Committee considers that a consolidated reporting framework should be developed to disclose how funding for each of the components of the *Go for your life* initiative has been spent and the outcomes that have been achieved from the initiative. The Committee encourages the department to consider having the performance measures audited to ensure they are relevant to the objectives set for the initiative and appropriate for assessing performance and the information reported against these measures is accurate. This information would enhance accountability and provide input into future policy development over a long term period.

The Committee recommends that:

Recommendation 49: **The Department of Human Services develop a financial and performance reporting framework for the *Go for your life* initiative. Relevant information should be audited and published on the department's web site and in its annual report.**

6.9 Housing portfolio

6.9.1 Performance measures

The department advised the Committee that its output structure and performance measures were reviewed in 2004-05.[384] For 2005-06, 12 performance measures in the Housing portfolio were discontinued (four performance measures were aggregated into similar measures).[385]

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381 ibid.
382 ibid.
383 Hon. S Bracks, MP, Premier, media release, *New $22 m get active initiative goes beyond the norm*, 10 November 2004
384 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.13
385 Budget Paper No.3, *2005-06 Service Delivery*, pp.371–372

The budget papers identify that four new performance measures were established in the Housing portfolio for 2005-06.[386] The changes to the performance measures for housing and homelessness services in 2005-06 are to provide information on progress against specific Victorian initiatives.[387]

There is only one performance measure on housing waiting times presented in the budget papers, *the average waiting time for clients in urgent housing need*, with a target for 2005-06 of five months (the expected 2004-05 outcome is 5.8 months).[388] The Committee comments on this matter in the key issues section below.

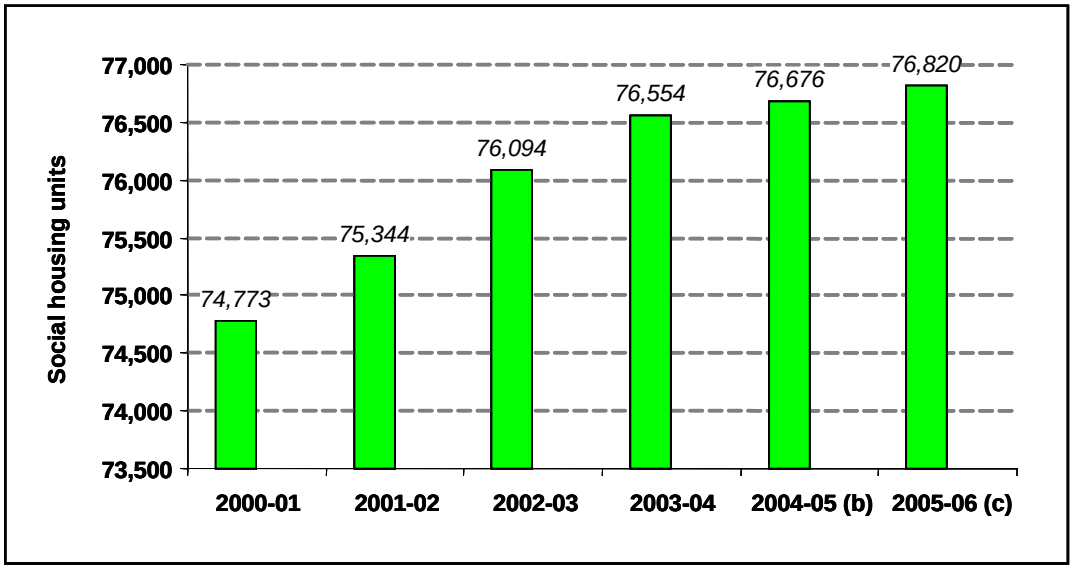
6.9.2 Key issues affecting the portfolio

(a) Social housing stock

The Minister expected the total housing stock (including community owned sector housing) to increase by 144 in 2005-06, representing a net increase of 2,047 since 2000-01 (see exhibit 6.32).

386 ibid., pp.98–100
387 Department of Human Services, response to the Committee's 2005-06 Budget Estimates questionnaire, received 20 May 2005, p.15
388 Budget Paper No.3, *2005-06 Service Delivery*, p.99

Exhibit 6.32: Office of Housing funded social housing stock (a) 2000-01 to 2005-06



Notes: *(a) Total housing stock includes: dwellings under the direct tenure Public Rental Housing program; housing managed by the Aboriginal Housing Board of Victoria; community managed rental housing; leases under the General Stock and Transitional Housing programs; and dwellings under the Community Owned Housing program*

(b) Preliminary estimate

(c) Estimate (the difference between the social housing stock shown in exhibit 6.32 and the total long term social housing properties shown in Budget Paper No.3, 2005-06 Service Delivery, p.99 represents social housing properties used for short to medium term accommodation)

Sources: *Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, 3 June 2005, presentation slide 12; Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 22 July 2005, p.1*

A reconciliation between the estimated movement in properties used for long term housing, allowing for acquisitions and disposals throughout the years, is shown in exhibit 6.33.

Exhibit 6.33: Estimated movement in properties used for long term housing Reconciliation between 2004-05 and 2005-06

	2004-05 Preliminary estimate	2005-06 Estimate
Acquisitions	772	(a) 794
Disposals	650	650
Total social housing stock	**76,676**	**76,820**

Note: *(a) as per Budget Paper No.3, 2005-06 Service Delivery, p.99*

Source: *Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 22 July 2005, p.1*

(b) Building More Homes Together program

The Minister unveiled the Building More Homes Together program in March 2005. Under the $20 million government funded program, developers and builders will construct social housing for the government in return for development opportunities on public housing sites.[389]

The Minister described the rationale for the Building More Homes Together program:[390]

> *…housing economists had been calling for a 'third plank' solution between traditional public housing and the rent assistance available in the private market…*
>
> *Everybody acknowledges that Australia has a housing affordability crisis. We agree with the housing economists who argue that governments can do more than simply invest in public housing, and so Victoria has created an opportunity for the private and public sectors to tackle the problem together.*

During the estimates hearings, the Minister explained the term 'social housing' to the Committee and how it compares with the traditional concept of public housing. Because the Building More Homes Together program centres on social housing, the Committee has included the Minister's explanation of the term:[391]

> *Social housing includes housing which has been acquired in partnership with a range of partners, including councils and community organisations. One of the ways this government has sought to grow affordable housing is by leveraging our investment. Investing in purely public housing does not attract any leverage, but we have through the first term of the government, through the social housing innovation program, achieved some 30 per cent leverage on state government investment. Through a number of new strategies which we are pursuing in this term of government, particularly housing associations, we are seeking to add to that equation further leveraged through private sector involvement, so social housing certainly includes public housing plus the partnership acquisitions through those other means I have described.*

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389 Ms C Broad, MLC, Minister for Housing, media release, *Developers asked to pitch in for social housing*, 17 March 2005

390 ibid.

391 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.3

The Minister indicated that the aim of the program was to deliver 170 additional affordable homes using a range of options, including:[392]

- private builders with land using government contributions to build new housing, with a set percentage rented to people on low incomes;
- vacant government land sold to builders in return for the construction of negotiated proportions of social and private housing; and
- the purchase of privately owned buildings for refurbishment into modern apartments for private sale as well as public rental.

The Minister also stated non-government financing and economies of scale achieved by engaging larger development companies will enable more homes to be built for people in housing crisis than could be constructed using government money alone. The Minister also said that:

> *…the initiative would not reduce the supply of public housing or displace any public housing tenants. Rather, it would complement other forms of housing assistance already provided to Victorians in need, the cornerstone of which will remain public housing.*[393]

The $20 million allocated for the program had been provided in the 2004-05 Budget under the Affordable Housing Growth strategy. Most of the expenditure was now expected to occur under this new program over 2005-06 and 2006-07.[394]

While progress has been made in establishing the program and developing a works schedule, expenditure on construction will not take place until responses to request for development proposals have been received and contracts with developers formalised. Development agreements and land and building contracts were expected to be signed during October 2005.[395]

Given the characteristics of this program, the Committee considers it will be important for the department to furnish transparent information to Parliament on specific strategic and operational aspects of the program, including:

- the respective financial obligations of the government and participating private developers;
- the basis for allocation of risks between the government and participating parties;

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392 Ms C Broad, MLC, Minister for Housing, media release, *Developers asked to pitch in for social housing*, 17 March 2005

393 ibid.

394 Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 22 July 2005, pp.7–8

395 ibid., p.8

- the extent of any differentiating features of arrangements established for people assisted with social housing, such as eligibility criteria and rental levels, compared with the prevailing public housing environment;
- the impact of the program on public housing waiting lists; and
- actual results against key short term targets and longer-term outcomes.

The Committee department should provide progressive reporting via its annual report to Parliament on the program's implementation and its social and financial outcomes.

The Committee recommends that:

Recommendation 50: **The Department of Human Services progressively inform Parliament, through its annual report, on the implementation of the *Building More Homes Together* program, including the program's social and financial outcomes.**

(c) The strategy for growth in housing for low income Victorians

The 2003-04 Budget provided for funding of $70 million over four years as an output initiative for affordable housing growth.[396] The government announced the Strategy for Growth in Housing for Low Income Victorians as the vehicle for the creation of affordable housing associations.[397]

Information released by the department at the time of the 2005-06 Budget indicated that $47 million of the $70 million is allocated to the Strategy for Growth in Housing for Low Income Victorians in 2005-06.[398] This information indicated that the 2005-06 funding will be used for capital grants for not-for-profit housing associations to acquire additional stock. The creation of partnerships with community-based organisations, local government and the private sector will provide more affordable housing options and more choice for low income Victorians.[399]

During the estimates hearing, the Minister provided the Committee with an update on action that had been taken since announcing the strategy in December 2003. The Minister outlined the milestones reached:[400]

396 Budget Paper No.2, *Budget Statement 2003-04*, pp.209, 215
397 Ms C Broad, MLC, Minister for Housing, media release, *Govt. seeks comment on affordable housing options*, 29 December 2003
398 Victorian Government, *Victorian State Budget 2005-06 Information Kit*, *Expanding the supply of affordable housing*
399 ibid.
400 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.7

- enactment of the *Housing (Housing Agencies) Act* 2004, which provides a framework for the registration and regulation of housing associations and other community housing providers;
- identification of six prospective housing associations through a very rigorous registration of intent exercise;
- appointment of an acting Registrar of Housing Agencies;
- development of performance standards to be achieved by registered agencies;
- development of statutory guidelines for the use of legislative powers of intervention; and
- identification and assessment of potential capital projects to be undertaken in partnership with registered housing associations.

The Minister informed the Committee about the status of the registration process:[401]

> *That registration process is well under way, and it is expected that a number of housing associations will complete that registration process by the end of this month. There was some delay in the process as a result of concerns expressed by some of the prospective housing associations that their charitable or public benevolent institution status might be affected. That issue is being addressed through discussions with the Australian Taxation Office, and a public determination of the matter is being sought from the tax office. The Office of Housing does not have any control over the timing of that, so we are proceeding in the expectation that this matter can be resolved satisfactorily. Following registration, funding will be committed for a significant number of capital projects that have been evaluated over the past six months and are purely awaiting the completion of the registration process this month.*

The Minister announced on 2 August 2005 that Loddon Mallee Housing Services was Victoria's first registered housing association under the strategy for Growth in Housing for Low Income Victorians.[402] As part of the announcement, the Minister indicated that the government would invest $16.2 million towards a $20.4 million project to build 92 homes across regional centres, including Bendigo, Castlemaine, Echuca, Kyneton, Mildura and Swan Hill. Loddon Mallee Housing Services will contribute the remaining $4.2 million. Loddon Mallee Housing Services is the first of six agencies to register as a housing association; the other five are to follow in the coming months.[403]

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401 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing transcript of evidence, 3 June 2005, p.7

402 Ms C Broad, MLC, Minister for Housing, media release, *$20 million new housing model to be pioneered in regional Victoria*, 2 August 2005

403 ibid.

The Minister further advised that the houses to be built will be a mixture of two, three and four bedrooms and will be targeted at families on low incomes. A builder has been appointed; the identification of suitable building sites is underway; and the first of the new houses should be available for tenanting within 12 months.[404]

The Committee is mindful that the Building More Homes Together program is similar to the Strategy for Growth in Housing for Low Income Victorians, extending the traditional boundaries of public housing to include the participation of another party (in this case registered housing associations) to assist the government meet a growing need for low cost housing. The Committee also recognises that, unlike the Building More Homes Together program, this strategy is founded on a legislative basis that establishes a regulatory framework for housing associations that are registered to participate in meeting the needs of low income tenants.[405]

The regulatory framework includes the development of performance standards for registered housing agencies and the appointment of a Registrar of Housing Agencies, whose regulatory powers include the monitoring of compliance with the prescribed performance standards.[406]

The department needs to inform Parliament about the progressive implementation of the strategy, via its annual report, and that information should include:

- the results of the registration processes;
- the respective financial responsibilities of the government and the registered housing associations;
- the basis of allocation of risks between the government and the participating agencies;
- eligibility criteria for tenants and rental levels;
- the impact on public housing waiting lists;
- issues raised by the Registrar of Housing Agencies on the operation of the regulatory framework; and
- actual results against key short term targets and longer-term outcomes.

The information presented to Parliament in the department's annual report should be structured in a manner that enables Parliament to readily assess the effectiveness of the strategy in meeting its expected outcomes.

404 ibid.
405 the legislation referred to is the *Housing (Housing Agencies) Act* 2004, Act No.106/2004
406 *Housing (Housing Agencies) Act* 2004, Act No.106/2004, ss.79, 93–95

The Committee recommends that:

Recommendation 51: **The Department of Human Services ensure information included in its annual report on implementation of the *Strategy for Growth in Housing for Low Income Victorians* enables Parliament to readily assess the strategy's effectiveness in achieving intended outcomes.**

(d) Maintenance of public housing

The Auditor-General presented a report to Parliament outlining the results of a performance audit that examined management of public housing maintenance by the Office of Housing.[407]

The significance of this audit subject is reinforced by the fact that the department's expenditure on housing maintenance is estimated to be $88.2 million in 2005-06.[408]

The Auditor-General indicated in the report that this was the fourth such audit in the last ten years and:[409]

> *…it is fair to say that, until recently, very little strategic progress had been made to address the underlying concerns expressed in our earlier reports. Some of these concerns, for instance over supervision of maintenance work, information on the condition of houses or poor tenant satisfaction, still remain.*
>
> *However, recent reviews and actions taken by the department suggest renewed commitment to addressing the underlying issues. If this effort continues, it should result in ongoing improvements for public housing tenants.*

The Committee is encouraged by the Auditor-General's comments that there are signs emerging of long awaited improvement in this key area of public housing management.

The Committee considers that the indications of improved management procedures were particularly relevant to the supervision of maintenance contractors, where the Auditor-General estimated that contractor overcharges could be $2.7 million per year and $3 million for works that needed to be rectified.[410]

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407 Victorian Auditor-General's Office, *Maintaining public housing stock*, June 2004

408 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.2

409 Victorian Auditor-General's Office, *Maintaining public housing stock*, June 2004, Foreword

410 ibid., p.6

The Committee sought information from the Minister on the improvement initiatives undertaken by the department to address the issues raised by the Auditor-General and to strengthen management procedures for maintenance of public housing.

The Minister advised that the Office of Housing had initiated a number of business improvement initiatives in response to its own reviews and to the Auditor-General's report, including:[411]

> *…management of contractor performance, improved collection of property condition assessment data, expansion of the independent review function for maintenance services, increased numbers of customer satisfaction surveys, as well as improved management of complaints and importantly improved communications with tenants. We believe a review of the response of maintenance contracts has strengthened contractors' obligations in relation to the quality and timeliness of work, which is one of the matters that was examined.*
>
> *A contractor consultant review panel is now in place, and all contractors used by the Office of Housing are subject to review, and their performance in all maintenance projects is monitored. As well as that, some 117 regional staff have received training in contractor management, something which needed to be addressed. The maintenance call centre, an initiative of this government, is also a very significant improvement in this area. Monthly customer surveys conducted by the maintenance call centre show a very high level of customer satisfaction – in fact there is 99 per cent satisfaction with staff performance – with over 5,000 surveys having been conducted since July last year. Just in case there is any concern about that, there are also independent surveys conducted. Those are some of the main areas which have been raised in the Auditor-General's reports and in the Office of Housing's own reviews in this area…*

The Committee welcomes the improvement initiatives outlined by the Minister.

The department now faces the challenge of ensuring that the potential offered by its actions becomes a reality, and those actions lead to sustained quality performance in its management of housing maintenance.

This issue will be followed up by the Committee as part of the *2004-05 Budget Outcomes Report*.

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411 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.6

(e) Housing waiting times and management of vacant properties

The department's Office of Housing makes available a range of information to assist people applying for public housing.[412] The information includes quarterly indicative waiting list statistics on applicant numbers by geographical area. The department's June 2005 list shows there were 35,416 applicants for public housing.[413]

The material made available to prospective housing applicants identifies the following factors that influence the potential waiting time:[414]

- the number of applicants who are approved for early housing, ahead of others on the list;
- the locational preference of applicants, with locations more in demand than others possibly leading to longer waiting times;
- the type of dwellings sought in a given area;
- the frequency with which vacancies arise in each location; and
- the availability of affordable alternatives in the private market in each location.

The budget papers disclose only one performance measure on housing waiting times, the average waiting time for clients in urgent housing need, with a target of five months for 2005-06; the expected 2004-05 outcome is 5.8 months.[415]

The Committee sought information on a breakdown of housing applicants by waiting periods of six months, one year, two years, five years and greater than ten years. The Office of Housing maintains waiting times for applicants who are housed in a financial year, and in 2004-05:[416]

- 39.6 per cent of waiting list allocations were made to applicants within six months of approval;
- 15.7 per cent of waiting list allocations were made to applicants within one year of approval;
- 15.4 per cent of waiting list allocations were made to applicants within two years of approval;
- 19.5 per cent of waiting list allocations were made to applicants within five years of approval;

412 Office of Housing, waiting list information, www.dhs.vic.gov.au accessed 22 September 2005
413 ibid.
414 ibid.
415 Budget Paper No.3, *2005-06 Service Delivery*, p.99
416 Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 22 July 2005, p.8

- 7.0 per cent of waiting list allocations were made to applicants within five to ten years of approval; and
- 2.8 per cent of waiting list allocations were made to applicants waiting more than ten years.

The Minister advised that:[417]

> *The average waiting time for clients in urgent housing need was 5.8 months in 2004-05. Applicants on the wait turn segment of the waiting list, who are not yet housed, can wait for lengthy periods due to prioritisation of applicants with urgent housing needs. In addition, some applicants who are waiting for lengthier periods choose property type and location exemptions, which in combination with lower turnover rates, can lead to higher average waiting times. For urgent application, the Office of Housing is moving towards ensuring applicants make more realistic choices with respect to location and property type requests.*

The Minister indicated that the amount of time that properties are untenanted, and the reasons are matters that the government takes seriously. The proportion of public housing rental properties vacant at June 2004 was about 1.2 per cent of total stock, or 733 properties, compared with the private sector vacancy rate of 3.8 per cent at that time.[418]

Of the 733 vacant properties, the majority had been vacant for 39 days or less. The Minister considered that this period was reasonable for the majority of properties given the factors that need to be taken into account before properties can be re-tenanted. These factors include regular maintenance, a process of offering properties and tenants accepting offers, and tenants needing to move to take up property offers.[419]

The Minister outlined the actions underway to improve vacancy management:[420]

> *The average time taken to prepare vacant properties from offer through to allocation was 38 calendar days, which is an improvement from the same time last year. Again, the Office of Housing benchmarks its performance not only with what is happening in the private rental market but also with state housing authorities. We believe that the 38-day average is consistent with national averages. Notwithstanding that performance I have requested the Office of Housing improve the planning and delivery of maintenance services to ensure that vacancy management and turnaround times are reduced where that is possible. The Office of Housing has been requested to conduct a survey of vacant*

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417 ibid.
418 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.8
419 ibid., pp.8–9
420 ibid., p.9

> *properties and identify any particular locations of concern, and report on current status. That is over and above regular vacancy monitoring. An intensive program of statewide monitoring and of those target turnaround times was commenced in March.*

The department provided further information on vacancy management to the Committee, including the implications of mismatches between the patterns of demand and supply. The Committee was informed that vacancy management in some locations is very difficult because of historical mismatches that have arisen between demand and supply patterns. The department indicated these circumstances meant there will always be properties that are in lower demand and therefore take some time to find a willing tenant. The department explained that, while there are significant factors that do constrain the turnaround times of properties, it is an area *'attracting considerable management attention'*. The department expressed confidence that the issue is *'under pretty strong management control'*.[421]

On the question of whether there have been any success to date in overcoming the problem of a lack of attractiveness of properties to people on the waiting list, the Minister explained that:[422]

> *…it is not always that easy to dispose of properties for which there is no demand and replace them in areas where there is, but certainly that is what the Office of Housing aims to do and in determining where new investments will be made the aim is very much to ensure that new investments and redevelopment of housing stock occurs in well located areas which are going to provide good access to Office of Housing tenants and social-housing tenants to transport education and health services and community facilities in general.*
>
> *We have also indicated that in the metropolitan area we are looking very closely to align new investments with the Melbourne 2030 metropolitan strategy which the government has in place to ensure as far as possible that we are ensuring that affordable housing is available into the future in those areas because they are areas which will meet our criteria of providing good transport and good access to facilities and services for the tenants and better opportunities for public housing tenants who need access to opportunities.*

The Committee considers that the department should expand its published performance measurement regime for housing waiting times beyond the current single measure shown in the budget papers, to include trend data on the percentages of applicants waiting for housing over various average timeframes on a financial year

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421 Dr O Donald, Executive Director, Housing and Community Building Division, Department of Human Services, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.9

422 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.10

basis. The Committee also considers that the department should externally report on trend data relating to specific aspects of its performance in vacancy management, such as the number of vacant properties; vacancy periods; and the averaged time between offers of vacant properties to the actual allocation of tenants.

By providing information on future movements in key performance data for waiting times and vacancy management will assist Parliament and other stakeholders to assess the progressive effectiveness of improvement initiatives underway in those areas.

The Committee recommends that:

Recommendation 52: **The Department of Human Services widen its performance measurement regime for housing waiting times and vacancy management.**

(f) Supported Accommodation Assistance program

The Supported Accommodation Assistance Program (SAAP) is a joint commonwealth-state funded program which provides assistance to people who are homeless, at risk of homelessness, or escaping domestic violence.[423] More than 30,000 Victorians received help from emergency support agencies under SAAP-funded services during 2004-05.[424] Agencies receiving funding under SAAP include the Salvation Army, Melbourne Citymission, Anglicare and St Vincent de Paul.[425]

Through its *Report on the 2004-05 Budget Estimates*, the Committee encouraged the Department of Human Services to work closely with the federal government to ensure the re-negotiated SAAP agreement both recognises and provides adequate funding for the current and future needs of people requiring short term housing assistance.[426]

The Committee was interested to learn about the outcome of the negotiations with the federal government on a new SAAP agreement.

The Minister informed the Committee that under the five year agreement expiring on 30 June 2005, the federal government provides around 60 per cent of matched funds and the state provides approximately 40 per cent.[427] The Minister also indicated that Victoria provides an additional $14.5 million in state only funds for core SAAP

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423 Ms C Broad, MLC, Minister for Housing, media release, *States seek fair deal for homeless*, 26 November 2004

424 Ms C Broad, MLC, Minister for Housing, media release, *Victoria signs $408m deal for homeless people*, 30 September 2005

425 ibid.

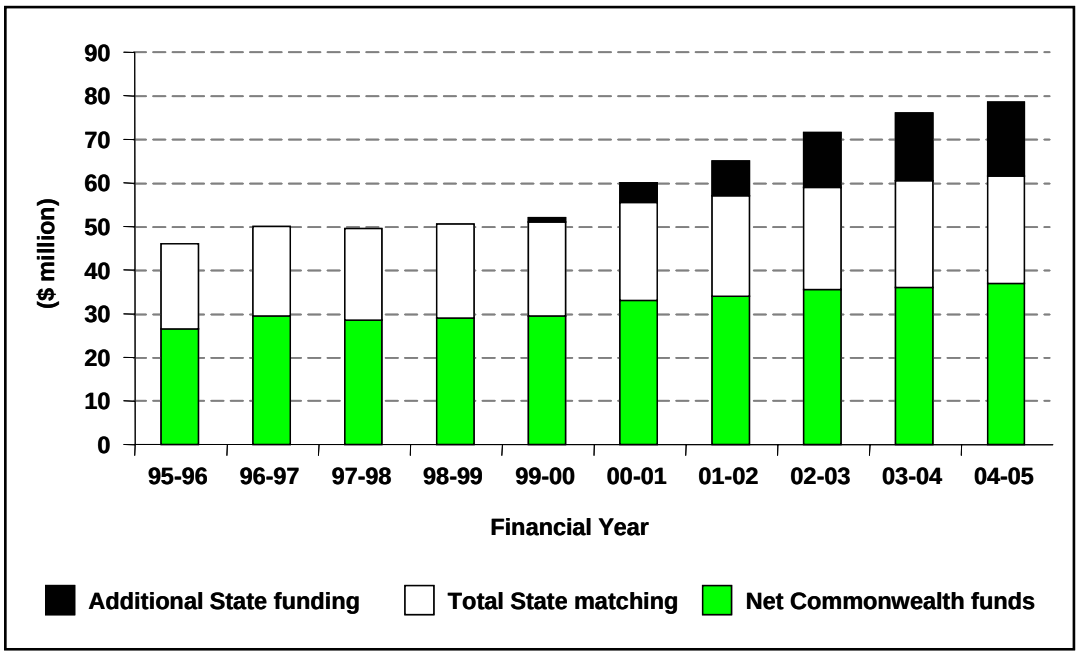
426 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.308

427 Ms C Broad, MLC, Minister for Housing, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.3

services, which brings the state's total financial contribution to just over half of the funding for core SAAP services.[428]

The Minister provided the following information identifying the level of Victoria's additional funding for SAAP homelessness assistance over the five year period of the agreement (exhibit 6.34).

Exhibit 6.34: Additional state government funding for homelessness assistance 1995-96 to 2004-05



Source: Ms C Broad MLC, Minister for Housing, 2005-06 Budget Estimates hearing, 3 June 2005, presentation slide 6

The Minister indicated that an initial funding offer from the federal government had been deemed unacceptable; in addition to making no provision for growth, it reduced the amount of federal funding by around $6.5 million per year, or $32 million over the five years of a future agreement.[429] A new offer from the federal government had only recently been received. An early assessment of this offer indicated there would be no cut in federal funding in the first financial year, 2005-06, but beyond that year was more complicated and would require careful analysis and consultation with the homelessness sector.[430]

[428] ibid.
[429] ibid., p.4
[430] ibid.

The Minister announced on 15 June 2005 that Victoria would reluctantly accept the federal government's offer for a fifth funding agreement under the SAAP.[431] The offer involved a $13.8 million cut in federal funding and Victoria had decided to meet the resultant funding gap. The additional contribution of $13.8 million by Victoria meant that it will be providing nearly 55 per cent of all core SAAP funds.[432]

The Committee welcomes the news that there will be continuation of funding for homelessness assistance over a further five year period from 1 July 2005 by the federal and state governments under a new SAAP agreement.

The Committee noted that the Victorian Minister for Housing signed a new five year $408 million SAAP agreement with the federal government on 30 September 2005.[433] Under the agreement, the cut to federal funding means that Victoria's contribution will increase to $222 million or 54.5 per cent of funding for core SAAP services over five years.[434]

431 Ms C Broad, MLC, Minister for Housing, media release, *Howard Government shows no mercy for homeless*, 15 June 2005

432 ibid.

433 Ms C Broad, MLC, Minister for Housing, media release, *Victoria signs $408m deal for homeless people*, 30 September 2005

434 ibid.

CHAPTER 7: DEPARTMENT OF INFRASTRUCTURE

Key findings of the Committee:

7.1 **The Department of Infrastructure's budget allocation for 2005-06 was $3,470 million, an increase of $396 million or 12.9 per cent on the estimated actual result for 2004-05. Of this increase, $178 million was due to a higher capital assets charge relating to the investment in rail assets.**

7.2 **The Department of Infrastructure estimates it will carry forward $20.9 million in output funding from 2004-05 to 2005-06, with $12.8 million of this amount attributable to the business disruption and compensation claims costs and other project costs relating to the Regional Fast Rail project. There is also a carry forward of $3.2 million in asset initiatives from 2004-05 to 2005-06.**

7.3 **The department is required to achieve savings of $14.2 million in 2005-06. This will largely be achieved in the area of ICT programs and services, research and development activities and road safety efficiency initiatives.**

7.4 **The Department of Infrastructure anticipates that staff numbers will increase from 958.3 in June 2005 to 993 full-time equivalent positions in June 2006, which is a net increase of 34.7 full-time equivalent positions. Staff numbers at VicRoads is estimated to increase from 2,439 full-time equivalent positions in 2005 to 2,598 full-time equivalent positions in 2006, an increase of 159 ongoing full-time equivalent positions. The increase in VicRoads is largely attributed to a larger graduate intake in 2006.**

7.5 **Each of the Greenhouse Challenge for Energy policy initiatives is scheduled to be finalised during 2005-06, with the exception of a national state-based emissions trading scheme.**

7.6 **While Victoria has distributed information about a proposed model for an emissions trading scheme which is agreed to by all the states, the Minister indicated that the lack of certainty is having an effect on investment.**

7.7 **A major initiative contained in the 2005-06 budget relates to the allocation of $103.5 million over five years for the development of an Energy Technology Innovation Strategy. The strategy includes the allocation of $83.5 million over five years to explore the development of large pre-commercial demonstration plants trialling new clean brown coal technology in the Latrobe Valley, which will require the involvement and support of the federal government and private industry.**

7.8 **The Victorian Government believes technology solutions and market solutions for the use of Victoria's brown coal will be able to be found in the foreseeable future.**

7.9 **To complement strategies directed at finding technology-based solutions for making fossil fuels cleaner, it is timely for more discussion to take place on the use of alternative energy sources. Such action would, from a risk management perspective, provide a means of providing a potential fall back position in the event that the introduction of new technologies for reducing greenhouse gas emissions for the use of brown coal (brown coal power stations produce 55 per cent of the state's greenhouse gas emissions) do not prove to be cost effective. The Victorian Government is encouraging alternative energy sources, including renewable energy and gas.**

7.10 **The Telecommunications Purchasing and Management Strategy (TPAMS) is expected to be delivered within the overall budget projections. The implementation is expected to be completed by 2005-06 and within the total estimated investment, originally budgeted at $47.7 million.**

7.11 **The capital expenditure for the TPAMS project for 2004-05 and 2005-06 was re-phased after the release of the 2005-06 budget to allow for the planning for the SmartOne initiative announced in the 2005-06 budget and to align the budget with departments' TPAMS transitional schedules.**

7.12 **The government's estimates are that TPAMS will produce savings of up to $200 million over five years. This amount was calculated on actual telecommunications usage prior to the TPAMS tender.**

7.13 **Clarification is required of the responsibility for the reporting of performance measures for major projects that are managed by Major Projects Victoria on behalf of other departments.**

7.14 **The Environment Effects Statement (EES) for the Nowingi industrial waste long term containment facility points to a 'high volume' scenario, in which the industrial waste long term containment facility would receive up to 250,000 tonnes of waste over its operating life. The operating life of the facility is expected to be 25 years under this scenario.**

7.15 **The Independent Panel established to review the EES proposal and the public submissions to the proposal is not anticipated to report back to the government until 'well into 2006'. The Minister for Planning is to release a formal Assessment after consideration of the Independent Panel's report. The EES document did not specify when the Minister's report will be released.**

7.16 **The budget for the Regional Fast Rail project increased from $550 million to $617 million to $750 million. The government attributed the increase to improved safety features on all four lines, improvements to track design on the Bendigo and Latrobe Valley lines, a more reliable power supply along the Latrobe Valley line, increased costs of project insurance post September 11, higher land acquisition costs on the Ballarat line and extra funding to cover savings in track maintenance that were expected prior to the collapse of the National Express Group in December 2002.**

7.17 **The Minister for Transport advised the Committee in May 2005 that the Regional Fast Rail project was '*currently within that budget estimate. However, we have not finished building it, but we have sufficient capacity in those estimates to finish the program*'.**

7.18 **Expected savings in travel times for express services from the Regional Fast Rail project for the Ballarat, Geelong, Bendigo and Latrobe Valley lines, based on the current fastest trains, amount to 18 minutes (22 per cent saving), six minutes (12 per cent saving), 15 minutes (15 per cent saving) and 21 minutes (18 per cent saving) respectively.**

7.19 **An analysis of all weekday trains from Ballarat, Geelong and Bendigo to Spencer Street; and from Traralgon to Flinders Street shows that the with regard to the Regional Fast Rail project, the estimated time savings ranging from 2.5 to 4.5 minutes will be minimal.**

7.20 **The December 2004 target for completing the new roof of the Spencer Street Station redevelopment was extended from December 2004 to the second quarter of 2005-06, while the March 2005 target for completing the Spencer Street concourse is now the third quarter of 2005-06. These delays have occurred due to the complexities of building the roof within the estimated time frame, and could not be achieved with the access planned. Safe working conditions also precluded construction of the concourse (below) while roof works proceeded (above). Further delays occurred when contaminated materials were found in the old landfill and construction materials used in the old structures.**

7.21 **There has been a gradual deterioration in the on-time performance of metropolitan train services over the past three years, whereby the percentage of train services arriving at the destination on time has declined from 96.9 per cent (2002-03) to 95.9 per cent (2003-04) to 93.9 per cent (2004-05). The target set for 2005-06 is 96 per cent, an improvement on the actual performance for 2004-05, but lower than the 97.1 per cent target set for 2004-05 and the actual result achieved three years earlier.**

7.22 **The expected performance outcome of only 94 per cent of metropolitan train services delivered on time during 2004-05 culminated in penalties of $20.3 million being imposed on Connex (the private operator) that year. A substantial increase in penalties occurred for the April-June 2005 quarter amounting to $7.4 million, or $81,000 per day.**

7.23 **The on-time performance of V/Line passenger trains has significantly deteriorated over the past three years. The percentage of V/Line passenger trains arriving at the destination on time declined from 93.7 per cent in 2002-03 to 91.5 per cent in 2003-04 to 85.1 per cent during 2004-05. In other words, one in every 16 V/Line passenger trains did not run on time during 2002-03 compared with one in every 11 in 2003-04 and one in every six for 2004-05.**

7.24 **According to the Minister for Transport, punctuality issues arose from a number of factors including a disruption to services attributable to the Regional Fast Rail project; the Spencer Street Station redevelopment; train driver shortages; repairs having to be made to some rolling stock and locomotives involved in accidents; and the need to take over the operations of the Warrnambool services.**

Departmental review

7.1 Output management framework

The Department of Infrastructure supports the ministerial portfolios of Energy Industries, Information and Communication Technology, Major Projects and Transport. Exhibit 7.1 outlines the ministerial responsibilities for the department's outputs.

Exhibit 7.1: Department of Infrastructure Ministerial responsibilities

Output groups/outputs	Responsible Minister			
	Energy Industries	Information and Communication Technology	Major Projects	Transport
Public safety and security				
Public transport safety and regulation				✓
Roads safety and regulation				✓
Vehicle and driver regulation				✓
Marine safety and regulation				✓
Infrastructure security and emergency management	✓			✓ *(lead Minister)*
Public transport services				
Integrated metropolitan public transport services				✓
Rural and regional public transport services				✓
Specialist transport services				✓
ICT policy, programs and infrastructure				
eGovernment infrastructure		✓		
ICT policy and programs		✓		

Exhibit 7.1: Department of Infrastructure
Ministerial responsibilities *(continued)*

Output groups/outputs	Responsible Minister			
	Energy Industries	Information and Communication Technology	Major Projects	Transport
Infrastructure planning, delivery and management				
Integrated transport policy and planning				✓
Public transport infrastructure development				✓
Road system management				✓
Traffic and transport management				✓
Freight, logistics, ports and marine development				✓
Energy policy services	✓			
Public construction and land development			✓	

Source: Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.2

7.2 Internal/external reviews

During 2004-05 the department conducted a comprehensive internal review of its output structure and performance measures to improve the quality and relevance of performance measures and to streamline its output structure.[1]

The result was an output structure that aligns outputs with the department's major service delivery objectives. The new structure reduced the previous 8 output group classifications, 30 outputs and 273 performance measures to 4 output group classifications, 17 outputs and 200 performance measures.[2]

1 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.9
2 ibid.

7.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $3,470 million, an increase of $396 million or 12.9 per cent on the estimated actual result for 2004-05. Exhibit 7.2 provides a detailed budgetary breakdown.

Exhibit 7.2: Department of Infrastructure
Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Public safety and security				
Public transport safety and regulation	11.9	11.9	15.3	28.6
Road safety and regulation	69.3	71.5	57.2	-20.0
Vehicle and driver regulation	108.9	114.0	122.4	7.4
Marine safety and regulation	14.0	12.4	16.4	32.3
Infrastructure security and emergency management	1.9	2.2	2.1	-4.5
Sub-total	**206.0**	**212.0**	**213.4**	**0.7**
Public transport services				
Integrated metropolitan public transport services	1,395.2	1,339.8	1,535.5	14.6
Rural and regional public transport services	378.7	388.4	473.3	21.9
Specialist transport services	196.8	198.4	205.9	3.8
Sub-total	**1,970.7**	**1,926.6**	**2,214.7**	**15.0**
ICT policy, programs and infrastructure				
eGovernment infrastructure	22.8	13.0	19.0	46.2
ICT policy and programs	26.9	26.4	27.0	2.3
Sub-total	**49.7**	**39.4**	**46.0**	**16.8**

Exhibit 7.2: Department of Infrastructure Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Infrastructure planning, delivery and management				
Integrated transport policy and planning	10.7	11.1	5.9	-46.8
Public transport infrastructure development	35.6	37.8	47.6	25.9
Road system management	655.2	692.5	761.7	10.0
Traffic and transport management	94.4	114.7	120.1	4.7
Freight, logistics, ports and marine development	31.6	30.7	39.7	29.3
Energy policy services	7.2	6.8	11.2	64.7
Public construction and land development	1.9	2.4	9.7	304.2
Sub-total	**836.6**	**896.0**	**995.9**	**11.1**
Total	**3,063.0**	**3,074.0**	**3,470.0**	**12.9**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting.[3]

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.106–125*

The Committee requested detailed explanations for output cost variations in excess of 10 per cent between the 2004-05 estimated actual and the 2005-06 target cost. The department advised that variances were attributable to:[4]

- public transport safety and regulation – the increase of $3.4 million (28.6 per cent) is largely attributable to new funding for level crossings ($2.6 million);
- road safety and regulation – the decrease of $14.3 million (20 per cent) is largely due to the completion of the School Speed Zone Safety program;
- marine safety and regulation – the increase of $4 million (32.3 per cent) is largely attributed to a carry over of $2.7 million of 2004-05 funding into 2005-06 for the Boating Safety and Facilities program and additional output funding provided in 2005-06 of $800,000 for the program;

[3] Budget Paper No.3, *2005-06 Service Delivery*, p.104

[4] Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.25–28

- integrated metropolitan public transport services – the increase of $195.7 million (14.6 per cent) is largely the result of:
  - capital assets charge relating to the investment in rail assets ($138 million);
  - the movement in the contracted price of public transport services of $27 million, particularly relating to buses ($12 million);
  - the impact of the new bus service initiatives for 2005-06 of $7 million; and
  - the full year impact of the concessions package of $10 million.
- rural and regional public transport services – the increase of $84.9 million (21.9 per cent) is largely due to:
  - capital assets charge relating to the investment in rail assets ($40 million);
  - the movement in the contracted price of V/Line services (for leasing and maintenance of the new V'Locity rolling-stock) of $29 million; and
  - an increase in depreciation expense in line with completion of a number of regional rail infrastructure projects.
- eGovernment infrastructure – the increase of $6 million (46.2 per cent) is largely the result of $7 million in depreciation expense, offset by specific savings of $900,000;
- integrated transport policy and planning – the decrease of $5.2 million (46.8 per cent) is largely due to the completion of the $5 million TravelSmart initiative funded in 2004-05;
- public transport infrastructure development – the increase of $9.8 million (25 per cent) is due to the carry over of $12.8 million of 2004-05 funding into 2005-06 for the business disruption and compensation claims relating to the Regional Fast Rail project, offset by cash flow changes of other one-off projects undertaken in 2004-05 of $3 million;
- freight, logistics, ports and marine development – the increase of $9 million (29.3 per cent) is related to VicRoads undertaking an increased number of freight access and improvement projects, offset by the full year effect of the transfer of the management of Station Pier from the department to the Port of Melbourne Corporation;
- energy policy services – the increase of $4.4 million (64.7 per cent) is due to the carry over of $1.5 million of 2004-05 funding into 2005-06 for the Power-line Relocation Grants program; funding to support Victoria's participation in the Australian Energy Market Commission (AMEC); and general cost movements; and

- public construction and land development – the increase of $7.3 million (304.2 per cent) is largely due to the funding for the Dandenong Transit Cities program ($5.4 million) and planning for other transit cities projects ($2.1 million).

7.3.1 Departmental savings

The department is required to find savings of $14.2 million in 2005-06.[5] The department advised that the focus of its savings will be on operational efficiencies and grants administration, expenditure on consultants and contractors, and through the whole of government savings initiative to centralise print, media and communication services.[6]

The department advised that there will be a particular focus in the area of ICT programs and services, research and development activities and road safety efficiency initiatives to achieve this savings. Savings in the ICT portfolio are to be achieved through improvements in telecommunications technology and a combination of the completion of programs, operational efficiencies and a reduced reliance on consultants and contractors. In addition, the implementation of the outsourced information technology services at VicRoads is expected to deliver savings in the areas of system management, data storage, telecommunications and telephones.[7]

7.3.2 Financial analysis

(a) Operating performance

The Department of Infrastructure anticipates income of $3,782.8 million for its 2005-06 controlled operations, an increase of 19.1 per cent from the 2004-05 revised estimated actual income. Expenses in 2005-06 are budgeted at $3,469.9 million for controlled operations, very close to the 2004-05 revised estimated actual expense of $3,434.3 million (see exhibit 7.3).

5 Budget Paper No.3, *2005-06 Service Delivery*, pp.292–293
6 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.37
7 ibid.

Exhibit 7.3: Department of Infrastructure Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	3,176.2	3,782.8	19.1
Expenses	3,434.3	3,469.9	1.0
Net result	**-258.1**	**312.9**	**-221.1**
Administered items			
Administered income	1,649.6	1,710.1	3.7
Administered expenses	1,555.8	1,776.5	14.2
Income less expenses	**93.8**	**-66.3**	**-170.7**

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, p.77, 80

The department provided the following explanations for major variations between the 2004-05 revised estimated actual results and the 2005-06 Budget.

On income for controlled operations – the increase of $606.6 million (19.1 per cent) is largely due to higher output appropriations ($534.5 million) reflecting:[8]

- additional funding for contracted service payments and prior year initiatives including public transport partnership agreements;
- increase in capital assets charge relating to the investments in rail assets;[9]
- additional funding for state and federal road projects; and
- a one-off income to reimburse VicTrack for the increase in tax liability following the transfer of rolling-stock assets during 2003-04.

Other increases in income are from a contribution from ConnectEast for public transport projects and additional funding from the Transport Accident Commission for the Safer Roads Infrastructure program;[10]

On expenses for controlled operations, expenses in 2005-06 are expected to increase by $395.9 million but because of a one-off expenditure in 2004-05 of $360.3 million in 2005-06, the net effect of the increase in expenditure for 2005-06 is only $35.6 million (1 per cent).

8 ibid.
9 Budget Paper No.4, *2005-06 Statement of Finances*, p.75
10 ibid.

The increase in expenses in 2005-06 reflect higher capital assets charge expense and the increased funding provided for public transport and road services.[11] The offsetting expenditure in 2004-05 relates to a one-off contribution of land and works from the department to ConnectEast for the EastLink project ($305 million) and the transfer of assets to other government agencies in 2004-05 ($360.3 million) which comprised $36.5 million for Station Pier that was transferred to the Port of Melbourne Corporation and $18.8 million for rolling stock transferred to VicTrack.[12]

Transactions administered by the department include the collection of road and public transport regulatory fees and income from penalties.[13]

The increase in budgeted administered expense of $220.7 million (14.2 per cent) largely reflects the extension of the Network Tariff Rebate Scheme ($26.9 million), additional funding from the federal government for roads projects ($51.7 million) and the impact of the agreement between Transurban and the state to redeem concession notes held by the state in order to fund the construction of the Tullamarine-Calder Freeway interchange ($100 million).[14]

(b) Balance sheet position

Exhibit 7.4 shows that the department's controlled net asset position at 30 June 2006 is expected to improve by $890.8 million (5 per cent) from the revised position at 30 June 2005. This increase largely reflects an increase in total assets of $852.7 million (4.6 per cent) and an decrease in liabilities of $38.1 million (4.4 per cent) over this period.

11 Budget Paper No.4, *2005-06 Statement of Finances*, p.75

12 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.18; correspondence from the Department of Infrastructure received 6 October 2005

13 Budget Paper No.4, *2005-06 Statement of Finances*, p.76

14 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.19; correspondence from the Department of Infrastructure received 6 October 2005

Exhibit 7.4: Department of Infrastructure
Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	18,637.1	19,489.8	4.6
Liabilities	862.7	824.6	-4.4
Net assets	**17,774.4**	**18,665.2**	**5.0**
Administered items			
Administered assets	309.8	242.5	-21.7
Administered liabilities	103.1	102.1	-1.0

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.79–80

The increase in controlled assets was primarily due to an estimated revaluation of road assets ($503 million) and the impact of the construction of new roads and other infrastructure.[15]

Administered assets are expected to decrease by $67.3 million (21.7 per cent) largely reflecting the drawdown on funds for payment against the agreement between Transurban and the state to redeem concession notes held by the state to fund the construction of the Tullamarine-Calder Freeway interchange.[16]

7.3.3 Carry over funding

The department advised that the estimated carry over of funding from 2004-05 into 2005-06 to be $20.9 million for outputs and $3.2 million for asset initiatives.[17] A list of the carry overs and the reasons for them are shown in exhibit 7.5.

15 Budget Paper No.4, *2005-06 Statement of Finances*, p.76
16 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.24
17 ibid., p.29

Exhibit 7.5: Department of Infrastructure Estimated carry over funding from 2004-05 to 2005-06

Carry overs	Estimated carry-forward ($ million)
Carry over of funding for output purposes:	
The Power-line Relocation Grants program has experienced delays as a result of industrial action (union work bans on commercial electrical work) which has in turn impacted on the number of applications from Councils for grants	1.5
The Boating Safety and Facilities Grants program will be behind target in 2004-05 as payment for a number of approved projects announced in January 2005 will not be made until works are completed	2.7
To fully reflect stakeholder consultation a number of *Freight and Logistics projects* have been rephased into 2005-06	0.9
Carry over of projects within the Public Transport Redspots program for completion in early 2005-06	1.0
Expected costs relating to business disruption and compensation claims and for other project costs relating to *Regional Fast Rail* have not been realised in 2004-05	12.8
The payments for a number of minor *MultiMedia Victoria* projects are anticipated to be made in 2005-06 reflecting completion of stakeholder consultation	2.0
Total of carry over of funding for output purposes	**20.9**
Carry over of funding for capital purposes:	
The *TPAMS* project has been impacted on by the deferral of the connectivity hub element of the project to enable the timing of its delivery to match other key elements of the project	2.4
Other minor capital projects have been rephased as further planning and scope definition were required prior to their commencement	0.8
Total of carry over of funding for capital purposes	**3.2**

Source: Department of Infrastructure, response to the Committee's 2005–06 Budget Estimates questionnaire, received 6 May 2005, p.29

7.3.4 Trust funds

The department operates two trust accounts: Better Roads Victoria Trust; and Public Transport Fund.

For both trust accounts, the department expects the income received during 2005-06 will be fully expanded in the same year.[18]

[18] Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.30

The department advised that the:[19]

- estimated balance at 30 June 2006 of $78.2 million in the Better Roads Victoria Trust is fully committed to future approved projects; and
- estimated balance at 30 June 2006 of $245.3 million in the Public Transport Fund is fully committed to the payment of creditors and approved rail infrastructure programs.

The department also indicated that regular reporting on the Better Roads Victoria Trust is prepared as part the department's quarterly report to the Expenditure Review Committee.[20]

7.4 Human resources issues

The department advised that by 30 June 2006, it expected to have 993 full-time equivalent staff and that there would be 2,598 full-time equivalent staff at VicRoads and 30.4 full-time equivalent staff at SEITA (see exhibit 7.6).

Exhibit 7.6: Department of Infrastructure and portfolio agencies Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Department of Infrastructure	878.5	958.3	993.0
VicRoads	2,274.7	2,439.0	2,598.0
Southern and Eastern Integrated Transport Authority (SEITA) (a)	30.4	30.4	30.4

Note: (a) staff numbers for 2005 and 2006 may change on SEITA's move to the eastern suburbs[21]

Source: Department of Infrastructure, response to the Committee's 2005–06 Budget Estimates questionnaire, received 6 May 2005, pp.11–14

The Committee requested explanations for staff increases or decreases in excess of 10 per cent between the June 2005 and June 2006 estimates. By June 2006, the department estimates a net increase of 34.7 full-time equivalent staff positions from June 2005.[22] The department advised that staffing numbers in the Grade 5 and the Senior Technical Specialist classifications will increase by or more than 10 per cent due to the increase in project specific roles being undertaken by the department. A

19 ibid., p.31
20 ibid.
21 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.14
22 ibid., p.13

significant increase in the number of project specialists and project managers will also be required to deliver the department's capital works program.[23]

Between June 2005 and June 2006, VicRoads anticipates a net increase of 159 ongoing full-time equivalent staff positions.[24] The increase in VicRoads staff is attributed to the replacement of agency employed casual customer service staff, a larger graduate intake in 2006 (80 engineers and 20 business/accounting graduates) and additional work created by new and additional projects.[25]

Review of portfolios

7.5 Energy Industries portfolio

7.5.1 Key issues affecting the portfolio

(a) Greenhouse gas emission reductions – the need for greater certainty

Continuing the theme reported in last year's estimates report,[26] the Committee noted the Minister's comments about developments that have occurred during 2004-05 that endeavour to provide certainty around greenhouse abatement requirements and actions planned for 2005-06.

The Victorian Government believes it is critical to ensure Victoria's economy is positioned to achieve greenhouse emission reductions that protect Victoria's economic interests, minimise costs to industry, and aid the exploitation of domestic and export market opportunities in 'greenhouse friendly' processes, products and technologies.[27]

The transition to a low-carbon future will inevitably take place over several decades. In the short to medium term, this will require a continuing effort to improve the performance of existing industries through greater efficiency in both the production and consumption of energy; and to increase the share of total energy demand that is met by renewable energy.[28]

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23 ibid., p.15
24 ibid., p.14
25 ibid., p.15
26 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.357–359
27 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 28 July 2005, p.3
28 ibid.

In 2004-05, the government introduced a number of initiatives designed to provide greater certainty for investors regarding greenhouse gas abatement requirements.[29] According to the Minister, each of the following initiatives will continue to impact in 2005-06:[30]

- the Greenhouse Challenge for Energy policy package will facilitate Victoria's economic prosperity in a carbon-constrained future through a range of initiatives, including:
  - a national emissions trading scheme – in collaboration with other jurisdictions;
  - mandatory reporting and disclosure for large greenhouse gas emitters;
  - a Renewable Energy Strategy; and
  - an Energy Efficiency Strategy;
- the Energy Technology Innovation Strategy (ETIS)whereby over $100 million has been allocated in the 2005-06 budget through the Department of Innovation, Industry and Regional Development. The budget provides for an increase in the brown coal royalty rate from 1 January 2006[31] with funds raised going towards the ETIS projects. This increase is expected to raise $8.3 million in 2005-06, rising to around $17 million a year as from 2006-07.[32] Designed to better reflect the environmental costs associated with the extraction of a natural resource, the revised rate will also ensure the state receives a fairer share of the returns to the industry from the extraction of brown coal;[33]
- the Wind Energy Support Package will increase opportunities for the development and construction of wind energy facilities in appropriate locations in regional Victoria, that result in increased investment and capacity in wind energy generation. Capital funding will be provided through the Regional Infrastructure Development Fund to assist with the connection of selected wind farms to the state's electricity network, where these costs would otherwise make the investment marginal. Suitable development proposals will comply with the government's policy and planning guidelines for development of wind energy facilities in Victoria and have broad community support;
- the Electricity Industry Wind Energy Development Act will facilitate the development of Victoria's wind energy industry by removing barriers to grid connection and providing an assured buyer for power from small wind generators; and

29 ibid.
30 ibid., pp.3–4
31 Budget Paper No.3, *2005-06 Service Delivery*, p.41
32 ibid.
33 ibid., p.321

- the Geothermal Energy Resources Act establishes property rights over geothermal energy and a framework to regulate large-scale exploration and extraction.

The Minister informed the Committee that each of the Greenhouse Challenge for Energy policy initiatives is scheduled to be finalised during 2005-06, with the exception of a national state-based emissions trading scheme.[34] As a national emissions trading scheme will require coordination with other jurisdictions, the Minister advised that the Victorian Government cannot unilaterally ensure a delivery date for a final scheme.[35] Development of a national emissions trading scheme will, however, be actively progressed during 2005-06.[36]

(i) Emissions trading scheme

The way in which an emissions trading scheme operates, as described by the Minister, is set out below:[37]

> *In broad terms… the scheme is one that involves a cap and trade-type system where you establish a cap and say, 'These are the amounts of emissions that a particular facility is able to emit without being charged', and emissions beyond the cap would have to be purchased on the market in terms of credits… this is similar to the scheme which is operating in Europe… the really hard edge of the development of this emissions trading scheme will come in the negotiations over the caps, or the allocations to each of the facilities. For instance, in Canada the allocations were set at, I think, near 100 per cent for the first five years, and then there were progressive reductions on the 100 per cent to give adequate time to each of the facilities to be able to introduce technology to meet the targets that were set under the allocations.*
>
> *Our single biggest issue with this is the certainty. Without it we are having a lot of difficulty in getting projects up, and I point you to a couple of examples… the Mortlake facility for the 1000 megawatt power station. The decision has not yet been made by the company to make the investment, and in coming to a view about making the investment, one of the biggest issues for it is whether there will be any credit under an emissions trading scheme for that particular company by the use of gas, which is a much lower emissions level, than by the use of coal… I was in New Zealand recently, and… New Zealand has decided to sign onto Kyoto. I was made aware of one wind farm in New Zealand which was*

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34 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 28 July 2005, p.4

35 ibid.

36 ibid.

37 Hon. T Theophanous, MLC, Minister for Energy Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, pp.7–8

made commercially viable on the basis that it accessed credits that were purchased by the Dutch Government, because the Dutch Government needed credits to meet its targets under Kyoto in Europe. It purchased these credits from the wind farm all the way around the other side of the world in New Zealand, which resulted in $5 million being made available to that New Zealand wind farm which made that wind farm possible.

This is not possible under the current system that we have here because we have not signed onto Kyoto and we do not have an emissions trading scheme. Companies are in fact going across the Tasman and trying to establish partnerships with New Zealand companies to make investments in the Third World, because under Kyoto you can get credits by making appropriate investments in the Third World for emissions reduction-type investments.

So we are in this situation where the states have said that they will look at going to a state-based emissions trading scheme. We are talking to other players in this, including a group of states in North America that are considering similar action, because we are very frustrated by the fact that this is affecting our capacity to attract this investment in base load power, in coal and in a whole range of areas.

The Minister informed the Committee of the disagreement with the federal government in relation to the market, because the Victorian Government believes a market mechanism like an emissions trading scheme is required, not only to help reduce emissions, but also to reach emission reduction targets.[38]

A working group has been established to develop a multi-jurisdictional emissions trading scheme for consideration by state and territory governments.[39]

The group has developed the following ten key principles as a basis for further investigation and analysis:[40]

- a cap and trade approach be used as the basis for scheme design;
- the scheme be national and sector-based;
- in setting the cap, consideration be given to the overall national emissions abatement target, and how the abatement responsibility is allocated between sectors covered by the scheme and those outside the scheme;
- the scheme initially cover the stationary energy sector (including electricity, gas and coal);
- the scheme cover all six greenhouse gases under the Kyoto Protocol;

38 ibid., p.6
39 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 28 July 2005, p.1
40 ibid., pp.1–2

- permit allocation be made on the basis of a mix of administratively allocated and auctioned permits, with both long and short term (annual) permits;
- a penalty should be set to encourage compliance and to establish a price ceiling for the permit market;
- offsets be allowed;
- mechanisms be included to address any adverse effects and structural adjustments; and
- mechanisms be included to allow a transition for participants who have taken early abatement action and new entrants.

Victoria has distributed information about a proposed model for an emissions trading scheme which is agreed to by all the states.[41] The Minister indicated, however, that the lack of certainty is having an effect in relation to investment.[42]

The Commonwealth's position in relation to emissions trading is reflected in a media statement released by the Australian Minister for the Environment and Heritage on 15 April 2005.[43] The media release included the following announcements:[44]

> *The states and territories have today failed to provide details of the additional costs for householders and businesses of their proposed national Greenhouse Gas emissions trading scheme - despite being pressed to do so by the Commonwealth…*
>
> *Discussions at the meeting revealed that the state Ministers plan to provide the costs of the carbon tax to their Premiers by the end of the year, but even then there is no promise any information will be made available to the public.*
>
> *The Australian Government believes the introduction of such a carbon tax is unnecessary given Australia is on track to meet its Kyoto target and is premature in the absence of effective longer-term global action on climate change…*
>
> *The Australian Government will not impose significant new economy-wide costs, such as a carbon tax, until there is a comprehensive and global response.*
>
> *To advocate otherwise, as the states have done today, is to advocate higher costs for Australian homeowners and businesses and is an attack*

41 Hon. T Theophanous, MLC, Minister for Energy Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.6

42 ibid.

43 Senator the Hon. Ian Campbell, Minister for the Environment and Heritage, media release, *States keep costs of emissions trading secret*, 15 April 2005

44 ibid.

> *on the economic growth of this nation. What's more, there is no evidence it would be an effective response to climate change as business would move offshore to avoid such a tax, taking Australian jobs with them.*
>
> *At today's meeting, the Commonwealth agreed to note the potential of emissions trading, but only when supported by complementary measures and when consistent with the national interest.*

The Minister for Energy Industries informed the Committee that the group will undertake further investigation and analysis and provide a report to Ministers in the second half of 2005.[45]

The Minister also advised the Committee that Victoria will not introduce an emissions trading scheme unless every state and territory signs onto it, and most importantly, Victoria's preferred option still remains, and will continue to remain, that it is done by the national government as a national scheme.[46]

The Committee will monitor developments that occur between the state and the Commonwealth with regard to Victoria's future power stations which both increase Victoria's energy supplies and minimise greenhouse emissions. The Committee considers that the Department of Infrastructure should enter into discussions with the Commonwealth to develop a strategy designed to ensure that there is investor confidence in making investment decisions with regard to Victoria's future power stations.

The Committee recommends that:

Recommendation 53: **The Department of Infrastructure discuss with the federal government what action could be taken to facilitate a greater level of certainty for investors regarding greenhouse abatement requirements when making investment decisions relating to future power stations in Victoria.**

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45 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 28 July 2005, p.2

46 Hon. T Theophanous, MLC, Minister for Energy Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.8

(ii) Victoria's Energy Technology Innovation Strategy (ETIS)

As indicated earlier, a major initiative contained in the 2005-06 Budget relates to the allocation of $103.5 million over five years for the development of an Energy Technology Innovation Strategy ($9 million, 2005-06). [47] The strategy includes the allocation of $83.5 million over five years to explore the development of large pre-commercial demonstration plants trialling new clean brown coal technology in the Latrobe Valley, which will require the involvement and support of the federal government and private industry.[48] The Committee noted that the budget provides for an increase in the brown coal royalty rate from 1 January 2006[49] with funds raised going towards the ETIS projects. This increase is expected to raise $8.3 million in 2005-06, rising to around $17 million a year as from 2006-07.[50] According to the budget papers, in reflecting the environmental costs associated with the extraction of a natural resource, the revised rate will also ensure the state receives an appropriate return in relation to industry extraction of brown coal.[51]

The Minister indicated that the Victorian Government did not wish to continue arguing with the federal government about the lack of a market mechanism, but preferred to implement a strategy that was consistent with the federal government's belief in a technology-based solution.[52] The Minister advised that ETIS is meant to demonstrate to the federal government that Victoria is prepared to provide substantial funding, bearing in mind that Victoria is the only state that has been prepared to do this.[53]

The clear message conveyed by the Minister to the Committee was that the Victorian strategy was to find a future for the Latrobe Valley and coal production in the Latrobe Valley.[54] At the estimates hearing the Minister stated:[55]

> *For the foreseeable future, notwithstanding some of the comments that have been made about other forms of potential energy in Victoria and in Australia – and I note that the New South Wales Premier made comment about nuclear energy – we do not believe that is the appropriate place for Victoria to go. We think that we can find technology solutions and market solutions for the use of our brown coal.*

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47 Department of Innovation, Industry and Regional Development, *2005-06 Victorian Budget Fact Sheet*; Budget Paper No.3, *2005-06 Service Delivery*, p.296

48 Department of Innovation, Industry and Regional Development, *2005-06 Victorian Budget Fact Sheet*

49 Budget Paper No.3, *2005-06 Service Delivery*, p.41

50 ibid.

51 ibid., pp.41, 321

52 Hon. T Theophanous, MLC, Minister for Energy Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.6

53 ibid.

54 ibid.

55 ibid.

The Committee was interested to learn that with a supply expected to last 500 years, brown coal is a significant resource for Victoria.[56] As it is bigger than the North West Shelf, the Minister indicated that Victoria has an obligation to endeavour to utilise its brown coal resource for the benefit of future generations and, importantly, in a way that does not damage the environment.[57] However, the Committee is also cognisant that brown coal contains up to 65 per cent water and produces very high levels of greenhouse gases.[58] Victoria's brown coal power stations produce 55 per cent of the state's greenhouse gas emissions.[59] To illustrate the magnitude of greenhouse gas emissions that take place in Victoria, emissions totalling 117 million tonnes in 2002 were equivalent to 24 tonnes of greenhouse gas for every Victorian resident [60]

In conveying the purpose of ETIS to the Committee, the Minister stated that:[61]

> *We want to find a way for the next generation of power stations in this state to be able to reduce emissions from current technology by 40 per cent and more. However, we have looked at this very closely and internationally what happens is that companies will not invest in new technology if there has not been a demonstration of the new technology, not at a pilot level but at a demonstration level. Often they want more than one demonstration plant to be put in place. That is the only way we are going to get there, but consider what this means to not just Victoria but to the planet if we are able to find a technology – for example, for the use of brown coal which reduces emissions out of brown coal by 40 per cent.*
>
> *China plans to increase the size of their system by about the same size as the whole Australian electricity industry's output, and they want to do this every year for the next seven years. That is the time scale and that is the kind of program they have in place. It is a massive increase. That is why we have significant interest in this technology and in being partners with the Chinese. They are doing so because, even though they are not signed up to Kyoto, they can see that if they can use fine technology that can be used in building new plant which reduces the emissions, it will place them in a much better position in the future when they eventually will have to come into that kind of scheme.*

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56 ibid.
57 Hon. T Theophanous, MLC, Minister for Energy Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.6
58 Hon. S Bracks, MP, Premier, speech given at the Climate Conference, 6 April 2005, p.2
59 ibid.
60 ibid.
61 Hon. T Theophanous, MLC, Minister for Energy Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.6

So think about the contribution Victoria would give if we demonstrate the technology and then, not only used it in Victoria, but exported it to places like China to reduce emissions in their future power stations… I would really urge the federal government look at this very seriously and come on board with us in developing this technology.

(b) Wind energy

The appropriate development of Victoria's renewable resources has been identified as a priority for the state and the government has established a target that, by 2010, 10 per cent of Victoria's electricity consumption will be generated from renewable resources.[62] The government has also made a commitment to facilitate the development of up to 1,000 MW of wind energy facilities in environmentally acceptable locations in Victoria by 2006.[63]

(i) Location of wind energy facilities in environmentally acceptable locations

In seeking clarification from the Minister about the processes to evaluate whether proposals for the development of wind energy facilities are to be in acceptable locations, the Committee was informed that the government released the *Policy and planning guidelines for the development of wind energy facilities in Victoria* (the guidelines) in 2002.[64] The Minister indicated that the location of most wind energy facilities would be able to be adequately assessed using the guidelines and planning permit processes.[65]

However, according to the Minister for Energy Industries, the Minister for Planning may also require preparation of an Environment Effects Statement (EES) which remains the highest and most rigorous form of environmental assessment.[66] This can be requested by the Minister for Planning for any wind farm proposal and include circumstances such as a proposal that could have a potentially significant impact on landscape values of an area protected by a planning scheme overlay, or if the site adjoins land reserved under the *National Parks Act* 1975.[67] Another example may be a proposal that could lead to the loss of a genetically important population of an endangered or threatened species listed under the *Flora and Fauna Guarantee Act*

62 Sustainable Energy Authority Victoria, Wind Energy Support Package (WESP), seav.vic.gov.au accessed 1 June 2005
63 ibid.
64 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 28 July 2005, p.4
65 ibid.
66 ibid.
67 ibid.

1988.[68] Where an EES is required, it must include an independently peer-reviewed visual impact assessment of the proposed wind farm.[69]

The Committee also learnt that the evaluation process under the guidelines includes a comprehensive assessment of visual amenity issues and compliance with noise level standards, and encourages public consultation.[70] The effectiveness of the guidelines is monitored as part of ongoing policy development work.[71]

The Committee considers that it is important that a sound framework is in place to ensure that wind farms are situated in locations that are environmentally acceptable.

(ii) Costs involved in investing in renewable energy sources

According to information supplied by the Minister, the renewable energy industry is at an early stage of its development. Government assistance is necessary to provide industry with the incentive, scope and time to improve renewable energy technologies and to develop economies of scale. In this way, a commercially competitive industry can develop and provide the community with the long term benefits of renewable energy.

The Minister indicated that at present the most cost competitive and mature renewable energy technologies were onshore wind power, and energy from waste, including the production of electricity from land fill gas.[72] Photovoltaics and tidal power were still costly as compared to wind and biomass technologies.[73]

Estimates from various sources including the recently published Allen Consulting report on the Greenhouse Challenge for Energy provide indicative capital costs for various generation technologies, as follows: wind ($1700/kW); new brown coal ($1500/kW); black coal ($1300/kW); new combined cycle gas turbine ($900/kW) and open cycle gas turbine ($600/kW).[74] Other costs, together with available revenues however, will determine the commercial viability of each of these types of generation plant.[75]

The Committee considers that, as renewable energy technologies in Victoria mature, the commercial feasibility of each of the different forms of renewable energy will become more evident. These findings should inform policy formulation on the various renewable generation technologies that need to be promoted into the future for the achievement of government objectives and targets.

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68 ibid.
69 ibid.
70 ibid., p.5
71 ibid.
72 ibid.
73 ibid.
74 ibid.
75 ibid.

(iii) Community support

The Minister stated that the *Policy and planning guidelines for the development of wind energy facilities in Victoria* encourage consultation with local councils, Department of Sustainability and Environment and surrounding landowners when preparing a planning permit application.[76] Once a planning permit application is made, normal planning processes provide extensive opportunities for local communities to comment on wind farm proposals and to have their concerns carefully considered as part of the assessment processes.[77]

The Committee stresses the importance of carefully considering community concerns when assessing the merits of wind farm proposals.

The Committee considers that to address the risk that cost-effective technology solutions and market solutions for the use of Victoria's brown coal are not found in the foreseeable future, it is timely for increased effort to be directed at evaluating alternative potential sources of energy for Victoria that will not endanger the environment, nor adversely affect climate change. With this in mind, the Committee acknowledges the significant funding directed at developing innovative energy technologies. The Committee also notes the argument to develop technologies that maximise the use of Victoria's significant coal resources through coal production in the Latrobe Valley, while reducing greenhouse gas emissions when using fossil fuels for energy supplies.

The Committee recommends that:

Recommendation 54: **The Department of Infrastructure commission a research project that investigates the risks, costs and benefits of using alternative energy resources that are available to Victoria. This exercise should draw on overseas experiences. A discussion paper, reflecting the outcome of the research, should be released to the public for debate on this issue.**

[76] ibid.
[77] ibid.

7.6 Information and Communication Technology portfolio

7.6.1 Performance measures

During 2004-05, the Department of Infrastructure conducted a review of its output structure and performance measures. As a result both of its Information and Communication Technology outputs were restructured.[78]

For the output, ICT Policy and Programs, two new performance measures were established for 2005-06, which is the result of a consolidation of various performance measures established for 2004-05. Exhibit 7.7 identifies these changes.

Exhibit 7.7: ICT Policy and Programs output Changes to performance measures

2005-06 performance measure (new)	2005-06 Target Number	2004-05 performance measure	2004-05 Target Number
ICT projects and programs underway (a)	30	• ICT research and development projects underway or completed • ICT skills projects underway or completed • Minimum ICT community development projects underway or completed • Projects underway or completed to increase business use of IT and electronic commerce • Minimum regional access projects underway or completed • Regional ICT projects accessed	37
ICT policy reviews underway	4	• Policy reviews conducted • Policy reviews completed	3

Note: (a) this performance measure is an aggregate of the projects and programs established to further develop telecommunications, promote the advanced use of ICT and address the digital divide. The reduction in the target for 2005-06 is a result of the completion of the e-business programs under Connecting Victoria[79]

Source: Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, 9 June 2005, presentation slide 6

[78] Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.3; Budget Paper No.3, *2005-06 Service Delivery*, p.103

[79] Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.3

In order to understand the projects and programs measured by the various performance measures of the outputs of this portfolio, the Committee was advised that:

- for the output, ICT Policy and Programs:
  - the performance measure, ICT projects and programs underway, identified 30 projects and programs for 2005-06.[80] The scope of some of these 30 projects and programs is still being finalised, but these can be broken up into:[81]
    - telecommunications (approximately 16 projects);
    - industry development/education linkages (approximately 6 projects): and
    - community development (approximately 8 projects).
  - the performance measure, export development projects, is aimed at SME (small and medium enterprises) companies becoming exporters of ICT (information and communication technology) products and services, and complements the government's Opening Doors to Export policy.[82] The target of 40 for 2005-06 includes a number of projects which are a continuation of projects that commenced in 2004-05.[83]
- for the output, eGovernment infrastructure:
  - the performance measure, eGovernment infrastructure projects, identified 8 projects for 2005-06,[84] which include: Rosetta; telecommunications carriage services (TCS); and enterprise content management project implementation;[85]
- for the output, ICT strategy and services:[86]
  - 50 projects are to be carried out in 2005-06.[87] The scope of these projects is still being finalised but the range of programs and activities can be broadly categorised as:[88]

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80 Budget Paper No.3, *2005-06 Service Delivery*, p.117

81 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.2

82 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.3

83 Budget Paper No.3, *2005-06 Service Delivery*, p.117; Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.3

84 Budget Paper No.3, *2005-06 Service Delivery*, p.116

85 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence,9 June 2005, p.4

86 this is an output of the Department of Premier and Cabinet and represents the Office of the Chief Information Officer

87 Budget Paper No.3, *2005-06 Service Delivery*, p.175

88 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.2

- examining opportunities for ICT shared services;
- policies, architectures and standards (eg. website management framework, enterprise content management, disaster recovery); and
- eGovernment strategy (eg. identity authentication, Pathfinder projects).

7.6.2 Key issues affecting the portfolio

(a) Telecommunications purchasing and management strategy

2005-06 marks the final year of the revised timeframe for implementing the telecommunications purchasing and management strategy (TPAMS).

The aim of TPAMS was to provide a framework for the whole of government purchasing and managing of telecommunications services. In this strategy the government is a purchaser of telecommunications services, while the telecommunications providers, such as Optus and Telstra, are responsible for the rolling out of the infrastructure required to support the telecommunications services purchased by the government. The infrastructure remains the asset of the telecommunications providers.[89] Current examples of the government's telecommunications procurement contracts are the Victorian Office Telephony Services (VOTS); and Telecommunications Carriage Services (TCS).

It is currently estimated that this strategy will produce savings of up to $200 million over five years, and create infrastructure outcomes of over $100 million (mobile, DSL and fibre optic) across the state.[90]

The Committee was advised that the major achievements in 2004-05 include:[91]

- the transition of 21,000 telephony ends from StateNET FM services to VOTS (Victorian Office Telephony Services). The approximate cost savings is $5 million over five years for this contract;
- the establishment of a GATS (Government Approved Telecommunication Suppliers) panel consisting of Telstra, Optus, AAPT, Macquarie Corporate Telecommunications and Soul Pattinson Telecommunications;
- the LAN (Local Area Network) upgrades in all departments; and

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89 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.6

90 TPAMS cost savings are discussed further in section (c); Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.4

91 ibid.

- the award of tranche one and tranche two of the telecommunications carriage services (TCS) contract and the commencement of the transition of both tranches.

Exhibit 7.8 provides an overview of the TCS tranche one and tranche two contracts.

Exhibit 7.8: Telecommunications Carriage Services (TCS) Tranche one and tranche two contracts

Stage	Services	Announced	Contract terms	Provider of services		
				Data	Voice	Mobile
Tranche one	All mobile telephony for departments Voice and data services for DET, DOJ, DSE, DPI, VicRoads, Victoria Police and Parliament *(Savings of $105 million)*	September 2004 Initial contract expires on 30 March 2007	2 years, with 3 one year options	Telstra	Optus	Telstra
Tranche two	All services for DET, DHS, DOI, DIIRD, DPC, DTF and DVC *(Savings of $85 million)* TPAMS services opened up to all government agencies and local councils	April 2005 Initial contract expires on 30 September 2007	2 years, with 3 one year options	Telstra	Optus	Optus

Sources: *Hon. M Thomson, MLC, Minister for Information and Communication Technology, media releases, Bracks Government deal lowers government telco costs by around $100m, 16 September 2004; Bracks Government delivers Australia's best telco deal, 6 April 2005; Government contracting and purchasing – Telecommunications Carriage Services (TCS) Government Approved Telecommunications Suppliers (GATS), April 2005, www.vgpb.vic.gov.au accessed 9 August 2005*

The TCS tranche 2 contract opened up TPAMS to all government agencies and local councils. At May 2005, 12 local councils (out of 79) have signed up to TPAMS.[92]

[92] Australia's national local government newspaper online, *Big savings for Council's through Telecommunications Purchasing and Management Strategy (TPAMS)*, May 2005, www.loc-gov-focus.aus.net accessed 5 August 2005

(b) TPAMS budget

The total estimated investment (TEI) for the telecommunications purchasing and management strategy is $47.7 million,[93] and includes funding for project Rosetta, an integrated electronic directory service.

The Minister advised that since the preparation of the 2005-06 budget there has been a re-phasing of the capital expenditure flows for TPAMS and Rosetta (see exhibit 7.9).[94]

Exhibit 7.9: TPAMS and Rosetta capital expenditure 2002-03 to 2005-06

	2002-03 Actual ($ million)	2003-04 Actual ($ million)	2004-05 Estimate ($ million)	2005-06 Estimate ($ million)	TEI ($ million)
Estimated in Budget Information Paper 1, 2004-05 Public Sector Asset Investment program (page 47)					
TPAMS	3.9	10.9	11.8	3.5	30.1
Rosetta	1.0	2.1	5.8	4.3	13.2
Total (a)					**43.3**
Current estimate					
TPAMS	3.9	10.9	6.2	9.1	30.1
Rosetta	1.0	2.1	4.3	5.8	13.2
Total (a)					**43.3**

Notes: (a) excludes the expenditure for LAN (local area network) upgrade of $4.365 million which was allocated directly to other departments

TEI – total estimated investment

Source: Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, 9 June 2005, presentation slide 5

The Minister also advised that this re-phasing will not affect the outcomes for the projects and both projects are on target to be delivered within their overall budget projections.[95]

The Committee was advised that the re-phasing of TPAMS expenditure was conducted to align budgets to individual department transitional schedules.[96] The Minister indicated that as a result of the announcement of the SmartOne initiative in

93 Budget Paper No.1, *2004-05 Public Sector Asset Investment Program*, p.47, 51

94 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.3

95 ibid.

96 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.4

this budget, there is a need to re-phase the TPAMS expenditure to take in the significant planning that has to be undertaken to rollout SmartOne.[97]

The Minister indicated that with project Rosetta, there have been some delays in the contractor in meeting its schedule, thereby affecting the timing of payments.[98]

As shown in exhibit 7.9, the total budget of $43.3 million excludes the spending by departments to upgrade their LAN (local area network) to a set standard operating environment across government as part of the TPAMS implementation. At the 2004-05 Budget Estimates hearing, the Committee was advised that $10 million is budgeted for the LAN upgrade.[99]

(c) Telecommunication cost savings to government

The Minister advised that the overall savings to the government in telecommunication costs is currently estimated at around $200 million over a five year period. This compares to the initial target of $73 million over five years.[100] The Committee noted that the Auditor-General reported that these savings are expected to be reinvested in more bandwidth and other telecommunication services and, that there will not be real dollar savings, but a greatly improved service.[101]

In explaining the method used to quantify the estimated cost savings of $200 million over five years, the Minister informed the Committee that:[102]

> *The target that was set for the project [TPAMS] was to reduce the cost of telecommunications services to government by $73 million over five years; that was the original target. What we actually believe we now have gotten from the contracts that we have entered into will be cost reductions of around $200 million over the five year period, so it has exceeded our expectations. I will explain how we have done this. The $200 million figure is based on a like for like comparison, so if you actually take in the usage by government at the time that we went out to tender, what we were actually using, and factor in those known costs and simply apply the pricing that has been obtained through the [TPAMS] tender to that, that is the average cost reduction that we have calculated.*

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97 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.3

98 ibid.

99 Mr R Straw, Executive Director, Multimedia Victoria, Department of Infrastructure, 2004-05 Budget Estimates, transcript of evidence, 15 June 2004, p.5

100 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.4

101 Victorian Auditor-General's Office, *Results of special reviews and other investigations*, May 2005, p.115

102 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.4

> *Now we could have done it a different way. We could have reversed that process and actually looked at the orders that are going in for TPAMS, which are actually now greater, and calculated on that, and then the savings would have been even greater again. But we have taken the more conservative view, doing it on current usage [at the time of the TPAMS tender], not the usage that has been ordered or is being ordered through the TPAMS process.*

Nevertheless, the Committee noted that the Auditor-General's review of the implementation of TPAMS concluded that '*It is still too early for us to conclude that all TPAMS program expected benefits and cost savings will be achieved.*'[103] As reported by the Auditor-General:[104]

> *[the TPAMS] Strategy implementation is expected to cost $55.2 million over 4 years, and result in savings to departments and agencies in excess of $73 million over 5 years.*

At the budget estimates hearing, the Minister also provided examples of telecommunication cost savings to the Department of Education and Training, Parliament and Victoria Police, which are shown in exhibit 7.10.

[103] Victorian Auditor-General's Office, *Results of special reviews and other investigations,* May 2005, p.103
[104] ibid., p.105

Exhibit 7.10: Telecommunication cost savings Department of Education and Training, Parliament and Victoria Police

	Department of Education and Training (including schools)	Parliament	Victoria Police
Data services	• approximately 1,700 sites • currently: – 400 sites on 64 kbps – 360 sites on 128/256 kbps – 740 sites on 512 kbps – 190 sites on 4 Mbps • in future all schools will have a minimum of 4 Mbps based on fibre optic • pre-TPAMS to get this sort of bandwidth would have cost between $75 million and $100 million per annum	Parliament will migrate all electorate offices from 64 kbps links to 512 kbps (half a megabit) for the same price (an eight-fold increase)	• approximately 390 sites • currently: – 150 sites on less than 128 kbps – 100 sites on between 256 kbps and 512 kbps – 100 sites on satellite – 40 sites at 1.5 Mbps and greater • in future: – 250 sites on 512 kbps – 100 sites on 1 Mbps – 40 sites on 4 Mbps and greater • savings of approximately $1.5 million per annum
Voice services	Savings of approximately $2.5 million per annum	Savings of approximately $150,000 per annum	Savings of approximately $1.5 million per annum
Mobile services	Savings of approximately $600,000 per annum	Savings of approximately $110,000 per annum	Savings of approximately $330,000 per annum

Notes: *kbps – kilobits per second*

Mbps – megabits per second

Source: *Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, attachment*

(d) Contracts and pricing arrangements

The Committee was interested to know of the scale of the charges that are paid by the government to acquire the various services under TPAMS and was advised by the Minister that the information is commercial in confidence and could not be provided to the Committee.[105] Consequently, the Committee is unable to establish whether the pricing achieved from the TPAMS contracts reflects the competitive prices offered by the telecommunications providers.

[105] Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.11

The arrangements for the TPAMS contracts are that the Department of Infrastructure enters into a head agreement and a service agreement with each supplier. The departments and agency users of the telecommunication services enter into customer contracts that specify the services to be provided and the associated cost for these services.[106]

The Minister advised that in relation to the pricing of the telecommunication services, it is up to the individual departments and agencies to utilise the pricing that has been negotiated by the Department of Infrastructure:[107]

> *…the TPAMS team is now talking to the agencies about what their demands might be, what their real needs are versus what they might ultimately like to have, and you could realistically start achieving that and putting in realistic orders. Work is being done now to look at what can be done realistically within the budgets, utilising the new pricing under TPAMS and ensuring that it is worked through with each agency and that they can take the full benefits that come with the price reductions.*

While the pricing of telecommunication services is reduced under TPAMS, departments are still restricted by their budget capacity to be able to take full benefit of the pricing arrangements provided by TPAMS. Thus, the Committee is interested to find out in the future whether the government's projected benefits and cost savings for TPAMS have been achieved.

Significant budget funding of $47.7 million was allocated to the implementation of the telecommunications purchasing and management strategy which is scheduled to be delivered in 2005-06. The Committee considers there is a need for greater disclosure on the progress made with implementing this strategy.

The Committee recommends that:

Recommendation 55: **The Department of Infrastructure release a record card on the telecommunications purchasing and management strategy, which details:**

(a) progress of the implementation of the strategy against budget and timeframes;

(b) benefits achieved from the strategy compared to initial estimates;

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106 Victorian Auditor-General's Office, *Results of special reviews and other investigations*, May 2005, p.105

107 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.7

(c) telecommunications costs savings achieved by the government, including method for costing these savings, compared to initial estimates; and

(d) case studies of telecommunications services taken up by departments and the cost savings achieved.

(e) eGovernment infrastructure output cost variation

(i) 2004-05 output cost

The cost of the eGovernment Infrastructure output for 2004-05 is expected to be $13 million, a reduction of $9.8 million from budget of $22.8 million.[108] The reason for the decrease in output cost of $9.8 million is an underspend of $10.1 million relating to depreciation and capital assets charge associated with TPAMS, project Rosetta and Victoria Online.[109]

The Committee was advised that the $10.1 million relating to depreciation and capital assets charge was calculated based on these asset values: TPAMS ($34.5 million); Rosetta ($13.2 million); and Victoria Online ($4 million).[110] The Committee wanted to know the amount of capital assets charge included in the $10.1 million and was advised instead that '*the capital asset charge allocation in the 2004-05 target was $2 million'*.[111] Since the Minister's response did not directly address the Committee's query, the Committee is not able to ascertain the capital assets charge component that was underspent for 2004-05.

The Committee was advised that the capital assets charge no longer applies on TPAMS, Rosetta and Victoria Online because '*following the publication of the 2004-05 State Budget, the Department of Treasury and Finance clarified the capital asset charge policy in relation to intangible assets and advised that these types of assets are exempt from the charge.*'[112]

The Committee was interested to know how much of TPAMS, Rosetta and Victoria Online are comprised of physical assets and intangible assets. The Committee was advised that '*there are not a lot of physical assets associated with TPAMS at all.*

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108 Budget Paper No.3, *2005-06 Service Delivery*, p.116

109 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.5

110 ibid.

111 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.3

112 ibid.

There are the LAN upgrades which have now been passed on to departments'.[113] Exhibit 7.11 shows the physical and intangible asset values for the three projects.

Exhibit 7.11: TPAMS, Rosetta and Victoria Online Physical and intangible asset values

Project	At 30 June 2004 (a)		At 31 May 2005 (a) (b)		At 30 June 2005 (c)		
	Physical asset value ($000)	Intangible asset value ($000)	Physical asset value ($000)	Intangible asset value ($000)	Physical asset value ($000)	Intangible asset value ($000)	Reclassification as operating expense ($000)
TPAMS	-	9,127	-	12,650	-	-	13,991
Victoria Online	-	4,000	-	4,000	-	3,290	710
Rosetta	-	3,063	-	5,902	-	6,065	-

Notes: *(a) excludes $5.686 million paid to other departments by the Department of Infrastructure in 2003-04 for LAN upgrades*

b) excludes $4.3 million allocated directly to other departments in 2004-05 for LAN upgrades and not recorded in the Department of Infrastructure's financial statements

c) actual results still subject to audit

Source: *Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21July 2005, p.1*

The Minister advised that in June 2005, the department completed a review of the accounting classification of the TPAMS, Rosetta and Victoria Online projects in accordance with accounting standards, and has subsequently reclassified some capital costs as operating expenses.[114] The revised asset values are shown under the 30 June 2005 column in exhibit 7.11. As shown this exhibit, the TPAMS and Victoria Online projects have lowered asset values at 30 June 2005 when compared to 31 May 2005 and 30 June 2004.

(ii) 2005-06 output cost

The output cost of the eGovernment Infrastructure output for 2005-06 is $19 million and is comprised of: salaries and operating costs ($11.8 million); depreciation ($7.1 million); and capital asset charge ($100,000).[115]

The Committee wanted to know the impact on the 2005-06 output cost as a result of the re-phasing of the capital expenditure flows for TPAMS and Rosetta (discussed in section 7.6.2(b)). The Committee was advised that the impact on the output cost '*is yet*

[113] Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.6

[114] Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.1

[115] ibid., p.3

to be determined as depreciation is chargeable only upon the completion of the asset project'.[116]

The Committee was also advised that due to the completion in June 2005 of the department's review of the accounting classification of the TPAMS, Rosetta and Victoria Online projects, which resulted in a reclassification of some capital costs as operating expenses, the depreciation cost for 2005-06 will be significantly lower than budget.

The Committee is surprised that the department was able to determine the 2005-06 output cost of the eGovernment Infrastructure output for budget purposes, but was not able to tell the Committee the impact of subsequent changes on the output cost.

(f) ICT facilitation and attraction activities

Multimedia Victoria delivers a range of multi-faceted programs which supports ICT industry development, ICT export development and ICT investment attraction. The funding for these programs are reported in the ICT Policy and Programs output which has a budget of $27 million for 2005-06 (an increase of $600,000 from the expected outcomes for 2004-05).[117]

The Committee's *Report on the 2003-04 Budget Estimates* reported on the arrangement for a single whole of government reporting of investment facilitation and attraction outcomes through the Department of Innovation, Industry and Regional Development's (DIIRD) output of Investment Facilitation and Attraction.[118]

As the information reported in DIIRD's output[119] does not identify the targets or the expected outcomes for the ICT portfolio, the Committee was interested to know of the results of the ICT investment facilitation and attraction activities. Exhibit 7.12 shows this information which was provided by the Department of Infrastructure.

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116 ibid., p.4
117 Budget Paper No.3, *2005-06 Service Delivery*, p.117
118 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, September 2003, p.263
119 Budget Paper No.3, *2005-06 Service Delivery*, p.130

Exhibit 7.12: ICT investment facilitation and attraction Target and expected outcome

Indicator	2005-06 Target	2004-05 Expected outcome	2004-05 Target
Annual number of new ICT jobs facilitated	800	1,190	800
Annual value of ICT capital investment attracted	$150 million	$202 million	$150 million

Sources: Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.5; Department of Infrastructure, 2004-07 Corporate Plan, November 2004, p.22

As shown in exhibit 7.12, the expected outcome for the number of new ICT jobs facilitated in 2004-05 is around 50 per cent above its target. Similarly, the outcome for ICT capital investment attracted to Victoria is 35 per cent higher than target. The Committee noted from the department's corporate plan that these targets apply for the period from 2004 to 2007.[120]

(g) Location of the Office of the Chief Information Officer

The Office of the Chief Information Officer (OCIO) is represented by the ICT Strategy and Services output of the Department of Premier and Cabinet and reports to the Minister for Information and Communication Technology. Its output cost for 2005-06 is $13.2 million and includes a capital assets charge and depreciation component of $4.2 million.[121]

The 2003-04 Budget provided funding for the establishment of the OCIO. At the 2004-05 Budget Estimates hearing, the Committee was advised that the location of the OCIO within the Department of Premier and Cabinet is an interim arrangement, while functions and processes are established.[122] At the 2005-06 Budget Estimates hearing, the Committee asked about the progress for the relocation of the OCIO to the Department of Infrastructure and was advised by the Minister that the relocation of the OCIO is at the discretion of the Premier and it is not currently planned to move the OCIO from the Department of Premier and Cabinet.[123]

120 Department of Infrastructure, 2004-07 Corporate Plan, November 2004, p.22

121 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 21 July 2005, p.6

122 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.514

123 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.12

7.7 Major Projects portfolio

7.7.1 Performance measures

The output statement for the Public Construction and Land Development output only contains performance measures for the Yarra Precinct pedestrian link; Yarra Lighting; and the Hazardous Waste siting project.[124] There are no performance measures for the other key major projects managed by Major Projects Victoria.

The Committee was advised that the performance measures for this output:[125]

- show those projects that are delivered by Major Projects Victoria (MPV), for which the department received a direct budget allocation; and
- in accordance with Department of Treasury and Finance guidelines the projects managed by MPV, where project funding is provided direct to the client departments and agencies, is not shown in its output statements.

The Committee was advised that '*the activities of MPV are highlighted in those other department's output statements*'.[126] The Committee is unable to ascertain whether the activities of MPV are being reported by other departments in their output statements contained in the budget papers.

The Committee recommends that:

Recommendation 56: **The Department of Treasury and Finance clarify the responsibility for reporting performance measures of projects that Major Projects Victoria manages on behalf of other departments and agencies.**

The department also brought to the attention of the Committee that its 2004-07 corporate plan contains a full list of:[127]

- key performance indicators based on specified project completion dates; and
- aggregate key performance indicators relating to the percentage of these projects that are delivered within plus or minus (+/-) 10 per cent of: agreed budget; agreed time; and agreed scope.

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124 Budget Paper No.3, *2005-06 Service Delivery*, p.125
125 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.2
126 ibid., p.3
127 ibid., p.2

Exhibit 7.13 shows the aforementioned key performance indicators.

Exhibit 7.13: Project delivery indicators 2004-07 targets

Performance indicator (a)	Target (2004-07)
Percentage of projects delivered within +/- 10 per cent of agreed* budget (b)	80 per cent
Percentage of projects delivered within +/- 10 per cent of agreed* time (b)	80 per cent
Percentage of projects delivered within +/- 10 per cent of agreed* scope (b)	90 per cent
Completion of key projects by specified completion dates	• Austin Health redevelopment and Mercy Hospital for Women relocation by mid 2005 • Yarra Precinct Pedestrian Link by end 2005 (c) • Melbourne Sports and Aquatic Centre – Stage 2 by end 2005 • Commonwealth Games Village by early 2006 • Hazardous Waste Long Term Containment Facility by mid 2006 • Royal Melbourne Showgrounds Redevelopment by late 2006 • Australian Synchrotron Facility by mid 2007 • Yarra Arts Precinct Integration Project by early 2008 • Melbourne Convention Centre Development by 2008 • Wholesale Markets Redevelopment over the next six years

Notes: * *endorsed or approved by government through responsible Minister or Cabinet*

(a) indicators that the department uses to monitor progress towards the achievement of its objectives

(b) these indicators measure the aggregate results of major projects and transport related projects[128]

(c) previously Birrarung Marr pedestrian bridge[129]

Source: Department of Infrastructure, Corporate Plan 2004-07, November 2004, p.15

The Committee requested clarification on the performance measure – *delivery of nominated projects complies with agreed plans* – and was advised that this performance measure represents the MPV's undertaking of projects that were nominated by the Premier under the *Project Development, Management and Construction Act* 1994.[130]

128 Department of Infrastructure, *2004-07 Corporate Plan*, November 2004, p.55

129 Budget Paper No.3, *2005-06 Service Delivery*, pp.125–126

130 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.7

On the performance measure – *project feasibility studies conducted* - the Committee also requested details of the five studies undertaken in 2004-05 and was advised that these include:[131]

- Melbourne Wholesale Markets;
- Melbourne Recital Centre and MTC Theatre;
- Melbourne Showgrounds Redevelopment; and
- two studies associated with the Transit Cities program.

The Committee was advised that the feasibility studies for 2005-06 are under consideration.[132]

7.7.2 Key issues affecting the portfolio

(a) Status of projects

The Committee was provided with an overview of the major projects portfolio at the estimates hearing, which is shown in exhibit 7.14. The Minister also indicated that not all projects fall within the responsibility of the Major Projects portfolio.[133]

Exhibit 7.14: Overview of the Major Projects portfolio (a)

Project	Project value ($ million)	Project funding portfolio/ department	Status
Docklands	9,000 at end of project	VicUrban/DOI	Total development value is forecast to exceed $9 billion (including investment by non-government organisations)[134]
Royal Melbourne Showgrounds Redevelopment	108	Agriculture/DPI	• Continue 150 year tradition of the Royal Melbourne Show • 50/50 joint venture between the government and the Royal Agriculture Society of Victoria • Completion on target for September 2006

131 ibid., p.4
132 ibid.
133 Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.2
134 State Government of Victoria, *Building One Victoria: Projects that are growing and strengthening the state*, June 2005, p.28

Exhibit 7.14: Overview of the Major Projects portfolio (a) *(continued)*

Project	Project value	Project funding portfolio/ department	Status
Melbourne Wholesale Markets	300	DOI/DPI	• Project value close to $300 million • 20 year development to generate over $1 billion on-site public and private investment • Redevelopment and relocation to be completed by 2010
Melbourne Exhibition and Convention Centre	367	DIIRD	• Will become Australia's largest convention and exhibition centre precinct • Delivered under Partnerships Victoria framework • Works due to begin after the Commonwealth Games in 2006 • Expected project completion end 2008
State Library of Victoria (all stages)	190	DVC/DPC	• $30 million Stage 6 works expected to be completed mid 2006 • Will include: a new public restaurant; a shop to sell library merchandise; new behind-the-scenes storage facilities and workshops; and upgraded staff offices
Australian Synchrotron	(b) 206	DIIRD	• Victoria's largest investment in scientific research and development infrastructure • Create up to 2,500 jobs • Boost economy by $65 million annually • Construction of building completed in March 2005 • On schedule to open in 2007
Austin Hospital	(b) 376	DHS	• Victoria's largest hospital development • Mercy Hospital commenced full service delivery on 15 May 2005 • Austin Hospital to be fully operational in June 2005
Other projects	(b) 1,442	Various	See exhibit 7.15

Notes: *(a) excludes the following projects: Commonwealth Games Village; Melbourne Sports and Aquatic Centre Stage 2 Redevelopment; Yarra Lighting Project; and Yarra Precinct Pedestrian Link which are the responsibilities of the Minister for the Commonwealth Games*

(b) figures includes investment by non-government organisations

Source: *Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, 31 May 2005, presentation slides 4-14*

Included in exhibit 7.14 are 'other' projects with total project value of $1,442 million. Details of these projects are shown below in exhibit 7.15.

Exhibit 7.15: Details of 'other' projects with total project value of $1,442 million

Project	Status
Beacon Cove/Bayside	Redevelopment of a former industrial site at Port Melbourne into more than 900 houses and apartments, a retail and tourism area, a waterfront promenade and a reconstructed beach[135] The project is in the second stage of development. Construction of a public beach has commenced[136]
Bonegilla Migrant Experience Heritage Park	Construction completed in November 2004 and the museum is scheduled to open at the end of 2005
Former Fishmarket Site Redevelopment including the demolition of the Flinders Street overpass	$170 million investment to revitalise Melbourne's west end. ($170 million includes investment by non-government organisations) $9 million demolition of Flinders Street overpass The Flinders Street overpass was demolished in August 2005[137]
Industrial Waste Management Facilities	The Environment Effects Statement (EES), along with the EPA Work Approval application and a proposal to amend the Mildura Planning Scheme was released on 7 October 2005[138] The documents are on public inspection from 10 October to 18 November 2005[139] Public submissions to the EES, the EPA Work Approval application and the Mildura Planning Scheme amendment close on 18 November 2005[140]
Jolimont Eastside	Settlement with the buyer of the Eastside site is expected before the end of 2005[141]
Kensington Banks	Redevelopment of the former City of Melbourne abattoir land and the site for the Kensington Army Depot[142] into a mixed public-private housing area Project completed in 2005[143]

135 State Government of Victoria, *Building One Victoria: Projects that are growing and strengthening the state*, June 2005, p.28

136 Major Projects Victoria web site, Beacon Cove, www.majorprojects.vic.gov.au accessed 13 October 2005

137 Mr J Lenders, MLC, Minister for Major Projects, media release, *Flinders Street overpass bites the dust*, 11 August 2005

138 Mr J Lenders, MLC, Minister for Major Projects, media release, *Nowingi EES released for public comment*, 7 October 2005

139 Major Projects Victoria, *Proposed Long Term Containment Facility, Nowingi: EES and Works Approval Application Summary Brochure*, October 2005

140 ibid.

141 Department of Infrastructure, additional information

142 Victorian Government, *Building One Victoria: Projects that are growing and strengthening the state*, June 2005, p.29

143 Department of Infrastructure, additional information

Exhibit 7.15: Details of 'other' projects with total project value of $1,442 million *(continued)*

Project	Status
Melbourne Recital Centre and MTC Theatre (a)	$94 million investment 1,000 seat purpose-built Recital Hall 500 seat theatre for the Melbourne Theatre Company (MTC) Scheduled for completion in 2008 The request for tender for the project was released in June 2005[144]
Mont-Park - Springthorpe	Redevelopment of the former Mont Park, Plenty, Gresswell and Macleod hospital sites to create a new integrated residential, education and research precinct adjacent to LaTrobe University[145] The residential component of the project (Springthorpe) is under way[146] Scheduled for completion by 2006[147]
West Gate Bridge Memorial Park	Completed and opened in October 2004

Note: (a) previously announced as Yarra Precinct Arts Integration[148]

Sources: Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.1; Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, 31 May 2005, presentation slides 7,9,12,13; additional information sourced from Major Projects Victoria's website and from the Department of Infrastructure

The Committee was interested to learn of the current status of all major projects delivered by Major Projects Victoria, in terms of whether budgets and timelines are met. The Minister advised that '*Of the projects I am responsible for as Minister for Major Projects all major projects are fully funded and timelines met. However, I have agreed to more time being allocated to the long term containment facility project so as to allow adequate information to be provided for the Environment Effects Statement process.*'[149]

The Committee noted that the department's 2004-07 corporate plan, which was published in November 2004, is the only form of publicly available information from the department on key infrastructure projects that identifies whether budgets, timelines and project scope are delivered within plus or minus (+/-) 10 per cent of the agreed scope of the projects.

144 Hon. J Pandazopoulos, MP, Acting Minister for Major Projects, media release, *Short-list to build new recital centre and theatre*, 29 June 2005

145 Victorian Government, *Building One Victoria: Projects that are growing and strengthening the state*, June 2005, p.28

146 ibid.

147 ibid.

148 Budget Paper No.3, *2005-06 Service Delivery*, p.306

149 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.5

Shown in exhibit 7.16 are the timelines for the major projects managed by MPV.

Exhibit 7.16: Major projects completion timelines

2005	2006	2007	2008	2009
Bonegilla Migrant Experience Heritage Park (c)	Commonwealth Games Village (b)	Australian Synchrotron (c)	Melbourne Recital Centre and MTC Theatre	Melbourne Wholesale Markets relocation
Melbourne Sports and Aquatic Centre (Stage 2) redevelopment	Royal Melbourne Showgrounds Redevelopment		Melbourne Exhibition and Convention Centre (d)	
Yarra Precinct Pedestrian Link	State Library of Victoria redevelopment (Stage 6)			
	Yarra Precinct Lighting (a)			

Notes: *(a) Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 12*

(b) the department's 2004-07 corporate plan shows a completion date of early 2006[150] *while the Minister for Commonwealth Games presentation slide shows the Commonwealth Games Village will be finished by quarter 2 of 2005-06*[151]

(c) to be opened

(d) project to commence in 2006

Sources: *Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, 31 May 2005, presentation slides 4–14; Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.1, 3; Department of Infrastructure, 2004-07 Corporate Plan, November 2004, p.15*

At the time of the preparation of this report, the following projects were completed:

- the redevelopment of the Austin Health and the relocation of the Mercy Hospital for Women;[152] and
- the demolition of the Flinders Street overpass as part of the redevelopment of the former fishmarket site.[153]

[150] Department of Infrastructure, *2004-07 Corporate Plan*, November 2004, p.15

[151] Hon. J Madden, MLC, Minister for the Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 11

[152] A program of refurbishment works to existing buildings will follow the occupation of the new Austin and Mercy towers, thus, the refurbishment and hence, full project completion is expected in 2006 (Department of Infrastructure, *2003-04 Annual Report*, p.17)

[153] Mr J Lenders, MLC, Minister for Major Projects, media release, *Flinders Street overpass bites the dust*, 11 August 2005

(b) Industrial waste long term containment facility

The 2004-05 Budget provided asset initiative funding of $8.5 million, allocated as: $1 million in 2003-04; $6.5 million in 2004-05; and $1 million in 2005-06, to complete the final phase of the industrial waste long term containment facility project.[154] The Committee was advised that $5 million has been spent to date, primarily on the Environment Effects Statement and on design costs.[155]

(i) Economic impact study of Sunraysia

At the estimates hearing, the Committee requested clarification of the study into the potential impact on the economic activity in the Sunraysia region and the date for the release of this information. The Minister advised that the government had commissioned the McKinna study to examine this issue and that the study is to be completed in mid 2005.[156] The Minister also indicated that:[157]

> *Dr McKinna's information will be made available in the Sunraysia community. Obviously a lot will depend on what he provides to us. He may well suggest that parts of it be provided and parts not. I do not know.*

A copy of the report was subsequently released with the Environment Effects Statement.[158]

(ii) Transportation and volume

At the estimates hearing the Committee inquired about the number of trucks that will be required to transport the prescribed waste to the waste containment facility. The Minister advised that '*we are anticipating five trucks a day on the planning at the moment.'*[159]

The Committee wanted to know the basis for identifying the requirement of five trucks per day and was told by the Minister that:[160]

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154 Budget Paper No.3, *2004-05 Service Delivery*, pp.287–288

155 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, pp.5–6

156 Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.5

157 ibid.

158 this report can be found in the Specialist Reports Volume 4 to the EES

159 Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.10

160 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.2

- in the high volume scenario - this equates to 4-5 trucks per day on average;
- in the medium volume scenario - this equates to 2-3 trucks per day; and
- in the low volume scenario - there would be one truck per day.

The Committee also requested information on the volume of waste that will be transported by the five trucks.

The Minister advised that:[161]

> *The Technical Information Report for the LTCF [Long Term Containment Facility] released 1 July explains that estimates of the volume of waste requiring containment at Nowingi were developed on the basis of EPA data and consultation with industry. Three volume scenarios were evaluated:*
>
> - *a 'high volume scenario' in which the facility receives up to 25,000 tonnes per annum in early years, then reducing volumes over the expected operating life of 25 years;*
> - *a 'medium volume scenario' in which the facility receives 15,000 tonnes per annum in early years (reducing over time); and*
> - *a 'low volume scenario' in which the facility receives 5,000 tonnes per annum in early years (reducing over time).*

The Committee wanted to know about the size of the trucks and was advised by the Minister that '*if waste is transported by road, it will be transported by EPA-licensed vehicles.*'[162]

The Minister gave three possible scenarios of the expected volume of waste that will be transported and stored at the waste containment facility. The Environment Effects Statement (EES) released in October 2005 provided an indication of the government's expectations through the following statements:[163]

> - *the extra five trucks per day on average that the proposed LTCF will generate will have no significant impact on traffic volumes or accident rates on the Calder Highway; and*
> - *the LTCF is expected to receive up to 25,000 tonnes of waste a year in its early years of operation and up to 250,000 tonnes over its operating life. The annual volume is likely to reduce over time as*

[161] ibid., pp.1–2
[162] ibid., p.2
[163] Major Projects Victoria, *Proposed Long Term Containment Facility, Nowingi: EES and Works Approval Application Summary Brochure*, October 2005

waste minimisation programs continue to take effect. Based on these figures the LTCF could have an operating life of 25 years.

The situation presented in the above statements point to the 'high volume' scenario previously described by the Minister. The second statement further indicates that under the 'high volume' scenario the waste containment facility could operate for 25 years before it reaches its storage capacity.

(iii) Current status

In May 2004, the government announced that an unreserved Crown land site in the state's north-west, situated approximately nine kilometres south-east of Nowingi and 55 kilometres south of Mildura, would be assessed as a potential location for Victoria's first industrial waste containment facility.[164] On 7 October 2005, the long-awaited Environment Effects Statement (EES) was released by the government. The EES was the result of an 18-month preliminary investigation to assess whether Nowingi is a suitable site for the facility.[165]

The results of the social and economic impact studies conducted for the EES process found that:[166]

- *on the social impact study, the finding was that '… while the potential for regional impact is low, any impacts that do occur are likely to be concentrated in communities closest to the LTCF or specific industry sectors.';* and

- *on the economic impact study, 'The economic impact assessments found that the potential for these perception-based impacts to occur, in the absence of actual evidence of contamination by the LTCF, is low.'*

While both studies found that the impact on the region is low, the result of the social impact study highlighted that certain community and industry sectors would feel the effect more than others. To alleviate community concerns raised in both studies, management and mitigation measures have been identified in the EES.[167]

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164 Major Projects Victoria web site, Industrial waste management, www.majorprojects.vic.gov.au, accessed 13 October 2005; Major Projects Victoria, *Proposed Long Term Containment Facility, Nowingi: EES and Works Approval Application Summary Brochure*, October 2005

165 Mr J Lenders, MLC, Minister for Major Projects, media release, *Nowingi EES released for public comment*, 7 October 2005

166 Major Projects Victoria, *Proposed Long Term Containment Facility, Nowingi: EES and Works Approval Application Summary Brochure*, October 2005

167 the management and mitigation measures are contained in the full version of the EES document

On the whole, the EES process found that:[168]

> *… overall, the proposed LTCF can be developed and operated in an environmentally, socially and economically acceptable manner and without any significant impacts.*

With this result, the project proceeds to the next stage. The timetable for the remainder of the project assessment is summarised in exhibit 7.17.

Exhibit 7.17: Industrial waste long term containment facility Timetable for the remaining stages of the project assessment

7 October 2005
The EES, the Works Approval application and the proposed amendment to the Mildura Planning Scheme released. Documents go on public exhibition for a six week period from 10 October 2005.
18 November 2005
Public submissions on the EES, the Works Approval application and the amendment to the Mildura Planning Scheme close on this date.
December 2005
Independent Panel (responsible for reviewing the exhibited documents and consider public submissions) holds Directions Hearing. The Independent Panel is appointed by the Minister for Planning.
Late Jan/early Feb 2006
Independent Panel commences hearings on public submissions.
2006
Independent Panel reports back to the Minister for Planning, with their recommendations.
? (a)
Minister for Planning issues a formal Assessment on the EES proposal. This Assessment includes findings on the effects of the proposal, whether or not to proceed with the proposal and, if it does proceed, whether there should be any conditions on the necessary approvals.
? (a)
Government lodge applications seeking approval for the establishment of a waste containment facility. Approvals are required from the EPA and the federal government.[169]

Note: *(a) the respective periods were not specified in the source document*

Source: *Major Projects Victoria, Proposed Long Term Containment Facility, Nowingi: EES and Works Approval Application Summary Brochure, October 2005*

[168] Major Projects Victoria, *Proposed Long Term Containment Facility, Nowingi: EES and Works Approval Application Summary Brochure*, October 2005

[169] Mr J Lenders, MLC, Minister for Major Projects, media release, *Nowingi EES released for public comment*, 7 October 2005

(iv) Published timelines

The timelines for the project which were published in the budget papers are shown in exhibit 7.18.

Exhibit 7.18: Industrial waste long term containment facility Timelines

Performance measures	Aug 2004	Dec 2004	May 2005	June 2005	July 2005	Dec 2005	Feb 2006	Mar 2006
Statutory approval given for soil recycling facility at preferred site		X1				X2		
Application lodged for statutory approval for a long term containment facility	X1				X2			
Statutory approval given for long term containment facility			X1				X2	
Commence process for appointment of an operator for long term containment facility				X1				X2

Notes: *X1 published in the 2004-05 Budget Paper*

X2 published in the 2005-06 Budget Paper

Sources: *Budget Paper No.3, 2004-05 Service Delivery, p.132; Budget Paper No.3, 2005-06 Service Delivery, p.125*

As shown in exhibit 7.18, the timelines published in the 2004-05 budget paper were revised for the 2005-06 budget, in some cases by 12 months. The extension of the timelines are explained in the Minister for Major Projects' advice that '*I have agreed to more time being allocated to the Long Term Containment Facility project so as to allow adequate information to be provided for the Environment Effects Statement process.*'[170]

As shown in the 2005-06 Budget Paper, it is anticipated that the government will lodge the application for statutory approval for the waste containment facility in July 2005 (see item circled in exhibit 7.18). However, the timetable described in the EES document did not identify the period that the lodgement for the statutory approvals will take place (see exhibit 7.17).

The 7 October 2005 media statement of the Minister for Major Projects announcing the release of the EES, states that '*… an independent panel will assess the reports and submissions … before making a recommendation to government well into next year.*

[170] Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.5

Also, approval is then required from the EPA and the federal government.'.[171] Given the anticipation that the independent panel's report will not be available until ' …*well into [2006]* …', this points to the possibility that the lodgement for the statutory approvals is unlikely to occur in 2006. The Committee strongly believes that it is in the best interest of the community that the timetable for the project is regularly updated to reflect new developments as the project progress.

Accordingly, the Committee recommends that:

Recommendation 57: **Major Projects Victoria:**

(a) publish on its website the timetable for the industrial waste long term containment facility project; and

(b) update the timetable to reflect new developments as the project progresses.

(c) Australian synchrotron project – performance measures

The Committee requested details of the key performance indicators for the synchrotron project. The Committee was advised that the performance indicators as agreed between MPV and DIIRD cover four key areas of project management:[172]

- cost – MPV is required to deliver the synchrotron machine and building within budget;
- schedule – to be completed in 2007
- resources – MPV is required to recruit and maintain a highly skilled team who will deliver the project successfully; and
- performance – MPV is required to manage the project so that the facility provides world-class synchrotron performance in terms of components and systems, commissioning and pre-operational testing.

(d) Major Projects Victoria

In response to the Committee's query on the increase in Major Projects Victoria (MPV) staff numbers from 18 in 2001-02 to 85 staff, the Minister advised that this was due to:[173]

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171 Mr J Lenders, MLC, Minister for Major Projects, media release, *Nowingi EES released for public comment*, 7 October 2005

172 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.4

- the establishment of the transport project development group within MPV; and
- *'a general rigour in getting … things right at the start so we can have a greater degree of confidence as we go through a project that we will actually deliver within the budget parameters we set and deliver on time*.'

The Committee also wanted to know what action was taken by MPV to ensure that estimates of project completion dates are as realistic as possible. The Minister advised that there is '*a strong focus on programming and planning to ensure estimates of completion dates are as realistic as possible*.'[174]

The Committee requested clarification of the role of MPV in the Gateway process and the delivery of Partnerships Victoria projects. The Committee was advised that for the Gateway reviews, MPV's role is to ensure the major projects that are dealt with through the Gateway Review process are managed appropriately and adhere to the Gateway principles in order for projects to be delivered successfully.[175] On the delivery of Partnerships Victoria projects, the Committee was advised that MPV is developing central government management capacity in this form of project delivery.[176]

7.8 Transport portfolio

7.8.1 Key issues affecting the portfolio

(a) Regional Fast Rail project

In terms of economic and social benefits expected to be derived from the Regional Fast Rail project, apart from saving travel time and upgrading rail infrastructure, the government anticipates that a number of broader, long term gains will be provided to communities.[177] These include increases in tourism and business opportunities in regional areas, employment growth, reducing road congestion and the creation of better transport links and increasing patronage on the four lines[178] associated with the Ballarat, Geelong, Bendigo and Latrobe Valley train corridors.

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173 Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.8

174 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.7

175 ibid., p.6

176 ibid.

177 Hon. P Batchelor, MP, Minister for Transport, media release, *Some fast facts on our rail future*, 1 April 2005, p.24

178 Department of Infrastructure, *Fast Rail – Project overview*, www.doi.vic.gov.au,Regional accessed 9 August 2005

(i) Budget position and management

A summary of the extensions to the budget for the Regional Fast Rail Project is set out in exhibit 7.19.

Exhibit 7.19: Regional Fast Rail Budget funding 2000-04

Date	Budget estimate
15 September 2000	Up to $550 million (a)
17 November 2003	$617 million (b)
14 December 2004	$750 million (c)

Notes:

(a) Hon. P Batchelor, MP, Minister for Transport, media release, The momentum continues on fast rail links to regional centres, 15 September 2000

(b) Hon. P Batchelor, MP, Minister for Transport, media release, Additional funds to provide for more frequent services on Latrobe and Bendigo fast rail lines, 17 November 2003

(c) Hon. P Batchelor, MP, Minister for Transport, media release, Major investment to rebuild regional rail network, 14 December 2004

(d) In November 2001 the government announced a contract for the construction of 29 trains at a cost of $410 million and, a year later, an additional nine trains at a further cost of $125 million for the provision of additional services to country Victoria. At last years budget estimates hearing, the Minister for Transport advised that the cost of the rolling stock upgrade was in addition to the construction costs of $617 million. (Source: Public Accounts and Estimates Committee, Report on the 2004-05 Budget Estimates, p.329)

Factors outlined by the government that contributed to the budget extensions are summarised below:

- improvements to the track design on the Bendigo and Latrobe Valley lines as a result of intensive community and stakeholder consultation, a more reliable power supply along the Latrobe Valley line, increased costs of project insurance post September 11, higher land acquisition costs on the Ballarat line and extra funding to cover savings in track maintenance that were expected prior to the collapse of the National Express Group in December 2002 which took the capital cost up to $617 million;[179] and
- the provision of a safer, more reliable and flexible public transport system, including the installation of an extensive train stopping safety system on the four lines, that resulted in an increase in the budget to $750 million.[180]

[179] Hon. P Batchelor, MP, Minister for Transport, media release, *Additional funds to provide for more frequent services on Latrobe and Bendigo fast rail lines*, 17 November 2003

[180] Hon. P Batchelor, MP, Minister for Transport, media release, *Major investment to rebuild regional rail network*, 14 December 2004

In response to comments made by the Committee in its *Report on the 2004-05 Budget Estimates* relating to the settlement of claims for delays,[181] the government advised that to mitigate delays and the cost impact to the project, an Internal Issues Group was established to deal with all current and outstanding contractor claims.[182] The issues group negotiated settlements on each of the corridors, resolved up to 300 delay and scope issues and revised completion dates.[183] However, the government indicated that the contractors continued to aggressively seek variations.[184]

At the estimates hearing, the Minister advised that the total $750 million budget estimate contained contingencies to cater for variations that occur from time to time.[185] The Minister claimed that the setting aside of moneys within the budget to cater for things that are unforeseen was standard practice with any capital project.[186] However, details relating to the level of contingency and what it related to were not made available to the Committee on the grounds that this would disadvantage the state in commercial negotiations.[187]

In relation to the timing for releasing contract variations relating to the Regional Fast Rail Project, the Committee was informed by the Minister that they are put on the internet when it is convenient to do so and it will not disadvantage the government's commercial position.[188]

The 2005-06 Budget provides output funding of $15.3 million for 2004-05[189] and asset initiatives amounting to $41.4 million for 2004-05 and $77.1 million for 2005-06.[190] The budget indicates that the increase in funding has been provided mainly to deliver additional works required to improve the overall operational safety and efficiency of the regional fast rail services for the long term.[191]

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181 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.328–329

182 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled 11 May 2005, p.40

183 ibid.

184 ibid.

185 Hon. P Batchelor, MP, Minister for Transport, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.6

186 ibid.

187 ibid., p.7

188 ibid., p.8

189 Budget Paper No.3, *2005-06 Service Delivery*, p.291

190 ibid., p.294

191 ibid., p.293

The Minister advised the Committee that:

> *the total cost of the whole project was announced late last year, or the estimate, because we have not finished the project yet, because it has not finished being constructed, so as with any project that was originally scheduled to take place over five years – it was announced as a five year project – when the additional safety requirements were required to be put on, additional time was required to put those in place, and a revised budget was announced of some $750 million. It is currently within that budget estimate. However, we have not finished building it, but we have sufficient capacity in those estimates to finish the program, so there is no blowout, as you have described, and it is unhelpful to mischievously describe the reporting of figures wrongly when they clearly are within the budget that was announced last year.*[192]

The Minister also told the Committee that:

> *we will now go into a phase with the Latrobe Valley line of the upgrade of the signalling. This is one upgrade of one of the particular corridors which will see the biggest increase in improvements to track signalling and rolling stock upgrade in the history of regional rail in Victoria, and it is going well. It is a project that will deliver.*[193]

(b) Improvements to overall operational safety and efficiency

In inquiring into the special features involved in the extensions to the project, the Committee was advised that:[194]

> *The Train Protection and Warning System is an automatic train stopping system that will stop the new trains if they are about to run a red signal or if they approach a junction at excessive speed. It involves fitting sensors on the track and on the trains that talk to each other. If they detect that the train is about to get into danger, the system automatically applies the brakes and stops the train before this occurs. The train stopping system is a key part of the Regional Fast Rail project scope on sections of track capable of train speeds above 130km/h.*
>
> *Changes have been made under the Country Train Safety System project to apply the system to adjoining sections of track to provide a more comprehensive system. The system will be fitted to each of the new VLocity trains and all other passenger trains travelling on the upgraded rail network.*

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192 Hon. P Batchelor, MP, Minister for Transport, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.5

193 ibid., p.23

194 ibid., p.2

The Minister informed the Committee that safety is paramount, so installing an even safer system was the right thing to do.[195]

Information provided to the Committee with regard to expected savings in travel times to be achieved from each of the four lines when the project is completed is presented in exhibit 7.20:

Exhibit 7.20: Regional Fast Rail
Expected savings in travel times

Train corridors (construction projects)	Target journey time	Time savings (from current fastest)	Percentage saving in time (a)
Ballarat	64 minute express	18 minutes	22
Geelong	45 minute express	6 minutes	12
Bendigo	84 minute express	15 minutes	15
Latrobe Valley	95 minute express	21 minutes	18

Note: (a) Calculated by the Public Accounts and Estimates Committee

Source: Hon. P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 27 July 2005, p.3

In seeking clarification about these travel times, the Committee was advised that, while a mix of express and stopping services will travel on the four corridors being upgraded by the Regional Fast Rail project, the above information refers to target journey times for express services only.[196]

In recognising that there are two distinct categories of services provided by the regional fast rail service in the form of an infrequent express service and more regular stopping services, the Committee realises that average time savings of all trips on the four lines will obviously be lower that the anticipated travel outcomes to be derived from the express service. An analysis of all weekday trains from Ballarat, Geelong and Bendigo to Spencer Street; and from Traralgon to Flinders Street shows that the estimated average time savings ranging from 2.5 to 4.5 minutes will be minimal (see exhibit 7.21).

[195] ibid.

[196] Department of Infrastructure, response to the Committee's additional follow-up question, received 8 November 2005

Exhibit 7.21: Regional Fast Rail
Estimated average savings in travel times for all services

Train corridors	Average proposed travel time	Time savings	Percentage saving in time (a)
Ballarat	87 minutes	4 minutes	4
Geelong	58.5 minutes	3.5 minutes	6
Bendigo	112.5 minutes	2.5 minutes	2
Traralgon	132 minutes	4.5 minutes	3

Note: (a) Calculated by the Public Accounts and Estimates Committee

Source: Mr T Mulder, MLA, Opposition Transport spokesman, media release, Labor's 'Only a little bit faster sometimes' Rail, 23 December 2004

Information provided by the department indicated that, following the release of the draft 2006 timetables in December 2004, V/Line has carried out a comprehensive consultation process with passengers and residents along all train lines.[197] An updated set of 2006 timetables that addresses comments received through the consultative process is being prepared.[198] The Committee was advised that further improvement in service levels or spread of services is expected compared to the 2004 draft of 2006 timetables.[199]

The Committee believes that the government has an obligation to the taxpayers of this state and, in particular, the travelling public who will use the regional fast rail service to disclose in the clearest of terms the basis for its calculation of the announced savings in travel times for each of the four lines. For example, are only express services considered, which stops have been discontinued under the new timetable and whether only non-peak hour times have been included in the calculation? From an accountability viewpoint, performance related information needs to be included in the budget papers and the Department of Infrastructure's annual report concerning actual journey times derived from the four lines under the regional fast rail project and the extent of time savings compared to target for both express services and stopping services.

The Committee intends to recommend to the Auditor-General that after a sufficient lead time has elapsed that he consider building into his performance audit plan a project that examines the efficiency and effectiveness of the Regional Fast Rail service.

197 Office of the Minister for Transport, response to additional follow-up question, received 19 October 2005
198 ibid.
199 ibid.

The Committee recommends that:

Recommendation 58: **Regarding outcomes to be delivered from the Regional Fast Rail project, the budget papers and the annual report of the Department of Infrastructure, disclose performance information on actual journey times achieved and time savings compared to targets for both express services and stopping services on each of the four lines. The method used to calculate time savings should also be fully disclosed.**

(c) Safety upgrades and other works undertaken on the four train corridors

At the estimates hearing, the Minister provided the following information in relation to the various train corridors:

> ***Latrobe Valley line***[200]
>
> *The Latrobe Valley line regional fast-rail project involves an upgrade of 100 kilometres of track and the replacement of outdated signals. It will also see the introduction of more frequent services, including eight proposed additional services on each weekday. The works in mid 2004 included the upgrade of around 70 kilometres of track, the removal of some overhead gantries and electrical wiring, the installation of heavier rail and around 100,000 new concrete sleepers, plus the upgrade of road surfaces at about 13 level crossings.*
>
> *Works in late 2004 involved the installation of several high-speed turnouts that will improve the service flexibility by allowing trains to switch between tracks. Also those works in late 2004 involved an upgrade of an additional 7.5 kilometres of track with new concrete sleepers. Minor works were also undertaken at four level crossings on the line to improve the rail profile for high-speed train services, and safety protection is being boosted at 20 level crossings, including the installation of boom barriers, pedestrian gates and improved signals. Essentially the Track Infrastructure program has been completed.*
>
> *The Minister indicated that the upgrade of the signalling will now be commenced and the project will come to fruition in the middle of 2006, when a number of separate elements will be able to be brought together to coordinate the delivery of these services. They are signalling, track*

[200] Hon. P Batchelor, MP, Minister for Transport, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.23

upgrade, the introduction of new rolling stock, the introduction of new safety equipment and a number of other matters, including a new timetable.

Geelong line[201]

The Geelong upgrade involves 75 kilometres of track upgrade as well as the installation of new signals. It will provide for the introduction of more frequent services, including late-night services on Friday and Saturday nights…. Essentially the Geelong track work, the infrastructure, has been completed. Future elements of the upgrade will look at some minor signalling and track works.

Ballarat line[202]

The Ballarat upgrade involves 100 kilometres of track, and much of that work has been undertaken, although major works were undertaken in February this year. We are looking towards the installation of rail turnouts that will allow the connection of the Bungaree deviation, which is an 8-kilometre section of track between Dunnstown and Millbrook. We are also seeing the construction of the long bridges over the Moorabool River and the Lang Lang Creek. These are very close to completion and are two of the biggest railway bridges built in Victoria in recent times.

Bendigo line[203]

Much of the work at the moment is being undertaken on the Bendigo line and involves the upgrade of about 140 kilometres of track and the replacement of outdated signals. When these come together, it will see the introduction of some nine additional services each weekday, and the ability of trains to arrive in Bendigo on weekdays before 9.00 a.m.

Track upgrades include the replacement of old timber sleepers with new concrete ones. That was completed between Sydenham and Sunbury in 2004. The works include improvements to stations and level crossings. We have also seen recent work at the Sunbury station to remove large amounts of soil and the laying of large amounts of ballast. Stage 2 of the Bendigo work started in April. We are hoping that the transition from stage 2 to stage 3 will occur around the middle of this year, and that will see the introduction of a new high-tech signalling system right along the whole length of that corridor.

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201 ibid., pp.24–25
202 ibid., p. 25
203 ibid., p. 25

(i) Completion dates

The 2005-06 Budget reveals that the completion dates for the four corridors of the Regional Fast Rail project were renegotiated to allow for the installation of a more comprehensive train stopping safety system, and to accommodate additional project scope to satisfy stakeholder requirements.[204] The budget reveals that the project is to be fully completed in 2005-06.[205]

(c) Completion of the Spencer Street Station redevelopment

As reported in the Committee's *Report on the 2004-05 Budget Estimates*, the Premier announced in July 2002 that the Spencer Street Station would be redeveloped at a cost of $700 million.[206] The redevelopment involves construction of a new rail transport interchange, a new retail plaza and three office and apartment towers.[207] Features associated with the redevelopment include an innovative 'wave roof' design spanning across all platforms.[208] This is the largest public private partnership to be undertaken in Victoria.[209]

The Committee sought details from the Minister about why the December 2004 target for completing the new roof has been extended from December 2004 to the second quarter of 2005-06 and the March 2005 target for completing the Spencer Street concourse of March 2005 is now the third quarter of 2005-06.[210]

According to information provided by the Minister, the delays arise from a number of causes that are listed below:[211]

- Civic Nexus and its builder (Leighton Contractors) found that the complexities of building the roof in the time they had allowed, and with the access they had planned, could not be achieved;
- delays at the Spencer Street concourse were due, in part, to limitations created by the construction of the roof (safe working precludes construction of the concourse below while roof works proceeded above); and
- delays occurred when contaminated materials were found in the old landfill and construction materials used in the old structures.
- A summary of progress to date and what is planned is shown in exhibit 7.22.

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204 Budget Paper No.3, *2005-06 Service Delivery*, pp.120, 125 note (b)
205 ibid., p.120
206 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.344
207 ibid.
208 ibid.
209 Spencer Street Station Redevelopment, www.spencerstreetstation.com.au accessed 8 August 2005
210 Budget Paper No.3, *2005-06 Service Delivery*, pp.120, 125
211 Hon. P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 27 July 2005, p.4

Exhibit 7.22: Spencer Street Station redevelopment Achievements to date and actions planned

Date	Achievements
July 2003	First major concrete pour for the new Collins Street passenger area
October 2003	Design changes to commercial developments approved
January 2004	First section of new wave roof rolled into Melbourne
March 2004	Closure and demolition of the old station building
July 2004	First new passenger area opened
August 2004	Civic Nexus granted additional access to the site
November 2004	New platform one commissioned
May 2005	Partial opening of the new Collins Street passenger area
June 2005	New iconic wave roof takes shape (more than two million construction hours spent on the overall project so far)
Late 2005	Partially open the corner of Spencer and Collins street entrance
	Move coach terminal (a)
	Open access to regional platforms from the Bourke street Bridge
Late 2005	Open new coach terminal and car park
	Unveil Bourke street bridge improvements
Late 2005	Open Southern Cross Station

Note: (a) While the finished coach terminal will not open until late 2005, the temporary terminal will move closer to the station earlier in the year

Source: www.doi.vic.gov.au, accessed 8 August 2005

(d) Train punctuality

(i) Metropolitan train services

The budget papers and associated performance information released by the department reveal that there has been a gradual deterioration in the on-time performance of metropolitan train services over the past three years. The percentage of train services arriving at the destination no more than 59 seconds before and less than 5 minutes 59 seconds after timetable has declined from 96.9 per cent (2002-03)[212] to 95.9 per cent (2003-04)[213] and 93.9 per cent (2004-05).[214] The Committee noted that the target set for 2005-06 is 96 per cent which, although an improvement on the actual

[212] Budget Paper No.3, *2004-05 Service Delivery*, p.125
[213] ibid., p.112
[214] Department of Infrastructure, *Track Record quarterly performance bulletin 23 – April to June 2005*, www.doi.vic.gov.au accessed 11 August 2005

performance for 2004-05, is lower than the target set for 2004-05 of 97.1 per cent[215] and the actual result achieved three years earlier.

The Minister informed the Committee that because the expected performance outcome was for only 94 per cent of metropolitan train services to be delivered on time during 2004-05, Connex (the private operator) had received substantial penalties.[216] Penalties incurred by Connex for 2004-05 are shown in exhibit 7.23. The Committee noted that quarterly penalty payments for 2004-05 were substantially higher that that of the preceding quarter (April-June 2004) that amounted to $2,437,000[217], while the April-June 2005 component rose dramatically in comparison to the other quarters (equivalent to being fined $81,000 per day). The Committee noted that in the final three months of 2004-05, 6.9 per cent of metropolitan trains did not run on time compared to an average of 5.7 per cent over the previous three quarters of 2004-05.[218]

Exhibit 7.23: Metropolitan trains Penalties imposed on Connex 2004-05

July-September 2004	Oct-December 2004	January-March 2005	April-June 2005	2004-05 Total
($000)	($000)	($000)	($000)	($000)
4,332	4,673	3,935	7,380	20,320

Source: Public transport – Track Record quarterly performance bulletin 23 – April to June 2005, www.doi.vic.gov.au accessed 11 August 2005

(ii) V/Line passenger trains

The budget papers and associated performance information released by the department reveal that there has been a significant deterioration in the on-time performance of V/Line passenger trains over the past three years. The percentage of V/Line passenger trains arriving at the destination no more than 59 seconds before and less than 5 minutes 59 seconds after timetable has declined from 93.7 per cent (2002-03)[219] to 91.5 per cent (2003-04)[220] and 85.1 per cent (2004-05).[221] In other words, in 2004-05 one in every six V/Line passenger trains did not run on time compared to one in every 11 in 2003-04 and one in every 16 in 2002-03.[222] The Committee noted that the target

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215 Budget Paper No.3, *2005-06 Service Delivery*, p.112
216 Hon. P Batchelor, MP, Minister for Transport, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.16
217 Department of Infrastructure, *Track Record quarterly performance bulletin 23 – April to June 2005*, www.doi.vic.gov.au accessed 11 August 2005
218 ibid.
219 Budget Paper No.3, *2004-05 Service Delivery*, p.120
220 ibid., p.113
221 Department of Infrastructure, *Track Record quarterly performance bulletin 23 – April to June 2005*, www.doi.vic.gov.au accessed 11 August 2005
222 ibid.

set for 2005-06 is 87 per cent which, although an improvement on the actual performance for 2004-05, is considerably lower than the actual result achieved three years earlier.

At the estimates hearing the Minister told the Committee that these issues surrounding punctuality arose from a number of factors that included disruption to services attributable to the Regional Fast Rail project, the redevelopment of Spencer Street Station, train driver shortages, repairs having to be made to some rolling stock and locomotives involved in accidents and the need to take over the operations of the Warrnambool services.[223] In this latter case, the Minister indicated that Warrnambool services ceased being provided by the private operator due to safety issues connected with their rolling stock.[224]

The Committee acknowledges the factors that have contributed to the deterioration in punctuality for metropolitan and country trains and is encouraged by the setting of more challenging on-time targets aimed at improving performance in 2005-06. However bearing in mind the average overall customer satisfaction with regard to metropolitan trains and V/Line passenger trains during 2004-05 of 65 per cent and 76 per cent respectively,[225] the Committee stresses the importance of trains running on time to secure a level of public transport patronage into the future that will achieve the target set in *Growing Victoria Together* for '*public transport use in Melbourne as a proportion of trips taken by motorised means to increase from 11 per cent in 2002 to 20 per cent by 2020*'.[226] By any standard, one in every six V/Line passenger trains not running on time is clearly unacceptable to the users of the service and contrary to the delivery of an efficient and effective public transport system. The Committee considers there would be merit in the development of a budgetary strategy that ensures that penalties collected from private operators for not meeting contractual obligations be channelled into funding measures to improve the reliability of the public transport system.

223 Hon. P Batchelor, MP, Minister for Transport, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.11

224 ibid.

225 Department of Infrastructure, *Track Record quarterly performance bulletin 23 – April to June 2005*, www.doi.vic.gov.au accessed 11 August 2005

226 Hon. S Bracks, MP, Premier, *A Vision for Victoria to 2010 and Beyond, Growing Victoria Together*, p.7

The Committee recommends that:

Recommendation 59: **The Department of Infrastructure:**

(a) continue its efforts to improve the reliability of passenger services to those who use the train network; and

(b) consider ensuring penalties collected from private operators not complying with contractual obligations (in terms of the punctuality of train services) be used to help fund measures designed to minimise disruption to passenger services.

(e) New integrated public transport ticketing system

The 2004-05 Budget allocated $12.9 million ($4.5 million, 2003-04) to continue the development of system design and procurement arrangements for extending or renewing the public transport ticketing system beyond 2007 when the current contract expires.[227] The department advised the Committee that a significant element of the work undertaken relates to the development of an asset and it was estimated that $2.4 million operating expenditure and $10.5 million capital expenditure would be incurred in 2004-05.[228] The 2005-06 budget includes a target for the business requirements for the development of the new integrated public transport ticketing solution to be fully defined in 2005-06.[229]

On 30 July 2004 the Minister, in announcing a call for tenders to deliver the new smartcard ticketing system, stated that evaluations of submissions were expected to be completed by early 2005.[230] It was expected that the new system would cost less to operate than the existing system ($55 million per year) and the new contract would be for a period of ten years.[231]

On 12 July 2005, almost one year later, the Premier announced that Kamco had been awarded a $494 million contract to implement the smartcard ticketing system, following a nine month tendering process.[232]

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227 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.334

228 Department of Infrastructure, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.7

229 Budget Paper No.3, *2005-06 Service Delivery*, p.120

230 Hon. P Batchelor, MP, Minister for Transport, media release, *Smartcard to ride regional public transport system*, 30 July 2004

231 ibid.

232 Hon. S Bracks, MP, Premier, media release, *Smartcard ticketing takes major step forward*, 12 July 2005

The Committee noted that certain concerns have been raised about Melbourne's public transport smartcard tender process and the Minister asked the probity auditor to examine these issues and the Auditor-General to look into this matter.[233]

According to an article in the media, documents leaked to a newspaper detailed the comparative offers made by competing tenderers for the project amid claims that the information had been in the possession of two bidders, including the eventual winner. Other bidders claimed the leaked documents gave the US firm Keane (the firm that leads the KAMCO consortium) a significant advantage over its rivals.[234] The article indicates that two reports into the leaking of sensitive information at the Transport Ticketing Authority have not been able to find the source of the leak and the Auditor-General's inquiry is under way.

The Committee will keep under review developments concerning the allegations regarding the integrity of the tendering processes applied in the public transport smartcard tender.

(f) Channel deepening for the Port of Melbourne

According to the Minister:[235]

- the Port of Melbourne is Australia's largest container port, handling more than $100 million in exports each day;
- channel deepening is expected to generate in excess of $1.4 billion in financial benefits by 2030;
- channel deepening is critical to the economic future of Victoria and will enable the new generation of larger ships access to the Port of Melbourne and would secure Melbourne's position as the leading Australian port; and
- without deeper channels, our export industries, such as agriculture and manufacturing, will have increased transport costs and less competitive prices for their products.

The 2005-06 Budget states that the Channel Deepening project is subject to the outcomes of a supplementary Environmental Effects Statement (EES) and state and Commonwealth Government environmental approval processes.[236]

The Minister advised the Committee that final costs, budget and timelines for the channel deepening project cannot be determined until the EES (including the Supplementary EES) process is completed and all required environmental protection

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233 Victoria, Legislative Assembly, *Debates*, 21 July 2005, p.2026
234 D Silkstone, *The Age* newspaper, *Smartcard probes fail to find source of tender leak*, 21 September 2005
235 Hon. P Batchelor, MP, Minister for Transport, media release, *Next steps for channel deepening project*, 11 July 2005
236 Budget Paper No.3, *2005-06 Service Delivery*, p.126

measures are specified.[237] Timelines and costs outlined to date have only ever been preliminary estimates, subject to satisfactory completion of the environmental process.[238]

In July 2005 the Minister for Transport revealed that:[239]

- the Port of Melbourne was preparing to undertake a small-scale trial dredge program, provided final Commonwealth approval is received (trial dredging was recommended by the independent panel in its report assessing the channel deepening EES statement and is expected to provide important information to resolve some of the key issues and uncertainties for the assessment under the supplementary EES process);
- the trial dredge is expected to take place during a period of nine to ten weeks between August and October in small sections of the south and north of the Bay, as well as The Heads;
- while not providing any additional depth to the channels, it will provide important information to resolve some of the key issues for the assessment under the supplementary EES process;
- the trial dredge will remove 1.7 million cubic metres of material and is comparable in size to maintenance dredges carried out every three to five years in the shipping channels of Port Phillip Bay;
- the trial dredge would be subject to strict environmental monitoring overseen by an independent auditor appointed by the Environment Protection Authority;
- the cost of undertaking trial dredging will be about $32 million; and
- the government is committed to the project, but has said that it will not proceed until the technical and environmental issues have been rigorously assessed and environmental risks are met.

237 Hon. P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 27 July 2005, p.7

238 ibid.

239 Hon. P Batchelor, MP, Minister for Transport, media release, *Next steps for channel deepening project*, 11 July 2005

CHAPTER 8: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Key findings of the Committee:

8.1 **The Department of Innovation, Industry and Regional Development's budget allocation for 2005-06 was $276.9 million, a decrease of $97.5 million or 26 per cent) on the estimated actual result for 2004-05. The decrease is largely attributed to a reduction in funding to the Regional Infrastructure Development Fund in 2005-06, as the Fund has accumulated sufficient funds from previously unexpended projects.**

8.2 **The department has advised that $43.5 million of output funding was carried forward from 2004-05 to 2005-06. Given that the payment of grants must only occur after grantees have achieved pre-determined milestones, the Committee recognises that some level of carry forward funding is inevitable. It is important, however, that underlying causes leading to the current levels of carry forward funding are identified and strategies and indicative targets developed to minimise the opportunity costs associated with this level of funding.**

8.3 **The department is required to achieve total savings of $13 million in 2005-06. Savings will be achieved through the streamlining of programs, efficiencies in grant administration, the sharing of corporate services with the Department of Justice and the reduction in contractors and consultants and communications expenditure.**

8.4 **The department anticipates no changes to staffing levels in 2006. At June 2005, there are 729.3 equivalent full-time staff positions at the department.**

8.5 **In terms of the department's balance sheet for controlled items, net assets are expected to increase by $44.2 million in 2005-06 due to planned city office accommodation and Australian Synchrotron projects.**

8.6 **The government has committed $620 million between 1999-2000 and 2007-08 to the Science Technology and Innovation (STI) initiative. An external evaluation of the initiative forecast positive benefits to the state of between $767 million to $868 million over the period 2000-2014.**

8.7 **The external evaluation also found that four of the thirty-two projects evaluated contributed to most of the forecast STI benefits. While the external evaluation of STI initiative flagged the difficulties of accurately evaluating scientific research and obtaining accurate information at the time projects are approved, the challenge remains for the department to further leverage its investment by conducting rigorous post-project reviews to identify project-specific and system-wide impediments to maximising the benefits from STI projects to the state.**

8.8 **Given the department's key role in investing large sums of public funds to develop thriving industries and create employment, the embedding of an outcomes focused approach into its planning, management and reporting processes is critical. This would also include the development of an in-house program evaluation capacity.**

8.9 **The Commonwealth Government announced an outline of its workplace reform package on 26 May 2005. It would be prudent for an assessment to be conducted of the potential impact on the Victorian Public Sector workforce including the development of possible policy options in preparation for proposed federal legislation.**

8.10 **Additional Victorian Government export targets are needed that focus on cumulative export volumes (both in total and by key sectors) and the number of exporters who have been involved in exporting over a sustained period of time. These targets will complement existing government targets of achieving $30 billion in exports and a doubling of the number of exporters by 2010.**

8.11 **The department needs to periodically monitor the extent of compliance with requirements for government organisations to settle supplier's invoices within 30 days and outline in its annual report the impact of the policy on small businesses.**

8.12 **The implementation of the $1.8 million Financial Services Industry Action Plan initiatives is to be completed by June 2006. Of the 29 initiatives in the Action Plan, nine have been implemented, 15 partly implemented and six initiatives are under development.**

8.13 **The government is developing a tourism and events strategy which aims to build Victoria's major tourism and events industry beyond the next decade.**

8.14 **The government has allocated $7.6 million in national and international marketing funding to capitalise on tourism outcomes from the 2006 Commonwealth Games.**

Departmental review

8.1 Output management framework

The Department of Innovation Industry and Regional Development supports the following ministerial portfolios:

- Innovation;
- State and Regional Development;
- Small Business;
- Manufacturing and Export;
- Financial Services Industry;
- Tourism; and
- Industrial Relations.

The department has introduced changes to its 2005-06 output structure involving the establishment of the following consolidated or restructured outputs:

- Regional economic and community development;
- Innovative and high performing workplaces;
- Export promotion;
- Advanced manufacturing; and
- Service industries.

Details of ministerial responsibilities for output groups and associated outputs are outlined in exhibit 8.1.

Exhibit 8.1: Department of Innovation, Industry and Regional Development Ministerial responsibilities

Output groups/outputs	Responsible Minister						
	FSI	IR	I	ME	SB	SR	T
Developing innovative industries							
Strategic policy	✓	✓	✓ *(lead Minister)*	✓	✓	✓	✓
Science technology and innovation			✓				
Small business support					✓		
Innovative and high performing workplaces		✓					
Advanced manufacturing				✓			
Service industries	✓						
Investment attraction							
Investment facilitation and attraction	✓		✓	✓		✓ *(lead Minister)*	
Trade development							
Export promotion				✓			
Regional development							
Regional economic and community development				✓		✓ *(lead Minister)*	
Regional infrastructure development						✓	
Marketing Victoria							
Tourism							✓

Notes: *FSI Minister for Financial Services Industry*
IR Minister for Industrial Relations
I Minister for Innovation
ME Minister for Manufacturing and Export
SB Minister for Small Business
SR Minister for State and Regional Development
T Minister for Tourism

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.2*

8.2 Internal/external reviews

During 2004-05, the department undertook a number of reviews involving:[1]

- Office of Manufacturing where some programs within the Business Innovation Workshops were wound back resulting in the redirection of funds to Value Chain Workshops program;
- Small Business Victoria where an internal evaluation was conducted of the Small Business Mentoring program in East Gippsland and an external evaluation of the eCommerce Exhibition Projects program. An external evaluation of the Streetlife program is in progress;
- Industrial Relations Victoria (IRV) where the workload impact of processing applications and issuing permits under the *Child Employment Act* 2003 resulted in the creation of an additional position funded from within IRV's approved resource budget; and
- Strategy and Policy Branch where programs and grants were assessed in terms of their contribution to the economic development of Victoria.

In addition, Invest Victoria participated in an external benchmarking report of 180 companies involving enquiry handling and e-communications capabilities resulting in an overall ranking of third.

8.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $276.9 million, a decrease of $97.5 million on the estimated actual result for 2004-05 (see exhibit 8.2).

[1] Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.6

Exhibit 8.2: Department of Innovation, Industry and Regional Development Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Investment attraction				
Investment facilitation and attraction	37.4	41.0	22.0	-46.3
Sub-total	**37.4**	**41.0**	**22.0**	**-46.3**
Trade development (c)				
Export promotion	n/a	n/a	7.6	n/a
Sub-total	**n/a**	**n/a**	**7.6**	**n/a**
Developing innovative industries (c)				
Small business support	14.6	13.0	15.5	19.2
Innovative and high performing workplaces	14.6	13.5	10.7	-20.7
Science technology and innovation	94.7	118.0	101.8	-13.7
Advanced manufacturing	n/a	n/a	6.0	n/a
Services industries	n/a	n/a	4.7	n/a
Strategic policy	7.0	8.7	6.8	-21.8
Sub-total	**n/a**	**n/a**	**145.5**	**n/a**
Regional development				
Regional economic and community development	20.3	28.5	25.9	-9.1
Regional infrastructure development	78.7	76.7	36.8	-52.0
Sub-total	**99.0**	**105.2**	**62.7**	**-40.4**

Exhibit 8.2: Department of Innovation, Industry and Regional Development Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Marketing Victoria				
Tourism	42.3	38.0	39.1	2.9
Sub-total	**42.3**	**38.0**	**39.1**	**2.9**
Total	**349.0**	**374.4**	**276.9**	**-26.0**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting.[2]

(c) The 2005-06 Budget states that the retrospective application of the revised 2005-06 output structure to the 2004-05 Budget and expected actual costs would result in only an approximate combined cost for the Trade Development and Developing Innovative Industries output groups. Bearing this in mind, the combined 2004-05 budget for these two output groups was $170.3 million with an expected actual 2004-05 cost of $190.2 million.[3] *The combined 2005-06 Budget for the Trade Development and Developing Innovative Industries output groups is $153.1 million*

n/a not applicable

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.130–139*

The more significant reductions in 2005-06 total output costs in comparison to the 2004-05 estimated actual financial outcomes occurred in relation to the following outputs:[4]

- Investment Facilitation and Attraction – which provides investment and facilitation services to attract new international investment and encourage additional investment by companies already operating in Victoria (a reduction of $19 million);
- Regional Infrastructure Development – which provides capital works for infrastructure development projects in regional Victoria (a reduction of $39.9 million); and
- Science Technology and Innovation – which facilitates the development of Victoria's science and technology base and promotes innovation across the economy (a reduction of $16.2 million).

2 Budget Paper No.3, *2005-06 Service Delivery*, p.128
3 ibid., p.129
4 ibid., pp.130, 133, 134, 137

The reasons for the reduction in 2005-06 expenditure for these outputs are outlined below.

(a) Investment facilitation and attraction output

In relation to the Investment Facilitation and Attraction output, the department has advised that the reduction in the 2005-06 Budget to $22 million in comparison to the estimated actual expenditure for 2004-05 of $41 million was due to:[5]

- fluctuations in the investment support program as initiatives that extend over more than one year draw to a close; and
- a redistribution of program funding to other outputs due to the establishment of a new departmental output structure for 2005-06 (i.e. funding for the Business Development program is now part of the Advanced Manufacturing , Science, Technology and Innovation and Regional Economic and Community Development outputs).

(b) Regional infrastructure development output

The Committee was advised that the decrease in the 2005-06 Budget for the Regional Infrastructure Development output to $36.8 million from a 2004-05 estimated actual expenditure of $76.7 million was due to the lag between expenditure on one hand and the approval and allocation of funding on the other.[6] The fund has been established to facilitate investment, employment and export opportunities in regional Victoria through the provision of funding for capital works[7] and operates as a trust where funding received for a particular project is classified as income in the current financial year with subsequent years likely to reflect associated expenditure.[8] The 2005-06 Budget provides for a $10 million increase to the RIDF for the 2005-06 financial year only.[9]

(c) Science technology and innovation output

The government announced its *Innovation Statement: Victorians. Bright Ideas. Brilliant Futures* in October 2002 which provided additional funding of $310 million over five years for a new innovation initiative: the Science, Technology and Innovation (STI) Second Generation initiative. This is a follow on program to the STI

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5 Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.16

6 ibid.; email from the department providing further clarification for the decrease in 2005-06 output costs, dated 24 October 2005

7 Department of Innovation Industry and Regional Development, *2003-04 Annual Report*, October 2004, p.27

8 Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, pp.11–12

9 Budget Paper No.3, *2005-06 Service Delivery*, p.296

initiative launched in 1999.[10] The department has indicated that the decline in expenditure of $16.2 million for 2005–06 is mainly attributed to:[11]

- the exclusion of $36.2 million in carry forwards from 2005-06 Budget Paper No.3, offset by;
- an increase of $6.4 million due to the redistribution of the budget under the new output structure and an increase in funding as per the forward estimates of $17.7 million.

In relation to an increase in funding over the forward estimates period, the 2005-06 Budget provides for $104 million to be allocated over five years to 2009-10 for the Energy Technology Innovation Strategy.[12] In 2005-06, the budget papers indicate $9 million will be spent on this initiative.[13]

This strategy involves the development of pre-commercial demonstration plants trialling new clean brown coal technology in the Latrobe Valley.[14] The government is expected to leverage additional funding and support from industry as well as the federal government via funding from the Low Emissions Technology Fund.[15] The Energy Technology Innovation Statement also includes $16 million for research and development for energy efficient technologies and $4 million to fund a trial of the capture and storage of carbon dioxide in the Otway Basin.[16]

The Minister advised that the Commonwealth has indicated it will provide $500 million from the Low Emissions Technology Demonstration Fund to leverage at least $1 billion in private investment.[17] Applicants must demonstrate they will be able to match the grant amount on the basis of at least two dollars for every dollar provided by the fund.[18]

The Committee understands that state funding is confined to providing assistance with capital funding. Operating costs will be the responsibility of industry.[19] An evaluation of applicants will be considered by an independent assessment panel of Australian and

10 Victorian Government, *Victorians. Bright Ideas. Brilliant Future*, October 2002, p.4
11 Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, pp.15–16
12 Budget Paper No.3, *2005-06 Service Delivery*, p.296
13 ibid.
14 Department of Innovation, Industry and Regional Development, 2005-06 Victorian Budget: Fact sheet, *Energy technology innovation strategy*, 3 May, 2005
15 ibid.
16 ibid.
17 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2005, p.1
18 ibid.
19 ibid.

international experts.[20] Final recommendations will be presented to the government by early March 2006 with a recommended shortlist provided to the Commonwealth.[21]

8.3.1 Departmental savings

The department is required to achieve total savings of $13 million in 2005-06.[22] The department advised that the key focus of the savings will be in the areas of grant administration, operational efficiencies and shared services in the preparation for the co-location at the new Southern Cross site with the Department of Justice.[23] Specifically, the department advised that these savings will be achieved through:[24]

- grants and business development programs –streamlining programs and ceasing programs that have been superseded such as Easy Government which has been absorbed into the Victorian Business Master Key initiative;
- internal reprioritisation – the department has been able to gain efficiencies throughout 2004-05 which has enabled several initiatives to be undertaken in 2005-06 via reprioritisation such as retraining and Up-skilling Outworkers;
- increased operational efficiencies – the department's operational costs will be reduced through efficiencies in grant administration and program support as well as across items in supplies and consumables. There is also potential savings though shared corporate services with the Department of Justice. The implementation of the DIIRD Web Strategy has also resulted in savings;
- reduction in consultants and contractors expenditure; and
- the whole of government savings initiative to centralise print, media and communication services.

8.3.2 Financial analysis

(a) Operating performance

The department has budgeted to receive $276.9 million in revenue for 2005-06 from its controlled operations. This represents a reduction of $49.2 million against the revised estimated actual 2004-05 revenue.[25] The department's appropriation for 2005-06 has reduced due to lower carry forward provisions.[26]

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20 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2005, p.2
21 ibid.
22 Budget Paper No.3, *2005-06 Service Delivery*, p.296
23 Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.21
24 ibid., p.22
25 ibid., p.9
26 ibid., p.10

In terms of expenditure from its controlled operations, it is expected that 2005-06 will result in a decrease of $97.5 million in comparison to revised estimated actual 2004-05 expenditure.[27] The reasons for this reduction have previously been outlined under Budget Summary – Output Costs section of this chapter.

Full details are contained in exhibit 8.3.

Exhibit 8.3: Department of Innovation, Industry and Regional Development Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	326.1	276.9	-15.1
Expenses	374.4	276.9	-26.0
Net result	**-48.3**	**0.0**	**n/a**
Administered items			
Administered income	2.7	7.7	185.2
Administered expenses	19.3	7.7	-60.1
Income less expenses	**-16.6**	**0.0**	**n/a**

Note: (a) a negative variance indicates that the 2005-06 Budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.85, 88

For 2005-06, administered revenue is estimated to increase by $5 million due to external funding contributions from the City of Melbourne for the Melbourne Exhibition and Convention Centre project.[28] For administered expenditure in 2005-06, there is expected to be a reduction in payments into the Consolidated Fund which reflects the end of the sale/divestment of surplus land/development rights related to the Melbourne Convention Centre redevelopment project.[29]

27 ibid., p.9
28 ibid., p.11
29 ibid.

(b) Balance sheet position

As outlined in exhibit 8.4, assets from controlled operations are estimated to rise by $44.2 million in 2005-06 arising from the planned city office accommodation and Australian Synchrotron projects.

Exhibit 8.4: Department of Innovation Industry and Regional Development Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	247.8	292.0	17.8
Liabilities	41.0	41.0	0.0
Net assets	**206.8**	**251.0**	**21.4**
Administered items			
Administered assets	47.0	47.0	0.0
Administered liabilities	-	-	-

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.87–88

8.3.3 Carry over funding

The department has received approval to carry forward into 2005-06 a total $43.5 million of which $23.3 million or 54 per cent of this total relates to the Science Technology and Innovation output. A further carry forward amount of $7.8 million relates to the Regional Economic and Community Development output.[30]

The Minister has advised the Committee that the level of carry forward funding is due to the failure of grantees to achieve designated milestones.[31] Consequently, no funding can be provided to grantees until this occurs.[32] The Committee accepts that there will inevitably be some delays in incurring expenditure against appropriations resulting in a need to carry forward funds into the next financial year. The issue is therefore what constitutes a reasonable level of carry forward funding in these circumstances.

30 Department of Innovation Industry and Regional Development, email, 14 October 2005

31 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2005, p.3

32 ibid.

The Committee is concerned that the current levels of carry forward funding represent a considerable opportunity cost as this funding is not available to be used for other purposes. On the other hand, strategies to address this issue must not compromise the department's capacity to maintain stringent controls over payments to grantees. The Committee noted in relation to the Regional Infrastructure Development Fund (RIDF), that while the fund is a trust fund and therefore has no carry forward amounts, the Auditor-General found that 'the department ensures payment conditions are rigorously adhered to before grant funds are disbursed.'[33]

Given the level of the carry forward funding from year to year, the Committee's view is that the major causes that contribute to grantees' inability to meet milestones within reasonable timelines should be identified as part of a formal review process. This will allow strategies to be developed on an evidenced based approach. Consultation with grantees should be an integral part of this process. For example, if a lack of project management expertise among grantees emerged as a key factor in their failure to meet project milestones, the establishment of programs to develop grantees' capacity to manage projects to quality standards and within time and cost constraints would seem a sensible strategy.

The Committee also favours setting indicative targets for the level of carry forward funding. This could be calculated as a proportion of the budget allocation of the financial year from which funding is carried forward from, however the achievement of these targets should not be at the expense of the maintenance of stringent departmental controls over payments to grantees.

The Committee recommends:

Recommendation 60: **In relation to carry forward funding, the Department of Innovation Industry and Regional Development:**

(a) conduct a formal review to identify the major factors that are contributing to grantees' failure to meet designated project milestones;

(b) develop strategies to address key concerns; and

(c) establish indicative targets on the level of future carry forward amounts.

[33] Victorian Auditor General's Office, *Report on Public Sector Agencies, Results of special reviews*, May 2003, p.27

8.3.4 Trust funds

The department operates 12 trust accounts.[34] The estimated balance of these accounts at 30 June 2006 is $73.3 million.[35]

The largest of the trust accounts is the Regional Infrastructure Development Fund, which has an estimated balance of $72.8 million at 30 June 2006.[36] The estimated legal commitments of this Fund at 30 June 2006 are $18.4 million.[37]

The department advised that it regularly monitors the receipts, expenditure and the balance of each trust and reports these regularly to the Department of Treasury and Finance and as part of the annual financial report.[38] The department also indicated that the trust accounts are subject to a full range of internal controls as required by the *Financial Management Act* 1994 and other Ministerial Directions.[39] In respect of the Regional Infrastructure Development Fund, this Fund is subject to and governed by separate legislation.[40]

8.4 Human resources issues

The department advised that it anticipates 729.3 equivalent full-time staff will be employed at 30 June 2005 (see exhibit 8.5). This is a slight increase on the number of actual equivalent full-time staff of 718.68 at 30 June 2004.[41] The number of executive officers employed at 30 June in 2004 and 2005 is expected to remain constant at 46.[42]

34 Department of Innovation, Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.18
35 ibid.
36 ibid.
37 ibid., p.19
38 ibid., p.18
39 ibid.
40 ibid., p.19
41 ibid., pp.7–8
42 ibid., p.7

Exhibit 8.5: Department of Innovation, Industry and Regional Development Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Ongoing staff			
Non-executive departmental staff	583.5	573.5	
Other	0.0	2.0	
Sub total	**583.5**	**575.5**	**575.5**
Fixed term staff			
Non-executive departmental staff	80.8	101.4	
Departmental executive officers	46.0	46.0	
Other	2.4	(a) 4.4	
Sub total	**129.2**	**151.8**	**151.8**
Casual			
Non-executive departmental staff	6.0	2.0	
Sub total	**6.0**	**2.0**	**2.0**
All staff			
Non-executive departmental staff	670.3	676.9	
Departmental executive officers	46.0	46.0	
Other	2.4	6.4	
Sub total	**718.7**	**729.3**	**729.3**
Total	**718.7**	**(b) 729.3**	**729.3**

Notes: *(a) 'other - fixed term' include Small Business Commissioner (1EFT); Commissioner for Italy (0.4EFT); Agent General - London (1 EFT) and CEO Regional Development Victoria (1 EFT); Chairman Victorian Building Industry Dispute Board (1EFT)*

(b) estimates for staff numbers in June 2005 are based on 36 existing and budgeted vacancies

Source: *Department of Innovation Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, pp.7–8*

Review of portfolios

8.5 Financial Services Industry portfolio

8.5.1 Performance measures

A new output – Service Industries – was established for 2005-06 specifically for the financial services portfolio. This new output consists of four new performance measures, two of which is associated with the initiatives of the financial services industry action plan, Investing in Victoria's Future.[43] This is a major improvement on the reporting of the Financial Services output compared to 2004-05.

The Committee requested further details about the performance measure – *Companies assisted through the Australian Logistics Assured program*.[44] The Minister advised that the Australian Logistics Assured program falls within the portfolio responsibility of the Minister for State and Regional Development.[45]

8.5.2 Key issues affecting the portfolio

(a) Status of the financial services industry action plan

One of the key priorities for 2005-06 is the continuation of the second year of the implementation of the $1.8 million financial services industry action plan, *Investing in Victoria's Future*. The Minister advised that there are 29 initiatives in the action plan (excluding additional subsidiary initiatives), and the status of the action plan is: nine have been implemented, 15 partly implemented and six under development.[46]

The Committee requested details of initiatives that have been implemented and those that are under development. Exhibit 8.6 shows these details at 23 May 2005.

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43 Budget Paper No.3, *2005-06 Service Delivery*, p.134; Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2005, p.3

44 Budget Paper No.3, *2005-06 Service Delivery*, p.134

45 Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2005, p.4

46 Hon. A Haermeyer, Minister for Financial Services, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.4

Exhibit 8.6: Financial services industry action plan Status at 23 May 2005 (a)

Initiatives implemented	Initiatives under development
• establishment of Invest Victoria; • Melbourne Financial Services Symposium; • funds management networking forum; • support Monash University to assist in marketing financial services training to the region; • introduction of VicStart; • support the 2004 Ethical Investment Association Conference; • establish an FICC Working Group to advise the government on issues that affect the global competitiveness of the industry; • regional business investment ready program; and • extend the Make it Happen in Provincial Victoria marketing campaign.	• promote continued learning and up-skilling of financial services professionals; • create opportunities for students to gain greater workplace exposure via industry based learning opportunities and scholarships; • explore opportunities to develop and export executive financial services training courses; • explore export opportunities in financial services arising from new trade agreements; • hold a major international conference to promote and develop issues in sustainable development for the finance sector; and • promote the UNEP finance initiative.

Notes: *(a) excludes initiatives that were partly implemented which were not requested by the Committee*

UNEP – United Nations Environment Programme[47]

Source: *Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2005, p.2*

The implementation of most of the initiatives in the action plan is overseen by one of five industry-based working groups. These working groups report to the Finance Industry Consultative Committee (FICC) which is chaired by the Minister.[48]

The Committee sought information about the key milestones and timelines for the action plan initiatives for 2005-06 and was advised that all initiatives in the action plan are due to be completed by June 2006.[49] The key milestones and timelines are published in the 2004-05 and 2005-06 Budget Papers.[50]

The establishment of the Melbourne Centre for Financial Services, to be operated by a consortium comprising the University of Melbourne, Monash University and RMIT University, together with the Institute of Securities, Banking and Finance[51] is the centre piece of the financial services industry action plan.[52] The government provided

47 Victorian Government, *Investing in Victoria's Future: The Victorian Government's Action Plan for the Financial Services Industry*, May 2004, p.26

48 Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2005, p.3

49 ibid.

50 ibid.

51 Hon. A Haermeyer, MP, Minister for Financial Services, media release, *Victoria boosts its global position in financial services*, 18 August 2005

52 Hon. A Haermeyer, MP, Minister for Financial Services, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.4

seed funding with a budget of up to $1 million over two years for the establishment of the Centre.[53] The Minister advised that only $375,000 was spent in 2004-05 and any unspent funding budgeted for 2004-05 will be carried over into 2005-06.[54] The Committee was also advised that the budget for 2005-06 is $375,000.[55]

(b) Impact of the introduction of superannuation choice

The Committee was interested to know of the effect of the 1 July 2005 introduction of superannuation choice on Victoria's position in the financial services industry. The Minister advised that:

> *It is possible, resulting from the introduction of that freedom of choice, that our industry-based super funds may actually gain advantage compared with some of the other major funds which are traditionally based in Sydney and which we will refer to as retail funds. That view is based on the lower fees charged to industry super fund members and also the recent good returns that those funds have posted as against the retail funds.*[56]

The Committee was advised that there is an estimate from the superannuation funds industry that probably less than 5 per cent of members might request a switch in superannuation funds as a result of the introduction of superannuation choice. The Minister indicated that it is not expected that there will be a huge shift in funds and that '*Victoria will certainly continue to be a major player in Australia as far as managed funds go*.'[57]

8.6 Industrial Relations portfolio

8.6.1 Performance measures

The Innovative and High Performing Workplaces output contained in the 2005-06 Budget replaces two 2004-05 outputs (Industrial Relations Services and Industrial Relations Policy).[58]

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53 Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, 27 July 2005, p.3

54 Hon. A Haermeyer, MP, Minister for Financial Services, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.4

55 Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2005, p.3

56 Hon. A Haermeyer, MP, Minister for Financial Services, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.9

57 ibid.

58 Budget Paper No.3, *2005-06 Service Delivery*, p.128

In terms of direct financial impact on Victoria's budgetary position, one of IRV's key responsibilities relates to the government's enterprise bargaining strategy and wages policy.[59] The Minister advised the Committee that:[60]

- ten of the twelve budget-funded public sector agreements negotiated between 31 August 2004 and 30 June 2005 had an average annual wage increase of 3 per cent. The remaining two agreements had average annual wage increases of 2.25 and 4 per cent (Industrial Relations Policy Statements 2005) indicate that the government's wages funding policy has as a guide an overall average increase of 3 per cent per annum;[61] and
- there were 39 budget-funded public sector agreements to be negotiated in 2005-06. These included the *VicRoads EB4 Enterprise Agreement 2002-05, Country Fire Authority Operational Staff Agreement 2002-2005* and *Metropolitan Fire and Emergency Services Board, United Firefighters Union of Australia, Operational Staff Agreement 2002-05.*

The Committee is of the opinion that performance measures contained in the 2006-07 Budget should include a greater focus on outcomes achieved such as the degree to which average annual wage outcomes negotiated fall within the parameters set by the government.

The Committee recommends that:

Recommendation 61: **The Department of Innovation Industry and Regional Development, in conjunction with Industrial Relations Victoria, develop performance measures that focus more on outcomes achieved, such as the degree to which wages outcomes negotiated through enterprise bargaining agreements are consistent with the government's wages policy.**

59 ibid.

60 Hon. R Hulls, MP, Minister for Industrial Relations, response to the Committee's follow-up questions, received 15 July 2005, pp.1–4

61 Industrial Relations Victoria, *Industrial Relations Policy Statements 2005*, p.13

8.6.2 Key issues affecting the portfolio

(a) Assessing the impact of federal Industrial Relations reforms

The federal government announced on 9 October 2005 details of its proposed WorkChoices initiative which will introduce significant changes to workplace relations.[62] Some of the key components of this proposed initiative include:

- enshrining minimum conditions in legislation covering annual leave, personal/ carer's leave, parental leave and a maximum 38 hour ordinary working week;[63]
- changes to the unfair dismissal laws;[64]
- establishing the Australian Fair Pay Commission to cover minimum and award classification wages;[65]
- changes to the powers of the Australian Industrial Relations Commission;[66] and
- introducing a national system of workplace relations.[67]

The Minister for Industrial Relations indicated he supported the concept of a unitary rather than state-based industrial relations systems but expressed concern that the achievement of the federal government's proposed changes should not be at the expense of cutting wages.

The Committee considers that now that the details of the proposed federal industrial relations changes have been publicly released,[68] it would be prudent for IRV to conduct an objective analysis of their potential impact on the Victorian Public Sector in consultation with key stakeholders and advise the government on policy options.

8.7 Innovation portfolio

The 2005–06 Budget Papers outline a major new initiative (the Energy Technology Innovation Strategy) which is funded through the Department of Innovation Industry and Regional Development and administered within the Department of

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62 Hon. K Andrews, MP, Minister for Employment and Workplace Relations, media release, *Workchoices: Moving Towards A Simpler, National Workplace Relations System*, 9 October 2005

63 Australian Government, booklet, *WorkChoices: A simpler, fairer, national Workplace Relations System for Australia*, pp.9–11

64 ibid., p.51

65 ibid., pp.13–14

66 ibid., pp.39–41

67 ibid., p.11

68 Australian Government, *WorkChoices: A simpler, fairer, national Workplace Relations System for Australia*, 2005

Infrastructure.[69] Full details of this initiative are discussed within the Department of Infrastructure chapter of this report.

The Minister advised the Committee that the key priorities include:[70]

- building science and technology infrastructure and innovation capabilities;
- supporting emerging technologies;
- focusing on commercialisation;
- developing science skills and a high skilled workforce; and
- encouraging new levels of collaborations.

8.7.1 Performance measures

There have been two new performance measures established for 2005-06.[71] These are:

- Science Technology and Innovation - Number of industry/science strategic platform initiatives; and
- Strategic Policy – Number of major research projects completed.

Science, Technology and Innovation (STI) is the major financial initiative within the Innovation portfolio. The first generation of STI was launched in 1999-2000 and consisted of a funding commitment of $310 million over five years. The second generation of STI was announced in October 2002 as part of the government's Innovation Economic Policy and included a further $310 million over five years.[72] The government has therefore committed funding for STI to 2007-08.[73] The most significant individual project is the construction of the Australian Synchrotron Project which has a total estimated investment of $157.2 million of which $47.3 million remained unexpended at 30 June 2005.[74]

The department has collected a range of aggregate performance information since the STI initiative commenced such as the total exports generated that can be directly attributed to STI.[75] Given this, the Committee was disappointed that the public reporting of performance measures contained in Budget Paper No.3 was largely input-related rather than outcome-related. (e.g. companies provided with assistance for technology uptake).

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69 Budget Paper No.3, *2005-06 Service Delivery*, p.296

70 Hon. J Brumby, MP, Minister for Innovation, 2005-06 Budget Estimates hearing, 11 May 2005, presentation slide 6

71 Budget Paper No.3, *2005-06 Service Delivery*, pp.133, 135

72 Department of Innovation, Industry and Regional Development, *2001-02 Annual Report*, p.14

73 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Outcomes*, April 2005, p.228

74 Budget Paper No.1, *2004-05 Public Sector Asset Investment Program*, p.55

75 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2005, p.5

The Committee also noted that the expected outcomes for 2004-05 contained in *Budget Paper No.3, 2005-06 Service Delivery* for the Science Technology and Innovation output for quantity, quality and cost performance measures varied from departmental advice provided to the Committee on progress at April 2005. Generally, the extent of actual progress advised by the department exceeded the expected outcomes for 2004-05 contained in the 2005-06 Budget. For example, the Committee was advised that 42 patents had been sought by STI-funded organisations at April 2005 yet the expected 2004-05 outcome reported in the budget was 14.[76] While the actual rather than the expected 2004-05 outcome will be reported in the 2006-07 Budget, the 2005-06 Budget in the meantime does not accurately reflect the likely 2004-05 performance for some key measures.

The Committee also noted that where 2004-05 performance targets were likely to be substantially exceeded, the 2005-06 targets were not adjusted significantly upwards but continued to reflect either the 2004-05 target or occasionally a minimal increase in this target.[77]

The Committee recommends that:

Recommendation 62: **The Department of Innovation, Industry and Regional Development:**

(a) review the performance measures in the budget papers to incorporate more of an outcomes focus, particularly for the Science Technology and Innovation output;

(b) ensure expected outcomes for the current financial year for performance measures in the budget papers reflect the most accurate and up-to-date information available; and

(c) examine whether the setting of performance targets is at a sufficiently high level to encourage continuous improvement and drive improved departmental performance.

[76] ibid., p.8; Budget Paper No.3, *2005-06 Service Delivery*, p.134

[77] Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2005, p.8; Budget Paper No.3, *2005-06 Service Delivery*, pp.133–134.

8.7.2 Key issues affecting the portfolio

(a) Embedding an outcomes focused approach

The department has a core role of using public funds to build 'a state where innovation leads to thriving industries and high-quality jobs'.[78]

As stated previously, the government has committed $620 million between 1999-2000 and 2007-08 for the STI initiative. While this is by far the most significant initiative within the Innovation portfolio, government has also made other commitments such as to the Biotechnology Strategic Development Plan where $27.0 million is to be provided between 2002-03 and 2005-06.[79] This plan was reviewed by Ernst and Young resulting in an updated 2004-07 plan.[80]

The department has been conscious of the need for continuous improvement processes as well as being able to demonstrate from an accountability perspective that public funds have been spent efficiently and effectively. As well as the review by Ernst and Young of the Biotechnology Strategic Development Plan, the department commissioned the Allen Consulting Group in 2003 to conduct an assessment of STI outcomes, the results of which were contained in their report *Outcome Review of the STI Initiative* November 2003.[81]

Given the department's critical role in using large sums of public funds to achieve significant benefits to the state, the Committee supports the department developing a program to progressively embed a strong outcomes focus in all key aspects of the department's operations as well as developing its in-house capacity to conduct the more complex evaluations.

The Committee recommends that:

Recommendation 63: **The Department of Innovation, Industry and Regional Development develop an ongoing strategy of progressively introducing an outcomes focus into its planning, management and reporting processes, as well as upgrading its program evaluation capabilities.**

78 Department of Innovation, Industry and Regional Development, *2003-04 Annual Report*, October 2004, p.5
79 Budget Paper No.2, *2002-03 Budget Statement*, pp.192–193
80 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2005, p.10
81 ibid., p.5

(b) Continuous improvement – post project reviews

The department advised that 79 infrastructure grant projects have been funded under the STI initiative covering both the first and second generation of this policy. Of these, 77 projects have involved grants of over $300,000.[82]

The Allen Consulting report commissioned by the department to assess outcomes from STI projects forecast that there was a range of positive economic impacts over the period 2000-2014 such as higher real investment ($767 million to $868 million) and real Gross State Product ($1.58 billion to $2.18 billion).[83] In calculating the economic impacts for Victoria, the study included judgements on whether projects that received STI funding would have proceeded in part or in full without government funding and whether resources provided to STI projects from other parties would have been employed in Victoria without government funding.[84]

The report further states that '*there has been a range of performance to date across the STI funded projects.*'[85] The report highlighted the difficulties in accurately evaluating scientific research and obtaining accurate information at the time of investment decisions and that investment in scientific research should be viewed in an aggregate sense.[86]

The Committee appreciates the difficulties in accurately determining in advance the likely outcomes from scientific research at the time funding decisions are made. However, every effort should be made to maximise the potential benefits from the large public investment in the STI program. Although the Allen Consulting Group in its report states that its economic impact assessment of STI is occurring in advance of when a number of benefits are expected to occur, the report commented that four of the 32 funded projects evaluated had contributed to the majority of the reported positive outcomes.[87] This suggests there is the capacity to further leverage the benefits from the government's investment in STI.

The Committee supports the development of a structured formal post-project review process which can identify any key lessons learnt from projects from a continuous improvement perspective. This should apply to both projects considered to have generated significant benefits and those where benefits either have not been forthcoming or are unlikely to be forthcoming. The use of a consistent review methodology would also allow for the development of common themes arising across

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82 ibid.

83 The Allen Consulting Group, *Outcome Review of the STI Initiative*, Extract: Executive Summary, November 2003, p.1

84 The Allen Consulting Group, *Outcome Review of the STI Initiative*, Final Report, November 2003, p.30

85 The Allen Consulting Group, *Outcome Review of the STI Initiative*, Extract: Executive Summary, November 2003, p.4

86 ibid., p.5

87 The Allen Consulting Group, *Outcome Review of the STI Initiative*, Final Report, November 2003, pp.57–58

a range of projects which would encourage a more holistic response to continuous improvement activities.

The Committee recommends that:

Recommendation 64: **The Department of Innovation Industry and Regional Development develop a structured post-project review method so project-specific and cross-project issues can be identified for consideration as part of a continuous improvement process aimed at increasing the benefits to the state from its investment in Science Technology and Innovation projects.**

(c) Mid cycle review of the Biotechnology Strategic Development Plan for Victoria 2004

The department engaged Ernst and Young to review the Biotechnology Strategic Development Plan which was released in 2001. This resulted in an updated plan *Biotechnology Strategic Development Plan For Victoria 2004* which was launched in June 2004 and covered the period to 2007.[88] The government's vision behind both 2001 and 2004 plans is that by 2010 Victoria will be recognised internationally as one of the world's top five biotechnology locations.[89]

The 2004 plan included priority areas, actions and a series of targets to be achieved by 2007. Some of the key targets were that:[90]

- corporate biotechnology research and development expenditure would exceed $500 million per annum; and
- venture capital investment in Victorian biotechnology would exceed 40 per cent of the national annual venture biotechnology investment.

A report prepared by the Boston Consulting Group for the Committee for Melbourne has concluded Victoria is unlikely to meet its objective of becoming a leading centre for biotechnology unless difficulties in accessing venture capital are addressed.[91]

Given Australia's reported low level of venture capital, the Committee is concerned that the government's target of exceeding 40 per cent of the national annual venture biotechnology investment may not be sufficient to significantly progress Victoria's credentials as a leader in the biotechnology sector.

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88 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2005, p.10

89 Office of Science and Technology, *Biotechnology Strategic Development Plan for Victoria*, June 2004, p.7

90 ibid.

91 Committee for Melbourne, *Expansion Capital for Innovation*, 2005, Executive Summary, p.1

This Committee considers it would be prudent to conduct a formal mid-term review of the *Biotechnology Strategic Development Plan For Victoria 2004* in 2005-06 to assess the progress made to date and determine what changes need to be made to achieve the government's vision of Victoria becoming a leading centre for biotechnology.

The Committee recommends that:

Recommendation 65: **The Department of Innovation, Industry and Regional Development oversee a mid-term review of the *Biotechnology Strategic Development Plan For Victoria 2004* to determine whether the plan needs to be modified in order to achieve the government's vision of Victoria becoming a leading centre for biotechnology by 2010.**

8.8 Manufacturing and Export portfolio

8.8.1 Performance measures

The 2005-06 Budget Papers include two new measures:[92]

- Export Promotion – Client satisfaction with export assistance offered; and
- Advanced Manufacturing – Participant satisfaction with Advanced Manufacturing programs.

Under the Regional Economic and Community Development output, a new indicator has been established for the number of Next Generation Food Strategy initiatives in operation.[93] While the Minister for Manufacturing and Export is a responsible Minister, the lead Minister for this output is the Minister for State and Regional Development.[94]

8.8.2 Key issues affecting the portfolio

(a) Enhancing government target setting

The government has set key targets to be achieved by 2010 of $30 billion in exports and the doubling of the number of Victorian companies involved in export activity.[95] The previous Minister advised the Committee that the baseline from which to measure

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92 Budget Paper No.3, *2005-06 Service Delivery*, pp.131, 134
93 ibid., p.136
94 Department of Innovation Industry and Regional Development, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.2
95 Victorian Government, *Opening Doors to Export*, April 2004, p.1

the increase in the number of exporters was at 2001-02 when there were 12,250 exporters.[96] The Committee was advised that the number of exporters had declined to 10,542 in 2003-04, a reduction of 14 per cent in comparison to 2001-02 figures.[97] The number of exporters would have to increase by over 130 per cent between 2004-05 to 2009-10 in order to meet the government's 2010 target. The Committee will examine the degree of progress achieved in 2004-05 as part of the 2006-07 estimates hearing.

In addition, the value of exports has declined by 13 per cent from $29.5 billion in 2001-02 to $25.7 billion in 2003-04.[98] These declines were attributed to an appreciation of the exchange rate, a weak global economy, increased international competition in manufacturing from countries such as China and India and the impact of the drought.[99]

The Committee was advised that annual targets had not been set for the years 2005-06 to 2009-10 due to the variable and volatile nature of exports.[100] The volatility of export results however is the key to the Committee's belief that, in addition to the 2010 target of $30 billion in exports, some additional targets would be useful to take a collective account of Victoria's export performance between now and 2009-10. These additional targets could include:

- cumulative annual targets of export volumes, which would reflect both up and down swings, benchmarked against another comparable state; and
- the segregation of cumulative targets into those sectors such as advanced manufacturing to which the government has given particular priority in a policy and program sense.

The Committee also raised the issue of exploring the development of additional measures of exporter sustainability such as concentrating on the measurement of the total number of exporters who have been involved in exporting over a sustained period.[101]

96 Hon. G Rich-Phillips, MLC, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.19
97 Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to the Committee's follow-up questions, received 14 July 2005, p.3
98 ibid.
99 ibid.
100 ibid., p.4
101 Hon. G Rich-Phillips, MLC, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.19

The Committee recommends that:

Recommendation 66: **To supplement existing government targets of $30 billion in exports and double the number of companies involved in export activity by 2010, the Department of Innovation, Industry and Regional Development consider:**

(a) setting additional targets that measure cumulative export volumes both in total and by key sector; and

(b) measuring the level of exporter sustainability by identifying the number of exporters involved in exporting over a number of financial years.

(b) Development of complementary evaluation strategies

The Minister indicated that key programs such as the Agenda for Manufacturing are generally evaluated by an external third party after their completion to assess the extent of outcomes achieved.[102] The Committee supports the department's approach and considers it an important strategy from an accountability perspective to ensure public funds have been expended effectively and efficiently.

The Committee believes that this approach can be complemented by a formative evaluation strategy where key selected programs are internally evaluated at key points throughout the life of a program. This approach allows the evaluation results to be fed into a continuous improvement strategy which should result in better outcomes when the program is externally evaluated at the conclusion of the program. Indeed, if the department was to develop a dual evaluation strategy, it would be instructive to assess the final outcomes achieved between those programs that have been part of a formative evaluation strategy and those which have not.

The Committee has commented previously on the need to develop the department's in-house evaluation capabilities within an outcomes-focused organisational environment. These comments are relevant to the above issues.

[102] Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to Committee's follow-up questions, received 14 July 2005, p.2

The Committee recommends that:

Recommendation 67: **The Department of Innovation, Industry and Regional Development develop its in-house capacity to conduct formative evaluations as part of a continuous improvement strategy.**

(c) Research and Development

The Minister commented that while the level of research and development in Victoria at 1.84 per cent of GDP is above the overall Australian rate of 1.62 per cent of GDP, countries like Sweden (nearly 4.5 per cent), Finland (3.46) and Switzerland (2.57 per cent) spent considerably more on research and development than Australia.[103] The Minister commented that increasing Australia's level of research and development '*requires a national approach and we really need to provide some significant incentives way beyond what a state is capable of providing to get the sort of level of investment in research and development that I indicated earlier'*.[104]

The Committee agreed that a nationally coordinated approach was needed involving contributions from the federal and state governments and industry. The Committee raised the possibility of the Victorian Government putting the case to the federal government for the reintroduction of the 150 per cent research and development tax incentive or for the introduction of other tax incentives.[105] The Minister responded that '*…we will in all probability be making some sort of submission to the federal government on that issue because it is absolutely critically important'*.[106] The Committee also suggested that the Federal/State Industry Ministers' conference may also be a good vehicle to put Victoria's case for introducing greater research and development incentives for industry.[107]

The Committee recommends that:

Recommendation 68: **The Minister for Manufacturing and Export make representations to the federal government on the need for tax incentives for research and development as part of a comprehensive government and industry response to increasing Australia's investment in research and development.**

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103 Hon. A Haermeyer, MP, Minister for Manufacturing and Export, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.12

104 ibid., p.13

105 Hon. B Forwood, MLC, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.13

106 Hon. A Haermeyer, MP, Minister for Manufacturing and Export, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.13

107 Hon. B Forwood, MLC, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.13

8.9 Small Business portfolio

8.9.1 Performance measures

There are no new performance measures for the Small Business portfolio in the 2005-06 Budget Papers.

(a) Small Business Commissioner

The 2005-06 target for the measure '*Small Business Commissioner – proportion of business disputes successfully mediated by Commissioner'* within the Small Business Support output is 50 per cent, equivalent to that in 2004-05 but significantly less than the 68.6 per cent actual outcome for 2003-04.[108]

The Committee sought information on the reason for the targeted reduction in the proportion of business disputes successfully mediated by the Small Business Commissioner. The Commissioner provided the following explanation:[109]

> *I think that target was set because if you look at international research and figures, a success rate of 50 per cent in mediation is generally regarded as a pretty good rate to be maintaining. We have clearly gone beyond that in both our years of operation. However, I do not think it is a matter where you say, therefore, you should put up the mediation indicator rate at all. It could be that over the first two years we were going through a phase. It may be, particularly as we are getting further responsibilities with legislation currently before the Parliament for owner-drivers and forestry contractors, that our success rate there may not be as high. That remains to be seen. However, in terms of looking at what that indicator is, we look at what is generally regarded as an acceptable target for mediation.*

The Committee acknowledges the point made by the Commissioner, that it is important to be able to sustain, a particular level of performance in mediation over a period of time before moving to raise the relevant target. The Committee is also mindful of the potential impact on the Commissioner's workload of likely new responsibilities in the areas of owner-drivers and forestry contractors.

The Committee considers, however, that an upward adjustment to this particular target for 2006-07 should be made if the Commissioner's actual performance in 2005-06 remains around 70 per cent for successfully mediated business disputes.

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108 Budget Paper No.3, *2005-06 Service Delivery*, p.132

109 Mr M Brennan, Small Business Commissioner, Office of the Small Business Commissioner, 2005-06 Budget Estimates hearing, transcript of evidence, 23 May 2005, p.4

(b) Small Business Support output

The Committee also sought clarification on the reason for movements in the total output cost for the Small Business Support output. The expected outcome for 2004-05 was $13 million, down from the initial 2004-05 target of $14.6 million and from the 2005-06 target of $15.5 million.[110]

The Minister informed the Committee that the net increase in total output cost for the Small Business Support output, resulting from changes to the departmental output structure in 2005-06, is $2.5 million. The Minister explained that this net increase comprises additional funding of $4.1 million, largely attributable to the Grow Your Business and Koori Business Network programs, and offset by $1.6 million in savings that the department was requested to identify for 2005-06.[111]

8.9.2 Key issues affecting the portfolio

(a) Requirement for government organisations to settle supplier's invoices within 30 days

The former Minister for Small Business announced in September 2004, that government departments and agencies that fail to pay suppliers within 30 days of billing would face interest penalties from 1 November 2004.[112]

In making the announcement, the former Minister stated:

> *We recognise that serious cashflow problems can arise for small businesses when payment of debts are outstanding.*
>
> *Now government departments and agencies will have to pay suppliers on time, or pay the penalty.*
>
> *From 1 November 2004, all Victorian Government departments are required to insert a fair payments clause into new contracts valued at less than $3 million.*
>
> *This means suppliers must be paid within 30 days of receipt of invoices for goods and services supplied. If this deadline is missed, government departments will be forced to pay interest on the outstanding debt.*
>
> *The Victorian Small Business Commissioner, an Australian-first, will play a significant role in ensuring compliance with the new fair payments*

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110 Budget Paper No.3, *2005-06 Service Delivery*, p.132

111 Hon. A Haermeyer, MP, Minister for Small Business, response to the Committee's follow-up questions, received 14 July 2005, p.1

112 Hon. M Thomson, MLC, Minister for Small Business, media release: *Victoria takes the lead on fairness to small business*, 14 September 2004

provisions and will develop service charters with government departments and agencies.

The former Minister's announcement came shortly after the Auditor-General reported the results of an audit of the management of procurement and accounts payable in departments and agencies to Parliament in August 2004.[113] The Auditor-General found that where the payment terms on an invoice were 30 days, 77 per cent of invoices were paid within 30 days, rising to a cumulative total of 95 per cent within 60 days.[114]

The Committee was interested to hear about the impact of the new policy that came into effect from 1 November 2004 on the timeliness of government organisations in settling suppliers' invoices, and of the level of penalty interest that had been paid by defaulting payers.

The Minister advised that the policy has been implemented only for the last six months and that figures on interest were not currently available.[115] The Minister further advised that implementation of the commitment will be continually monitored to ensure it broadly addresses and improves payment terms to small businesses in their dealings with government. This will include a comprehensive review of compliance with the commitment towards the end of this calendar year.[116]

The Office of the Small Business Commissioner is available to help resolve disputes arising between small businesses and government departments in relation to this policy. The Minister indicated he had recently written to all Ministers reinforcing the importance of making prompt payments, and ensuring that their departments pay bills within 30 days or pay penalty interest.[117]

The Minister advised the Committee that the Office of the Small Business Commissioner has proposed that a whole of government small business service charter be implemented within all departments. The aim of the charter is to improve the quality and consistency of service by the government to the small business community. The Minister explained that the Departments of Premier and Cabinet and Treasury and Finance are providing support to the Small Business Commissioner to develop the charter. One of the important matters to be included in the charter will be reinforcement of the commitment to the fair payment clause in government contracts from 1 November 2004.[118]

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113 Victorian Auditor-General's Office, *Report on public sector agencies, Results of special reviews and other studies*, August 2004, pp.45–77

114 ibid., pp.66–67

115 Hon. A Haermeyer, MP, Minister for Small Business, response to the Committee's follow-up questions, received 14 July 2005, p.1

116 ibid., p.2

117 ibid.

118 ibid., pp.2–3

The Committee considers it will be important for the Department of Innovation, Industry and Regional Development to periodically monitor the extent of compliance with the new fair payment policy, and outline the impact of the policy on small businesses in its annual report. The department should also help to finalise the proposed whole of government small business charter to improve the quality and consistency of service by the government to the small business community.

The Committee recommends that:

Recommendation 69: **The Department of Innovation, Industry and Regional Development:**

(a) periodically monitor the extent to which government organisations comply with the new fair payment policy, and outline in its annual report, the impact of the policy on small businesses; and

(b) help finalise the proposed whole of government small business charter to improve the quality of services to small businesses.

8.10 State and Regional Development portfolio

Significant achievements in 2004-05 in regional development included:[119]

- extending the Regional Infrastructure Development Fund including expanding country Victoria's regional gas network with the $70 million Natural Gas Extension Program;
- developing new programs such as Make it Happen in Provincial Victoria Phase 2 to assist regional councils with economic and investment opportunities and the Next Generation Food Strategy which is designed to ensure businesses are competitive in domestic and international markets; and
- addressing skills shortages through programs such as the Community Industry Regional Skills Program (CRISP) which is designed to address skills shortages in rural and regional Victoria.

The Minister also advised the Committee that investments of $1.45 billion had been facilitated by the department.[120]

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[119] Hon. J Brumby, MP, Minister for State and Regional Development, 2005-06 Budget Estimates hearing, 11 May 2005, presentation slides 9–10

[120] ibid., presentation slide 4

8.10.1 Performance measures

The budget papers indicate that three 2004-05 outputs (Rural Community Development, Regional Economic Development and Regional Strategic Leadership) have been consolidated within the Regional Economic and Community Development output under the Regional Development output group.[121]

For 2005-06, there were four new measures established within the Regional Economic and Community Development output and one within the Regional Infrastructure Development output.[122] These mainly relate to initiatives announced previously such as the Next Generation Food Strategy and the Make it Happen in Provincial Victoria campaign.

The Committee noted that outputs such as Regional Infrastructure Development, which provides capital works for infrastructure development projects in regional Victoria, had few performance measures that allowed Parliament and the community to assess the outcomes derived or the results achieved from the expenditure of public funds.[123] The Committee considers that measures such as the number of projects funded, which may provide useful information from an internal management perspective, are of limited value in this regard.

The Committee is also aware that Regional Development Victoria (RDV), which is the key agency responsible for this output, is implementing an evaluation framework (refer comments below for further details) and that this should serve as a catalyst for a reconsideration of performance measures to be included in the 2006-07 Budget Papers.

The Committee recommends that:

Recommendation 70: **The Department of Innovation, Industry and Regional Development, in conjunction with agencies such as Regional Development Victoria, review its performance measures in the 2005-06 Budget Papers to improve the public reporting of outcomes in the 2006-07 Budget Papers.**

[121] Budget Paper No.3, *2005-06 Service Delivery*, p.128
[122] ibid., pp.136–137
[123] ibid., p.137

8.10.2 Key issues affecting the portfolio

(a) Regional Development Victoria

The Committee has been advised that RDV is implementing an evaluation framework to provide outcome focused information on the Regional Infrastructure Development Fund (RIDF) and the framework will take into account the diversity of RIDF projects.[124]

The Committee welcomes this as a further development in the process of determining the extent to which the significant level of expenditure from the RIDF is meeting the government's objectives of sustained economic and industry development in regional Victoria.[125] The Minister for State and Regional Development told the Committee that, at May 2005, the RIDF had contributed over $220 million to 99 projects and that the total value of these projects is estimated to be more than $550 million.[126]

In relation to issues within the Innovation portfolio (refer section 8.7) the Committee has previously commented on the importance of developing an outcomes focus into how departments plan, manage and report.[127] The Committee's view is that RDV's evaluation framework needs to be implemented within a broader context of an outcomes focused organisation if the benefits from the introduction of the framework are to be maximised.

The RDV's evaluation framework needs to include methods that measure the outcomes that are directly attributable to the RIDF rather than outcomes that may have occurred without RIDF involvement. To illustrate this point, the Allen Consulting Group's report on outcomes from the STI initiatives estimated that, even without the STI program, approximately 60 per cent of the private sector investment would have occurred anyway. [128]

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124 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2005, p.2

125 Budget Paper No.3, *2005-06 Service Delivery*, p.136

126 Hon. J Brumby, MP, Minister for State and Regional Development, 2005-06 Budget Estimates hearing, 11 May 2005, presentation slide 12

127 Prepared by the steering group managing for outcomes roll-out 2003/04, *Managing for Outcomes, Guidance for Departments,* August 2002

128 The Allen Consulting Group, *Outcome Review of the STI Initiative*, November 2003, p.45

The Committee recommends that:

Recommendation 71: **Regional Development Victoria:**

(a) develop a program to progressively work towards introducing an outcomes focus to its planning, management and reporting activities; and

(b) implement the evaluation framework within this broader organisational context.

(b) Regional Infrastructure Development Fund

The Auditor-General conducted an audit of the RIDF to examine the financial and operational position of RIDF and whether RDV had adequate systems and processes to monitor, evaluate and report on the outcomes of projects.[129] The audit concluded that:

- funds have been directed to projects consistent with legislative requirements, however RDV should provide more guidance on the type of capital works which could fall under the six objectives contained in the *Regional Infrastructure Development Fund Act* 1999;[130]
- RDV should play a more active role in encouraging projects in categories considered to be a higher priority;[131] and
- RDV should continue to improve its performance monitoring, evaluation and reporting particularly to allow an assessment of RIDF outcomes in terms of their economic and social impact in rural and regional Victoria.[132]

The Committee has recommended earlier in this chapter that RDV progressively work towards embedding an outcomes focus into its core planning, management and reporting activities and that an evaluation framework, which RDV is currently developing, should form an important sub-set to this initiative.

In response to allegations made to the Auditor-General's Office that grants were paid by RDV to metropolitan councils that were ineligible to receive this funding under legislation, the audit scope was expanded to examine this allegation. This involved examining grants which were not made from the RIDF.[133] The audit found that:

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129 Victorian Auditor-General's Office, *Results of special reviews and other investigations*, October 2005, p.22
130 ibid., pp.24–27
131 ibid., p.24
132 ibid., pp.32–37
133 Victorian Auditor-General's Office, *Results of special reviews and other investigations*, October 2005, p.22

- six metropolitan councils and two other organisations were ineligible under legislation to receive funding of $195,050 as these grants applied to metropolitan Melbourne rather than municipalities listed in the Schedule of the *Regional Development Victoria Act* 2002; [134] and
- seven payments totalling $253,530 were made to other organisations without written ministerial direction.[135] While the Minister approved funding for these projects, '*the Minister did not give written directions to authorise the chief executive to make payments to the organisations located in these districts as required by the Act*'.[136]

Government departments and statutory bodies have an obligation to comply with good financial governance arrangements by ensuring that public moneys are provided in accordance with legislative requirements.[137] In this regard, RDV should focus on a further tightening of internal controls to ensure grants payments conform with its legislative mandate.

In response to the need to obtain ministerial direction for the payment of grants to councils, RDV advised it was working with DIIRD to adopt an appropriate administrative procedure which accords with the *Regional Development Victoria Act* 2002.[138]

The Committee recommends that:

Recommendation 72: **Regional Development Victoria strengthen internal control processes to ensure that all future grant payments are made in accordance with legislative authority.**

134 ibid., pp.20, 38–39
135 ibid., p.20
136 ibid., p.39
137 Standing Directions of the Minister for Finance under the *Financial Management Act* 1994 as part of the Financial Management Package , Part 2.2 Financial Governance, June 2003
138 Victorian Auditor-General's Office, *Results of special reviews and other investigations*, October 2005, p.42

8.11 Tourism portfolio

8.11.1 Performance measures

There are two new performance measures in the 2005-06 Budget Papers relating to the Tourism output, namely:[139]

- visitor expenditure in regional Victoria, encompassing both domestic visitors (target, $3.3-3.5 billion) and international visitors (target, $240-280 million); and
- interstate awareness of the Commonwealth Games (target, 35-45 per cent).

The budget papers show that seven 2004-05 performance measures have been discontinued in 2005-06.[140] Several of these discontinued measures related to the number of visitor nights and have been replaced by measures showing visitor expenditure. The primary focus of the new measures is on yield and the replaced measures on visitor nights dealt with only one influence of yield.[141]

8.11.2 Key issues affecting the portfolio

(a) Development of a ten year Tourism and Events Strategy

In March 2005, the Minister announced that a ten year tourism and events strategy would be developed to boost Victoria's billion-dollar tourism and events industry into the future.[142] The Minister indicated that a group of industry experts would provide high level advice to the government to build the state's lucrative tourism and events industry beyond the next decade.

The review will look at any impediments there may be to the growth of the tourism and events industry and suggest strategies to deal with them. It will consider the main market forces affecting the industry and identify the future challenges and opportunities.

The ten year strategy's discussion paper indicates that the review was aimed at improving the coherency and effectiveness of government support for the tourism and events sector over the next ten years, and to ensure that tourism is clearly aligned to

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139 Budget Paper No.3, *2005-06 Service Delivery*, p.138

140 ibid., p.383

141 Hon. J Pandazopolous, MP, Minister for Tourism, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.8

142 Hon. J Pandazopoulos, MP, Minister for Tourism, media release, *Victoria to build a 10 year tourism and events industry strategy*, 4 March 2005

the government's economic, social and sustainable development objectives. The discussion paper is a key part of the consultative process with industry stakeholders.[143]

The discussion paper addresses the industry's strategic setting and poses specific questions for consideration by stakeholders in the following areas:[144]

- economic contribution of tourism and events to Victoria;
- achieving growth potential – trends, opportunities and drivers;
- achieving growth potential – impediments and risks;
- Victorian Government support for tourism and events;
- the role of local government in tourism and events support;
- the role of the Commonwealth Government in tourism and events support; and
- major issues raised to date by stakeholders.

The Committee recognises the importance of this initiative and the associated potential for capitalising on the growth opportunities within the tourism and events industry over the next decade.

The Committee looks forward to the Minister's planned finalisation later in 2005 of the ten year industry strategy. The Committee is hopeful that the final document will clearly articulate the government's future strategic goals for the tourism and events industry, the actions planned to build on past achievements and attain those goals, and the measures earmarked to evaluate the overall effectiveness of the strategy.

The Committee recommends that:

Recommendation 73: **The government's impending ten year strategy for the tourism and events industry clearly articulate goals, planned actions and a measurement framework for evaluating the progress of the strategy's effectiveness.**

(b) Tourism outcomes from the Commonwealth Games

The government has allocated $7.6 million for national and international marketing of the Melbourne 2006 Commonwealth Games.[145]

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143 Victorian Government, discussion paper, *Victoria's Tourism and Events Industry – Building a 10 year Government Strategy*, July 2005, Minister's Foreword

144 ibid., pp.2–15

145 Hon. J Pandazopolous, MP, Minister for Tourism, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.8

The Committee was interested to learn of the strategies in place or underway in relation to this funding to capitalise on the likely increased interest in Melbourne and Victoria arising from the Commonwealth Games.

The Committee was informed that the forecast visitation for the Games is 50,000 interstate visitors and 40,000 international visitors and the Games are expected to leave a significant legacy that will help drive future tourism and business benefits for Victoria.[146]

The Minister indicated that the following three key strategies are in place to capitalise on the likely increased interest in Melbourne and Victoria:[147]

Tourism leverage

The government has been involved in negotiations with the key national and international broadcasters of the Commonwealth Games to ensure that the destination maximises the broadcast coverage of the event. This will help to generate greater awareness of the key tourism attributes of the state.

Brand marketing activities are being undertaken to help build awareness of the destination in the key international markets for the Commonwealth Games. This includes the appointment of public relations agencies to assist in generating significant media coverage in these markets both before and during the Games to generate increased brand saliency for the destination.

Infrastructure developments

Significant facility improvements have been made to Melbourne sporting venues to accommodate the Commonwealth Games including the Melbourne Sports and Aquatic Centre, the MCG and the development of the new bowling facility. These enhanced facilities will help to boost the attractiveness of the state as a host for future sporting events.

The major developments associated with Spencer Street Station and the Yarra Precinct Pedestrian Link are targeted to be completed in time for the 2006 Games. These projects will assist visitors during the Games and will also provide a long term legacy for Victorians.

146 Hon. J Pandazopolous, MP, Minister for Tourism, response to the Committee's follow-up questions, received 26 July 2005, p.2

147 ibid., pp.2–3

Business leverage

The government has committed $2.5 million towards a Commonwealth Games Business Leveraging Strategy.

The Strategy will ensure the Games provide benefits to Victorian businesses both now and into the future by assisting Victorian companies to establish new international business links and strengthen existing ones, while promoting Victoria's broader industry strengths and the quality and sophistication of our business environment.

A major component of the Strategy is Business Club Australia: Melbourne 2006. This is a joint initiative of the Victorian and Commonwealth Governments.

Based on Business Clubs run around the Sydney Olympics and Rugby World Cup, Business Club Australia: Melbourne 2006 will promote Victoria and Australia as a place to do business and assist businesses to maximise their international business potential.

The Committee recognises the potential value in terms of enhanced tourism outcomes for Melbourne and Victoria of the three marketing directions identified by the Minister. From an accountability viewpoint, the Committee considers it will be important for Tourism Victoria to externally report, over a period of time, on the extent to which its marketing actions, centering on the Commonwealth Games, have contributed to sustained tourism benefits to Victoria.

The Committee recommends that:

Recommendation 74: **Tourism Victoria externally report on the tourism outcomes for Victoria arising from the 2006 Commonwealth Games.**

CHAPTER 9: DEPARTMENT OF JUSTICE

Key findings of the Committee:

9.1 **The Department of Justice's budget allocation for 2005-06 was $2,683.9 million, an increase of $317.5 million or 13.4 per cent on the estimated actual result for 2004-05. The increase includes funding for Commonwealth Games security; the commissioning of two new correctional facilities and certain initiatives relating to crime prevention; state emergency services and implementing the new Major Crime (Seizure of Assets) Bill and the Sex Offenders Monitoring Act.**

9.2 **The department estimates that it will carry forward $37.6 million from 2004-05 to 2005-06, with $17 million of this amount attributable to delays associated with implementing the Mobile Data Network (MDN). The department anticipates an asset funding carry over of approximately $14 million, largely due to difficulties in purchasing land for new police stations, in particular the Carlton-North Melbourne complex.**

9.3 **The department is required to find savings of $3.9 million in 2005-06. Most of these savings will be achieved through administrative efficiencies ($2.5 million) and reduction in the use of contractors and consultants ($1.2 million).**

9.4 **The department expects to have 6,329.7 full-time equivalent staff (excluding statutory appointments such as judges, magistrates and members of tribunals) by 30 June 2006. Victoria Police estimate there will be 2,345 full-time equivalent staff (excluding sworn police officers) by 30 June 2006.**

9.5 **The improvements to fine collection rates realised from adopting better management practices within the Sheriff's Office and from the government's impending reforms to infringement processes should be measured and made transparent to Parliament.**

9.6 **A protocol that provides an avenue for the Auditor-General to conduct performance audits of the administrative functions of courts needs to be finalised soon.**

9.7 **Information published on performance against expected outcomes under the Criminal Justice Enhancement program should include how the program has assisted in implementing the Integrated Courts Management System, a new information technology initiative for the courts.**

9.8 **The department is working with the Children's Court to assist the court to meet its statutory timelines for publishing its annual report in future.**

9.9 **There has been a positive trend in the majority of Victorian crime statistics published by Victoria Police.**

9.10 **Important initiatives underway within Victoria Police offer potential to address the incidence of family violence in the community.**

9.11 **Until a national crime reporting standard for recording of assault and sexual offences is in place, it will be difficult to judge Victoria's performance, relative to other states and territories in this complex and key area of crime.**

9.12 **Significant progress has already been made in reducing backlogs of DNA testing following the strengthening of Victoria Police's forensic services capacity.**

9.13 **Victoria Police must monitor the implementation of its planned strategies for the 2006 Commonwealth Games to meet its core community policing obligations and its responsibilities associated with specific security requirements during the Games.**

9.14 **There has been a positive trend in Victoria's recidivism rates in recent years following implementation of the Corrections Long Term Management Strategy.**

9.15 **Victoria has taken active steps to bring about a wider definition of recidivism that will underpin reporting by Australian jurisdictions on recidivism rates from 2006 in the Productivity Commission's annual publication on government services.**

9.16 **There is a need for more detailed performance information on the collective impact of multiple correctional strategies on reducing prisoner re-offending and lowering recidivism rates to be included in the budget papers and in the annual report of the Department of Justice.**

9.17 **The department has implemented a number of actions in response to the Auditor-General's November 2003 performance audit report on assessing the needs of Victorian prisoners.**

9.18 **The majority of gaming revenue directed towards community purposes ($265.2 million or 62 per cent) was used to meet employment expenses, while gifts (including donations) and sponsorships amounted to only $9.3 million or 2.2 per cent of gaming revenue allocated to community purposes.**

9.19 **Twenty-seven per cent of club revenue from gaming was allocated to community purposes in 2003-04 (that is $211 million from $773 million in revenue), compared with the minimum requirement of 8.33 per cent of gaming revenue.**

9.20 **Victorian gambling expenditure as a percentage of household disposable income was 3.1 per cent in 2003-04 (the lowest level since 1996-97). This result was in line with the Australian average but was less than the Northern Territory (4.8 per cent), New South Wales (3.6 per cent) and Queensland (3.2 per cent).**

9.21 **No valid research has been conducted to examine actual player losses as a percentage of final consumption expenditure per household.**

9.22 **The regions that experienced the largest player losses from electronic gaming machines in 2003-04 were: the City of Monash, the City of Brimbank, the City of Greater Geelong and the City of Greater Dandenong.**

9.23 **Electronic gaming machine expenditure in 2004-05 was estimated to be around $660 million less than if there had been no government intervention. The Minister for Gaming was unable to specify the contribution that each of the government's various policy initiatives have had on the decline in revenue. The budget papers revealed that the estimated loss of revenue due to the smoking ban being introduced in gaming venues, is around $250 million for 2004-05 and around $1,330 million over the forecast period to 30 June 2009.**

9.24 **The government expects to collect $1.5 billion in gambling taxes in 2005-06, including $931 million from taxes on electronic gaming machines. As an indication of player interest in the gaming sector, 770,000 Victorians played Tabcorp gaming machines every week in Victoria.**

9.25 **A comprehensive evaluation of the Problem Gambling Services Strategy planned for later in 2005-06 will examine the effectiveness of each of the component strategies and activities.**

9.26 **The Spring Racing Carnival added $251.5 million to Victoria's gross state product in 2004.**

9.27 **A two year $8 million Racing Community Development Fund was established in January 2005 to support Victoria's thoroughbred, harness and greyhound racing industries.**

9.28 **While Victoria's Racing Tourism Plan 2005-07 disclosed objectives, strategies, actions, responsibilities and timing/milestones, there was a lack of quantifiable targets, funding/costing details and timeframes to measure the plan's cost effectiveness.**

9.29 **The report of the Betting Exchange Taskforce, accepted by the Australasian Racing Ministers in 2003, indicated a potential diversion of wagering turnover of $600 million to Internet-based betting exchanges alone. This would indicate a projected loss of government revenue of at least $27 million across Australia, with even greater losses in revenue to the racing industry. The Committee was informed by the Minister for Racing that the establishment of a licensed betting exchange within Australia would also be likely to have a profound impact on the integrity of Australian and Victorian racing.**

9.30 **Whether the Victorian Government will compensate the racing industry for the difference between the rebate of $3.5 million (to be provided in 2005-06) and the estimated cost to the racing industry of $5.1 million (as a result of increasing the annual health benefit levy on electronic gaming machines), is a matter of ongoing discussion with the racing industry.**

9.31 **Consumer Affairs Victoria (CAV) commenced offering specialist credit advisory services during 2004-05. The cost to set up this service was $30,000 while general operating costs were absorbed within the CAV's existing operations.**

9.32 **Funding of $210,000 is allocated in 2005-06 to implement the 2006 Commonwealth Games Consumer Protection Strategy in the lead up to the Commonwealth Games.**

Departmental review

9.1 Output management framework

The Department of Justice supports the ministerial portfolios of Attorney-General, Consumer Affairs, Corrections, Gaming, Police and Emergency Services, and Racing. Exhibit 9.1 outlines ministerial responsibilities for the department's output groups and associated outputs.

Exhibit 9.1: Department of Justice
Ministerial responsibilities

Output groups/outputs	Responsible Minister					
	Attorney General	Consumer Affairs	Corrections	Gaming	Police and Emergency Services	Racing
Public safety policy						
Crime and violence prevention					✓	
Emergency readiness support					✓	
Emergency prevention and response						
Metropolitan Fire and Emergency Services					✓	
Country Fire Authority					✓	
State Emergency Services					✓	
Reducing the crime rate						
Investigating crimes					✓	
Facilitating justice outcomes					✓	
Reducing the road toll and incidence of road trauma						
Targeting road user behaviour					✓	
High levels of community perceptions of safety						
Responding to calls for assistance					✓	
Community safety programs					✓	

Exhibit 9.1: Department of Justice
Ministerial responsibilities *(continued)*

Output groups/outputs	Responsible Minister					
	Attorney General	Consumer Affairs	Corrections	Gaming	Police and Emergency Services	Racing
High levels of customer satisfaction						
Community confidence in and access to policing services					✓	
Legal support for government						
Legal policy	✓					
Law reform	✓					
Legal advice to government	✓					
Privacy regulation	✓					
Native title framework	✓					
State electoral roll and elections	✓					
Dispensing justice						
Public prosecutions	✓					
Forensic evidence	✓					
Matters in the Supreme Court	✓					
Matters in the County Court	✓					
Matters in the Magistrates' Court	✓					
Matters in the Children's Court	✓					
Matters in Coroner's Court	✓					
Matters in the Civil and Administrative Tribunal	✓					
Alternative dispute resolution	✓					
Legal aid	✓					
Victims support	✓					

Exhibit 9.1: Department of Justice
Ministerial responsibilities *(continued)*

Output groups/outputs	Responsible Minister					
	Attorney General	Consumer Affairs	Corrections	Gaming	Police and Emergency Services	Racing
Enforcing court orders						
Traffic fines processing	✓					
Enforcement of court orders and warrants	✓					
Asset confiscation order processing	✓					
Enforcing correctional orders						
Prisoner supervision and support			✓			
Community based offender supervision			✓			
Protecting consumers						
Consumer protection		✓				
Regulating Gaming and Racing						
Regulation of gambling				✓		
Gaming and Racing Industry Management				✓		✓
Achieving equal opportunity						
Discrimination prevention and redress	✓					
Advocacy and guardianship	✓					

Source: Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.2–3

Unlike other departments and with the exception of the gaming and racing industry management output (see exhibit 9.1), the Ministers' responsibility for outputs of the department is clear.

9.2 Internal/external reviews

The Committee was advised that four external reviews and one internal review were undertaken on departmental outputs in the last 12 months.[1]

9.2.1 Office of Public Prosecutions

A service level review of the Office of Public Prosecutions was undertaken in January 2005. The scope of the review was to evaluate the effectiveness and efficiency of the Office including an examination of its cost structure and cost drivers to determine an appropriate price for its outputs.

The findings of the review are reflected in the 2005-06 Budget appropriation for the Public Prosecutions output which increased by $6.3 million.[2]

9.2.2 Office of Public Advocate

An internal review of the Office of Public Advocate to consider the appropriateness of the 2004-05 Advocacy and Guardianship output price was completed in January 2005.

The findings of the review are reflected in the 2005-06 budget appropriation for this output, which increased from $5.9 million to $7 million.[3]

9.2.3 Victoria State Emergency Service

The Expenditure Review Committee of Cabinet requested that Mr Brian Parry conduct a review of the Victoria State Emergency Service during 2004-05. The objective of the review was to critically assess the role, management and resourcing system of the service and to produce a strategic blueprint for the future positioning and development of the organisation.

The findings of the review were taken into account in drafting amendments to the *Victoria State Emergency Services Act* 1987 to provide for the establishment of a statutory authority to manage the service and implement recommendations of the Department of Treasury and Finance's 2003 *Review of Victorian Fire Services Funding Arrangements.*

The funding implications arising from this review have received funding from the 2005-06 Budget.

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1 Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.12–13

2 Budget Paper No.3, *2005-06 Service Delivery*, p.154

3 ibid., p.169

9.2.4 Forensic capacity review

A review of Victoria Police's forensic crime investigation capacity was commenced in November 2004 under the direction of a steering committee comprising representatives of the Departments of Justice, Treasury and Finance and Premier and Cabinet, and Victoria Police. The review was requested by the Expenditure Review Committee of Cabinet.

Initial scoping of the review has been completed and an independent modelling exercise analysing future demand for forensic services has been proposed.

9.2.5 PERIN filing fee/enforcement costs

An independent review of the fee for filing an infringement at the PERIN Court, and the costs associated with enforcing this infringement, was undertaken by KPMG.

The review found that if the state was to recover the full expenditure of the enforcement of the infringement, the filing fee would need to be increased by 34 per cent. Applying this percentage to the present filing fee for registering an infringement at PERIN would mean that the present fee would need to be raised from $39.90 (the dollar value of 3.9 fee units) to $53.46.

The review report was released in early 2005 and is being used to inform discussions with the Municipal Association of Victoria.

9.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $2,683.9 million, an increase of $317.5 million or 13.4 per cent on the estimated actual result for 2004-05. Exhibit 9.2 provides a detailed budgetary breakdown:

Exhibit 9.2: Department of Justice Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Public safety policy				
Crime and violence prevention	5.1	11.4	19.8	73.7
Emergency readiness support	15.0	14.3	11.0	-23.1
Sub-total	**20.1**	**25.7**	**30.8**	**19.8**
Emergency prevention and response				
Metropolitan Fire and Emergency Services	26.9	27.7	31.2	12.6
Country Fire Authority	45.9	42.5	46.0	8.2
State Emergency Services	35.9	32.5	58.9	81.2
Sub-total	**108.7**	**102.7**	**136.1**	**32.5**
Reducing the crime rate				
Investigating crimes	416.0	414.1	461.0	11.3
Facilitating justice outcomes	210.7	209.7	226.8	8.2
Sub-total	**626.7**	**623.8**	**687.8**	**10.3**
Reducing the road toll and incidence of road trauma				
Targeting road user behaviour	130.4	129.7	140.2	8.1
Sub-total	**130.4**	**129.7**	**140.2**	**8.1**
High levels of community perceptions of safety				
Responding to calls for assistance	75.1	74.7	80.7	8.0
Community safety programs	435.0	465.1	537.3	15.5
Sub-total	**510.1**	**539.8**	**618.0**	**14.5**
High levels of customer satisfaction				
Community confidence in and access to policing services	23.7	23.6	25.5	8.1
Sub-total	**23.7**	**23.6**	**25.5**	**8.1**
Legal support for government				
Legal policy	5.1	4.6	4.6	0.0
Law reform	2.1	2.7	2.4	-11.1
Legal advice to government	13.5	15.6	16.9	8.3
Privacy regulation	1.7	1.7	1.7	0.0
Native title framework	2.9	3.4	2.6	-23.5
State electoral roll and elections	20.8	22.0	29.5	34.1
Sub-total	**46.1**	**50.0**	**57.7**	**15.4**

Exhibit 9.2: Department of Justice
Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Dispensing justice				
Public prosecutions	26.5	32.5	38.8	19.4
Forensic evidence	15.0	14.1	15.3	8.5
Matters in the Supreme Court	36.1	41.0	43.6	6.3
Matters in the County Court	57.9	62.9	64.2	2.1
Matters in the Magistrates' Court	77.2	74.2	79.8	7.5
Matters in the Children's Court	8.7	8.3	8.5	2.4
Matters in Coroner's Court	5.9	6.7	6.6	-1.5
Matters in the Civil and Administrative Tribunal	24.4	25.9	26.5	2.3
Alternative dispute resolution	1.4	1.8	1.5	-16.7
Legal aid	35.2	35.2	37.4	6.2
Victims support	9.2	9.0	8.2	-8.9
Sub-total	**297.5**	**311.6**	**330.4**	**6.0**
Enforcing court orders				
Traffic fines processing	85.6	49.6	84.1	69.6
Enforcement of court orders and warrants	36.4	32.3	32.7	1.2
Asset confiscation order processing	2.2	2.0	3.4	70.0
Sub-total	**124.2**	**83.9**	**120.2**	**43.3**
Enforcing correctional orders				
Prisoner supervision and support	339.5	329.1	379.9	15.4
Community based offender supervision	50.6	46.9	52.4	11.7
Sub-total	**390.1**	**376.0**	**432.3**	**15.0**
Protecting consumers				
Consumer protection	61.9	60.3	66.7	10.6
Sub-total	**61.9**	**60.3**	**66.7**	**10.6**

Exhibit 9.2: Department of Justice
Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Regulating gaming and racing				
Regulation of gambling	18.9	20.2	20.8	3.0
Gaming and racing industry management	8.3	8.1	5.0	-38.3
Sub-total	**27.2**	**28.3**	**25.8**	**-8.8**
Achieving equal opportunity				
Discrimination prevention and redress	5.2	5.1	5.4	5.9
Advocacy and guardianship	5.9	5.9	7.0	18.6
Sub-total	**11.1**	**11.0**	**12.4**	**12.7**
Total	**2,377.8**	**2,366.4**	**2,683.9**	**13.4**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting[4]

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.143–169*

The Committee requested detailed explanations for output cost variations in excess of 10 per cent between the 2004-05 estimated actual and the 2005-06 target cost. The department advised that variances were attributed to:[5]

- crime and violence prevention – the increase of $8.4 million (73.7 per cent) pertains to the Working with Children initiative which see $8.7 million allocated in the 2005-06 budget to establish a new unit in the department;
- emergency readiness support – the decrease of $3.3 million (23.1 per cent) in 2005-06 is explained by various non-recurring items of project and grant funding in 2004-05;
- metropolitan fire and emergency services – the increase of $3.5 million (12.6 per cent) reflects general escalation and enterprise bargaining agreement funding for the Metropolitan Fire and Emergency Services Board;
- state emergency services – the increase of $26.4 million (81.2 per cent) is principally attributable to the centralisation of funding from across a number of emergency services organisations (including the Country Fire Authority, the

[4] ibid., p.142

[5] Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.26–28

Metropolitan Fire and Emergency Services Board, and Victoria State Emergency Service) to continue to allow the Bureau of Emergency Services Telecommunications (BEST) to coordinate and facilitate the commissioning and delivery of three major telecommunications projects – the Mobile Data Network; the Emergency Alerting System; and the Metropolitan Mobile Radio;[6]

- investigating crimes – the increase of $46.9 million (11.3 per cent) in 2005-06 arising from the Organised Crime and Oversighting Major Crimes new initiatives. It also reflects the acceleration and escalation of police recruitment, plus funding increases relating to the IT re-tender, finance charge and depreciation;[7]
- community safety programs – the increase of $78.2 million (16.8 per cent) in 2005-06 include non-recurring additional funding relating to Commonwealth Games security of $40.9 million. It also reflects the acceleration and escalation of police recruitment, plus funding increases for the IT re-tender, finance charge and depreciation;[8]
- law reform – the decrease of $300,000 (11.1 per cent) in 2005-06 is an unexpected transaction in 2004-05 associated with a contribution of an additional $400,000 by the Legal Practice Board to the Victorian Law Reform Commission in respect of additional references approved by the Attorney-General;
- native title framework – the decrease of $800,000 (23.5 per cent) in 2005-06 relates to the non-recurring funding of $400,000 in 2004-05 in respect of the Wotjobaluk Native Title claim;
- state electoral roll and elections – the increase of $7.5 million (34.1 per cent) special appropriation funding to the Victorian Electoral Commission to commence preparations for the November 2006 state election;
- public prosecutions – the increase of $6.3 million (19.4 per cent) reflects a general increase in caseload, resource requirements associated with the increase in the number of major crime trials and the new asset confiscation scheme;
- alternative dispute resolution – the decrease of $300,000 (16.7 per cent) in 2005-06 largely reflect the conclusion in 2004-05 of the Strengthening Alternative Dispute Resolution initiatives ($400,000);
- traffic fines processing – the increase of $34.5 million (69.6 per cent) in 2005-06 is the result of a reduction in expected infringement processing

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6 The department advised that it expects the ongoing administration and operation of these major contracted services, including the funding arrangements across all emergency service organisations, will be finalised during 2005-06 (source: Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.26)

7 Department of Justice, additional information

8 ibid.

numbers in 2004-05 because of the re-phasing of the camera implementation program;

- asset confiscation order processing – the increase of $1.4 million (70 per cent) is due to a $900,000 funding for the implementation of the new Major Crime (Seizure of Assets) Bill, with the balance relating to previously commenced initiatives as well as general escalation of existing service costs;
- prisoner supervision and support – an increase of $50.8 million (15.4 per cent) in 2005-06. This principally reflects the planned commissioning of two new correctional facilities during 2005-06, being the Correctional Programs Centre (300-bed) and the Remand Centre (600-bed). There is also a small component ($1.2 million) which relates to the implementation of the new Sex Offender Monitoring Act and Better Pathways Women's Offending initiatives;
- community based offender supervision – the increase of $5.5 million (11.7 per cent) is principally attributable to additional labour costs in the form of general enterprise bargaining agreement and agency specific occupational category funding plus new initiative funding relating to implementation of the Sex Offenders Monitoring Act;[9]
- consumer protection – the increase of $6.4 million (10.6 per cent) is attributed to increased programs and services to be funded from the Victorian Property Fund ($2.9 million), the continued implementation of the Trade Measurement Utility Meter related initiatives commenced in 2004-05 ($800,000), and general escalation and wage related funding ($2.6 million);
- gaming and racing industry management – the decrease of $3.1 million (38.3 per cent) reflects the inclusion of $2.9 million in the 2004-05 original and revised estimates on a once-off basis to undertake the 2012 Review of Electronic Gaming Machine Licences; and
- advocacy and guardianship – the increase of $1.1 million (18.6 per cent) reflects the additional resources for the Office of the Public Advocate following a detailed price review.

9.3.1 Departmental savings

The department is required to find savings of $3.9 million in 2005-06.[10]

The department advised the savings would to be achieved through:[11]

- general administrative efficiencies - $2.5 million;
- reduced use of contractors and consultants - $1.2 million;

[9] ibid.
[10] Budget Paper No.3, *2005-06 Service Delivery*, p.298, 300
[11] ibid.

- centralisation of print management ($98,000); media monitoring ($45,000); and recruitment advertising ($104,000).

9.3.2 Financial analysis

(a) Operating performance

The Department of Justice anticipates receiving $2,711.5 million in income for its 2005-06 controlled operations (13.5 per cent more than in 2004-05), and $2,683.9 million in controlled expenses, around 13.4 per cent more than in 2004-05.

Exhibit 9.3: Department of Justice Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	2,386.9	2,711.5	13.5
Expenses	2,366.4	2,683.9	13.4
Net result	**20.5**	**27.6**	**34.6**
Administered items			
Administered income	2,050.4	2,232.9	8.9
Administered expenses	2,018.6	2199.4	9.0
Income less expenses	**31.8**	**33.5**	**5.3**

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.93, 96

The department advised the Committee of the following reasons for major variations between the 2004-05 revised estimates and the 2005-06 budget:[12]

- an increase of $35.7 million in security grants received from the Department for Victorian Communities for the Commonwealth Games;
- new initiatives totalling $49.6 million announced in the 2005-06 Budget; and
- further funding of $189 million from cost of living escalation under the departmental funding model, and funding for the continuation of initiatives announced in previous budgets.

[12] ibid., pp.18, 21

(b) Balance sheet position

Exhibit 9.4 shows that the department's net asset position at 30 June 2006 is expected to improve by $133.2 million at 30 June 2005. This reflects a projected increase in total assets of $373.4 million and an increase in liabilities of $240.2 million over this period.

Exhibit 9.4: Department of Justice
Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	1,928.5	2,301.9	19.3
Liabilities	585.5	825.7	41.0
Net assets	**1,343.0**	**1,476.2**	**9.9**
Administered items			
Administered assets	403.2	436.7	8.3
Administered liabilities	137.5	137.5	0.0

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.95, 96

The department provided the following explanations for major variations between the expected net asset position for controlled assets at 30 June 2006 and the position at 30 June 2005:[13]

- current assets – an increase of $30 million, mainly attributable to term deposits with the Treasury Corporation of Victoria for the Victorian Property Fund;
- property, plant and equipment – an increase of $320.9 million for new and existing assets including two new prisons facilities constructed as *Partnerships Victoria* projects; and[14]
- interest-bearing liabilities – an increase of $213.5 million to finance lease liabilities for the department's vehicle fleet and the two new public prisons developed under the *Partnerships Victoria* policy.[15]

[13] ibid., pp.23–24
[14] Budget Paper No.4, *2005-06 Statement of Finances*, p.92
[15] ibid.

9.3.3 Carry over funding

The department estimated it would carry forward $37.6 million from 2004-05 to 2005-06.[16] Exhibit 9.5 shows where this funding was expected to be applied.

Exhibit 9.5: Department of Justice
Estimated carry over funding

Initiative	Estimated carry forward ($ million)
Mobile data network	17.0
Correctional long term management strategy	6.0
Road safety enforcement technology	8.3
Victoria Police – major IT projects	4.0
Other initiatives	2.3
Total	**37.6**

Source: Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.29

The department anticipates that it would fully apply its asset funding and has estimated no carry over of this funding in its 2005-06 budget. The department subsequently revised its estimate and anticipates an asset funding carry over of approximately $14 million. This carry over is associated with the difficulties in purchasing land for new police stations, particularly for the Carlton-North Melbourne complex.[17]

9.3.4 Trust funds

The Department of Justice operates 19 trust accounts. It is expected that the balance relating to departmental transactions in the Victorian Property Fund will increase by around $30 million, representing an increase in term deposits with the Treasury Corporation of Victoria.[18]

The Committee was interested to learn about the controls in place within the department to ensure moneys expended from trust funds are used for the intended purposes.

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16 Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.29
17 ibid., p.29
18 ibid., p.30

The Committee was advised that trust funds operating for a specific period or for a particular project are typically the subject of formal funding agreements, which specify requirements for reporting, audit and return of surplus funds on project completion. These requirements act as effective controls and help ensure sound fiscal management.[19]

Departmental officers assigned expenditure conferral authority are responsible for ensuring that expenditure is incurred and authorised only in accordance with each fund's governing legislation or funding agreement.[20]

Further advice provided to the Committee indicated that the operation and sustainability of each trust fund is subject to regular internal review and periodic external examination by the Auditor-General. An external reporting obligation to key stakeholders also occurs in some instances.[21]

9.4 Human resources issues

The department advised that it expected to have 6,329.7 full-time equivalent staff (excluding statutory appointments such as judges, magistrates and members of tribunals) and 2,345 full-time equivalent staff at Victoria Police (excluding sworn police officers) by 30 June 2006 (see exhibit 9.6).[22]

19 ibid., p.32
20 ibid.
21 ibid.
22 Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.14–16

Exhibit 9.6: Department of Justice and Victoria Police (excluding sworn police officers) Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Department of Justice			
Executive officers	75.6	82.5	85.5
VPS classification staff	3953.9	4290.7	4491.0
Non-VPS classification staff	1247.7	1372.2	1753.2
Sub total	**5277.2**	**5745.4**	**6329.7**
Victoria Police			
Executive officers	13.0	13.0	14.0
VPS classification staff	2007.5	2064.9	2172
Forensic officers	151.8	142.7	159.0
Sub total	**2172.4**	**2220.6**	**2345.0**
Total	**7449.5**	**7966.0**	**8674.7**

Source: Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.14–15

Any significant change in classification profile has generally been as a result of the new seven level VPS staffing structure (through work value reviews) and through the employment of additional forensic officers to deal with the backlog in forensic testing. The Committee was also advised that there are likely to be increases in public service staff at Victoria Police in 2005-06 and subsequent years because there is potential to review and redesign jobs and 'civilianise' some positions.[23]

The number of sworn police officers will have reached 10,943 by June 2006, in line with the government's commitment to increase police numbers.[24]

[23] ibid., p.15

[24] Hon. T Holding, MP, Minister for Police and Emergency Services, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.20

Review of portfolios

9.5 Attorney-General's portfolio

9.5.1 Performance measures

The Department of Justice refined several performance measures in the 2005-06 Budget relating to outputs within the Attorney-General's portfolio.[25] In total, twenty two new measures have been introduced and twenty one measures have been discontinued.

The Public Prosecutions output includes six new measures including three quantity measures that are aligned with supporting the number of court sitting days and a timeliness measure that reflects adjournments sought on the ground of insufficient time to prepare.

Three new measures in the Advocacy and Guardianship output reflect the different services provided by the Office of the Public Advocate while four new measures in the Law Reform output largely involve activities of the Law Reform Commission.

In the Matters in the Children's Court output, a timeliness measure *(average elapsed time between issue and finalisation of protection applications, with a target of fifteen weeks)* has been replaced with *the percentage of protection applications finalised within 6 months* (target in 2005-06 of 85 per cent). The Committee was interested to learn of the rationale for changing this measure and whether there were any potential risks to children if the court's protection decisions were delayed.

The Committee was advised that the change had been made to ensure consistency in performance measures within and across the courts. The previous measure was not consistent with the other timeliness measure in the Children's Court for criminal matters, nor was it consistent with timeliness measures in the other courts. In previous years, the Children's Court was unable to report the progress of its protection applications in the same format as its criminal measure for timeliness. Improvements to its computer system have now enabled the data on protection applications to be collected in a manner consistent with the criminal data.[26]

The Committee was also informed that a target of six months was chosen to provide consistency with the criminal measure in the Children's Court and consistency with other courts. The changing of the measure does not impact on the performance of the

[25] Budget Paper No.3, *2005-06 Service Delivery*, pp.151–169, 387–389

[26] Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 19 July 2005, p.8

Children's Court which will endeavour to process cases in the quickest time possible regardless of the format of the measure and its target.[27]

9.5.2 Key issues affecting the portfolio

(a) Management of the enforcement of warrants

How well the enforcement of warrants is managed by the Sheriff's Office and the associated level of fines owing to the state were the subject of an earlier inquiry by the Committee. The Committee's findings addressed the growing level of unpaid fines and identified measures to improve the infringement notice and enforcement system, and were reported to Parliament in September 1997.[28]

The Auditor-General has conducted a number of audits on these issues. Findings from the most recent examination assessed the effectiveness of the Sheriff's Office in actioning and clearing warrants over the nine year period to 30 June 2004, and were communicated to Parliament in May 2005.[29]

The Auditor-General concluded that:[30]

- of the $694 million outstanding in fines and fees at 30 June 2004, almost 80 per cent had reached the warrant stage, but the department considered that 63.4 per cent ($351.5 million) was unlikely to be collected;
- while the clearance rate for outstanding fines and fees at the warrant stage has improved, from 6.4 per cent in 2001-02 to 16.6 per cent in 2003-04, the rate remains low;
- only a very small percentage (around 3 per cent) of the amounts owing that have reached the warrant stage are actually collected in cash; and
- the Sheriff's Office needs to better target and select warrants for actioning and introduce key performance indicators that measure the efficiency and effectiveness of the entire warrant management process.

The Auditor-General found that the two output targets established for the Sheriff's Office under the Enforcement of Court Orders and Warrants output group within the Attorney-General's budget framework were not adequate indicators of the Office's warrant management performance. The audit pointed out the Office had identified the need for performance indicators that cover key aspects of its operations, but these had not been developed. While ad hoc analyses of various aspects of performance had

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27 ibid.

28 Public Accounts and Estimates Committee, *Report on Outstanding Fines and Unexecuted Warrants*, September 1997

29 Victorian Auditor-General's Office, *Report on Results of financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits*, May 2005, pp.53–73

30 ibid., pp.55–56

been carried out by the Office, the results were not reported to management or to the public through the department's annual report.[31]

Given the significance of the issues raised in the audit report, the Auditor-General advised Parliament that a more comprehensive audit of the raising and collection of fines and fees would be undertaken at a later date.[32] The Committee supports this decision, and notes that it is evident from the audit findings that the Sheriff's Office needs to adopt a more structured approach to the enforcement of warrants.

During the Committee's 2005-06 Budget Estimates hearing, the Attorney-General presented information on initiatives adopted to improve procedures within the Sheriff's Office in recent years. These initiatives included implementing a broad ranging revitalisation program in 2001 to reform processes; establishing a hot warrants pool to improve recovery rates; and using two refurbished mobile offices for use in special operations.[33]

The Attorney-General also informed the Committee that the outcomes of a recent whole of government review of the infringement system may significantly enhance the operations of the Sheriff's Office. This could be achieved by improving enforcement opportunities, and the government is considering making available to the Sheriff's Office a range of sanctions including wheel clamping, vehicle registration suspension, wage deductions and non-renewal of a driver's licence and vehicle registration. The Attorney-General pointed out that, while tougher enforcement measures may be implemented, safeguards will be strengthened to ensure the system is fair for those people in genuine hardship.[34]

If these changes are implemented, the Attorney-General advised the Committee that defendants will be encouraged to pay their fines as soon as possible following receipt of an infringement notice. Further the Attorney-General stated he expected that the proportion of infringements that would otherwise remain unpaid, and be subject to further enforcement action, would be reduced.[35]

The Committee was also informed that the government has not set revised fee and fine collection targets to measure the impact of the potential changes because it is difficult to predict the variables that affect people's preparedness and capacity to pay. The Committee was advised that the Department of Justice will continue to monitor and evaluate the impact of initiatives to improve the effectiveness of Victoria's fines collection framework through[36]:

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31 ibid., p.66
32 ibid., p.56
33 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 19 July 2005, p.1
34 ibid., p.2
35 ibid., p.14
36 ibid., p.13

- cash clearance rates by fine type;
- emerging patterns in, and analysis of, the aged debtors profile; and
- the level of fine payments compared with those originally estimated.

The Committee considers that the Auditor-General's findings on the need for improved warrant management action within the Sheriff's Office could reduce the future level of unpaid fines and fees if property addressed. The current proportion of outstanding amounts not collected is so significant that any consistent enhancement to enforcement processes is likely to bring about a material financial benefit.

The government's proposals to strengthen the infringement system appear to have many benefits. Importantly, there is also an opportunity for the department to introduce more stringent collection targets. The Committee considers that the department should ensure that the benefits of the government's impending reforms and adopting better management practices within the Sheriff's Office are properly measured and made transparent to Parliament.

The Committee recommends that:

Recommendation 75: **The Department of Justice introduce and report on revised performance targets for fine and fee collection to measure the impact of:**

(a) any action taken to upgrade management practices within the Sheriff's Office in response to the May 2005 Auditor-General's report; and

(b) infringement system reforms introduced by the government.

(b) Administrative systems and processes of courts

The Committee has for some time expressed the view that the Auditor-General should undertake performance audits of administrative functions in courts. This matter has been raised by the Committee and the Auditor-General in reports to Parliament.[37]

In its *Report on the 2004-2005 Budget Estimates*, presented to Parliament in November 2004, the Committee recommended that the Department of Justice develop a framework that provides the Auditor-General with total independence to audit the administrative systems and processes of Victoria's courts, as a matter of priority.[38]

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37 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, pp.431–432

38 ibid., p.433

The government's response to this recommendation indicated that it accepted in principle that the Auditor-General conduct performance audits of administrative functions of courts. It further indicates that a draft performance audit protocol was considered by the Attorney-General and the Courts Consultative Council in May 2001. The government advised that the Courts Consultative Council had not yet adopted a final protocol but the matter was under consideration. The response also mentioned that the Department of Justice was working with the courts to encourage a resolution.[39]

During its assessment of the 2005-06 Budget Estimates, the Committee sought an update from the department on progress made in resolving this matter. The Committee was informed that work on developing a protocol for performance audits is continuing and a draft protocol will be considered at the next meeting of the Courts Consultative Council. Finalisation of the protocol is expected in the near future.[40]

The Committee welcomes this advice because of the serious public accountability shortcoming within the administrative framework of courts, and because of the time that has been taken in considering this issue. The Auditor-General's investigation into the alleged misuse of funds at the Geelong Magistrates Court, which was referred by the Ombudsman under Part 4 of the Whistleblower Protection Act, highlights the importance of allowing the Auditor-General to audit the administrative systems and processes of courts. The Committee urges the department to reach a satisfactory outcome without any further delay to allow the Auditor-General to conduct performance audits of the administrative systems and processes of Victoria's courts.

The Committee recommends that:

Recommendation 76: **The Department of Justice:**

(a) continue to take the lead in seeking a way for the Auditor-General to conduct performance audits of the courts' administrative functions; and

(b) finalise the necessary protocols before the next budget.

[39] Victorian Government, response to the Committee's *Report on the 2004-2005 Budget Estimates*, tabled 11 May 2005, p.56

[40] Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 19 July 2005, p.10

(c) Criminal Justice Enhancement Program

The Criminal Justice Enhancement program is a major information technology project within Victoria's criminal justice system. As a joined-up eGovernment Policy initiative, the program aims to develop and integrate key information systems to improve the recording and management of information about persons accused of criminal activity and the disposition of cases in the courts. Work on the program commenced in 1998.[41]

The Auditor-General's report to Parliament on the program's progress in May 2003[42] identified that the expected costs of the program had increased from $14.5 million to $35 million due to several scope changes. Further, the department was managing to a completion target date of March 2004 in lieu of a preliminary target of November 2000.[43]

The Auditor-General found that the department needed to ensure there was greater independent scrutiny of the program's development, and a widening of performance measures to ensure the program achieved its outcomes.

The Attorney-General advised the Committee about the current status of the program:[44]

- the program's integration and development contract had been extended to 30 September 2005 following consideration of the findings of an external consultancy review commissioned in August 2003. The review found there was a cumulative slippage in the program's delivery schedule because the original scope was expanded, some software was significantly redeveloped; and the requirement for a major upgrade of the Victoria Police information technology infrastructure;
- the final estimated delivery cost of the program was now $39.9 million; and
- a range of performance measures will be used to monitor the extent to which the envisaged benefits of the program are realised. These measures include the annual number of electronic document lodgements in the County Court, the number of electronic briefs delivered to defence lawyers; the unit costs of electronic upgrades of computer systems; the percentage reduction in adjournments in the Magistrate's Court; the average time required for preparing briefs and allocation of court dates; and total processing time by Victoria Police and Corrections for offenders and prisoners.

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41 Victorian Auditor-General's Office, *Report on Public Sector Agencies*, May 2003, p.11
42 ibid., pp.11–17
43 ibid., pp.13–14
44 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 19 July 2005, p.6

The Committee considers the department must now ensure that the program is satisfactorily implemented within the further-revised cost and time parameters. Further, the Committee will be interested in assessing the effectiveness of the program through the department's gathered and reported performance information.

The importance of the program's effectiveness is reinforced by an asset initiative relating to the Integrated Courts Management System that was included in the 2005-06 Budget. This initiative provides for the implementation of a single integrated technology platform and a set of applications for all Victorian courts and tribunals to modernise courts' administrative processes. Total funding for the initiative over four years is $45.1 million made up of asset funding of $32.3 million (with $4.5 million allocated in 2005-06) and output funding of $12.8 million ($300,000 in 2005-06).[45]

The Attorney-General advised the Committee that currently courts use about ten case management systems to support their operations. The Attorney-General indicated that the injection of funds under the Integrated Courts Management System will modernise Victoria's courts and create a single integrated management system for court users.[46]

A governance framework has been developed to ensure that the Integrated Courts Management System is appropriately managed. The framework includes a dedicated structure with key representatives from each jurisdiction and across the Department of Justice, a dedicated project manager with extensive experience in change management in justice sector agencies and regular internal and external reporting on progress against scope, schedule and budget.[47]

The Committee is encouraged by this proposed approach to the management of this latest major information technological project within the justice system. It expects that part of the information reported on the performance of the Criminal Justice Enhancement Program by the Department of Justice will incorporate the way in which the significant resources needed to implement the program have helped develop particular segments of the Integrated Courts Management System. The department should ensure that its annual report to Parliament adequately discloses information on how it has managed the interface between the two projects.

45 Budget Paper No.3, *2005-06 Service Delivery*, pp.297, 300–301

46 Hon. R Hulls, MP, Attorney-General, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, p.3

47 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 19 July 2005, p.7

The Committee recommends that:

Recommendation 77: **The Department of Justice ensure that:**

(a) the Criminal Justice Enhancement Program is successfully implemented within final cost and time parameters; and

(b) adequate performance information on the beneficial outcomes of the Criminal Justice Enhancement Program is published externally, including the way in which the program has helped implement the Integrated Courts Management System.

(d) Annual reporting by the Children's Court

The Committee expressed the view in its *Report on the 2004-2005 Budget Estimates*, that the department needs to liaise with the courts to improve the timeliness of tabling their annual reports in Parliament, with a view to the courts adopting the same reporting timeframe as public sector agencies.[48]

The government's response to the Committee's report stated that courts will continue to be encouraged to adopt the same reporting timeframe as public sector agencies.[49]

The Committee also pointed out in its report there is no legislative requirement for the annual reports of courts (except for the Victorian Civil and Administrative Tribunal) to be tabled in Parliament. Rather, the reports are tabled at the request of the Attorney-General according to a long-standing convention.[50]

While the Committee is aware of the voluntary nature of the above convention, the lack of timeliness in tabling the annual report of the Children's Court in Parliament over several years has prompted the Committee to again address this issue in the context of that court.

Exhibit 9.7 shows how the timelines for tabling of the annual report of the Children's Court in Parliament have been extended in recent years.

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48 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, pp.433–435

49 Victorian Government, response to the Committee's *Report on the 2004-2005 Budget Estimates*, tabled 11 May 2005, p.56

50 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.433

Exhibit 9.7: Children's Court annual reporting timelines

Reporting period	Date sent to Governor	Date sent to Attorney-General	Tabled in Parliament	Elapsed months (a)
2000-01	26 October 2001	31 October 2002	21 November 2001	0.7
20001-02 (b)	25 October 2002	6 December 2002	18 March 2003	4.6
2002-03	20 May 2004	25 May 2004	24 August 2004	9.9
2003-04	7 March 2005	9 March 2005	3 May 2005	6.1

Notes: *(a) The Children and Young Persons Act 1989 (s.14A) requires the annual report of the Children's Court to be forwarded to the Governor 'as soon as practical' but no later than 31 October. The elapsed months represent the number of months from 31 October to tabling in Parliament*

(b) The presentation of the report was affected by the proroguing of Parliament on 5 November 2002. The Children's court 2001-02 Annual Report was received by the Governor on 28 November 2002

Source: Information provided by the Governor's Office

The Attorney-General advised that the statutory requirement for the Children's Court to submit an annual report to the Governor was introduced in 2000. This requirement comes under the same piece of legislation that appointed a County Court judge as President of the court. The Attorney-General explained that these changes reflected the increasing status and authority of the Children's Court and the government's commitment to ensuring that children who appear before the court, either by reason of offending or because of their vulnerable family situation, are treated with justice and compassion.[51]

The Committee was further advised that the current reporting requirements of the Children's Court balance judicial independence and public accountability. It was recognised, however, that good business practice principles would encourage the timely submission of annual reports.[52]

The Committee was also informed that the 2003-04 annual report of the Children's Court was not submitted to the Governor within the statutory timeframe because of delays in collecting data. The Committee is encouraged by advice that the Department of Justice is working with the Children's Court to ensure it meets its statutory timelines for the publication of future annual reports.[53]

51 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 19 July 2005, p.9

52 ibid.

53 ibid.

The Committee recommends that:

Recommendation 78: **The Department of Justice continue its efforts to ensure that the Children's Court annual report is provided to Parliament in a timely manner.**

9.6 Consumer Affairs portfolio

9.6.1 Performance measures

Consumer Affairs Victoria (CAV) introduced a new suite of performance measures in 2004-05. Each of these performance measures represents an aggregation of the activities carried out by CAV under 48 Acts of Parliament.[54]

Exhibit 9.8 shows that during the period 2003-04 to 2004-05, face-to-face telephone advice provided by (CAV) has decreased. The Committee was advised that in terms of the face-to-face advice, the number of drop-ins into CAV has reduced because its online services are being used more, particularly in the business licensing and liquor licensing areas.[55]

Exhibit 9.8: Performance measures (quantity measures)

	2003-04 Target (a) (number)	2004-05 Target (number)	2004-05 Expected Outcome (number)	2005-06 Target (number)
Face-to-face advice provided	16,750	16,750	15,425	15,425
Inspections, compliance monitoring and enforcement activities	n/a	7,365	7,500	7,750
Registration and licensing transactions	509,400	529,000	540,000	540,000
Telephone advice provided	563,725	553,350	553,350	553,350
Written advice provided	15,850	16,200	16,200	16,200

Notes: *(a) targets for 2003-04 were rearranged into the new performance measures introduced in the 2004-05 Budget*

n/a not applicable

Sources: *Hon. M Thomson, MLC, Minister for Consumer Affairs, 2005-06 Budget Estimates hearing, 9 June 2005, presentation slide 5; Budget Paper No.3, 2005-06 Service Delivery, p.165*

[54] Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.484

[55] Hon. M Thomson, MLC, Minister for Consumer Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.2

Exhibit 9.8 shows that the 2005-06 targets for the quantitative performance measures are largely expected to remain at the same level as the expected outcomes for 2004-05.

The Committee recommended in its *Report on the 2004-2005 Budget Estimates* that the CAV report more broadly in its annual report on the outcomes of its activities.[56] The Committee is pleased to note the change to the structure of CAV's 2003-04 annual report.[57]

9.6.2 Key issues affecting the portfolio

(a) Consumer Protection output funding

The budget for the Consumer Protection output for 2005-06 is $66.7 million.[58] The Minister outlined the funding sources for this output:[59]

- appropriations – 44.1 per cent; and
- trust funds – 55.9 per cent – allocated as: the Victorian Property Fund (23.7 per cent); the Residential Tenancies Fund (18.3 per cent); the Motor Car Traders' Guarantee Fund (5.1 per cent); the Domestic Builders Fund (6.5 per cent); the Prostitution Control Fund (1.4 per cent); and the Consumer Credit Fund (0.9 per cent).

The Committee was advised that fees charged for consumer protection services are built into the department's appropriations, and therefore, these fees are paid into consolidated revenue.[60] The revenue associated with the Consumer Protection output that is paid into the Consolidated Fund includes:[61]

- revenue received by CAV including: fees and charges set by regulation; fees charged under section 29 of the *Financial Management Act* 1994 for the provision of outputs where the fee is not set by legislation; and fines and other penalties; and
- revenue received by the State Revenue Office from CAV's activities in licensing premises for the sale of liquor.

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56 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.484

57 Victorian Government, response to the Committee's *Report on the 2004-2005 Budget Estimates*, tabled 11 May 2005, p.63

58 Budget Paper No.3, *2005-06 Service Delivery*, p.165

59 Hon. M Thomson, MLC, Minister for Consumer Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.4

60 Ms P Armytage, Secretary, Department of Justice, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.5

61 Hon. M Thomson, MLC, Minister for Consumer Affairs, response to the Committee's follow-up questions, received 25 July 2005, p.1

Payment into the Consolidated Fund for 2004-05 is budgeted to be $20.5 million (exhibit 9.9).

Exhibit 9.9: Consumer Protection output
Revenue paid into the Consolidated Fund 2004-05

	2004-05 Budget ($ million)
Fees revenue	11.103
Fines revenue	0.267
Fees and charges revenue (section 29 of the *Financial Management Act* 1994 applies)	1.75
Liquor licensing related revenue	7.396
Total revenue paid into the Consolidated Fund	**20.516**

Source: Hon. M Thomson, MLC, Minister for Consumer Affairs, response to the Committee's follow-up questions, received 25 July 2005, p.1

Exhibit 9.9 shows that fees and charges revenue accounts for $12.9 million (62.9 per cent) of the revenue paid into the Consolidated Fund, but CAV's annual report does not currently list the fees and charges associated with consumer protection services.

Accordingly, the Committee recommends that:

Recommendation 79: Consumer Affairs Victoria include a list of all its fees and charges in its annual report.

(b) Credit advisory service

Under the new service delivery model CAV took over the provision of specialist credit advice previously provided by a community-based organisation.[62] To ensure that there is continuity in services, the Minister advised that the Consumer Credit Legal Service was given additional funding to enable it to operate a phone service, albeit a limited one, during the transition period.[63]

62 Mr J Lenders, MLC, Minister for Consumer Affairs, media release, *More credit advice services*, 8 October 2004

63 Hon. M Thomson, MLC, Minister for Consumer Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.7

The Committee was advised that the CAV has put in place a training regime for call centre staff responding to credit related inquiries and it is also recruiting qualified staff to the credit advisory service team.[64]

The Committee was advised that the establishment of a credit advisory service within CAV benefited from existing facilities and expertise, allowing the service to be implemented and operated at a low marginal cost. Establishing the credit advisory service required:[65]

- set up cost of $30,000 to develop additional credit related resources for the ConsumerHelp database; the establishment of relevant policies; and staff training;
- credit advisory staffing costs of approximately $96,000 during 2004-05; and
- general operating costs associated with the credit advisory services are negligible because CAV is able to absorb the function into the existing call centre, floor space, and management structure.

While the Committee has been advised that there are cost savings from bringing the credit advisory services in-house, it maintains a keen interest in the outcomes achieved by these in-house credit advisory services. Accordingly, the Committee looks forward to a comprehensive report regarding the first year of operation of the credit advisory service in CAV's annual report.

The Committee recommends that:

Recommendation 80: **Consumer Affairs Victoria include in its annual report the outcomes of bringing the credit advisory services in-house.**

(c) Commonwealth Games consumer protection

A priority of CAV in 2005-06 is implementing the Commonwealth Games Consumer Protection Strategy.[66] The Minister advised that the CAV's strategy for managing the Commonwealth Games, aims to: increase awareness of the consumer protection framework in the initial stages, and in the lead-up to the Games, a range of consumer protection activities will be implemented.[67]

64 ibid.
65 Hon. M Thomson, MLC, Minister for Consumer Affairs, response to the Committee's follow-up questions, received 25 July 2005, p.1
66 Hon. M Thomson, MLC, Minister for Consumer Affairs, 2005-06 Budget Estimates hearing, 9 June 2005, presentation slide 14
67 ibid., p.9

The strategy is to be delivered in partnership with state and local government agencies and organisations involved in supporting the Commonwealth Games.[68] The strategy articulates that, the CAV will establish an evaluation framework and prepare a final report to identify implementation issues and recommendations for future actions.[69] Detailed plans including the consumer education strategy, a service delivery plan, the compliance plan and the workforce management plan are to be released later in 2005.[70]

Funding for the strategy is $260,000, with an allocation of $50,000 in 2004-05 and $210,000 in 2005-06.[71] The 2005-06 funding will be spent in the five areas of: consumer communications ($98,000); compliance and enforcement ($90,000); trader communications ($12,000); liquor licensing ($5,000); and dispute resolution and trader education ($5,000).[72]

The Committee welcomes the development of a strategy to protect visitors to the Commonwealth Games and consumers from unscrupulous traders.

9.7 Corrections portfolio

9.7.1 Performance measures

The Department of Justice refined a small number of performance measures in the 2005-06 Budget relating to the Corrections portfolio. The changes involved the Enforcing Correctional Orders output group with two measures added and two discontinued.[73]

The new performance measures relate to the Community Based Offender Supervision output and *report the number of community work-only orders registered* and the *average number of daily offenders on work-only orders*.[74]

9.7.2 Key issues affecting the portfolio

(a) Trends in recidivism

Recent budgetary allocations to the Corrections portfolio have included funding for a range of output initiatives for prisoner diversion programs and strategies to reduce the

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68 Consumer Affairs Victoria, *Consumer Protection Strategy for the Commonwealth Games*, March 2005, p.3
69 ibid., p.14
70 ibid., p.17
71 Hon. M Thomson, MLC, Minister for Consumer Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.9
72 Hon. M Thomson, MLC, Minister for Consumer Affairs, response to the Committee's follow-up questions, received 25 July 2005, p.2
73 Budget Paper No.3, *2005-06 Service Delivery*, pp.163–164
74 ibid., p.163

risk of re-offending. Lowering the rate of recidivism, is an overarching objective of these initiatives.

The Minister informed the Committee that the most common understanding of recidivism relates to the proportion of prisoners who return to prison within two years of release. Only prisoners who are discharged after having served a sentence and return to prison within two years with a new sentence, therefore, are counted.[75]

National recidivism rates are published annually by the Productivity Commission in its *Report on Government Services*.[76] The latest available recidivism statistics for Victoria were included in the Productivity Commission's 2004 report and related to 2003. These figures indicated that the rate at which prisoners released in 2000-01 who returned with a correctional sanction within two years in Victoria was 31.3 per cent, 5.9 percentage points below the national average but a 6.3 per cent improvement compared with the previous year.[77] Victoria has not submitted data for inclusion in the Productivity Commission's more recent reports relating to recidivism rates beyond 2003.[78]

Given the absence of recent data (to compare recidivism in Victoria with the experience in other jurisdictions), the Committee sought an update on the latest trends in Victoria.

The Minister advised the Committee that the national definition for recidivism used until 2003-04 excluded prisoners discharged from prison to the supervision of community corrections, for example, prisoners discharged on parole. The Minister stated that the exclusion of prisoners discharged on parole is not widely understood, nor is it explicit in the Productivity Commission's annual report, which leads to authorities understating the recidivism rate.[79]

The Minister also advised that Victoria has led a review of the national definition on recidivism so that it is more complete and includes all sentenced prisoners. The Committee was informed that all states and territories have agreed to report on the revised measure, for inclusion in the Productivity Commission's report, from 2006. Five years of trend data will also be included. It is likely that this change will result in an increase in recidivism rates reported for all jurisdictions when the information is published in the Productivity Commission's next report on government services.[80]

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75 Hon. T Holding, MP, Minister for Corrections, response to the Committee's follow-up questions, received 19 July 2005, p.3

76 Steering Committee for the Review of Commonwealth/State Service Provision 2005, *Report on Government Services 2005*, Productivity Commission, Canberra, p.C12

77 ibid., p.C15

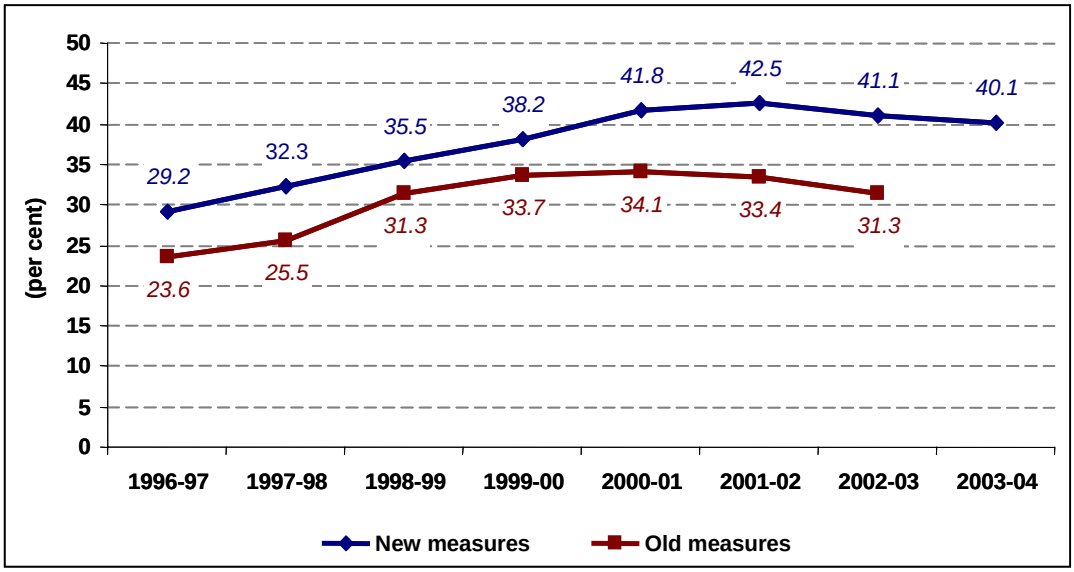
78 ibid., p.C12

79 Hon. T Holding, MP, Minister for Corrections, response to the Committee's follow-up questions, received 19 July 2005, p.3

80 ibid., pp.3–4

Exhibit 9.10 shows information on trends in recidivism rates in Victoria. The information identifies the trends over the period 1996-97 to 2003-04 for both the old measure and the revised measure that will be used as the basis for reporting national data from 2006.

Exhibit 9.10: Prisoners returning to prison within two years of discharge



Note: *Rates relate to prisoners discharged two years prior to reporting period*

Source: *Hon. T Holding, MP, Minister for Corrections, response to the Committee's follow-up questions, received 19 July 2005, p.4*

The new measure in exhibit 9.10 shows that the percentage of sentenced prisoners discharged from prison who returned within two years with a new sentence continuously increased from 1996-97 to 2001-02. It also shows that there has been a downward trend since 2001-02, with the recidivism rate falling from 42.5 per cent in 2002-03 to 40.1 per cent in 2003-04.

The Minister advised the Committee about the impact of initiatives to address recidivism developed under the government's Corrections Long Term Management Strategy. Funding of $334.5 million had been provided under that strategy over four years from 2001-02.[81] The Minister told the Committee:[82]

> *…What you can see is the impact that that strategy has had on prisoner numbers. So firstly the rate of increase was moderated, and now we have seen a decline start to kick in, as we have been able to better manage our prison population.*

[81] Hon. T Holding, MP, Minister for Corrections, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.8

[82] ibid., pp.8–9

> *We have been able to achieve this by stabilising recidivism, by reducing imprisonment numbers and by improving the management and supervision of our community corrections system – in other words, more people on community-based orders and better managing of people on those orders…*

The Minister also outlined the initiatives primarily aimed at reducing re-offending in this strategy:[83]

> *In relation to the initiatives around reducing re-offending, this is a very important part of the corrections long term management strategy and I want to stress that. When you saw that trend earlier in the slide one of the ways we can better manage our prison population is reflecting on appropriate sentencing options. But a far more important way of managing prisoner and offender population is obviously to prevent people re-offending or reducing the likelihood of them re-offending. If we achieve that, over time it will have a much greater impact on the way we manage our correctional services throughout the state. The framework that has been put in place provides standard specifications and programs for the assessment, treatment and management of prisoners and offenders who are deemed to be at a high risk of re-offending. That includes particularly violent and sex offenders.*

The department's 2003-04 annual report states that Victoria's strategies for rehabilitation and reducing re-offending are based on international best practice principles. The report describes a number of these strategies including the Victorian Prison Drug Strategy, initiatives to support prisoners prior to and following release, and key projects to ensure health services are provided to prisoners efficiently and effectively.[84]

Further output funding initiatives to reduce re-offending were included in the government's statement *A Fairer Victoria – Creating Opportunity and Addressing Disadvantage* and formed part of the 2005-06 Budget. These initiatives include:[85]

- the Better Pathways Women's Offending Strategy which aims at reducing women's imprisonment and re-offending ($18.3 million over four years with $4.3 million in 2005-06); and
- Breaking the Cycle of Re-offending which involves reform of court processes under the Court Intervention Program to better respond to defendants with multiple and complex problems at designated Magistrates' Courts ($23.3 million over four years with $3.4 million in 2005-06).

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83 ibid., p.12
84 Department of Justice, *2003-04 Annual Report*, pp.40–41
85 Budget Paper No.3, *2005-06 Service Delivery*, p.270

The Committee recognises the positive trend in Victoria's recidivism rates in recent years following implementation of the Corrections Long Term Management Strategy and Victoria's active role in bringing about a wider definition of recidivism. The Committee looks forward to comparing Victoria's future performance in this key area of corrections management with the position reported by other jurisdictions.

Because so many of the past and current funding allocations to the Corrections portfolio aim to reduce prisoner re-offending and, by extension, recidivism rates, the Committee considers that, with regard to local reporting, the portfolio's performance should be given greater prominence in the budget papers. One way of achieving this prominence would be to include a specific performance measure showing percentage movements in recidivism rates within the Prisoner and Supervision Support output.

The Department of Justice should also include information in its annual report about the effectiveness of the various strategies underway in the Corrections and related portfolios that aim to reduce re-offending. As these strategies represent a continuum of actions having, similar ultimate overarching goals in many cases, the department should illustrate how these strategies have complemented each other and contributed to an ongoing positive trend in recidivism rates.

The Committee recommends that:

Recommendation 81: **The government include in the budget papers a measure showing annual percentage movements in Victoria's prisoner recidivism rates.**

Recommendation 82: **The Department of Justice include in its annual report information on the effectiveness of its multiple strategies for lowering prisoner re-offending, including how these strategies contribute to changes in recidivism rates.**

(b) Addressing the needs of Victorian prisoners

The Auditor-General completed a performance audit in November 2003 on new approaches to the management of prisoners in Victoria designed to reduce the rate of prisoner re-offending and reduce the growth in prisoner numbers.[86] The report focused on implementation by Corrections Victoria of the Reducing Re-offending Framework, a significant component of the government's Corrections Long Term Management Strategy.

[86] Victorian Auditor-General's Office, *Addressing the needs of Victorian prisoners*, November 2003

The Auditor-General stated as part of the audit conclusion that the new approach to assessing, managing and treating prisoners involves a major change to correctional practice, requiring both organisational and cultural change. He also commented that implementing the new approach represents a significant challenge for the Victorian correctional system.[87]

The Auditor-General made several recommendations regarding the management of programs, including that Corrections Victoria:[88]

- monitor the rate of re-offending behaviour of those prisoners who have not received an initial risk and need assessment;
- take immediate action to finalise key strategic documents that support the implementation of the Offender Management System;
- establish processes to ensure that all eligible prisoners receive a Tier 1 assessment in a timely manner;
- ensure that prison staff complete relevant training in a timely manner to maximise opportunities for the management of prisoners;
- develop strategies to address barriers in the correctional system that affect prisoner participation in rehabilitation programs;
- further develop its rehabilitation programs to ensure prisoners' needs are addressed in a timely manner; and
- continue to further develop its performance measurement and reporting framework to ensure that its management of the reducing re-offending initiative is supported by both timely and high quality information.

The Minister informed the Committee in July 2004 that the department acknowledged all of the audit recommendations and indicated that the issues identified in the Auditor-General's report are being addressed.[89]

The Committee was interested to assess the nature of the action taken by the department on the audit recommendations since July 2004.

Information provided to the Committee on progress made by the department in implementing the audit recommendations included:[90]

- monitoring the rate of re-offending behaviour of prisoners – the current policy is to assess the risk of re-offending and the needs of all male prisoners with a sentence of greater than six months and female prisoners with a sentence of

87 ibid., p.3
88 ibid., pp.6–9
89 Hon. A Haermeyer, MP, Minister for Corrections, response to the Committee's 2004-05 Budget Estimates follow-up questions, p.3
90 Hon. T Holding, MP, Minister for Corrections, response to the Committee's follow-up questions, received 19 July 2005, pp.5–8

greater than four months. As implementation of the Victorian Intervention Screening Assessment Tool will occur in 2005-06, this policy will be reviewed to potentially include the assessment of all prisoners;

- action to finalise key strategic documents that support implementation of the Offender Management System – the Offender Management Framework and Standards, are the strategic documents that support implementation of the Offender Management System. They have been endorsed and ensure that practices are evidence-based and are applied consistently across the organisation. Further, 13 offender management supervisors have been recruited to assist in the change management process, to support staff enhance offender management practices, and for quality assurance. Negotiations for the recruitment of offender management supervisors in private prisons have continued, with the expectation that these roles will become operational in 2005-06;
- establishment of processes to ensure that all eligible prisoners receive a Tier 1 assessment in a timely manner – the Tier 1 Victorian Intervention Screening Assessment Tool, has been developed to assess the propensity to re-offend and the needs of offenders. This tool will be implemented in 2005-06 and will provide for effective correctional interventions;
- action to ensure prison staff complete relevant training in a timely manner to maximise opportunities for the management of prisoners – much activity has been underway to ensure correctional staff receive the training required for the shift in offender management practices across the system. This training includes Setting the Scene training, which aims to make correctional culture more supportive of rehabilitative attempts, and motivational interactions training, which provides correctional staff with skills to enable them to actively participate in the rehabilitation process and to continue to progress throughout the system;
- development of strategies to address barriers in the correctional system that affect prisoner participation in rehabilitation programs – whilst activity towards the development and implementation of offending behaviour programs is ongoing, rehabilitation programs need to be adapted to ensure that they are responsive to specific prisoner cohorts. A range of programs to meet the treatment needs of Koori and other culturally and linguistically diverse offenders and prisoners are also being developed. For example, a cognitive skills program addresses the culturally specific needs of Koori prisoners and the needs of offenders with an intellectual disability;
- further development of rehabilitation programs to ensure prisoners' needs are addressed in a timely manner – the development of rehabilitation programs has been advancing with the sex offender programs continuing to be delivered across community correctional services and prisons, the cognitive skills programs delivered in a range of public and private prisons and Community Correctional Services across the state and action underway for the offering of two violence programs of moderate and high intensity by in-house

psychologists. The new five level service delivery model for drug and alcohol treatment programs commenced in public prisons in July 2004; and

- further development of the performance management and reporting framework to ensure management of the reducing re-offending initiative is supported by both timely and high quality information – work is progressing in the development of performance measures and reporting mechanisms. The development of offending behaviour programs continues to inform this process. Performance measures have been developed for all program initiatives funded under the Corrections Long Term Management Strategy. Progress towards targets is reported to the Strategy's Steering Committee, the Expenditure Review Cabinet Committee, the Social Development Cabinet Committee and the Corrections Reporting Forum.

The Committee notes the various steps taken by the department regarding the Auditor-General's November 2003 performance audit recommendations. Because implementation of several actions is at an early stage and other actions will occur during 2005-06, it will be important for the department to progressively monitor the relevant responses to ensure that all of the issues raised by the Auditor-General are adequately addressed over time.

The Committee also welcomes the department's advice that performance measures are in place for all program initiatives funded under the Corrections Long Term Management Strategy and that progress towards targets is being overseen by the strategy's steering committee and various committees within government. From a public accountability perspective, the Committee encourages the department to complement this internal performance management regime with external publication of key performance data.

The Committee recommends that:

Recommendation 83: **The Department of Justice progressively monitor and report in its annual report, action taken to implement recommendations in the Auditor-General's 2003 performance audit report *Assessing the needs of Victorian prisoners* to ensure that all audit issues are adequately addressed.**

(c) Independence of Corrections Inspectorate

The Corrections Inspectorate within the Department of Justice was established on 1 July 2003 replacing, the former Monitoring and Review Unit in the Office of Correctional Services Commissioner.[91]

The Corrections Inspectorate is responsible for monitoring and inspecting the performance of public and private prisons, conducting specific investigations and managing the Official Prison Visitors Scheme.[92]

In a 1999 performance audit report on Victoria's prison system, the Auditor-General commented on the importance of the independence of the body charged with monitoring prisons, noting that a desirable feature of monitoring is '*consistent and balanced treatment of all prison operators and independence from any influence by the department, prison operators or other parties*'. The Auditor-General considered that being able to operate independently was an essential pre-requisite to ensure that the reviewer or monitor was free from any influence or direction.[93]

The Auditor-General outlined two options that had the greatest potential for enhancing the independence of the Correctional Services Commissioner – assignment of the role of a regulator with a direct line of accountability to Parliament or operation at arms-length from the department but with a direct line of accountability to the Minister. The Auditor-General considered either of these options would enable the Commissioner to operate more effectively as an independent industry monitor.[94]

With the Corrections Inspectorate having operated in its new structure for around two years, the Committee sought information on what arrangements were in place to ensure that the Inspectorate is able to conduct its operations independently.

The Minister informed the Committee that the Corrections Inspectorate is structured as an independent unit of the department, reporting through the Executive Director, Community Operations and Strategy to the Secretary. The unit is completely separate and independent from Corrections Victoria line management, which reports to the Executive Director, Police, Emergency Services and Corrections.[95]

The Committee was also advised that:[96]

- a senior director with significant corrections expertise manages the Inspectorate with an annual budget of approximately $1.3 million to monitor and report on

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91 Victorian Auditor-General's Office, *Addressing the needs of Victorian prisoners*, November 2003, p.80
92 Department of Justice, *2003-04 Annual Report*, p.43
93 Victorian Auditor-General's Office, *Victoria's prison system: Community protection and prisoner welfare*, May 1999, p.55
94 ibid.
95 Hon. T Holding, MP, Minister for Corrections, response to the Committee's follow-up questions, received 19 July 2005, p.10
96 ibid.

the performance of public and private prisons and community correctional services, conduct inquiries into major incidents, and co-ordinate the Official Prison Visitor scheme;

- to perform its functions, the Inspectorate has unfettered access to custodial and community correctional facilities and records, offenders, staff and others who interact with the correctional service system. The Inspectorate's reports provide frank and impartial advice on standards of service delivery, ensuring the corrections system is transparent and accountable; and
- the Inspectorate also administers the Official Prison Visitors Scheme on behalf of the Minister for Corrections. This scheme comprises thirty community members who have unlimited access to prisons and who provide independent reports to the Minister on matters raised by prisoners and staff.

The department's 2003 structural changes which led to the creation of the Corrections Inspectorate addressed some of the issues raised by the Auditor-General, particularly in relation to the position's independence from departmental line management. The new structure has aimed to improve the organisational functioning of the Inspectorate within the department, in preference to adopting one of the two options cited by the Auditor-General, either of which would have put the position at arms-length from the department.

The Committee welcomes the Minister's assurance that the Inspectorate's reports provide frank and impartial advice on service delivery standards and ensure the corrections system is transparent and accountable. While the Committee considers the current operational framework has enhanced the position's independence, it is also of the view that there is scope for clearer communication about the practical application of that independence in the department's annual report.

The department currently includes in its annual report a summary of the monitoring and other functions undertaken by the Inspectorate over the past year.[97] The Committee feels there would be merit in expanding this information to take the form of a signed certification from the Inspectorate's director outlining the Inspectorate's major findings and assessment of action taken on those findings. The Inspectorate's report could incorporate a statement from the director that no impediments to the position's independence and freedom to impartially operate had been experienced during the period.

The Committee concurs with the Auditor-General that Victoria's prison industry, encompassing a mix of state-managed and privately-operated prisons, requires a strong and capable monitoring framework that features a truly independent reviewer.[98] Enhancing the commentary on the Corrections Inspectorate presented in the

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97 Department of Justice *2003-04 Annual Report*, p.43

98 Victorian Auditor-General's Office, *Victoria's prison system: Community protection and prisoner welfare*, May 1999, p.55

department's annual report would help to convey a message that the operational framework now in place for the Inspectorate ensures that it is truly independent.

The Committee recommends that:

Recommendation 84: **The Department of Justice incorporate in its annual report a signed certification from the Director of the Corrections Inspectorate that identifies for that particular period:**

(a) the major findings arising from the Corrections Inspectorate's review activities, and the Inspectorate's assessment of actions taken by the prison operators to rectify the identified problems; and

(b) any impediments to the Corrections Inspectorate's independence and its freedom to operate impartially.

(d) Private prison contracts

The Committee has been seeking information relating to costs provided for under contracts with Victoria's private prison operators since its 2002-03 budget outcomes inquiry.[99] During its review of 2003-04 budget outcomes, the Committee expressed the view that issues relating to the disclosure of such costs should be resolved as a matter of priority and the information provided to the Committee.[100]

The Minister's correspondence to the Committee on 28 September 2005 relating to this matter, stated that:[101]

> *The Contract Administrator has recently been in contact with the private prison contractors and advised that [the private operators] have advised of their preparedness to allow release of the private prison contract costs as contained in the original executed Prison Services Agreements for Port Phillip Prison (dated 10 July 1996) and Fulham Correctional Centre (dated 12 October 1995).*

The Committee welcomes the release of the information pertaining to the original contracts. The Committee intends to examine this information in its 2004-05 Budget Outcomes inquiry.

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99 Public Accounts and Estimates Committee, *Report on the 2002-03 Budget Outcomes*, April 2004, p.338
100 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Outcomes*, April 2005, p.256
101 Hon. T Holding, MP, Minister for Corrections, correspondence to the Committee, dated 28 September 2005

9.8 Gaming portfolio

9.8.1 Key issues affecting the portfolio

(a) Gaming revenue used for community purposes

At the estimates hearing, the Committee was interested in examining the composition of community benefits provided by clubs and hotels in 2004-05 according to the nine designated activities that constitute community purposes. In announcing the new gambling industry reform in June 2003, the Minister stated that some of the activities include sponsorship of local sporting and community clubs, development of local infrastructure and donations to local charities, community or service organisations.[102]

As shown in exhibit 9.11, the majority of gaming revenue directed towards community purposes ($265.2 million or 62 per cent) was used to meet employment expenses while gifts (including donations) and sponsorships amounted to only $9.3 million or 2.2 per cent of gaming revenue allocated for community purposes.

[102] Hon. J Pandazopoulos, MP, Minister for Gaming, media release, *Gaming reforms set to benefit local communities from July*, 24 June 2003

Exhibit 9.11: Venue operators' revenue earned from gaming machines used for community purposes 2003-04

Categories of community purpose activities	Expenditure ($ million)	(%)
Employment (a)	265.2	62.0
Direct and indirect costs (b)	73.2	17.1
Fixed assets provided (c)	55.7	13.0
Voluntary services to the community	14.3	3.3
Activities subsidised	9.7	2.3
Gifts of funds (d)	5.7	1.3
Sponsorships	2.6	0.6
Gifts of goods to the community	1.0	0.3
Volunteer expenses	0.5	0.1
Total	**427.9**	**100.0**

Notes: (a) *employment expenses include all on-costs (except for payroll tax and fringe benefits tax) and training costs for staff, including gaming room staff*

(b) *for example, payments made to subsidise a club's sporting activities including heating and lighting*

(c) *for example, if 90 per cent of a new building costing $1 million is used for non-gaming purposes, and the building is funded from gaming revenue, then the calculated community benefit is $900,000*

(d) *venue operators can only claim direct donations from gaming revenue as community benefits. Donations of vouchers are treated as donations of funds. Where venue operators conduct fundraising activities on behalf of charities or other community groups, they can only claim the labour component as a community activity*

Sources: *Hon. J Pandazopoulos, MP, Minister for Gaming, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, pp.12–13; www.vcgr.vic.gov.au accessed 6 June 2005*

At the estimates hearing, the Minister made a number of comments relating to the term 'community benefit':[103]

> *It is fair to say we have taken a quite broad view on community benefit, because community benefit initially, going back to when gaming was legalised back in the early 1990s, was not just about contributions to the local community groups, charitable organisations and sports clubs, it was also about the environment in the 1990s when a whole lot of pubs and clubs could have closed down. With the liberalising of liquor laws there was a concern that pubs would shut down; there was a concern that clubs were finding it very hard. One of the advantages of clubs was that they were licensed liquor outlets et cetera.*
>
> *So part of the reason for introducing gaming machines, which I guess we can forget after many years, was that there were supposed to be*

[103] Hon. J Pandazopoulos, MP, Minister for Gaming, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.12

> *employment benefits and retention of facilities and renewing of facilities for that community's use, because communities use both pubs and clubs not necessarily for gaming but for other things, like dining, entertainment et cetera. So we took a very broad view, but I am pleased to say for clubs, whilst the minimum requirement is 8.33 per cent of gaming revenue, the 2003-04 community benefit statements have indicated that 27 per cent of club revenue from gaming was directed towards community purposes. That is $211 million from revenue of $773 million – 27 per cent of their earnings.*
>
> *I think as part of this exercise it is important to champion those that are market leaders. It is fair to say that I was disappointed that the focus in the media was on those who claimed Mercedes Benz as community benefits, rather than necessarily on the many different venues that have done a pretty good job – and that should be the benchmark. If we look at Hastings cricket and football clubs, they make direct donations to support local charities and cultural recreation groups, as well as subsidising the activities of groups using the club's premises. The Mildura Workingman's Sports and Social Club is again a strong supporter of community sport and recreation. The Clocks Tabaret at Flinders Street station directed substantial revenue to charitable purposes and youth welfare. They are some examples in that area.*

Given the relatively low proportion of community benefit funding allocated to gifts and sponsorships, the Committee was interested in determining whether the government had considered designating a set percentage to be allocated to these particular categories. The Minister advised that this had not occurred:[104]

> *…because we are doing above the minimum requirement, and it is my view that creating community debate will be more beneficial in trying to maximise where the benefits are. There are different views on benefits. Some will not necessarily consider the number of people employed as a benefit, and some will not consider capital works upgrades that have been done – a bistro that may otherwise not have been done – as a benefit. We have kept faith with the original reasons for legalising pokie venues, and they are the principles we have set in terms of what we say is in as a community benefit. But it is not unreasonable for debate to occur in the community to help guide venues about where they put their investments.*

The Committee acknowledges the above position outlined by the Minister. It maintains, however, that by adopting a broad view of the term 'community benefit', expenditure incurred on staffing and fixed assets (under the guise of community

[104] ibid., p.13

benefit expenditure) enables gaming venue operators to benefit financially while providing lesser benefit to the community.

The Committee considers that, there is considerable scope for a larger share of gaming revenue to be distributed in the form of donations to local charities, community or service organisations and sponsorships of local sporting and community clubs. Such action would not only provide maximum benefit to groups within local communities that are divorced from the activities of venue operators, it also helps to preserve the integrity of the gaming industry. The Committee considers that the distribution of revenue derived from gaming should not result in venue operators deriving the prime benefit at the expense of the local community.

The Committee recommends that:

Recommendation 85: **The Victorian Government explore avenues for encouraging gaming venue operators to allocate a larger proportion of gaming revenue to the provision of gifts and sponsorships to their local communities to ensure the community receives the maximum benefit from revenue earned from gaming machines.**

(b) Gaming losses

(i) Player losses as a proportion of final consumption expenditure per household

The Committee enquired whether any research had been undertaken to quantify the average total player losses in Victoria (as a percentage of total household final consumption expenditure) of those who gamble.

Information provided by the Minister indicated that:[105]

- Victorian gambling expenditure as a percentage of household disposable income was 3.1 per cent in 2003-04 – the lowest level since 1996-97 (3 per cent);
- statistics enable trends to be analysed in gambling expenditure in Victoria and Australia; and
- this data will be an important source for any future analysis of the economic impact of gambling.

[105] Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 26 July 2005, p.6

The Minister also advised that no valid research has been conducted to examine actual player losses as a percentage of final consumption expenditure per household.[106]

The Committee considers that an examination of the trends in actual player losses as a percentage of final consumption expenditure per household would support the government's commitment to responsible gambling and vulnerable and disadvantaged members of the community. Research should be targeted at households where one or more members gamble on all forms of gambling and not be confined solely to those who play electronic gaming machines.

The Committee recommends that:

Recommendation 86: **The government consider commissioning research to quantify average gambling losses in Victoria as a percentage of total household final consumption expenditure, where at least one member of the household engages in some form of gambling.**

(ii) Quantification of total gaming machine player losses

The Committee was informed by the Minister that:[107]

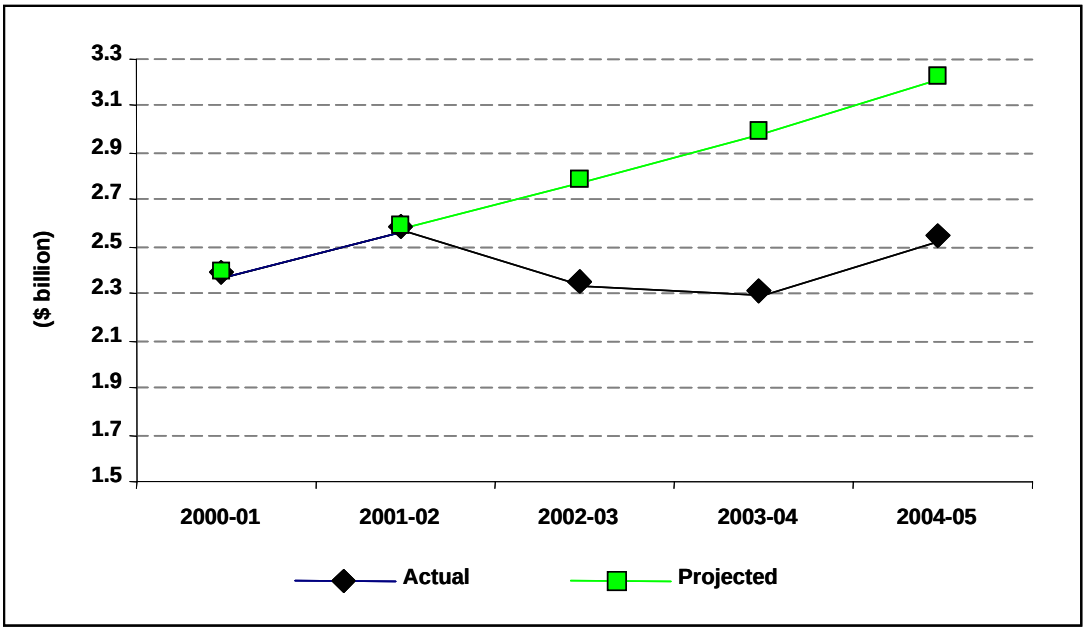
- total net expenditure on electronic gaming machines for the first nine months of 2004-05 was $1.8 billion ($2.3 billion in 2003-04);
- it was not possible to separately report publicly on player losses in club and hotel venues and Crown Casino, due to privacy provisions in the gaming legislation;
- the regions that experienced the largest player losses from electronic gaming machines for 2003-04 were: the City of Monash, the City of Brimbank, the City of Greater Geelong and the City of Greater Dandenong;
- the government identified Greater Dandenong as an area vulnerable to problem gambling, and included this area in the first round of regional caps announced in April 2001. Parts of Brimbank and Monash were included in the 'Plus' area caps (areas adjoining local communities that were identified as vulnerable to problem gambling during consultations to determine the first round of regional caps);
- the City of Greater Geelong and additional parts of Brimbank and Monash are to be extended as part of the government's commitment to extend the regional caps strategy; and

106 ibid.
107 ibid., p.9

- the government has appointed a Regional Caps Review panel to undertake extensive stakeholder consultations to determine the boundaries for the new and extended capped areas and the number of machines to be removed from these areas.

The Minister also presented information to show that for the first time since gaming machines were introduced in 1992, total net expenditure on gaming had reduced, with total net gaming expenditure across Victoria decreasing by about 11.9 per cent between 2001-02 and 2003-04.[108] Exhibit 9.12 shows actual expenditure compared with projected electronic gaming machine expenditure between 2000-01 and 2004-05.

Exhibit 9.12: Actual versus projected electronic gaming machine expenditure



Note: *(a) projected electronic gaming machine expenditure is based on the average expenditure growth of 7.66 per cent in the 12 months prior to the smoking bans in September 2002*

Sources: *Hon. J Pandazopoulos, MP, Minister for Gaming, 2005-06 Budget Estimates hearing, 9 June 2005, presentation slide 13; Hon. J Pandazopoulos, MP, Minister for Gaming, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.9*

At the estimates hearing, the Minister stated that he thought that Victoria was the only jurisdiction in the world that had experienced a decline in gambling revenue as a result of a number of initiatives.[109] In 2004-05, electronic gaming machine expenditure was estimated to be around $660 million less than it would have been if there had been no government intervention.[110] The Minister stated that the government's anti-smoking policy has had the single biggest effect on this reduction together with a combination of a number of different measures. It was not possible, however, for the Minister to

[108] ibid.
[109] Hon. J Pandazopoulos, MP, Minister for Gaming, 2005-06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.7
[110] ibid.

attribute the specific contribution that the different policy initiatives have had on the decline in revenue, other than to note that the decline coincided with a number of other government initiatives.[111]

The budget revealed that the estimated loss of revenue due to the introduction of the smoking ban in gaming venues on 1 September 2002, is about $250 million for 2004-05, and over the forecast period to 30 June 2009, revenue losses will be about $1,330 million.[112]

The Committee learned that Victorian's spent 3.1 per cent of their household disposable income on gambling in 2003-04. This figure is in line with the Australian average but was less than the Northern Territory (4.8 per cent), New South Wales (3.6 per cent) and Queensland (3.2 per cent).[113]

The Committee considers that the government should be in a position to explain the impact that each of its new measures, directed at protecting the community from the effects of problem gambling, have had on changing community behaviour. The absence of policy analysis of this nature means that the government is not in position to evaluate the effectiveness of its gaming-related strategies.

The Committee recommends that:

Recommendation 87: **The government report on the impact of its wide ranging gaming initiatives on community behaviour and the achievement of government objectives.**

(c) Problem gambling – funding and responses

The government expects to collect $1.5 billion in gambling taxes in 2005-06, including $931 million from taxes on electronic gaming machines.[114] As an indication of player interest in gaming, 770,000 Victorians played Tabcorp gaming machines every week in Victoria.[115] The Minister advised that in terms of government funding:[116]

111 ibid., p.9
112 Budget Paper No.4, *2005-06 Statement of Finances*, p.155
113 Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 26 July 2005, p.9
114 Budget Paper No.4, *2005-06 Statement of Finances*, p.148
115 Responsible Gaming Council, www.responsiblegambling.org accessed 2 August 2005
116 Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 26 July 2005, p.7

- the government is providing $12.6 million in 2005-06 to continue funding problem gambling services, gambling-related research, partnerships with local community organisations and maintenance of the Responsible Gambling Ministerial Advisory Council (RGMAC);
- the Recovery Assistance Program is also being funded in 2005-06 as part of a $2.8 million commitment over three years (2003-04 to 2005-06);
- the government re-affirmed its commitment to responsible gambling by announcing a further $26.7 million[117] to continue funding problem gambling services, gambling-related research, partnerships with local community organisations and the establishment of the RGMAC; and
- it is important to note that, in addition to funding direct service delivery, the government funds a range of community projects, many of which seek to build community resilience by providing communities with the tools and resources to help prevent problem gambling problems from developing. This involves strengthening communities and providing alternative activities for those people who might otherwise gamble to alleviate loneliness, boredom or social isolation.

Recent initiatives of the Problem Gambling Services Strategy to prevent and tackle problem gambling in the community include:[118]

- better integration of telephone counselling and face-to-face services for problem gamblers to ensure that appropriate referrals are made quickly and effectively;
- further development of the network of Gambler's Help services through avenues such as statewide forums, service development activities and training to promote the sharing of skills and expertise in relation to problem gambling;
- the implementation of an improved Client and Service Data Analysis reporting system;
- the introduction of a new Recovery Assistance Program, providing tailored crisis assistance to recovering problem gamblers and their families; and
- funding for local community grant projects aimed at expanding the activities undertaken by community-based organisations to address problem gambling issues at a local level.

The Committee was advised that the government now requires electronic gaming machine gaming venue staff to undertake a course in the responsible service of gaming (approved by the Victorian Commission for Gambling Regulation).[119] This

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117 Department of Justice, response to the Committee's additional follow-up question, received 17 August 2005

118 Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 26 July 2005, pp.7–8

119 ibid., p.8

mandatory requirement aims to help staff identify those at risk of becoming problem gamblers.[120] A major activity aimed at identifying those at risk is the provision of localised information and education initiatives.[121] Gambler's Help community educators provide information and education to many local communities and organisations.[122] The Committee also learned that statewide partnerships have been formed with high profile organisations, such as the Country Women's Association to increase awareness of problem gambling issues.[123]

To assess the effectiveness of the Problem Gambling Services Strategy, the Committee was informed that a range of monitoring and data collection activities are operating.[124] Gambler's Help services, for example, are required to collect detailed data and agencies funded for partnership activities must submit an evaluation report on their projects.[125] A comprehensive evaluation of the strategy examining the effectiveness of each of the component strategies and their activities is planned later in 2005-06.[126]

The Committee recommends that:

Recommendation 88:

(a) The government ensure that a strong message about responsible and sensible gambling is effectively delivered and understood by the public; and

(b) The government continually review the adequacy of funding targeted at problem gamblers that is provided by the Community Support Fund.

120 ibid.
121 ibid.
122 ibid.
123 ibid.
124 ibid.
125 ibid.
126 ibid.

9.9 Police and Emergency Services portfolio

9.9.1 Performance measures

Nineteen new performance measures are used to assess the delivery of outputs within the Police and Emergency Services portfolio.[127]

Most of the new measures relate to outputs delivered by Victoria Police, where a number of measures now reflect the aims of policing activity as set out in *The Way Ahead* strategic document. For example, a measure *Offences against the person recorded* in the Investigating Crimes output has been replaced with the measure *Reduction in offences against the person*. The target for the new measure is expressed as a reduction in the percentage of offences reported to police whereas the previous measure was expressed in the raw number of offences reported.[128] The 2005-06 budget papers indicate that the change to the new measure *Reduction in offences against the person* was to improve the alignment between Victoria Police activities and its five-year strategic plan, The Way Ahead, which aims to reduce crime by 5 per cent over the period 2002-2008.[129]

While the Committee supports the introduction of the new measure, the Committee believes it would be informative to also show the number of offences (previously reported by the discontinued measure 'Offences against the person recorded'[130]).

Accordingly, the Committee recommends that:

Recommendation 89: **For the 2006-07 budget, Victoria Police include a performance measure that shows the number of offences against the person.**

9.9.2 Key issues affecting the portfolio

(a) Trends in Victorian crime statistics

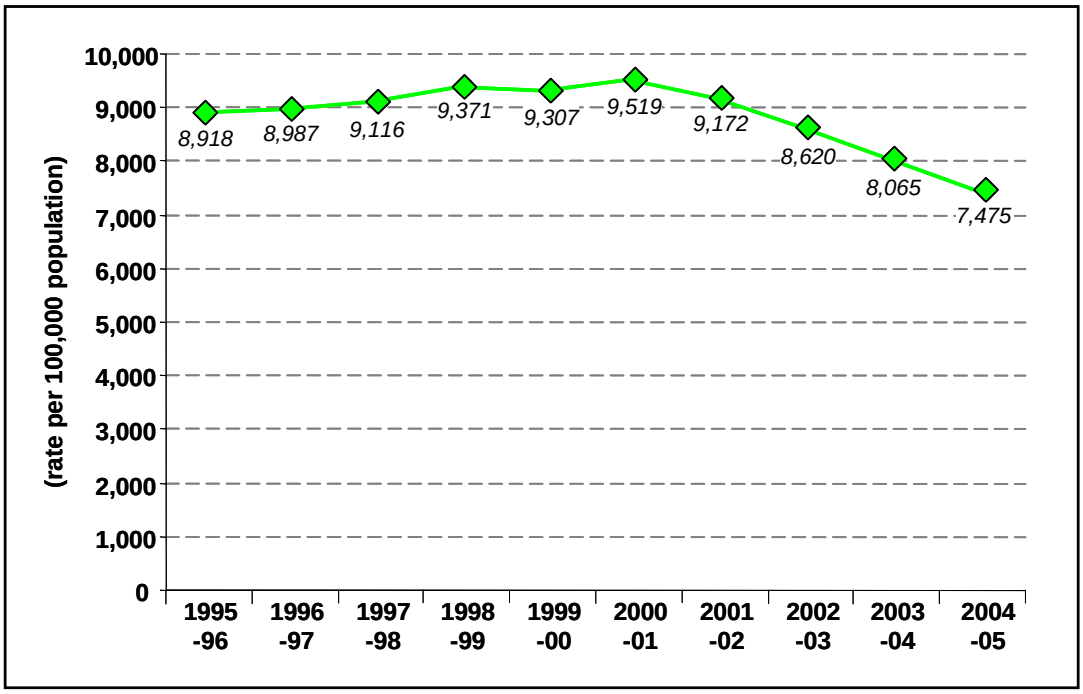
One of the seven key objectives of the Department of Justice is to reduce crime and its effects.[131]

Crime statistics published by Victoria Police are extracted from its Law Enforcement Assistance Program (LEAP) database. Exhibit 9.13 shows the crime statistics

127 Budget Paper No.3, *2005-06 Service Delivery*, pp.144–150
128 ibid., pp.146–147
129 ibid., p.147
130 ibid., p.386
131 ibid., p.140

published by Victoria Police in August 2005. The exhibit shows that Victorian crime rates per 100,000 population have declined since 2000-01.

Exhibit 9.13: Total crime recorded per 100,000 population per year



Note: *statistics for 2004-05 are provisional*

Sources: *Victoria Police, Crime Statistics – 2004-05 Provisional, August 2005, p.5; additional information provided by the Department of Justice*

The Minister explained that there has been a significant investment in police services and resources, and that over time that investment has had an impact in terms of reducing the state's crime rate. The Minister informed the Committee that many of the reductions in crime are the direct result of specific initiatives that Victoria Police had taken, particularly its Operation Vehicle Watch, which has delivered significant reductions in car thefts, and the Purana task force which has made a tremendous contribution to tackling organised crime in Victoria.[132]

For 2004-05, the crime rate per 100,000 population of 7,475 offences (provisional) compared to 8,065 in 2003-04 indicates a decrease of 7.3 per cent (see exhibit 9.13). Even though the overall result for 2004-05 indicates a reduction in crime rate per 100,000 population, increases were recorded for the following offences: assault (12.5 per cent); abduction/kidnap (10.8 per cent); sexual assault - non rape (3.1 per cent); homicide (2.9 per cent); weapons/explosives (1.3 per cent); and burglary - aggravated (0.2 per cent).[133]

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[132] Hon. T Holding, MP, Minister for Police and Emergency Services, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.2

[133] Hon. S Bracks, MP, Premier, media release, *Crime at record low in the safe state*, 10 August 2005

A goal of Victoria Police recorded in its five year strategic plan is to reduce crime by 5 per cent (measured by the total number of crimes reported and recorded by police per 100,000 population in any period) by 2008.[134] The provisional crime statistics for 2004-05 shows that the crime rate per 100,000 population had reduced by 7.3 per cent compared to 2003-04.

The Committee welcomes the positive trend in Victorian crime statistics as published by Victoria Police. The crimes statistical information published by Victoria Police, however, cannot be compared directly with the figures published by the Australian Bureau of Statistics (ABS) in its Recorded Crime Australia (Catalogue No. 4510.0) publication. This was due to a number of reasons including:[135]

- *ABS national crime statistics are compiled on a calendar year basis, whereas Victoria Police's crime statistics are based on a financial year;*

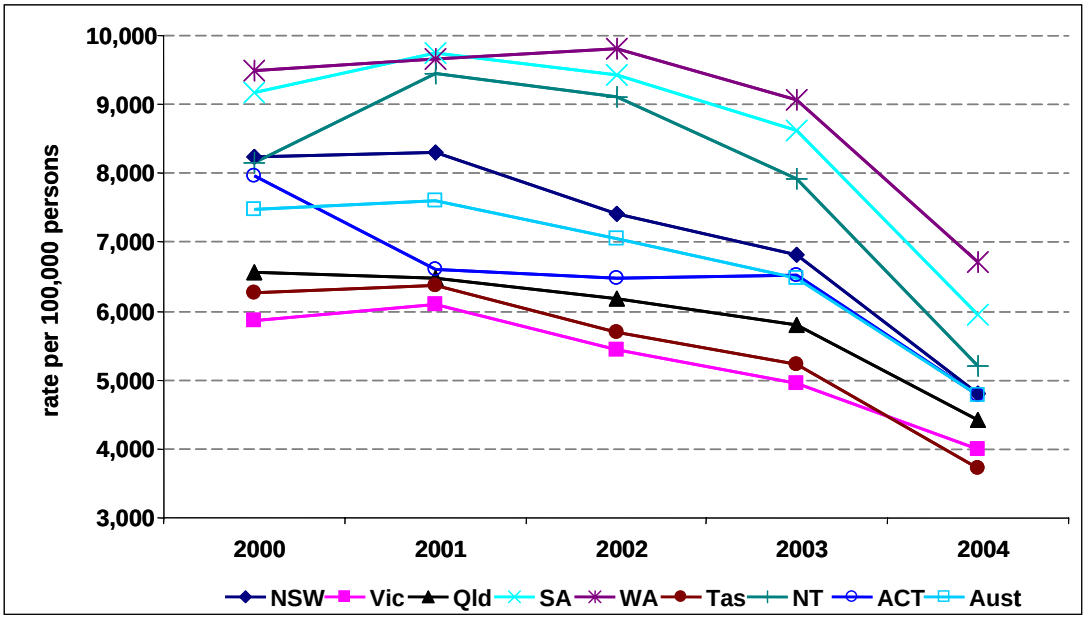
- *ABS crime definitions differ from those used by Victoria Police and do not contain all offences included in police statistics. ABS national crime statistics include about 64 per cent of all crime recorded by Victoria Police; and*

- *ABS national crime statistics are based on the number of victims (vehicles in the case of motor vehicle theft), while police statistics are based on the number of offences committed against a victim (for example, a person raped on three occasions over a week – ABS count one offence of rape, Victoria Police count three).*

Exhibit 9.14 shows the ABS's national crime statistics relating to victims for a selected range of offences, for each state and territory.

134 Victoria Police, *2003-04 Annual Report*, p.6
135 Victoria Police, *Crime Statistics 2004/2005 Provisional*, August 2005, p.2

Exhibit 9.14: Crime (victims) recorded per 100,000 persons, by states and territories (a) (b)



Notes: (a) *ABS statistics cover those offences that are comparable across jurisdictions, such as: homicide and related offences, kidnapping/abduction, robbery, blackmail/extortion, unlawful entry with intent, motor vehicle theft and other theft*[136]

(b) *information for 2004 was compiled from statistics that had excluded offences such as assault and sexual assault due to differences in the recording of these offences by the states and territories*[137]

Sources: *Australian Bureau of Statistics, Recorded crime – Victims, Australia, ABS Catalogue No. 4510.0, various years*

The statistics show that for the calendar year period from 2000 to 2003, Victoria's recorded crime rate per 100,000 persons had been below the national average (see exhibit 9.14). In this same period, Victoria also has the lowest crime rate per 100,000 persons compared to other states and territories. The statistics show that all jurisdictions continued to record a decline in 2004, but that Tasmania recorded the lowest crime rate per 100,000 persons in 2004 among the jurisdictions.

While the ABS statistics excluded certain offences that are not comparable across jurisdictions, the Committee is pleased to note that both the ABS and Victoria Police statistics show there had been a decline in crime rate in Victoria since 2001.

136 Australian Bureau of Statistics, *Recorded crime – Victims, Australia*, ABS Catalogue No. 4510.0, 23 June 2005, p.2

137 ibid.

(i) Published crime statistics of unreported offences

The Committee is mindful that one of the factors that can influence published statistical information on crime is the magnitude of unreported offences. By its very nature, this data is difficult to quantify.

The Bureau of Statistics does conduct a household survey of victims of crime on an irregular basis, the results of which provide some indication of crime that is not reported to police. The Bureau has found that, for some types of crime, non-reporting can be significant and, as an example, almost 70 per cent of assault victims in Australia reported they did not tell police about the most recent assault to which they experienced.[138]

The Minister addressed the question of unreported offences in discussions with the Committee when drawing attention to initiatives the government was taking to reduce the incidence of domestic violence. The Minister stated that one of the challenges for Victoria Police in terms of operationally responding to these initiatives is that inevitably it will need to draw out a much higher level of reporting than may have occurred in the past which will obviously have an impact on crime statistics over time.[139]

The initiatives referred to by the Minister concern the output budgetary allocation of $35 million over four years, beginning with $5.9 million in 2005-06, under the Safety and Justice: A new Approach to Family Violence in Victoria output initiative.[140] It is planned, under this initiative, to implement a consistent, integrated response across both the justice and human services systems through better statewide referral mechanisms, new and improved risk assessment, case management, support and accommodation options and specialist court responses.[141]

The Minister advised that $6.6 million of the initiative's total funding had been allocated to the Department of Justice to strengthen the justice system response, to enhance women's safety and the safety of children and to hold perpetrators of domestic violence more accountable.[142]

The Chief Commissioner of Police elaborated on the way in which Victoria Police is tackling family violence through its new Code of Practice and the consequential implications on crime statistics. The Chief Commissioner commented as follows:[143]

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138 Australian Bureau of Statistics, *Crime and Safety*, ABS Cat. No.4509.0, June 2003, p.26

139 Hon. T Holding, MP, Minister for Police and Emergency Services, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.2

140 Budget Paper No.3, *2005-06 Service Delivery*, p.271

141 ibid., p.275

142 Hon. T Holding, MP, Minister for Police and Emergency Services, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.16

143 Chief Commissioner Nixon, Victoria Police, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.16

> *Because it is such a major issue and underpins so much crime that occurs, we appointed full-time family violence liaison officers and a major rollout of the education program. Probably 70 per cent of police have undergone the education program, which was a 12 month program. What we are seeing as a result of that is a substantial increase in: the reporting of assaults; family violence intervention order applications; and the success that those police are having with those orders. In some cases, there has been an increase of 70 to 80 per cent in family violence intervention orders. We are looking at about a 10 per cent increase in people coming forward and reporting family violence. It is having the effect of unearthing family violence. It then allows us to then use a lot of that other resource the government has made available to have counsellors involved with families and to have programs and resources for women and families and offender behaviour programs, which will make the whole of the government approach a far more effective approach than it has been in the past.*

The Committee considers the scenario outlined by the Chief Commissioner offers much potential for addressing the incidence of family violence in the community. In the short term, the effectiveness of these initiatives is likely to be represented by an increase in the relevant crime category and, in the long term, by the extent of the lessening of reported offences.

An expected increase in the reporting of family violence incidents is reflected in a new performance measure introduced for 2005-06 under Victoria Police's output Community Confidence in and Access to Policing Services. The projected increase in reported family violence incidents in 2005-06 is 7 per cent.[144]

The official 2004-05 Victoria Police provisional crime statistics, identified that the reported rate of crime against the person had risen by 8.5 per cent in 2005-06. This increase was largely due to the introduction by Victoria Police of its code of practice that improved the way domestic violence is investigated.[145]

It will be important that Victoria Police ensures that transparent information on the eventual movements in crime statistics for family violence offences is presented to Parliament in its annual report so that judgements can be made on the extent to which the expected outcomes from the current actions are achieved.

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144 Budget Paper No.3, *2005-06 Service Delivery*, p.150

145 Hon. S Bracks, MP, Premier, media release, *Crime at record low in the safe state*, 10 August 2005

The Committee recommends that:

Recommendation 90: **Victoria Police ensure future movements in crime statistics on family violence offences are adequately explained in its annual report, so Parliament can assess the extent to which expected outcomes from current initiatives are realised.**

(ii) Comparability of published crime statistics

A further issue that can impact on the usefulness of crime statistics concerns the comparability of published data between states and territories.

The Committee was informed that the Australian Bureau of Statistics (ABS) found there were differences between all jurisdictions in:[146]

- the rates at which the public reports crime to police;
- the ways in which reporting and dispatch systems are linked to recording systems;
- how data is entered as a recorded crime; and
- the recording of incidents as an offence and the categorisation of offences, with significant differences applying to assault and sexual assault offences.

On the latter finding concerning significant impediments to comparing recorded assault and sexual assault offences across jurisdictions, the Bureau proposes to develop a National Crime Recording Standard.[147] The ABS has since excluded data for assault and sexual assault from its 2004 Recorded Crime Australia (Catalogue No. 4510.0) publication.[148]

The Minister informed the Committee that any impact on Victoria Police's LEAP system in terms of ensuring reliable comparability between jurisdictions on assault and sexual assault crime statistics will be dependent on all states and territories reaching agreement on implementation of the proposed new recording standard.[149]

The Attorney-General outlined the significant reforms to sexual law and procedure that were underway in that portfolio. The Attorney-General stated that the Law Reform Commission had reported in August 2004 on its reference relating to sexual

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146 Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 19 July 2005, Attachment D, p.1

147 ibid.

148 Australian Bureau of Statistics, *Recorded crime – Victims, Australia*, ABS Catalogue No. 4510.0, 23 June 2005, p.2

149 Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 19 July 2005, Attachment D, p.1

offences and that a dedicated unit had been set up to implement the report's 201 recommendations.[150] The Committee was advised that several of the Commission's non-legislative recommendations have already been implemented including training for prosecutors on sexual offences, improvements to the collection of sexual offences statistics, and research into why victims withdraw their complaints. The Attorney-General indicated that a range of legislative reforms for introduction in the spring 2005 session of Parliament was under consideration.[151]

Recognition of the traditional under-reporting of sexual assaults is reflected in new performance measure introduced in 2005-06 under the Community Confidence in and Access to Policing Services output. Reported incidents of sexual assault are expected to increase by 5 per cent in 2005-06.[152]

The Committee considers that the availability of reliable comparative statistics on assault and sexual assault offences between Australian jurisdictions is an important aid to fully assessing trends in the related Victorian crime rates as disclosed in Victoria Police's periodic releases on crime statistics.

Because the government is currently implementing major initiatives to address family violence and sexual assaults, those initiatives are likely to impact on the nature and level of recorded assault and sexual offences. Victoria Police should therefore encourage early development of a National Crime Recording Standard for such offences, as proposed by the Australian Bureau of Statistics. Until such a standard is in place, it will be difficult to assess the performance of Victoria, relative to other states and territories, in this complex but key area of crime.

The Committee recommends that:

Recommendation 91: **Victoria Police encourage early development by the Australian Bureau of Statistics of a National Crime Reporting Standard for the recording of assault and sexual offences, to assist assessments of Victoria's performance in these areas relative to other jurisdictions.**

150 Victorian Law Reform Commission, *Sexual Offences Final Report of the Victorian Law Reform Commission*, August 2004.

151 Hon. R Hulls, MP, Attorney-General, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, p.6

152 Budget Paper No.3, *2005-06 Service Delivery*, p.150

(b) Update on increased police forensic capacity

Victoria Police's 2004-05 budget included funding of $14.4 million over four years to 2007-08 to increase police forensic capacity by providing for the recruitment of 46 additional forensic staff.[153]

In its *Report on the 2004-2005 Budget Estimates*, the Committee commented on this additional funding and recommended Victoria Police develop performance information for the operations of its Forensic Department and separately report on achievements in its annual report.[154]

The government's response to the Committee's 2004-05 report stated that Victoria Police will consider ways of including specific meaningful performance information from the Forensic Services Department (particularly as it relates to progress on achieving increased DNA testing throughput) in its annual report for 2004-05.[155]

The Minister advised that 37 additional forensic staff have now been recruited and the remaining nine staff are to be employed in 2005-06. On the impact of this additional capacity, the Committee was informed that the achieved reduction in the backlog of DNA testing was ahead of schedule with the serious crime DNA backlog now 589, down from a predicted backlog at this time of 1,131, and the property crime backlog now 4237 compared to the predicted backlog of 4,438.[156]

The Minister indicated that priorities are allocated for cases awaiting examination, where the highest priority is accorded to serious crimes against the person followed by cases where no suspect has been nominated.[157]

Information was not available to the Committee on what effects delays to forensic testing have had on other parts of the justice system in 2004-05, including how many times court proceedings have been adjourned while prosecutors were awaiting the results of forensic testing.[158]

The Committee was informed that the Expenditure Review Committee of Cabinet had requested a review of Victoria Police's forensic capacity be undertaken. That review commenced in November 2004 under the direction of a steering committee comprising representatives of the Departments of Justice, Treasury and Finance, and Premier and Cabinet, and Victoria Police. Initial scoping of the review has been

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153 Budget Paper No.3, *2004-05 Service Delivery*, pp.291–292

154 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, pp.461–462

155 Victorian Government, response to the Committee's, *Report on the 2004-2005 Budget Estimates*, tabled 11 May 2005, p.62

156 Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 19 July 2005, p.5, Attachment D

157 ibid.

158 ibid.

completed and an independent modelling exercise analysing future demand for forensic services has been proposed.[159]

The scale of the original DNA backlogs and the ground already made in reducing those backlogs illustrate the urgency of the need for the strengthening of Victoria Police's forensic capacity, as provided for in the 2004-05 Budget. They also highlight the importance of Victoria Police eliminating those backlogs as quickly as possible and focusing on its progress in increasing DNA testing throughput and achieving greater efficiency in the management of its forensic resources.

As signalled by the Committee in its 2004-05 report, the wider benefits of a strengthened forensic capacity to the justice system in terms of solving crime and minimising delays to court proceedings should also become progressively transparent.[160]

The performance material that Victoria Police plans to include in its annual report and budget paper on its Forensic Services Department should be structured in a manner which enables the Parliament to assess, over time, the extent of direct changes in outputs for forensic services and the department's contribution to wider benefits to the justice system.

The Committee recommends that:

Recommendation 92: **Victoria Police include within the performance framework developed for forensic services measures of the extent to which forensic services contribute to wider benefits to the justice system.**

(c) Law Enforcement Assistance Program (LEAP)

(i) Review of LEAP

The findings of a review of LEAP conducted by the Director, Police Integrity, were reported to Parliament in March 2005.[161] This review identified a number of shortcomings in LEAP. The Director, Police Integrity found a culture within Victoria Police which suggested that data on LEAP was 'owned' by Victoria Police rather than recognising the need to manage and protect the information.[162] The report includes 19 recommendations, several of which relate to action designed to strengthen auditing

159 Department of Justice, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.13

160 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.461

161 Office of Police Integrity, *Investigation into Victoria Police's Management of the Law Enforcement Assistance Program (LEAP)*, March 2005

162 ibid., p.1

processes and security over data within the system and to address unauthorised access to and use of information extracted from the system.

Further information provided to the Committee stated that significant work has already been undertaken to address the issues raised by the Director, Police Integrity. The Committee was advised the Chief Commissioner has formed the LEAP Access Task Force which reviewed LEAP Access and produced a report with numerous recommendations. Many of those recommendations paralleled the recommendations of the review conducted by the Office of Police Integrity.[163]

(ii) Managing LEAP

On 22 August 2005, the Premier announced that a new statutory body will be established to manage the operation of LEAP.[164] The Premier stated that the new body will be headed by a statutory officer, the Commissioner for Law Enforcement Data Security, with legislation to be introduced by the end of 2005. The Premier also stated that the new body would be responsible for overseeing the replacement of LEAP, to be rolled out over three years at an estimated cost of $50 million. The Premier added that, as an interim measure, the $5 million set aside in the May Budget will improve security and processes around the LEAP database while the new system is developed.

The changes associated with the management of LEAP followed an interim report by Victoria Police's Ethical Standards Department into a recent inappropriate release of confidential information to a member of the public which revealed a systems failure in the security of the LEAP system. The Premier also commented in the announcement that '*the fundamental issue which must now be addressed is the poor management of the release of confidential information by Victoria Police*.'[165]

The Premier's announcement indicated that the new statutory body will be responsible for the operation of the LEAP database until it is replaced, the security of information within it, and release of any information to outside people. The body will be responsible to the Chief Commissioner of Police to ensure operational independence of Victoria Police, but will have statutory obligations with independent reporting responsibilities.[166]

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163 Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 19 July 2005, p.4, Attachment D

164 Hon. S Bracks, MP, Premier, media release, *Premier announces statutory body to manage LEAP*, 22 August 2005

165 ibid.

166 ibid.

(d) Policing activity during Commonwealth Games

During its estimates hearing, the Committee sought information on the anticipated impact of the 2006 Commonwealth Games on policing activity and the measures Victoria Police is putting in place to ensure that policing resources are available to meet Commonwealth Games security requirements.

The Community was advised that, in order to minimise the impact of the Commonwealth Games on community policing activities, additional police resources will be available during the Games period through cancellation of leave, use of marginal overtime, voluntary duties and the rescheduling of some internal courses and tasks.[167]

On the measures planned to meet Commonwealth Games security requirements, the Committee was informed that:[168]

> *The application of risk management principles in planning Games security has included a requirement that the impact on general policing activity is minimised. This process has been ratified by a high level Inter-Departmental Committee with the Emergency Services Commissioner acting in the capacity as special advisor.*
>
> *By drawing on police resources from the whole of Victoria, the needs of the Games and the community can be met at the same time with a reduced impact on any specific area.*
>
> *Potential impact is further reduced by the provision of resources from the Australian Defence Forces under National Counter Terrorism Coordination arrangements and a small but important support contingent of Interstate specialist police supplied under interoperability arrangements.*
>
> *The Victoria Police 2006 Commonwealth Games Planning Office is currently briefing its senior executives on the Games resource needs that will come from their specific areas. This information will allow Games related impacts to be spread and managed over the twelve months of 2006.*
>
> *Victoria Police is working closely with Games stakeholders to ensure policing activities are confined to safety and security. Strategic use of contract security and authorised officers under the Commonwealth Games Arrangements Act 2001 will minimise the risk of a further call on police resources.*

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167 Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 19 July 2005, p.2, Attachment D

168 ibid.

It will be important for Victoria Police to carefully monitor implementation of its planned strategies in relation to the 2006 Commonwealth Games in order to meet its core community policing obligations during the Games and its responsibilities associated with specific security requirements for the Games.

9.10 Racing portfolio

9.10.1 Key issues affecting the portfolio

(a) Spring racing carnival

At the estimates hearing, the Minister informed the Committee that racing in Victoria is an industry of importance to the Victorian economy as well as community life, cultural heritage and the tourism industry.[169] The Minister advised that the Spring Racing Carnival resulted in an economic benefit to Victoria of over $467 million in 2004 (the highest impact of any annual event in Australia[170]), including $74 million of economic benefit to country Victoria.[171] In spite of inclement weather, there were attendances of over 650,000 across the state.[172] Of these attendances, from a tourism perspective 25,000 international and 75,000 interstate visitors were attracted to Victoria.[173]

The Minister pointed out in relation to country Victoria that a number of country cups also form part of the Spring Racing Carnival, while other events occur in regional areas throughout the year such as the three-day Warrnambool Cup carnival in May.[174]

At the estimates hearing, the Minister tabled a document titled *Spring Racing Carnival, Economic Benefit, 2004* that included information covering attendances, spending, the gross economic benefit to Victoria, the value-added contribution to gross state product and employment benefits.[175] The Committee noted that, while the report identified the gross economic benefit (defined as the value of output or final sales revenue generated by the carnival) as $467.4 million, the value-added contribution to gross state product totalling $251.5 million provided for the first time a more complete assessment of the carnival's economic benefits according to the study.[176]

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169 Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.2

170 Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, 9 June 2005, presentation slide 4

171 Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.2

172 ibid.

173 ibid., p.3

174 ibid., pp.2–3

175 ibid.

176 Spring Racing Carnival, Economic Benefit, 2004, p.6

The Committee is supportive of studies that quantify the economic impacts of major events that occur in Victoria because, in addition to enhancing accountability and, as was the case in this instance, improving the quality of information provided to the parliamentary committee, it provides information that can be analysed for the purpose of continuously improving the staging of the particular event.

The Committee recommends that:

Recommendation 93: **The government evaluate the desirability of expanding analyses that quantify the economic impact of major events that are staged on a recurring basis in Victoria.**

(b) Funding for Victoria's country racing program

Country Racing Victoria calculates the contribution of racing to regional economies to be over $900 million per annum, with investment in the industry, both capital and jobs, over the last five years to be in excess of $5.2 billion.[177] The Minister indicated that there has been a 13 per cent increase in attendance in country race meetings over the past three years.[178]

The Minister informed the Committee that the government recognises the importance of country racing to communities across the state and the critical role played by racing infrastructure, especially in smaller and more remote communities.[179] That is why in 2000 the government introduced the Living Country Racing program to ensure the sustainability of country racing and encourage increased use of racing facilities by the broader community.[180]

The Gaming and Racing Industry Management output cost for 2005-06 of $5 million includes $375,000 for the Living Country Racing program,[181] which amounts to 7.5 per cent of the output funding. The Minister advised that this brought total funding from the program since 2000 to just over $2 million.[182] The program has been extended by the government through the provision of $1.5 million in total over four years.[183] The grant guidelines for administering this program state that this initiative is designed to assist with the upgrade and improvement of facilities at country

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177 Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.2

178 Hon. J Pandazopoulos, MP, Minister for Racing, media release, *Racetrack facelift gives country club stable future*, 22 January 2005

179 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.1

180 ibid.

181 ibid., p.2

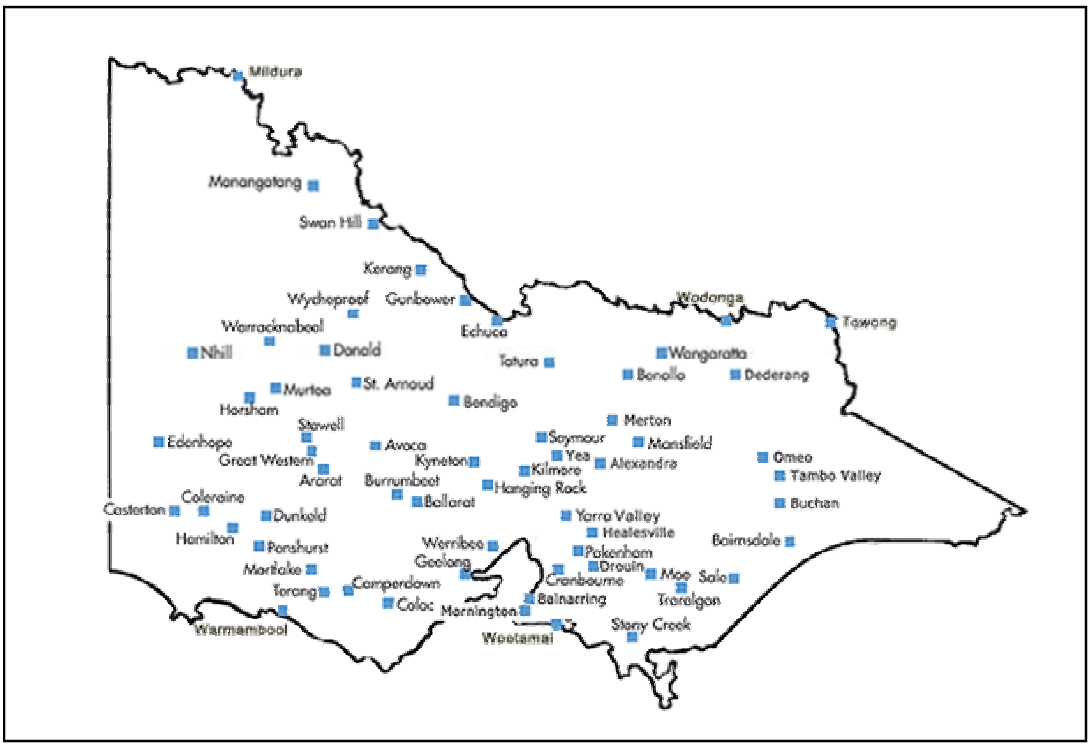
182 ibid., p.1

183 Department of Justice, *Victoria's Racing Tourism Plan 2005–07*, Minister's Foreword

thoroughbred, harness and greyhound racing venues.[184] Priority will be given to capital works projects and significant asset equipment purchases that have a demonstrable community benefit in addition to the racing aspect.[185]

With 81 country racing clubs sharing in this funding, the Committee was informed that 145 minor capital works had been undertaken that provided benefits to the respective clubs and their communities.[186] Exhibit 9.15 shows the breadth of country racing throughout Victoria.

Exhibit 9.15: Victoria's country racing clubs



Source: Country Racing Victoria web site, country racecourses, accessed 28 July 2005

With the 2005-06 budget disclosing a target of 70 Living Country Racing program grant applications to be processed in 2005-06, the Committee was interested in the benefits accruing to Victorian communities as a direct result of the program. Examples cited by the Minister were playgrounds, female driver change facilities, the identification of local bore water and a portable cool room.[187]

184 Department of Justice web site, *Living country racing program funding guidelines*, www.justice.vic.gov.au accessed 28 July 2005

185 ibid.

186 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.1

187 Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, transcript of evidence, 9 June 2005, pp.4–5

The Committee notes the establishment in January 2005 of an $8 million Racing Community Development Fund over two years to support Victoria's thoroughbred, harness and greyhound racing industries.[188] Initiatives to be spread across country Victoria will include veterinary research, drug testing, disease control programs, the promotion of Women in Racing and Welfare initiatives, including the purchase of new horse ambulances.[189]

Other projects to receive funding will involve rider training, the promotion of regional tourism through racing, a Junior Development program as well as a number of capital works initiatives.[190]

In view of the wide dispersion of funding to a large number of recipients throughout Victoria's racing industry, the Committee considers that it is important for the government to keep track of whether, on a statewide basis, these moneys have been effectively spent.

The Committee recommends that:

Recommendation 94: **The Department of Justice evaluate, after a sufficient lead time, the outcomes realised from government funding in terms of enhancing the growth and development of the Victorian country racing industry.**

(c) Racing tourism

The Committee was advised of the following potential benefits to the government and the racing industry from Victoria's *Racing Tourism Plan 2005-07*:[191]

> *There are some very good examples of where racing works from a tourism point of view, such as the Spring Racing Carnival. But there are more opportunities beyond that carnival in regional areas, where we can grow a better understanding of the tourism industry in racing, and it is about trying to get more yield at a number of events. So beyond the Spring Racing Carnival, how can we get more visitors, because at the end of the day the racing industry wants more people on course? If you get more people on course, the objective in tourism is not just to get people to turn up and spend their bucks on course, you want them to stay overnight, explore the region, and use racecourses to showcase the region… There are a whole lot of things that you can do under the heading of racing tourism, which is about building profile, increasing*

188 Hon. J Pandazopoulos, MP, Minister for Racing, media release, *$8 million gee up for Victorian Racing*, 13 January 2005

189 ibid.

190 ibid.

191 Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.6

visitation, yield and length of stay in regional areas, and from that growing the reputation we have, as one of the top four racing destinations in the world.

The purpose of Victoria's Racing Tourism Plan 2005-07 is to enhance Victoria's position as Australia's racing capital by increasing the tourism benefits associated with Victoria's racing industry and to encourage increased communication between Victoria's racing and tourism industries.[192]

To gain an understanding of the tourism possibilities of the many country venues, the Committee selected one site at random from the Country Racing Victoria website as an example. In doing so, the Committee noted the following tourist attractions that related to the Terang Racing Club: Lake Keilambete, Mt Noorat, Terang Recreation Reserve, Cottage Crafts, The Spiders Web (crafts), bowls, croquet, fishing, golf, scenic drives, swimming (pool), tennis and trotting.[193]

The Committee's examination of the racing tourism plan for the three racing codes revealed that, while it disclosed objectives, strategies, actions, responsibilities and timing/milestones, there was a lack of quantifiable targets, funding/costing details and timeframes in which to measure the cost effectiveness of the program.[194]

The Committee recommends that:

Recommendation 95: **The Department of Justice, in conjunction with Tourism Victoria, quantify the tourism benefits expected to accrue from implementing Victoria's Racing Tourism Plan 2005-07, together with costing details, so that the cost effectiveness of the plan can be measured in future years.**

(d) Impact of the drought on the racing industry

The Minister brought to the Committee's attention that, as racecourses need significant amounts of water to maintain a safe operating environment, racing has felt the impact of the drought like many industries based in country Victoria.[195] In times of drought this can present difficulties, especially for smaller, less advantaged racing clubs.[196] The racing industry is one of the state's largest water users.[197]

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192 Department of Justice, *Victoria's Racing Tourism Plan 2005–07*, Minister's Foreword

193 Country Racing Victoria Ltd, *Country Racecourses* www.countryracing.com.au, accessed 28 July 2005

194 Department of Justice, *Victoria's Racing Tourism Plan 2005–07*, pp.17–42

195 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.5

196 ibid.

197 Victorian Water Trust, *Smart Water Fund Newsletter*, November 2004, p.3, www.smartwater.com.au accessed 1 August 2005

In May 2004, Racing Victoria Limited (RVL) released the findings of a major study titled *Drought Proofing Racing*, which investigated potential water conservation measures and alternative water sources at 11 racecourse venues in and around Melbourne.[198] The study, funded in part with $100,000 from the government's Smart Water Fund,[199] considered a variety of metropolitan and country racecourses as well as picnic racetracks and training venues including: Balnarring; Caulfield; Cranbourne Racing Centre; Cranbourne Training Complex; Healesville; Moonee Valley; Mornington; Pakenham; Sandown; Werribee and Yarra Glen.[200] The strategy aims to improve water efficiency and management, saving around 180 megalitres a year.[201]

As a result of the study, the Committee learned that RVL plans to conduct a demonstration project during 2005-06, including planning for recycled water connection and site drainage collection at the Cranbourne Training Centre and Cranbourne Racecourse.[202] However, according to RVL, the timing of the project will depend on the progress of the South East pipeline extension to the Eastern Irrigation Scheme.[203]

During 2004-05 the Victorian Government, through the Living Country Racing program, provided funding totalling in excess of $60,000 to five country racing clubs for projects to minimise the risk of losing race meetings due to drought conditions.[204] As part of the 2005 funding round of the program, the Committee was advised that the issue of drought protection has been promoted among examples of good practice and the government expects to see similar applications for funding support as part of this funding round.[205]

Given that more than a year has elapsed since the findings of the major drought study of the racing industry in Victoria were released, the Committee considers that the commencement of the resultant demonstration project should not be unduly delayed.

198 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.5
199 Victorian Water Trust, *Smart Water Fund Newsletter*, November 2004, p.3, www.smartwater.com.au accessed 1 August 2005
200 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.5
201 Victorian Water Trust, *Smart Water Fund Newsletter*, November 2004, p.3, www.smartwater.com.au accessed 1 August 2005
202 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.5
203 ibid.
204 ibid.
205 ibid.

The Committee recommends that:

Recommendation 96: **In the event of any prolonged delays in the planning for recycled water connection and site drainage collection at the Cranbourne Training Centre and Cranbourne Racecourse, the government consider an alternative site for a demonstration project to ensure potential water conservation measures are implemented and alternative sources are identified in a timely manner to minimise the impact of the drought on country racecourses.**

(e) Off-shore betting exchanges

(i) Background

The Committee reported in its 2004-05 Budget Estimates Report that betting exchanges operate by providing an online brokerage service between two or more bettors on a particular event.[206] As the service is operated via the internet, the Minister advised that the government is unable to control its operations, despite it being against Victorian law.[207] As the federal government decided in July 2004 not to intervene in the matter, the Minister for Racing informed the Committee during that month that the Victorian Government would review its capacity to ensure the Victorian racing industry was in a position to protect itself from activities of unregulated Internet-based wagering providers.[208] The Committee considered that in the absence of a unified national approach, it would remain very difficult to attempt to control off-shore betting exchanges that use the Internet.[209]

Given this background, the Committee was interested in continuing with its enquiries, as part of the 2005-06 estimates process, regarding the impact of off-shore betting ventures on government revenue foregone during 2004-05, the impact on the racing industry if betting exchanges were to be licensed in Victoria and the status of current developments in this area.

206 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.495
207 ibid., p.496
208 ibid.
209 ibid.

(ii) Impact of betting exchanges

Due to the unregulated nature of off-shore betting, the Committee learnt that it is impossible to accurately determine the extent to which wagering turnover is diverted away from licensed betting operators, with the resultant loss of revenue to both the racing industry and government.[210] However, the report of the Betting Exchange Taskforce, accepted by the Australasian Racing Ministers in 2003, indicated a potential diversion of wagering turnover of $600 million to Internet-based betting exchanges alone.[211] This would indicate a projected loss of government revenue, based on current tax of around 4.5 per cent of totalisator turnover, of at least $27 million across Australia, with even greater losses in revenue to the racing industry.[212]

The Committee was informed by the Minister that the establishment of a licensed betting exchange within Australia would also be likely to have a profound impact on the integrity and the perception of the integrity of Australian (and Victorian) racing.[213] A repeat of the British experience to date, which has seen British Police make a large number of arrests of high profile racing industry personnel, including jockeys and other industry-associated people such as farriers, would quickly erode the confidence of the betting public.[214] The Minister also brought to the Committee's attention that TABCORP Holdings Limited currently has an exclusive wagering licence in Victoria until 2012.[215]

The Committee was told by the Minister that, if a betting exchange was to become licensed in another Australian jurisdiction, the impact on Victorian racing was likely to be significant.[216] Such a licence would provide a betting exchange with an air of legitimacy and would be likely to result in a significant and growing diversion of wagering turnover away from totalisators, particularly among younger, more computer savvy punters.[217]

Profits from totalisator wagering are currently returned to the racing industry via a joint venture agreement between TABCORP and the Victorian Racing Industry, a legally constituted racing industry representative body.[218] Ultimately these funds are directed to racing clubs and the vast majority is returned to owners as prize money and allowances (breeders' incentives etc).[219] This revenue is the life blood of the racing industry and any reduction in returns to owners would likely see a sudden and

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210 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.2
211 ibid.
212 ibid., p.3
213 ibid.
214 ibid.
215 ibid.
216 ibid.
217 ibid.
218 Hon. J Pandazopoulos, MP, Minister for Racing, response to the Committee's follow-up questions, received 26 July 2005, p.4
219 ibid.

dramatic downturn in the industry.[220] The impact on Victorian Government revenue, currently in excess of $105 million per annum, would directly reflect any downturn in totalisator turnover resulting from diversion to an Australian-based betting exchange.[221]

(iii) Current developments

The Victorian Government has supported the submissions of the Australian Racing Board, representing all racing industry bodies and codes in Australia, and the action it has taken under its powers to defend the integrity and financial security of racing from the operation of unlicensed operators.[222] At the national level, the Minister advised that practical solutions to threats posed by the advent of betting exchanges have been investigated.[223]

There is already a raft of legislation in place prohibiting unauthorised wagering activities in Victoria.[224] The government has recently introduced additional legislation into Parliament to ensure that illegal operators are further restricted in their use of Victoria's racing product, specifically to prohibit the publishing of race field data without appropriate authority.[225] This is consistent with existing law in New South Wales.[226]

The government has also advised Betfair, the UK-based betting exchange, that it is offending Victorian law by accepting bets from Victorian residents.[227] It has been requested to place a notice on its website to ensure that Victorian residents do not unknowingly offend state law in this matter.[228] The Committee understands that Betfair has complied with similar requests from New South Wales and Western Australia.[229]

(f) Government taxes rebated to industry

According to the 2005-06 budget, the new health benefit levy of $3,033.33 on each electronic gaming machine (an increase in the annual health benefit levy by $1,500 per machine) will raise an additional $45 million each year, which will be transferred into the Hospitals and Charities Fund.[230]

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220 ibid.
221 ibid.
222 ibid., p.3
223 ibid.
224 ibid.
225 ibid.
226 ibid.
227 ibid.
228 ibid.
229 ibid.
230 Budget Paper No.4, *2005–06 Statement of Finances*, p.155

The Committee noted that the government would provide a one-off $3.5 million assistance package in 2005-06 to the racing industry to ensure they are unaffected by the change.[231]

At the estimates hearing, the Committee sought an explanation from the Minister as to whether the government will compensate the racing industry for the difference between the rebate of $3.5 million to be provided in 2005-06 and the estimated cost to the racing industry of $5.1 million as a result of increasing the annual health benefit levy. The Committee was also interested in clarifying whether the compensation would be ongoing beyond 2005-06.

The Minister for Racing advised that the tax and the rebate is an issue for the Treasurer and there are ongoing discussions with the racing industry.[232]

The Committee recommends that:

Recommendation 97: **The government ensure that the racing industry is adequately compensated for the 2005-06 budget initiative to increase the annual health benefit levy from $1,533.33 to $3,033.33 on each electronic gaming machine.**

[231] Hon. J Brumby, MP, Treasurer, media release, *Gaming levy increase to boost Victoria's health system,* 13 April 2005

[232] Hon. J Pandazopoulos, MP, Minister for Racing, 2005–06 Budget Estimates hearing, transcript of evidence, 9 June 2005, p.5

CHAPTER 10: DEPARTMENT OF PREMIER AND CABINET

Key findings of the Committee:

10.1 **The Department of Premier and Cabinet's budget allocation for 2005-06 was $477.6 million, an increase of $28 million (6.2 per cent) on the estimated actual result for 2004-05. The increased funding includes: $10.5 million for the establishment of the State Services Authority, $3.5 million for the Tsunami Development Reconstruction Fund and $3.3 million for the Office of the Chief Information Officer for the capital asset charge and depreciation expenses.**

10.2 **The Department has advised that the estimated carry forward from 2004-05 to 2005-06 was $2,855,000 for output funding and $12,302,000 for capital funding.**

10.3 **The department is required to find savings of $1 million in 2005-06. This will be achieved through reduced use of consultants and contractors and improvements in administration and contract management.**

10.4 **The department has advised that there were an estimated 533.9 equivalent full-time staff at June 2005. The department expects staff numbers to remain stable in 2005-06 with the exception of the State Services Authority which is expected to increase its staff establishment. There may also be further increases in the Office of Police Integrity and in the Office of the Ombudsman.**

10.5 **Given the government's significant investment in the Australian and New Zealand School of Government, it is important that the Department of Premier and Cabinet conduct a longitudinal study of graduates after course completion. This will enable an examination of the potential to improve the delivery and content of the program in the light of participants' subsequent management experience and to encourage increased participation rates in segments of the workforce where there are likely to be difficulties in filling key roles.**

10.6 **Victoria lags behind other jurisdictions (such as the United Kingdom, Canada and Western Australia) in providing comprehensive whole of government reporting of outcomes with clear linkages to the activities of all public sector agencies, and regular progress reporting on the degree to which outcomes have been achieved.**

10.7 The Museums Board of Victoria reported accumulated losses totalling $42.31 million to 30 June 2004. The National Gallery of Victoria incurred an operating loss of $8.8 million at 30 June 2004, however after fundraising revenue was taken into account, it reported a surplus of $30.1 million.

10.8 The Australian Bureau of Statistics reported that Victoria's spending per person on cultural funding in 2003-04 was less than other states.

10.9 The Federation Square and St. Kilda Road sites of the National Gallery of Victoria will be closed on Monday and Tuesday respectively from October 2005. This decision has been largely prompted by financial considerations.

10.10 The 2003-04 annual report of the National Gallery of Victoria indicated they have cultural assets valued at $1.83 billion and similarly, the 2003-04 annual report of the Museums Board of Victoria indicates collections valued at nearly $230 million.

10.11 The performance measures contained in the 2005-06 budget do not address the stewardship of cultural assets, and the Victorian Government's arts policy framework (*Creative Capacity +)* makes only a limited reference to this issue.

Departmental review

10.1 Output management framework

Exhibit 10.1 presents the ministerial responsibilities for outputs in the Department of Premier and Cabinet.

Exhibit 10.1: Department of Premier and Cabinet Ministerial responsibilities

Outputs/output groups	Responsible Minister		
	Arts	Premier's	Information and Communication Technology
Strategic policy advice and projects			
Strategic policy advice		✓	
Strategic policy projects		✓	
Government information services and support		✓	
Protocol and special events		✓	
ICT strategy and services			✓
Public sector management, governance and support			
Advice and support to the Governor		✓	
State Services Authority		✓	
Ombudsman services		✓	
Chief parliamentary counsel services		✓	
Arts and cultural development			
Arts development and access	✓		
Creating place and space	✓		
Portfolio services and policy	✓		
Arts portfolio agencies	✓		

Source: Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.1

10.2 Internal/external reviews

The Committee was advised that the department undertook a review of output performance measures in 2004-05 to update the measures in 2005-06. To provide continuity and consistency of measurement between financial years, the department indicated that these measures had not significantly altered, but were redefined in terms of:[1]

[1] Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.6

- relevance to the output;
- ability to be measured; and
- consistency of descriptors across departmental outputs.

Further comment on the 2005-06 performance measures is contained in section 10.5.1 and 10.6.1 of this report.

10.3 Budget summary – output costs

Exhibit 10.2 below outlines the department's output costs for 2004-05 and 2005-06.

Exhibit 10.2: Department of Premier and Cabinet Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Strategic policy advice and projects				
Strategic policy advice	23.5	26.9	27.5	2.2
Strategic policy projects	4.0	9.6	11.0	14.6
Government information services and support	31.5	34.0	35.4	4.1
Protocol and special events	1.7	1.8	1.8	0.0
ICT strategies and services	8.4	9.9	13.2	33.3
Sub-total	**69.1**	**82.2**	**88.9**	**8.2**
Public sector management, governance and support				
Advice and support to the Governor	8.0	8.1	8.3	2.5
State Services Authority	n/a	n/a	10.5	n/a
Ombudsman services	4.8	13.7	15.8	15.3
Chief parliamentary counsel services	3.9	4.2	4.1	-2.4
Sub-total	**(c) 22.1**	**(c) 32.0**	**38.7**	**20.9**

Exhibit 10.2: Department of Premier and Cabinet Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Arts and cultural development				
Arts development and access	32.8	28.0	30.9	10.4
Creating place and space	86.9	81.7	87.4	7.0
Portfolio services and policy	3.0	3.0	3.0	0.0
Arts portfolio agencies	218.4	222.7	228.7	2.7
Sub-total	**341.1**	**335.4**	**350.0**	**4.4**
Total	**(c) 432.3**	**(c) 449.6**	**477.6**	**6.2**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting[2]

(c) 2004-05 output cost data is not available for all outputs following the restructure of the department's outputs. Individual output costs therefore do not add to the department's total output costs. Sourced from Budget Paper No.3, 2005-06 Service Delivery, p.172

Source: Budget Paper No.3, 2005-06 Service Delivery, pp.172–183

The 2005-06 Budget indicates that there will be $168.4 million in total output initiatives to 2008-09 of which $40 million will be allocated for 2005-06. This funding includes provision for two major initiatives:

- the State Services Authority ($10.4 million provided in 2005-06 and $45.8 million to 2008-09), where 35 staff have been transferred from the Office of Public Employment and the Office of Workforce Development with others recruited to make a total staff complement of about 65 to 70;[3] and
- the Boxing Day Tsunami Disaster Reconstruction Fund ($3.5 million in 2005-06 and $10 million to 2008-09), which is funded within the Strategic Policy Projects output,[4] to support medium to long term rebuilding projects such as schools, hospitals and water supplies as part of reconstruction efforts in southern Asian countries.[5] The Secretary of the Department of Premier and

2 Budget Paper No.3, *2005-06 Service Delivery*, p.171
3 Hon. S Bracks, MP, Premier, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.8
4 Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.21
5 Budget Paper No.3, *2005-06 Service Delivery*, p.305

Cabinet advised that an experienced Director had been appointed to manage the fund.[6]

The increase in the 2005-06 target compared with the 2004-05 estimated actual expenditure for the ICT Strategies and Services output was due to increased funding for the capital asset charge and depreciation for 2005-06.[7]

The budget papers outline a range of asset initiatives with a total estimated investment (TEI) of $64.7 million to 2008-09. The major initiatives include:[8]

- maintenance of arts and cultural facilities ($6 million in 2005-06 with a TEI of $21 million) to help maintain the existing asset base of state owned institutions valued at over $4 billion, by providing funding for minor capital works and equipment;
- the Melbourne Recital Centre and Melbourne Theatre Company ($17.4 million in 2005-06 with a TEI of $27.2 million), where there has been an increase in funding for items such as changes in scope and fit-out associated with the construction of these facilities; and
- the State Library of Victoria storage facility ($8 million in 2005-06 with a TEI of $11.5 million) where funding is provided to improve the storage and consolidation of its offsite collection.

10.3.1 Departmental savings

The department is required to find savings of $1 million in 2005-06.[9] The department advised that this will be achieved through reduced use of consultants and contractors and improvements in administration and contract management.[10]

10.3.2 Financial analysis

(a) Operating performance

The department expects to receive $496.7 million in revenue in 2005-06 which is 8.3 per cent higher than the estimated actual outcome for 2004-05. Expenditure in 2005-06 is expected to increase by 4.8 per cent in comparison to estimated actual 2004-05 expenditure.

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6 Mr T Moran, Secretary, Department of Premier and Cabinet, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.23

7 Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.21

8 Budget Paper No. 3, 2005-06 *Service Delivery*, pp.304, 306

9 ibid., pp.303, 305

10 Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.27

Exhibit 10.3: Department of Premier and Cabinet Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	458.6	496.7	8.3
Expenses	460.1	482.1	4.8
Net result	**-1.5**	**14.6**	**1073.3**
Administered items			
Administered income	5.6	1.0	-82.1
Administered expenses	5.6	1.0	-82.1
Income less expenses	**0.0**	**0.0**	**0.0**

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.101, 104

The 2005-06 Budget indicates that increases in operational income provided by the government for existing and new output initiatives account for most of the expected $38 million increase in income in 2005-06 compared with 2004-05. These initiatives include additional funding to cover consumer price index increases ($10 million), and additional operating funding for the State Services Authority and sustainable funding for the Australian Centre for the Moving Image ($5 million each).[11]

(b) Balance sheet position

The department's net asset position is expected to improve by $83.1 million between 30 June 2005 and 30 June 2006. The 2005-06 Budget indicates that this is due to the re-phasing of capital expenditure for the State Library of Victoria and additional funding for initiatives such as the Melbourne Recital Centre and Melbourne Theatre Company.[12]

[11] Budget Paper No.4, *2005-06 Statement of Finances*, p.100
[12] ibid., pp.100–101

Exhibit 10.4: Department of Premier and Cabinet Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	3, 763.8	3,845.9	2.2
Liabilities	78.3	77.3	-1.3
Net assets	**3685.5**	**3,768.6**	**2.3**
Administered items			
Administered assets	5.3	3.6	-32.1
Administered liabilities	5.3	3.5	-34.0

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome*

(b) the 2005-06 output cost is prepared on an Australian equivalents to International Financial Reporting Standards (A-IFRS) basis

Source: *Budget Paper No.4, 2005-06 Statement of Finances, pp.103–104*

10.3.3 Carry over funding

The department has advised that the estimated carry forward from 2004-05 to 2005-06 was $2,855,000 for output funding and $12,302,000 for capital funding.[13]

10.3.4 Trust funds

The department advised it has a 2004-05 closing total trust fund balance of $17.9 million, a reduction of $3.2 million since its 2004-05 opening balance. Most of the reductions occurred in the Treasury Trust which had expenditure of $1.3 million and in the Arts Fund of $3.3 million.[14] The Treasury Trust was established to record the receipt and disbursement of unclaimed moneys, while the Arts Fund '*provides funds to develop and improve knowledge, understanding appreciation and practice of arts in Victoria'*.[15]

The majority of the 2004-05 trust fund balance comprised the Yarra Arts Precinct Integration Trust, which was established in 2002 to receive and distribute funds from Crown Ltd in relation to the Yarra Arts Precinct Integration Project.[16] The fund had an

[13] Department of Premier and Cabinet, email, dated 16 November 2005

[14] Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.23

[15] Department of Treasury and Finance, *Listing of Trust Fund History*, www.dtf.vic.gov.au accessed 14 April 2005

[16] ibid.

opening balance of $16.5 million and a closing balance of $16.8 million in 2004-05. Revenue received during 2004-05 was $300,000 but no expenditure was incurred.[17]

The Committee noted that the 2005-06 Budget includes asset initiatives of $17.4 million in 2005-06 and $9.8 million in 2006-07 for these two facilities. The Committee expects that the Yarra Precinct Arts Integration Trust would be drawn down to contribute to these projects.[18]

10.4 Human resources issues

The department provided information on staffing levels at June 2004 and 2005.

Exhibit 10.5: Department of Premier and Cabinet
Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate
Department of Premier and Cabinet		
Ongoing	244.4	249.1
Fixed Term	56.5	45.0
Casual	20.0	17.0
Sub total	**320.9**	**311.1**
Office of the Chief Parliamentary Counsel		
Ongoing	27.6	27.0
Fixed term	5.0	5.0
Casual	n/a	n/a
Sub total	**32.6**	**31.9**
Office of the Governor		
Ongoing	24.0	24.5
Fixed term	6.0	3.0
Casual	36.0	44.0
Sub total	**66.0**	**71.5**

[17] Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, p.23

[18] Budget Paper No.3, *2005-06 Service Delivery*, p.306

Exhibit 10.5: Department of Premier and Cabinet Equivalent full-time staff *(continued)*

	June 2004 Actual	June 2005 Estimate
Office of Public Employment		
Ongoing	13.2	
Fixed term	6.5	
Casual	n/a	
Sub total	**19.7**	
Office of the Ombudsman		
Ongoing	23.6	63.8
Fixed term	11.0	10.0
Casual	12.0	10.0
Sub total	**46.6**	**83.8**
State Services Authority		
Ongoing		26.6
Fixed term		9.0
Casual		n/a
Sub total		**35.6**
Total	**485.8**	**533.9**

Source: Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, pp.9–11

Staff numbers were expected to remain stable in 2005-06 with the exception of the State Services Authority, which is expected to engage further staff. The establishment of the Office of Police Integrity and additional funding for the Ombudsman may result in staff increases.[19]

[19] Department of Premier and Cabinet, response to the Committee's 2005-06 Budget Estimates questionnaire, received 5 May 2005, pp.11–12

Review of portfolios

10.5 Arts portfolio

10.5.1 Performance measures

The Committee considers that performance measures within the Arts and Cultural Development output group could be made more meaningful and informative, to the Parliament and the general community. Such improvements particularly relate to the quality measures. For example, the quality measure for the Arts Development and Access output and the Creating Place and Space output is the percentage of both *grants recipients who met or exceeded agreed outcomes and success measures of projects achieved*. The Committee considers that it is difficult to ascertain what specifically has or will be achieved through the provision of public funds for these outputs. In 2005-06, it is expected that expenditure for these two outputs will be $118.3 million.

The Committee also notes that for other outputs within the Arts and Cultural Development output group (the Portfolio Services and Policy output and the Arts Portfolio Agencies output) the quality measures are based on satisfaction ratings. The Committee has cautioned elsewhere in this report (see Department for Victorian Communities - Women's Affairs) about relying on satisfaction ratings as a robust quality measure. Research has consistently found that high levels of satisfaction are recorded irrespective of the method used, population sampled or the subject of the rating.[20] The Committee considers that, while it is important to obtain the views of visitors, other methods such as ratings against specific measurable criteria are preferable.

Finally, the Committee believes that the measures of progress contained in the *Creative Capacity + Arts for all Victorians* initiative should be reflected in the budget performance measures. Under the *Arts for all Victorians: a culture of participation* goal, for example, it is anticipated that more Victorians from varied backgrounds will engage in cultural activities.[21] This will require the collection of more detailed visitor information such as ethnicity and appropriate performance measures will need to be developed.

The Minister advised that progress on implementing *Creative Capacity* + will be reported annually in *Art-Look* which was first published in June 2005. The Minister also indicated that this report established baseline data for access and participation.[22]

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20 S. Bayley, Evaluation Journal of Australasia, *Measuring customer satisfaction*, March 2001

21 Arts Victoria, *Creative Capacity + Arts for all Victorians*, www.arts.vic.gov.au accessed 11 November 2005, p.12

22 Hon. M Delahunty, MP, Minister for Arts, response to the Committee's follow-up questions, received 22 July 2005, p.2

Future performance reporting in the budget papers should be relative to the baseline established.

The Committee recommends that:

Recommendation 98: **The Department of Premier and Cabinet, in conjunction with Arts Victoria, review the performance measures for the Arts and Cultural Development output group to ensure they:**

(a) are more informative in terms of the outcomes achieved and improve the reliability and robustness of the methods used to assess quality;

(b) reflect the priorities and measures of progress contained in the *Creative Capacity* + *Arts for all Victorians* framework, with performance reporting occurring relative to established baseline data where relevant; and

(c) establish new data collection methods relating to the new performance measures.

10.5.2 Key issues affecting the portfolio

(a) Financial sustainability of cultural institutions

The Committee's *Report on the 2003-2004 Budget Outcomes* highlighted issues of financial sustainability relating to the National Gallery of Victoria (NGV) and the operating activities of the Museums Board of Victoria.[23] The report highlighted that the Museums Board of Victoria had accumulated losses totalling $42.31 million at 30 June 2004. The report also indicated that the NGV incurred an operating loss of $8.8 million for 2003-04[24] although income from fundraising resulted in a surplus of $30.1 million.[25] The Committee will continue to monitor the financial position of the NGV and the Museums Board of Victoria and the effectiveness of strategies to address the financial difficulties facing these institutions.

The Committee noted that Australian Bureau of Statistics (ABS) data indicated that the Victorian Government spent less on cultural funding than other states in 2003-04. The ABS defines cultural funding as government spending on museums and art

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23 Public Accounts and Estimates Committee, *Report on 2003-2004 Budget Outcomes*, April 2005, pp.271-274

24 ibid.

25 National Gallery of Victoria, *2003-04 Annual Report*, p.129

galleries as well as on broadcasting, film, libraries, performing and visual arts and parks and zoos. Victoria's spending was $89.05 per person in 2003-04 compared with the national average of $117.84.[26]

The National Gallery was provided with $1.2 million in the 2005-06 budget for additional support in managing two campuses – St. Kilda Road and Federation Square. An additional $400,000 has been provided for 2007-08 and $1.1 million for 2008-09.[27]

The Committee sees value in undertaking a benchmarking review of government funding that other states provide to institutions comparable to the NGV, and the Melbourne and Scienceworks Museums. This exercise should focus on the level of sustainable funding provided over time, with discounting for factors such as funding of one-off costs. The costs associated with the moving and storage necessitated by the NGV's renovations are an example of a one-off cost. The level of donations received from benefactors could also be taken into account. This study should act as a guide to future budget discussions with the government.

The Committee recommends that:

Recommendation 99: **To guide future budget discussions with the Victorian Government, Arts Victoria commission a study to benchmark the level of funding provided to major cultural institutions in other states in comparison with Victoria.**

(b) Weekday closure of the National Gallery of Victoria

The Committee noted that the NGV's board of trustees announced that its two campuses at Federation Square and St. Kilda Road would close on Monday and Tuesday respectively from October 2005. These closures have primarily been prompted by the difficult financial position faced by the Gallery.[28]

Arts Victoria's *Creative Capacity + Arts for all Victorians*, which provides the arts policy framework for the next decade, includes as one of its main goals that Victorians should have access to arts and cultural activities.[29] The decision to close on Mondays and Tuesdays will limit some opportunities to access the arts and potentially reduce the level of public participation. Apart from the local community, short term interstate and overseas visitors are also likely to be affected. The Committee would prefer that the weekday closures of the two NGV sites was not viewed as a long term measure

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26 K Strickland, 'Cultural capitals also the stingiest', *The Australian* newspaper, 24 August 2005, p.5
27 Budget Paper No.3, *2005-06 Service Delivery*, pp.302, 304.
28 Editorial, 'Cutting the canvas to fit the frame', *The Age* newspaper, 1 August 2005, p.12
29 Arts Victoria, *Creative Capacity + Arts for all Victorians*, www.arts.vic.gov.au accessed 11 November 2005, p.12

and that this decision would be kept under active review, particularly if the Gallery's financial position subsequently improved.

The Committee recommends that:

Recommendation 100: **The National Gallery of Victoria keep under active review its decision to close the Federation Square and St. Kilda Road sites on certain weekdays, particularly in light of any subsequent improvements in its financial position.**

(c) Stewardship of collections

The Committee considers that one of the more vital roles of cultural institutions is to provide stewardship over their collections, to preserve and conserve these assets for future generations. This includes monitoring, documenting and researching the condition of the collection; determining the priority for works requiring attention; and establishing proper environmental storage conditions over works in the collection or on loan. With the current constraints on expenditure, the priority of conserving and exhibiting existing works held in the collection becomes of paramount importance.

The Committee noted that the *Creative Capacity + Arts for all Victorians* framework includes reference to preserving and conserving cultural material through strategic partnerships, as part of the Creating Place and Space strategy. However, the Committee would prefer that this issue had received greater prominence within this policy framework.[30]

The Committee found that performance measures contained in the 2005-06 Budget Papers covered issues such as:[31]

- access to a diverse range of supported projects;
- attendance at major festivals;
- the number of services or outputs – number of major projects managed;
- the diversity of services – the diverse range of product, producers, and cultural venues supported; and
- satisfaction levels – the number of visitors satisfied with a visit.

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30 Arts Victoria, *Creative Capacity + Arts for all Victorians*, www.arts.vic.gov.au accessed 11 November 2005, p.24

31 Budget Paper No.3, *2005-06 Service Delivery*, pp.180–183

The National Gallery of Victoria's annual report for 2003-04 indicates cultural assets valued at $1.83 billion.[32] The Museums Board of Victoria's 2003-04 annual report indicates it has total collections valued at $228.8 million,[33] however, the Committee found there were no performance measures in the 2005-06 Budget Papers relating to the adequacy of the stewardship or custodianship of Victoria's cultural assets.

The Committee believes that the condition surveys and the outcomes from these surveys could form both a quantity and quality performance measure for inclusion in the 2006-07 Budget Papers. The Committee would like to see additional supplementation of *Creative Capacity* + to increase the focus on this vital role for Victoria's cultural institutions.

The Committee recommends that:

Recommendation 101: **Arts Victoria, in conjunction with key cultural institutions, give increased prominence in the 2006-07 Budget Papers to reporting on the stewardship of cultural assets.**

10.6 Premier's portfolio

10.6.1 Performance measures

There were 22 new performance measures included in the output groups for which the Premier has responsibility:[34]

- seven related to the Ombudsman Services output, partly reflecting the establishment of the Office of Policy Integrity;
- six related to the establishment of the State Services Authority output; and
- nine related to measures in the Strategic Policy Advice and Projects output group. Five measures assessed a 'policy services rating' applied by key stakeholders.

There were 41 performance measures discontinued in the 2005-06 Budget Papers, most of which related to the merged outputs forming the State Services Authority output (13 measures) and the Government Information and Support output

32 National Gallery of Victoria, *2003-04 Annual Report*, p.133
33 Museums Board of Victoria, *2003-04 Annual Report*, p.102
34 Budget Paper No.3, *Service Delivery 2005-06*, pp.173–179

(6 measures).[35] The expected outcome in 2004-05 for all discontinued measures was in line with expectations.[36]

10.6.2 Key issues affecting the portfolio

(a) Protocols covering the State Services Authority's review role and the Victorian Auditor-General's audit role

The State Services Authority (SSA) has the power (under Section 50 of the *Public Administration Act* 2004) to conduct a review of management systems, structures or processes in a public service body or public entity under the direction of the Premier or at the request of the Minister or public service body head. In conducting this review, the SSA may, under section 50 (3) '*monitor the performance of the public sector body or public entity against its objectives and recommend measures to improve its effectiveness, efficiency or accountability'*. The SSA can also recommend measures to enhance the delivery or integration of government services and advise on best practice. The Auditor-General (under section 15 of the *Audit Act* 1994) has the power to determine *'whether an authority is achieving its objectives effectively and doing so economically and efficiently and in compliance with all relevant Acts'*.

The Committee raised the review role of the SSA and the audit role of the Auditor-General within the Victorian public sector with the Premier at the budget estimates hearing. The Premier explained that the difference between these roles was that the Auditor-General would examine past performance from a value for money perspective whereas the SSA would examine whether government had the best model in place.[37]

The Committee believes that such a distinction does not hold in every case, because the Auditor-General has considered issues of better practice in undertaking performance audits of public sector agencies. Indeed, the Chairman and Chief Executive Officer of the SSA commented that the Auditor-General's report on *Meeting our future Victorian Public Service workforce needs* had been adopted by government and would be implemented by the SSA.[38] This report was based on an examination of seven private and public organisations considered to be better practice in strategic workforce planning. The results of this examination then provided a foundation for conducting the audit and the development of recommendations aimed at promoting better practice within the SSA.[39]

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35 ibid., pp.390–392
36 ibid.
37 Hon. S Bracks, MP, Premier, 2005-06 Budget Estimates hearing, transcript of evidence,10 May 2005, p.15
38 Mr P Harmsworth, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.15
39 Victorian Auditor-General's Office, *Meeting our future Victorian Public Service workforce needs*, December 2004, pp.35–42

The Committee believes it is critical that the Auditor-General's independent audit mandate (which is exercised on behalf of Parliament), should not be compromised by the SSA's review role (which is undertaken at the behest of executive government). The Chairman and Chief Executive Officer of the SSA indicated to the Committee that he had met with the Auditor-General regarding the SSA's annual plan.[40] Notwithstanding this, the Committee considers that protocols should be established to ensure the Auditor-General is adequately consulted about the development of the SSA's annual plan and informed about the delivery of the plan in respect to the discharge of its review role.

The Committee recommends that:

Recommendation 102: **The State Services Authority and the Victorian Auditor-General's Office agree on protocols to ensure that the Auditor-General's Office is consulted on the development of the State Services Authority's annual plan and informed of progress in the plan's implementation.**

(b) Australian and New Zealand School of Government

The Australian and New Zealand School of Government (ANZSOG) was funded in the 2002-03 budget over four years for the initial set up costs.[41] ANZSOG was established by a consortium comprising the Australian and New Zealand gvernments, universities and business schools, to enhance policy and management skills for leaders in the public sector.[42]

At the 2004-05 estimates hearings, the Premier indicated that various departments and agencies invested approximately $1.5 million in the first year's intake of 59 participants.[43] At the 2005-06 estimates hearing, the Premier indicated that there were now 117 students in the Executive Masters for Public Administration program and 39 students in the Executive Fellows program.[44] The Executive Masters program consists of 10 subjects over two years while the Executive Fellows program consists of a three week residential course.[45]

The Victorian Government has made a significant investment in ANZSOG. The development of future leaders is critical to the Victorian Public Sector particularly because the workforce is ageing and the increasing competition within the public sector for talented staff. The Auditor-General reported, in 1996 that 28 per cent of

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40 Mr P Harmsworth, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.15
41 Budget Paper No.2, 2002-03, p.207
42 Australian and New Zealand School of Government, *Executive Master of Public Administration,* brochure
43 Hon. S Bracks, MP, Premier, 2004-05 Budget Estimates hearing, transcript of evidence,18 May 2004, p.10
44 Hon. S Bracks, MP, Premier, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.7
45 The Australia and New Zealand School of Government, www.anzsog.edu.au accessed 23 August 2005

executive officers were aged 50 years and over; by 2004 this had increased to 47 per cent.[46]

The first intake will have completed the Executive Masters program in 2005. Given the government's investment in ANZSOG and the increasing importance of leadership within the Victorian public sector, the Committee sees value in undertaking a longitudinal study of course participants on graduating, to ascertain:

- the degree of progression of participants through the Victorian public sector;
- those critical roles within key segments of the workforce where further ANZSOG participation should be encouraged, to alleviate potential workforce shortages particularly at more senior levels; and
- the capacity to improve the ANZOG program in light of participants' subsequent management experience in the Victorian public sector.

The Committee recommends that:

Recommendation 103: **The Department of Premier and Cabinet establish a longitudinal study involving Australian and New Zealand School of Government graduates to continuously improve the delivery and coverage of the program, particularly given the strategic workforce planning needs of the Victorian public sector.**

(c) Improving whole of government performance reporting

The department recently re-launched the *Growing Victoria Together* (GVT) framework,[47] which provides a 'vision' in five separate areas and two goals within each vision for Victoria's future. Each goal has up to four measures to assess progress.[48] While some of the progress measures from the original GVT framework have been retained, other measures have been deleted or added. Some measures that were deleted incorporated 2005 targets and required replacing or updating.[49]

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46 Victorian Auditor-General's Office, *Meeting our future Victorian Public Service workforce needs*, December 2004, p.19

47 Hon. S Bracks, MP, Premier, media release, *Vision for Victoria: Vibrant Health and Thriving*, 29 March 2005

48 Department of Premier and Cabinet, *A vision for Victoria to 2010 and beyond*, March 2005, pp.2–3

49 Department of Premier and Cabinet, *Growing Victoria Together: Import ant issues and priority actions over the next 10 years*, April 2002

The budget paper makes explicit links between each output group funded by the budget and the GVT outcomes. A report of progress against the measures of progress was included as an appendix in Budget Paper No. 3.[50] Some of the goals for which outcome measures were reported indicated that progress on achieving some outcomes was positive, while in other areas less progress had been made. (see exhibit 10.6).[51]

Exhibit 10.6: *Growing Victoria Together* progress report update, selected progress measures

Target for measure	Progress
Proportion of freight transported to and from ports by rail will increase from 10 per cent to 30 per cent by 2010.	Share of freight in 2002-03 and 2003-04 was 19 per cent, up from 15 per cent in 2000-01.
Waiting times (emergency, elective and dental) will be reduced.	100 per cent of Category 1 emergency and elective patients treated within ideal times. Share of Category 2 elective and emergency treatment within ideal times improving between 2002-03 and 2003-04. Share of Category 3 emergency patients treated within ideal times also improving over this period. Increase in average public dental waiting times for all categories in 2003-04 compared to previous year, except for priority denture treatment, which remained almost unchanged.
By 2010, 90 per cent of young people in Victoria will successfully complete year 12 or its educational equivalent.	Increase from 82.9 per cent in 1999 to 85.2 per cent in 2004.
The extent and diversity of participation in community, cultural and recreational organisations will increase.	Stable or declining participation in most community organisation categories between 2002 and 2004.
An annual budget surplus of at least $100 million.	A budget operating surplus of more than $100 million has been maintained since 1999. Budget forecasts indicate this should be achieved up to 2008-09.

Source: Budget Paper No. 3, 2005-06 Service Delivery, pp.323–363

Given the importance of whole of government performance reporting both from a public accountability perspective in terms of the effective, efficient and economical use of government funding and its relevance to the budget estimates process, the Committee has revisited key issues identified in its recent report on corporate governance. Notwithstanding the redevelopment of GVT and progress reporting on GVT that is included as part of the government's budget statement to Parliament, GVT performance reporting does not include:[52]

- a comprehensive statement of whole of government outcomes that are explicitly linked to the activities of all public sector agencies; and
- the regular tracking and measuring of the government's progress in achieving these outcomes.

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50 Budget Paper No. 3, *Service Delivery 2005-06*, pp.323–363

51 ibid.

52 Public Accounts and Estimates Committee, *Report on Corporate Governance in the Victorian Public Sector*, May 2005, pp.137–138

Victoria lags behind other countries such as Canada and the United Kingdom and some other Australian states such as Western Australia in this respect.

The Committee recommends that:

Recommendation 104: **The Department of Premier and Cabinet upgrade performance reporting frameworks to include more comprehensive reporting of whole of government outcomes across the Victorian public sector, with clear linkages to the activities of all public sector agencies and regular progress reporting of results.**

CHAPTER 11: DEPARTMENT OF PRIMARY INDUSTRIES

Key findings of the Committee:

11.1 **The Department of Primary Industries' budget allocation for 2005-06 is $351.5 million, an increase of $4.4 million or 1.3 per cent from the 2004-05 estimated actual result.**

11.2 **The 2005-06 budget allocation for the Department of Primary Industries includes approximately $15.8 million of output funding carried over from 2004-05.**

11.3 **The department is required to achieve $4.7 million in savings in 2005-06. The department will achieve these savings through a reduction in advertising, printing and media expenditure, and through vacancy management and staff reprioritisation.**

11.4 **Estimates of equivalent full time (EFT) staff show a gradual decline from 2,651.6 EFT at 30 June 2004 to an estimated EFT staff establishment of 2,600.8 at 30 June 2005 and 2,587.8 at 30 June 2006. A comparison of EFT staffing numbers at 30 June 2004 and 30 June 2005 shows, in general, a decrease in some of the lower Victorian Public Service (VPS) grades and an increase in the higher grades.**

11.5 **The increase in controlled assets from the estimated actual of $406.1 million at 30 June 2005 to the budgeted position of $451.5 million at 30 June 2006 was primarily due to a projected increase in other financial assets of $60.4 million, which relates to investment in the redevelopment of the Melbourne Showgrounds.**

11.6 **The revised estimated closing cash balance of the department's Projects Trust Account at 30 June 2005 was around $17 million ($21.9 million at 30 June 2006). Investments did not represent any portion of the balance. The Department of Primary Industries needs to improve the transparency of disclosing this balance.**

11.7 **Approximately $2.9 million expenditure was incurred during 2004-05 on the relocation of the Melbourne Wholesale Markets. There is little information about what the $8.4 million for implementation costs, change management and transitional expenses will be spent on over the next four years.**

11.8 **Three years have elapsed since the Victorian Government's announcement in May 2002 of its commitment to redevelop the Royal Melbourne Showgrounds. Construction and redevelopment continued after the Premier's unveiling of redevelopment plans for the showgrounds in December 2004. Contractual arrangements and financial close on contract occurred during this redevelopment in June 2005. Redevelopment continues on schedule for the 2006 show.**

11.9 **To enable a number of buildings at the Royal Melbourne Showgrounds to be refurbished before this year's Royal Melbourne Show, certain works commenced (based on the signing of a deed of undertaking with the preferred bidder, the obtaining of guarantees and the initialling of contractual documents) before the formal signing of the contracts.**

11.10 **Measures had been developed to address the situation if drought conditions had significantly worsened over this year's winter and spring. Programs suggested by the department include additional drought focused extension services and funding for more community development officers and/or additional primary welfare officers.**

11.11 **The Department of Primary Industries' funding of research and development into improved water use efficiency and drought tolerant plant varieties has improved, and will continue to do so in the longer term.**

11.12 **The total economic impact of foxes on the Victorian community is estimated at around $39 million per year. While a wide range of research projects and operational programs are underway to control the fox population and minimise the economic and environmental impacts, less than 20 per cent of private landholders in areas monitored by the department participated in baiting programs, with some baiting only once per year leading up to lambing.**

11.13 **In Victoria in 2001, the number of persons employed in agriculture in all age groups up to and including 45–54 year olds has decreased since 1996; for the same period, the number of 55–60 year olds employed in agriculture increased by almost ten per cent and the number of those aged 65 years or over grew by more than six per cent. The department has implemented a number of promotional strategies to attract younger people to pursue a career in agriculture.**

11.14 The department intends to improve the efficiency and effectiveness of its minerals and petroleum audit program by focusing on high risk areas in a larger number of mining and quarry sites, rather than undertaking a full audit approach to a smaller number of sites, as done in the past.

11.15 The Minerals and Petroleum Regulation Branch of the department has allocated an additional $75,000 towards the management of a new royalty audit program that is expected to generate extra revenue of around $500,000 per annum over the next four years to 2008-09. The Committee believes a comprehensive audit on all minerals and petroleum sites, subject to the state's royalty regime, needs to be conducted to determine the full extent of underpayments that need to be recovered by the state. Given that the level of royalties collected from the mining, extractive and petroleum sector is forecast to increase over the next decade, the cost effectiveness of royalty compliance activity will need to be monitored, with a view to possible expansion.

11.16 The four per cent of strategic areas of Victoria to be subjected to new generation geological mapping during 2005-06 is to cover the Woods Point-Walhalla goldfield mapping project. This project, which represents the last major gold belt in Victoria to be mapped, comprises parts of Alexandra, Euroa, Mansfield, Matlock and Moe.

Departmental review

11.1 Output management framework

The Department of Primary Industries supports the ministerial portfolios of Agriculture and Resources. Exhibit 11.1 outlines ministerial responsibilities for the department's output group and associated outputs.

Exhibit 11.1: Department of Primary Industries Ministerial responsibilities

Output group/outputs	Responsible Minister	
	Agriculture	Resources
Sustainable development of Primary Industries		
Primary Industries policy	✓	✓
Regulation and compliance	✓	✓
Strategic and applied scientific research	✓	✓
Sustainable practice change	✓	

Source: Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.1

In relation to those outputs where ministerial responsibility is shared, the Minister for Agriculture has lead responsibility.[1] The Minister for Agriculture also has responsibility for 37 major committees and statutory authorities and the Minister for Resources has responsibility for three.[2]

11.2 Internal/external reviews

As a result of a review a new output structure was introduced for 2005-06, which reflects activities rather than industry sectors, that will enable the department to more clearly explain its role in delivering services relating to primary industries.[3]

11.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $351.5 million – an increase of $4.4 million or 1.3 per cent on the estimated actual result for 2004-05. Exhibit 11.2 provides a detailed budgetary breakdown.

1 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.1
2 Department of Primary Industries, *2003-04 Annual Report*, p.122
3 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.7

Exhibit 11.2: Department of Primary Industries
Output costs

Output group/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Sustainable Development of Primary Industries				
Primary Industries Policy	23.8	23.5	24.2	3.0
Regulation and Compliance	74.1	79.4	76.8	-3.3
Strategic and Applied Scientific Research	146.9	148.3	151.2	2.0
Sustainable Practice Change	98.0	95.9	99.3	3.6
Total	**342.8**	**347.1**	**351.5**	**1.3**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting[4]

Source: *Budget Paper No.3, 2005-06 Service Delivery, p.186*

11.3.1 Departmental savings

The department is required to achieve $4.7 million in savings in 2005-06.[5] The department advised that the focus of these savings will be on: reducing expenditure on consultants and contractors, corporate and business support, print, media and communication services, business management and extension services (in areas of persistent low industry co-investment).[6]

11.3.2 Financial analysis

(a) Operating performance

The Department of Primary Industries anticipates receiving $351.5 million in income for its controlled operations – around one per cent more than the expected outcome in 2004-05 (see exhibit 11.3). Operating expenses are anticipated to increase in line with income.

4 Budget Paper No.3, *2005-06 Service Delivery*, p.185
5 ibid., pp.307–308
6 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.25

Exhibit 11.3: Department of Primary Industries Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (%)**
Controlled items			
Income	348.0	351.5	1.0
Expenses	347.1	351.5	1.3
Net result	**0.9**	**0.0**	
Administered items			
Administered income	90.7	104.7	15.4
Administered expenses	90.4	104.7	15.8
Income less expenses	**0.3**	**0.0**	

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.108, 111

The department provided the following explanations for major variations between the 2004-05 revised estimates and the 2005-06 budget:[7]

- fines and fees – higher revenue of $1.5 million from fines and fees, reflecting the increased phasing in for cost recovery for commercial fishing licences (from 45 per cent in 2004-05 to 75 per cent in 2005-06), consistent with previously announced government policy;
- Commonwealth grants – a reduction of $2.5 million in funding for FarmBis and exceptional circumstance grants from the Commonwealth Government;
- other grants – an increase of $2 million in payments received from Catchment Management Authorities (CMA); and
- other revenue and revenue from other parties – an increase of $8.3 million in brown coal royalties from January 2006.

(b) Balance sheet position

Exhibit 11.4 shows that the department's net asset position is expected to improve by $47.4 million from the position at 30 June 2005 compared to the situation at 30 June 2006. This reflects a projected increase in total assets of $45.4 million and a decrease in liabilities of $2 million over this period.

[7] Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.13

Exhibit 11.4: Department of Primary Industries
Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	406.1	451.5	11.2
Liabilities	79.3	77.3	-2.5
Net assets	**326.8**	**374.2**	**14.5**
Administered items			
Administered assets	41.7	41.7	
Administered liabilities	5.4	5.4	

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome*

Source: *Budget Paper No.4, 2005-06 Statement of Finances, pp.110–111*

The increase in controlled assets was primarily due to a projected increase in other financial assets of $60.4 million which the department advised relates to investment in the redevelopment of the Melbourne Showgrounds.[8]

11.3.3 Carry over funding

The department advised the Committee that it estimated it would carry forward $15.8 million in output funding from 2004-05 to 2005-06.[9] This funding was expected to be applied to initiatives, as shown in exhibit 11.5.

[8] ibid., pp.15–16
[9] ibid., p.19

Exhibit 11.5: Department of Primary Industries Estimated carry over funding from 2004-05 to 2005-06

Carry overs	Estimated carry forward ($ million)
Marine Parks	1.0
Piloting new approaches to natural resource allocation	0.3
FarmBis	2.5
Exceptional circumstance	2.0
Catchment management projects funded through catchment management authorities	2.0
Projects funded by rural industry research corporations	2.0
Research & experimental programs – industry	6.0
Total	**15.8**

Source: Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.19

Factors that contributed to the carry-over of funding included:[10]

- delays caused by the re-negotiation of the FarmBis program with the Commonwealth Government;
- the extension of Exceptional Circumstances declarations for some areas of Victoria into 2005-06;
- lower than expected compensation claims under the Marine Parks initiative;
- the late start of projects for rural industry research corporations, due to delays in finalising contracts; and
- timing issues with the receipt of funding for industry co-funded projects.

11.4 Human resources issues

Based on information provided by the department, estimates of equivalent full time (EFT) staff show a gradual decline from 2,651.6 EFT at 30 June 2004 to an estimated EFT staff establishment of 2,600.8 at 30 June 2005 and 2,587.8 at 30 June 2006.[11] A comparison of EFT staffing numbers at 30 June 2004 to 30 June 2005 shows, in general, a decrease in some of the lower VPS grades since June 2004 and an increase in the higher grades, due to progression and evaluations of job sizes and values under the new VPS career structure.[12] The EFT for grade 3 officers, for example, declined

10 ibid., p.19
11 ibid., pp.8–9
12 ibid., pp.8–9

from 773.2 to 738, while the EFT for grades 5 and 6 officers increased from 333.9 to 352 and 214.7 to 229 respectively.[13]

Variances of more than ten per cent in staff numbers between 30 June 2004 and 30 June 2005 occurred in the following categories:[14]

- secretary – 100 per cent increase due to the appointment of a new Secretary to the department. An acting Secretary had held the position during 2004;
- senior technical specialists – 67 per cent increase due to the creation of a new employment category for senior technical specialist staff via the VPS career structure. The department identified three current positions meeting this category that have been filled;
- grade 1 – 19 per cent reduction due to the new VPS career structure, which moved a number of grade 1 staff into the grade 2 category following grade reviews;
- field staff – 13 per cent reduction due to a transfer of a small number of wild dog controllers to the Department of Sustainability and Environment; and
- principal scientists – 11 per cent reduction due to staff movements.

The department indicated that no significant variances were expected in overall staff numbers between June 2005 and June 2006 but that a general overall reduction was expected to occur over 2005-2006.[15] The department would adjust to a reduced level of funding from the Department of Sustainability and Environment as funding ceases for specific fixed-term projects.[16]

Review of portfolios

11.5 Agriculture portfolio

11.5.1 Performance measures

The department reviewed its existing performance measures in light of the new output structure, resulting in the retention and/or rework of some existing measures, and the creation of new measures.[17] For example, five new performance measures appear in the 2005-06 Budget Papers for the new departmental output Primary Industries Policy,

13 ibid.
14 ibid., p.10
15 ibid.
16 ibid.
17 ibid., p.7

and the new Strategic and Applied Scientific Research output and the Sustainable Practice Change output each contains seven new measures.[18]

The department has been working to develop methods for demonstrating the impact of its outputs in the community – a theme that the Committee has consistently advocated in past reports.[19] The department conveyed to the Committee *'that public sector thinking now widely acknowledges a focus on measures alone as problematic where factors other than government interventions can influence outcomes.*[20] *Such a focus can also lead to goal displacement, whereby managers focus on the indicators whatever the cost to clients, the organisation and the wider public'*.[21]

The department recognises that evidence of performance effectiveness consists of qualitative as well as quantitative information.[22] Performance measures are useful when they are clear, understandable, reliable, economical and related to a standard – which may or may not be related to a national or international benchmark.[23] However, where these criteria cannot be met, the department is investigating existing and emerging frameworks and tools to measure its performance.[24]

The Committee looks forward to examining new methods employed by the department for reporting on its performance in achieving worthwhile outcomes. The following section, dealing with key issues affecting the Agriculture portfolio, comments on the department's need to develop and publicly report on performance measures for certain activities.

11.5.2 Key issues affecting the portfolio

(a) Trust funds - Projects trust account

The department operates nine trust accounts with an estimated combined closing cash balance of $27 million at 30 June 2006.[25] While there were no material movements in the accounts' income, expenditure and balances between the estimated results for 2004-05 and the estimates for 2005-06,[26] the Committee was interested in identifying the controls in place to ensure monies expended from trust funds are used for the intended purpose.

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18 Budget Paper No.3, *2005-06 Service Delivery*, pp.187–191
19 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.5
20 ibid.
21 ibid.
22 ibid.
23 ibid.
24 ibid.
25 ibid., p.20
26 ibid.

The Committee was advised that the department continually monitors trust fund activity and follows up any outstanding balances.[27] Some trust funds operate under legislative requirements, such as those applying to recreational fishing licences, while others are tightly regulated and monitored by industry groups and the department, such as the Disease Compensation Fund.[28]

The Committee learned that funds recorded in the Projects Trust Account – the largest trust account operated by the department, with an estimated closing cash balance of $21.9 million at 30 June 2005[29] – are generally received under commercial contracts that determine use of the monies.[30] The Committee was informed that all trusts are monitored closely and are reported monthly to the department's senior management.[31]

Exhibit 11.6 contains details of the estimated income and expenditure for the Projects trust account.

Exhibit 11.6: Department of Primary Industries
Projects trust account

	($ million)
Opening cash balance 1 July 2004	21.4
Income estimate 2004-05	29.3
Expenditure estimate 2004-05	28.8
Closing cash balance 30 June 2005	**21.9**
Income estimate 2005-06	27.8
Expenditure estimate 2005-06	27.8
Closing cash balance 30 June 2006	**21.9**

Source: Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.20

Given the magnitude of the funds transacted through this trust account, the Committee was interested in determining the key sources of income credited to the account, the projects expected to be funded from the account in 2005-06 and the necessity of retaining an account balance of over $20 million at year end.

The Committee was advised that the trust account is used for:[32]

- undertaking commercially funded research projects, which is the prime purpose of the project trust account;

27 ibid., p.21
28 ibid.
29 ibid., p.20
30 ibid., p.21
31 ibid.
32 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.12

- recording the department's investment in the Food Science Australia joint venture with CSIRO. Significant cash reserves must be held for this purpose, in line with the joint venture agreement and are generally used for asset replacement; and
- recording the operations of the shared services functions that the department operates on behalf of a number of government agencies.

The Committee was also informed that income credited to the account is mainly for the sale of goods and services, particularly user charges.[33] User charges are credited to the account for the provision of services to companies and other individuals who request research or diagnostic testing to be conducted for purely private benefit.[34] Balances are also transferred into the trust fund to undertake mining rehabilitation works where bonds and bank guarantees have been forfeited.[35]

(i) Balance of the trust fund account

The balance of the Projects Trust Account at any particular point in time reflects funds held to enable the department to deliver the services that have been purchased.[36] It will vary with the level of research activity and is not tied to financial years.[37] The balance in the fund is also a timing issue with the receipt of funds, which are often received in advance.[38]

The Committee learnt that it is difficult, for these reasons, to predict the balance in the fund at any particular time and, as a result, that past estimates of future balances have been kept relatively constant.[39] Although earlier estimates indicated an expected balance of $21.9 million at 30 June 2005, the Committee was advised that revised estimates now indicate it will be closer to $17 million.[40]

The Committee noted that the balance of the Projects Trust Account is held by way of cash[41] and as such no portion of the balance is represented by investments.[42] From a cash management perspective, the Committee considers it would be financially prudent for the department, in conjunction with the Department of Treasury and Finance in its central agency role, to monitor the need to retain the entire account balance in cash at any time so monies not likely to be required in the immediate term, could be invested to maximise the financial return to the account users.

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33 ibid.
34 ibid.
35 ibid.
36 ibid.
37 ibid.
38 ibid.
39 ibid.
40 ibid.
41 Department of Primary Industries, response to the Committee's additional follow-up question, received 7 November 2005
42 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.20

The Committee recommends that:

Recommendation 105: **To maximise the cash management return from the significant cash reserves held in the Projects Trust Account, the Department of Primary Industries and the Department of Treasury and Finance monitor the likely services to be funded from this account in the immediate term, and examine whether there is scope for placing any funds not immediately required into short term investments.**

(ii) Disclosure of transactions

The Committee noted a lack of disclosure in the government's Annual Financial Report and the department's annual report relating to the transactions of the Projects Trust Account. The Committee's *Report on Parliamentary Control and Management of Appropriations* covers this issue in more detail where the Committee reported that all trust account transactions, assets, liabilities and equity should be separately disclosed at a whole of government level and in the financial reports of the responsible departments.[43]

The Committee recommends that:

Recommendation 106: **To facilitate adequate transparency and accountability of the activities of the Projects Trust Account, the government's annual financial report and the Department of Primary Industries' annual report disclose relevant details of the income, expenditure and balance of this trust account.**

(b) Melbourne wholesale markets redevelopment

The Melbourne Wholesale Fruit and Vegetable Markets located in Footscray, which were built in 1969 and are nearing the end of their economic life, are to be relocated to Epping.[44] Two parcels of land totalling 130 hectares have been secured for the new Melbourne Wholesale Market.[45]

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43 Public Accounts and Estimates Committee, *Report on the review of the Auditor-General's report on – Parliamentary control and management of appropriations*, September 2005, pp.16, 94, 100

44 Hon. S Bracks, MP, Premier, media release, *Melbourne markets to move north*, 5 May 2005

45 Major Projects website, *Melbourne Wholesale Markets, Latest News*, www.majorprojects.vic.gov.au accessed 4 July 2005

Where initially a few hundred businesses operated, the Footscray site is now home to 2,700 registered business users employing around 7,000 people.[46] In recent years, the market has experienced substantial growth, with total turnover almost doubling to $1.5 billion between 1993 and 2001.[47] Victoria has become Australia's largest agriculture producing state (worth $8.7 billion in 2003-04) and is Australia's largest exporter of horticultural produce (fruit, vegetables and fresh flowers worth $370 million in 2004 or 38 per cent of national exports). The new purpose built facility will be designed to support the Victorian agricultural industry and help meet the export target of $12 billion by 2010.[48] The Premier announced in May 2005 that once the master plan is developed over the next year, the government will call for expressions of interest from the private sector for the project's delivery.[49]

Information received from the department indicated that expenditure incurred on the relocation of Melbourne Wholesale Markets was estimated to be around $2.9 million for 2004-05 ($3.7 million allocated in the 2004-05 Budget[50]).[51] At April 2005, a business plan and implementation strategy had been completed.[52]

The 2005-06 Budget provides $8.4 million in output initiative funding over four years ($2 million in 2005-06),[53] and $300 million estimated TEI for the redevelopment and relocation of the markets by 2010.[54] Project costing information is to be finalised after the completion of the Partnerships Victoria tender process.[55]

Inquiring about what the $8.4 million output funding is to be spent on over the next four years, the Committee was advised that the funding covers the implementation costs, including Partnerships Victoria, change management and transitional expenses for the period 2005-2009.[56] Regarding the timelines set for the Partnerships Victoria tender process, the Committee was informed that the detailed timelines were being developed at June 2005 and that the department expects the tender processes to commence in 2006-07.[57]

46 Hon. S Bracks, MP, Premier, media release, *Melbourne markets to move north*, 5 May 2005
47 ibid.
48 ibid.
49 ibid.
50 Budget Paper No.3, *2004-05 Service Delivery*, p.260
51 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.3
52 ibid.
53 Budget Paper No.3, *2005-06 Service Delivery*, p.307
54 ibid., p.308
55 ibid.
56 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, p.9
57 ibid.

The Committee recommends that:

Recommendation 107: **The Department of Primary Industries annual report disclose details relating to the redevelopment of the Melbourne Wholesale Markets, comparing expenditure against budget and progress against timelines.**

The Committee raised with the Minister for Agriculture the estimated cost of $100 million that could be involved in physically moving the cool stores of leaseholders from Footscray to Epping, and also whether any compensation will be paid to existing leaseholders who use the market. The Minister advised that compensation will have to be paid if there is a breach of any commercial leases, [58] but current businesses whose leases expire will not receive compensation.[59] The Minister also informed the Committee that there are other commercial realities which may come into play as to whether it is existing leaseholders or other people who go to the new markets that will be the subject for commercial negotiations at a later stage.[60]

The Committee believes that formal commercial discussions with existing tenants need to include details relating to the size of the compensation package and the basis that it will be provided. To ensure that a fair and transparent process is applied, this information should be publicly available.

The Committee recommends that:

Recommendation 108: **Regarding the costs of moving the cool stores of leaseholders from Footscray to the new Epping site as part of the relocation of the Melbourne wholesale markets, the Department of Primary Industries make publicly available, when finalised, details of the compensation package and the mechanism for compensating existing tenants.**

(c) Redevelopment of the Royal Melbourne Showgrounds

According to the government, the redevelopment of the Royal Melbourne Showgrounds is about reinvigorating the showgrounds, improving the link between regional and city residents and creating a better home for the Royal Melbourne Show for future generations to enjoy.[61] Work has commenced on the site, with a number of the existing buildings being refurbished in time for this year's Royal Melbourne

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58 Hon. R Cameron, MP, Minister for Agriculture, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.11

59 ibid., p.12

60 ibid.

61 Hon. S Bracks, MP, Premier, media release, *Start of a new era for a Victorian icon*, 6 December 2004

Show.[62] The redevelopment works expected to be in a state of readiness for the 2005 Show in September involved the:[63]

- Royal Luncheon Rooms;
- Arts and Crafts Pavilion;
- Exhibition Building;
- Woodchop;
- Centenary Hall; and
- Showgrounds Hoecker, a relocatable building at the showgrounds.

The Committee was interested in clarifying the time that elapsed between finalising the major phases of the redevelopment. Exhibit 11.7 sets out the project timelines that have extended over a three year period.

62 Department of Infrastructure, Major Projects, *Melbourne Showgrounds*, www.majorprojects.vic.gov.au accessed 5 July 2005

63 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 29 July 2005, p.5

Exhibit 11.7: Key stages of the Royal Melbourne Showgrounds redevelopment

Task	Date achieved
The state government announced its $101 million commitment to the redevelopment of the Royal Melbourne Showgrounds with a memorandum of understanding signed by the Royal Agricultural Society of Victoria Ltd	May 2002
Expression of interest documentation was publicly released	October 2003
Following an assessment of proposals received, three short-listed consortia were invited to prepare a comprehensive development proposal for the Partnerships Victoria policy initiative for the showgrounds redevelopment	March 2004
A deed of undertaking covering the recent work at the showgrounds was signed before the announcement of the appointment of the preferred developer	November 2004
The PPP Solutions consortium was announced as the preferred developer for the showgrounds redevelopment	December 2004
Construction and redevelopment begins on site at the showgrounds	January 2005
The state government and PPP Solutions initialled relevant contract information	12 May 2005
Contracts for the $108 million redevelopment were signed by the joint venture partnership (namely the state government and the Royal Agricultural Society) and the site developer, PPP Solutions	30 June 2005

Sources: Hon. S Bracks, MP, Premier, media release, Start of a new era for a Victorian icon, 6 December 2004; Mr J Lenders, MLC, Minister for Major Projects, and Hon. R Cameron, MP, Minister for Agriculture, media release, Contract signed for Showgrounds redevelopment, 1 July 2005; and Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, pp.15–16

The Committee was also interested in determining whether all contractual documentation had been formally executed before the demolition work commenced and, if not, what risk management processes were in place to protect the state. At the estimates hearing on 12 May 2005, the Committee was informed that the initialling of documentation signified that commercial agreement had been reached on what constituted a complex asset development.[64] In the meantime, under the deed of undertaking (signed by the government and the preferred bidder, PPP Solutions[65]), and with certain guarantees that the government required of PPP Solutions, a major part of the demolition work had already commenced.[66] In response to the Committee's follow-up questions, the Minister for Agriculture clarified on 29 June 2005 that the deed of undertaking covering the recent work at the showgrounds had been signed in November 2004, and the initialled Development and Operation Agreement, which is

64 Mr D Seymour, Deputy Secretary, Department of Primary Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.15

65 ibid.

66 ibid.

the key document governing the project, is also now signed.[67] The state government and PPP Solutions initialled the relevant contract information on 12 May 2005.[68]

At the estimates hearing, the Committee was advised that the state government, under the deed of undertaking and certain guarantees, has set the right level of protection to enable the early demolition work to continue.[69] Given that a major part of the demolition work commenced before all the contractual documentation was signed, the Committee enquired about which particular risks had been adequately safeguarded.

The Minister for Agriculture advised that:[70]

- the Royal Agricultural Society of Victoria has provided a licence over its land to PPP Solutions' construction company for it to commence the demolition works to enable the redevelopment to be completed in time for the 2006 Royal Melbourne Show;
- PPP Solutions has provided guarantees in support of its obligations under the deed of undertaking; and
- the deed of undertaking passes all construction risk that may arise during the early works to PPP Solutions. However, if the deed of undertaking was terminated, the documentation requires the department to reimburse PPP Solutions for the value of works that its contactor has satisfactorily undertaken.

At the estimates hearing on 31 May 2005 covering the Major Projects portfolio, the Committee was advised that the documentation between the two parties in the joint venture (the Royal Agricultural Society and the state of Victoria) had been signed, but the Partnerships Victoria contracts – the concessional arrangements between the preferred bidder, Public Private Partnership Solutions and the joint venture – have been going through commercial negotiation and documentation since they were awarded the preferred tenderer status in November 2004.[71] The Committee was informed that:[72]

> *To date all of the documents that are relevant and pertinent to the detailed commercial transaction have been initialled and exchanged between the parties – that is, there is, if you like, an absolute completion of the commercial negotiations and the negotiation of those commercial details. There are a number of arrangements that need to be clarified and settled still within the bidding consortium. That relates to PPPS itself*

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67 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.15

68 ibid., p.16

69 Mr D Seymour, Deputy Secretary, Department of Primary Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, pp.15–16

70 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.16

71 Mr J Cain, Executive Director, Major Projects Victoria, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.13

72 ibid.

> *doing work on its side of the house, as it were, to finalise its arrangements before it will complete the contract with us – that is, to sign the execution page with all of the other documents having been clearly sighted, initialled and exchanged.*
>
> *It is something that has been further contributed to by the announcement to the stock exchange on Friday that Multiplex would suspend trading in its shares. Since then the directors of Multiplex have made a further announcement to the exchange and its shares are trading again. That will obviously ensure that the process they are going through in that consortium, with Multiplex as a key player in that consortium, can now be completed without any further delay.*

The Committee noted that the contracts between the joint venture partnership and the site developer were subsequently signed on 30 June 2005.[73] While this signing occurred after the demolition works had commenced, the Minister for Major Projects indicated that executing the deed of undertaking laid the basis for commencing work on the redevelopment, which is not unusual in a major construction project.[74]

The Committee is aware that the government wanted to refurbish a number of the buildings located at the Royal Melbourne Showgrounds before the opening of this year's Royal Melbourne Show. For this refurbishment to occur, it appears that demolition works had to commence before the contractual documentation was completed. Notwithstanding that the state government had signed a deed of undertaking with the preferred bidder and obtained certain guarantees, the Committee maintains it would have been preferable for the Development and Operation Agreement (the key document governing the project) to also have been signed before the demolition works commenced, rather than only being initialled. In the case of a dispute, the Committee considers that the mere initialling of a key contractual document may not signify that commercial agreement had been reached on this complex asset development project.

The Committee recommends that:

Recommendation 109: **The Department of Primary Industries and the Department of Infrastructure ensure all key contractual documents are signed before capital works commence, or public private partnership arrangements are structured with sufficient flexibility to ensure project delivery continues to be on time and budget.**

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73 Mr J Lenders, MLC, Minister for Major Projects and Hon. R. Cameron, MP, Minister for Agriculture, media release, *Contract signed for Showgrounds redevelopment*, 1 July 2005

74 Mr J Lenders, MLC, Minister for Major Projects, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.13

(d) Agricultural research projects

Total direct state investment towards agricultural research projects in Victoria in 2005-06 is $56 million.[75] In addition, funding of $7 million will be allocated for depreciation and the capital assets charge on research facilities and equipment.[76]

Projects that are likely to generate revenue for the government in 2005-06 are:[77]

- Integrating Farming Systems into Landscape;
- Plant Industries Productivity;
- Animal Industries Productivity; and
- Market and Value Chain Development.

The Committee looks forward to examining the annual agricultural research report that the department has agreed to produce, in response to the Committee's recommendation contained in its *Report on the 2004-05 Budget Estimates*.[78]

The Committee also observed that the budget papers for 2005-06 contain three new performance measures under the new Strategic and Applied Scientific Research output:[79]

- the value of external (non-state) funding contribution to research projects that support productivity and sustainable farming systems (2005-06 target of $36 million);
- the number of commercial technology research and development agreements finalised (2005-06 target of 70); and
- the number of applications for publicly owned and protected intellectual property (2005-06 target of five).

With close to $100 million directed at funding agricultural research in 2005-06, the Committee supports the development of performance measures relating to the department's research capability, with emphasis on the continuing need to measure and report research outcomes.

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75 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.13

76 ibid.

77 ibid.

78 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled 11 May 2005, p.70

79 Budget Paper No.3, *2005-06 Service Delivery*, p.190

(e) Drought assistance

In recognising that significant parts of Victoria have been declared to be in Exceptional Circumstances (EC),[80] the Committee was interesting in hearing about the drought assistance arrangements provided at the national level, and the total package of measures that the Department of Primary of Industries can use in 2005-06 to assist farmers in sustained drought conditions.

Farmers in EC declared areas can apply for welfare assistance and interest rate subsidies.[81] The Committee was advised that dryland farmers in the Mallee and Northern Wimmera region and dairy farmers on the Murray irrigation system are eligible for full EC assistance.[82]

On 30 May 2005, the Federal Minister for Agriculture, Fisheries and Forestry announced changes to national drought assistance arrangements including:[83]

- an increase in the Exceptional Circumstances Interest Rate Subsidy (ECIRS) from 50 to 80 per cent in the second and third of EC declarations (the states/territories contribution remains at ten per cent);
- a doubling of the off-farm assets threshold to $435,000 with subsequent adjustment by the consumer price index;
- a $10,000 increase in the off-farm income threshold;
- additional counselling and support services;
- a second round of drought Envirofund grants; and
- a National Rural Advisory Council (NRAC) review of all areas not recommended for EC extension over the past year.

The Victorian Government has indicated its support for these new arrangements and the wider national drought assistance system administered by the federal Department of Agriculture, Fisheries and Forestry.[84] The Committee learned that the federal government provides, under the Exceptional Circumstances (EC) system, welfare and 90 per cent of business assistance, with the states and territories funding the other

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80 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.7

81 ibid.

82 ibid.

83 ibid., p.8

84 Hon. J Brumby, MP, Acting Minister for Agriculture, media release, *Victoria welcomes support for farmers*, 3 June 2005; Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.8

ten per cent of business assistance.[85] During the current drought, Victoria has provided $3.4 million in interest rate subsidies to farm businesses.[86]

In helping local communities and farmers to prepare their EC applications, the Victorian Government concentrates its drought assistance in the areas of social recovery and community support.[87] Examples of this type of assistance include $3.2 million in rural community infrastructure grants to eight shires in north west Victoria, and $570,000 for three rural financial counsellors and three general counsellors in the same areas.[88] The Committee was advised that the Department of Human Services has invested around $7.9 million in its Drought Social Recovery Strategy since 2003.[89]

The Department of Primary Industries has increased resources for targeted extension services in drought affected areas, such as the provision of 32 free 'Back in Black' workshops to help grain growers plan their 2005 crop year.[90] The Committee heard that the department conducted a range of these workshops in the Horsham area, for example focusing on agronomic and cash flow issues.[91] In addition, the department's FarmBis programs focus on preparedness for drought, how one responds and when one triggers drought response plans.[92]

The Department of Primary Industries, the Department of Human Services and the Department of Education and Training have identified a range of programs that may be introduced over the next six months if drought conditions significantly deteriorate over winter and spring.[93] Measures could include additional drought focused extension services, one-on-one farm visits, and funding for more local government community development officers and/or additional primary welfare officers for primary schools in drought affected areas.[94]

The Committee was advised that the Department of Primary Industries' funding of research and development of improved water use efficiency and drought tolerant plant varieties has enhanced, and will continue to do so in the longer term, farmers' ability

85 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.8
86 ibid.
87 ibid.
88 ibid.
89 ibid.
90 ibid., p.9
91 Dr B Kefford, Deputy Secretary, Regional Services and Agriculture, Department of Primary Industries, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.13
92 ibid.
93 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.9
94 ibid.

to prepare for, and manage through, periods of low rainfall.[95] The Committee was informed at the estimates hearing that:[96]

> *A lot of our research is based around longer term changes in practices when it comes to taking a systems approach. Where we grow the crops, what soil types and how we might manage the landscape is one area of management. It is not only for dryland areas, it also relates to irrigated areas, because in drought conditions there is obviously less water available for irrigation as well. Under those circumstances a lot of our research is based on water use efficiency: how much water a particular crop or a production system might use and trying to reduce the volume of water for a given level of production – and turning it round the other way, maximising the production per unit of water.*
>
> *The other side to it is trying to make some changes to the crops themselves, particularly trying to, if you like, breed more drought-tolerant crops. In that context over many years scientists have attempted to find, be it for grass, be it for wheat, be it for barley, a more drought-tolerant crop, a crop that would use less water or be able to sustain itself – in other words, not die – in the absence of rainfall. The approach we are taking, and in fact we have both a national and international leadership position, with the forages, which are critical to our broad-acre production, is to understand the genetic make-up of those crops. Forages are rye grasses and clovers, which make up the bulk of our pastures.*

In continuing to focus its drought response on Social Recovery and Community Support programs, the Victorian Government released further initiatives on 7 July 2005 to support farmers affected by the drought. These measures include:[97]

- EC Centrelink farm recipients will receive a 50 per cent subsidy on local government rates worth $10 million depending on demand; and
- schools in EC declared areas are to receive $200,000 to fund counselling services and the provision of school breakfasts, uniforms and books on a needs basis.

The Committee acknowledges that drought assistance has been provided on a range of fronts and measures had been developed to address the situation if drought conditions had significantly worsened over this year's winter and spring. If Victoria experiences severe drought conditions, the Committee suggests that the department include information in its annual report on the effectiveness of the drought relief measures implemented.

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95 ibid.

96 Dr C Noble, Executive Director, Primary Industries Research Victoria, Department of Primary Industries, 2005-06 Budget Estimates hearings, transcript of evidence, 12 May 2005, p.14

97 Hon. S Bracks, MP, Premier, media release, *Rate relief for drought affected farm families*, 7 July 2005

The Committee recommends that:

Recommendation 110: **In the event that Victoria experiences severe drought conditions, the Department of Primary Industries disclose in its annual report information on the effectiveness of the drought relief measures implemented.**

(f) Locusts

Although few adult locusts remain in Victoria, the department predicts a very significant and wide spread hatching of eggs in mid to late spring 2005.[98] At the estimates hearing the Minister for Agriculture stated that:

> *…there are a lot of eggs in the ground. What is going to have to happen come spring is that there will have to be some activity in Victoria and there will have to be even more activity in southern New South Wales… To be blunt, we are extremely lucky in Victoria this year. It was only by a pure fluke of luck that we had extremely cold weather after Christmas. If there were northerly winds during that week we would have had locusts throughout a substantial part of Victoria. And that was notwithstanding an enormous amount of spraying and an enormous amount of activity that was put into New South Wales.* [99]

The Committee was interested in exploring what measures are planned to assist in minimising the very significant risk, as claimed by the department, of extensive hatching in spring.

The Minister advised that nothing can be done to prevent eggs hatching in spring but the department has measures in place to manage the significant risk of this eventuality, including:[100]

- re-activating the response team and incident management plan that operated successfully through spring 2004 to autumn 2005;
- closely liaising with the Australian Plague Locust Commission to update forecasts of hatching dates;
- monitoring the general hatching situation, especially known egg beds, to determine whether a detailed hatching survey is warranted; and

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98 Department of Primary Industries, *Plague Locusts*, www.dpi.vic.gov.au accessed 29 April 2005

99 Hon. R Cameron, MP, Minister for Agriculture, 2005-06 Budget Estimates hearing, transcript of evidence, 12 May 2005, p.20

100 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 9 June 2005, p.5

- providing information sessions and publishing information on the hatching situation and appropriate control methods and timing.

The Minister advised that the department will liaise closely with New South Wales through the Australian Plague Locust Commission and the New South Wales Department of Primary Industries[101] and exchange information on hatching, the extent of the problem and actions taken to control the problem.[102] In addition, the Victorian Department of Primary Industries is to offer staff to assist both the Australian Plague Locust Commission and the New South Wales Department of Primary Industries with control activity in that state as it has done in the past.[103]

(g) Eradication of foxes

In Victoria, foxes are estimated to occupy 90 per cent of the state and to number as many as a million.[104] The Committee was interested in understanding the economic and environmental impact of foxes; the overarching framework and high level strategies to provide direction for the management of the problem; the extent of funding, research activity and specific programs to improve the control of foxes and, importantly, the outcomes achieved.

The Committee learned that the total economic impact of foxes on the Victorian community is an estimated $39 million per year,[105] based on limited available data. This impact includes both public interest costs (for example loss of native birds and animals), and private costs (for example agricultural production losses and the cost of control and research relating to fox reduction).[106] Lamb predation represents the main impact foxes have on the sheep industry which has been estimated to reflect the value of agricultural production loss.[107]

The Victorian Pest Management Framework with its subsidiary Fox Management Strategy, provides the overarching direction for the management and control of foxes.[108] A Pest Animal Research and Development Strategy guides investment in the management of pest animals (including foxes).[109] This strategy aims to achieve the priorities in the Victorian Pest Management Framework and the Fox Management Strategy.[110]

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101 ibid.
102 ibid.
103 ibid.
104 A Hooton, 'Master of the hunt', *The Good Weekend Age Magazine* 2 July 2005, p.28
105 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.1
106 ibid.
107 ibid.
108 ibid., p.6
109 ibid.
110 ibid.

Research funding in 2004-05 amounted to $1.015 million for fox projects.[111] With projects finishing and some increase for funding of wild dog research projects, $915,000 will be spent in 2005-06.[112] Approximately 50 per cent of funding is provided by the Victorian Government, with the remainder sourced from funds attracted from the federal government or elsewhere.[113] The research activities lead to new techniques that can be used in the field to reduce the impact of foxes on public and private land.[114]

In terms of measuring outcomes, the Department of Primary Industries has indicated that, as part of the *Fox on the Run* control program with private landholders, more than 65 per cent of foxes in a wide area need to be killed each year to reduce numbers and keep them low.[115] Regarding the program's impact on reducing fox numbers, the Committee was informed that the Enhanced Fox Management Project (EFMP) operated from July 2003 to June 2005.[116] Delivered by the Department of Primary Industries on behalf of the Department of Sustainability and Environment, the project has focused on reducing the impact of foxes on Victoria's wool and prime lamb industries. The project had a budget of $2.1 million over the past two years.[117] In addition, landholders spend an estimated $878,000 per year on baits, labour and other costs to carry out fox baiting programs on land that they manage.[118] This estimate is based on 1,756 baiting programs carried out during one year at an average estimated cost of $500 per program.[119]

Areas monitored during the EFMP have shown an average reduction in fox numbers of 50 per cent due to baiting programs.[120] However, private landholder participation rates in the monitored areas was low (less than 20 per cent), resulting in these reductions in numbers being short-lived only.[121] The Committee learned that this is due to fox immigration from neighbouring untreated areas and private landholders only baiting once per year in the month leading up to lambing.[122] The Committee was concerned to learn that this typically produces a cycle of short term reductions in areas that are baited in autumn or spring, followed by fox population recovery to pre-baiting levels during the year.[123]

111 ibid., p.3
112 ibid.
113 ibid.
114 ibid.
115 Department of Primary Industries, *Fox on the Run – Frequently Asked Questions*, www.dpi.vic.gov.au, accessed 2 May 2005
116 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.5
117 ibid.
118 ibid.
119 ibid.
120 ibid., p.6
121 ibid.
122 ibid.
123 ibid.

The Committee stresses the importance of monitoring outcomes to ensure that funding is being used in the most cost effective manner. Further, eliciting a greater engagement by private landholders in programs and more frequent baiting practices appear to be paramount in ensuring an effective outcome from the baiting programs. In terms of the estimated economic cost to the state, the government will need to continue to review the level of funding for research and fox control programs, to determine whether the funding is sufficient to address the risk in future. The Committee encourages the department to report outcomes in its annual report.

The Committee recommends that:

Recommendation 111: **To ensure the measures employed to control the fox population in Victoria remain relevant and effective, the Department of Primary Industries:**

(a) continue to monitor the extent to which the number of foxes is reduced each year, to assess whether a greater level of funding needs to be directed at addressing the risk to Victoria's agriculture industries;

(b) investigate the need to strengthen its research directed at eliminating foxes; and

(c) adopt an outcome focused approach to disclosing progress in fox eradication (for example, in relation to movements in the value of agricultural production loss due to the impact of foxes).

(h) Victoria's farming workforce

According to the ABS Census of Population and Housing conducted in 2001, the number of persons employed in the agriculture industry by age in Victoria in 1996 and 2001, and the associated change is as shown in exhibit 11.8.

Exhibit 11.8: Persons employed in the Victorian agriculture industry 1996-2001

	Age range						All persons
	15-24	25-34	35-44	45-54	55-64	65+	
1996 (no.)	6,364	11,020	14,870	15,686	11,305	7,220	66,465
2001 (no.)	5,861	10,084	14,492	15,478	12,418	7,681	66,014
Percentage change 1996 to 2001 (%)	**-7.9**	**-8.5**	**-2.5**	**-1.3**	**9.8**	**6.4**	**-0.7**

Source: Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.14

In 2001, the number of persons employed in agriculture in all age groups up to and including those 45-54 years old had decreased since 1996.[124] For the same period the number of 55–64 year olds employed in agriculture increased by almost 10 per cent and the number of those aged 65 years or over increased by over 6 per cent.[125] Overall 0.7 per cent fewer persons were employed in the agriculture industry in 2001 compared with 1996.[126]

Given the marked decline in younger people employed in agriculture, and the consequent ageing of the agricultural workforce between 1996 and 2001, the Committee was interested in ascertaining what action will be taken in 2005-06 to encourage younger people to take up careers in agriculture. The Committee was informed of the following:[127]

- the Primary Industries Social Research Team located in the Bendigo Office of the department produces a range of outputs analysing demographic change affecting primary industries;
- through the department's education program 'LandLearn', information about careers in agriculture is distributed at expos, to career educators and through the (LandLearn) website.
- through its graduate program, the department promotes careers in agriculture by increasing the profile of agricultural employment through the media and at universities; and
- a desktop study into the number of students studying agricultural science at Victorian, national and New Zealand universities has been conducted. The research is designed to enable the department to understand student numbers, demographics and trends, so that careers in agriculture can be promoted to this audience.

124 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 29 June 2005, p.14
125 ibid.
126 ibid.
127 ibid., pp.14–15

11.6 Resources portfolio

11.6.1 Performance measures

The Committee noted that there are no new performance measures for 2005-06 and none have been discontinued.[128] The 11 performance measures are spread over three outputs namely the Primary Industries Policy output, the Regulation and Compliance output and the Strategic and Applied Scientific Research output.[129]

11.6.2 Key issues affecting the portfolio

(a) Output cost budget for the Resources portfolio

The Committee noted that there are three departmental outputs where ministerial responsibility is shared between two Ministers, namely the Minister for Agriculture (the lead Minister) and the Minister for Resources.[130]

The Committee observed that the new output structure adopted for 2005-06 – which describes the department's key activities and services, and is designed to reflect the outputs delivered on behalf of the government – does not disclose financial details and performance information according to industry sectors on a ministerial basis.[131] Prior to this change to the department's output structure, the budget papers disclosed two outputs relating to the Resources portfolio (Minerals and Petroleum Regulation Services, and Minerals and Petroleum Industry Development and Information) disclosing financial and performance-related information specific to the Minerals and Petroleum output group and the Minister for Resources.[132]

Given that the Committee could not ascertain the level of output funding provided through the budget for the activities relating to the minerals and petroleum sector, the Acting Minister for Resources, as requested by the Committee, provided the following breakdown of direct discretionary expenditure for the Minerals and Petroleum Division by major business unit activities (exhibit 11.9).

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128 Budget Paper No.3, *2005-06 Service Delivery*, pp.187–190
129 ibid.
130 Department of Primary Industries, response to the Committee's 2005-06 Budget Estimates questionnaire, received 4 May 2005, p.1
131 Budget Paper No.3, *2005-06 Service Delivery*, pp.185–192
132 ibid., pp.199–200

Exhibit 11.9: Minerals and Petroleum Division
Output costs
2004-05 to 2005-06

Business Unit	2005-06 ($ million)	2004-05 ($ million)
Minerals & Petroleum Regulation (a)	6.5	6.4
Geoscience Victoria	5.7	5.7
Business Development & Technology	3.9	1.7
Information Development	1.5	1.5
Policy & Legislation	1.0	1.0
Executive & Business Management (a)	0.9	1.0
Depreciation, amortisation and Capital Asset charge	1.3	1.3
Total	**20.8**	**18.6**

Note: (a) The Mineral and Petroleum (M&P)Division budget figures for 2005-06 finalised subsequent to the PAEC Hearing included a re-allocation of $200,000 between M&P Regulation and the M&P Executive

Source: Hon. P Batchelor, MP, Acting Minister for Resources, response to the Committee's follow-up questions, received 12 July 2005, p.2

The major variance between 2004-05 and 2005-06, in both the division total and within the Business Development and Technology unit, relates to the approval of funding for the Mechanical Thermal Expression demonstration plant of $2.2 million as highlighted in the budget.[133] This initiative for the development of greenhouse abatement technologies involves constructing a 15 tonne per hour coal drying demonstration plant in the Latrobe Valley, using technology described as Mechanical Thermal Expression.[134] This technology reduces the high water content and associated greenhouse gas emissions of brown coal.[135] It is intended to be able to be scaled up to a stage that can be applied by industry.[136]

The Committee maintains that it should not have to request from the Minister, through the estimates hearing process each year, details of output funding allocated for the activities of the Resources portfolio. While the Committee supports the development and reporting of output structures that reflect activities rather than industry sectors, the provision of output funding through the budget for the activities of each government portfolio and Minister should be transparent to enhance accountability under the Westminster model of parliamentary democracy.

133 Hon. P Batchelor, MP, Acting Minister for Resources, response to the Committee's follow-up questions, received 12 July 2005, p.2
134 Budget Paper No.3, *2005-06 Service Delivery*, p.307
135 ibid.
136 ibid.

The Committee recommends that:

Recommendation 112: **The Department of Treasury and Finance develop a reporting regime whereby the budget papers summarise government information on a ministerial portfolio basis, rather than only as an aggregation of all industry sectors allocated on an activity basis across a particular department.**

(b) Audits of high or critical minerals and petroleum sites

Given that the 2005-06 target of 128 audits has remained unchanged from that of 2004-05, the Committee sought an explanation of how it can be assured the 2005-06 target will be achieved when performance was expected to be below target for 2004-05.[137] The Acting Minister for Resources advised that the department endeavours to achieve all performance measures set each year.[138] However, unexpected or unforseen events may adversely impact on the delivery of performance targets in a particular year.[139] In the regulatory area, priority is given to responding to and investigating critical occupational health and safety incidents that may arise in the minerals and petroleum industry during the year, consistent with the department's statutory responsibilities.[140] The Committee learned that resources were diverted away from audit activities in 2004-05 to investigate two incidents during that year and, consequently, the department would not meet the full year target.[141]

The Acting Minister advised that the department considers the audit target of 128 audits for 2005-06 is achievable and, to enable the delivery of this target, is modifying the 2005-06 minerals and petroleum audit program.[142] A minimum of three special audit programs will be conducted during 2005-06, focusing on high-risk areas across an increased number of mining and quarry sites.[143] This 'blitz' audit approach aims to cover more sites than has been achieved in the recent past, compared with the more complete full audit approach of individual sites.[144] By including this audit approach along with the full audit method, the department aims to improve the efficiency and effectiveness of the minerals and petroleum audit program.[145]

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137 Budget Paper No.3, *2005-06 Service Delivery*, p.188
138 Hon. P Batchelor, MP, Acting Minister for Resources, response to the Committee's follow-up questions, received 12 July 2005, p.3
139 ibid.
140 ibid.
141 ibid.
142 ibid.
143 ibid.
144 ibid.
145 ibid.

The Committee appreciates that a more targeted approach on high risk areas across a larger number of individual sites should result in achieving the quantitative target for 2005-06. However it would be worthwhile at the end of the year evaluating, from a qualitative perspective, whether the audit outcomes delivered from the new approach, (covering a smaller number of high risk audit areas at a larger number of sites) exceeds what could have been achieved by undertaking a full audit approach at a smaller number of sites, based on past experience.

The Committee recommends that:

Recommendation 113: **The Department of Primary Industries:**

(a) evaluate whether audit outcomes for 2005-06 have improved as a result of modifying the minerals and petroleum audit program from undertaking a full audit of a smaller number of individual mining and quarry sites, to taking a more targeted approach that focuses on high risk areas at a larger number of sites; and

(b) determine, based on the outcomes delivered from the new audit approach, whether there is scope to increase the targeted number of audits of high or critical minerals and petroleum sites in future budget cycles.

(c) Minerals and petroleum royalty audit program

The 2005-06 Budget reveals that a revenue initiative of the government involves the department undertaking a minerals and petroleum royalty audit program to assess various mining, extractive and petroleum royalties to ensure they are accurate and comply with legislative requirements.[146] The budget forecasts that implementing the audit program will generate $500,000 in royalties annually over the next four years to 2008-09.[147]

In response to its enquiries about the cost effectiveness of this initiative, the Committee was informed of the following:[148]

- to manage the new royalty audit program, the Minerals and Petroleum Regulation Branch has allocated an additional $75,000 towards this activity. This will enable a full time royalty officer to be recruited to focus on royalty

[146] Budget Paper No.3, *2005-06 Service Delivery*, p.321
[147] ibid., p.318
[148] Hon. P Batchelor, MP, Acting Minister for Resources, response to the Committee's follow-up questions, received 12 July 2005, p.5

compliance compared with the limited royalty approach applied to date. In addition to ensuring industry royalty returns and payments comply with legislative requirements, the extra royalty revenue generated is expected to be around $500,000 per year. This represents a cost-effective use of resources and is a function the department considers is a necessary part of its compliance responsibilities, particularly given that the royalties collected from this sector are forecast to increase over the next decade;

- a department pilot study of the extractives sector over the past 18 months identified underpaid royalty amounts. This desktop study reviewed 37 sites out of a possible 414 sites subject to the state's royalty regime. Underpayments arose from a combination of inaccurate data, inconsistencies in interpretations or simply non-payment. This finding highlighted that with a more systematic royalty audit approach and based on a similar level of underpayments in other areas, the amount of revenue collected on behalf of the state could be significantly higher. Though difficult to estimate precisely, the study indicated that introducing such a program is likely to achieve extra revenue of $500,000 per year; and
- the new royalty audit program represents, in cost terms, approximately one per cent of the Minerals and Petroleum Regulation Branch budget for 2005-06. Although important, the proportion was not deemed significant enough to warrant a separate performance measure for the program as part of the department's Regulation and Compliance output. The results of the royalty audit program, particularly additional revenue collected, will be reported to the Department of Treasury and Finance through normal reporting mechanisms for budget revenue initiatives.

While the Committee is pleased that the department has taken steps to address this issue, it expresses concern that:

- the internal and external audit regimes in place had not detected this shortcoming at an earlier stage; and
- considerable revenue to the state may have been forgone over a number of years.

Given these circumstances, the Committee considers that a audit of all sites should now be conducted to determine the full extent of revenue foregone to be recouped by the state. The Department of Treasury and Finance should be consulted to establish the maximum timeframe under which underpayments of this nature may be legally recovered, which should provide the basis for determining the period to be covered in scoping the audits.

The royalty audit program needs to be closely monitored to evaluate whether to boost resourcing in future, depending on the extent of additional royalty revenue generated and the future expansion of the extractives sector in Victoria.

The Committee recommends that:

Recommendation 114: **The Department of Primary Industries arrange for a comprehensive audit of all sites subject to the state's royalty regime to determine the full extent of revenue foregone as a result of the underpayment of royalties. The government should then act to recover those amounts legally owing to the state.**

Recommendation 115: **The Department of Treasury and Finance monitor the cost effectiveness of the new royalty audit program administered by the Minerals and Petroleum Regulation Branch of the Department of Primary Industries, to evaluate whether to allocate additional financial resources to expand this area of compliance activity across the minerals and petroleum sector.**

(d) Minerals and petroleum mapping

The 2005-06 Budget sets a target for new generation minerals and petroleum mapping to be completed in 83 per cent of strategic areas of the state during 2005-06 (the target and expected outcome for 2004-05 is 79 per cent).[149]

The Committee sought details of the strategic areas to be mapped in 2005-06, the strategic areas that comprise the remaining 17 per cent to be mapped, the impact of new generation mapping and the expected timeframe for the mapping to be completed.

The Acting Minister for Resources advised the Committee of the following:[150]

- during 2005-06 the Woods Point – Walhalla goldfield mapping project will be completed. This project comprises approximately four per cent of the total Palaeozoic outcrop area of the state and covers parts of Alexandra, Euroa, Mansfield, Matlock and Moe. This area represents the last major gold belt in Victoria to receive new generation geological mapping. The focus of the project is to understand the controls to gold mineralisation and will result in a new information package to be released to industry in mid 2006. The package is likely to be a key component of the Victorian Initiative for Minerals and

[149] Budget Paper No.3, *2005-06 Service Delivery*, p.189

[150] Hon. P Batchelor, MP, Acting Minister for Resources, response to the Committee's follow-up questions, received 12 July 2005, p.4

Petroleum (VIMP) 2006 release and will aim to further promote Victoria's gold exploration potential;

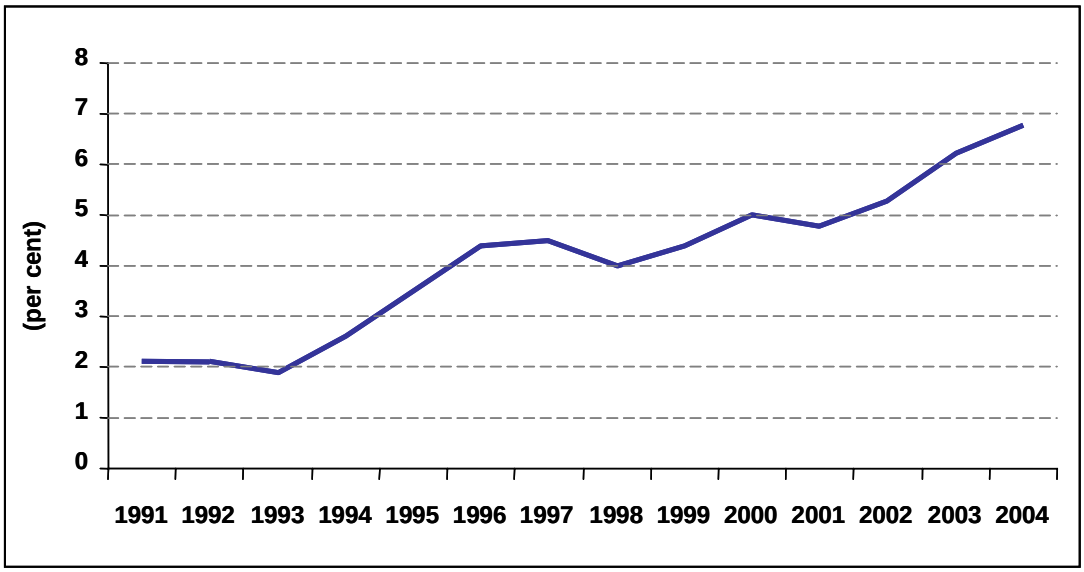
- the department intends to complete new generation mapping of all strategic areas of the state over the next ten years. The remaining strategic areas to be mapped include:
  - small areas of Dookie, Tatong, Howqua, Dolodrook and Foster planned for 2007-2009;
  - parts of Tallangatta, Albury, Woodend, Bacchus Marsh and Yea planned for 2006-2015; and
  - parts of Bairnsdale, Wangaratta, Alexandra, Whitfield, Howitt, Maffra and Stratford 2014-2016; and
- the impact of this mapping will be to provide state of the art geological information for these areas, to promote new mineral exploration investment in addition to providing guidance on future land use decisions. Geoscience mapping projects are long term in nature, involving fieldwork data collection, data interpretation, map compilation and the production of detailed reports and data packages. The projections above are based on current resource levels within Geoscience Victoria.

The Committee was pleased to find that a program and timelines have been established for the completion of this long term project in 2016.

In its 2003-04 annual report, the department reported that the provision of high quality geoscience data and information as provided through VIMP, continued to attract exploration investment to Victoria.[151] At the estimates hearing, the Minister presented the following exhibit to show the continual rise in Victoria's share of national mineral exploration expenditure.

[151] Department of Primary Industries, *2003-04 Annual Report*, p.30

Exhibit 11.10: Victoria's share of Australian mineral exploration expenditure 1991 to 2004



Source: Hon. T Theophanous, MLC, Minister for Resources, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 4

The Minister outlined the benefits that have been derived from, or are anticipated from, the increased exploration investment in some projects in Victoria. The New Bendigo Gold Project, for example, involves 700 actual or projected jobs (150 construction jobs and 550 permanent jobs) and investment of $350 million.[152]

The Committee believes that, given the increasing level of interest in mineral exploration in provincial Victoria, there is scope for the department to expand the information included in its annual report by disclosing in greater detail exploration investment outcomes from the provision of geoscience data and information provided through the VIMP.

[152] Hon. T Theophanous, MLC, Minister for Resources, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 5

The Committee recommends that:

Recommendation 116: **Annual reporting by the Department of Primary Industries include a progressive report on the actual and planned outcomes of the state's major mineral, exploration and petroleum investments that have been attracted to those areas subjected to geoscience mapping projects. Such reporting should feature the benefits derived from the successful promotion of Victoria's gold exploration potential.**

CHAPTER 12: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Key findings of the Committee:

12.1 **The Department of Sustainability and Environment's output budget allocation for 2005-06 is $926.3 million, an increase of $11.7 million or 1.3 per cent from the 2004-05 estimated actual result.**

12.2 **The department advised that its output funding to be carried over to 2005-06 will not exceed 3 per cent. Asset initiatives funding that the department expects to carry over into 2005-06 includes the Land Exchange; the Wimmera Mallee pipeline project; the Murray River irrigation upgrade; and the Accommodation Consolidation Project.**

12.3 **The department is required to achieve savings of $15.4 million in 2005-06. The savings will primarily be at the corporate level and may involve staff reductions. Savings are also anticipated from the department's advertising and publishing budgets.**

12.4 **No significant changes to workforce numbers or the likely classification profile of the department are anticipated to occur between 2004-05 and 2005-06.**

12.5 **The Department of Sustainability and Environment is estimated to have an operating surplus of $11.7 million for 2005-06, an improvement of $46 million on the 2004-05 revised budget. The transfer of commercial forestry activities to VicForests, as part of the New Directions for Sustainable Forestry program, resulted in a deficit in the department's accounts in 2004-05, due to changes in the accounting valuation of forests held for commercial purposes.**

12.6 **A $4.1 billion net increase in asset revaluation reserves in the 2004-05 revised budget relates to a revaluation of Crown Land to fair value as part of the department's Transitional Valuation program developed to comply with accounting standards. As a result, the item Property, Plant and Equipment has risen from a 2005 budget figure of $3.1 billion to a revised figure of $7.2 billion for 2004-05 in the 2005-06 budget.**

12.7 **Despite increased growth in recycling, Victorians continue to generate more waste each year. The Committee considers that a timeframe of more than two years to finalise the *Towards Zero Waste* was less than ideal. The development of reliable mechanisms to measure waste minimisation and the progressive monitoring of performance against targets will be crucial in assessing the effectiveness of waste minimisation strategies.**

12.8 **In 2001, the Environment Protection Authority aimed to have people swimming in the whole of the Yarra River by 2008. While the Yarra is in excellent condition in the forested areas where it originates, its condition declines as it moves into urban areas. While over the past 20 years there has been a general improvement in the Yarra's water quality resulting from the sewering of catchments and the diversion of industrial discharge into the sewer system, the government has conceded that the Yarra may never be safe after heavy rain, no matter how much effort is put into fixing the pollution and as long as there are millions of people living around it.**

12.9 **It was likely that $19.9 million of the $31.8 million funding for the implementation of the bushfire recovery strategy would remain unspent at 30 June 2005. The Committee heard that there were some areas where insurance claims were still uncertain, some changes in amounts were necessary because initial estimates of moneys to be recovered through insurance claims were higher than what had materialised and an outstanding issue relating to the north-eastern water treatment plant had not been able to be settled within the required time frame.**

12.10 **127,000 hectares of fuel reduction burning (97 per cent of the target area) had been achieved in 2004-05. While 141 prescribed burns listed for 2004-05 had not been completed, 220 burns listed for later years were completed in 2004-05. Unsuitable weather conditions, higher than expected fuel moisture levels, the need to direct resources to bushfires, higher priority/higher risk prescribed burns or higher levels of patrolling of prescribed burns currently in progress were factors that may lead to the postponement of a planned prescribed burn.**

12.11 **The River Redgum rescue plan represents a good example of a long term project that is facilitated by the implementation of a comprehensive monitoring framework. Up to 70 per cent of watered River Redgums were responding and some trees that had just ten per cent leaf cover in the autumn of 2004 now had full leaf cover.**

12.12 **In 2004-05, over $1 million was spent directly on the Wild Dog program in the North East region and close to $1 million in Gippsland. In addition, as part of the Bushfire Recovery initiative, support by way of wild dog fencing grants to farmers, predominantly in Gippsland, has been funded. Numbers of stock reported lost to wild dogs in 2004-05 were similar to those of the previous two years, and lower than those of the two years prior to that. Approximately 3,000 sheep and over 50 calves were reported lost by landholders in 2003-04 across Gippsland and the North East region.**

12.13 **The 2005-06 Budget includes a 2005-06 target of 174,000 megalitres as the volume of water savings under detailed study for River Murray environmental flows (expected 2004-05 outcome 23,000 megalitres in line with the target). The increase in the target for 2005-06 was attributed to the inclusion of the Sales Package amounting to 145,000 megalitres and the estimated contribution to the River Murray of 24,000 megalitres from the proposed decommission of Lake Mokoan.**

12.14 **The health of the major tributaries that feed into the River Murray (the Kiewa, Ovens, Broken, Goulburn, Campaspe, Loddon and Avoca Rivers) varies along their length, but generally the tributaries of the River Murray were in poor to moderate condition. The health of Victorian rivers is measured through the implementation of the Index of Stream Condition every five years. The government aims to significantly improve the health of Victoria's rivers, floodplains and estuaries by 2010.**

12.15 **In order to return flows to the Snowy River, the Victorian Government's financial contributions will include $150 million over ten years ($15 million per annum which commenced in June 2002) towards the cost of water savings projects and $53 million over ten years commencing 2001-02 for various projects, monitoring and project management.**

12.16 **Australia's biggest water infrastructure project, the new pipeline in the Wimmera Mallee region, is now ready to proceed to tender and construction after the agreement of funding arrangements with the Commonwealth Government was announced on 24 June 2005.**

12.17 **Environmental contribution payments made by the entire water industry, which will generate $225 million over four years (1 October 2004 to 30 June 2008), will be used to fund initiatives that seek to promote the sustainable management of water and address adverse water related environmental impacts.**

12.18 **Building activity for the 2004 calendar year was valued at $15.7 billion, a rise of 8.6 per cent on the previous record of $14.4 billion in 2003. The domestic building sector performed very strongly with $8.7 billion worth of approvals, which constituted 56 per cent of the total value of building permits for the state. All of the state's seven regional areas experienced increased building activity in 2004 in comparison to 2003, with the rural sector experiencing growth of 15 per cent in the value of building approvals.**

12.19 **The information contained in the budget papers relating to the Liveable Cities and Sustainable Regions output for 2004-05 should have included a note to explain the acceleration of expenditure in 2003-04 from 2004-05 funding that amounted to $1.7 million. Disclosure of this information would have explained the reason why the expected outcome for 2004-05 was less than the output cost budget for 2004-05 by this amount.**

12.20 **The department does not maintain records of expenditure by region for the Liveable Cities and Sustainable regions output, which has a targeted output cost amounting to $18.5 million for 2005-06.**

Departmental review

12.1 Output management framework

The Department of Sustainability and Environment supports the ministerial portfolios of Environment, Water and Planning.

Details of ministerial responsibilities for output groups and associated outputs are outlined in exhibit 12.1.

Exhibit 12.1: Department of Sustainability and Environment Ministerial responsibilities

Output groups/outputs	Responsible Minister		
	Environment	Water	Planning
Sustainable and productive water systems			
Sustainable water management and supply		✓	
Healthy and productive land and coasts			
Sustainable catchment management		✓	
Services for management and governance of Victoria's parks	✓		
Public land and sustainable forest management services	✓		
Fire prevention, operations and planning environment	✓		
Flourishing biodiversity in healthy ecosystems			
Services for biodiversity conservation, ecosystem, heritage recreation and tourism	✓		
Secure and efficient property markets			
Land Information			✓
Clean air, liveable climate and less waste			
Policy frameworks, regulations and services to protect the environment	✓		
Sustainability and greenhouse policy	✓		
Liveable cities and responsible development			
Responsible development decision making and heritage protection			✓
Liveable cities and sustainable regions			✓

Source: Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.2

12.2 Internal/external reviews

In accordance with the Regulatory Impact Statement process, Land Victoria undertook a pricing review during 2004. This resulted in a new pricing structure in the form of a new schedule of statutory fees for Land Registry Services, which took effect from October 2004.[1]

[1] Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.7

12.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $926.4 million, an increase of $11.8 million or 1.3 per cent on the estimated actual result for 2004-05. A detailed budgetary breakdown is provided below in exhibit 12.2.

Exhibit 12.2: Department of Sustainability and Environment Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Sustainable and productive water systems				
Sustainable water management and supply	90.4	145.0	154.3	6.4
Healthy and productive land and coasts				
Sustainable catchment management	100.2	121.9	114.5	-6.2
Services for management and governance of Victoria's parks	145.4	156.1	165.9	6.3
Public land and sustainable forest management services	155.7	142.2	114.2	-19.7
Fire prevention, operations and planning environment	92.7	86.1	97.4	13.1
Sub total	**494.0**	**506.3**	**492.0**	**-2.8**
Flourishing biodiversity in healthy ecosystems				
Services for biodiversity conservation, ecosystem, heritage recreation and tourism	43.0	43.5	42.9	-1.4
Secure and efficient property markets				
Land Information	101.1	96.4	101.6	5.4
Clean air, liveable climate and less waste				
Policy frameworks, regulations and services to protect the environment	61.1	61.1	69.6	13.9
Sustainability and greenhouse policy	30.7	25.1	21.2	-15.5
Sub total	**91.8**	**86.2**	**90.8**	**5.3**

Exhibit 12.2: Department of Sustainability and Environment Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Liveable cities and responsible development				
Responsible development decision making and heritage protection	33.2	28.4	26.2	-7.7
Liveable cities and sustainable regions	10.5	8.8	18.5	110.2
Sub total	**43.7**	**37.2**	**44.7**	**20.2**
Total	**864.0**	**914.6**	**926.3**	**1.3**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting[2]

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.197–215*

In relation to the Committee's request through its budget estimates questionnaire for detailed explanations to be provided for variations in excess of ten per cent between the 2004-05 estimated actual output cost and the 2005-06 target, the department advised that variances were attributable to either initiatives being completed, new initiatives starting (as outlined in the 2005-06 Budget Papers) or additional funding being provided by Treasurer's Advance.[3]

The Committee wishes to point out that the response provided to this request for a detailed explanation is not in keeping with the quality of material provided by other departments and the expectations of the Committee. Similarly, in response to the Committee's request for information regarding revenue raising initiatives, the response to the budget estimates questionnaire stated that *'the department will be required to implement any new revenue raising initiatives or changes to existing revenue initiatives as identified in the 2005-06 Budget Papers'*.[4]

The Committee uses the questionnaire as a vehicle to elicit more expansive information than is disclosed in the budget papers and does not find it helpful for a department to virtually instruct it to refer to the budget papers. In doing so, the department could be regarded as treating the Committee and this Parliament with disrespect in its endeavour to discharge its legislative charter to inquire into, consider and report to the Parliament on the annual estimates. The Committee will seek a more

2 Budget Paper No.3, *2005-06 Service Delivery*, p.194

3 Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.18

4 ibid., p.14

fulsome explanation from the Minister when these matters are pursued in the forthcoming budget outcomes questionnaire.

The Committee recommends that:

Recommendation 117: **The Department of Sustainability and Environment provide a more informative response to future requests for detailed information from the Public Accounts and Estimates Committee.**

12.3.1 Departmental savings

The department is required to achieve savings of $15.4 million in 2005-06.[5] The department advised that it will primarily focus on finding savings at the corporate level and this may involve staff reductions. The department anticipates the whole of government savings initiative to centralise print, media and communication will result in saving within the advertising and publishing areas of its budget.[6]

12.3.2 Financial analysis

(a) Operating performance

The Department of Sustainability and Environment anticipated receiving $938.3 million in income for its controlled operations, around 0.3 per cent higher than the expected outcome in 2004-05 (see exhibit 12.3). Operating expenses are anticipated to decrease by 4.4 per cent.

5 Budget Paper No.3, *2005-06 Service Delivery*, pp.309, 311

6 Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.26

Exhibit 12.3: Department of Sustainability and Environment Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	935.4	938.3	0.3
Expenses	969.7	926.6	- 4.4
Net result	**- 34.3**	**11.7**	**134.1**
Administered items			
Administered income	378.5	408.7	8.0
Administered expenses	378.5	408.7	8.0
Income less expenses	**0.0**	**0.0**	**0.0**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome*

Source: *Budget Paper No.4, 2005-06 Statement of Finances, pp.117, 120*

The Department of Sustainability and Environment is estimated to have an operating surplus of $11.7 million for 2005-06, an improvement of $46 million on the 2004-05 revised budget.[7] The transfer of commercial forestry activities to VicForests, as part of the New Directions for Sustainable Forestry program, resulted in a deficit in the department's accounts in 2004-05, due to changes in the accounting valuation of forests held for commercial purposes.[8] On a whole of government perspective, this will be offset by a surplus recorded by VicForests.[9]

State government appropriations provide the largest part (82.8 per cent) of the department's 2005-06 projected operating income.[10] This consists of funding of new initiatives in the 2005-06 Budget (such as funding to renew, restore and upgrade assets within the parks estate, and to protect the coastal environment), and the flow-through effect of funding for initiatives approved in previous budgets (including Water White Paper initiatives and *Our Forests, Our Future* initiatives).[11]

A further $126 million is sourced from the taxation receipts derived from the Metropolitan Parks Charge (MPC) and landfill levies.[12] The increases in the MPC will be used *'to further develop and manage the network of parks, gardens, trails, waterways, bays and other significant recreation and conversation assets [sic]'*.[13]

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7 Budget Paper No.4, *2005-06 Statement of Finances*, p.115
8 ibid.
9 Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.14
10 Budget Paper No.4, *2005-06 Statement of Finances*, pp.115, 117
11 ibid., p.115
12 ibid.
13 ibid.

Additional income collected through the increases in landfill levies will be used for activities undertaken by a range of organisations, including regional waste management groups, EcoRecycle and Environment Protection Authority, by helping to establish waste management infrastructure, industry waste reduction programs, education programs, regulatory controls and enforcement regimes.[14]

(b) Balance sheet performance

Exhibit 12.4 shows that the department's net asset position is expected to improve by around $79.2 million from 30 June 2005 to 30 June 2006. This reflects a projected increase in total assets of around $88.1 million and an increase in liabilities of around $8.9 million over this period.

Exhibit 12.4: Department of Sustainability and Environment Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	7,672.7	7,760.8	1.1
Liabilities	150.0	158.9	5.9
Net assets	**7,522.7**	**7,601.9**	**1.1**
Administered items			
Administered assets	25.6	25.6	0.0
Administered liabilities	5.5	5.5	0.0

Note: (a) presentation of 2004-05 revised estimated actual and 2005-06 budget is based on the Australian equivalents to International Financial Reporting Standards (A-IFRS) basis

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.119–120

A $4,129 million net increase in asset revaluation reserves in the 2004-05 revised budget relates to a revaluation of Crown Land to fair value as part of the department's Transitional Valuation program developed to comply with accounting standards.[15] The 2005-06 budget revealed that the Transitional Valuation program was developed in 2000 and this is one of the final items in the asset base to be valued.[16] As a result, the item Property, Plant and Equipment has risen from $3,165.3 million[17] to a revised figure of $7,292.1 million at 30 June 2005 in the 2005-06 budget papers.[18]

14 ibid.
15 Budget Paper No.4, *2005-06 Statement of Finances*, p.116
16 ibid., p.117
17 ibid., p.96
18 ibid., p.119

12.3.3 Carry over funding

The Committee was advised on 9 May 2005 that the department's output carry over would not exceed three per cent of output appropriations.[19] In addition, there was expected to be a carry over for asset initiatives, however the final carry over requirement could not be quantified until June 2005.[20]

Of the asset initiatives expected to be carried over into 2005-06, the significant contributors were expected to be the Land Exchange, which was delayed due to re-scoping the project.[21] The Wimmera Mallee pipeline had slowed because the department needed to clarify with the Commonwealth the degree of matched funding.[22] The Murray River irrigation upgrade had to redevelop its business case, delaying expenditure until April 2005.[23] The Committee was advised that the Accommodation Consolidation Project would also seek carry over, due to delays caused by the building restacking.[24]

12.3.4 Trust funds

The department operates 13 trust accounts.[25] Estimates of the opening balance of each trust account at 1 July 2005, income and expenditure for 2005-06 and the closing balance at 30 June 2006 together with a description of each account are shown in exhibit 12.5.

The Committee was interested in gaining an understanding of the controls in place to ensure that moneys expended from the trust fund accounts were used for the intended purpose to which they were established. The department advised that:[26]

- a Financial Management Policy and Procedure *FM24-Trusts Funds* has been developed to ensure consistency in the use of trust funds throughout the department. This policy has been created with reference to the requirements of the *Financial Management Act* 1994 and directions of the Minister for Finance, monitored through the Financial Management Compliance Framework;
- all trust funds created must have the approval of the department's Chief Finance Officer;
- regular reviews of expenditure are undertaken to ensure trust funds are operating in line with departmental policy. These include the Financial Data

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19 Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.19
20 ibid.
21 ibid.
22 ibid.
23 ibid.
24 ibid.
25 ibid., pp.20–21
26 ibid., p.22

Quality Assurance process, specific reviews undertaken by internal audit and monthly monitoring of transactions over $100,000 by Corporate Finance; and

- the Financial Delegations Framework ensures only approved officers within the department can expend moneys from each particular Trust Fund.

Exhibit 12.5: Department of Sustainability and Environment
Trust accounts – 2005-06

Trust account	Opening Balance Cash ($000)	Opening Balance Investments ($000)	Opening Balance Liabilities ($000)	Opening Balance Total ($000)	Income ($000)	Expenditure ($000)	Closing Balance ($000)
Commercial forests working account (a)	0.0	(n) 91,589.2	-166.0	91,423.2	2,674.3	-1,568.0	92,529.5
Environment protection fund (b)	5,950.6	47,694.9	-9,439.2	44,206.3	40,656.0	-40,656.0	44,206.3
Projects trust (c)	1.0	37,436.4	-1,770.8	35,666.7	18,176.0	-20,113.0	33,729.7
Plant and machinery trust (d)	0.0	26,210.4	-2,500.7	23,709.7	0.0	0.0	23,709.7
Landdata working account (e)	0.0	17,600.1	-112.0	17,488.0	17,012.5	-14,713.0	19,787.5
Parks and reserves trust (f)	6,500.0	5,524.2	-69.8	11,954.4	92,078.0	-89,578.0	14,454.4
Stores suspense (g)	0.0	11,096.7	-845.7	10,251.1	0.0	0.0	10,251.1
Snowy river – 2012 (h)	0.0	2,250.0	-375.0	1,875.0	0.0	0.0	1,875.0
Murray-Darling Basin Commission trust (i)	0.0	757.2	-29.9	727.3	550.0	-529.0	748.3
Casino areas work trust (j)	0.0	690.3	0.0	690.3	0.0	0.0	690.3
Departmental suspense account (k)	0.0	260.8	-28.2	232.6	0.0	0.0	232.6
EPA – financial assistance (l)	0.0	421.3	-421.3	0.0	0.0	0.0	0.0
Revenue suspense (m)	0.0	-272.6	-78.3	-350.9	0.0	0.0	-350.9

Notes:

(a) Received revenue from commercial forestry operators, which is then transferred to Vic Forest

(b) Revenue collected by EPA (landfill licences etc) – distributed to Regional Waste Management, Eco Recycling, and defined EPA Operations

(c) Trust set up for the management of externally funded departmental activities

(d) Funds for the purchase of plant and machinery

(e) Operational account for Landdata activities e.g. property titles

(f) Received rates for the Metropolitan Parks and Reserves, which is then transferred in accordance with enabling legislation

(g) Holdings of stocks in the department includes weedicides and poisons, seed bank, fuels and lubricants

(h) Established by the Minister for Finance to facilitate the receipt of the Commonwealth Grant and appropriations by the Victorian Government, which are then forwarded to the State Trustees who are responsible for the management of the Snowy River project

(i) Transactions relate to the Murray-Darling Basin Commission

(j) Investment in the Yarra Precinct - Queensbridge

(k) Transactions that require further identification and reallocation

(l) Security paid by private companies. If any environmental damage is caused by the operations of the companies, the EPA has the funds to address the damage

(m) All revenue received by the department to be transferred to the Department of Treasury and Finance

(n) The Commercial Forests Working Accounts Investments comprise roading and property assets of around $88 million and receivables of approximately $3.5 million. The infrastructure investment is considered by the department to be necessary to achieve the commercial forestry objectives of the department

Sources: Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.20–21 and Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.15

12.4 Human resources issues

Exhibit 12.6 shows that the total number of staff in the department in June 2005 was 2,712.1 (on an equivalent full-time basis), with no significant changes over the course of 2005-06. While roles may be created for new programs, the department expects to manage its overall classification profile through normal management measures, including staff turnover and reassignment of work.[1]

Exhibit 12.6: Department of Sustainability and Environment
Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate (b)	June 2006 Estimate (b)
Ongoing staff			
Executive officer			
Field staff	186.8	209.0	209.0
Other (includes VPS Grade 1 to 6)	1,973.3	2,070.8	2,070.8
Principal scientist	3.0	3.0	3.0
Senior technical specialist		1.0	6.0
Sub total	**2,163.1**	**2,283.8**	**2,288.8**
Fixed-term staff			
Executive officer	47.0	45.0	52.0
Field staff	42.0	8.0	8.0
Other (includes VPS Grade 1 to 6)	331.6	298.3	298.3
Principal scientist	3.0	4.0	4.0
Senior technical specialist		1.0	1.0
Sub total	**423.6**	**356.3**	**363.3**
Casual			
Field staff	15.0	5.0	5.0
Other (includes VPS Grade 1 to 6)		10.0	10.0
Principal scientist			
Senior technical specialist			
Sub total	**15.0**	**15.0**	**15.0**

[1] Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.9

Exhibit 12.6: Department of Sustainability and Environment Equivalent full-time staff *(continued)*

	June 2004	June 2005	June 2006
	Actual	**Estimate (b)**	**Estimate (b)**
Vacancies			
Executive officer	5.0	7.0	
Field staff			
Other (includes VPS Grade 1 to 6)	(a)	45.0	45.0
Principal scientist			
Senior technical specialist		5.0	
Sub total	**5.0**	**57.0**	**45.0**
All staff			
Executive officer	52.0	52.0	52.0
Field staff	243.8	222.0	222.0
Other (includes VPS Grade 1 to 6)	2,305.0	2,424.1	2,424.1
Principal scientist	6.0	7.0	7.0
Senior technical specialist		7.0	7.0
Total	**2,606.8**	**2,712.1**	**2,712.1**

Notes: *(a) The department estimated that 45 EFT positions in the VPS category were at various stages of the recruitment process at 30 June 2004*

(b) These estimates are based on the departmental workforce employed at 31 March 2005, with some reduction anticipated in fixed-term employment as some contracts end and are not renewed

(c) The department estimates that there will be no significant changes to workforce numbers, or the likely classification profile of the department's workforce

Source: *Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, pp.8–9*

Review of portfolios

12.5 Environment portfolio

12.5.1 Performance measures

The Committee was informed that in the past the department has attempted to identify and develop appropriate benchmarks for use in measuring performances and improving outcomes.[2] However, with the exception of some corporate applications, the development and identification of benchmarks in environmental resource management is currently inconsistent and difficult to apply.[3] The department has been investigating the use of performance indicators, both national and international.[4]

The department advised the Committee that the internal audit program did not specifically examine the department's performance measures in 2004-05.[5]

The Committee recommends that:

Recommendation 118: **In drawing on the *Audit Act* 1994 provisions that relate to the examination of performance indicators, the Department of Sustainability and Environment consider whether its internal audit should examine whether the department's performance measures are relevant to the department's objectives, and appropriate for assessing performance, and whether they produce accurate information.**

12.5.2 Key issues affecting the portfolio

(a) Solid waste generation

According to a draft of the government's strategy document titled *Towards Zero Waste* that was released for consultation in March 2003, despite increased growth in recycling, Victorians continue to generate more waste each year.[6] As the population

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2 Department of Sustainability and Environment, response to the Committee's 2005-06 Budget Estimates questionnaire, received 9 May 2005, p.6

3 ibid.

4 ibid.

5 ibid.

6 EcoRecycle Victoria, *Towards Zero Waste: A Materials Efficiency Strategy for Victoria – Summary Draft for Consultation*, March 2003, p.2

grows and standard of living increases, the community is consuming more goods and services, placing pressure on the natural environment.[7] While kerbside recycling delivers significant net benefits of around $72.5 million per year, recycling materials is only one step towards sustainability.[8] Far greater gains can be achieved by taking a strategic approach to materials use by designing products and services which avoid the production of waste.[9]

Victoria's Environmental Sustainability Framework, released by the government in April 2005, contains various interim targets that relate to using resources more efficiently. In relation to the objective of *'less waste and increased resource efficiency'* the interim target is for the quantity of solid waste generated to be reduced and the amount recovered for reuse, recycling and energy generation to be increased.[10]

The Committee was interested in examining what progress had been made in relation to establishing targets and timeframes for the reduction of solid waste and the amount of waste to be recovered for reuse, recycling and energy generation. How Victoria has performed in recent times in terms of waste minimisation and diversion of waste from landfill to more environmentally sustainable practices such as recycling was also of interest to the Committee.

The Committee noted that the Minister established a working party in November 2004 to examine the best ways local and the state government could work together to finalise the Towards Zero Waste strategy and develop plans for its implementation,[11] some 19 months after the release of the draft strategy in March 2003. At the estimates hearing, the Minister explained that the reason it had taken so long was that, as responsibility for the collection and disposal of household waste was with local councils and not the state government, some objectives had to be achieved in partnership with local government.[12] Additional time has been needed to reach agreement with the local government sector.[13] The Minister informed the Committee that he was, in conjunction with the Municipal Association of Victoria and the Victorian Local Governance Association, writing to all councils with draft recommendations of the way forward and seeking their support.[14]

The Committee was advised by the Minister on 1 July 2005 that the government's strategy for the management of solid waste in Victoria (Towards Zero Waste) would be released this year and this document would set out targets for reductions in solid

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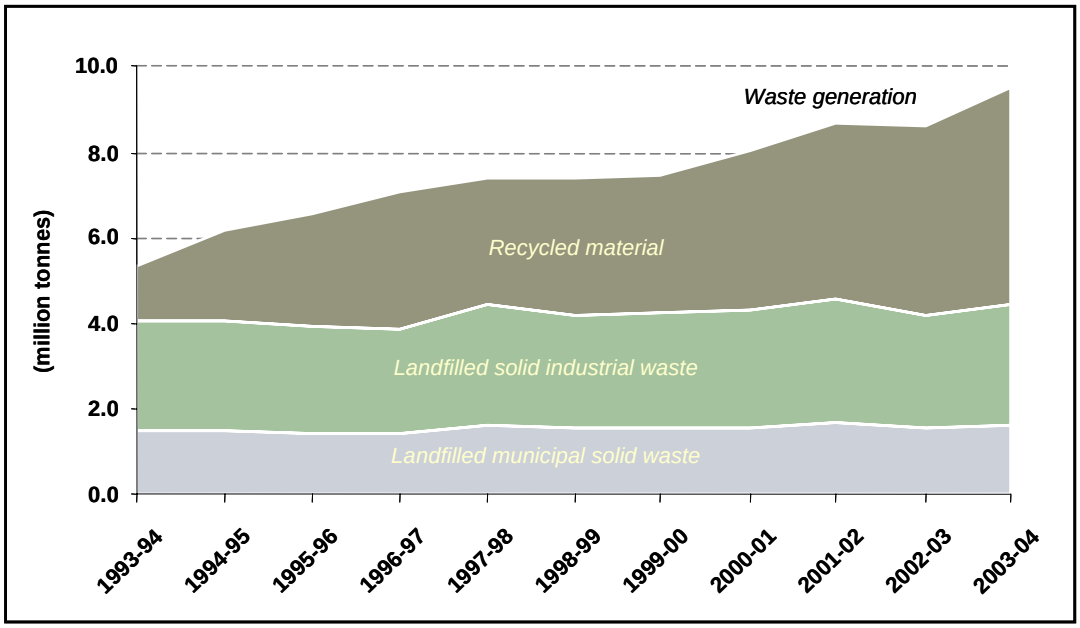
7 ibid.
8 ibid.
9 ibid.
10 Hon. J Thwaites, MP, Minister for Environment, *Our Environment Our Future, Victoria's Environmental Sustainability Framework: Creating a healthier environment and a stronger state*, April 2005, p.27
11 Hon. J Thwaites, MP, Minister for Environment, media release, *New working party to help Victoria move towards zero waste*, 10 November 2004
12 Hon. J Thwaites, MP, Minister for Environment, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.7
13 ibid.
14 ibid.

waste and a framework for achieving these targets.[15] The Committee noted that the strategy was released in September 2005.

The Minister brought to the Committee's notice that, although Victoria now recycled more than 50 per cent of its waste, overall waste levels were still on the rise.[16]

Exhibit 12.7 illustrates the increase in total waste generation and the progressive improvements in recovery for recycling.

Exhibit 12.7: Solid waste generation Victoria 1993-94 to 2003-04



Source: Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.10

As some time has now elapsed since the draft of the Towards Zero Waste strategy document was released for consultation, the Committee makes the point that a timeframe of more than two years to finalise a draft strategy is less than ideal. The Committee will view with interest the implementation of strategies to elicit industry and community engagement in programs designed to avoid the generation of solid waste. The Committee maintains that the development of reliable mechanisms to measure waste minimisation and the progressive monitoring of performance against targets will be crucial in assessing the effectiveness of waste minimisation strategies over a long term period.

15 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.10

16 ibid.

The Committee recommends that:

Recommendation 119:

(a) To complement the government's release of its Towards Zero Waste strategy, the Department of Sustainability and Environment develop a monitoring framework for reviewing the effectiveness of programs designed to minimise both household and industry waste; and

(b) the department finalise environmental policy formulation in a timely manner, to minimise delays in meeting government expectations and maximise outcomes.

(b) Yarra River water quality

The Committee observed that in 2001, the Environment Protection Authority aimed to have people swimming in the whole of the Yarra by 2008.[17]

Given that the government has set a target to make the Yarra River safe for swimming by 2008, the Committee was interested in determining whether effective processes were in place to monitor the water quality of the Yarra River. The Committee was advised by the Minister that Melbourne Water's waterway monitoring program seeks to understand:[18]

- the current condition of the waterways;
- whether the condition is getting better or worse;
- the main factors causing any decline or improvement in condition; and
- whether waterway management statutory objectives or strategy targets are being achieved.

Information provided to the Committee revealed that monitoring takes place by way of:[19]

- condition monitoring: Melbourne Water collects a broad suite of waterway condition data including water quality, stream flows, sediment quality, bed and

[17] D Cook, 'Fish jumping for joy in cleaner Yarra', *The Age* newspaper, 9 January 2001
[18] Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.16
[19] ibid.

bank stability, streamside vegetation and aquatic life. This data is collected and reported every five years as part of the Statewide Index of Stream Condition;

- trend monitoring: Melbourne Water's trend monitoring is designed to assess broad scale, long term trends in water quality (typically over eight to ten years). It is also used to assess progress against State Environment Protection Policy objectives;
- summer e.coli monitoring: In addition to routine monitoring sites, Melbourne Water also has a summer E.coli and blue green algae monitoring program that aims to better understand the risk of aquatic recreation at key sites during the peak use period (start of December to end of March each year);
- impact monitoring: Since 1995, Yarra Valley Water has implemented a review process for all sewerage treatment plants, which has resulted in the decommissioning of five sewerage treatment plants in the Yarra Valley. Yarra Valley Water has invested over $87 million in sewerage treatment plant improvement/upgrades and replacements;
- investigative monitoring: To complement the long term trend monitoring, Melbourne Water has a Waterway Investigative program that consists of short-term, intensive studies that focus on specific issues or specific waterways; and
- community monitoring: Community groups and individuals also play a part in the monitoring and testing water quality through the Melbourne Waterwatch program. The results of the community testing are published annually. In 2004 there were 100 groups and more than 10,000 participants actively involved throughout the Yarra catchment.

The Committee learned that monitoring has revealed that, while the Yarra River is in excellent condition in the forested areas where it originates, the condition declines as it move into urban areas.[20] The Minister informed the Committee that the decline is in line with the impacts that a heavily urbanised catchment has on the health of the river systems running through it.[21] The Committee noted that the Minister has stated in the media that *'authorities had advised him that the 2008 target was achievable in the area upstream of Dights Falls in Collingwood, but would be difficult to achieve downstream towards Princes Bridge'*.[22]

The Committee was pleased to hear that over the past 20 years, there has been a general improvement in the Yarra's water quality resulting from the sewering of catchments and the diversion of industrial discharge into the sewer system.[23] Water businesses provide sewerage services to areas with identified needs.[24] The government is presently providing support to local government to develop their Domestic

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20 ibid., p.17
21 ibid.
22 F Tomazin, 'Yarra's a stain in the rain, concedes Thwaites', *The Age* newspaper, 19 January 2005
23 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.17
24 ibid., p.18

Wastewater Management Plans consistent with State of Environment Protection Policy to examine needs and for the establishment of priorities for the provision of sewerage infrastructure.[25] However according to comments made in the media, the government has conceded that the Yarra River may never be safe after heavy rain, no matter how much effort is put into fixing the pollution and as long as there are millions of people living around it.[26]

The Committee believes that in view of the quantity of data collected and the extent of monitoring which includes community involvement, it would be useful for the department in its annual report to publicly disclose trend data on stream condition. This information should feature information that permits judgements to be made on whether the water quality of the Yarra River in urbanised areas is within acceptable targets, whether the government is well placed to enable Victorians to have confidence in being able to safely swim in the Yarra River by 2008 and whether additional funding may be required to finance additional strategies in this area or whether the program should be abandoned. A greater research effort may need to be directed at establishing the main factors causing any decline in river condition.

The Committee recommends that:

Recommendation 120:

(a) to inform the Parliament and the community on the suitability of the Yarra River for swimming and the extent of any additional funding initiatives that may need to be considered in future budget deliberations, the Department of Sustainability and Environment's annual report disclose trend data of stream condition, with an emphasis on water quality in urban areas; and

(b) the Department of Sustainability and Environment consider whether new research needs to be undertaken before 2008 to establish the causes of Yarra pollution and solutions.

25 ibid.

26 F Tomazin, 'Yarra's a stain in the rain, concedes Thwaites', *The Age* newspaper,19 January 2005

(c) Bushfire recovery strategy

The first bushfire recovery strategy restoration funding involved a capital budget of $31.8 million to fund new projects for commencement in 2003-04.[27] In addition, new capital funding for the Bushfire Recovery initiative of $27.2 million was announced as part of the 2004-05 budget.[28]

Given that the Committee's analysis of the government's budget information paper on its 2004-05 Public Sector Asset Investment program revealed that a significant proportion ($19,860,000) of the $31.8 million funding for the implementation of the bushfire recovery strategy would remain unspent at 30 June 2005 (the actual estimated expenditure incurred on the strategy to 30 June 2004 amounted to $8,140,000 with estimated expenditure of only $3,800,000 in 2004-05),[29] the Committee was interested in examining what factors had contributed to the delay in undertaking the necessary capital works.

At the estimates hearing on 13 May 2005, the Committee was informed by the Minister that most of the funds would be spent by the end of this year.[30] The Committee heard that there were some areas where insurance claims were still uncertain, while some changes in amounts were necessary because initial estimates of moneys to be recovered through insurance claims were higher than what had materialised.[31] The Minister stated that in spending most of the money, tracks damaged through the fire suppression process and various huts in the alpine areas had been restored, while significant support had been given to local communities through a number of projects.[32] The Committee heard from the Minister that there was, however, an outstanding issue relating to the north-eastern water treatment plant that had not been able to be settled within the required time frame.[33]

The Committee noted that, although the government revealed in its budget information paper that $8.14 million was the actual estimated expenditure on the Bushfire Recovery Strategy to 30 June 2004,[34] the Minister advised the Committee as part of the estimates process that over $20 million was spent in 2003-04 on the strategy and close to $20 million was expected to be spent over the next two financial years on the strategy and the initiative.[35] To explain this apparent anomaly for 2003-04, the department advised that the Bushfire Recovery Strategy is a complex

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27 Budget Information Paper No.1, *2003-04 Public Sector Asset Investment Program*, p.58
28 ibid., p.63
29 ibid.
30 Hon. J Thwaites, MP, Minister for Environment, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.14
31 ibid.
32 ibid.
33 ibid., p.15
34 Budget Paper No.1, *2004-05 Public Sector Asset Investment Program*, p.63
35 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, p.4

project.[36] It has projects funded by output funding and asset funding, covering two departments and three agencies.[37] Funding can be provided by way of Treasurer's Advance, appropriation, redirected funding and recoups from insurance.[38] The total budget for the strategy is $70.6 million of which $38.8 million is for outputs and $31.8 million is for assets.[39] Based on additional information requested from the department, expenditure incurred on outputs and capital outlays to 30 June 2004 totalled $38.8 million of which $30.6 million was expended on outputs ($19.3 million in 2003-04).[40] In preparing its next outcomes report, the Committee will seek further information relating to the operation of the bushfire recovery strategy in order to disclose the various organisations involved in the strategy and the output expenditure and capital outlays incurred by each of these organisations to June 2005.

The Committee is of the view that the government organisations involved in delivering the Bushfire Recovery strategy and initiative need to be fully accountable for the efficient and effective use of government funding, with particular emphasis given to ensuring that restoration works be undertaken in a timely manner. Consolidated information needs to be contained in the annual report of the coordinating body, in this case the Department of Sustainability and Environment. In addition, to facilitate a greater understanding of the budget estimates, explanations need to be provided for those capital projects contained in the government's Public Sector Asset Investment Program that have been ongoing for a number of years and have significant expenditure remaining.

The Committee recommends that:

Recommendation 121:

(a) The Department of Sustainability and Environment's annual report disclose financial and performance information that will enable assessments of the efficient and effective use of government funding directed at the state's Bushfire Recovery Strategy and initiatives;

(b) The Department of Sustainability and Environment ensure there are no delays in completing the recovery works associated with the bushfires in the summer of 2002-03; and

36 Department of Sustainability and Environment, response to the Committee's additional follow-up question, 3 August 2005
37 ibid.
38 ibid.
39 ibid.
40 ibid.

(c) The Department of Treasury and Finance ensure for capital projects that have been ongoing for a number of years and have significant expenditure remaining, that appropriate explanations are contained in the government's information paper on its Public Sector Asset Investment Program.

(d) Fuel reduction burns

The Committee found that at 30 June 2005, 127,000 hectares (or 97 per cent) of fuel reduction burning to protect key areas had been achieved in 2004-05[41] in comparison to the target of 130,000 hectares.[42] A listing of the prescribed burns is shown in exhibit 12.8.

Exhibit 12.8: Prescribed fuel reduction burns 2004-05

Type of prescribed burn	No.
Ecological	66
Fuel reduction	326
Regeneration ash	89
Regeneration HEMS (a)	34
Regeneration LEMS (b)	50
Windrows	15
Grand Total	**580**

Notes: *(a) HEMS = High Elevation, Mixed Species*

(b) LEMS = Low Elevation, Mixed Species

Source: *Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.3*

The Committee established through the estimates process that 141 fuel reduction burns listed for 2004-05 had not been completed.[43]

The Minister advised the Committee that the reason a specific burn is not undertaken is an operational decision taken on or about the time the burn is planned.[44] Unsuitable weather conditions, higher than expected fuel moisture levels, the need to direct resources to bushfires, higher priority/higher risk prescribed burns or higher levels of patrolling of prescribed burns currently in progress were factors that may lead to the

41 Department of Sustainability and Environment, response to the Committee's additional follow-up question, received 26 August 2005

42 Budget Paper No.3, *2005-06 Service Delivery*, p.204

43 Department of Sustainability and Environment, response to the Committee's additional follow-up question, received 26 August 2005

44 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.3

postponement of a planned prescribed burn.[45] Conversely, some prescribed burns may be brought forward as a result of changed circumstances associated with the factors mentioned previously.[46] The Committee found that 220 burns listed in Fire Operations Plans for later years were completed during 2004-05 and each burn that is not undertaken remains listed as a planned prescribed burn.[47]

(e) River Redgum rescue plan

The government announced a River Redgum rescue plan in January 2005, which involved a $500,000 package and the release of up to four billion litres of water to help save River Redgums at stressed sites along the River Murray, particularly in the Mildura region.[48]

At the estimates hearing, the Minister explained that *'it is not the redgums along the banks of the river where they do actually get some water that is the problem; it is the redgums in the floodplain areas…'*[49]

The Committee learnt that 'the preferred method of delivering water to highly stressed River Redgum priority sites involves the use of mobile diesel pumps. Pumps are used to fill the wetland or channels where the stressed River Redgums are situated. In many cases, small earthern banks are constructed to hold the pumped water in the natural channels. Aquadams have also been trialled at a couple of sites. These are environmentally safe, stable barriers used to contain, divert and control water flow. The water is then left to seep into the soil naturally. Each site is watered on two or three occasions. A review is currently underway to determine the most effective and efficient approach to delivering water to stressed River Redgums'.[50]

In enquiring as to how the department plans to measure and report the success or otherwise of its plan to save dying River Redgums, the Minister informed the Committee that by 30 June 2005, the Victorian Government will have delivered 7,800 megalitres of Murray Flora and Fauna Entitlement water this year to save River Redgums downstream of Robinvale.[51] This built on water delivered and other actions taken prior to the winter of 2004.[52]

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45 ibid.
46 ibid.
47 Department of Sustainability and Environment, response to the Committee's additional follow-up question, received 26 August 2005
48 Hon. J Thwaites, MP, Minister for Environment, media release, *Bracks government river red gum rescue plan*, 6 January 2005
49 Hon. J Thwaites, MP, Minister for Environment, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.4
50 Department of Sustainability and Environment, response to the Committee's additional follow-up question, received 8 November 2005
51 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 1 July 2005, p.12
52 ibid.

The Committee learned that up to 70 per cent of watered trees were responding and some trees that had just ten per cent leaf cover in the autumn of 2004 now had full leaf cover.[53] In providing this water to 22 sites in national parks and state forests, a focus has been given to the icon sites of The Living Murray Program.[54]

The way in which the rescue plan is being managed is set out below:[55]

- a project team has been operational throughout the process to oversee strategic and operational aspects of the implementation of the River Redgum Emergency Watering Program. This team meets regularly to review and oversee implementation of the project;
- a comprehensive monitoring program is in place, including the installation of groundwater bores covering an area of approximately 4000 hectares to monitor groundwater impacts of the emergency watering in key groundwater risk areas;
- health monitoring of River Redgums is a critical component of measuring the success of the program and involves a number of important aspects that deal with both short and long term responses to watering including:
  - determining the number of successive waterings required to reverse the extreme stress responses observed;
  - determining the expected degree of response to emergency watering in relation to observed level of stress prior to watering;
  - determining the optimum timing for watering and duration of flooding of stressed River Redgums to produce the best outcomes;
  - evaluating the longer-term monitoring needs to track environmental watering effects and River Redgum health; and
- an environmental consultant is engaged annually to measure the health of River Redgum trees and report findings for both watered and unwatered sites.

It is the Committee's view that the River Redgum rescue plan represents a good example of a long term project that is facilitated by the implementation of a comprehensive monitoring framework. The Committee stresses the importance of publicly disclosing progress information on the effectiveness of programs of a long term nature. By doing so, government agencies need to be accountable for delivering targeted outcomes for the life of the program and such information can be used to inform managers whether plans remain relevant and funding levels continue to be adequate.

53 ibid.
54 ibid.
55 ibid.

The Committee recommends that:

Recommendation 122: **The Department of Sustainability and Environment's annual report include a status report section that discloses outcomes of long term programs, such as the River Redgum rescue plan.**

(f) Wild dog program

The Committee was advised by the Minister that meaningful estimates of the total number of wild dogs in each region are not possible.[56] However in terms of quantifying the devastation caused by wild dogs, the Committee was advised that across Gippsland and the North East region, approximately 3,000 sheep and over 50 calves were reported lost by landholders in 2003-04.[57] Interim figures for 2004-05 to end of May 2005 indicate that similar losses will be recorded.[58]

In 2004-05, over $1 million will be spent directly on the Wild Dog program in the North East region and close to $1 million in Gippsland.[59] In addition, as part of the Bushfire Recovery initiative, support by way of wild dog fencing grants to farmers, predominantly in Gippsland, has been funded.[60]

Given this background, the Committee was interested in gaining an understanding of the activities that had been applied to eradicate these regions of wild dogs and the effectiveness of processes in 2004-05. Information provided to the Committee indicated that:[61]

- Regional Wild Dog Management Groups were supported in Gippsland and the North East to provide oversight and leadership to the Wild Dog program. These groups had recently prepared and launched Wild Dog Action Plans for their regions, which provided the basis for a long term approach to wild dog management. The plans were the result of widespread public consultation and advocated a balanced program of fencing, baiting, trapping and shooting to control wild dogs, as well as education and advice on best management practice. Local Area Control Plans were also being developed under the regional plans to provide local solutions to local wild dog problems;
- as wild dog control was a joint responsibility of both private and public landowners, an integrated approach to the protection of livestock was undertaken by farmers, the Department of Sustainability and Environment

56 ibid., p.1
57 ibid.
58 ibid.
59 ibid.
60 ibid.
61 ibid.

DSE), the Department of Primary Industries (DPI) and Parks Victoria (PV) in Gippsland and the North East. This integrated approach involved:

- wild dog exclusion fencing on the boundary between freehold and public land;
- appropriate animal husbandry practices by the landholder;
- joint baiting programs by the landholder and DPI/DSE and PV on public land;
- baiting by landholders on freehold land;
- trapping;
- baiting by Wild Dog Controllers employed by DPI;
- shooting by DPI/DSE and recreational shooters; and
- DSE Land Stewardship activities including baiting, trapping, fence line monitoring and landowner liaison.

With regard to measuring the effectiveness of these strategies in 2004-05, the Committee was informed that:[62]

- the number of days for which no wild dog attacks were reported by landholders was likely to be higher in 2004-05 than any previous year;
- numbers of stock reported lost to wild dogs in 2004-05 were similar to those of the previous two years, and lower than those of the two years prior to that; and
- numbers of dogs trapped/destroyed was approximately the same as for the three years prior to 2003-04, when numbers destroyed rose following the 2003 alpine fires.

Activities planned for 2005-06 and the performance measures to assess outcomes are listed below:[63]

- the focus for 2005-06 will be on the implementation of the North East and Gippsland Wild Dog Action Plans and their respective Local Area Control Plans (LACPs). The LACPs advocate the implementation of an integrated approach to wild dog control (i.e. fencing, baiting, trapping and shooting);
- to enable improved wild dog control and broader pest management on public land, and based on the success of the five Land Stewardship positions, the government has decided to increase the number of Land Stewardship positions from five to eight; and
- there are now 26 full-time ongoing positions supported by the Department of Sustainability and Environment with a focus on controlling wild dogs.

62 ibid., pp.1–2
63 ibid., p.2

At the estimates hearing the Committee questioned the Minister as to the reason for Victoria not joining with New South Wales in an aerial baiting program.[64] The Minister explained that as there are practical problems and the potential for killing native fauna by introducing this option, a proper analysis is to be done on implementing this technique.[65] The Committee will monitor with interest the outcome of this review.

The Committee recommends that:

Recommendation 123: **The Department of Sustainability and Environment consider including a performance measure in the budget papers that covers the numbers of stock reported lost to wild dogs.**

12.6 Water portfolio

12.6.1 Key issues affecting the portfolio

(a) The health of the River Murray, Victoria's rivers, floodplains and estuaries

The Committee noted in the government's *Our Water Our Future* strategy document, released by the department in June 2004, that:

- the health of rivers, wetlands and lakes is the result of the cumulative impact of a multitude of factors that include the significant alteration of flow regimes by major storages, diversions, groundwater extractions, catchment dams and urbanisation;[66] and
- one of the methods to restore Victoria's rivers and aquifers is to invest in water recovery through a range of mechanisms including water savings projects, water reuse and the water market.[67]

The 2005-06 Budget includes a 2005-06 target of 174,000 megalitres as the volume of water savings under detailed study for River Murray environmental flows.[68] In comparison, the 2004-05 outcome was expected to be 23,000 megalitres in line with the target.[69]

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64 Hon. J Thwaites, MP, Minister for Environment, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, pp.18–19
65 ibid., p.19
66 Victorian Government, White Paper, *Our Water Our Future*, p.40
67 ibid., p.41
68 Budget Paper No.3, *2005-06 Service Delivery*, p.198
69 ibid.

The Committee's enquiries revealed that the increase in the target for 2005-06 was attributed to the inclusion of the Sales Package (identified in the *Our Water Our Future* strategy) and the estimated contribution to the River Murray from the proposed decommission of Lake Mokoan.[70] The breakup of the 174,000 megalitres (ML) is:[71]

- Sales Package 145,000 ML
- Lake Mokoan 24,000 ML
- Other 5,000 ML

The Committee was advised that the total savings from the Mokoan Project was 44,000 ML, which is to be shared between the Snowy and Murray Rivers.[72] At the estimates hearing, the Minister told the Committee that Lake Mokoan, a very inefficient man-made storage, loses vast amounts to evaporation every year.[73] The 24,000 ML was an initial estimate of the savings available to the River Murray, pending completion of a related study examining the feasibility of the use of Lake Boga as a Mid-Murray storage.[74] The Murray share will be refined at the completion of the Study.[75]

In relation to measuring the river flows of the River Murray, the Committee was interested in hearing about the mechanisms in place to monitor the health of the River Murray and the outcome of the latest analyses.

The Committee was informed that, while the Murray-Darling Basin Commission (MDBC) is responsible for coordinating the status reports such as the Sustainable Rivers Audit (SRA) on the River Murray, considerable effort had been made in Victoria in assessing the health of the tributaries of the River Murray.[76] Monitoring mechanisms in use are explained below:[77]

- there is a systematic program of measuring the health of Victorian rivers through the Index of Stream Condition (ISC) into a single river health index. Hydrology (flow analyses) is one of the measures used in the ISC. Other measures include water quality, aquatic life, streamside vegetation and physical form (bed and banks). The purpose of ISC is to benchmark river condition and is used to provide a snapshot of effectiveness of river restoration activities and river health condition. The most recent ISC was implemented by catchment management authorities and in northern Victoria, costs incurred were

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70 Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.6
71 ibid.
72 ibid.
73 Hon. J Thwaites, MP, Minister for Environment, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.2
74 Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.6
75 ibid.
76 ibid., p.1
77 ibid.

approximately $200,000. Victoria is a signatory to the SRA, which complements the ISC by measuring health of macroinvertebrates and fish. The program commenced in 2004-05 and cost $525,000;

- Victoria also has an expansive water quality monitoring program of River Murray tributaries, including approximately 150 sites. Monitoring is undertaken in partnership with water authorities, catchment management authorities, local government and the Murray-Darling Basin Commission. The program costs about $500,000 annually; and
- other studies to measure effectiveness of river restoration activities are on a case by case basis e.g. fishway monitoring and monitoring ecological responses to environmental flows of major water recovery projects.

The major tributaries that feed into the River Murray include the Kiewa, Ovens, Broken, Goulburn, Campaspe, Loddon and Avoca Rivers.[78] The preliminary results of the most recent assessment indicate that the health of these rivers varies along their length, but generally the tributaries of the River Murray were in poor to moderate condition.[79]

The ISC is implemented every five years, with the most recent assessment undertaken in 2004.[80] The Committee will be interested in reviewing this information as part of the next outcomes report, especially in light of the following comments included in the government's *Our Water Our Future* strategy document:[81]

> *Our reliance on Victoria's rivers and aquifers (ground water) has taken its toll. Today, one third of Victoria's major streams and two thirds of wetlands are in poor or very poor condition. Nearly half of all estuaries have been damaged and the health of the River Murray, into which many northern rivers flow, is severely compromised with flows at the mouth reduced on average by two thirds.*

At the estimates hearing, the Minister presented a map of Victoria (see exhibit 12.9) to show that Victoria is now outlaying significant funds in upgrading our rivers (e.g. $1 million for the Wimmera River, $1 million for the Broken and $600,000 for the Loddon).[82]

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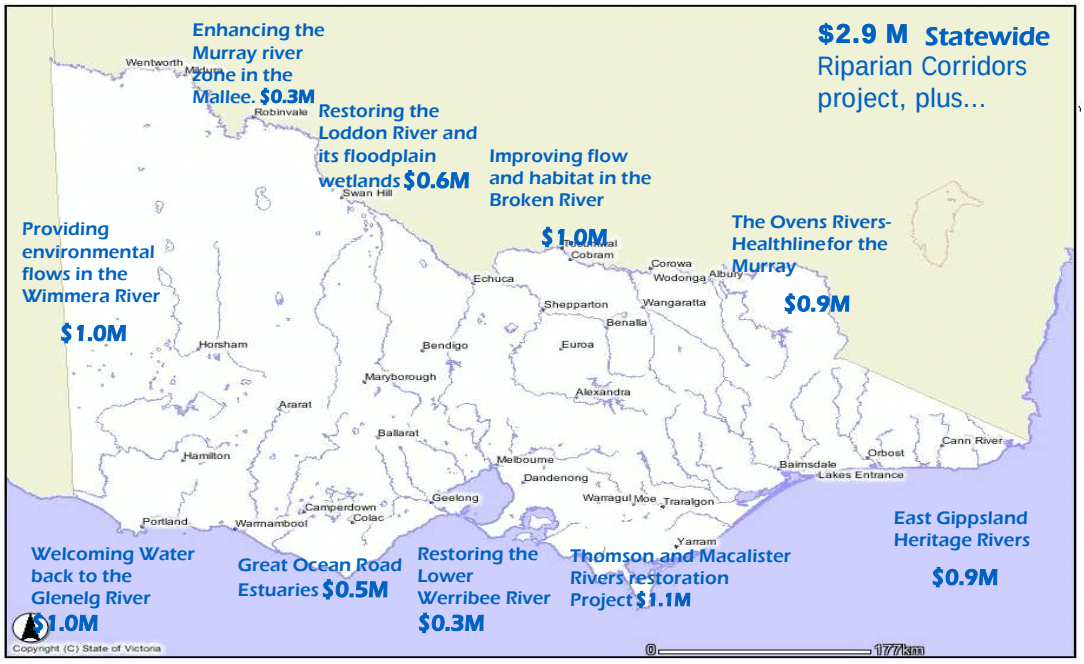
78 ibid.
79 ibid.
80 ibid.
81 Victorian Government, White Paper, *Our Water Our Future,* p.40
82 Hon. J Thwaites, MP, Minister for Water, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.2

Exhibit 12.9: Victoria large scale river restoration outlays 2004-05



Sources: *Hon. J Thwaites, MP, Minister for Water, 2005-06 Budget Estimates hearing, 13 May 2005, presentation slide 6*

The Committee noted that the government's policy is to significantly improve the health of Victoria's rivers, floodplains and estuaries by 2010 to ensure they are capable of delivering a wide range of services to the community.[83] Given this target, the Committee believes that it would be sensible for the government to explore whether in the lead up to 2010, the Index of Stream Condition could be prepared in a more frequent timeframe than every five years. The implementation of the index in 2007, for example, would enable current information to be available on a range of matters, such as environmental flows, for monitoring and making decisions on whether any modifications are required to the established reforms.

The Committee recommends that:

Recommendation 124: **The Department of Sustainability and Environment explore whether, leading up to 2010 when the success or otherwise of the restoration reforms surrounding Victoria's rivers, floodplains and estuaries will be judged, the Index of Stream Condition could be implemented at a shorter interval than every five years so that assessments can be used to modify the strategy if appropriate.**

83 Victorian Government, White Paper, *Our Water Our Future*, p.42

(b) The Snowy River

The 2005-06 budget reveals that the government has committed $243 million, including $150 million in the 2001-02 budget as part of a joint venture $375 million agreement with New South Wales and the Commonwealth, to restore flows to the Snowy River, as well as rivers in the Kosciuszko National Park and the Murray River.[84]

The Committee sought information about the composition and time span relating to Victoria's funding obligations and details relating to some of the key projects to be funded by Victoria.

The Minister advised that:[85]

- Victoria's funding obligations, as part of a joint venture $375 million agreement with New South Wales and the Commonwealth under the Snowy Water Inquiry Outcomes Implementation Deed, formally commenced on 28 June 2002 and will continue for ten years;
- under this agreement, Victoria will contribute $15 million per annum ($150 million in total) to the Snowy Joint Government Enterprise towards the cost of water savings projects;
- $40 million was budgeted in 2001-02 for an equity injection, if required, as part of the corporatisation of the Snowy Mountains Hydro-electric Authority; and
- the remaining $53 million has been committed over ten years, commencing in 2001-02 for water savings projects, water savings investigations, Snowy River rehabilitation, riverine works, monitoring and project management.

Some of the key projects funded by Victoria cover:[86]

- Water savings projects
  - Woorinen Pipeline Project
  - Normanville Pipeline Project
  - Goulburn-Murray Irrigation District Stock and Domestic Metering Project
  - Tungamah Pipeline Project
  - Lake Mokoan Project
- Investigations
- Strategic investigations of water savings opportunities in the irrigation distribution and delivery systems and bulk water storage and supply systems

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84 Budget Paper No.3, *2005-06 Service Delivery*, p.33

85 Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.8

86 ibid., pp.8–9

  - Investigations by Goulburn-Murray Water:
    - Land Use Studies
    - Water Accounting Framework
    - Water Flow Measurement
    - Water Systems Infrastructure
  - Investigations and pilot studies into the use of Automated Channel Control Technology in the Goulburn-Murray Irrigation District
  - Investigations of water savings projects:
    - Rochester 20 irrigation system refurbishment project
    - Katandra/Invergordon irrigation system refurbishment project
    - Conceptual Study - East Loddon Waterworks District
- Snowy River Rehabilitation
  - Trial of River Rehabilitation Techniques
  - Sand Movement Study
  - Scour Pool Study
  - Design and evaluation of in-stream structures
  - Freshwater fish resources study
  - Rainforest and riparian revegetation project
- Monitoring
  - Benchmarking and environmental flow response monitoring project

In meeting obligations to the Snowy and Murray Rivers, the Minister advised that the government will aim to ensure water recovery process for both rivers are integrated to achieve the best outcomes for northern Victoria.[87]

The Committee maintains that, given the significant funding involved in financing a wide range of Snowy River projects, it is imperative that a sound project management framework be in operation to ensure projects are completed on time and within budget. The Committee is also of the view that information derived from the project involved in monitoring environmental flows of the Snowy River be used to compile outcome focused information for annual reporting over the remaining life of the project. Consideration should also be given to reporting in the department's annual report, key outcomes from water savings projects, investigations and rehabilitation works up to the year 2012 for this major long term financial commitment of the government.

[87] ibid., pp.11–12

The Committee recommends that:

Recommendation 125: **The Department of Sustainability and Environment:**

(a) ensure that a sound project management framework is in place so the Snowy River projects are completed on time and within budget; and

(b) publish in its annual report, key outcomes of actions taken to return environmental flows to the Snowy River.

(c) Volume of water recycled from sewage treatment plants

According to the government's *Our Water Our Future* strategy document, the government had previously announced a water recycling target of 20 per cent by 2010.[88] In terms of assessing progress against this target, the Committee noted that metropolitan water authorities achieved 11 per cent water recycling of 36,000 megalitres in 2002-03,[89] whereas Melbourne Water's environmental review of 2001-02 stated that 2.4 per cent of total water volume discharged from sewage treatment plants was recycled.[90]

The Minister was asked at the estimates hearing for a breakdown of the 11 per cent water recycling that occurred in 2002-03 and a reconciliation of the movement from the 2.4 per cent achieved in the prior year.[91] The Minister was also questioned on whether the 36,000 megalitres recycled in 2002-03 included around 13,800 litres that was reused at the eastern treatment plant and, if so, what sort of volume of water was reused at the eastern treatment plant.[92]

Melbourne Water's volumes and percentage recycling from its two sewage treatment plants is presented in exhibit 12.10.

88 Victorian Government, White Paper, *Our Water Our Future*, p.107
89 ibid.
90 Melbourne Water, *Environment Review 2001-02*, p.7
91 Hon. J Thwaites, MP, Minister for Environment, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.11
92 ibid.

Exhibit 12.10: Level of recycling for Melbourne Water's sewage treatment plants

Treatment plant	2001-02		2002-03	
	Litres (million)	Recycling (%)	Litres (million)	Recycling (%)
Western treatment plant	5,683	2.0	17,470	5.8
Eastern treatment plant	1,156	0.4	15,695	5.2
Total	**6,839**	**2.4**	**33,165**	**11.1**

Sources: Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.2

Key factors contributing to the change from 2001-02 to 2002-03 were:[93]

- an additional 11,800 megalitres of mostly on-site recycling took place at the Western Treatment Plant as part of the plant's upgrade to reduce nitrogen loads to Port Phillip Bay; and
- inclusion of 13,800 megalitres of ongoing, on-site process recycling at Eastern Treatment Plant not included previously in the calculation of the proportion recycled. In its 2002-03 report, Melbourne Water deemed this as part of water recycling as it provided ongoing substitution of drinking water supplies with fit for purpose recycled water. Ninety-nine per cent of this water was used for process water, including:
  - Outfall Pump Station 44 per cent
  - Dissolved Air Flotation Saturators 26 per cent
  - Secondary Sedimentation Tank Sprays 7 per cent
  - Power Station Cooling Water 7 per cent
  - Strainer back flushing 5 per cent

In the process of working towards the government's water recycling target of 20 per cent by 2010, the Committee believes that is important in future for any major variations that may occur from one year to the next in the definition as to what constitutes recycled water be publicly disclosed by the government.

[93] Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.2

The Committee recommends that:

Recommendation 126: **As part of the reporting on progress made against the government's commitment to achieve the water recycling target of 20 per cent by the year 2010, public reports disclose any changes in the definition of water recycling that lead to major variations in performance between successive years.**

(d) Wimmera Mallee pipeline

The 2005-06 Budget provides $48.2 million TEI over four years ($7.9 million, 2005-06) as additional funding (state component) for the replacement of the existing 17,500 kilometres of open channels with a new pipeline in the Wimmera Mallee region.[94] In addition, the government has committed in the 2005-06 Budget a further $42 million to this project for funding beyond 2008-09.[95] After allowing for the $77 million committed in the 2002-03 Budget,[96] this takes the total TEI to $167 million for this project.[97] According to the 2005-06 state budget, the commitment of the $90 million was subject to matching funding from the Commonwealth.[98] The Committee noted that in November 2003, the interim business case revised the total TEI capital cost for the pipeline from $301 million to $501 million.[99]

The Australian Government pledged support for the Wimmera Mallee Pipeline Project during the last federal election as part of its announcement to establish the National Water initiative (NWI).[100] The Minister advised the Committee that the Victorian Government during March this year wrote to the Commonwealth indicating the state government's support for the NWI on the understanding that there is in principle agreement to fund the project.[101] The Committee was pleased to hear that Victoria has since received confirmation of joint funding from the National Water Commission.[102] The Committee was informed by the Minister that Australia's biggest water infrastructure project is now ready to proceed to tender and construction after the agreement of funding arrangements with the federal government was announced on 24 June 2005.[103]

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94 Budget Paper No.3, *2005-06 Service Delivery*, pp.311–312
95 ibid., p.311
96 ibid., p.312
97 ibid., p.311
98 ibid., p.312
99 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Outcomes*, April 2005, p.139
100 Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.3
101 ibid.
102 ibid.
103 ibid.

As is the case with all major capital projects, the Committee emphasises the need for a rigorous project management regime to be in place to ensure that a fair and transparent tender process is applied, the construction phase is delivered on time and on budget and beneficial outcomes are delivered to the community from this significant project.

The Committee recommends that:

Recommendation 127: **The government ensure a rigorous project management regime is in place to govern the Wimmera Mallee pipeline project through the tendering and construction phases.**

(e) Protection of salinity by surface and sub-surface drainage

According to the government, there is no doubt that salinity, both dryland and irrigation, remains a major challenge for Victoria, the Murray-Darling Basin and the nation.[104] There are significant economic, environmental and social costs now and these are expected to increase.[105]

The Committee noted that the 2005-06 targets included in the 2005-06 Budget for the additional areas protected from salinity by surface and sub-surface drainage were significantly lower than the expected outcome for 2004-05, the 2004-05 targets and the actual for 2003-04.[106] The additional area to be protected from salinity by surface drainage for 2005-06 is to be 3,446 hectares compared to an expected outcome for 2004-05 of 8,380 hectares (sub-surface drainage 1,233 hectares in 2005-06 compared to an expected outcome of 4,883 in 2004-05).[107]

In seeking an explanation from the Minister as to the reasons for the reduction in the additional area to be protected from salinity through surface and sub-surface drainage in 2005-06 compared to 2004-05, the Committee was informed that the department is required by government policy to direct its resources to changing catchment priorities to meet resource condition targets.[108] This reduction reflects a reprioritisation of efforts to improve resource conditions that have been identified in catchment areas as a high priority.[109]

The Committee maintains that any scaling back in strategies to address salinity in Victoria needs to be carefully evaluated in line with the risk management options

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104 Department of Sustainability and Environment, Foreword to *Salinity Management in Victoria: Future Directions*, www.dse.vic.gov.au, accessed 25 November 2005

105 ibid.

106 Budget Paper No.3, *2005-06 Service Delivery*, p.197

107 ibid.

108 Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.4

109 ibid.

identified in the new or revised community based salinity plans being developed for each of the catchment management authority regions of the state.

The Committee recommends that:

Recommendation 128: **The government ensure the salinity management strategies identified in the community based land and water management (salinity) plans are kept under review when resource priorities are evaluated for next year's budget. As part of this process, the extent of additional areas to be protected from salinity by surface and sub-surface drainage need to be assessed against other catchment priorities.**

(f) New rising block tariff pricing regime for residential water

The initial prices and consumption levels in the new rising block tariff regime were calculated to provide a 'revenue neutral' transition, other than the increase in revenue associated with the five per cent environmental contribution.[110] The Minister advised the Committee that the regime itself is not designed to generate more revenue, other than the revenue required by authorities to recover their service delivery costs and pay an environmental contribution to government.[111]

These environmental contribution payments made by the entire water industry, which will generate $225 million over four years (1 October 2004 to 30 June 2008[112]), will be used to fund initiatives that seek to promote the sustainable management of water and address adverse water-related environmental impacts.[113] This money will be used to help turn around decades of degradation of Victoria's rivers, support water recycling initiatives, upgrade water infrastructure and introduce new water saving measures[114] to ensure there are less water losses in future years. The new pricing regime is also designed to send a market signal that will have an affect on reducing the future consumption of water.

For the first four year period, the revenue raised through environmental contributions will be used to fund water related initiatives across five key areas:[115]

110 ibid., p.10
111 ibid.
112 Budget Paper No.4, *2005-06 Statement of Finances*, p.154
113 Hon. J Thwaites, MP, Minister for Water, response to the Committee's follow-up questions, received 4 July 2005, p.10
114 ibid.
115 ibid.

- COAG / Living Murray ($35 million);
- protecting and repairing our water sources ($100 million);
- recycling and urban water projects ($50 million);
- water smart farms and sustainable irrigation ($13 million); and
- water security in our cities, farms and for the environment ($27 million).

Depending on how customers respond, the Minister indicated that the new pricing system could reduce consumption by some two to four per cent.[116] Exact predictions of water savings due specifically to pricing reform are not possible, however, because there are many other factors influencing consumption such as climate, water restrictions, education campaigns, rebate schemes and the ongoing drought.[117]

As part of the Committee's outcomes report for 2004-05, the Committee will request the Minister to quantify how much water is represented by a reduction of between two and four per cent in water consumption.

The Committee recommends that:

Recommendation 129: **The Department of Sustainability and Environment ensure that an outcome focused approach is adopted for disclosing the effectiveness of how environmental contributions from water authorities have been spent.**

12.7 Planning portfolio

12.7.1 Key issues affecting the portfolio

(a) Building activity throughout Victoria in 2004

At the estimates hearing, the Minister advised the Committee that 102,711 building permits were approved in the 2004 calendar year.[118] Building activity undertaken for the year was valued at $15.7 billion, a rise of 8.6 per cent on the previous record of $14.4 billion in 2003.[119] A breakdown of this activity according to the different types of permits across the state is shown in exhibit 12.11. The Committee noted that the domestic building sector performed very strongly with $8.7 billion worth of approvals, which constituted 56 per cent of the total value of building permits for the state.

116 ibid.
117 ibid.
118 Hon. R Hulls, MP, Minister for Planning, 2005-06 Budget Estimates hearing, transcript of evidence, p.2
119 ibid., p.6

Exhibit 12.11: Building activity in Victoria – 2004

	Domestic ($000)	Residential ($000)	Commercial ($000)	Retail ($000)	Industrial ($000)	Hospital/ Healthcare ($000)	Public Buildings ($000)	Total ($000)
Inner Melbourne	2,277,730	1,003,446	1,807,979	411,884	47,388	236,851	674,749	6,460,027
Outer Melbourne	3,849,859	66,522	657,610	301,968	251,480	78,089	269,552	5,475,080
Total - Metropolitan	**6,127,589**	**1,069,968**	**2,465,589**	**713,852**	**298,868**	**314,940**	**944,301**	**11,935,107**
Rural	2,599,644	150,678	327,575	210,585	92,075	154,690	203,178	3,738,425
Total - Victoria	**8,727,233**	**1,220,646**	**2,793,164**	**924,437**	**390,943**	**469,630**	**1,147,479**	**15,673,532**

Source: Hon. R Hulls, MP, Minister for Planning, response to the Committee's follow-up questions, received 15 July 2005, p.2

The Minister brought to the Committee's notice that the state's seven regional areas all experienced increased activity in comparison with 2003.[1] The Melbourne metropolitan area recorded $11.9 billion in approvals, an increase of 6.5 per cent on 2003.[2] Over 35,000 building permits were issued in regional Victoria in 2004.[3] At a value of $3.7 billion, this represents a 15 per cent increase on the previous year.[4] For the different types of permits, the Minister indicated that a comparison between 2004 and 2003 shows that commercial permits increased by 35 per cent; domestic permits, 3.2 per cent; and hospital-health care jumped dramatically, as did retail and industrial permits. Public building permits were up by 11.6 per cent.[5] The Minister informed the Committee that this success has been supported through a number of government initiatives to improve the planning systems.[6]

The Committee noted the comments made by the Building Commissioner that, while the strong figures meant employment in the sector would remain solid for at least the next twelve months, 2005 would provide for a return to more normal levels of activity.[7]

(b) Lombard redevelopment project – basis for ministerial intervention

In November 2004, a major fire destroyed the industrial premises known as the Lombard's site,[8] a paper warehouse situated in Flemington.[9] The Premier visited the Lombard site on the day of the fire and vowed to help redevelopment by speeding up the planning process.[10] In January 2005, the Acting Minister for Planning exercised the ministerial powers of intervention and, by so doing, became the responsible authority for the administration and enforcement of the planning scheme.[11] The amendment to the planning scheme was to be made without public advertising or other notice being given on the basis of the following exceptional circumstances:[12]

- the matter was one of genuine state significance. The site was acknowledged as a gateway site at the entry to the cities of Melbourne and Moonee Valley and should not be left in a ruinous state;

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1 ibid., p.6
2 ibid.
3 ibid.
4 ibid.
5 ibid.
6 ibid., p.2
7 Hon. R Hulls, MP, Minister for Planning, media release, *$15.7 billion record for building industry in 2004*, 1 March 2005
8 Department of Sustainability and Environment web site, planning, Ministerial interventions, accessed 21 July 2005
9 R Millar, 'Call for new fire regulations', *The Age* newspaper, 27 June 2005
10 ibid.
11 Department of Sustainability and Environment web site, *Planning, Ministerial interventions*, www.dse.vic.gov.au accessed 21 July 2005
12 ibid.

- there was a need for urgency and the public interest would be served by immediate action. To achieve the objective of allowing the site to be used for Commonwealth Games purposes, redevelopment was to commence in February 2005 for completion by March 2006; and
- the action in part gave effect to the Premier's commitment to getting Lombard's back and operating on the site in the shortest possible time.

The amendment to the planning scheme would enable the site to be used for both residential and commercial purposes, including the Lombard Paper showroom.[13]

At the estimates hearing held on 1 June 2005, the Minister explained that:[14]

> *… every effort was being made to assist in the effective rehabilitation of the site. The government has a commitment to ensuring Melbourne presents well, obviously, to tourists who will visit the city during the Commonwealth Games. The last thing the government wants is for tourists to be confronted with a burnt-out site as it is highly visible from CityLink and Mount Alexander Road and is at the gateway to both Melbourne and Moonee Valley. It is also close to the Commonwealth Games Village… As the planning authority for the site, I decided that it was important for me to meet with the Moonee Valley City Council and provide it with a copy of the plans of the proposed development. I did that and as a result the council wanted some consultation with its local community about the proposal. To be fair, that certainly held up the process. I take responsibility for that because I believed, particularly as the new Planning Minister, it was important that I consult in relation to substantial proposals. This was one that was at the gateway to Melbourne. I met with the council and it consulted with its community and actually had some recommendations that slightly altered the plans. I think that consultation phase will result in a much better outcome for that site. The developer has now submitted plans to me for approval under conditions of the permit. These plans are currently being assessed by my department. I think we only received the plans this week.*

On 27 June 2005, it was reported in the media that seven months after the fire and five months after the government intervened to fast-track redevelopment of the site, work still had not commenced on a proposed apartment/retail complex and the developer, the Benson Property Group, who is now to buy the site from Claude Lombard, had still not lodged final plans.[15]

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13 Hon. R Hulls, MP, Minister for Planning, media release, *Lombard site redevelopment gets approval*, 24 March 2005

14 Hon. R Hulls, MP, Minister for Planning, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, pp.6–7

15 R Millar, 'Call for new fire regulations', *The Age* newspaper, 27 June 2005

The Committee observed that certain events transpired after the reasons for fast tracking the development and taking it into ministerial control were released, which draw into question the continuing relevance and applicability of the initial criteria for the call in. In reaching this conclusion, the Committee noted that:

- it is unlikely that the site will be completed in March 2006 for use for Commonwealth Games Purposes; and
- the redevelopment will be used only as a retail outlet for Lombard and not manufacturing.

To ensure that Victoria's planning system provides the tools for consistent, transparent and predictable planning, the Committee believes the community should have confidence that the reasons that are publicly disclosed for ministerial intervention, continue to be applicable over the period of the development.

The Committee recommends that:

Recommendation 130: **The Department of Sustainability and Environment ensure the exceptional circumstances announced to justify ministerial intervention in the state's planning system continue to be relevant through the development of the projects.**

(c) Hilton Hotel refurbishment

At the estimates hearing on 1 June 2005, in response to questioning by the Committee in relation to the former Minister's intervention in approving a refurbishment to the Hilton Hotel on 14 December 2004, the Minister stated that:[16]

> *The government believed it was necessary to avoid delays which may have resulted from the giving of notice by exempting the project from the provisions of the Melbourne planning scheme… the matter is currently before the court and it would be inappropriate for me to make comments about aspects of the call-in that are currently being dealt with by the court.*

In reviewing the judgement subsequently handed down in the Supreme Court on 7 July 2005, the Committee noted that the defendants (the Minister for Planning and PCH Melbourne Pty Ltd – the owner of the land) maintained that the first two elements of the project, namely the refurbishment of the Hilton Hotel and the refurbishment of the front portion of the MCG Hotel, could reasonably be regarded as

[16] Hon. R Hulls, MP, Minister for Planning, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, p.5

being able to be completed in time for the Commonwealth Games (other elements of the project included the construction of a 15 storey building containing 89 apartments).[17]

As part of the judgement, the judge found that:[18]

> *…the main purpose why the Minister exercised her powers to approve the amendment without notification was to put PCH in a position where it could proceed with the expansion of the Hilton Hotel without having its proposal subject to normal scrutiny involved in a planning appeal hearing. One explanation for this is that the Minister regarded the development as economically important to Victoria and she wished to promote it by making development approval more certain. No doubt there are other explanations. But the evidence before me does not enable me to exclude the first explanation. I further find that the Minister found it politically desirable to justify the intervention, not by reference to the main purpose for the exercise of the powers, but by reference to the Commonwealth Games. This desire was difficult to implement because the development requiring approval would not be ready in time to provide additional accommodation for the Games. PCH offered a solution to this problem. On the one hand it threatened to downgrade the hotel if government support was not forthcoming. On the other hand, it gave an undertaking that it would refurbish the existing Hilton Hotel in time for the Games if its redevelopment plans were approved. Hence a second purpose for the Minister's intervention emerged: namely that the approval would facilitate the refurbishment of the Hilton Hotel in a timely manner for the Commonwealth Games. That this was a reason for the approval is put beyond any doubt by the soliciting of the undertaking and by condition 30 of the approval, which provides that the approval expires if the refurbishment of the Hilton Hotel is not commenced before 1 October 2005. Hence, whatever criticism might be made of the purposes for the Minister's decision to intervene, it cannot be said that they are so devoid of any plausible justification that no reasonable Minister could have reached them. This is so in relation to both the main purpose and the secondary purpose.*

The Committee noted that the Hilton on the Park Hotel complex redevelopment project includes a construction element, which is objectionable to some parties, and a refurbishment element for completion in time for the Commonwealth Games. Based on the judgement handed down by Justice Stuart Morris of the Supreme Court, the impending Commonwealth Games has been an influencing factor in the Minister approving the planning amendment for political expediency. As a result, the element involving the high rise construction of a 15 storey building comprising 89 apartments,

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17 Justice Stuart Morris, Supreme Court of Victoria at Melbourne, *East Melbourne Group Inc. versus Minister for Planning*, transcript of judgement, date of judgement 7 July 2005, p.2

18 ibid., pp.32–33

which will not be completed in time for the Commonwealth Games, will by virtue of the former Minister's intervention also be exempt from the exhibition and notification provisions of the *Planning and Environment Act* 1987.

(d) Liveable cities and sustainable regions output

This output provides, in part, for the ongoing monitoring of urban and regional change across Victoria and implementation programs for on-ground delivery in partnership with key stakeholders.[19] Key elements of this output include ongoing implementation of *Melbourne 2003,* facilitation of transit-orientated development in transit cities, urban design advice and monitoring and reporting on land supply and demand.[20]

The Committee noted that the output cost target for the Liveable Cities and Sustainable Regions output for 2004-05 was $10.5 million, the expected outcome for 2004-05 was $8.8 million and the budget for 2005-06 had risen considerably to $18.5 million.[21] At the estimates hearing, the Minister was asked to explain the volatility in these figures.

The Minister advised that the $8.8 million was the figure up to March 2005. Additional expenditure on Melbourne 2030 is $1.7 million which brings it up to the $10.5 million budget for 2004-05.[22] The difference between the $18.5 million budget for 2005-06 and the $10.5 million is made up of:

- an increase in funding for pay rises and CPI, which amounts to $200,000;
- a contribution towards whole of government savings and a reduction in initial funding for Melbourne 2030;
- new funding for Melbourne 2030 of $5 million;
- new funding for Creating Better Places of $3 million; and
- new funding for Transit Cities of $700,000.

In requesting further information relating to accelerating expenditure on Melbourne 2030 by $1.7 million, the Minister informed the Committee of the following matters:[23]

- during 2003-04, the department brought forward $1.7 million in payments to local councils from the $5.6 million Melbourne 2030 Local Government Assistance Fund that would otherwise have been paid in 2004-05;

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19 Budget Paper No.3, *2005-06 Service Delivery*, p.215
20 ibid.
21 ibid.
22 Hon. R Hulls, MP, Minister for Planning, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, p.9
23 Hon. R Hulls, MP, Minister for Planning, response to the Committee's follow-up questions, received 15 July 2005, p.11

- this was largely due to the majority of councils accepting the offer to bring forward base grant payments to simplify administration, and support priority work within the Liveable Cities and Sustainable Regions output;
- grant payments to councils occur as part of a partnership effort between state government and local councils to implement Melbourne 2030; and
- reductions in the 2004-05 budget relate to bringing forward payments into 2003-04 and not reductions in service delivery effort. Consequently, the published budget of $10.5 million was revised to $8.8 million for 2004-05.

The Committee maintains that the information contained in the budget papers relating to the Liveable Cities and Sustainable Regions output for 2004-05 should have included a note to explain the acceleration of expenditure in 2003-04 from 2004-05 funding that amounted to $1.7 million. Disclosure of this information would have explained the reason why the expected outcome for 2004-05 was less than the output cost budget for 2004-05 by this amount.

The Committee recommends that:

Recommendation 131: **The Department of Treasury and Finance ensure the budget papers explain material instances where payments have been brought forward to the previous year resulting in the expected outcome being less than the output cost target for that year.**

Due to the nature of this output, the Committee expected to be able to analyse how the 2005-06 budget for the Liveable Cities and Sustainable Regions output was allocated between the various areas of the state. Although at the estimates hearing the Minister agreed to provide this information,[24] the Committee was interested to subsequently learn that the department does not maintain records of expenditure by region for this particular output.[25]

The Committee is of the view that to enhance accountability, the nature of this output calls for financial information to be available and reported on a regional basis.

[24] Hon. R Hulls, MP, Minister for Planning, 2005-06 Budget Estimates hearing, transcript of evidence, 1 June 2005, p.9

[25] Hon. R Hulls, MP, Minister for Planning, response to the Committee's follow-up questions, received 5 July 2005, p.3

The Committee recommends that:

Recommendation 132: **The Department of Sustainability and Environment maintain records of expenditure by region for the Liveable Cities and Sustainable Regions output and disclose this information in its annual report.**

CHAPTER 13: DEPARTMENT OF TREASURY AND FINANCE

Key findings of the Committee:

13.1 **The Department of Treasury and Finance's budget allocation for 2005-06 was $181.2 million, a decrease of $4.7 million (2.5 per cent) on the estimated actual result for 2004-05.**

13.2 **The department advised that it does not intend to carry over any funding to 2005-06.**

13.3 **The department anticipates no significant changes to its workforce numbers between June 2005 and June 2006. The State Revenue Office anticipates a minor increase in its workforce numbers in June 2006. Staff numbers are not anticipated to change at the Essential Services Commission.**

13.4 **The Victorian Attorney-General has referred a Federal Court decision (to allow Optus to join the federal workers' compensation scheme Comcare) to the High Court to determine whether the Commonwealth has exceeded its powers under the constitution.**

13.5 **The Victorian WorkCover Authority and the Transport Accident Commission spend significant funds on marketing and communications activities with Victorian WorkCover Authority spending $10.2 million in 2003-04; the Transport Accident Commission does not disclose similar expenditure.**

13.6 **The Victorian Government has introduced major changes to occupational health and safety legislation with the *Occupational Health and Safety Act* 2004 coming into effect from 1 July 2005. These changes include increased penalties for employers; increased powers for inspectors including the power to apply for a search warrant; and placing the onus on employers and employees to eliminate risks or reduce risks as far as practicable in the workplace.**

13.7 **Given the potential for these legislative changes to result in improved occupational health and safety outcomes, the Committee considers the Victorian WorkCover Authority should produce an annual report card on the impact of the new legislation. This should be measured through the use of key outcome indicators such as work related fatalities compared to baseline performance data.**

13.8 Implementation of the City Precinct Strategy Plan will need to be actively monitored to ensure the net benefit to government is maintained and not eroded by rising accommodation costs in the Central Business District.

13.9 The department should pursue improvements in performance management and reporting to ensure that the Auditor-General is involved early in auditing performance statements.

13.10 Victoria will become increasingly reliant on GST revenue as state revenue sources have been progressively abolished in line with the GST Agreement.

13.11 Victoria must continue to press for a more equitable share of the GST pool.

Departmental review

13.1 Output management framework

The Department of Treasury and Finance provides services to three ministerial portfolios: Treasury, Finance and WorkCover. The department is responsible for six output groups, with responsibility sometimes shared between Ministers, as outlined in exhibit 13.1:

Exhibit 13.1: Department of Treasury and Finance Ministerial responsibilities

Output groups/outputs	Responsible Minister		
	Finance	Treasurer	WorkCover
Strategic policy advice			
Financial and resource management frameworks	✓	✓	
Budget and financial policy advice	✓	✓	
Strategic policy and research		✓	
Financial risk management and policy advice	✓	✓	✓
Economic, social and environmental policy advice	✓	✓ *(lead Minister)*	
Inter-government financial relations policy advice		✓	
Taxation (state revenue) policy advice		✓	
Financial management services			
Financial reporting	✓	✓	
Taxation (state revenue) monitoring and forecasting services		✓	
GBE performance monitoring services		✓	
Risk management services			
Commercial and infrastructure project management		✓	
Resource management services			
Procurement services	✓		
Government accommodation services	✓		
Government land and property services	✓		
Management of motor vehicle leases	✓		
Regulatory services			
Economic regulatory services	✓		
Business environment policy advice		✓	
Revenue management services			
Revenue management services to government		✓	

Source: Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.1–2

13.2 Internal/external reviews

The department undertook three reviews during 2004-05:[1]

- an internal review of the Insurance Policy Advice output, the Prudential Supervision and Financial Asset/Liability Management output and the Financial and Risk Management Policy Advice output was undertaken. As a result of the review, these three outputs were consolidated into the Financial Risk Management and Policy Advice output for 2005-06;[2]
- the whole of government contracts established and managed by the Victorian Government Property Group were reviewed by PricewaterhouseCoopers. The findings were reported quarterly to the Department of Treasury and Finance Audit Committee; and
- Lloyds examined the performance measures used by the State Revenue Office as part of its ongoing certification audits in accordance with ISO standards. As a result of the review, a number of minor improvements were made to internal processes.[3]

13.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $181.2 million, a decrease of $4.7 million compared with the estimated financial result of $185.9 million for 2004-05. Exhibit 13.2 provides a detailed breakdown of the budget.

1 Department of Treasury and Finance response, received 6 May 2005, to the Committee's 2005-06 Budget Estimates questionnaire, p.7
2 ibid., p.8
3 ibid.

Exhibit 13.2: Department of Treasury and Finance
Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Strategic policy advice				
Financial and resource management frameworks	8.9	7.3	5.9	-19.2
Budget and financial policy advice	11.1	11.7	10.7	-8.5
Strategic policy and research	3.3	3.0	3.2	6.7
Financial risk management and policy advice	n/a	n/a	11.9	n/a
Economic, social and environmental policy advice	5.3	5.3	5.0	-5.7
Inter-government financial relations policy advice	1.6	1.5	1.5	0.0
Taxation (state revenue) policy advice	1.7	1.8	1.7	-5.6
Sub-total (c)	**43.8**	**43.2**	**39.9**	**-7.6**
Financial management services				
Financial reporting	14.5	12.7	11.3	-11.0
Taxation (state revenue) monitoring and forecasting services	0.7	0.8	0.8	0.0
GBE performance monitoring services	1.6	2.4	2.2	-8.3
Sub-total	**16.8**	**15.9**	**14.3**	**-10.1**
Risk management services				
Commercial and infrastructure project management	10.2	9.7	8.5	-12.4
Sub-total	**10.2**	**9.7**	**8.5**	**-12.4**
Resource management services				
Procurement services	5.0	5.3	4.1	-22.6
Government accommodation services	28.1	29.6	28.6	-3.4
Government land and property services	6.1	8.9	9.4	5.6
Management of motor vehicle leases	2.6	3.8	2.4	-36.8
Sub-total	**41.8**	**47.6**	**44.5**	**-6.5**

Exhibit 13.2: Department of Treasury and Finance Output costs *(continued)*

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Regulatory services				
Economic regulatory services	12.2	15.2	12.0	-21.1
Business environment policy advice	2.8	3.8	3.5	-7.9
Sub-total	**15.0**	**19.0**	**15.5**	**-18.4**
Revenue management services				
Revenue management services to government	58.1	50.5	58.5	15.8
Sub-total	**58.1**	**50.5**	**58.5**	**15.8**
Total	**185.7**	**185.9**	**181.2**	**-2.5**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting [4]

(c) sourced from Budget Paper No.3, 2005-06 Service Delivery, p.218

na not applicable

Source: *Budget Paper No. 3, 2005-06 Service Delivery, pp.219–234*

The Committee requested detailed explanations for output cost variations in excess of 10 per cent between the 2004-05 estimated actual and the 2005-06 target cost. The department advised that variances were attributed to:[5]

- procurement services – the decrease of $1.2 million (22.6 per cent) is the result of the reallocation of internal funding for fixed term projects and the review of corporate services costs allocation to all outputs;
- management of motor vehicle leases – the decrease of $1.4 million (36.8 per cent) is explained by a one-off funding in 2004-05 relating to interest on the losses incurred on the sale of motor vehicles leased through the Commonwealth Bank of Australia;
- economic regulatory services – the decrease of $3.2 million (21.1 per cent) is explained by a one-off funding in 2004-05 relating to the price determination for electricity distribution and water; and

4 Budget Paper No.3, *2005-06 Service Delivery*, p.217

5 Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.22

- revenue management services to government – the increase of $8 million (15.8 per cent) is due to a change in accounting policy for municipal valuations which requires that municipal valuations are amortised in the year the revenue is earned.

The 2005-06 budget major output initiatives include:[6]

- extension of the government's First Home Bonus until June 2007;
- employment of additional staff in the State Revenue Office to increase compliance checks, which is expected to increase annual revenue by $18 million; and
- introduction of a new charge on long-stay inner city carparks to reduce traffic congestion in central Melbourne and to encourage suburban commuters coming to the city to use public transport.

The budget papers also record an asset initiative of $2.7 million in 2005-06 to upgrade security on the Treasury Reserve precinct, which includes improved control over building access, mail scanning and physical security for buildings in this precinct.[7]

13.3.1 Departmental savings

The department is required to find savings of $31.2 million in 2005-06.[8] The department advised that it will achieve this through:[9]

- changes to the tax treatment of the Emergency Services Superannuation Scheme to move the scheme onto the same tax treatment as other Victorian public sector funds and the majority of private sector funds. The Committee was advised that this will achieve about three-quarters of the required saving;[10]
- reduction in interest charges on overnight borrowings through improved cash management strategies. The Committee was advised that this will achieve about one-fifth of the required saving;[11]
- the consolidation of three outputs to form the Financial Risk Management and Policy Advice output to provide efficiencies in asset and liability management;
- the whole of government savings initiative of centralisation and standardisation of printed materials, print purchasing processes, media and communication services; and

6 Budget Paper No.3, *2005-06 Service Delivery*, p.313
7 ibid. p.314
8 ibid., pp.313–314
9 Department of Treasury and Finance, response to the Committee's questionnaire, received 6 May 2005, p.27
10 ibid.
11 Mr I Little, Secretary, Department of Treasury and Finance, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.4

- reduction in consultant and contractor expenditure.

13.3.2 Financial analysis

(a) Operating performance

The department anticipates income of $233.8 million for its 2005-06 controlled operations, a decrease of 3.6 per cent from the 2004-05 revised estimated actual income. Expenses in 2005-06 are budgeted at $229.4 million for controlled operations, a decrease of 9.7 per cent from the 2004-05 revised estimated actual expense. Exhibit 13.3 provides details of income and expenditure for controlled and administered items.

Exhibit 13.3: Department of Treasury and Finance Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	242.5	233.8	-3.6
Expenses	254.0	229.4	-9.7
Net result	**-11.5**	**4.3**	**-137.4**
Administered items			
Administered income	20,204.3	20,555.9	1.7
Administered expenses	21,419.4	21,218.6	-0.9
Income less expenses	**-1,215.2**	**-662.8**	**-45.5**

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No. 4, 2005-06 Statement of Finances, pp.125, 128

The 9.7 per cent or $24.6 million reduction in controlled expenditure in 2005-06 can largely be attributed to:[12]

- the reduction in depreciation and amortisation expense from $40 million to $33 million[13], due to the decreasing number of motor vehicles managed under the whole of government motor vehicle lease facility with the Commonwealth Bank of Australia. Because the facility is being phased out, the revenue from this source decreased; and

[12] Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.11-12

[13] ibid., p.11

- expenses involving supplies and services reduced from $74 million in 2004-05 to $55 million in 2005-06[14]. This reduction was attributed to the transfer of information technology shared services costs to the Department of Premier and Cabinet; the cessation of one-off funding for programs in 2004-05;[15] savings returned to the government and the cessation of one-off approval to utilise surplus appropriation from previous years.

Administered income is expected to increase by 1.7 per cent or $351.6 million in 2005-06 (see exhibit 13.3). This is attributed to:

- an estimated increase in Commonwealth grants of $515.9 million[16], of which, $493 million represents additional GST related grants revenue from the federal government;[17] and
- anticipated higher dividend payments of $187.8 million[18] will be received from the State Electricity Commission of Victoria (SECV), public sector entities in the water industry and the Treasury Corporation of Victoria. The anticipated SECV dividend of $100 million, reflects better than planned financial performance and greater certainty arising from an indemnity provided by the Treasurer in relation to SECV's future trading losses under the Electricity Supply Agreements.[19] The better than planned financial performance of the SECV is predominantly due to lower than expected losses under the smelter onerous contracts as a result of higher than anticipated aluminium prices (which increased the revenue that the SECV receives from the aforementioned aluminium smelters for electricity supply), and greater than anticipated distributions from Snowy Hydro Limited and its predecessor Snowy Hydro Trading Pty Ltd.[20]

The above mentioned additional administered income will be partly offset by a $472.8 million[21] reduction in revenue from special appropriations. This revenue is to enable payments to be made to reduce the unfunded superannuation liability.[22] The department advised that the reduction in special appropriations is '*mainly due to higher investment returns, reducing the funding required for unfunded superannuation liability*.'[23]

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14 ibid.
15 Mr I Little, Secretary, Department of Treasury and Finance, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.4
16 Budget Paper No.4, *2005-06 Statement of Finances*, p.128
17 ibid., p.125
18 Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.15
19 ibid.
20 Department of Treasury and Finance, additional information, received 10 November 2005
21 Budget Paper No.4, *2005-06 Statement of Finances*, p.128
22 Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.14
23 ibid.

The unfunded superannuation liability is determined as the difference between the accrued superannuation benefits payable and the assets of the superannuation scheme. Higher than anticipated investment returns (which increase the value of the assets of the superannuation scheme) have the effect of reducing the unfunded superannuation liability.[24]

The special appropriations represent payments to fully fund the State Superannuation Fund (that is, to reduce the state's unfunded superannuation liability). As investment returns exceed expectations and therefore reduce the unfunded superannuation liability, the payments required to fully fund the unfunded superannuation liability will also reduce.[25]

(b) Balance sheet position

Exhibit 13.4 shows that the department's controlled net asset position is expected to increase by $8 million (2.5 per cent) from $317.7 million at 30 June 2005 to $325.7 million at 30 June 2006. This reflects a projected increase in total assets of $15.3 million (2.5 per cent) and an increase in liabilities of $7.2 million (2.4 per cent) over this period. The department attributes the $8 million improvement in the controlled net asset position to the budgeted operating surplus of $4.3 million in 2005-06, plus a $4 million capital injection.[26]

Exhibit 13.4: Department of Treasury and Finance
Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	613.4	628.7	2.5
Liabilities	295.7	302.9	2.4
Net assets	**317.7**	**325.7**	**2.5**
Administered items			
Administered assets	983.6	904.0	-8.1
Administered liabilities	23,781.8	24,425.2	2.7

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No. 4, 2005-06 Statement of Finances, pp.127–128

[24] Department of Treasury and Finance, additional information, received 14 November 2005
[25] ibid.
[26] Budget Paper No.4, *2005-06 Statement of Finances*, p.124

Exhibit 13.4 shows a $79.6 million reduction in administered assets, from $983.6 million in 2004-05 to an estimated $904 million in 2005-06. Reasons for this reduction include:[27]

- a reduction in the current asset 'other financial assets' of $450.4 million, from $1,144.7 million in 2004-05.[28] Other financial assets represent liquid financial assets such as shares, term deposits, debt securities and other forms of investments. The reduction was due to the government partially funding capital expenditure from this source. Linked to this issue is a $520.8 million reduction in receivables.[29] Although recorded as a non-current asset, the negative balance of $715.3 million at 30 June 2006 represented the government's liability to fund departments for the respective balances recorded in the State Administration Unit (SAU)[30], inclusive of accrued employee entitlements, creditors and accumulated depreciation equivalents; and
- current receivables fell from $572.4 million in 2004-05 to an estimated $430 million in 2005-06.[31] The reduction of $142.4 million was attributed to a 10 per cent reduction in average WorkCover premiums payable by employers.

The above asset movements were partly offset by an increased current liabilities provision of $285 million[32] reflecting an additional state contribution towards the unfunded superannuation liability in 2006-07.[33]

13.3.3 Carry over funding

The department advised that it does not intend to carry over any funding to 2005-06.[34]

13.3.4 Trust funds

The department operates 13 trust accounts, the estimated value of cash and investments held in these trust accounts at 30 June 2005 was $237.8 million.[35] The department advised that all trust accounts are reviewed by management on a monthly basis and are subject to regular internal review and external audit by the Auditor-General.[36]

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27 Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.19-20
28 ibid., p.19
29 ibid.
30 ibid.; Department of Treasury and Finance, email
31 Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.19
32 ibid.
33 ibid., p.20
34 ibid., p.23
35 ibid., pp.24-25
36 ibid., p.24

Despite these procedures, the Committee noted that several of the trust accounts were inactive. A trust fund established under the *Land Acquisition and Compensation Act* 1986[37], for example, has had a cash balance of at least $146,000 since June 2003, with no activity since that date.[38] This trust account was established to hold compensation moneys for land compulsorily acquired for public purposes where claimants cannot be located. The Committee questions why this unclaimed money needed to be held in a trust account rather than transferring the balance to the Treasury Trust Fund as unclaimed moneys. Other trust funds for which there has been no activity include the Sinking Fund on State Debt ($220,000) and the Mobile Network Working Account ($583,000).[39]

Given the ongoing lack of activity within these trust accounts, the Committee questions the need to retain them.

The Committee recommends that:

Recommendation 133: **The Department of Treasury and Finance evaluate the ongoing need to retain trust accounts with static balances, and close trust accounts if they are no longer warranted.**

13.4 Human resources issues

The department estimates that it will have 586 equivalent full-time staff (EFT) at 30 June 2006. This estimate was consistent with staffing numbers at 30 June 2005 and represents an increase of 61 staff from 30 June 2004 (see exhibit 13.5). The department advised that the staff increase between 2004 and 2005 was mainly within the senior, non-executive officer levels and related to the establishment of a Business and Environment Policy Advice output to provide secretariat services to the Victorian Competition and Efficiency Commission.[40]

The department also advised that additional staff were deployed in the strategic procurement, and the commercial and infrastructure risk management areas. The employment of these resources in the commercial and infrastructure risk management areas was in response to growing demand for *Gateway* and *Partnerships Victoria* advice in conjunction with the Treasurer's increased governance responsibilities in the water sector.[41]

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37 established under section 121 of the *Land Acquisition and Compensation Act* 1986

38 Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.24

39 ibid.

40 ibid., p.9

41 ibid.

Exhibit 13.5: Department of Treasury and Finance
Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Executive officers	78	82	82
VPS grades 1 to 6, and STS	447	503	503
Other	0	1	1
Total	**525**	**586**	**586**

Note: STS - senior technical specialist level

Source: Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.8-9

Exhibit 13.6 records staffing for the State Revenue at 30 June 2004, along with anticipated staffing levels at 30 June 2005 and 2006.

Exhibit 13.6: State Revenue Office
Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Executive officers	6	6	6
VPS grades 1 to 6	404.97	402.38	415
Total	**410.97**	**412.38**	**425**

Source: Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.9

The increase in State Revenue Office's staffing numbers between 2005 and 2006 (which has been accompanied by a decrease in staff at the lower grades and an increase in staff in grades 4 and 5), is a direct result of shifting staff from operational tasks to technical, compliance focused tasks in line with the State Revenue Office Business Plan.[42] To illustrate this shift in focus, the State Revenue Office created a specialist team in 2003-04 to investigate stamp duty avoidance on high value conveyancing. Although staffing costs for 2004-05 and the estimated costs for 2005-06 were $1 million, the office had collected an extra $23 million in revenue at April 2005 as a direct result of these investigations.[43]

[42] ibid.
[43] ibid., p.4

The Committee supports initiatives such as the establishment of specialist units where there is considerable public benefit to be derived from employing additional human resources, and training and promoting existing resources.

Staffing numbers for the Essential Services Commission in 2006 is anticipated to remain unchanged from 2005 (see exhibit 13.7).

Exhibit 13.7: Essential Services Commission
Equivalent full-time staff

	June 2004 Actual	June 2005 Estimate	June 2006 Estimate
Executive officers (a)	8.0	8.0	8.0
VPS grades 1 to 6, and STS	50.3	55.4	55.4
Other	5.0	3.0	3.0
Total	**63.3**	**66.4**	**66.4**

Notes: *(a) includes two statutory appointees*[44]

STS - senior technical specialist level

Source: *Department of Treasury and Finance, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.10*

The department employs around 586 staff, some of whom have specialist capabilities. Nevertheless, the department advised the Committee that it does not have a strategic workforce plan.[45] The Auditor-General's report, *Meeting our future Victorian Public Service workforce needs*, acknowledged the absence of a formal plan, but considered that the department was highly focused on planning its workforce as part of its business planning processes.

The Auditor-General's report recommended that the department could improve its current workforce capability by developing capability frameworks for its various professional and technical workforce segments.

The Committee is aware that one of the functions of the newly established State Services Authority is to focus on workforce planning within all government departments. Accordingly it would be expected that this Authority will examine the adequacy of workforce planning undertaken by the Department of Treasury and Finance.

[44] ibid., p.10
[45] ibid.

Review of portfolios

13.5 Finance portfolio

13.5.1 Performance measures

No major performance measures were introduced in the 2005-06 Budget.

13.5.2 Key issues affecting the portfolio

(a) Consolidation of departmental office accommodation

At the 2005-06 Budget Estimates hearing, the Minister advised that the following agencies would be consolidated at the eastern end of the CBD in 2005-06:[46]

- the Department of Human Services from five locations to one location; and
- the State Revenue Office, the Department of Innovation, Industry and Regional Development and the Department of Justice at the former Southern Cross site.

The Minister also provided further advice to the Committee on current and post consolidation accommodation requirements (exhibit 13.8).

[46] Mr J Lenders, MLC, Minister for Finance, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.4

Exhibit 13.8: Agency Accommodation Current and post-consolidation

Agency	Current area (square metres)	Post consolidation (square metres)
Department of Justice	56,958	56,263
Department of Innovation, Industry and Regional Development	13,653	13,740
State Revenue Office	5,202	6,016
Department of Human Services	51,360	52,020
Department of Premier and Cabinet	12,851	12,851
Department of Treasury and Finance	14,916	14,916
Department of Education	22,531	22,531
Department of Sustainability and Environment	38,707	38,707
Department of Primary Industries	9,278	9,278
Department for Victorian Communities	10,006	10,006
Department of Infrastructure	22,795	22,795
Victoria Police	42,777	42,777
Total	**301, 034**	**301,900**

Source: Mr J Lenders, MLC, Minister for Finance, response to the Committee's follow-up questions, received 21 July 2005, pp.1–3

The Committee noted that post-consolidation, the total accommodation area for public service agencies has increased by nearly 900 square metres.[47] The Committee also noted that the 2005-06 Budget Papers indicate that total accommodation costs per square metre are expected to increase from an expected outcome of $295 per square metre in 2004-05 to $344 per square metre in 2005-06.[48] The 2005-06 Budget Papers outline the reason for this increase:[49]

> *The target for 2005-06 has increased in line with property industry projections of office rental costs in the Melbourne central business district for 2005-06.*

The Minister advised that there has been a 2 per cent productivity saving, due to reducing wasted time, factored in the consolidation. A dollar saving for example, through a reduction in travel expenses for commuting between locations was not specified.[50] In terms of containing overall CBD accommodation costs, savings achieved by individual public service agencies is crucial as CBD costs are rising and because the consolidation of public service accommodation at the eastern end of the CBD will result in a slight increase in the total overall area occupied.

47 calculated from exhibit 13.8
48 Budget Paper No.3, *2005-06 Service Delivery*, p.229
49 ibid., p.231
50 Mr J Lenders, MLC, Minister for Finance, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.4

The Committee considers that given the projected increase in accommodation costs in the CBD, the Department of Treasury and Finance should actively monitor implementation of the City Precinct Strategy Plan, particularly in relation to savings achieved, to ensure the net benefit to government is not eroded by rising accommodation costs.

The Committee recommends that:

Recommendation 134: **The Department of Treasury and Finance actively monitor savings achieved in the implementation of the City Precinct Strategy Plan, to ensure the net benefit to the Victorian Government from this consolidation is maintained and not eroded by rising accommodation costs.**

(b) Performance management and reporting

The Auditor-General prepared a progress report in April 2003 on performance management and reporting to examine actions taken since an earlier 2001 performance audit report on the subject.[51] The Auditor-General stated in the forward to the report:[52]

> *In the 18 months since my November 2001 report …the government has released its high-level outcomes and measures of progress. However, development of performance indicators linking the resource allocation process to departmental objectives and to government outcomes remains a key component of the Framework that has yet to be finalised.*

The government's high-level outcomes and measures of progress referred to by the Auditor-General relate to its November 2001 *Growing Victoria Together* strategy which was updated in March 2005.[53] The Committee's May 2005 report on corporate governance assessed the adequacy of the *Growing Victoria Together* strategy in the context of improving whole of government performance reporting in Victoria.[54] The Committee's views on this matter are reiterated in the section of this report containing commentary on the Premier's portfolio.

The Committee sought information from the Minister on progress made in finalising the development of performance indicators, in the manner identified by the Auditor-General, to enable the Auditor-General to audit departmental performance statements.

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51 Victorian Auditor-General's Office, *Performance management and reporting: Progress report and a case study*, April 2003

52 ibid., p.vii

53 Department of Premier and Cabinet, *A vision for Victoria to 2010 and beyond*, March 2005

54 Public Accounts and Estimates Committee, *Report on Corporate Governance in the Victorian Public Sector*, May 2005

The Minister cited the importance of the *Growing Victoria Together* initiative and the discipline now applied within the government that requires Ministers making submissions to Cabinet to demonstrate a link back to the *Growing Victoria Together* objectives.[55] In this regard, the Minister considered that '*the core area that the Auditor-General was raising has been well and truly addressed*'.[56]

The Minister also outlined to the Committee the process followed for reviewing and enhancing performance measures. The Minister explained:[57]

> *So, firstly, there is the step originating out of departments, and that is where we go with a lot of these measures. Then there is the step which asks, 'Do we want to include that as part of the measure which goes into budget paper 3 in the end?'. That is when it comes across my desk, after DTF [Department of Treasury and Finance] has given very serious consideration to it.*

The Minister went on to say:[58]

> *They [performance measures] have got to change at some stage. How often do they change? What is in them? Where do you move forward and what are you doing them for? We think we have enhanced it by having the outcome GVT [Growing Victoria Together] side added to the end. Any dynamic document like a budget will always be changing. One of the things we do is to report the ones that have changed.*

The department elaborated to the Committee on the improvements to the review of performance measures introduced in recent years with the number of changed measures reported in the budget papers now *'probably above 10 per cent a year'*.[59] The department also provided a view to the Committee on the performance system:[60]

> *The other thing about the performance system is, remember that this is about outputs, that [it] is all about efficiency. If the outputs do not contribute to an outcome, that is all about effectiveness, and this government has done quite a lot to try and link up to the effectiveness side. That is what Growing Victoria [Together] II is all about. That is quite an advance in the management system.*

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55 Mr J Lenders, MLC, Minister for Finance, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.7

56 ibid.

57 ibid., p.11

58 ibid.

59 Mr I Little, Secretary, Department of Treasury and Finance, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.12

60 ibid.

The Minister advised the Committee in general terms about the progress made with performance measures that will enable the Auditor-General to audit performance statements:[61]

> *Consistent with an ongoing commitment to improve accountability and performance, the existing performance framework is continually assessed for its relevance, robustness and usefulness. As such this involves a continuous improvement process, including examination and review of different elements of the framework.*

The Committee acknowledges the contribution made by the *Growing Victoria Together* strategy to strengthening the performance management and reporting framework relating to the government's high-level priorities and goals.

The Committee has previously expressed its view on the need for the *Growing Victoria Together* strategy to be expanded to encompass all whole of government outcomes with explicit links to the activities of all public sector agencies (refer to commentary on the Premier's portfolio). The Committee considers this expansion is integral to developing the performance management and reporting framework envisaged by the Auditor-General.

The Committee is hopeful that the continuous improvement process in place for the performance management and reporting framework, will focus attention on ensuring that there are clear connections between the resource allocation process, departmental objectives and higher-level government outcomes. These connections are critical for auditing the performance statements.

The Committee also considers that the Department of Treasury and Finance should place a high priority on ensuring that its work in upgrading the performance reporting framework for agencies directly complements the *Growing Victoria Together* strategy and any subsequent action taken by the government to expand the boundaries of the performance reporting framework along the lines advocated by the Committee. This aspect of the improvement process means there should always be strong cohesion between the Department of Treasury and Finance and the Department of Premier and Cabinet to obtain optimum results.

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[61] Mr J Lenders, MLC, Minister for Finance, response to the Committee's follow-up questions, received 21 July 2005, p.11

The Committee recommends that:

Recommendation 135: **The Department of Treasury and Finance focus its improvement initiatives for performance management and reporting by having clear links between departmental objectives and higher level government outcomes, and by ensuring the early involvement of the Auditor-General in performance statements audits.**

13.6 Treasury portfolio

13.6.1 Performance measures

No major performance measures were introduced in the 2005-06 budget for this portfolio.

13.6.2 Key issues affecting the portfolio

(a) GST grants

The 2005-06 Budget provides for a revenue of $7,854.9 million from GST grants from the federal government, an increase of $492.5 million or 6.7 per cent, compared to $7,362.4 million for 2004-05.[62] Victoria's share of the GST pool was revised upward following the Commonwealth Grants Commission's 2005 Update of *State Revenue Sharing Relativities*.[63] This resulted in around $106 million extra for Victoria in 2005-06.[64]

Despite this increase, the Treasurer maintains that in conjunction with New South Wales, Victoria is still effectively subsidising the other states (especially Queensland and Western Australia) by around $1.6 billion per year.[65] This situation comes about because Victoria receives $1.6 billion less from the Commonwealth than it has collected from GST.

The Commonwealth Grants Commission (CGC) undertook a review in 2004 because of ongoing concerns across the major states about inequities in the funding formula used to distribute GST revenue.[66] Following this review another review was

62 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.87
63 ibid. p.80
64 ibid.
65 Hon. J Brumby, MP, Treasurer, 2005-06 Budget Estimates hearing, transcript of evidence, 11 May 2005, p.5
66 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.82

undertaken by the Heads of Treasuries.[67] While it examined a number of key aspects of the system, it excluded other important aspects, such as examining the underlying principles of horizontal fiscal equalisation.[68]

The findings of the Heads of Treasuries review were released in March 2005 and concluded there were inadequacies in the quality of data used by the Commonwealth Grants Commission.[69] In addition, the review highlighted there was a lack of transparency and there is a need to improve the robustness of decisions.[70] The Commonwealth Grants Commission has undertaken to report back on progress made and actions it will be taking to address the problems identified in this review.[71]

The Committee understands that while the above actions will improve the method used to redistribute the funds, it will not address the redistribution principles which Victoria maintains are unfair. The Committee understands that the redistribution methodology will not be reviewed again by the Commonwealth Grants Commission until 2010.[72]The need for reform in Victoria is seen by the Treasurer as stronger than ever,[73] because state revenue will be further reduced due to the abolition of certain taxes as agreed with the Commonwealth, for example, mortgage duty was abolished from 1 July 2004 and from 1 July 2005, the debits tax was abolished, resulting in state revenue foregone of around $280 million per annum.[74] Rental business duty is to be abolished from 1 January 2007 at an estimated cost of $64 million.[75]

After taking into account the subsidy Victoria effectively provides to the other states, the issue arises as to whether the revenue foregone by Victoria abolishing state taxes is more than compensated for by increased GST revenue from the Commonwealth. Under the GST agreement with the Commonwealth, there is a guarantee that no state or territory will be worse off, and where such a situation occurs, transitional grants are provided by the Commonwealth to make up the difference.[76] The budget papers indicate that as a direct result of abolishing a range of state taxes, Victoria is only marginally above the level where transitional grants will be required.[77]

Although it could be argued that the arrangements have provided Victoria with a level of GST revenue that has grown substantially over recent years it also means that Victoria has become increasingly reliant on GST revenue as state revenue sources

67 ibid.
68 ibid.
69 ibid.
70 ibid.
71 ibid. p.83
72 ibid.
73 Hon. J Brumby, MP, Treasurer, response to the Committee's follow up questions, received 18 July 2005, p.4
74 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.79; Hon. J. Brumby, MP, Treasurer, media release, *Victorian Government to abolish debits tax*, 27 June 2005
75 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.79
76 ibid., p.84
77 ibid.

have been progressively abolished in line with the GST Agreement[78]. Victoria will also no longer receive National Competition Policy payments of around $200 million per year after the federal government's decision to end these payments from 2006-07.[79]

Due to favourable economic conditions in recent years, Victoria has received extra GST revenue as the GST pool has increased above estimates. Over the longer term, however, this situation may not always continue, as an economic downturn may lead to a reduction in the GST pool and grants to the states falling below estimates. Where states (such as Victoria) rely heavily on GST grants and specific purpose grants, reduced revenue from these sources will have an impact on the budget estimates and the ability of Victoria to maintain an operating surplus of at least $100 million and maintain service levels.

Victoria must continue to press for a more equitable share of the GST pool. Given that the next review of the redistribution method is not due until 2010, it is unlikely that progress can be made on this issue in the short term.

Reliance on funding linked to economic condition emphasises the need for the Victorian Government to exercise firm controls over its expenditure, particularly recurrent expenditure. The Committee noted that the budget estimate for expenditure in 2005-06, as recorded in the 2004-05 budget papers was $29,249.6 million.[80] The budget papers for 2005-06, however, recorded estimated expenditure for 2005-06 as $30,258.9 million[81], an increase of $1,009.3 million or 3.45 per cent. The increase was financed from a projected increase of $1,181.6 million[82] from GST and specific purpose grants from the federal government.

The Committee accepts that where additional revenue is received it can be appropriate to utilise the funds for additional outputs, but not to cover increases in expenditure of already budgeted outputs without parliamentary approval.[83]

The Committee emphasises the need for all government departments to manage expenditure within budget estimates, along with the Department of Treasury and Finance minimising any expenditure increases outside of budget estimates that are of a recurrent nature, such as employing additional staff.

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78 the GST Agreement is officially known as the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*

79 Budget Paper No.2, *2005-06 Strategy and Outlook*, p.86

80 Budget Paper No.4, *2004-05 Statement of Finances*, p.8

81 ibid., p.10

82 calculated from Table 3.8 in page 161 of Budget Paper No.4, *2005-06 Statement of Finances*

83 Public Accounts and Estimates Committee, *Report on the review of the Auditor-General's report on – Parliamentary control and management of appropriations*, September 2005, p.52

(b) EastLink project

The Minister for Transport announced on 23 September 2002 that it would amalgamate the Scoresby Freeway project with the Eastern Freeway Tunnels project, with the combined project known as the Mitcham-Frankston Freeway. This project which has since been renamed EastLink, would provide a continuous 39 kilometre freeway link connecting Melbourne's eastern and south-eastern suburbs.[84]

The project, which was to be delivered as a public private partnership venture, was estimated at the time to cost between $1.5 and $1.8 billion.[85] It was estimated that further savings of up to 10 per cent, or $180 million could be achieved under the partnerships delivery model.[86] The announcement stated that under a memorandum of understanding signed in 2001 the federal government and the Victorian Government would each meet 50 per cent of the construction costs of the former Scoresby Freeway component.[87] Funding arrangements for the Eastern Freeway extension tunnels would be fully met by the Victorian Government.[88]

The Victorian Government subsequently announced in May 2003 that the $1.4 billion needed from the state to fund the freeway and associated works was not affordable and consequently decided the freeway was to be a tollway.[89] As a consequence, the federal government's funding of $445 million was no longer available.[90]

Since the announcement that the freeway was to become a tollway, there have been a range of amendments to the original design in order to provide better access. This includes a toll free Ringwood bypass, costed at $80 million, which is to be constructed as part of the freeway works.[91]

The Premier announced in October 2004 that the successful bidder for the project was ConnectEast.[92] Major works would begin in early 2005.[93] By this stage, the project was costed at $2.5 billion,[94] compared to the initial projection of $1.5 billion.

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84 Hon. P Batchelor, MP, Minister for Transport, media release, *Bracks Government announces Mitcham-Frankston freeway project*, 23 September 2002

85 ibid.

86 ibid.

87 ibid.

88 ibid.

89 Hon. P Batchelor, MP, Minister for Transport, media release, *Mitcham-Frankston Freeway to go ahead as tollway – with or without federal government support*, 14 May 2003

90 ibid.

91 Hon. P Batchelor, MP, Minister for Transport, media release, *Toll free connection from Ringwood Bypass to Maroondah Highway*, 31 October 2003

92 Hon. S Bracks, MP, Premier, media release, *Premier announces successful bidder for Mitcham-Frankston project with lowest tolls*, 14 October 2004

93 Hon. P Batchelor, MP, Minister for Transport, media release, *Green light for start of work on $2.5 billion Mitcham-Frankston project*, 19 November 2004

94 Hon. S Bracks, MP, Premier, media release, *Premier announces successful bidder for Mitcham- Frankston project with lowest tolls*, 14 October 2004

The construction cost of $2.5 billion will be borne by ConnectEast and recouped from tolls.[95] The contract provides for an allowance for cost escalation within the road construction sector for the next four years.[96]

The Treasurer advised that the final scope of the work included:[97]

- additional functionality to support ConnectEast's projected traffic volumes;
- Dandenong Southern Bypass – toll free;
- Ringwood Bypass – toll free;
- 10 kilometres of additional traffic lanes each way;
- additional safety and durability features for tunnels;
- additional local road improvements – including the widening of Boronia Road;
- inclusion of an extra bridge at Wantirna South to address community access concerns; and
- a contribution of $20 million from the contractor towards the cost of rail station upgrades.

The specific costs of the above features will be followed-up in the Committee's 2004-05 Budget Outcomes inquiry.

The Treasurer informed the Committee that although the construction cost was to be funded by tolls, the tolls *'are the lowest of any private road toll in Australia'*.[98] Future toll charges are restricted under the terms of the contract with ConnectEast to an annual adjustment not exceeding the consumer price index.[99]

The Committee noted the substantial increase in the cost of the project by around $1 billion, which will be borne by the contractor. The government has negotiated a fixed price and a fixed-term contract, with the onus on the contractor to recoup the cost from tolls which cannot be increased beyond CPI increases each year.

Given the size and complexity of the project, it still remains a possibility that the contractor could incur unforeseen cost over-runs for a variety of reasons, such as weather, industrial issues or encountering rock.

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95 Hon. J Brumby, MP, Treasurer, response to the Committee's follow-up questions, received 18 July 2005, p.7

96 ibid.

97 ibid.

98 ibid.

99 Hon. P Batchelor, MP, Minister for Transport, media release, *Next step in the delivery of Mitcham-Frankston Project*, 30 November 2004

The Committee was also advised that the government's benchmarks included a net cost to government of around $150 million.[100] The Committee noted the Auditor-General's report that the financial impact of the EastLink project on the state's finances in 2004-05 was an overall net cost of $282.4 million.[101] The Committee will follow up this matter as part of its review of the 2004-05 Budget Outcomes.

13.7 WorkCover and Transport Accident Commission portfolio

Exhibit 13.9 provide details of the financial position of the Victorian WorkCover Authority from 2000-01 to 2003-04.

Exhibit 13.9: WorkCover Authority Financial performance

Financial results	2000-01 ($ million)	2001-02 ($ million)	2002-03 ($ million)	2003-04 ($ million)
Impact on result from internal factors	-262.1	465.2	504.5	718.1
Impact on result from external factors:				
Difference between actual returns and long term expected returns	-27.8	-563.2	-437.4	390.8
Change in inflation assumptions and discount rates	30.0	-0.1	-383.0	55.0
Tax and other	-	-	-	58.5
Net profit (loss)	**-259.9**	**-98.1**	**-315.9**	**1,222.4**

Source: Victorian WorkCover Authority, 2004 Annual Report, p.9

Similarly, exhibit 13.10 provides the financial results of the Transport Accident Commission at 2003-04.

[100] Hon. J Brumby, MP, Treasurer, response to the Committee's follow-up questions, received 18 July 2005, p.7

[101] Victorian Auditor-General's Office, *Auditor-General's Report on the Finances of the State of Victoria, 2004-05*, November 2005, p.82

Exhibit 13.10: Transport Accident Commission Financial performance

Financial results	2000-01 ($ million)	2001-02 ($ million)	2002-03 ($ million)	2003-04 ($ million)
Impact on profit from internal factors	69	347	507	298
Impact on profit from external factors:				
Difference between actual investment returns and long term expected returns	-288	-550	-201	300
Change in inflation assumptions and discount rates	9	29	-255	171
Impact of claims past inflation (a)	31	n/a	n/a	n/a
Impact of legislative changes	-23	16	-	-
Tax and other	10	-2	-	-179
Net profit (loss) after tax	**-192**	**-160**	**51**	**590**

Note: (a) the impact of claims past inflation is no longer relevant due to a change in the actuarial calculation methodology

Source: Transport Accident Commission, 2004 Annual Report, p.9

The financial results for 2003-04 for both authorities indicate a considerable improvement compared with 2002-03. Both annual reports indicate that strong investment markets were influential in achieving improved financial results.[102]

13.7.1 Key issues affecting the portfolio

(a) Reduced claims and work related fatalities

The Victorian WorkCover Authority (VWA) 2005 Annual Report recorded improvements in terms of:

- a reduction in the number of work related fatalities from 38 in 2001-02 to 22 in 2004-05;[103] and
- a gradual decline in the number of claims reported per 1,000 employed from 13.9 in 2001-02 to 12.5 in 2004-05.[104]

The Committee awaits with interest the degree to which this rate of improvement is reflected in 2005-06.

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102 Victorian WorkCover Authority, *2004 Annual Report*, p.9; Transport Accident Commission, *2004 Annual Report*, p.9

103 Victorian WorkCover Authority, *2005 Annual Report*, p.25

104 ibid.

(b) Potential for large employers to exit the Victorian WorkCover Authority Scheme

VWA undertook a review of self-insurance arrangements in Victoria, prompted by the following factors:[105]

- there has been no systematic review of self-insurance arrangements since their introduction in 1985;
- the prudential risks of self-insurance have been highlighted by corporate failures; and
- the growing number of self-insurers and the consequent increased complexity of managing these arrangements.

In relation to the last point, the review indicated that:

> *There has been growth in this aspect of the scheme, with the number of self-insurers increasing over the period 1994-95 to 2002-03 and self-insurance increasing from around 8 per cent of the total scheme remuneration to around 10 per cent over the same period.*[106]

An important aspect of VWA's response to the review is the addressing of moves by large companies (that are usually subject to self-insurance arrangements) to leave the Victorian scheme and instead insure under the federal Comcare scheme. The Minister indicated that:

> *…the Victorian Attorney-General will refer a federal government decision to allow telecommunication giant Optus to join the Comcare scheme as a self-insurer to the High Court to determine whether or not the Commonwealth has exceeded its powers under the Constitution.*[107]

The Minister also introduced amendments to legislation including charging a fee to fund ongoing occupational health, safety and welfare regulation and related education and prevention services for non-WorkCover employers (section 151A of the *Occupational Health and Safety Act* 2004). Amendments covering non-WorkCover employers, including ensuring these employers pay VWA any increase in assessed tail claims liabilities six years after exiting the scheme, are contained in sections 164 to 176 of the *Accident Compensation Act* 1985.

The Minister responded to a follow-up question from the Committee regarding the sustainability of low premiums if some large employers obtain workers compensation insurance under the Comcare scheme:

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105 Victorian WorkCover Authority, *Review of Self-Insurance Arrangements in Victoria: Report of the Self-Insurance Review Team*, August 2005, p.2

106 ibid., p.9

107 Mr J Lenders, MLC, Minister for WorkCover, media release, *New laws to protect Victorian businesses and workers*, 26 April 2005

> *The level of risk to the on-going equity of the VWA scheme in this area will ultimately be driven by the Commonwealth's attitude in applying the rules for entry to the Comcare self-insurance pool. This is something that remains unknown and continues to be of concern to VWA.*[108]

The Committee will follow-up on the financial impact of these developments on the VWA scheme as part of the 2006-07 budget estimates process.

(c) Australian Football League sponsorship

The Transport Accident Commission (TAC) and the VWA spend significant funds on marketing and communication activities. The VWA spent $10.2 million on 'marketing and communication' in 2003-04.[109] No similar expenditure category is included in the TAC financial statements.[110] Key sponsorship arrangements by the TAC and VWA include:

- Victorian Country Netball League (VWA) – $150,000 three year naming rights sponsorship;[111]
- Football Victoria (TAC) – under 18 state football competition – terms of agreement not publicly available, naming rights sponsorship (TAC Cup);[112]
- Victorian Country Football League (VWA) – $1.05 million three year naming rights sponsorship (branded as 'WorkSafe Victoria Victorian Country Football League');[113]
- Australian Grand Prix Corporation (TAC) – terms of agreement not publicly available, venue signage sponsor of the 2005 grand prix;[114]
- Western Bulldogs football club (VWA) – $266,000 one year sponsorship agreement announced in May 2003.[115] WorkCover continues to be a sponsor of the club for the 2005 season;
- Collingwood football club (TAC) – terms of agreement not publicly available, contract was renewed for the 2005 season;[116] and

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108 Mr J Lenders, MLC, Minister for WorkCover, response to the Committee's follow-up questions, received 25 July 2005, p.7

109 Victorian WorkCover Authority, *2004 Annual Report*, p.46

110 ibid., pp.34–56

111 Mr J Lenders, MLC, Minister for WorkCover, media release, *$150,000 sponsorship for regional Victorian netball*, 1 April 2005

112 Transport Accident Commission, *2004 Annual Report*, p.23

113 Hon. R Hulls, MP, Minister for WorkCover, media release, *Country football sponsorship on the ball for WorkSafe*, 19 November 2004

114 Australian Grand Prix Corporation**,** http://cars.grandprix.com.au accessed 21 September 2005

115 Hon. R Hulls, MP, Minister for WorkCover, media release, *WorkSafe, Bulldogs seal $266,000 sponsorship deal*, 28 May 2003

116 Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Outcomes*, April 2005, pp.323–324

- Richmond football club (TAC) – terms of agreement not publicly available, contract was renewed for the 2005 season.[117] The contract was subsequently terminated in April 2005.[118]

Other lower profile sponsorship arrangements for the TAC include the Falls Festival, Royal Victorian Bowls Association and Wangaratta Festival of Jazz and Blues.[119]

The Committee again raised the issue of disclosing the level of sponsorship provided to the Australian Football League (AFL) clubs and how effectively these funds are used.[120] The Minister indicated that AFL club sponsorships created a dilemma between the commercial issues associated with these sponsorships and the public's right to know, and that there should be further dialogue with the Committee on this issue.[121]

The Committee noted that the VWA has disclosed the value of its sponsorship of the Western Bulldogs Football Club and reiterates its comments made in the 2004-05 Budget Estimates report that expenditure by publicly owned and operated entities should be subject to the same level of scrutiny as other areas of government. There should, therefore, be no impediment to disclosing the value of AFL sponsorship arrangements to Parliament.[122]

The Chief Executive Officer of the TAC advised the Committee that in terms of the effectiveness of these sponsorship programs, that it is difficult to attribute a life or injury saved to a particular program, but that the whole program has resulted in significant reductions in injuries in terms of annual claims.[123]

Recommendation 136: The Transport Accident Commission publicly disclose the value of individual sponsorships.

(d) Occupational Health and Safety Act 2004 - Impact

The vast majority of the provisions of the *Occupational Health and Safety Act* 2004 came into effect from 1 July 2005. The Act provides for a range of substantial additional powers and sanctions in terms of:

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117 ibid.
118 Transport Accident Commission, media release, *TAC terminates Richmond sponsorship*, 1 April 2005
119 Transport Accident Commission, *2004 Annual Report*, p.23
120 Hon. B Forwood, MLC, Deputy Chair, Public Accounts and Estimates Committee, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.7
121 Mr J Lenders, MLC, Minister for WorkCover, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.7
122 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.644
123 Mr S Grant, Chief Executive Officer, Transport Accident Commission, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.8

- the elimination or the reduction of risks as far as reasonably practicable with the Act providing guidance for determining what is reasonably practicable (section 20 (1) and (2));
- prescribing penalties for employers of up to 9,000 penalty units (the equivalent of $943,290)[124] for failing to provide and maintain for employees a working environment that is safe and without risks to health (section 21 (1));
- the employment or engagement of suitably qualified occupational health and safety experts to advise on the health and safety of their employees (section 22 (2));
- penalties for employees of up to 1,800 penalty units (the equivalent of $188,658) who fail to take reasonable care of their own health and safety or other persons who may be affected by the employee's actions or omissions (section 25 (1));
- the requirement for employers to consult with employees on health and safety matters such as measures to control risks to health and safety in the workplace (section 35 (1)).
- the provision of powers to inspectors such as the power to apply to a magistrate for the issue of a search warrant (section 104 (1)); and
- the inclusion of an 'adverse publicity orders' provision where a court finds a person guilty of an offence and the offender is required to publicise or notify specified people of the offence, its consequences and any imposed penalty (section 135 (1)).

The Committee is of the view that the range and scale of the changes within the Act merit the preparation of a separate annual report card on the legislation's impact in terms of key indicators. These indicators could include work related fatalities, with the use of baseline performance data to measure the extent of the changes since the legislation came into effect. Benchmark data from other states could also be used.

The Committee also considers that reference to this report card should be included in the VWA's annual report, with full details disclosed on the Authority's web-site.

[124] Victorian Government, *Victoria Government Gazette*, 14 April 2005, *Monetary Units Act* 2004 where, under Section 5, the value of a penalty point is fixed at $104.81 as from 1 July 2005

The Committee recommends that:

Recommendation 137: **The Victorian WorkCover Authority:**

(a) develop an annual report card on the impact of the *Occupational Health and Safety Act* 2004 in terms of key health and safety outcome indicators as measured against baseline data; and

(b) make this report publicly available and readily accessible.

(e) Protection for families receiving in-home care

The Committee raised with the Minister at the estimates hearing the case of a Gippsland family with two disabled children. A home care worker who regularly visited the home to provide care was bitten by the family dog. The family received a letter from a legal firm 14 months later seeking payment of $15,000.[125]

The Chief Executive Officer of the VWA advised the Committee that where a carer goes onto a particular site there is an obligation on the site owner to ensure that they work in a safe workplace.[126] The Minister also indicated that to protect the viability of the VWA scheme, it was important to attempt third party recovery where the VWA pays compensation to an injured worker.[127]

The Minister subsequently advised the Committee that shortly after the writ was issued the family was informed by the VWA that they would not directly face any costs given that the matter would be dealt with under their own insurance arrangements. The Minister also advised that the family was further assured that they would not have to pay any costs irrespective of whether their claim was accepted or rejected.[128]

The Minister indicated the Authority has changed its procedures for domestic cases so that recovery action will only occur after a broader assessment of the circumstances. This includes assessing a party's third party insurance and adopting a more personalised approach. The new arrangements would be subject to regular review. The VWA has been working with key government agencies to build awareness among

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125 Hon. B Forwood, MLC, Deputy Chair, Public Accounts and Estimates Committee, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.4

126 Mr G Tweedly, Chief Executive Officer, Victorian WorkCover Authority, 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.4

127 Mr J Lenders, MLC, Minister for WorkCover , 2005-06 Budget Estimates hearing, transcript of evidence, 31 May 2005, p.4

128 Mr J Lenders, MLC, Minister for WorkCover, response to the Committee's follow-up questions, received 25 July 2005, p.1

householders about the need to minimise safety risks to persons entering their property.[129]

The Committee will follow-up the adequacy of revised procedural arrangements at next year's estimates hearing.

[129] ibid.

CHAPTER 14: DEPARTMENT FOR VICTORIAN COMMUNITIES

Key findings of the Committee:

14.1 **The Department for Victorian Communities' budget allocation for 2005-06 was $563.4 million, an increase of $169.3 million or 43 per cent on the estimated actual result for 2004-05. This is largely due to an increase of $218.4 million in 2005-06 for the delivery of the Commonwealth Games in March 2006, which is offset by an $11.1 million decrease in the net expenditure flows of the Community Support Fund. There was also a final payment in 2004-05 of $38.5 million being the state's contribution to the Melbourne Cricket Ground redevelopment.**

14.2 **The department estimates that it will carry forward $1.5 million in output funding from 2004-05 to 2005-06, largely due to variations in the timing of grant payments compared with what was anticipated at the time of the 2004-05 budget. There is also a carry forward of $7 million in asset initiatives from 2004-05 to 2005-06 due to variations in the timing of expenditure on the Melbourne Sports and Aquatic Centre, and the sports camps project.**

14.3 **The department is required to achieve general efficiency savings of $4.1 million in 2005-06. The department anticipates savings from modifications to the Youth Employment Scheme ($2.9 million); the use of contractors and consultants ($700,000) and changes to the operation of the Information Victoria bookshop ($500,000).**

14.4 **Staff numbers are estimated to decrease from 792.8 full-time equivalent staff in 2005 to 765.8 in 2006, a net decrease of 27 full-time equivalent staff. Ongoing full-time equivalent positions are estimated to increase by 41, while fixed term full-time equivalent positions will decrease by a net 64 positions. Staff increases are influenced by the implementation of new budget initiatives, while staff reductions are expected with the finalisation of the Commonwealth Games.**

14.5 **The *Overcoming indigenous disadvantage, Key indicators 2005* found that while there had been some improvements since the equivalent 2003 report, indigenous Australians significantly lag behind non-indigenous Australians on a range of indicators. In terms of life expectancy, for example, an indigenous male in Victoria is expected to live to 60 years of age compared to 77 years for all Australian males.**

14.6 **The Office for Youth's new website (www.youthcentral.vic.gov.au) provides an excellent range of information that is clearly written and accessible and also includes valuable links to other websites. The Committee questions the value of retaining the (www.youth.vic.gov.au) website given that information on this site is included on the department's website.**

14.7 **The promotion of physical activity within the community, involving a funding allocation of $10 million, represents a key element of the Victorian Government's *Go for your life* campaign.**

14.8 **The government has nominated a preferred proponent for the development of a national ice sports centre and expects to make further announcements on the project later in 2005.**

14.9 **Continuation of the government's Local Government Improvement Incentive program beyond 2005-06 is likely to depend on the outcome of the current review of the National Competition Policy by the Council of Australian Governments.**

14.10 **The results of community strength surveys show considerable variations between local government areas.**

14.11 **With the exception of the Commonwealth Games Village, the Melbourne Sports and Aquatic Centre, and the MCG redevelopment, most of the smaller Commonwealth Games infrastructure projects have been completed or are near completion.**

14.12 **The construction of the Commonwealth Games Village has fallen behind target, but the Minister for Commonwealth Games expects the 30 November 2005 delivery date will be met.**

14.13 **The Games organising committee, Melbourne 2006 Commonwealth Games Corporation, has requested the Minister for Commonwealth Games to seek a determination from the Minister for Finance to extend the Corporation's financial year from 30 June 2006 to 30 September 2006.**

14.14 **The Minister for Commonwealth Games confirmed the Auditor-General did not request that the reporting of the final whole of Games special purpose report be put back to 30 September 2006, but had suggested that the reporting date be extended to ensure all significant transactions are captured in the preparation of the special purpose report.**

Departmental review

14.1 Output management framework

The Department for Victorian Communities supports the ministerial portfolios of Victorian Communities, Local Government, Multicultural Affairs, Youth Affairs, Employment, Aged Care, Women's Affairs, Aboriginal Affairs, Sport and Recreation, Commonwealth Games and Veterans' Affairs.

For 2005-06, a new output, Seniors and Veterans' Affairs, reflects the two additional responsibilities transferred to the Department in July 2004.[1] The Ministers responsible for this output are Mr G Jennings, MLC and the Hon. S Bracks, MP.[2]

Exhibit 14.1 outlines the ministerial responsibilities for the department's outputs.

1 Budget Paper No.3, *2005-06 Service Delivery*, p.236

2 Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.1

Exhibit 14.1: Department for Victorian Communities Ministerial responsibilities

Output groups/ outputs	Responsible Minister									
	Aboriginal Affairs	Commonwealth Games	Employment	Local Government	Multicultural Affairs	Sport and Recreation	Veterans' Affairs	Victorian Communities	Women's Affairs	Youth Affairs
Supporting local government and strengthening communities										
Local government sector development				✓						
Community strengthening								✓		
Community information services								✓		
Sport, recreation and the Commonwealth Games										
Sport and recreation sector development						✓				
Commonwealth Games		✓								
Advocating for people in communities										
Employment programs			✓							
Indigenous community and cultural development	✓									
Youth affairs										✓
Multicultural affairs (a)					✓					
Women's policy									✓	
Seniors and veterans (b)							✓			

Notes: *(a) the Multicultural Affairs portfolio also has a Minister assisting on Multicultural Affairs*

(b) Mr G Jennings, MLC is responsible for the veterans component of this output

Source: *Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.2*

14.2 Internal/external reviews

The department advised that the Registry of Births, Deaths and Marriages engaged consultants to undertake a review of its prescribed fee structure in late 2004. The department advised that the review covers:[1]

- an estimate of future costs for the period 2005-10 for prescribed fee products;
- details of the costing techniques and method used to develop the cost model; and
- an evaluation and recommendation of an appropriate cost recovery model for prescribed fee products.

The department further advised that the Registry will incorporate the findings of this review into a regulatory impact statement for public comment and amend the level of prescribed fees.[2]

14.3 Budget summary – output costs

The department's budget allocation for 2005-06 was $563.4 million, an increase of $169.3 million or 43 per cent on the estimated actual result for 2004-05. Exhibit 14.2 provides a detailed budgetary breakdown.

1 ibid., p.9
2 ibid.

Exhibit 14.2: Department for Victorian Communities Output costs

Output groups/outputs	Column 1 2004-05 Target ($ million)	Column 2 2004-05 Estimated Actual ($ million)	Column 3 2005-06 Target (b) ($ million)	Column (3-2)/2 Variation (a) (%)
Supporting local government and strengthening communities				
Local government sector development	36.6	36.6	39.0	6.6
Community strengthening	20.5	21.3	10.2	-52.1
Community information services	34.6	34.6	35.2	1.7
Sub-total	**91.7**	**92.5**	**84.4**	**-8.8**
Sport, recreation and the Commonwealth Games				
Sport and recreation sector development	95.5	94.5	55.4	-41.4
Commonwealth Games	173.8	121.3	339.7	218.4
Sub-total	**269.3**	**215.8**	**395.1**	**83.1**
Advocating for people in communities				
Employment programs	41.4	37.8	31.7	-16.1
Indigenous community and cultural development	15.7	17.2	19.3	12.3
Youth affairs	12.8	14.0	12.9	-7.9
Multicultural affairs	7.7	8.5	9.1	7.1
Women's policy	2.6	2.6	3.1	19.2
Seniors and veterans	n/a	5.7	7.8	36.8
Sub-total	**80.2**	**85.8**	**83.9**	**-2.2**
Total	**441.2**	**394.1**	**563.4**	**43.0**

Notes: *(a) a negative variance indicates that the 2005-06 budget has decreased compared to the 2004-05 estimated actual outcome*

(b) according to the budget papers, there has been no overall material impact on the 2005-06 output costs of adopting the A-IFRS basis for reporting[3]

n/a not applicable

Source: *Budget Paper No.3, 2005-06 Service Delivery, pp.238–250*

The Committee requested detailed explanations for output cost variations more than 10 per cent between the 2004-05 estimated actual and the 2005-06 target cost. The department advised that variances were attributable to:[4]

- community strengthening – the decrease of $11.1 million (52.1 per cent) is the result of an estimated closer alignment of revenue and expenditure from the

[3] Budget Paper No.3, *2005-06 Service Delivery*, p.236

[4] Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.19

Community Support Fund (CSF) in 2005-06 – the difference between CSF revenue and expenditure flows was $15.6 million in 2004-05, compared with $3.6 million for 2005-06;[5]

- sport and recreation sector development – the decrease of $39.1 million (41.4 per cent) reflects the final payment in 2004-05 of the state's contribution to the MCG redevelopment ($38.5 million)[6];
- Commonwealth Games – the increase of $218.4 million (180 per cent) reflects the funding to deliver the Commonwealth Games in March 2006;
- employment programs – the decrease of $6.1 million (16.1 per cent) is due to savings in the Youth Employment Scheme and a reduced level of funding carry over into 2005-06;
- indigenous community and cultural development – the increase of $2.1 million (12.2 per cent) is a result of new initiatives in 2005-06, including the Stolen Generations initiative and the Aboriginal Land and Economic Development program;
- women's policy – the increase of $500,000 (19.2 per cent) is due to additional funding for the Family Violence Strategy; and
- seniors and veterans – the increase of $2.1 million (36.8 per cent) is due to funding for the Healthy and Active Living, and Positive Ageing program, additional commitments for the Shrine of Remembrance, and the inclusion of corporate overhead costs in 2005-06.

14.3.1 Departmental savings

The department is required to achieve savings of $4.1 million for 2005-06.[7] The savings will be achieved through changes to the operation of the Information Victoria bookshop ($500,000), modifications to the funding of the Youth Employment Scheme ($2.9 million), and savings through reduced use of contractors and consultants ($700,000).[8]

14.3.2 Financial analysis

The department anticipates income of $662.5 million for its 2005-06 controlled operations, an increase of 33.5 per cent from the 2004-05 revised estimated actual income. Expenses in 2005-06 are budgeted at $666 million for controlled operations, an increase of 30.3 per cent from the 2004-05 revised estimated actual expense

5 ibid.
6 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 14
7 Budget Paper No.4, *2005-06 Statement of Finances*, p.314
8 Hon. J Madden, MLC, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, p.11

(exhibit 14.3). The Committee noted that 2005-06 income and expenses are budgeted to increase at a similar rate.

(a) Operating performance

Exhibit 14.3: Department for Victorian Communities Operating statement

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Income	496.3	662.5	33.5
Expenses	511.2	666.0	30.3
Net result	**-15.0**	**-3.5**	**-76.7**
Administered items			
Administered income	389.7	480.5	23.3
Administered expenses	389.7	480.5	23.3
Income less expenses	**0.0**	**0.0**	**0.0**

Notes: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.133, 136

The department explained that major variations between the 2004-05 revised estimated actual results and the 2005-06 budget came from:[9]

- income for controlled operations – the increase of $166.2 million (33.5 per cent) is largely due to higher output appropriations ($181.5 million) reflecting increased funding for the delivery of the Commonwealth Games in March 2006; and
- expenses for controlled operations – the increase of $154.8 million (30.3 per cent) largely reflects spending of the funding received by the department for the Commonwealth Games.

The increase in budgeted administered income of $90.8 million (23.3 per cent) largely reflects receipt of the second round of federal government funding for the Commonwealth Games. The department had estimated an increase in federal government grants of $81.7 million for 2005-06. The department has also budgeted for an income of $6 million, being an estimate of the revenue to be received from the sale of apartments at the Commonwealth Games Village during 2005-06.[10] The

[9] Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, pp.13–14

[10] ibid., p.14

increase in budgeted administered expenses largely reflects the federal funding for the Commonwealth Games.[11]

(b) Balance sheet position

Exhibit 14.4 shows that the department's controlled net asset position at 30 June 2006 is expected to decrease by $33.9 million (7.6 per cent) from the revised position at 30 June 2005. This decrease is largely due to a reduction in total assets of $26.1 million (5 per cent) while liabilities are projected to increase by only $7.8 million (9.9 per cent) over this period.

Exhibit 14.4: Department for Victorian Communities Balance sheet

	Column 1	Column 2	Column (2-1)/1
	2004-05 Revised Estimated Actual ($ million)	**2005-06 Budget ($ million)**	**Variation (a) (%)**
Controlled items			
Assets	523.3	497.2	-5.0
Liabilities	79.1	86.9	9.9
Net assets	**444.2**	**410.3**	**-7.6**
Administered items			
Administered assets	0.3	0.3	0.0
Administered liabilities	0.1	0.1	0.0

Note: (a) a negative variance indicates that the 2005-06 budget has decreased compared with the 2004-05 revised estimated actual outcome

Source: Budget Paper No.4, 2005-06 Statement of Finances, pp.135–136

The decrease in controlled assets of $26.1 million largely reflects the result of the transfer of asset enhancements at the Melbourne Sports and Aquatic Centre to the State Sports Centres Trust. The increase in liabilities of $7.8 million is caused by timing in the payment for supplies and services, and an increase in transactions in the department.[12]

[11] ibid.
[12] ibid., p.17

14.3.3 Carry over funding

The department estimated the carry over of funding from 2004-05 into 2005-06 to be:[13]

- output funding - $1 million for the Employment Program output, and $500,000 for the Indigenous Community and Cultural Development output. These carry overs were due to variations in the timing of grant payments from that anticipated at the time of the 2004-05 Budget; and
- asset initiatives funding - $7 million for the Sports and Recreation Sector output, due to a variation in the timing of expenditure on the Melbourne Sports and Aquatic Centre, and the sports camps project.

14.3.4 Trust accounts

The department operates three trust accounts with an estimated balance of $90.5 million at 30 June 2006.[14]

The department expects its main trust account – Community Support Fund – will generate revenue of $102.2 million and expenditure of $105.8 million in 2005-06. The estimated balance of the fund at 30 June 2006 is $78.1 million.[15]

The department advised that it has a comprehensive range of financial policies and procedures in place to ensure all funds in trust accounts are used for the purpose for which they are intended.[16]

14.4 Human resources issues

By June 2006, the department expects to have 765.8 full-time equivalent staff (including vacancies), compared with 792.8 full-time equivalent staff (including vacancies) at June 2005. This represents a net reduction of 27 full-time equivalent staff from June 2005.[17]

The department also estimates that between June 2005 and June 2006, there will be an increase of 41 full-time equivalent ongoing positions, and a net reduction of 64 full-time equivalent fixed term positions. The increase in ongoing positions is mainly

13 ibid., pp.19–20
14 Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, additional information, received 10 May 2005, p.21
15 ibid.
16 Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.20
17 ibid., p.11

in the grade two classification level, while the decrease in fixed term positions is largely in the grade four classification level.[18]

The department attributes staff increases to the implementation of new budget initiatives. The Registry of Births, Deaths and Marriages also projected a 13 per cent increase in staff at the grade two classification level due to the implementation of the Protecting the Community's Identity initiative.[19]

The department attributes the reduction in staff numbers to the finalisation of the Commonwealth Games.[20] The department advised the Committee that its staffing numbers exclude staff employed by the Melbourne 2006 Commonwealth Games Corporation.[21]

Review of portfolios

14.5 Aboriginal Affairs portfolio

14.5.1 Performance measures

The 2005-06 Budget Papers includes three new measures, one relating to quantity *(Number of Aboriginal Community Land initiatives established)* and two related to timeliness *(Approved Land initiatives established within stipulated time frames, Lake Tyers project: completed within set timeframes).*[22]

The Committee was concerned that, despite an anticipated increase in the 2005-06 Indigenous Community and Cultural Development output cost ($19.3 million) in comparison to the expected output cost for 2004-05 (17.2 million), the 2005-06 Budget Papers did not include any quality performance measures.[23] The Minister commented that:

> *Some changes to performance measures have been made for 2005-06 to reflect new initiatives and to focus more on activity at the community level. Improving output performance measures is an ongoing process and I would anticipate that improvements in future years will lead to the development of quality measures.*[24]

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18 ibid.
19 ibid., p.12
20 ibid.
21 Hon. J Madden, MLC, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, p.11
22 Budget Paper No.3, *2005-06 Service Delivery*, pp.247–248
23 ibid.
24 Mr G Jennings, MLC, Minister for Aboriginal Affairs, response to the Committee's follow-up questions, received 11 July 2005, p.1

The Committee's view is that the development of these measures should:

- support Aboriginal Affairs Victoria (AAV) and more broadly the Department for Victorian Communities future strategic directions;
- form an integral part of AAV's planning, management and reporting processes;
- include the development of a qualitative and quantitative data collection strategy for internal management and public reporting purposes including, where appropriate baseline performance data; and
- include a clear focus on program outcomes.

The Minister indicated that performance measures in the 2005-06 budget include the measurement of local activities such as the number of Aboriginal Community Land initiatives established. The Committee welcomes this, however the challenge will be to build on this development and establish outcome measures at the local level.

The Committee recommends that:

Recommendation 138: **The Department for Victorian Communities, in conjunction with Aboriginal Affairs Victoria:**

(a) develop quality performance measures with a focus on outcomes; and

(b) develop robust quantitative and qualitative data collection strategies that support the performance measures.

14.5.2 Key issues affecting the portfolio

(a) Overcoming Indigenous Disadvantage

Commissioned by the Council of Australian Governments, the *Overcoming Indigenous Disadvantage* report is designed to track the effectiveness of government policies and assist in identifying where additional work is needed. While the 2005 report highlighted some improvements since a similar 2003 report, indigenous Australians are significantly behind the non-indigenous Australians on a range of indicators. For example, while an indigenous male and female in Victoria born between 1996-2001 are expected to live to 60 and 65 years of age respectively, the equivalent figure for the total Australian male and female population born in a similar period (1998-2000) is 77 and 82 years of age respectively.[25]

[25] Steering Committee, *Overcoming Indigenous Disadvantage, Key Indicators 2005*, pp.3.3–3.

There has been a recognition by the Victorian Government of the level of disadvantage suffered by indigenous communities. *A Fairer Victoria*, which was released by the Premier and Deputy Premier in April 2005, outlined a range of new initiatives designed to improve opportunities and living standards for the neediest Victorians. Specifically, *A Fairer Victoria* provided $45.7 million over four years for indigenous communities.[26]

In relation to the *Overcoming Indigenous Disadvantage* report, the Committee sees value in conducting an analysis of Victorian indicators compared to other states and territories to identify the potential to improve existing indigenous policies and programs. The Committee believes this analysis should be coordinated by AAV with the involvement of representatives from other key government departments (for example, the Department of Human Services) as well as the indigenous community.

The Committee recommends that:

Recommendation 139: **In conjunction with other key stakeholders, Aboriginal Affairs Victoria co-ordinate an analysis of key trends and outcomes emerging from the *Overcoming Indigenous Disadvantage Key Indicators 2005 Report* to explore the potential for improving the coverage and effectiveness of Victoria's indigenous affairs policies and programs.**

(b) Public disclosure of grants

The 2005-06 Budget Papers include the performance measure of the number of Aboriginal Community Building Grants approved.[27] The Minister has advised the Committee that there were 29 grants in 2004-05 totalling $1,894 million. Individual grants ranged from $30,000 to $155,000 with an average cost of over $64,264.[28]

The Committee considers that the accountability for the use of public funds would be enhanced with the public disclosure of details of grants over $50,000 provided to external recipients. The Committee considers that the Department of Innovation, Industry and Regional Development's 2003-04 annual report provides a good example of the public disclosure of grant related information.[29] The Committee suggests the Department for Victorian Communities should include the details of the range of grants provided to external organisations in its annual report.

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26 Victorian Government, *A Fairer Victoria, Creating opportunity and addressing disadvantage*, April 2005, p.39

27 Budget Paper No.3, *2005-06 Service Delivery*, p.247

28 Mr G Jennings, MLC, Minister for Aboriginal Affairs, response to the Committee's follow-up questions, received 11 July 2005

29 Department of Innovation, Industry and Regional Development, *2003-04 Annual Report*, pp.86–105

The Committee recommends that:

Recommendation 140: The Department for Victorian Communities annual report detail grants over $50,000 provided to external organisations.

(c) Improved quality assurance processes

The Committee sought additional details on the number of approved Aboriginal Community Building Grants which was included as a quantity performance measure in the budget papers.[30] The Minister provided details to the Committee on 11 July 2005 on these grants.

The Committee could find no information on the purpose of these grants in departmental documentation and sought additional clarification from the Department for Victorian Communities. The Committee were eventually advised by the department that the grants provided under the term *'Aboriginal Community Building Grants'* were funded from the Indigenous Community Capacity Building program with the exception of seven community-based leadership projects that have been funded under the Victorian Indigenous Leadership Strategy.[31]

The Committee is concerned that the description of these grants in the 2005-06 Budget Papers was, at best, unclear. The Committee is also concerned that initial attempts to clarify this issue with the department resulted in the initial supply of incorrect information to the Committee which the department subsequently corrected after further clarification by the Committee. The department indicated that the initial incorrect advice to the Committee had not been approved by the relevant Director.[32]

While the Committee understands that the Department for Victorian Communities consists of a wide range of disparate business units, it is imperative that a robust quality assurance process be introduced that includes a clear sign off by the business unit of the accuracy and clarity of information that is supplied to the Committee and included in the budget papers.

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30 Public Accounts and Estimates Committee, letter on follow-up questions to Mr G Jennings, MLC, Minister for Aboriginal Affairs, 16 June 2005; Budget Paper No.3, *2005-06, Service Delivery*, p.247

31 Department for Victorian Communities, email, received 18 August 2005

32 Department for Victorian Communities, initial email, received 20 July 2005; correcting email received 29 July 2005

14.6 Commonwealth Games portfolio

14.6.1 Performance measures

Twenty-four new performance measures were introduced for 2005-06.[33] These performance measures show the final phase of activities for hosting the Commonwealth Games.

There are 20 new 'timeliness of operational activities' performance measures. The majority of these activities are targeted to be completed in the third quarter of 2005-06 (between January and March 2006).[34] There are also four new quantity measures, such as the number of Games venues to be fitted out (2005-06 target: 17), the number of pre-volunteer training program attendees (2005-06 target: 1,500), and the number of traffic management plans to be developed (2005-06 target: 14).[35] The expanded range of performance measures reflects the key activities of this output in 2005-06.

The one-off performance measures established specifically for the activities to be carried out in 2004-05 have been discontinued.[36]

14.6.2 Key issues affecting the portfolio

(a) Breakdown of output cost

The cost for the Commonwealth Games output for 2005-06 is $339.7 million, an increase of $218.4 million from the expected 2004-05 outcome of $121.3 million.[37] The 2005-06 output cost includes departmental corporate overhead costs of $500,000.[38]

The Minister advised that the 2005-06 output cost of $339.7 million is allocated to:[39]

- Melbourne 2006 Corporation - $72.9 million;
- Commonwealth Games Village contribution - $30.4 million; and
- Office of Commonwealth Games Co-ordination, other departments and organisations - $236.4 million.

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33 Budget Paper No.3, *2005-06 Service Delivery*, pp.244-245
34 ibid.
35 ibid., p.244
36 ibid., p.403
37 Budget Paper No.3, *2005-06 Service Delivery*, p.245
38 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.8
39 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 13

The Minister advised that 2003-04 was the first year where all Games related expenditure was appropriated through the department. In past years, Games funding was provided directly to the respective agencies.[40] The Committee noted that this process provides greater control over the reporting and monitoring of Games expenditure.

The Committee considers that the Games funding passed directly to departments, agencies and other organisations, and the subsequent carry overs of this funding should be reported by the department.

Accordingly, the Committee recommends that:

Recommendation 141: **The Department for Victorian Communities annual report include in any reporting on the Commonwealth Games output:**

(a) a breakdown of the Games funding provided to departments, agencies and other organisations; and

(b) funding carry overs of all unspent Games funding, including those funds that were passed on to departments and agencies.

(b) Games contingency allowance

At last year's estimates hearing, the Committee was advised that the cost for the Commonwealth Games output of $173.8 million included a contingency allowance of $21.8 million.[41] At this year's estimates hearing, the Minister advised that a significant portion of the contingency allowance will be carried over, with the exception of about $4 million, which relates to the Commonwealth Games Village site contamination remediation costs.[42] The Minister confirmed the contingency allowance to be carried over is in the order of $17 million.[43]

The Committee requested information about the amount of additional contingency that has been funded in the 2005-06 budget. The Minister instead advised that the overall contingency allowance is about $50 million.[44] However, during the 2003-04 Budget Estimates inquiry the Committee was advised that the contingency reserve has been increased by $50 million to align with approaches adopted by other major sporting

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40 Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, September 2003, p.526

41 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.715

42 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.8

43 ibid., p.9

44 ibid.

events.[45] The Committee also noted a report by the Auditor-General in November 2003 which states that '*[The contingency sum] is designed to cover cost increases (or revenue decreases) that could impact on the budget between now and 2006*'.[46]

At the 2005-06 Budget Estimates hearing, the Committee requested clarification about the department obtaining $3.398 million in funding through Treasurer's advances in 2003-04 to fund Games related projects, instead of drawing against the contingency allowance. The Minister advised the Committee that he will need to seek clarification from the Department of Treasury and Finance on this matter.[47] Exhibit 14.5 shows details of Treasurer's advances paid to the department in 2003-04.

Exhibit 14.5: Treasurer's advances received in 2003-04 for Games related projects

Purpose	**2003-04 ($)**
Office of Commonwealth Games Co-ordination projects	1,268,000
Melbourne 2006 Commonwealth Games Village – site remediation works	500,000
Melbourne 2006 Commonwealth Games – associated administration and legal costs	400,000
Melbourne 2006 Commonwealth Games – refurbishment of heritage buildings	1,230,000
Total	**3,398,000**

Note: Treasurer's advance is an appropriation to the Treasurer under Schedule 1 of the annual Appropriation Act to provide funds to departments to fund urgent claims

Source: Appropriation (2005/2006) Bill, pp.20–21

The Minister subsequently responded that:[48]

> *The contingency allowance approved as part of the whole of Games budget in March 2003 was included in the Forward Estimates [budget estimates] for 2004-05 and 2005-06 the years in which the majority of Games expenditure and hence likely calls on the contingency was planned to occur. The projects identified in the Appropriation (2005-06) Bill arose and required immediate resolution during the 2003-04 year. They were not included in the Appropriation (2003-04) Bill to the Commonwealth Games output and thus could only be funded by Treasurer's Advance.*

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45 Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, September 2003, p.528

46 Victorian Auditor-General's Office, *Report of the Auditor-General on the Finances of the State of Victoria, 2002-03*, November 2003, p.77

47 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.15

48 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.3

The Committee sought details of carry over funding from 2004-05 into 2005-06. The Committee noted that there was no mention of a carry over associated with the Games contingency allowance in the department's response.[49]

At the 2004-05 Budget Estimates hearing, the Minister advised that '*There is an overall Games contingency. I am informed that Melbourne 2006 has a contingency and OCGC also has a contingency, and they form part of the overall Games contingency*'.[50] The Committee is surprised that between M2006 and the OCGC, the Minister was not able to identify the contingency allowance funding that was to be carried over into 2005-06.

The Committee requested clarification of the source of funding of the Games contingency allowance. The Minister advised that *'The whole of Games budget contingency funding is provided to the Commonwealth Games output through annual appropriations split between the 2004-05 and 2005-06 financial years'.'*[51] The Committee noted that additional Games related funding prior to 2004-05 was provided through Treasurer's advances.

(c) Status of Games preparation

(i) Games planning schedule

The Minister informed the Committee that the detailed operational planning phase (phase 3 of a six stage process) of the Games is completed.[52] The Committee is pleased that the stages for the planning for the Games are proceeding according to schedule. The timeframes for the three remaining phases are:[53]

- phase 4 (testing and operational readiness) – November 2005;
- phase 5 (operational) – March 2006; and
- phase 6 (wind up) – December 2006.

At the estimates hearing, the Committee was also advised of the pre-Games, Games time and post-Games priorities.[54] The majority of these priorities are included as performance measures for the Commonwealth Games output in 2005-06.[55]

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49 Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 10 May 2005, pp.19–20

50 Hon. J Madden, MLC, Minister for Commonwealth Games, 2004-05 Budget Estimates hearing, transcript of evidence, 23 June 2004, p.4

51 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.3

52 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.2

53 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 6

54 ibid., presentation slides 7–10

(ii) Progress of Games infrastructure projects

At the estimates hearing, the Minister presented an estimate of Games capital project expenditure for 2004-05 and 2005-06. The estimated capital expenditure in 2005-06 is $44.9 million, compared with $129.2 million for 2004-05, due to the completion of the Games infrastructure projects in the lead up to the Games in March 2006 (see exhibit 14.6).

Exhibit 14.6: Games infrastructure projects
Forecast capital project expenditure (a)

Projects	2004-05 ($ million) (b)	2005-06 ($ million) (c)	Estimated budget ($ million)
Commonwealth Games Village social housing	16.0	11.3	(e) 35.1
Melbourne Sports and Aquatic Centre (MSAC)	35.4	16.9	(e) 60.0
Yarra Precinct Pedestrian Link (d)	19.4	8.4	(g) 30.7
MCG Athletics Track	11.3	7.0	(f) 18.5
MCG redevelopment contribution	38.5	0.0	(e) 77.0
Other capital works	8.6	1.3	
Total	**129.2**	**44.9**	

Notes: *(a) the Games capital works program is funded by the Department for Victorian Communities, the Department of Infrastructure and other sources*[56]

(b) budgeted expenditure for 2004-05 excludes the estimated carry over of funding into 2005-06

(c) budgeted expenditure for 2005-06 includes the estimated 2004-05 funding carry over into 2005-06

(d) previously known as the Birrarung Marr pedestrian bridge[57]

(e) sourced from exhibit 14.8

(f) sourced from Budget Information Paper No.1, 2004-05 Public Sector Asset Investment Program

(g) advised by the Department for Victorian Communities

Sources: *Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slide 14; Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.5; and Budget Information Paper No.1, 2004-05 Public Sector Asset Investment Program, pp.47, 65*

55 Budget Paper No.3, *2005-06 Service Delivery*, pp.244–245
56 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.712
57 Budget Paper No.3, *2005-06 Service Delivery*, pp.125–126

The budget for the Melbourne Sports and Aquatic Centre has increased since the Committee's inquiry into the 2004-05 Budget Estimates (see exhibit 14.8).

The Minister also provided a status report of the Games infrastructure projects (see exhibit 14.7).

Exhibit 14.7: Games infrastructure projects Timelines and progress at June 2005

Project	Start date	Finish date	Current status
Completed in quarter 1, 2004-05 (i.e. between July and September 2004)			
State Lawn Bowls Centre	quarter 2 2002-03	quarter 1 2004-05	• Construction completed • Greens resown
Completed in quarter 2, 2004-05 (i.e. between October and December 2004)			
Olympic Park Athletics Track	quarter 2 2004-05	quarter 2 2004-05	• Track replaced in time for Deaflympics
Melbourne International Shooting Club	quarter 1 2004-05	quarter 2 2004-05	• Completed in time for Deaflympics
Completed in quarter 3, 2004-05 (i.e. between January and March 2005)			
State Netball Hockey Centre	quarter 2 2004-05	quarter 3 2004-05	• Pitch replacement completed
To be completed in quarter 4, 2004-05 (i.e. between April and June 2005)			
Jolimont Station	quarter 2 2004-05	quarter 4 2004-05	• Platform widening and Southern Platform works completed • Northern access ramps almost complete
To be completed in quarter 2, 2005-06 (i.e. between October and December 2005)			
Commonwealth Games Village	quarter 2 2003-04	quarter 2 2005-06 (b)	• Civil works and services infrastructure virtually complete • 100 per cent house and townhouse slabs poured • 35 per cent houses at lock up stage, 9 houses completed

Exhibit 14.7: Games infrastructure projects Timelines and progress at June 2005 *(continued)*

Project	Start date	Finish date	Current status
MSAC Stage 2 development	quarter 2 2003-04	quarter 2 2005-06 (c)	• Pool base completed, pool installation almost completed • Main roof structure erected, temporary fabric roof about to be installed • Multilevel carpark, hydrotherapy pool and Sports House refurbishment progressing satisfactorily
Mountain Bike Course	quarter 3 2004-05	quarter 2 2005-06	• Competition track completed • Back of house services being installed
Yarra Precinct Pedestrian Link (a)	quarter 1 2004-05	quarter 2 2005-06 (d)	• Foundations and Plaza primary steelworks completed • Works progressing on schedule in Birrarung Marr, Yarra Park and rail corridor
To be completed in quarter 3, 2005-06 (i.e. January and March 2006)			
Melbourne Cricket Ground redevelopment	quarter 2 2002-03	quarter 3 2005-06 (e)	• Stage 3 seating and core infrastructure completed • Stage 4 structure and seating complete, roof nearing completion • Stage 5 work proceeding on schedule on two fronts
Melbourne Cricket Ground athletics track	quarter 2 2004-05	quarter 3 2005-06	• Stage 1 (surface levelling and track base) completed • Stage 2 after 2005 AFL Grand Final • Stage 3 after 2005 Boxing Day Test
Yarra Precinct Lighting (a)	quarter 2 2004-05	quarter 3 2005-06	• Pole installation and cabling almost complete

Notes: *(a) project funding was provided to the Department of Infrastructure*[58]

(b) the deadline for the builder to hand over the Commonwealth Games Village is 30 November 2005[59]

(c) the deadline to finish the competition pool is 31 October 2005[60]

(d) the deadline to finish the footbridge linking Birrarung Marr and the MCG is 31 December 2005[61]

(e) the deadline to complete the MCG northern stands project is 31 January 2006. Melbourne 2006 takes over the MCG on 14 February 2006[62]

Source: *Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, 8 June 2005, presentation slides 11–12*

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58 Budget Paper No.2, *2003-04 Budget Statement*, p.224
59 S Phillips, 'Six-month SPRINT', *Herald Sun* newspaper, 27 August 2005, p.24
60 ibid.
61 ibid.
62 ibid.

With the exception of the Commonwealth Games Village, the Melbourne Sports and Aquatic Centre, and the MCG redevelopment, the Committee noted that most of the smaller Games infrastructure projects are completed or nearly completed. The Committee understands that the construction of a new basketball stadium at Traralgon, one of four sites selected to host the basketball preliminary rounds, may not be completed until days before the commencement of the Games.[63]

(iii) MCG redevelopment

The Committee requested an update of the MCG redevelopment and its timeline. The Minister advised that '*The project needs to be completed by January, but it is our understanding that it is likely that the vast majority, if not all, will be completed prior to Christmas. The contractual obligations on the builder relate to January*'.[64]

The state has an obligation to provide additional contribution to the MCG redevelopment should the total project construction cost exceed $450 million. Responding to the Committee's request for details of the current project cost and an estimate of the final project cost for the MCG redevelopment, the Minister advised that:[65]

> *If it is over and above $450 million, then the state government will contribute to the project. I understand that the project is well and truly a long way under that. We would not expect to call on government in relation to anything over that $450 million. The information I have is that the project is progressing particularly well in terms not only of time frames but budget. It is certainly nowhere near that threshold of $450 million, so we are very confident that the project will be completed successfully in relation to all targets.*

The Minister provided details of the current project cost and the estimated final cost amounts:[66]

- the current cost of the project is $434 million; and
- the advice from the Melbourne Cricket Club is that the final project cost is within the $434 million budget.

The Committee understands that the builder for the MCG redevelopment has lodged claims of about $40 million for extra resources to ensure that the stadium will be ready for the Games and the MCG redevelopment budget could be exceeded as a

63 S Phillips, 'The shape of things to come', *Herald Sun* newspaper, 9 July 2005, p.32

64 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.10

65 ibid.

66 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, pp.1–2

result of the claims.[67] The Committee is concerned that any additional contribution to the MCG redevelopment would put further pressure on the government to deliver the Games within budget.

(iv) Melbourne Sports and Aquatic Centre redevelopment

In response to the Committee's request for an update on the Melbourne Sports and Aquatic Centre redevelopment, the Minister indicated that '*…the project is progressing very well… Completion is due in the last quarter of 2005. Melbourne 2006 will be able to install the temporary infrastructure late in 2005 and early in 2006*'.[68]

The Minister advised the Committee at the 2005-06 Budget Estimates hearing about additional claims from the builder of the project:[69]

> *Major Projects Victoria has advised me that the builder has a number of claims in relation to the project which have been received and are being evaluated. We have made an allowance in case these are legitimate claims, but we also recognise that many will be disputed because builders often make claims that have to go through a process where they are evaluated and considered appropriate, or not. So we have made an allowance in relation to their claims, but this will not be resolved until some time later this year, potentially when the project is finished. … I understand that many of them relate to changed latent conditions, not unlike the [Commonwealth Games] Village, in that there were significant latent conditions in and around the site. … There will be claims and counterclaims in relation to this project, but based on the advice of Major Projects Victoria, we have set aside an allowance in the order of about $8 million for this project in case these claims are legitimate.*

The Committee sought clarification on whether the claims relate to design changes. The Minister pointed out:[70]

> *That [the $8 million] does not relate specifically to any changes. It relates to claims that the builders allege, and needs to be included in the project. We will make counterclaims in relation to that. So what we have done is make an allowance in case those claims turn out to be legitimate. They will be assessed in the appropriate manner, and hence we will make that allocation from within our existing budget.*

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67 S Phillips, 'MCG blowout hits $40 million', *Herald Sun* newspaper, 17 August 2005, p.5

68 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.19

69 ibid.

70 ibid.

The Committee noted that the budget for the Melbourne Sports and Aquatic Centre has been revised twice since the project was announced in 2003-04. The initial estimate of $50 million was revised to $51.5 million to include construction of a hydrotherapy pool.[71] The Committee understands the budget is now $60 million, an increase of $9 million from the previous estimate (see exhibit 14.8).

(v) Commonwealth Games Village

Exhibit 14.7 which indicates the progress of the Commonwealth Games Village shows that at June 2005, 35 per cent of houses in the Commonwealth Games Village will be at lock up stage. A Commonwealth Games Village progress schedule shown to the Committee a year ago was that by June 2005, 50 per cent of the houses would have reached lock up stage and by September 2005, 100 per cent of the houses would be at this stage.[72] The Committee requested an explanation about why the construction of the Commonwealth Games Village has fallen behind last year's schedule, and whether the Commonwealth Games Village will be handed over on 30 November 2005 as per the revised schedule.

The Minister advised that:[73]

> *Whilst the builder is slightly behind in some targets, it is ahead in a number of [other targets]. That means as we get closer to the Games it will complete the village in what we expect to be in accordance with the targets identified in the papers[74] you have. We are very confident it will have that delivered in the second quarter of this financial year in and around 30 November [2005].*

The Committee considers that with less than four months to the Games, it is of utmost importance that the Commonwealth Games Village and the MCG redevelopment, are completed within their completion deadlines, and without compromising on the quality of the facilities.

(d) Whole of Games budget

At the 2003-04 budget estimates hearing, the Committee was advised that the whole of Games budget was $1.1 billion.[75]

The Committee was also advised that the government's contribution to the Games organising committee (as contribution to Games operating costs) would be capped at

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71 ibid.
72 ibid., pp.20–21
73 ibid., p.21
74 The Minister is referring to a presentation slide shown at the 2004-05 Budget Estimates hearing, titled 'Games Village'
75 Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, September 2003, p.526

$474 million; with a commitment to provide $223 million for Games infrastructure projects.[76] The combined government contribution to the Games costs is $697 million.

The 2005-06 budget announced funding for output and asset initiatives to meet the security requirements for the Games and while this funding was not quantified,[77] the Minister indicated that:[78]

> *…on security advice from Victoria Police I am not able to disclose the security budget for the Games at this stage, but as has been mentioned, I believe by the Premier, this will be fully disclosed in the whole of Games final report.*
>
> *…the advice we have had from the respective security organisations is that releasing that would be far too indicative of the sort of security implementation that we will be putting in place for the Games, and hence that will be made public post-Games.*

At the 2003-04 Budget Estimates hearing, the Minister advised that the government's capped $474 million contribution to the Games operating costs includes the cost for Games security.[79] At this year's estimates hearing, the Minister advised that security costs have now been excluded.[80] The Minister also advised:[81]

> *… that our commitment in relation to the cap on the budget will be met, with the exception of the budget for security, and as I have mentioned before, the allocation for security will sit outside, the budget…*

Post the Games, the Committee will be expecting details of the cost of the security arrangements.

The Committee noted conflicting information regarding the government's cap on its contribution to operating costs. During the inquiry into the 2003-04 Budget Estimates, the Committee was advised that the government's cap on operating costs of $474 million includes expenditure to date as well as budgeted future appropriations.[82] The Committee is aware of a report by the Auditor-General in 2003 which states that:[83]

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76 ibid.

77 Budget Paper No.3, *2005-06 Service Delivery*, pp.279–280

78 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.3

79 Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, September 2003, pp.527–528

80 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.18

81 ibid.

82 Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, September 2003, p.527

83 Victorian Auditor-General's Office, *Report of the Auditor-General on the Finances of the State of Victoria, 2002-03*, November 2003, p.77

> *[The state's contribution to the operating cost estimated at $474 million] does not include costs that will be incurred by public sector agencies associated with the staging of the Games, which are to be accommodated within their existing budget allocations.*

The Committee requested an update on the government's whole of Games budget on the basis of the security costs development and because the Minister's advice implied that the Games budget will be higher than the estimated $1.1 billion due to the exclusion of the Games security costs. While the Committee acknowledges that security could be compromised by providing details of security costs in advance of the Commonwealth Games, there is a clear expectation that this information will be provided to the Committee after the event. At this point, the only quantification of security costs is from the Commonwealth Attorney-General's media releases.

The Committee requested that the whole of Games budget information be provided in a specified format and for variations to be explained. The Committee provided the same format as shown in exhibit 15.16 in the Committee's *Report on the 2004-2005 Budget Estimates*.[84] The Committee noted that the Minister's response provided neither the cost of the Games nor explanations about the variations to operating and capital costs. Exhibit 14.8 reproduces the Minister's response.

[84] Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.720

Exhibit 14.8: Commonwealth Games
Whole of government – budget update

Budget item	Original budget ($ million)	Estimated budget ($ million) (a)	Increase/ (Decrease) ($ million)
Operating (including contingency)	**474**	**462**	**(12)**
Capital projects, comprising:	**223**	**235**	**12**
MCG redevelopment	77	77	-
Games Village	35	35	-
Melbourne Sports and Aquatic Centre (MSAC)	51	60	9
Yarra Precinct improvements (b)	31	34	3
Other projects	29	29	-
Sub-total state government costs	**697**	**697**	**–**
Revenue, comprising:			
Television	tba	tba	-
Sponsorships	tba	tba	-
Commonwealth Grant	tba	tba	-
Other revenue	tba	tba	-
Sub-total revenue	**tba**	**tba**	

Notes: *(a) excludes funding for Games security announced in the 2005-06 budget*

(b) Yarra Precinct Pedestrian Link, Jolimont station upgrade and Yarra Precinct Lighting upgrade[85]

TBA To be announced/to be advised

Source: *Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.5*

Exhibit 14.8 shows that there is no change to the government's combined contribution to the Games expenses of $697 million. The exhibit also shows that $12 million is to be taken from the operating budget (which also includes the Games contingency allowance) for the increased capital project costs, associated with the Melbourne Sports and Aquatic Centre, and the Yarra Precinct improvements.

Previously, the Committee was advised that the government's contribution to Games capital projects is not expected to exceed $223 million.[86] Exhibit 14.8 shows the budget for capital costs has increased by $12 million, from $223 million to $235 million.

[85] Department for Victorian Communities, additional information

[86] Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, September 2003, p.526

(e) Games revenue

The Committee's *Report on the 2004-05 Budget Estimates* stated that based on the government's estimate of the cost of hosting the Games of $1.1 billion, revenue from broadcasting rights, sponsorships, ticket sales and merchandising would need to be at least $303 million to break even.[87] Because the Minister did not provide the Committee with a new estimate of the cost for hosting the Games as part of this year's estimates inquiry, the Committee is unable to quantify the revenue that the Games organising committee would need to achieve.

(i) Games sponsorship

The Auditor-General reported in November 2004 that '*the company engaged to procure sponsorships was below target at 30 June 2004*.'[88] The Committee also asked at the estimates hearing whether the revenue target for sponsorship will be achieved. The Minister advised that:[89]

> *…the revenue target for the sponsorship that is seen as part of the whole Games budget will be achieved… Negotiations with potential sponsors have been proceeding satisfactorily. I understand that several of them are at an advanced stage, and we anticipate a number of announcements to be made on top of those that have already been made to date.*
>
> *…Disclosing aggregate levels of sponsorship revenue achieved to date would also have the potential effect of compromising M2006's bargaining position in relation to the negotiations that are still progressing.*

As in the previous year, the Committee was not advised of the budget for sponsorship revenue. The Committee is aware of a media report implying that the sponsorship target for the Games will be around $130 million:[90]

> *We are very confident that up to about $115 million will be announced by the end of the year. The last $10 million or so of our original target will be the hardest for us to receive because it generally involves smaller sponsorships. But in any case we will be persisting to get that income in the last few months prior to the Games.*

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87 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.721

88 Victorian Auditor-General's Office, *Report of the Auditor-General on the Finances of the State of Victoria, 2003-04*, November 2004, p.80

89 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.11

90 S Dabkowski, 'Games on target as sponsorships rake in $115m', *The Age* newspaper, 20 June 2005, business section p.1

The Committee is disappointed with the Minister's reluctance to provide the budget for the Games sponsorship revenue.

The Committee also wanted to know if the organisers have been attracting value-in-kind sponsorships that it did not need. The Minister advised that only a minor amount of enhanced value-in-kind sponsorships have been received to date.[91]

(ii) Ticket sales

The Committee requested an update on the results of the first round of the public ticketing ballot. The Minister informed the Committee that:[92]

> *Of the 1.2 million tickets available through the ballot, 675,000 have been sold. This outcome of selling 54 per cent of the tickets through the ballot exceeds the results achieved for Manchester in 2002 where they achieved 41 per cent, and Sydney Olympics in 2000 where they achieved 49 per cent.*

The Minister undertook to provide the Committee with the value of tickets sold, on the proviso that it is not commercial-in-confidence.[93] The Minister's subsequent response was that:[94]

> *The value of Games tickets sold to date is within budget expectations and will be outlined in the Special Purpose Report to be published as an Appendix to the DVC [Department for Victorian Communities] 2004-05 Annual Report.*

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91 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.2

92 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, pp.13–14

93 ibid., pp.14–15

94 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.2

The Commonwealth Games Special Purpose Report for the period ended 30 June 2005 shows an amount in relation to ticketing of $43.2 million.[95]

(iii) Commonwealth funding

The Committee noted the Auditor-General's report that the federal government will provide $272.5 million towards the Games, of which $102.9 million is to be provided through a direct grant to the state. The remaining $169.6 million is in non-cash contributions. The Auditor-General also reported that $84.8 million of the non-cash contribution is set aside for security services to be delivered by Commonwealth agencies.[96]

The Minister indicated that:[97]

> *The Minister for the Arts and Sport announced $102.9 million as direct financial assistance to the state towards certain elements of the delivery of the Games and its associated events, and support in areas of security and non-security services.*

This funding will be provided through two funding agreements and the second funding agreement has not yet been finalised.[98]

Responding to the Committee's request for an update on federal government funding the Minister stated that:[99]

> *The Commonwealth Government is contributing $102.9 million of funding towards the following: cultural program; opening and closing ceremonies; volunteer program; Queen's baton relay; Elite athlete with disability program; athlete airfare subsidy scheme; technical officials program; and non-security cost recovery services.*

The Commonwealth Government has not yet advised its final allocation for the Games.

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95 Department for Victorian Communities, *2004-05 Annual Report*, p.119

96 Victorian Auditor-General's Office, *Report of the Auditor-General on the Finances of the State of Victoria, 2003-04*, November 2004, p.80

97 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.8

98 ibid.

99 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.7

(f) Reporting of the Games

(i) Clarification of extension to Games reporting period

One of the post-Games priorities is the finalisation of the accounts for the Games. The Minister indicated that: '*The financial year has been extended at the Auditor-General's suggestion, in 2006, with permission from the Minister for Finance, to September 2006 to enable all the costs and issues in regard to the wrap-up of the Games to be included…*'.[100] In seeking further clarification of the extension of the financial year, the Minister advised that '*We have a Special Purpose Report, as we have had throughout the course of the Games'*.[101] The Minister did not make clear to the Committee which set of accounts were discussed.

The Committee received subsequent correspondence from the Minister regarding this issue, advising that '*There appears to be some confusion regarding the wording used at the PAEC hearing. The meaning was and is clear*'. In a letter to the Committee dated 21 June 2005, the Minister confirmed the facts in relation to this issue:[102]

- *The government has demonstrated a high level of transparency about the Budget for the Games both by releasing the headline figures in March 2003 and by producing Whole of Games special purpose reports outlining all expenditure for 2002-03 and 2003-04. The government will produce a further Whole of Games report for 2004-05 and again after the event. This transparency is significantly in excess of the normal reporting for events of this kind.*
- *The Office of Commonwealth Games Coordination (OCGC) and Melbourne 2006 Commonwealth Games Corporation (the Corporation) have been in ongoing discussion with the Auditor-General's office in relation to reporting on the Games. The Corporation's discussions have focused on the annual reporting of the Corporation and OCGC has focused on the Whole of Games Special Purpose Report.*
- *I am advised that in September 2003, audit suggested extending the reporting date of the Special Purpose Report until September 2006 to ensure that all significant transactions were captured in that report.*
- *I am further advised that all subsequent discussions about the final reporting were based on the assumption of a September 2006 financial close for the final report on the Games.*

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100 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.3

101 ibid., p.5

102 Hon. J Madden, MLC, Minister for Commonwealth Games, correspondence to the Committee, dated 21 June 2005, pp.1–2

- *In April of this year, the Board of the Corporation formalised its position on the issue by authorising the management of the Corporation to seek an extension of the 2005-06 financial year to September 2006 to allow for full accounting of all of the significant financial transactions of the Corporation in relation to the Games, including those occurring after the traditional year end.*
- *This decision was implemented by the Chairman of the Board in his letter to me which asked me to seek a determination from the Minister for Finance under section 6 of the Financial Management Act 1994 to extend the Corporation's financial year from 30 June 2006 to 30 September 2006. The Chairman's letter is attached.*[103] *Of course, if the Corporation is able to complete the final report or produce an interim report of its financial position prior to September 2006, I would expect the Corporation to submit the accounts for audit as soon as they are finalised.*
- *Finally I should come to the issue of the statement of the Auditor-General and the Secretary of the Department for Victorian Communities of 10 June 2005 (attached). This statement is simply what it seems – a statement of clarification by the two officials responsible for the offices which have been in discussion about the date of the financial close in relation to the Commonwealth Games. The statement was the product of a meeting between the two officials on 10 June 2005.*

To summarise, the Minister's correspondence to the Committee indicated that for:

- the annual report of the Games organising committee, Melbourne 2006 Commonwealth Games Corporation (M2006):
  - the Board of M2006 formally agreed (in April 2005) to seek an extension to the 2005-06 financial year from 30 June 2006 to September 2006;
  - the Chairman of M2006 asked the Minister to seek from the Minister for Finance an extension to the reporting period (the letter from the Chair of M2006 was dated 15 June 2006, which is next year); and
  - if M2006 is able to complete the final report or produce an interim report of its financial position prior to September 2006, the accounts would be submitted for audit as soon as they are finalised; and
- the whole of Games *Special Purpose Report* prepared by the Office of Commonwealth Games Coordination (OCGC):
  - the whole of Games *Special Purpose Report* was produced for 2002-03 and 2003-04, a report will be produced for 2004-05 and after the event; and

[103] Chairman of the Melbourne 2006 Commonwealth Games Corporation, letter, dated 15 June 2006

– the auditors in September 2003 suggested extending the reporting date of the *Special Purpose Report* until September 2006 to ensure all significant transactions were captured.

The Minister clarified that the Auditor-General has not recommended, but merely suggested, the financial year end for the whole of Games *Special Purpose Report* be extended to September 2006 should it not be possible to finalise all Games related transactions by 30 June 2006.

The Committee noted that the correspondences from the Chair of M2006 to the Minister for Commonwealth Games and documentation of the discussion between the Auditor-General and the Secretary of the department were dated after 8 June 2005, and after the Committee's budget estimates hearing with the Minister.

(ii) Audit of whole of Games financial information

As indicated by the Minister, whole of Games *Special Purpose Reports* were released for 2002-03 and 2003-04 and published in the annual report of the Department for Victorian Communities.[104] The Minister has indicated that the *Special Purpose Report* will continue to be produced for 2004-05 and after the Games.[105]

The description at the front of the 2003-04 *Special Purpose Report* states that:[106]

> *This Special Purpose Report has been prepared to meet the information needs of the government at the request of the Minister for Commonwealth Games. The primary purpose of the Report is to provide transparency and comparability in reporting against the budgeted net contribution to the Games by the Victorian Government.*

Further disclosure in the report states that because it is a special purpose report, the information has not been prepared in accordance with financial reporting requirements and the relevant accounting standards.[107] The Committee noted that the report is not audited.

Because of the significant outlays for staging the Games, an audit of the financial information will provide further assurance of the completeness and the transparency of the Games expenditure.

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104 Department for Victorian Communities, *2003-04 Annual Report*, pp.153–164

105 Hon. J Madden, MLC, Minister for Commonwealth Games, correspondence to the Committee, dated 21 June 2005, pp.1–2

106 Department for Victorian Communities, *2003-04 Annual Report*, p.153

107 ibid., p.157

Accordingly, the Committee recommends that:

Recommendation 142: **The Department for Victorian Communities ensure that the financial information in the final whole of Games *Special Purpose Report* is audited.**

(iii) Post-Games report

At the 2005-06 Budget Estimates hearing, the Committee asked the Minister if the social, economic and environmental outcomes of the Games will be reported. The Minister responded that:[108]

> *In terms of the overall reporting on the Games, of course we will report on the economic benefits as we mentioned before, but we are also wanting to report on the triple bottom line – the social and environmental impacts of the Games… We want to be able to measure those and we understand we will be reporting on those post the Games.*

The Minister further indicated that:[109]

> *…we want to mention the social benefits and the environmental benefits as well as the economic benefits. We will do that, so there is a triple bottom line. I understand that the Environment Protection Authority is working with Melbourne 2006 and OCGC to establish a comprehensive reporting framework so that we can understand how this will be achieved.*

It appears to the Committee that the government will release a triple bottom line report, in addition to the final whole of Games *Special Purpose Report*.

Throughout this estimates report in the ministerial portfolios of Police and Emergency Services; Consumer Affairs; and Tourism, the Committee discussed the Games related initiatives that are to be delivered by these portfolios. For there to be a comprehensive roundup of the Games expenditure, the Committee is of the opinion that the government should also report on these initiatives in its post-Games report.

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[108] Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.16

[109] ibid., p.17

Accordingly, the Committee recommends that:

Recommendation 143: **The Department for Victorian Communities report in the post-Games report on all Games initiatives, regardless of whether funding was provided directly to the agencies, or through the Commonwealth Games output.**

(g) Tree planting program

The Tree Planting program is one of various initiatives to promote an environmentally friendly Games. Under this program, up to 1 million trees will be planted across Victoria.[110] At the estimates hearing, the Minister advised that '*There are 13 sites around the state where trees will be planted as part of the Commonwealth Games Tree Planting program, and in mid-June we will announce a call to action for volunteers to get involved in the tree planting commencing in July this year*'.[111]

The Committee requested information on the cost of this program. The Minister advised the estimated cost is $1.12 million, which includes funding for community involvement through tree growing and additional tree planting sites to provide habitat for the Games mascot, the South Eastern Red Tailed Black Cockatoo.

The Committee also requested evidence to support that the planting of one million trees will reduce greenhouse gas emissions generated from hosting the Games. The Minister indicated that:[112]

> *Independent environmental experts derived the estimate of greenhouse gases anticipated to be generated by the Games. The estimate includes greenhouse gases generated from travel to and from as well as during the Games by visitors, athletes and others; venue operations; accommodation; Games transport and waste management.*
>
> *The calculations of the amount of planting required to be undertaken was undertaken by Department of Sustainability and Environment and independently confirmed by the University of Melbourne School of Forestry and Ecosystem Sciences. This calculation includes a 5% contingency. Additional modelling was also undertaken using the March 2005 Australian Greenhouse Office National Carbon Accounting System. All of these assessments confirmed that the greenhouse gases that are estimated to be generated will be offset by the planned planting program.*

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110 Department for Victorian Communities, *Tree planting program*, www.dvc.vic.gov.au/ocgc/environment accessed 5 September 2005

111 Hon. J Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.17

112 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 25 July 2005, p.6

The plantings will be protected by long term 'carbon' agreements with landholders that will ensure that the trees will continue to grow and offset greenhouse gases.

14.7 Employment portfolio

14.7.1 Performance measures

There was no new funding allocated to employment programs in either the 2004–05 and 2005-06 Budgets. An injection of funding of $58.9 million occurred in the 2003–04 Budget when funding was provided for various employment and training programs.[113] These programs form part of the Jobs for Victoria 2003-07 Employment and Training initiative and include the:

- Community Jobs Program (CJP) ($38.4 million over four years with $9.6 million provided in 2005-06). This funding was to improve the employment prospects of the long term unemployed and those at risk of long term unemployment by providing paid employment and nationally accredited training;
- Jobs for Young People (JYP) ($10.4 million over four years with $2.6 million in 2005-06). The Program provides for 1,100 new jobs and traineeships in local government authorities for young Victorians through providing a wage incentive to encourage the creation of trainee and apprenticeship opportunities for young people aged between 15 and 24; and
- Community Regional Industry Skills Program (CRISP) ($10.1 million with $2.8 million in 2005-06). Funding was provided to address the gaps or skill mismatches within local labour markets through the supply of various levels of skilled labour at an industry specific level. CRISP is designed to support the development of sustainable industries and jobs across country Victoria.

In addition, as part of the Jobs for Victoria 2003-07 Employment and Training initiative, the Minister for Employment announced in August 2003 a further 2,600 traineeships and apprenticeships in the Victorian public service at a cost of $28.5 million over four years as part of the Youth Employment Scheme (YES). Under this scheme, which originally commenced in July 2000, wage subsidies are provided as an encouragement to recruit additional trainees and apprentices.[114]

In summary, these programs are designed to increase the number of people in jobs particularly for the more at risk groups such as the young and the long term unemployed or to address areas of skill shortages.

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[113] Budget Paper No.2, *2003-04 Budget Statement*, pp.252–254

[114] Ms J Allan, MP, Minister for Employment, media release, *New Traineeships for Young Victorians: Allan*, 29 August 2003

The Committee's *Report on the 2004-2005 Budget Estimates* recommended further improvements in reporting outcomes from these Employment programs.[115] The government's response to the Committee's *Report on the 20004-2005 Budget Estimates* commented that:

> *The Department for Victorian Communities has instigated an ongoing program to review the suitability and quality of reported performance measures to enable more meaningful reporting of program outcomes. Employment Programs performance measures are reviewed as part of these programs.*[116.]

In addition, the government's response also commented that:

> *Employment Programs is commissioning evaluations of the Jobs for Young People and Community Regional Industry Skills Program – Community Programs. These evaluations will provide comprehensive information of the outcomes from these programs to date, and will assist in the examination of appropriate performance measures.*[117]

Whilst the Committee welcomes these initiatives, it notes that the performance measures contained in the 2005-06 Budget Papers largely reflect the measures contained in the 2004-05 Budget Papers, apart from those measures that have been discontinued and new measures for website access.[118] The Committee looks forward to the performance measures contained in the 2006-07 Budget Papers reflecting the results of the departmental review of performance measures and that there is a greater focus on outcomes.

14.7.2 Key issues affecting the portfolio

(a) Employment programs

Program guidelines prepared by the department encourages organisations to develop an integrated and comprehensive approach to the provision of Employment programs. For example, the Program Guidelines for the YES and JYP programs encourage departments and agencies to link YES trainees and apprenticeships to Neighbourhood Renewal activities and other employment programs such as CJP and CRISP.[119]

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115 Public Accounts and Estimates Committee, *Report on 2004-2005 Budget Estimates*, November 2004, pp.664–668

116 Victorian Government, response to the Committee's *Report on the 2004-2005 Budget Estimates*, tabled May 2005, p.86

117 ibid.

118 Budget Paper No.3 2004-05 *Service Delivery*, pp.240–241; Budget Paper No.3, *2005-06 Service Delivery*, pp.246–247

119 Department for Victorian Communities, Youth Employment Scheme (YES) and Jobs for Young People (JYP) 2004-2007, Program Guidelines, p.4

The Committee supports the thrust of the department's program directions as a sound strategy to maximise the overall effectiveness of the government's investment in Employment and Training programs. The Committee noted that the allocation for YES and JYP places is in part based on the demonstration of linkages with other government initiatives.[120] Given the length of time that has elapsed since the commencement of the Jobs for Victoria initiative, the Committee believes the Employment Programs Division should not only monitor the degree to which organisations have developed program linkages but how effectively this is working.

The Committee believes the department should consider strategies to improve the effectiveness of program linkages such as the development of better practice case studies and the promotion of organisations considered exemplars.

The Committee is aware that programs such as CJP, JYP and CRISP have been funded to 2006-07. If these programs are to continue beyond this date, the department may wish to consider the extent to which these programs can be more explicitly linked to other state government initiatives as part of their future operation.

The Committee recommends that:

Recommendation 144: **The Employment Programs Division of the Department for Victorian Communities:**

(a) monitor the extent to which organisations have developed effective links between Jobs for Victoria programs and other employment, education and training programs; and

(b) based on the results of this monitoring, develop a range of strategies such as better practice guidance to encourage organisations to develop effective program links.

[120] ibid., pp. 4–5

(b) Performance measures

As commented previously, the government has advised the Committee that the department has commenced a review of the suitability and quality of performance indicators.

Following an examination of program guidelines and information accessed from the department's website, the Committee considers that this review should ensure that revised performance measures address as a minimum the following key result areas within Jobs for Victoria programs:[121]

- sustainability of employment for participants after program completion;
- the level of new or increased investment attributable directly to particular Jobs for Victoria programs;
- the degree of representation of members of disadvantaged groups such as the long term unemployed, homeless and those from diverse groups;
- the level to which the skill requirements of local industry is met; and
- the provision of a significant community benefit through new or additional social and physical infrastructure.

In relation to the sustainability of employment for example, the Committee noted that YES and JYP aim to assist young people gain work experience, training and qualifications that lead to sustainable employment. The existing quality measures for the YES program in the 2005-06 Budget Papers (there are no quality measures for the JYP program) track the percentage of participants who complete the program and are in employment, education or training three months after leaving the program. In order to measure the level of sustainability of employment, the Committee believes that the tracking of participants should occur over a longer time period and at regular intervals.

The Committee recommends that:

Recommendation 145: **The Department for Victorian Communities, in the context of the review of performance measures, ensure these measures cover key result areas from the Jobs for Victoria Strategy such as provision of sustainable employment for program participants.**

[121] Department for Victorian Communities, Youth Employment Scheme (YES) and Jobs for Young People (JYP) 2004-2007, Program Guidelines, www.employment.vic.gov.au accessed 26 and 27 April 2005, p.2; Business Victoria, www.business.vic.gov.au accessed 27 April 2005

14.8 Local Government portfolio

14.8.1 Performance measures

Four new performance measures have been introduced in 2005-06 for the output Local Government Sector Development, the one output falling within the responsibility of the Minister for Local Government. Two of these new measures relate to the Neighbourhood House program and involve a quantitative measure *(number of approved grants)* and a qualitative measure *(percentage of grants paid against milestones of funding agreements)*.[122] Five performance measures have been discontinued in 2005-06.[123]

14.8.2 Key issues affecting the portfolio

(a) Modernising neighbourhood houses and learning centres

The 2005-06 Budget provides funding of $12.4 million over four years, with $1.8 million allocated for 2005-06, to modernise neighbourhood houses and learning centres.[124] The budget papers indicate that the funding constitutes an output initiative identified in the government's strategic paper, *A Fairer Victoria, creating opportunity and addressing disadvantage*.[125]

The $12.4 million in funding for this initiative is comprised of two components:[126]

- $8 million over three years, to develop ten new neighbourhood houses, to fund the redevelopment of existing facilities to better house local community groups and to fund the modernisation of information and communications technology in Neighbourhood Houses; and
- additional operational funding of $4.4 million over four years, to the Neighbourhood House Coordination program to boost Neighbourhood House activities in disadvantaged areas.

Neighbourhood houses provide local communities with a wide range of activities, including childcare, playgroups, computer training and internet access, literacy classes and recreational activities. They play a significant role in linking communities,

122 Budget Paper No.3, *2005-06 Service Delivery*, pp.238–239
123 ibid., p.401
124 ibid., pp.270, 273
125 ibid., p.270
126 Department for Victorian Communities, additional information

offering a place for people to come together and contribute to building strong communities.[127]

Information published by the department at the time of the 2005-06 Budget describes the purposes of the additional financial support of $12.4 million to the Victorian neighbourhood house network in the following terms:[128]

> *These initiatives will increase the level of services provided through neighbourhood houses and ensure that services are better targeted to disadvantaged communities, meeting the government's community strengthening objectives.*
>
> *The initiative will also establish 10 new neighbourhood houses in areas of highest need and revitalise existing services.*
>
> *To close the information technology gap, funding is also provided to improve information and communications technology services in neighbourhood houses.*

The Minister informed the Committee that the government acknowledges and appreciates the vital work undertaken by the more than 360 neighbourhood houses across Victoria to enhance community strengthening.[129] The Minister indicated that the government had determined to focus the '*new money particularly on areas of disadvantage and on growth areas, rather than spreading that funding across all existing neighbourhood houses*'.[130] The Minister added that the Association of Neighbourhood Houses and Learning Centres had been informed it will be consulted about where it sees future priorities but *'that will need to be within that framework which sets areas of disadvantage and growth areas as being the priorities for the government'*.[131]

The Committee considers it will be important for the department to monitor the impact of the additional financial support. The government will also need to be aware of the ongoing views of representatives of the neighbourhood house sector on emerging issues and management challenges when determining future funding directions.

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127 Victorian Government, *A Fairer Victoria, Creating opportunity and addressing disadvantage*, April 2005, p.51

128 Department for Victorian Communities, 2005-06 Budget fact sheet, *Modernising Neighbourhood Houses and Learning Centres*

129 Ms C Broad, MLC, Minister for Local Government, 2005-06 Budget Estimates hearing, transcript of evidence, 3 June 2005, p.6

130 ibid.

131 ibid., pp.6–7

(b) Commonwealth funding for local government

The Minister advised the Committee about estimates of major 2005-06 federal funding to be distributed via the Local Government portfolio to local councils:[132]

- financial assistance grants of $381.2 million, comprising general purpose grants of $276.7 million, local roads grants of $102.5 million and an underpayment of $2 million in 2004-05; and
- payments of $17.8 million under the Victorian Government's Local Government Improvement Incentive program, representing a fixed proportion (9 per cent) of the federal government's payment to Victoria under the National Competition Policy.

There have been important developments that will impact on both categories of funding.

(i) Revised method for allocation of general purpose grants

The Minister informed the Committee that the Victorian Grants Commission is required to allocate funds in accordance with a set of national principles established by the federal government, but within these parameters, it determines the formula used to allocate funds in Victoria.[133]

The Minister advised that the Commission has introduced changes to the method used to allocate general purpose grants in 2005-06. The Minister indicated these changes have been developed in close consultation with councils and will result in a method that is '*fairer, more transparent and easier to understand'*.[134]

The Minister outlined the nature and likely impact of the changes to the Committee:[135]

> *From 2005-06, the assessment of each council's rate revenue capacity will be based on capital improved values (previously net annual valuations) which improves the simplicity and transparency of the model. An assessment will also be made of each council's relative capacity to raise revenue from user fees and charges, improving the equity of grant outcomes.*
>
> *Over the next four years, these changes will lead to general purpose grant reductions for a number of metropolitan councils and increases in*

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132 Ms C Broad, MLC, Minister for Local Government, response to the Committee's follow-up questions, received 21 July 2005, p.4

133 Ms C Broad, MLC, Minister for Local Government, response to the Committee's follow-up questions, received 21 July 2005, p.3

134 ibid.

135 ibid.

> *grant outcomes for most rural and regional councils. A transition process is being implemented by the Victoria Grants Commission to reduce the immediate impact of the changes on those councils which will receive lower grants.*

In its 2003-04 Annual Report, the Commission indicated that detailed modelling of the changes to the methodology for allocation of general purpose grants was provided to councils in late August 2004. This action was designed to allow councils to compare their general purpose grant outcome for 2004-05 under the existing methodology to a projected grant for 2005-06, incorporating the revised framework.[136]

(ii) Local Government Improvement Incentive program

Under its Local Government Improvement Incentive program, the government allocates a fixed proportion (9 per cent) of the federal government's National Competition Policy payment to Victoria to local councils. The Minister has publicly stated that Victoria is the only state to share a fixed proportion of this payment directly with local councils.[137] Payments to councils under the program are assessed by a panel comprising representatives of government departments and the Municipal Association of Victoria.[138]

The May 2005 federal budget identified $197.3 million in competition payments will be allocated to Victoria in 2005-06. The Minister stated '*this will allow approximately $17.8 million (9 per cent of the total) to be on-passed to local government'*.[139]

During the estimates hearing, the Minister explained that the federal government has indicated that the competition payments will cease after 2005-06, '*which will have a significant impact on the whole of the state budget, and unless that position is altered the state will only be able to make one further payment to Victorian councils'*.[140] The Minister also advised that:[141]

> *We expect that the loss of these funds will be felt by all councils, but particularly those in rural and regional areas of the state. Some examples are that the payment received by West Wimmera Shire Council in this current financial year was equivalent to about 5 per cent of its rate revenue, and the payment received by Gannawarra Shire Council was equivalent to about 4 per cent of its rate revenue. The prospect of the loss of these funds after 2005–06 is likely to have significant implications for councils that rely on these payments because they will have to make*

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136 Victoria Grants Commission, *2003-04 Annual Report,* p.6

137 Ms C Broad, MLC, Minister for Local Government, media release, *Councils set for $18 million bonus,* 22 February 2005

138 ibid.

139 Ms C Broad, MLC, Minister for Local Government, response to the Committee's follow-up questions, received 21 July 2005, p.4

140 ibid.

141 ibid.

decisions about what priorities they will then have to change in terms of services to their communities.

As well as that, because the Bracks Government has linked these funds to local government back to the implementation of national competition policy principles and implementation of best value by local government, the government believes these funds have provided a very positive incentive to councils to improve their efficiency, and that with the withdrawal of these funds that incentive will be lost.

An insight into the nature of the reform framework that might follow the National Competition Policy can be gleaned from a communique issued by the Council of Australian Governments (COAG) following its meeting of 3 June 2005. At that meeting, COAG agreed to proceed immediately with a review of the National Competition Policy. The review will be undertaken by COAG senior officials, who will report to COAG by the end of 2005.[142] The communique also indicated that the review will assess the effectiveness of the existing National Competition Policy arrangements and focus on a possible new national reform agenda, including practical options for the implementation, monitoring and assessment of any new agenda.[143]

From a local government perspective, the COAG communique also indicated that COAG had agreed that the Australian Local Government Association should participate in relevant elements of the review.[144] The Committee recognises that continuation by the government of its Local Government Improvement Incentive program beyond 2005-06 is likely to depend on the outcome of the current COAG review of the National Competition Policy.

14.9 Multicultural Affairs portfolio

14.9.1 Performance measures

(a) Victorian Multicultural Commission – Community Grants program

In its report on the 2004-05 budget estimates, the Committee drew attention to the need for the Department for Victorian Communities to develop and report performance measures that provide sufficient information to adequately assess the

142 Council of Australian Governments web site, communiqué, 3 June 2005, www.coag.gov.au/meetings accessed 5 September 2005

143 ibid.

144 ibid.

outcomes achieved from programs such as the Victorian Multicultural Commission's Community Grants program.[145]

In commenting on this area, the Committee noted that the Commission had earlier committed to undertaking an evaluation process of its core activities assessing those activities against community and stakeholder expectations. This evaluation process was part of the Commission's forward planning activities and expected to be completed by the end of August 2004.[146]

During the 2005-06 estimates hearing, the Committee sought information on the action taken to measure the success of the Commission's Community Grants program in meeting its objectives.

The Minister advised the Committee that:[147]

> *We have undertaken that evaluation and found that the community organisations receiving its grants view the commission as pivotal in community capacity-building – in fact, it is sometimes the only capacity they have to expand their club or for necessary and fundamental infrastructure; they do not have many other external funding sources, except sometimes local government – because of its role in supporting the aspirations of ethnic communities through collaborative processes. It also found that as a primary mechanism for funding ethnic community initiatives and programs the commission is perceived as a fundamentally important foundation and medium for building better and stronger communities and strengthening Victoria's diversities. These key findings are obviously important in assessing how we go forward and how we apply the funds in the future. I am very pleased that it has increased three-fold but also that we have an examination of what has occurred and it has been very positive.*

The Committee was also informed that the key findings and recommendations arising from the evaluation included:[148]

- *that as the primary mechanism for funding ethnic community initiatives and programs, the Commission is perceived as a fundamentally important foundation and medium for building better and stronger communities and strengthening Victoria's diversity;*

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145 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.675–676

146 ibid., p.676

147 Hon. S Bracks, MP, Minister for Multicultural Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p. 8

148 Hon. S Bracks, MP, Minister for Multicultural Affairs, response to the Committee's follow-up questions, received 12 July 2005, p. 4

- *the effects of the grants on a range of key performance indicators should be measured and evaluated within the context of Growing Victoria Together. The VMC [Victorian Multicultural Commission] will incorporate this recommendation into its grants program in 2005 so it can more fully report on the outcomes of the grants in the future;*

- *the use of electronic tools in the application and evaluation process for the Grants Program should be accelerated. The VMC has been accepting electronic applications since April 2004 and an increasing number of applications are being submitted by email. All application forms are available on the VMC and DVC Grants websites;*

- *that the level of feedback provided to applicants should be increased. All unsuccessful applicants are invited to call the VMC to discuss why their grant application was not successful; and*

- *that there should be more emphasis on awarding of grants to applications that have the objective of fostering excellence, so that communities can reach their full potential. The new Strengthening Multicultural Communities grant category is designed to promote excellence and enhance capacity building among CALD [Culturally and Linguistically Diverse] community groups.*

The Committee welcomes this positive evaluative feedback on the Commission's Community Grants program and the steps in train to further strengthen management of the program and improve its effectiveness.

14.9.2 Key issue affecting the portfolio

(a) Refugee Support Package

The 2005-06 Budget provides output funding of $4.6 million over four years, including $1 million in 2005-06, for the Refugee Support Package.[149] This funding initiative was announced as part of the government's April 2005 strategic paper, *A Fairer Victoria – creating opportunity and addressing disadvantage.*[150]

[149] Budget Paper No.3, *Service Delivery, 2005-06*, pp.270, 274

[150] Victorian Government, *A Fairer Victoria: Creating opportunity and addressing disadvantage*, April 2005, p.30

The Refugee Support Package in 2005-06 comprises two components, namely[151]:

- four full-time early intervention refugee service brokerage workers in high needs areas in metropolitan Melbourne and two part-time positions to be located in regional Victoria. These workers will be based in local communities to coordinate across commonwealth and state governments, local councils and community based organisations, to develop culturally appropriate services to improve outcomes for refugee and humanitarian entrants, and to link services at the local level; and
- full-time refugee health nurses based in community health centres in south-east region of Melbourne, central metropolitan Melbourne, in the north west of Melbourne and two regional locations.

The Victorian Office of Multicultural Affairs within the Department for Victorian Communities has responsibility for the package although the Department of Human Services will implement the component relating to the engagement of refugee health nurses.[152]

The Minister outlined the principal role of the package to the Committee in the following terms:[153]

> *Newly arrived refugees and humanitarian entrants face a range of problems, including educational difficulties, often due to disrupted schooling and language problems; dealing with the after-effects of torture in some cases; and having to deal with trauma, family displacement and cultural adjustment issues. Our package will target support to Victoria's recently-arrived refugees and humanitarian entrants by removing barriers to opportunities and providing assistance to access existing services.*

A new performance measure, *Refugee support: clients assisted*, with a target number of 250 for 2005-06 has been included in the Multicultural Affairs output.[154] The Committee was advised that the target of 250 is for the first year of implementation and is based on an estimation of individuals to be assisted through the package by the early intervention service brokers. Estimates for subsequent years will be determined following completion of the first year.[155]

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151 Hon. S Bracks, MP, Minister for Multicultural Affairs, response to the Committee's follow-up questions, received 12 July 2005, p.2

152 ibid.

153 Hon. S Bracks, MP, Minister for Multicultural Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.8

154 Budget Paper No.3, *2005-06 Service Delivery*, p. 249

155 Hon. S Bracks, MP, Minister for Multicultural Affairs, response to the Committee's follow-up questions, received 12 July 2005, p.3

The Committee was also informed that, as the government is at the early stages of this initiative, final program details and materials are currently in development. The effectiveness of the package will be evaluated as part of the program arrangements.[156]

The Committee considers it will be important for the Department for Victorian Communities to establish a sound basis for measuring over time the effectiveness of the package. In doing so, the department should ensure there is a well-structured interface in place with the Department of Human Services so that the package's two components are managed in a complementary manner.

The Committee recommends that:

Recommendation 146: **The Department for Victorian Communities establish a sound framework for measuring the effectiveness of the Refugee Support Package.**

14.10 Sport and Recreation portfolio

14.10.1 Performance measures

The Department for Victorian Communities continued to refine performance measures in the 2005-06 Budget relating to the Sport and Recreation Sector Development output, with four measures discontinued and five new measures added.[157]

Of the four measures discontinued, all were timeliness measures relating to milestones for capital projects with expected outcomes for 2004-05 in line with expectations.[158]

The five new performance measures in the Sport and Recreation Sector Development output are:[159]

- quantity measure *Physical activity program grants: number approved* – 2005-06 target: 30-40;
- quality measure *Projects to support planned new stadium development at the Olympic Park Precinct: grants paid against milestones of funding agreements* – 2005-06 target: greater than 90 per cent;
- quality measure *Melbourne and Olympic Park Trust Precinct upgrades: grants paid against milestones of funding agreements* – 2005-06 target: 100 per cent;
- timeliness measure *Cycling criterium: progress payments made* – 2005-06 target: quarter 3; and

156 ibid.
157 Budget Paper No.3, *2005-06 Service Delivery*, pp.242–243, 402
158 ibid.
159 ibid., pp.242–243

- timeliness measure *State Volleyball Centre: progress payments made* – 2005-06 target: quarter 4.

The two new quality measures relating to the Melbourne and Olympic Park Trust and the Olympic Park precincts are associated with the following output and asset initiatives included in the 2005-06 Budget relating to the government's commitment to establishing a new home for rectangular sports:[160]

- New Home for Rectangular Sports, output initiative – $4.8 million over three years to 2007-08 with $3.1 million budgeted in 2005-06. This initiative will assist Melbourne Olympic Parks Trust to upgrade ovals at Melbourne and Olympic Parks and provide funding for development programs for a number of tenants in the Melbourne and Olympic Parks precinct. It will also provide temporary accommodation facilities for tenants during the development; and
- New Home for Rectangular Sports, asset initiative – $6 million in 2005-06. This initiative will provide a detailed master plan to gain a better understanding of the long term feasibility of the facility, incorporating a staged redevelopment of the Olympic Park precinct including a new rectangular stadium.

The Committee sought information on the expected timeframes for the development of the rectangular stadium and on the expected commitment by the government, the Melbourne and Olympic Parks Trust and the private sector for the stadium. The Minister provided the following information:[161]

> ***Expected Timeframes***
>
> *The Melbourne and Olympic Parks Trust (MOPT) in consultation with government, will develop the specific details of the masterplan over the next six months.*
>
> *The construction timeframe for the stadium, which is an integral component of all masterplan options, is currently under development as part of the detailed planning and design documentation process. Planning is proceeding on the basis that construction will commence following the 2006 Commonwealth Games with completion by 2008.*
>
> ***Expected Commitment***
>
> *The procurement strategy for the stadium is currently under development. This is being undertaken in conjunction with the completion of the business case for the Stadium, which will determine the Trust's capacity to make borrowings to finance its contribution towards the project.*

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160 ibid., pp.314–316

161 Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 25 July 2005, p.3

The government has currently committed $10.7 million towards the project, to enable the development of detailed designs and other associated works to determine the final scope and cost of the Project.

The Committee intends to monitor future developments on this significant project.

14.10.2 Key issues affecting the portfolio

(a) Funding of physical activity initiatives under the Go for your life Campaign

In November 2004, the Premier announced the *Go for your life* campaign, a $22 million government strategy aimed at getting more people physically active, eating healthily and involved in the community.[162] Of the $22 million to be available under the initiative, the Premier indicated that $10 million was allocated to promote physical activity. This allocation would be used to increase involvement in physical activity, build participation in walking and increase the information available to the community.[163]

During the estimates hearing, the Committee sought information on the nature of physical activities that are funded under the *Go for your life* campaign and the framework in place for measuring the effectiveness of this component of the campaign.[164]

The Minister advised that initially there was a need for a substantial communications campaign to raise awareness about the benefits and opportunities of being healthy and more active. The Minister mentioned that this element of the overall program had been undertaken in conjunction with the Minister for Health and the Minister for Senior Victorians and that two waves of evaluation to measure and monitor the success of this communication effort had produced good results in that:[165]

- 46 per cent of Victorians surveyed could spontaneously recall seeing the advertising; and
- of this group, 26 per cent could directly attribute the advertising to the *Go for your life* campaign.

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162 Hon. S Bracks, MP, Premier, media release, *New $22m get active initiative goes beyond the norm*, 10 November 2004

163 ibid.

164 Hon. J Madden, MLC, Minister for Sport and Recreation, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.4

165 ibid.

The Minister also itemised the following areas where funds had been allocated to date to promote physical activity within the community:[166]

- $1 million in physical activity grants to encourage people to get involved in physical activity;
- $540,000 to RecLink (a non-profit incorporated association which recognises that everyone has the right to gain access to recreational opportunities and associated benefits[167]) to increase the involvement in physical activity of people of all ages experiencing disadvantage;
- $400,000 to support the fun 'n' healthy in Moreland project, a groundbreaking study into the health and wellbeing of primary school students;
- $300,000 in community walking grants; and
- $200,000 over four years to VicFit (now incorporated in Kinect Australia to provide advice to government and to coordinate the promotion of fitness in Victoria[168]) to provide a physical activity infoline so that people can access information readily and quickly and be directed to the right location.

In relation to the Committee's question on the approach to be taken to measure the effectiveness of this element of the *Go for your life* campaign, the Minister informed the Committee as follows:[169]

> *There are three programs under the overall Go for Your life campaign, which are administered under the Minister for Sport and Recreation.*
>
> *The Community Walking Grants program and the Physical Activity Grants program will be evaluated by an overarching program evaluation and limited evaluation of individual projects, for example pre and post survey of participants, and project stakeholders, and developing case studies for individual projects in conjunction with funded agencies.*
>
> *The Flagship projects grant recipients are responsible for their own evaluation approaches reflecting the individual nature of the project. These individual project evaluations are fed into the whole of government evaluation of Go for your life and the Healthy and Active Victoria strategy.*

The Committee suggests it will be useful if the Department for Victorian Communities included in its annual report information on the manner in which the funding allocation of $10 million to promote physical activity under the *Go for your*

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166 ibid.
167 RecLink Australia, www.reclink.org accessed 18 August 2005
168 Kinect Australia, VicFit, www.vicfit.com.au accessed 18 August 2005
169 Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 25 July 2005, p.1

life campaign has been expended, including the level of funds absorbed in administrative functions. The department should also report periodically on the results of its planned evaluation strategies to enable Parliament to form a judgement on the overall effectiveness of this element of the campaign.

The Committee recommends that:

Recommendation 147: **The Department for Victorian Communities advise Parliament, via its annual report, on the expenditure of funds allocated to promote physical activity under the *Go for your life* campaign and on the results of its evaluations of the effectiveness of this campaign.**

(b) National Ice Sports Centre

The Committee was interested to learn of the progress that had been made in assessing tenders for the ice sports centre and the timeframes proposed for the centre's construction. The Minister advised the Committee that:[170]

> *In July 2004, the Victorian Government called for Expressions of Interest (EOI) from the private sector for the development of the Centre.*
>
> *Evaluation of the Expressions of Interest was completed in October 2004 and three short-listed Consortia were invited to submit development proposals by December 2004.*
>
> *The government has recently nominated a preferred proponent. The proponent is now finalising their submission, which will then be reviewed by the government to establish whether it meets the state's requirements for a Centre. The government expects to be in a position to make further announcements on this project later this year.*

Assuming the government ultimately decides to proceed with this project, the Committee considers that the government's future announcements should include:

- details of revised timelines for the centre's construction;
- an outline of any risks associated with the project that will remain with the government; and
- information on whether there has been any variation to the government's initial three year financial commitment of $9.6 million announced in the 2004-05 Budget.

[170] Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 25 July 2005, p.5

The Committee recommends that:

Recommendation 148: **Future announcements on the proposed national ice sports centre outline construction timelines, the allocation of risks and the state's financial commitment to the project.**

14.11 Veterans' Affairs portfolio

During the estimates hearings, the Premier, in his role as Minister for Veterans' Affairs, explained to the Committee that the Veterans' Affairs portfolio is a new area of responsibility and stated:[171]

> *In June last year at the 89th annual conference of the Returned and Services League state branch I announced that I would assume all responsibility for all Veterans' Affairs issues at a state level in order to give more focus and attention to Veterans' Affairs across the whole of government, and to consolidate that role and function across the whole of government as well. I announced that our key priorities would be to strengthen commemoration, education and support to veterans. I took this important step because we want to provide greater and a more coordinated approach to veterans services over all. We, of course, recognise the changing needs of our aged veterans community as well as an increasing interest amongst the wider community in Australia's involvement in war and peacekeeping.*

The 2005-06 Budget provides $1.2 million in output funding for the Veterans' Affairs portfolio which forms part of the allocation of $7.8 million under the Seniors and Veterans output.[172] The Minister advised the Committee that the budget of $1.2 million comprises:[173]

- $700,000 in ongoing funding for the Spirit of Anzac Competition, Anzac day and the Patriotic Funds Council;
- $300,000 (which will continue until 2008-09) to assist the Shrine of Remembrance to cover increasing operating costs in response to increasing visits and public interest in veterans issues; and
- $200,000 (continues until 2006-07) for the Restoring and Upgrading Victoria's Community War Memorials initiative.

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171 Hon. S Bracks, MP, Minister for Veterans' Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.2

172 Hon. S Bracks, MP, Minister for Veterans' Affairs, response to the Committee's follow-up questions, received 30 June 2005, p.1

173 ibid.

The 2005-06 Budget also provides $600,000 as an asset initiative for the Shrine of Remembrance comprising the construction of an education centre at the Shrine and the preparation of a business case for a proposed major redevelopment of the Shrine's undercroft.[174]

The Minister informed the Committee that a key priority for 2005-06 will be implementation of new veterans' legislation.[175]

> *First is the implementation of the veterans bill, which we seek to do, to establish the Victorian Veterans Council, which will provide advice to government on a wide range of issues relating to veterans, distributing, as has been done in the past, the Anzac Day proceeds for welfare purposes. Taking up a recommendation from the Scrutiny of Acts and Regulations Committee examination, we will also establish a new veterans fund, which will effectively be made up of the proceeds that go to the Community Support Fund for 1 day out of 365 days in the year. The proceeds that would go to the Community Support Fund anyway for the one day, which represents Anzac Day, will be dedicated to commemoration and education as part of the new veterans fund. That will raise about $250,000 a year and I think it will be a very useful dedicated fund to have as part of our ongoing commemoration. The bill will also improve the regulation of the patriotic funds.*

The Committee welcomes the consolidation of activities supporting veterans across government into this new and important portfolio. It looks forward to future deliberations on budgetary initiatives and achievements in the portfolio.

14.12 Victorian Communities portfolio

14.12.1 Performance measures

One new quantitative performance measure was introduced for the Community Strengthening output to measure the number of grants approved under the Volunteering Small Grants program.[176] There were no performance measures to measure the outcomes of Community Strengthening initiatives.

At the estimates hearing, the Committee wanted to know how community strength is measured. The Minister advised that the department has developed indicators to measure the outcome of the government's community strengthening priorities.[177] The

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174 Budget Paper No. 3, *Service Delivery 2005-06*, p.316

175 Hon. S Bracks, MP, Minister for Veterans' Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.3

176 Budget Paper No.3, *2005-06 Service Delivery*, p.239

177 Hon. J Thwaites, MP, Minister for Victorian Communities, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, pp.9–10

Minister indicated that there has been an improvement shown in the results for the majority of the indicators since 2001, but cautioned against drawing major conclusions from these results indicating that a longer time frame is required in order to measure real improvements in community strength.[178] The department will consider putting some of these indicators in the budget papers in future years.[179]

The department advised that it is continuing its work with the Australian Bureau of Statistics to develop a consistent set of indicators that can compare aspects of community wellbeing across places and jurisdictions nationally.[180] The Committee welcomes this collaboration and looks forward to the release of these indicators for future benchmarking of performance.

14.12.2 Key issues affecting the portfolio

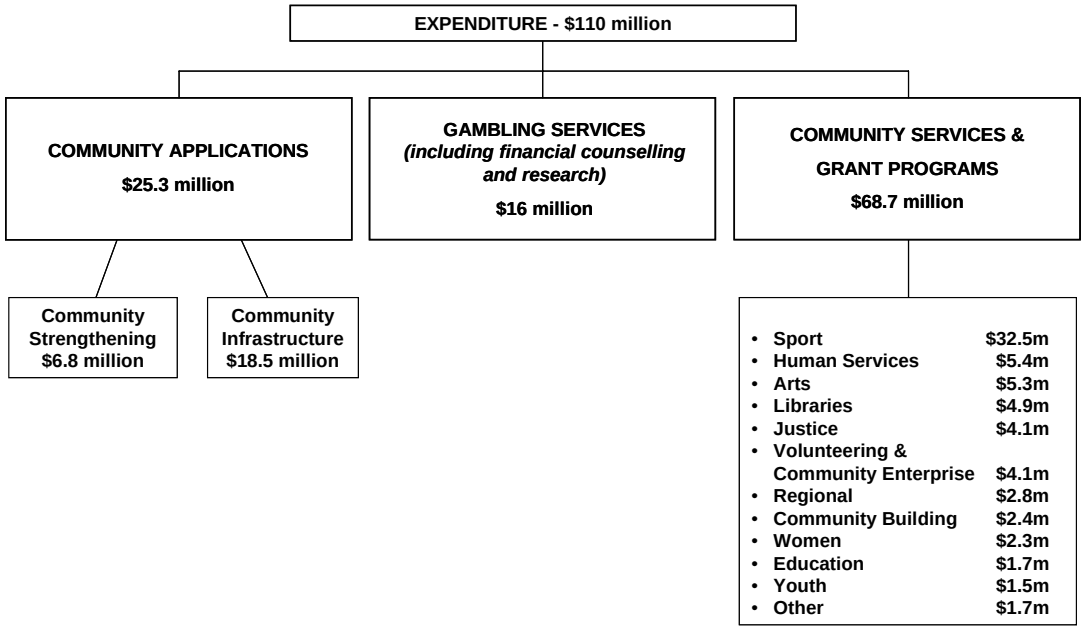
(a) Community Support Fund expenditure

The Minister advised that the revised estimated expenditure from the Community Support Fund for 2004-05 is $110 million,[181] compared to budgeted expenditure of $131.2 million.[182] The budgeted expenditure for 2005-06 is $105.8 million, which is about the same amount as the estimated expenditure for 2004-05.[183]

Exhibit 14.9 shows the estimated expenditure for the Community Support Fund for 2004-05.[184]

178 ibid., p.10
179 ibid.
180 Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.8
181 Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, p.2
182 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.660
183 Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, p.13
184 ibid., p.2

Exhibit 14.9: Community Support Fund
Estimated expenditure for 2004-05



Source: Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, p.13

Exhibit 14.9 shows the Community Support Fund expenditure is allocated across three categories: Community Services and Grant programs (62.5 per cent); Community Strengthening and Community Infrastructure (23 per cent); and Gambling Services (14.5 per cent).[185] At the estimates hearing, the Minister advised that since September 2004, a total of 98 Victorian Community Support Grants totalling $17 million have been approved.[186] The CSF grants funds various activities, including some key government initiatives and programs.[187]

As from the 2005-06 year, revenue received by the Community Support Fund from gaming operations on Anzac Day will be hypothecated into the new Veterans' Fund.[188] The Minister advised that this is in addition to the existing hypothecation into Health and Drug programs and that there are currently no plans to further extend the hypothecation of the Community Support Fund revenue.[189]

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185 calculated on the estimated expenditure for 2004-05 of $110 million

186 Hon. J Thwaites, MP, Minister for Victorian Communities, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.2

187 Department for Victorian Communities, annual report contains a list of approved funding from the Community Support Fund: Department for Victorian Communities, *2003-04 Annual Report*, pp.147–150

188 Hon. J Thwaites, MP, Minister for Victorian Communities, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.8; Hon. S Bracks, MP, Minister for Veterans' Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 10 May 2005, p.3

189 Hon. J Thwaites, MP, Minister for Victorian Communities, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.8

The Committee noted that there is limited information in the budget papers relating to the activities of the Community Support Fund.

Accordingly, the Committee recommends that:

Recommendation 149: **The Department for Victorian Communities disclose new hypothecations of Community Support Fund revenue in the budget papers.**

Recommendation 150: **The Department of Treasury and Finance direct departments to detail in the budget papers the key initiatives and programs funded from the Community Support Fund.**

(b) Volunteering and Community Enterprise Strategy

In 2004, the Minister announced the $21 million Volunteering and Community Enterprise Strategy. This strategy operates over a three year period from 2004-05 to 2006-07 and is funded by the Community Support Fund.[190]

This strategy is comprised of two components. The objective of the volunteering component is to encourage, support and extend the range of opportunities for people to volunteer in their communities. The Municipal Association of Victoria is a partner in the implementation of the Local & Regional Volunteer Resource Networks project, taking on the role of engaging the local government sector with the project and assisting councils to consolidate and build capacity to support volunteering and community participation. A total of $14.7 million ($7.8 million in 2005-06) is allocated to this component.[191]

The community enterprise component provides support for the development of local community or social enterprises, and encouraging businesses to get involved in the community. Funding of $6.3 million ($2.3 million in 2005-06) is allocated for this component.[192]

The department advised that work has commenced on the key areas of the strategy. As an example, under the Community Enterprise Development program, the department provided funding to three organisations to support the development of community enterprises for people with mental illness, CALD (culturally and linguistically diverse) communities, and in 15 Neighbourhood Renewal areas. Work on the research

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190 Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, p.14; Hon. J Thwaites, MP, Minister for Victorian Communities, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.3

191 Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, pp.14–15

192 ibid., p.14

program has also commenced on: the profile of the Victorian social enterprises and the not-for-profit sector; not-for-profit sector regulation; improving the availability of finance to social enterprises; and the level of corporate social responsibility activity in Victoria. The department indicated that evaluation measures will be developed as part of each of the program element to measure the achievement of this strategy.[193]

The $3 million (over three year) Volunteering Small Grants program was a key program under the volunteering component of this strategy.[194] Funded by the Community Support Fund, this program provides grants of up to $5,000 to volunteering groups.[195] The Minister advised that 284 grants have been approved to the total of $948,289.[196] The average size of the grants is around $3,300.[197]

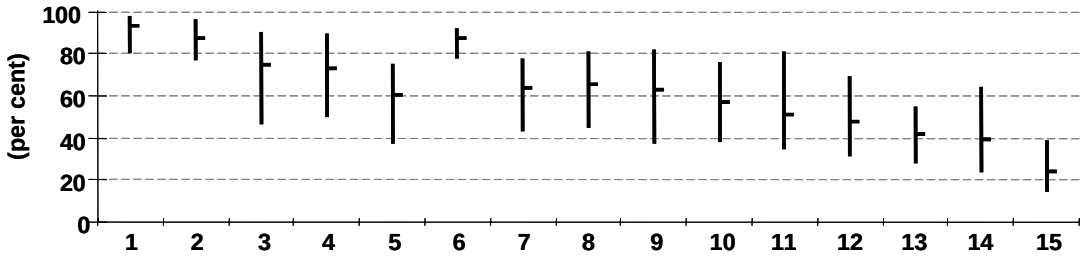
The Committee welcomes the release of the Volunteering and Community Enterprise Strategy to provide support for volunteering in Victoria and notes the overwhelming support for the Volunteering Small Grants program.

(c) Community strength at the local government area level

In May 2005, the department released a report on community strength, entitled *Indicators of community strength at the Local Government Area level in Victoria*.[198] The results are shown in exhibit 14.10.

193 ibid., p.15
194 Victorian Volunteer Small Grants 2004, www.dvc.vic.gov.au/volunteers_funding.htm accessed 9 May 2005
195 ibid.
196 Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 28 June 2005, pp.5–10
197 calculated by the PAEC secretariat based on information provided by the Minister
198 Hon. J Thwaites, MP, Minister for Victorian Communities, 2005-06 Budget Estimates hearing, transcript of evidence, 13 May 2005, p.10

Exhibit 14.10: Results of community strength at the Local Government Area level in Victoria



Legend

1. Liking the community you live in (A)
2. Feels multiculturalism makes life in the area better (A)
3. Feeling valued by society (A)
4. Feeling safe on the street alone after dark (A)
5. Feeling there are opportunities to have a real say on issues that are important (A)
6. Can get help from friends family or neighbours when needed (H)
7. Could raise $2,000 in two days in an emergency (H)
8. Parental involvement in schools (P)
9. Attendance at a community event in the last six months (P)
10. Is a member of an organised group (P)
11. Volunteers (yes and sometimes) (P)
12. Is a member of a group that has taken local action (P)
13. Participation in organised sport (P)
14. Volunteers (yes) (P)
15. Is on a decision making board or committee (P)

Notes: *the bars in the above exhibit shows the lowest and the highest scores for the respective indicators, and the dot shown alongside the bars shows the average score for that indicator*

A - this indicator measure community attitudes[199]

H - this indicator measure the ability to get help[200]

P - this indicator measure participation in the community[201]

Source: *Department for Victorian Communities, Indicators of community strength at the Local Government Area level in Victoria, May 2005, pp.36–37*

The results of community strength show considerable variations between the local government areas as measured by each of the indicators (see exhibit 14.10). The department indicated that the results are a reflection of the differing characteristics of the local government areas, and the rural areas generally scores higher than the metropolitan local government areas on all indicators.[202]

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199 Department for Victorian Communities, *Indicators of community strength at the Local Government Area level in Victoria*, May 2005, p.2

200 ibid.

201 ibid.

202 ibid., p.4

The department also identified that each local government area has its strengths and that no single area has low scores on all indicators.[203] Exhibit 14.11 shows the community strength results by score type.

Exhibit 14.11: Results of community strength by score type

Community strength indicators	State average (%)	Lowest score (%)	Highest score (%)
Liking the community you live in	92.9	80.3 Whittlesea	98.0 Manningham
Feels multiculturalism makes life in the area better	86.9	76.5 Buloke Yarriambiack	96.2 Port Phillip
Feeling valued by society	74.1	46.4 Whittlesea	90.5 Yarriambiack
Feeling safe on the street alone after dark	72.4	50.0 Whittlesea	89.3 Mansfield
Feeling there are opportunities to have a real say on issues that are important	59.6	37.3 Whittlesea	75.5 West Wimmera
Can get help from friends family or neighbours when needed	86.7	77.6 Maribyrnong	92.3 Buloke
Could raise $2000 in two days in an emergency	63.2	42.9 Greater Dandenong	77.9 Queenscliffe
Parental involvement in schools	64.8	44.7 Melbourne	81.5 Stonnington
Attendance at a community event in the last six months	62.5	37.4 Brimbank	81.7 Indigo
Is a member of an organised group	56.9	38.0 Maribyrnong	76.3 Buloke
Volunteers (yes and sometimes)	51.1	35.0 Darebin	81.3 Towong
Is a member of a group that has taken local action	47.4	30.9 Hobsons Bay	68.9 Loddon
Participation in organised sport	41.7	28.3 Brimbank	54.6 Swan Hill
Volunteers (yes)	38.7	23.3 Whittlesea	63.9 Buloke
Is on a decision making board or committee	23.6	14.0 Kingston	39.2 Pyrenees

Source: Department for Victorian Communities, Indicators of community strength at the Local Government Area level in Victoria, May 2005, pp.36–37

[203] ibid.

The Committee welcomes the release of the results.

14.13 Women's Affairs portfolio

14.13.1 Key issues affecting the portfolio

The 2005-06 Budget Paper No.3 states that Women's Policy output '*provides strategic whole of government policy advice on key issues of concern to women by working across government to inform policies, programs, and services available to women'*.[204] This output is delivered through the Office of Women's Policy.[205] The two quality performance measures contained in the 2005-06 Budget for this output cover *client satisfaction with advice provided* and *participant satisfaction with consultation forums.*

Given the reliance on satisfaction ratings as performance measures, the Committee has examined research on customer satisfaction.[206] This concluded that '*A major problem with measures of customer satisfaction is that respondents universally report high levels of satisfaction. This holds true regardless of the method used, the population sampled, or the subject of the rating'*. This research also quoted the Treasury Board of Canada which commented that overall satisfaction ratings tend to be overstated and reporting levels of satisfaction in absolute terms without reference to other comparative data is often meaningless.[207]

The Victorian Auditor-General's Office conducted an audit on the adequacy of policy advice to government which found that, while most policy units had basic measures of client satisfaction, only one department had a structured process to ascertain the degree to which advice provided was robust.[208]

Given that the primary role of the Office of Women's Policy is the provision of strategic whole of government policy advice, the Committee supports the development of robust mechanisms to assess the effectiveness of advice provided to stakeholders (both internal and external) with aggregate results reported as a performance measure within the Women's Policy output contained in the budget papers. For example, a sample of stakeholders could be requested to rate the quality of the policy advice for particular strategies against criteria such as:

- logic of advice;
- clarity of advice;
- soundness of evidential basis;

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204 Budget Paper No.3, *2005-06 Service Delivery*, p.249
205 Department for Victorian Communities, *2003-04 Annual Report*, p.69
206 S Bayley, Evaluation Journal of Australasia, *Measuring customer satisfaction*, March 2001
207 ibid.
208 Victorian Auditor General's Office, *Results of special reviews and other studies*, August 2004, pp.120–123

- extent of feasibility/ practicality;
- consistency with government policy;
- the ability to provide alternative courses of action; and
- the capacity to identify potential advantages, disadvantages and risks associated with various courses of action.

The 2005-06 Budget Papers indicate that one performance measure (Action Agenda for Work and Family Balance Report Card) has been discontinued from the 2004-05 Budget however, apart from this, the performance measures in the 2005-06 Budget remain unchanged from the previous year.[209] Consequently, the Committee's concerns expressed in the 2004-05 Budget Estimate Report over the adequacy of the performance measures remain.

The Committee recommends that:

Recommendation 151: **The Department for Victorian Communities, in conjunction with the Office of Women's Policy, develop a robust means of assessing the quality of advice provided to stakeholders and report aggregated results in the budget papers.**

(a) Sponsoring high standards of evaluations

The Committee is concerned to ensure that, when the evaluation of government programs occurs, it should conform to the highest standards. This is in the interests of Parliament, the government, the relevant department, key stakeholders as well as the community. The Committee is aware that there are Australasian and international evaluations standards which could be considered for adoption. For example, the Australasian Evaluation Society has guidelines for the conducting of ethical evaluations.[210]

The Committee sees value in the Department for Victorian Communities and the Office of Women's Policy sponsoring discussions between representatives from other key departments such as the Department of Human Services and the Australasian Evaluation Society regarding the adoption of a consistent set of standards that would apply to future evaluations. Based on the results of these discussions, the Committee believes that the department should consider adopting these standards across the department.

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209 Budget Paper No.3, *2005-06 Service Delivery*, p.402

210 Australasian Evaluation Society Inc., *Guidelines for the Ethical Conduct of Evaluations*, reprinted in May 2002

The Committee recommends that:

Recommendation 152: **The Department for Victorian Communities:**

(a) in conjunction with the Office of Women's Policy, sponsor discussions between the Australasian Evaluation Society and departmental representatives aimed at adopting a set of standards to apply to future evaluations; and

(b) consider the adoption of department wide standards for all future evaluations.

(b) Evaluation strategy for Safety and Justice: A New approach to Family Violence in Victoria

The 2005-06 Budget provided additional funding of $35 million for four years for the *Safety and Justice: A New approach to Family Violence in Victoria* strategy with $5.9 million allocated for 2005-06.[211] The majority of this funding has been allocated to other agencies however the department has advised that $500,000 of this additional funding has been provided for the Women's Policy output for 2005-06.[212]

In terms of the Women's Safety Strategy which was launched on 21 October 2002, the Committee was advised that an evaluation strategy will be developed in the latter half of 2005. While the Committee is pleased with this development, it believes there are considerable advantages in establishing an evaluation strategy at the outset of a program and it should be developed in conjunction with program planning and development activities.

In the case of the *Safety and Justice: A New approach to Family Violence in Victoria* strategy, the Committee supports the Office of Women's Policy playing a co-ordination role with other key agencies involved in this initiative (for example, the Departments of Human Services and Justice) in the early development of an evaluation strategy. This would allow the establishment of monitoring arrangements and data collection strategies at the outset that will materially assist both the ongoing management of this initiative as well as an impact assessment of outcomes.

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211 Budget Paper No.3, *2005-06 Service Delivery*, pp.271, 275

212 Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, received 6 May 2005, p.19

The Committee recommends that:

Recommendation 153: **The Office of Women's Policy, in consultation with other government agencies, coordinate the establishment of an evaluation strategy for the *Safety and Justice: A New approach to Family Violence in Victoria* strategy, in conjunction with the planning and development phases of this initiative.**

(c) Public reporting of evaluation results

A common theme in the Committee's *Report on Corporate Governance in the Victorian Public Sector* and the *Report on the 2004-2005 Budget Estimates* is the lack of reporting on outcomes both in a whole of government sense and for individual outputs.[213]

The Committee has noted however that there are a number of evaluations of program outcomes that are either planned or underway. For example, the *Work and Family Balance Action Agenda Report Card,* which was released in April 2005, provides a snap shot of progress to date in implementing the government's Action Agenda for Work and Family Balance initiative which was released in 2003. The report card states that, in respect to the Better Work and Family Balance Grants program, '*Early evaluation is showing increased productivity, reduced absenteeism and improved employee morale as a result of the changes'*.[214]

Due to the lack of publicly available information on program outcomes and the inherent limitations of capturing contextual information within the performance indicator reporting format, the Committee favours departments listing evaluations of key government programs completed in their annual reports as well as including the full report on their websites. The Committee considers that the Office of Women's Policy is well placed to take a lead role in encouraging relevant departments to adopt this suggested approach. In the case of the Department for Victorian Communities/ Office of Women's Policy website, the Committee also believes that there should be a consolidated listing of evaluations conducted across government with appropriate links to departmental websites.

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213 Public Accounts and Estimates Committee, *Report on Corporate Governance in the Victorian Public Sector*, May 2005, pp.139–140; Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.681

214 Office of Women, *Work and Family Balance Action Agenda Report Card*, April 2005, p.2

The Committee recommends that:

Recommendation 154: **The Office of Women's Policy:**

(a) take a lead role in encouraging departments to refer to completed program evaluations in their annual reports and to make the relevant reports publicly available on their websites; and

(b) provide a consolidated listing of evaluations on the Department for Victorian Communities website with appropriate links to departmental websites.

Recommendation 155: **The Department for Victorian Communities adopt a department wide policy of listing details of major program evaluations in its annual report and ensure copies of these evaluations are available via the internet.**

14.14 Youth Affairs portfolio

The Youth Affairs output is part of the Advocating for People in Communities output group within the Department for Victorian Communities (DVC).[215] The Office for Youth develops and coordinates whole of government information and advice on issues of youth policy and develops and manages targeted programs for young people between 12 and 25 years.[216] In August 2002, the government released *Respect: The Government's Vision for Young People* which provides a Framework for Policy and Program Development on Youth Affairs. Youth programs include:[217]

- FReeZA – a Youth Development program that funds local government and not–for–profit organisations in local communities to establish youth committees that implement music entertainment and cultural events. It targets young people in the age group 14 – 18 years;
- Youth Services program – provides grants to agencies (local governments and community organisations) for an 18 month period to provide services which respond to the issues of vulnerable young people, with a focus on years 12 to 18. These issues include assisting young people to re-establish supportive links with families, assisting in connecting young people to education and

215 Budget Paper No.3, *2005–06 Service Delivery*, pp.248–249
216 Department for Victorian Communities, *2003-04 Annual Report*, p.66
217 Office for Youth programs, www.youth.vic.gov.au, accessed 29 April 2005

employment and helping young people in developing constructive strategies for resolving conflict;

- FReeZA Central – provides young people with accredited training through a series of workshops held around the state that leads into a Vocational Mentor program and the opportunity to plan, produce and manage large tour events throughout the state featuring well known bands; and
- Advance - Youth Development program – a one year government school based program that encourages young people to participate in community life by providing a range of opportunities that promote youth leadership, community participation and volunteerism.

14.14.1 Performance measures

The 2005-06 Budget Papers contain one new performance measure – *the number of Youth Services program grants approved*.[218] Three performance measures have been discontinued.[219]

The Committee commented in its *Report on the 2004-2005 Budget Estimates* that *'performance measures are predominantly process oriented (for example that an agency was funded or that an event took place) and do not provide sufficient information to adequately assess outcomes'*.[220] Given the limited changes to 2005-06 performance measures, the Committee reiterates its concerns as expressed previously.

The government in response to the Committee's recommendations indicated that DVC had instigated a review of the suitability and quality of performance measures to allow more meaningful reporting.[221] The Committee looks forward to the results of this review being reflected in the 2006-07 budget performance measures to allow an assessment of outcomes.

14.14.2 Key issues affecting the portfolio

(a) Website development

During the inquiry into the 2004-05 Budget Estimates, the Committee questioned the Minister on whether the redevelopment of the Office for Youth website had been

218 Budget Paper No.3, *2005–06 Service Delivery*, p.248
219 ibid., p.402
220 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.670
221 Victorian Government, response to the Committee's *Report on the 2004-2005 Budget Estimates*, tabled May 2005, p.87

completed. The Minister advised the Committee that the website redevelopment had not been finalised.[222]

The Minister at the 2005-06 Budget Estimates inquiry indicated that a new website www.youthcentral.vic.gov.au had been launched in December 2004.[223] The Committee has examined this site and found that it provides an excellent range of information with clearly written practical advice that was readily accessible. It also included valuable links to other sites. An example of the range of information covered on the website includes:

- careers and employment;
- education and training;
- entertainment;
- managing money;
- travel and transport;
- health and relationships; and
- housing and accommodation.

The Committee commends the Minister and the Office of Youth for the standard of the new website however the Committee queried the value of retaining the original Office of Youth website (www.youth.vic.gov.au) given:

- the new site duplicates some of the type of information contained on this site and presents this information in a more user friendly form; and
- the DVC website (www.dvc.vic.gov.au) provides details on the Office of Youth.

The Committee also notes that the 2005-06 Budget Papers indicate that website hits are expected to fall in 2005-06 to 200,000 from an expected 2004-05 outcome of 230,000 despite the new website being launched in late 2004.[224] The Committee considers that the Office of Youth should take steps to further promote the value of the new site and the 2006-07 performance targets should be increased to reflect the likely increased level of website access.

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222 Ms J Allan, MP, Minister for Youth Affairs, 2004-05 Budget Estimates hearing, transcript of evidence, 18 June 2004, p.7

223 Ms J Allan, MP, Minister for Youth Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 21 June 2005, p.7

224 Budget Paper No.3, *2005–06 Service Delivery*, p.248

The Committee recommends that:

Recommendation 156: **The Department for Victorian Communities, in conjunction with the Office of Youth:**

(a) examine the merits of retaining the www.youth.vic.gov.au website; and

(b) actively promote the value of the new www.youthcentral.vic.gov.au website and increase website access targets in the 2006-07 Budget Papers.

(b) Program evaluation

There has been no additional funding for the Youth Affairs output or its equivalent since the 2003-04 budget.[225] As a consequence, all of the key programs referred to previously such as FReeZA are well-established programs with funding in 2005-06 flowing from previous years' government funding commitments. Consequently, the number of years these programs have been in operation allows time to evaluate their impact.

The Minister has advised the Committee that Victoria University has undertaken an evaluation of the first year of FReeZA Central and the findings were very positive.[226] The Minister subsequently advised that the evaluation report is currently in draft form. In addition, the advance program will be independently evaluated in 2005 after two years of operation to measure both qualitative and quantitative results.[227]

The Committee has commented elsewhere in this report, such as within the Women's Affairs portfolio, on the importance of developing a robust approach to program evaluation. The Committee has suggested this could be achieved through:

- establishing a policy of complying with international and Australasian professional standards in the conduct of evaluations. In this regard, the Committee has proposed that discussions should occur between DVC, in conjunction with other business units within the department, and the Australasian Evaluation Society;
- developing a robust program evaluation methodology at the initial program design stage rather than after the program has been operating for a number of years. This is particularly important for the early development of data

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225 Budget Paper No.2, *2003-04 Budget Statement*, pp.252–256

226 Ms J Allan, MP, Minister for Youth Affairs, 2005-06 Budget Estimates hearing, transcript of evidence, 21 June 2005, p.3

227 Ms J Allan, MP, Minister for Youth Affairs, response to the Committee's follow-up questions, received 25 July 2005, p.3

collection approaches that will assist both the ongoing monitoring of the program and the evaluation of outcomes; and

- releasing evaluation reports on departmental websites and the listing of major evaluations in annual reports to promote openness and public accountability.

This report was adopted by the Public Accounts and Estimates Committee at its meeting held on 21 November 2005 in the Legislative Council Committee Room at Parliament House, Melbourne.

APPENDIX 1: ACRONYMS AND ABBREVIATIONS

AAV	Aboriginal Affairs Victoria
ABS	Australian Bureau of Statistics
ACIP	Aged Care Innovative Pool
AFL	Australian Football League
A-IFRS	Australian equivalents to International Financial Reporting Standards
AMEC	Australian Energy Market Commission
ANZSOG	Australian and New Zealand School of Government
CALD	Culturally and Linguistically Diverse
CAV	Consumer Affairs Victoria
CBD	Central Business District
CGC	Commonwealth Grants Commission
CJP	Community Jobs Program
CMA	Catchment Management Authority
COAG	Council of Australian Governments
CPI	Consumer Price Index
CPS	Child Protection Service
CRISP	Community Regional Industry Skills Program
CRUs	Community Residential Units
CSF	Community Support Fund
CSTDA	Commonwealth State Territory Disability Agreement
DET	Department of Education and Training
DHS	Department of Human Services
DIIRD	Department of Innovation, Industry and Regional Development
DOI	Department of Infrastructure
DOJ	Department of Justice
DPC	Department of Premier and Cabinet
DPI	Department of Primary Industry
DSE	Department of Sustainability and Environment
DSL	Digital Subscriber Line
DTF	Department of Treasury and Finance
DVC	Department for Victorian Communities
EC	Exceptional Circumstances
ECIRS	Exceptional Circumstances Interest Rate Subsidy

EES	Environment Effects Statement
EFMP	Enhanced Fox Management Project
EFT	Equivalent Full Time
EPA	Environment Protection Authority
ERC	Expenditure Review Committee
ETIS	Energy Technology Innovation Strategy
GATS	Government Approved Telecommunication Suppliers
GDP	Gross Domestic Product
GSP	Gross State Product
GST	Goods and Services Tax
GVT	Growing Victoria Together
HACC	Home and Community Care
ICT	Information and Communication Technology
IRV	Industrial Relations Victoria
ISC	Index of Stream Condition
ISO	International Organisation for Standardisation
JYP	Jobs for Young People
LACP	Local Area Control Plan
LAN	Local Area Network
LEAP	Law Enforcement Assistance Program
M2006	Melbourne 2006 Commonwealth Games Corporation
MCG	Melbourne Cricket Ground
MDN	Mobile Data Network
MOPT	Melbourne and Olympic Parks Trust
MPC	Metropolitan Parks Charge
MPV	Major Projects Victoria
MSAC	Melbourne Sports and Aquatic Centre
MWI	National Water Initiative
NGV	National Gallery Victoria
NRAC	National Rural Advisory Council
OCGC	Office of Commonwealth Games Coordination
OCIO	Office of the Chief Information Officer
OECD	Organisation for Economic Cooperation and Development
PCH	PCH Melbourne Pty Ltd
PERIN	Penalty Enforcement by Registration of Infringement Notice

PISA	Programme for International Student Assessment
PV	Parks Victoria
RDV	Regional Development Victoria
RIDF	Regional Infrastructure Development Fund
SAAP	Supported Accommodation Assistance Program
SAU	State Administration Unit
SECV	State Electricity Commission of Victoria
SEITA	Southern and Eastern Integrated Transport Authority
SME	Small and Medium Enterprises
SOSE	Studies of Society and Environment
SRO	State Revenue Office
SSA	State Services Authority
STI	Science, Technology and Innovation
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TBA	To be announced/to be advised
TCS	Telecommunications Carriage Services
TEI	Total Estimated Investment
TIMSS	Trends in International Mathematics and Science Study
TPAMS	Telecommunications Purchasing and Management Strategy
VCDRC	Victorian Child Death Review Committee
VIMP	Victorian Institute for Minerals and Petroleum
VMC	Victorian Multicultural Commission
VOTS	Victorian Office Telephony Services
VPS	Victorian Public Service
VWA	Victorian WorkCover Authority
YES	Youth Employment Scheme

APPENDIX 2: LIST OF PERSONS AND DEPARTMENTS PROVIDING EVIDENCE AND RESPONSES TO THE ESTIMATES QUESTIONNAIRE

Evidence

Presiding Officers of Parliament; Portfolios: Multicultural Affairs; Veterans' Affairs; Premier

Parliamentary Departments; Department for Victorian Communities; Department of Premier and Cabinet

10 May 2005

Mrs J Maddigan, MP, Speaker of the Legislative Assembly;
Ms M Gould, MLC, President of the Legislative Council;
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.

Hon. S Bracks, MP, Minister for Multicultural Affairs and Minister for Veterans' Affairs;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Mr J MacIsaac, Director, Senior Victorians and Veterans, Department for Victorian Communities; and
Ms B Mountjouris, Director, Victorian Office of Multicultural Affairs, Department for Victorian Communities.

Hon. S Bracks, MP, Premier;
Mr T Moran, Secretary, Department for Victorian Communities;
Dr R Ben-David, Deputy Secretary, Sector Improvement; Department for Victorian Communities; and
Mr P Harmsworth, Chairman and Chief Executive Officer, State Services Authority.

Portfolios: State and Regional Development; Innovation; Treasurer; Health

Department of Innovation, Industry and Regional Development; Department of Treasury and Finance; Department of Human Services

11 May 2005

Hon. J Brumby, MP, Minister for State and Regional Development, and Minister for Innovation;
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development;
Ms J Niall, Deputy Secretary, Business Development, Department of Innovation, Industry and Regional Development; and
Mr K Murphy, Chief Executive Officer, Department of Innovation, Industry and Regional Development.

Hon. J Brumby, MP, Treasurer;
Mr I Little, Secretary; Department of Treasury and Finance;
Mr S Helgeby, Deputy Secretary, Budget and Financial Management, Department of Treasury and Finance;
Mr J Byrne, Director, Revenue Policy, Economic and Financial Policy, Department of Treasury and Finance; and

Mr R Kerr, Commissioner, Victorian Competition and Efficiency Commission, Department of Treasury and Finance.

Hon. B Pike, MP, Minister for Health;
Ms P Faulkner, Secretary, Department of Human Services;
Mr L Wallace, Executive Director, Financial and Corporate Services, Department of Human Services;
Mr S Solomon, Executive Director, Metropolitan Health and Aged Care, Department of Human Services; and
Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services.

Portfolios: Transport; Agriculture

Department of Infrastructure; Department of Primary Industries

12 May 2005

Hon. P Batchelor, MP, Minister for Transport;
Mr H Ronaldson, Secretary, Department of Infrastructure;
Dr A Smith, Deputy Secretary, Capital, Department of Infrastructure;
Mr B McDonald, Executive Director, Corporate Resources, Department of Infrastructure; and
Mr J Betts, Director, Public Transport, Department of Infrastructure; and
Mr D Anderson, Chief Executive Officer, VicRoads, Department of Infrastructure.

Hon. R Cameron, MP, Minister for Agriculture;
Mr P Harris, Secretary, Department of Primary Industries;
Mr D Seymour, Deputy Secretary, Department of Primary Industries;
Dr B Kefford, Deputy Secretary, Regional Services and Agriculture, Department of Primary Industries;
Mr S Condron, Chief Financial Officer, Department of Primary Industries
Dr P Appleford, Executive Director, Fisheries Victoria, Department of Primary Industries; and
Dr C Noble, Executive Director, Primary Industries Research Victoria, Department of Primary Industries.

Portfolios: Victorian Communities; Environment; Water; Corrections; Police and Emergency Services

Department for Victorian Communities; Department of Sustainability and Environment; Department of Justice

13 May 2005

Hon. J Thwaites, MP, Minister for Victorian Communities;
Mr Y Blacher, Secretary, Department for Victorian Communities;
Dr C Lane, Executive Director, Community Strengthening and Volunteering, Department for Victorian Communities; and
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities.

Hon. J Thwaites, MP, Minister for Environment and Minister for Water;
Mr K Love, Acting Secretary, Department of Sustainability and Environment;
Ms S Jaquinot, Acting Secretary, Department of Sustainability and Environment;
Mr A McDonald, Chief Finance Officer, Department of Sustainability and Environment; and
Mr G Wilson, Deputy Secretary, Water Sector; Department of Sustainability and Environment.

Hon. T Holding, MP, Minister for Corrections;
Ms P Armytage, Secretary, Department of Justice; and

Mr A Clayton, Executive Director, Police, Emergency Services and Corrections, Department of Justice.

Hon. T Holding, MP, Minister for Police and Emergency Services;
Chief Commissioner C Nixon, Victoria Police;
Ms P Armytage , Secretary, Department of Justice; and
Mr A Clayton, Executive Director, Police, Emergency Services and Corrections, Department of Justice.

Portfolios: Education and Training; Education Services

Department of Education and Training

16 May 2005

Hon. L Kosky, MP, Minister for Education and Training;
Ms J Allan, MP, Minister for Education Services;
Mr G Hehir, Secretary, Department of Education and Training;
Mr J Sullivan, General Manager, Strategic Policy and Planning, Office of Strategy and Review, Department of Education and Training; and
Mr J Rosewarne, Deputy Secretary, Office of Resources, Management and Strategy, Department of Education and Training.

Portfolios: Manufacturing and Export; Financial Services; Small Business

Department of Innovation, Industry and Regional Development

23 May 2005

Hon. A Haermeyer, MP, Minister for Manufacturing and Export and Minister for Financial Services;
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development;
Dr L Williams, Deputy Secretary, Business Support, Department of Innovation, Industry and Regional Development; and
Mr B Mapperson, Executive Director, Office of Service Industries, Department of Innovation, Industry and Regional Development.

Hon. A Haermeyer, MP, Minister for Small Business;
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development;
Dr L Williams, Deputy Secretary, Business Support, Department of Innovation, Industry and Regional Development; and
Mr M Brennan, Small business Commissioner, Office of the Small Business Commissioner, Department of Innovation, Industry and Regional Development.

Portfolios: Major Projects; WorkCover/TAC; Finance

Department of Infrastructure; Department of Treasury and Finance;

31 May 2005

Mr J Lenders, MLC, Minister for Major Projects;
Mr H Ronaldson, Secretary, Department of Infrastructure;
Dr A Smith, Deputy Secretary, Capital, Department of Infrastructure;
Mr B McDonald, Executive Director, Corporate Resources, Department of Infrastructure;
Mr J Cain, Executive Director, Major Projects Victoria, Department of Infrastructure; and
Mr J Tabart, Chief Executive Officer, VicUrban, Department of Infrastructure.

Mr J Lenders, MLC, Minister for WorkCover and the TAC;

Mr A Fronsko, Director, Financial Risk Management and Policy, Department of Treasury and Finance;
Mr S Grant, Chief Executive Officer, Transport Accident Commission, Department of Treasury and Finance; and
Mr G Tweedly, Chief Executive Officer, Victorian WorkCover Authority, Department of Treasury and Finance.

Mr J Lenders, MLC, Minister of Finance;
Mr I Little, Secretary, Department of Treasury and Finance;
Mr S Helgeby, Deputy Secretary, Budget and Financial Management, Department of Treasury and Finance; and
Mr W Hodgson, Deputy Secretary, Commercial Division, Department of Treasury and Finance.

Portfolios: Industrial Relations; Attorney-General; Planning; Arts; Women's Affairs

Department of Innovation, Industry and Regional Development; Department of Justice; Department of Sustainability and Environment; Department of Premier and Cabinet; Department for Victorian Communities

1 June 2005

Hon. R Hulls, MP, Minister for Industrial Relations;
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development; and
Mr B Corney, Acting Deputy Secretary, Industrial Relations Victoria, Department of Innovation, Industry and Regional Development.

Hon. R Hulls, MP, Attorney-General;
Ms P Armytage, Secretary, Department of Justice;
Ms J Griffith, Executive Director, Community Operations and Strategy, Department of Justice;
Mr J Griffin, Executive Director, Courts, Department of Justice; and
Ms E Eldridge, Executive Director, Legal and Equity, Department of Justice.

Hon. R Hulls, MP, Minister for Planning;
Professor L Neilson, Secretary, Department of Sustainability and Environment;
Ms G Overell, Deputy Secretary, Built Environment, Department of Sustainability and Environment;
Mr A McDonald, Acting Deputy Secretary, Resources and Regional Services, Department of Sustainability and Environment; and
Mr P McEwan, Executive Director, Planning Policy and Systems, Department of Sustainability and Environment.

Hon. M Delahunty, MP, Minister for the Arts;
Ms P Hutchinson; Director, Arts Victoria, Department of Premier and Cabinet;
Mr D Carmody, Deputy Director, Arts Victoria, Department of Premier and Cabinet; and
Mr G Andrews, Deputy Director, Policy and Programs, Arts Victoria, Department of Premier and Cabinet.

Hon. M Delahunty, MP, Minister for Women's Affairs;
Mr T Healy, Acting Secretary, Department for Victorian Communities;
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities; and
Ms S Quek, Assistant Director, Office of Women's Policy; Department for Victorian Communities.

Portfolios: Community Services; Children

Department of Human Services

2 June 2005

Hon. S Garbutt, MP, Minister for Community Services;
Ms P Faulkner, Secretary, Department of Human Services;
Mr A Rogers, Executive Director, Disability Services, Department of Human Services;
Ms P White, Executive Director, Operations Division, Department of Human Services; and
Mr L Wallace, Executive Director, Financial and Corporate Services, Department of Human Services.

Hon. S Garbutt, MP, Minister for Children;
Ms P Faulkner, Secretary, Department of Human Services;
Ms G Callister, Executive Director, Office for Children, Department of Human Services; and
Mr L Wallace, Executive Director, Financial and Corporate Services, Department of Human Services.

Portfolios: Local Government; Housing; Aboriginal Affairs; Aged Care

Department for Victorian Communities; Department of Human Services

3 June 2005

Ms C Broad, MLC, Minister for Local Government;
Mr T Healy, Acting Secretary, Department for Victorian Communities;
Ms P Digby, Executive Director, Local Government Victoria, Department for Victorian Communities; and
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities.

Ms C Broad, MLC, Minister for Housing;
Ms P Faulkner, Secretary, Department of Human Services;
Dr O Donald, Executive Director, Housing and Community Building Division, Department of Human Services;
Mr L Wallace, Executive Director, Financial and Corporate Services, Department of Human Services; and
Mr K Downie, Director, Strategy and Corporate Finance, Housing and Community Building Division, Department of Human Services.

Mr G Jennings, MLC, Minister for Aboriginal Affairs;
Mr T Healy, Acting Secretary, Department for Victorian Communities;
Ms A Jurjevic, Executive Director, Aboriginal Affairs Victoria, Department for Victorian Communities; and
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities.

Mr G Jennings, MLC, Minister for Aged Care;
Mr J MacIsaac, Director, Office of Senior Victorians, Department for Victorian Communities;
Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services;
Mr L Wallace, Executive Director, Financial and Corporate Services, Department of Human Services; and
Ms J Herington, Director, Aged Care, Department of Human Services.

Portfolios: Energy Industries and Resources; Sport and Recreation; Commonwealth Games

Department of Primary Industries; Department of Infrastructure; Department for Victorian Communities

8 June 2005

Hon. T Theophanous, MLC, Minister for Resources;
Mr D Seymour, Acting Secretary, Department of Primary Industries;
Dr R Aldous, Executive Director, Minerals and Petroleum Division, Department of Primary Industries; and
Mr S Condron, Chief Finance Officer, Department of Primary Industries.

Hon. T Theophanous, MLC, Minister for Energy Industries;
Mr H Ronaldson, Secretary, Department of Infrastructure;
Mr B McDonald, Executive Director, Corporate Services, Department of Infrastructure; and
Mr P Clements, Manager, Retail Markets, Energy and Security Division, Department of Infrastructure.

Hon. J Madden, MLC, Minister for Sport and Recreation;
Mr T Healy, Acting Secretary, Department for Victorian Communities;
Mr P Hertan, Executive Director, Sport and Recreation Victoria, Department for Victorian Communities; and
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities.

Mr J Madden, MLC, Minister for Commonwealth Games;
Ms M Sussex, Executive Director, Office of Commonwealth Games Coordination, Department for Victorian Communities;
Ms B Glyn, Chief Finance Officer, Office of Commonwealth Games Coordination, Department for Victorian Communities; and
Ms J Samms, Director, Office of Commonwealth Games Coordination, Department for Victorian Communities.

Portfolios: Information and Communication Technology; Consumer Affairs; Tourism; Gaming; Racing

Department of Infrastructure; Department of Premier and Cabinet; Department of Justice; Department of Innovation, Industry and Regional Development

9 June 2005

Hon. M Thomson, MLC, Minister for Information and Communication Technology;
Mr H Ronaldson, Secretary, Department of Infrastructure;
Mr B McDonald, Executive Director, Corporate Resources, Department of Infrastructure;
Mr R Straw, Executive Director, Multimedia Victoria, Department of Infrastructure; and
Ms J Treadwell, Chief Information Officer, Department of Premier and Cabinet.

Hon. M Thomson, MLC, Minister for Consumer Affairs;
Ms P Armytage, Secretary, Department of Justice; and
Dr D Cousins, Executive Director, Consumer Affairs Victoria, Department of Justice.

Hon. J Pandazopoulos, MP, Minister for Tourism;
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development; and
Ms L Appleby, Chief Executive Officer, Tourism Victoria, Department of Innovation, Industry and Regional Development.

Hon. J Pandazopoulos, MP, Minister for Gaming and Minister for Racing;
Ms P Armytage, Secretary, Department of Justice; and
Mr R Kennedy, Executive Director, Office of Gaming and Racing, Department of Justice.

Portfolios: Employment and Youth Affairs

Department for Victorian Communities

21 June 2005

Hon. J Allan, MP, Minister for Employment;
Mr T Healy, Deputy Secretary, Department for Victorian Communities;
Ms E Jensen, Executive Director, Employment Programs, Department for Victorian Communities; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

Hon. J Allan, MP, Minister for Youth Affairs;
Mr T Healy, Deputy Secretary, Department for Victorian Communities;
Ms L Healy, Director, Office for Youth, Department for Victorian Communities; and
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities.

Responses received to the Committee estimates questionnaire

Parliamentary Departments

Department of Education and Training

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