PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

SEVENTIETH REPORT TO THE PARLIAMENT

REPORT ON THE 2006-07 BUDGET ESTIMATES

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Parliament of Victoria

Public Accounts and Estimates Committee

Report on the 2006-07 Budget Estimates

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
MEMBERSHIP – 55TH PARLIAMENT

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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

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

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Assistant Executive Officer:	Ms J Nathan Ms F Essaber (Acting Assistant Executive Officer from 29 July 2006 to 11 September 2006)
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Specialist Advisors:	Mr T Wood Mr J Manders (from 23 May 2006 to 14 September 2006)
Office Manager:	Ms K Taylor

DUTIES OF THE COMMITTEE

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

The Committee comprises 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.
Appropriation	Monies appropriated by Parliament to departments for a particular purpose, usually to pay for the ordinary annual services of government.
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.
Basis point	A basis point in $1/100^{th}$ of 1 per cent or 0.01 per cent
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 (including Commonwealth grants, taxes, imposts, rates, duties and other revenues) 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.
General purpose grants	These grants are untied in that the Commonwealth Government does not specify how the money should be spent.
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	Product or service that departments/agencies produce or deliver.
Output group	A grouping of individual outputs that contribute to a common outcome, for the purposes of budgeting and reporting.

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.
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.
Royal assent	The approval, by a representative of the Crown, of a bill passed by the House and the Senate, making it into an Act of Parliament.
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.
Triple bottom line	Measuring and reporting performance against economic, social and environmental parameters.
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

Scrutiny of the budget estimates is a key element of Parliament's role in strengthening political and administrative accountability.

Ministers are responsible for the outputs and outcomes outlined for their portfolios in the Budget Papers. By attending estimates hearings with their senior officials and answering questions on a wide range of financial and performance issues relating to government services and programs, a great deal of information is placed on the public record on which judgements can be made.

Traditionally, the Committee's review of the budget estimates is a significant and challenging activity but this year the process has been compounded by the Parliament's sitting pattern which meant that several hearings had to be held while the Parliament was meeting and the need to finalise this report before the Parliament was prorogued for the November election. From the first estimates hearing with the Premier to the presentation of this report has taken three months. During this time the Committee has taken evidence from 177 witnesses and reviewed thousands of pages of transcripts and supplementary evidence from Ministers and Departments.

Our review highlights the changing nature of Victoria's public service as it evolves with more innovative ways to deliver government programs, whole of government approaches, the growing convergence of the public and private sectors, and the adoption of new technologies. This increasingly complex and demanding environment, poses many challenges for departments and agencies. It is also challenging for this Committee to be able to scrutinise and report on the billions of dollars that the government is spending on providing services to the Victorian community.

While Victoria has a strong tradition of transparent and high quality budget reporting, scope remains for improvements as highlighted in this report and in previous reports of the Committee including Report no. 64 – *Report on the review of the Auditor-General's report on Parliamentary control and management of appropriations*.

On several occasions the Committee experienced long delays in obtaining information from some departments and despite repeated requests, there were occasions where certain departments declined to provide specific information to the Committee. The Committee would expect this matter to be addressed by future governments.

I thank my colleagues on the Committee for their efforts in reviewing the 2006-07 budget estimates and finalising this report.

On the Committee's behalf I thank the Executive Officer, Ms Michele Cornwell and the professional and very dedicated PAEC secretariat for their extraordinary efforts in assisting the Committee to complete the review of the 2006-07 budget estimates in such a short timeframe.

Given PAEC's statutory responsibilities, its staffing is comparatively modest and should be reassessed early in the next Parliament.

It is my sincere hope that the 98 recommendations contained in this report – which are primarily concerned with improving transparency in relation to financial and performance information – which is one of the fundamental building blocks of good governance – will be accepted by government. I commend our report for your consideration.

Hon. Christine Campbell, MP

Chair

EXECUTIVE SUMMARY

Chapter 1: Introduction

The Victorian Government introduces Appropriation Bills into Parliament each year, seeking approval to spend money from the Consolidated Fund for the ordinary annual services of government and for the operation of Parliament. In June 2006, the *Appropriation (2006/2007) Act* 2006 and the *Appropriation (Parliament 2006/2007) Act* 2006 received Royal Assent, enabling the government to appropriate $26,862.6 million; $26,774.7 million will fund the activities of the ten government departments, and $87.9 million will fund various parliamentary activities.

The budget papers also detail expenditure that does not require annual parliamentary approval. For 2006-07, this additional expenditure includes:

- special appropriations of $1,542.9 million;
- agency revenue credited to appropriations of $2,076.8 million; and
- funding of $371.9 million carried over from 2005-06.

To review the 2006-07 budget estimates, the Committee held public hearings during June and July 2006 with the Premier and each Minister, and the Presiding Officers of the Victorian Parliament.

Chapter 2: Government response to the Public Accounts and Estimates Committee Report on the 2005-06 Budget Estimates

Of the 208 recommendations contained in the Committee's *Report on the 2005-06 Budget Estimates*, 81 were accepted by government, 29 were accepted in part, 65 were accepted in principle, eight are under review and 25 were rejected. The Committee has paid particular attention to those recommendations rejected by government and examined the rationale for not accepting them, given their primary aim is to enable more effective monitoring of department/agency performance and enhancing accountability.

The proportion of the Committee's recommendations rejected by government increased from 6 per cent in the *Report on the 2003-04 Budget Estimates*, (five of 81 recommendations) to 14 per cent in the *Report on the 2004-05 Budget Estimates*, (25 of 177), and reduced marginally to 12 per cent in relation to the *Report on the 2005-06 Budget Estimates* (25 of 208). The Committee has identified four recommendations from the 2005-06 report, where it maintains that benefits would be derived from government revisiting these issues.

Chapter 3: Budget overview

The government's fiscal strategy is to maintain a minimum $100 million operating surplus to allow for unforseen circumstances and provide budget flexibility. In line with this strategy, the government expects to achieve a budget surplus of $317 million in 2006-07 and surpluses averaging $316 million over the next three years.

The 2006-07 budget provides for the delivery of an infrastructure investment program of $3.6 billion. This provision is in addition to infrastructure investments of $1.3 billion announced in the government's *2005-06 Budget Update*.

About 60 per cent of the infrastructure investment program is expected to be financed by cash operating surpluses in the four years from 2006-07. The remainder will be funded from general government net debt, which is projected to increase from $2 billion at June 2006 to $7.1 billion at June 2010. As a percentage of gross state product, net debt is expected to be 2.5 per cent by 2009-10, compared with 0.9 per cent at June 2006 and 3.1 per cent in 1999. The government regards the projected rising levels of net debt as low by historical and international standards.

State revenue in 2006-07 is estimated to rise by 4 per cent to $32.4 billion. The revenue growth is principally attributable to increases in Commonwealth specific purpose and general purpose grants, and taxation. State expenditure is projected to increase by 4.5 per cent to $32.1 billion. Outlays associated with employee benefits will continue to be the highest expense item at an estimated $12 billion, approximately 37.4 per cent of total operating costs.

The *Appropriation (2006/2007) Act* 2006 includes an amount of $482 million – up from an equivalent provision of $281.2 million in 2005-06 – as an advance to the Treasurer to meet urgent claims that may arise before Parliament's approval is obtained.

Two external rating agencies have confirmed Victoria's triple-A credit rating.

The budget papers forecast Victorian economic growth in 2006-07 to improve to 3.25 per cent up from 2.5 per cent in 2005-06 as growth in consumer spending recovers along with an emerging improvement in net exports.

The budget papers state that Victoria faces several challenges to sustained economic growth, including the effect of high petrol prices, the impact of the Reserve Bank of Australia's (RBA) May 2006 interest rate rise, the effects of the minerals commodity price boom on non-mineral exporters and import-competing businesses in Victoria, and the impact of population ageing and a slow-down in productivity growth. The budget papers also identify upside risks to inflation as higher than expected oil prices, stronger labour demand resulting in wage pressures, and any substantial depreciation in the Australian dollar.

The Committee considers it will be important for the government to closely monitor the collective impact of the May and August 2006 RBA decisions and possible further interest rate increases on its short to medium term economic projections.

The government considers the key to meeting prevailing economic challenges is to boost productivity and labour force participation. Measures announced in the 2006-07 budget are aimed at improving the business environment, increasing infrastructure investment, raising investment in human capital, and promoting innovation and research and development.

The state's most significant liability is unfunded superannuation. After falling by $2.8 billion in 2005-06 (primarily because of strong equity returns on investments), the liability is expected to increase by $600 million to $13.1 billion in 2006-07, as accrued liabilities grow faster than assets.

The budget papers indicate that between 2000-01 and 2004-05, the government made payments of $4,675 million compared with the $3,185 million required under the original full-funding framework, and at 30 June 2006, it will be ahead of the original payment schedule by about $1,167 million.

Chapter 4: Security expenditure, advertising and promotional expenditure and departmental housing

Since the early part of this decade, the government has increasingly focused on preventing any terrorism-related activity on government infrastructure. With an increased emphasis on security, the Committee was interested in the expenditure allocated by government departments to security since 2002-03.

Security expenditure by government departments has grown 440 per cent between 2002-03 and 2005-06, from $7 million to $37.8 million, although this figure does not include security expenditure for the Commonwealth Games. Details of security expenditure for the Commonwealth Games was not provided to the Committee at the time of tabling this report, as the final report on the Commonwealth Games, including the final costs for security, was still being prepared. Budgeted expenditure for the Department for Victorian Communities for 2005-06, which included the Commonwealth Games, was $105.4 million.

Departments spend part of their annual budget allocation each year on advertising and promotion. The government requires all departments, and some agencies, to comply with Victorian Government Purchasing Board whole of government contract guidelines.

Expenditure by government departments (excluding the Department of Treasury and Finance and Parliamentary departments) was $124.3 million between 2003-04 and 2005-06, although last quarter expenditure for 2005-06 has not been included, because this information was not provided by the time this report was tabled.

All departments reported that they complied with the whole of government advertising and communications guidelines.

Government departments have historically provided housing for their employees, primarily as a way to attract employees to remote areas, or where appropriate private housing was either limited or unavailable.

Of the ten departments, only four currently have employee housing. Departments currently maintain 356 properties for employee use. The properties are valued at $28 million and generate annual rental income of $1.1 million.

The Committee is aware that Victoria Police, an agency of the Department of Justice, also maintains departmental housing for its sworn officers, but this information was not provided to the Committee.

Chapter 5: National Reform Agenda and Financial Management Compliance Framework

The Council of Australian Governments adopted a National Reform Agenda in February 2006. The Council of Australian Governments endorsed the National Reform Agenda in February 2006. The National Reform Agenda aims to raise the living standards of Australians by lifting productivity and workforce participation; it intends to achieve this by focusing on three key areas – human capital, competition and regulatory reform.

In July 2006, COAG reaffirmed its commitment to the National Reform Agenda and will now focus on specific reform proposals for consideration at its next meeting. The Council of Australian Governments also agreed that the Commonwealth Government would fund states and territories on a case-by-case basis, if required, to ensure the respective governments share the costs and benefits of reform. The funding will be available once the states and territories have developed specific implementation plans.

Most departments informed the Committee that they were participating in the National Reform Agenda, although the extent of participation varied. Primarily, departmental participation involves representation on various working groups and committees, working with other Victorian Government departments, and developing programs and initiatives that meet the objectives of the National Reform Agenda. None of the ten departments has allocated any funding to the National Reform Agenda for 2006-07.

The government introduced the Financial Management Compliance Framework (FMCF) in 2003 as part of broader financial management reforms for Victorian public sector agencies. The framework provides a mechanism for agencies to monitor and review compliance with legislative and regulatory financial management. The mandatory framework involves a three-tier reporting regime.

The Committee is pleased that the majority of departments identified benefits flowing from the framework and had verification processes in place. Most departments are using the services of independent auditors to provide assurance and most reported having formal training programs to ensure compliance.

The Committee observed that, although the policy framework required the Department of Treasury and Finance to monitor and report on the financial management obligations of public sector entities as part of discharging the accountability responsibilities of the Minister for Finance to Parliament, the department refuses to prepare a report to Parliament on the implementation of the financial management compliance framework on the basis there is no legislative requirement.

Chapter 6: Parliamentary departments

The output allocation of the parliamentary departments for 2006-07 is $89.1 million, an increase of $7.6 million (9.3 per cent) on the estimated actual result for 2005-06. The increase primarily relates to funding for the November 2006 state election and the relocation of the Department of Parliamentary Services and the parliamentary investigatory committees to 55 St Andrews Place. The parliamentary departments plan to carry over $1.4 million in output funding from 2005-06 to 2006-07.

Chapter 7: Department of Education and Training

The Department of Education and Training output budget allocation for 2006-07 is $7,633.6 million, an increase of $359 million (4.9 per cent) from the estimated actual outcome for 2005-06.

The department anticipates it will carry forward output funding of $36.7 million from 2005-06 to 2006-07. This carry forward is largely attributed to a delay in the whole of government procurement of the wide area network ($10 million); the carry forward of funding for the Language Other Than English Program, which is funded on a calendar year basis ($5.6 million); a delay in the implementation of the Leading Schools Fund Program ($2.8 million); and delays in the development of the international education branding ($2 million).

Teaching staff is expected to increase from 40,350 at June 2006 to 40,480 equivalent full-time positions at June 2007, a net increase of 130 positions. School services officer positions are also expected to increase from 10,040 at June 2006 to 10,070 at June 2007, an increase of 30 equivalent full-time positions.

The department advised that there were difficulties in recruiting teachers to some geographic and subject areas. Affected geographic areas include Victoria's far west and north, and growth areas on Melbourne's urban fringe. Hard-to-fill subject areas include mathematics, physics, chemistry, general science, technology studies,

information technology, special education, music and languages such as Indonesian, French, Italian, German and Japanese.

The department identified that in the three years to 2009, there will not be enough secondary trained graduate teachers to meet demand. Factors contributing to this shortfall include insufficient secondary teacher education places in Victorian universities, insufficient applicants for some subject disciplines, changes in student enrolment patterns resulting in progressively larger groups of secondary students, and an ageing secondary teacher workforce. This shortfall is expected to be addressed through recruitment from interstate, from teachers returning to teaching, and from the continuation of targeted teacher supply initiatives.

The 2004 results for years 3, 5 and 7 literacy and numeracy achievements show that Victorian students were above the national benchmark in year 7 reading; years 3 and 7 writing; and numeracy in all three years of schooling. However, the results for reading in years 3 and 5; and writing in year 5 were not above the national benchmark. In addition to existing initiatives, the department advised that the 2006-07 budget committed funding of $11.6 million over three years to the Literacy Improvement Teams initiative to improve student literacy in years 3 to 8 and this funding provides for the engagement of literacy specialists.

The 2006-07 budget also provided further funding of $24.1 million over two years to the Schools for Innovation and Excellence initiative to continue to develop innovative curriculum and programs to improve student participation and achievement in years 5 to 9. This initiative is a continuation of a previous initiative which was implemented in three phases; phase 1 was evaluated in 2005. The evaluation results showed the initiative had a positive impact on student outcomes, demonstrated by improvements in students' literacy and numeracy performance levels and students' engagement with school.

In 2005, 85 per cent of students completed year 12 or an equivalent educational qualification. The government established a target that by 2010, the completion rate would be 90 per cent. The Committee was advised that the strategies proposed in 2006-07 and beyond to meet this target include: the introduction of the Youth Transition Support initiative, the Guaranteed Place in TAFE/Public Provider initiative, and funding for 4,500 pre-apprenticeship places.

The 2006-07 budget announced further funding of $47.4 million to continue the Victorian Certificate of Applied Learning (VCAL). Since its trial in 2002, the program has recorded significant growth in enrolments, with an average annual growth of 42 per cent and an increase in VCAL providers. For the 2006 calendar year, new performance indicators were established to measure the future success of this program.

The department is responsible for the delivery of $149.2 million of output initiatives identified in the statement, *Maintaining the Advantage: Skilled Victorians*, to address skills shortages in Victoria. According to the 2006-07 budget, funding for most of the

initiatives would occur over four years. The Committee has suggested that the department release a mid-term report on the implementation of this skills statement.

Progress on the New and Replacement Schools initiative announced in the 2005-06 budget was behind schedule according to expenditure, the budgeted expenditure in 2005-06 was $47 million compared with expenditure of $25.9 million. The delay was attributed to implementation issues associated with 11 schools.

School capital works and maintenance received a significant funding boost of $150 million from the $600 million Building Tomorrow's Schools Today Fund. The Committee was advised that projects funded from the $150 million will proceed as scheduled. Projects to be funded from the remaining $450 million in this fund will be provided for in future budgets over a longer timeframe.

During the 2004-05 Budget Outcomes inquiry, the Committee asked the department to provide details of outstanding school maintenance requirements, including information on a regional basis. The Committee was not provided with the requested information because maintenance was managed at the school level and information at a regional level is not collated by the department. During the current budget estimates inquiry, the Committee again asked for information the department used to determine school maintenance priorities. The Committee was not provided with the requested information.

The Committee was advised that the total amount available for school maintenance for 2005-06 was $100 million. This includes the $50 million from the Building Better Schools Tomorrow Fund, the annual $34 million maintenance funding that is in schools budget and an additional $16 million from internal reprioritisation for toilet maintenance. Unfortunately, the Committee was unable to determine the adequacy of funding for future maintenance needs, without further information from the latest school maintenance audit.

Funding for the program for students with disabilities ($397.6 million in 2006-07) includes $54.9 million of additional funding to support an estimated 4 per cent growth within the program, an increase in consumer price index and indexation. Funding from this program is provided to government schools on an individual student allocation basis and through the Language Support Program.

In 2006, 16,671 equivalent full-time students were funded on an individual funding allocation basis under the Students with Disabilities Program. Students were funded under seven categories.

The Minister advised the Committee of a trial to outsource the assessment process for students with disabilities in order to achieve consistent assessment results across the state. This trial is expected to be completed in the latter part of 2006.

Chapter 8: Department of Human Services

The Department of Human Services' output budget allocation for 2006-07 is $11,583.0 million, an increase of $710.4 million (6.5 per cent) on the estimated actual result of $10,872.6 million for 2005-06.

The department estimates it will carry forward output funding of $31.4 million and $90 million for capital funding from 2005-06 to 2006-07. The output funding relates to activities where implementation was delayed and/or where Commonwealth funding was ahead of program requirements. Revisions to the cash flow forecast of the Asset Investment Program was the reason for the carry over of funding for asset initiatives.

The department indicated that there would only be a marginal increase in the actual equivalent full-time staff at 30 April 2006 of 11,339 compared to the staffing profile at 30 June 2005 of 11,093. Unlike most other departments, estimates of staffing levels for 2006-07 were not provided by the department. In line with government policy, however, the department indicated that staffing levels would be adjusted to meet service delivery and associated support requirements as the need arises.

In implementing a range of initiatives designed to remedy workforce shortages, the Minister informed the Committee that Victoria was succeeding in recruiting and retaining the nurses and doctors needed to meet the increasing demand. Over the past seven years, 30 June 1999 to 30 June 2005, the doctor workforce has grown by almost 1,400 or 33 per cent, as well the public nurse workforce has increased by 6,473 or 31 per cent.

The Committee noted that the extraordinary growth in the relative proportion of older members of the community in the coming years will place significant demands on Victoria's aged care sector and the state budget well into the future.

While Victoria continues to fully match Commonwealth funding for home and community care in this year's budget, it also provided $55 million of state-only money above the matching requirement. This brought total funding for the home and community care program to $440 million from both governments.

Elder abuse is estimated to affect about 20,000 Victorians each year. Over four years, $5.98 million will be targeted at supporting the department's approach to addressing the issue of elder abuse in the community. This approach is based on the premise that all older people who have been abused, or who are at risk of suffering abuse, have access to someone in their local community such as community legal centres or legal aid offices who can assist them.

The Committee was pleased that the government allocated $4.8 million in the 2006-07 budget to fund an Aged Care Land Bank pilot program. This program aims to encourage additional high-care residential aged care beds to be provided in the inner metropolitan suburbs of Melbourne. This initiative will provide not-for-profit aged care providers with access to surplus government land at concessional prices.

The government, through community service organisations, provides home-based care, including foster care, to children unable to live at home due to risk of abuse or neglect. Victoria is losing about 200 carers each year, with the number of carers falling from about 3,250 five years ago, to 2,267 in 2005.

The Committee considers the Office for Children should closely monitor implementation of the various initiatives underway to strengthen the foster care system, including the planned recruitment drive for foster carers. The Office should also ensure that relevant information is available to Parliament on the effectiveness of the initiatives.

The department has identified the key aspects of health, wellbeing, learning, development and safety as essential to the future of children, and has developed an outcomes framework to guide the setting of objectives and planning across the whole of government. This outcomes framework is being used by the department to frame the collection of baseline data and longer term projections that will be developed as the outcomes of the government's reform initiatives are evaluated.

While the evaluation of the department's Support and Choice initiative revealed it had a significant impact for some participants and their families, the early stage of implementation meant that most of the feedback from participants related to process as opposed to short and long term outcomes. The Committee considers that an evaluation of the outcomes from this initiative needs to be undertaken including a comprehensive survey of participants.

The Committee found that although 379 carers of those people on the four year waiting list for shared supported accommodation are over the age of 65, according to the Minister there is a range of support services other than this form of accommodation. In 2005-06, 300 of the 1,500 Support and Choice packages were targeted to older people with a disability and older carers.

Under a new program aimed at reducing the number of younger people with disabilities in residential aged care, the provision of $60.2 million over five years from 1 July of this year will comprise equal state and Commonwealth funding. Initially, the priority will be for people aged less than 50 years, and in the opinion of the Minister, that obviously *'leaves a big question mark for those over 50 years of age'*. The Committee learnt that Victoria was at the stage of negotiating for the bilateral agreement to address a range of issues, including programs for those people with a disability, over the age of 50 and accommodated in residential aged care facilities.

A system whereby payments are made directly to the person with a disability to enable them to choose, arrange and purchase their own supports without going through a disability agency or a broker is under examination by the department. The Committee was advised that an evaluation of the six-month trial in the southern metropolitan region, which commenced in January 2006, would be undertaken at the conclusion of the project.

The Committee was also advised that the Disability Housing Trust would initiate an expression of interest process by 30 July 2006 to identify opportunities for capital project development and partnerships with a range of investors to develop new housing opportunities. Regarding the future operation of the Trust, the Committee considers the budget papers need to include details of performance measures that address the number of people with a disability to be accommodated by the Trust over successive years.

Although public hospital funding in Victoria increased substantially between June 2000 and June 2005, the number of public hospital beds in Victoria declined from 12,162 to 11,946 (a reduction of 1.8 per cent), and the total number of beds nationally increased by 4 per cent. The Minister informed the Committee that additional capacity has been created in the public hospital system, because many categories of beds and service, such as, same day hospitalisations, medi-hotels and hospital in the home care, are not included in the bed data. The Minister also indicated that people who only focus on hospital beds fail to understand the nature of health care delivery in a contemporary health system and that what counts is the health outcome that people receive.

The Committee was told that twelve chronic diseases make up 43 per cent of the burden of disease, 50 per cent of the underlying causes of death, 17 per cent of hospital admissions for over three days and 22 per cent of hospital costs. To assess the impact of government funding allocated to address the preventable component of these statistics, (for example, the Hospital Administration Risk Program Chronic Disease Management funding of $47.1 million to 21 health services in 2005-06), the Committee considers an evaluative and outcome reporting framework directed at the modifiable risk factors influenced by lifestyle choices (for example, high blood pressure, physical inactivity, poor diet and alcohol misuse) should be introduced by the department. In the opinion of the Committee, the development of such a model is essential, given the government's emphasis on achieving health outcomes in preference to the provision of hospital beds.

The government expected that 75 per cent of semi-urgent (Category 2) patients would be admitted to Victorian public hospitals within 90 days, (13 weeks), in 2005-06 compared to its target of 80 per cent.

With an expected outcome of 75 per cent, the government's target for 80 per cent of emergency patients to be admitted to a hospital bed within 8 hours was not met during 2005-06. A range of positive measures has been taken by the department to address this situation.

It has taken a year for the department to divulge to the Committee that the $458,000 information program connected with the launch and promotion of the Austin and Mercy complex was met by the department incurring $32,000 directly and by providing a grant of $215,000 to the Austin Hospital, with the remaining $211,000 met from hospital funds.

For the 44 new or existing asset investment projects in excess of $10 million in the Health portfolio during 2005-06, delays in 13 projects resulted in revisions having to be made to the expected completion dates. Explanations for these extensions centred on unforseen factors, extended administrative procedures and changes to project scope.

No improvement has been achieved in reducing the staff vacancy rates in community dental clinics located in rural Victoria. Rural areas experienced a vacancy rate of 31 per cent at March 2005, the rate for March 2006 was 32 per cent. The department has employed a number of strategies to address this issue.

At 30 June 2006, the number of public housing applicants waiting for the Office of Housing to accommodate them was 34,930. Of this total, 4,628 were applicants for early housing, (those most in need), and 30,302 were applicants on the wait-turn waiting list, those with less urgent needs. The number of applicants waiting for public housing has decreased by 2,641 since 2000-01, while the number of new applications has also decreased.

Ensuring the Office of Housing can meet the short, medium and long-term housing needs of eligible Victorians requires a sufficient stock of social housing. Social housing includes direct tenure public rental housing, Aboriginal Housing Board of Victoria housing, and community-managed rental housing. At 30 June 2006, the total estimated number of Office of Housing funded social housing stock was 77,163. Social housing stock has increased from 74,773 in 2000-01 to 77,163 in 2005-06. This represents an increase 3.1 per cent over the period.

In 2002, the Department of Treasury and Finance approved a business case and $42 million in funding for the Office of Housing to develop a new management information system. The cost of the contract was estimated at $20 million. The proposed system, called the Housing Integrated Information Program (HiiP), was intended to improve the way the Office manages its properties, reduce paperwork and increase business processes.

Implementation of stage one did not occur until March 2006, approximately two and a half years later than the planned implementation date. The contractor was then requested to remediate performance and design issues that became evident upon implementation. On 30 June 2006, the Office terminated the contract. The contractor repaid $13 million, and contributed $13 million to the further development of the remaining stages, and to remediation work on stage one.

The Committee is pleased that the Office of Housing has taken appropriate action after these extensive delays, and has recovered $26 million from the contractor. The Committee is concerned, however, that it took so long for the Office to take action. With none of the modules implemented by the project completion date, the risks of project non-completion or significant overruns should have been evident in August 2004, and acted on with greater speed.

Chapter 9: Department of Infrastructure

The Department of Infrastructure's budget output allocation for 2006-07 is $3,780.5 million, an increase of $323.1 million (9.3 per cent) on the estimated actual result for 2005-06. The increase is due to a combination of new initiatives, increased funding and increases in capital charges relating to rail asset investment.

The department plans to carry forward $163.8 million of funding from 2005-06 into 2006-07. This includes $21.7 million (13.2 per cent) for output purposes and $142.1 million (86.8 per cent) for capital purposes. The department is carrying forward significantly greater funds into 2006-07 than those carried forward from 2004-05 to 2005-06, ($24.1 million). The value of funds carried forward into 2006-07 represents an increase of 579 per cent on the value of funds the department carried forward into 2005-06. Rail projects are the main contributor to this increase.

A major challenge for the energy portfolio is attracting sufficient investment in power generation. In fact, the Minister for Energy Resources advised the Committee that improving investor certainty is a significant issue in the medium term. The Minister brought to the Committee's attention that an additional 1,725 megawatts of new capacity had been made possible since 1999. Given the establishment of a National Emissions Trading Task Force and the work underway at a state level for the possible introduction of a national emissions trading scheme, future developments will need to be monitored.

The government considers the best technology at the moment for saving greenhouse gas emissions is renewable energy. The Committee was advised by the Minister that the current level of renewable energy in Victoria of 4 per cent of total consumption is lower than the Australian average of 10 per cent and the Victorian target of 10 per cent. The Committee was interested in the Minister's view about how the decision by the Federal Government not to expand the mandatory renewable energy target has affected investment in renewable energy in Victoria. The Minister indicated that so far as Victoria is concerned, no wind energy facility will take up the mandatory renewable energy scheme in future.

A number of strategies to achieve efficiencies are in place. According to the Minister, the government is on target to reduce its energy consumption by 15 per cent.

Funding of $4.6 million has been allocated over the next two years, $2.3 million in 2006-07, to assist consumers experiencing financial difficulties in meeting their energy bills. The government has also been able to negotiate an agreement with the energy retailers, who will provide a special hardship contribution of $9.6 million over two years to fund a variety of programs associated with financial hardship. The Committee understands that around 12,000 consumers pass through current retailer hardship programs over the course of a year.

In its *Report on the 2005-06 Budget Estimates*, the Committee reported that the rollout of the Telecommunications Purchasing and Management Strategy will be fully implemented in 2005-06. The Committee now notes that the 2005-06 timeline has been shifted to 2006-07 to accommodate the rollout of the fibre option broadband initiative to schools and the change to the completion timeframe for Project Rosetta. Capital expenditure of $6.5 million has been moved from 2005-06 to 2006-07 to facilitate these changes.

The original budget for the Telecommunications Purchasing and Management Strategy was $47.7 million. The project budget managed by the department was $43.3 million and at the 2006-07 budget estimates hearing, the Minister for Information and Communication Technology advised of a revision to the project budget to $18.8 million. The Committee was advised this was due to a change in the accounting treatment of the project's expenditure following the decision to use the funding to procure ICT services instead of the original purpose to develop physical ICT assets. The Committee was first advised of this accounting treatment review during the 2005-06 budget estimates inquiry and notes that the review only took place towards the end of the life of the project (that is, during the 2004-05 fiscal year) and backdated adjustments were made to the 2002-03 and 2003-04 project costs as a result of this review.

At 31 May 2006, Major Projects Victoria was managing 14 projects, with a combined value of $3.1 billion. The government's contribution to these projects is $1.6 billion. Major Projects Victoria expects to complete the majority of projects within the original expected completion dates. Six projects have had their timelines revised from between six to 26 months.

In May 2004, the Victorian Government announced the assessment of Crown land near Nowingi in Victoria's north-west, to manage solid prescribed industrial wastes that cannot otherwise be avoided, reused or recycled. The government expected that it would be able to commence the process to appoint an operator for the long-term containment facility in June 2005. The scheduled completion date for the facility is now June 2007.

In May 2006, the government released a ten year, $10.5 billion action plan, *Meeting Our Transport Challenges,* outlining a 25 year vision for the state's transport network and funding for the first ten years. The plan contains high level descriptions of ten categories of works to be undertaken within each action, together with broad commencement timelines ranging from 2006-07 to 2011-12. For most actions, the plan also envisages future unquantified investments and recurrent expenditure beyond the ten year funding period through to 2017-30.

The plan identifies that the injection of $10.5 billion over the next ten years will comprise an $8.8 billion investment in new transport projects and $1.7 billion to fund recurrent costs. The 2006-07 budget papers state that the $8.8 billion investment in new projects will come from a new budget funded $5.9 billion *Meeting Our Transport Challenges Reserve,* from the Better Roads Victoria program to fund metropolitan and

regional arterial road projects ($2.2 billion), from the Transport Accident Commission to extend the Safer Roads Infrastructure Program ($597 million) and from VicTrack to improve safety at level crossings ($41 million). The new reserve will be established as a specific budget provision to ensure that sufficient funds are set aside for projects.

While many projects have been fully developed and costed, the remainder are undergoing rigorous scoping, costing and stakeholder consultation. About 74.3 per cent ($1,222.4 million) of the plan's estimated recurrent costs and 77 per cent ($4,536.9 million) of its expected asset investments have not yet been allocated as budget commitments to particular years. Future budgets will, therefore, determine the spread of related project funding under the plan over the ten year period to 2015-16.

The Committee considers that the size of the *Meeting Our Transport Challenges* plan with its expected cost of $10.5 billion over a decade and the breadth of project activity across Victoria's transport network, warrants the government establishing a strong accountability framework during its implementation. Regular and informative reporting to Parliament on progress against planned actions and the achievement of identified outcomes should be integral to such a framework.

The new integrated public transport ticketing solution, which is based on Smartcard technology, will be rolled out from 2007. The installation of equipment for the project will commence from March 2007 and be followed by a pilot exercise. Funding allocated to the project to date totals $446.4 million.

A member of the group contracted to deliver the new ticketing system has signalled deterioration in its expected financial result for 2005-06. This member has been engaged to manage the installation and maintenance of the new system's fare collection equipment, but does not provide the equipment. The Committee considers it will be very important for the department to closely monitor this aspect of the project to ensure there are no adverse consequences likely to affect the cost and timeliness of delivering the new system.

In several past reports, the Committee commented on the progress of the Regional Fast Rail project against initial and revised cost and time targets. Fast rail services commenced in early September 2006 on the Ballarat, Bendigo and Geelong lines. Services on the Latrobe line are now scheduled to commence later in 2006.

The project is expected to be finalised soon and become fully operational. The Committee considers the department should ensure a sound framework is in place for tracking and reporting to Parliament the economic and social benefits accruing to the community, highlighting the return on the project's capital investment.

The investigative resources of the department's Victorian Taxi Directorate have been expanded to manage an increasing number of complaints against taxi drivers, although the number of complaints received is very small relative to the annual number of passenger trips. The Directorate has taken action to improve the timeliness of its investigations.

Chapter 10: Department of Innovation, Industry and Regional Development

The Department of Innovation, Industry and Regional Development's output budget allocation for 2006-07 is $433.2 million, an increase of $35 million (8.8 per cent) from the estimated actual expenditure for 2005-06.

The department advised it will carry over $9 million in output funding from 2005-06 to 2006-07. This is largely attributed to grant recipients not meeting their targets in line with payment schedules, delays in the commencement of new projects, and delays in finalising grant contracts.

The government released the financial services action plan, Investing in Victoria's Future in May 2004, to further develop the financial services sector in Victoria. At 30 June 2006, 27 of the 29 initiatives had been implemented and the action plan is anticipated to be fully implemented in 2006-07.

The Committee was advised that an assessment of the success of the action plan will be conducted after it is fully implemented. The Committee has suggested that the results of this review be publicly released.

The Office of the Workplace Rights Advocate commenced operation in March 2006, with funding of $8.8 million over four years.

The government launched its life science statement, *Healthy Futures,* in April 2006. This statement included a $230 million package to strengthen Victoria's world-class medical research facilities, to improve the health of Victorians and to create new industries and jobs. This funding may also lead to close to three quarters of a billion dollars of additional investment in the life sciences sector.

The government released the *Opening Doors to Exports* Strategy in 2004. The strategy set targets to increase the value of exports and the number of exporters by 2010. Specifically, the government aims to achieve $30 billion in exports and a doubling in the number of exporters by 2010. The department has now abandoned the target of doubling the number of exporters by 2010, instead adopting the target of 'increasing the number of exporters'.

The Committee is concerned that the department had not acknowledged the new targets until the Committee queried them at the 2006-07 estimates hearings. The new targets represent a significant shift from the original policy, and the Committee therefore considers the department should have acknowledged this at the time the changes were made.

In the *Report on the 2004-05 Budget Outcomes*, the Committee commented on the government's new supplementary agreements with the private operator of the Docklands Film and Television Studios and that it will continue its assessment of these arrangements in this budget estimates inquiry. The new arrangements were

effected to enable the private operator to expand the studios to remain viable in the challenging environment currently faced by the television and film industry.

Under the supplementary agreements the government acts as the guarantor of the studio operator's new $14.5 million loan. Further concessions on the government and the operator's initial agreement in 2002 were also negotiated, such that the government extended the period for the operator's repayment of the initial $31.5 million loan and the timing for the construction of the deferred sound stage and the development of the commercial area supporting the studio complex were also further extended to 31 December 2006. The Committee has not examined in detail the Auditor-General's recent report on the studios. The Committee suggested that the department report on the financial position and ongoing viability of the studios in its 2006-07 annual report to Parliament.

The provincial Victoria action plan, Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest, established the $100 million Provincial Victoria Growth Fund. There were no high level performance indicators and targets established for the key result areas to be achieved by the fund. Instead, the Committee was advised that as the Fund comprises a range of initiatives, specific performance measures and targets will be established for these initiatives.

In previous inquiries, the Committee commented on the frequent rephasing of payments from the Regional Infrastructure Development Fund (RIDF). In this budget estimates inquiry, the Committee was advised that payments from the RIDF have increased in recent years as projects reached completion and that as at 30 June 2006, 61 per cent of funded projects have been completed and a further 25 per cent of projects are underway.

The department announced, in March 2005, that it was developing a ten year Tourism and Events Strategy to ensure the government is providing the right level of support and direction for the industry to deal with the challenges of the future. The strategy was planned for completion by September 2005, although completion is now not expected until later in 2006.

The Committee has previously stated that this strategy is an important initiative, providing the impetus for tourism growth in Victoria over the next ten years. It is concerned, however, about the delay in developing this strategy, given its importance in building on the government's tourism initiatives.

Chapter 11: Department of Justice

The department's output budget allocation for 2006-07 is $2,983.0 million, an increase of $202.9 million (7.3 per cent) on the estimated actual result for 2005-06. The increases are primarily due to additional funding for existing programs, and funding for new initiatives. The department has not carried forward any funding from 2005-06 .

The department has estimated that at 30 June 2007, it will have a total workforce of 20,252.2 equivalent fulltime staff. This includes 6,489.7 within the department, and 13,762.5 within Victoria Police. Within the department, this represents an increase of 243.3 on the 30 June 2006 estimate.

Of the 13,762.5 positions employed by Victoria Police, 11,326.5 are operational police (including reservists and recruits) and 2,436 represent non-operational staff. For operational police, the 30 June 2007 estimate represents an increase of 143.7 on the 30 June 2006 estimate.

Together with an ageing workforce, the department has identified a shortage of forensic pathologists and forensic physicians, with this shortage already resulting in an increased workload for existing forensic pathologists.

The Committee reported its concerns in 2005 about how the Department of Justice managed the enforcement of infringement warrants, and the Committee was interested to assess what progress the government had made throughout 2005-06 in reducing the value of outstanding fines.

At 30 June 2006, the total value of outstanding fines and fees was $718.9 million (excluding the value of bad debts that have been written-off). This represents an increase of $98.6 million on the total value at 30 June 2005. At 30 June 2006, the value of outstanding fines and fees that had reached the warrant stage was $415.1 million, a decrease of $12.8 million on the 2004-05 figures, $427.9 million.

The Committee welcomes the commencement of the *Infringements Act* 2006, and considers the range of new measures as a positive step. It remains concerned, however, about the continued high level of outstanding fines and the negative impact this is likely to have on the deterrent effect of fines. The Committee is also mindful of the impact that bad debt write-offs and expired warrants may have on the total reported value of outstanding warrants, and that reductions in the value may not be solely attributable to better enforcement of outstanding warrants.

Compared with the way the government funds other departmental portfolios, Consumer Affairs (CAV) Victoria receives only $32.9 million (45.6 per cent) from appropriations; $37.4 million (51.8 per cent) comes from trust fund income, and $2.1 million (2.6 per cent) comes from the Community Support Fund. Legislation supporting the trust fund, and planned activities for 2006-07, determine the funding that will come from appropriations and how much will come from trust fund income. Any planned activities that do not fit within the trust legislation will come from appropriations.

Total revenue generated by CAV each year from the trusts it manages generally exceeds the output cost published in the budget papers. For 2005-06, the trusts that CAV manage generated revenue of $84.7 million, a decrease of $17.3 million (-16.9 per cent) on 2004-05. CAV also estimates that for 2006-07, trust fund revenue will be steady at $84.7 million. Trust revenue in excess of operational requirements is invested with the Treasury Corporation of Victoria.

Consumer Affairs Victoria provided $11 million in funding to grant recipients from the Consumer Credit Fund and the Victorian Property Fund.

Per prisoner costs across the public prisons ranged considerably, from $135 at the new Beechworth Correctional Centre to $297 at the Dame Phyllis Frost Centre. The average daily per prisoner cost was $190, an average $22 more per prisoner per day, than the average private prison cost of $168.

While the department was able to provide costs per prison for the public prisons, it did not provide costs for each of the private prisons due to the current status of the Prison Service Agreement reviews. An average was provided for all private prisons.

The department implemented the *Corrections Long Term Management Strategy* (CLTMS) in 2002 to reduce re-offending and divert low-risk offenders from prisons. The strategy involved expanding community-based options and offender rehabilitation programs, as well as the construction of three new prisons. Five elements of the CLTMS have now been evaluated, and while the information provided to the Committee was brief, it appears these strategies have been effective.

Of the $1.56 billion in gambling taxes expected to be received in 2006-07 (with $1 billion or 64.1 per cent from electronic gaming machines), only $29.4 million is to be directed at problem gambling initiatives in 2006-07. The Committee was also dismayed to learn that an estimated 42,749 members of the adult population in Victoria were categorised as problem gamblers in 2004. The Minister brought to the Committee's notice that the government had spent about $111 million to date to help address problem gambling.

With net electronic gaming machine expenditure totalling $2.39 billion in 2004-05, the focus of attention of problem gambling initiatives has been directed at electronic gaming machine activity.

The Committee is pleased that Victoria Police is now moving to a more responsive model of employee allocation, and considers this an important development to ensure Victoria Police is able to effectively prevent and investigate crime and respond to community needs.

The Victorian Government announced in August 2005 that it would replace the Victoria Police Law Enforcement Assistance Program (LEAP) database. This decision followed a review in 2005 by the Office of Police Integrity into how Victoria Police managed the LEAP database and a subsequent recommendation for its replacement.

The 2006-07 budget allocates $59 million over four years for the replacement of the LEAP database, with an additional $7.2 million for the establishment of the Office of the Commissioner of Law Enforcement Data Security. Victoria Police has already commenced addressing security and audit issues and is in the process of planning the remaining stages.

Output funding totalling $18.6 million has been provided over two years through the establishment of a new Victorian Racing Industry Development Fund for new projects that include asset development and improvements at non-metropolitan racing venues.

On 7 July 2006, Racing Victoria Limited approved 174 wagering service providers not licensed in Victoria to publish Victorian thoroughbred race fields to the end of July 2007. According to Racing Victoria Limited, policies have been developed to ensure the use of Victorian thoroughbred race fields does not affect the integrity of Victorian thoroughbred racing and that approved wagering service providers make an appropriate economic contribution to the Victorian thoroughbred racing industry.

Licensed in Tasmania, the only betting exchange application received and approved was from Betfair Pty. Ltd. Racing Victoria Limited has indicated that prior to approval, a rigorous process was applied to examine the company's procedures and seek its commitment to meet integrity requirements of Racing Victoria Limited.

Chapter 12: Department of Premier and Cabinet

The Department of Premier and Cabinet's output budget allocation for 2006-07 is $521.5 million, an increase of $13.7 million (2.6 per cent) on the estimated actual result for 2005-06. The increases are primarily due largely to new budget funding for arts development and access.

The department plans to carry forward $19.5 million from 2005-06 into 2006-07, which includes $8.3 million (42.6 per cent) for output purposes, and $11.2 million (57.4 per cent) for capital purposes. All carry over funding results from programs the department did not complete in 2005-06.

While there were seven instances of output cost variations in excess of 10 per cent, the department did not provide any details in the budget papers. The Committee considers that this lack of publicly available information reduces both transparency and accountability.

The construction of the Melbourne Recital Centre and Theatre, which was originally identified as costing $61 million in the 2002-03 budget, is now estimated at $121.5 million, with the construction contract finalised in May 2006. The Committee considers that, in view of the long delays that have occurred in commencing this project, firm project management is now required from the government to ensure it is completed on time and on budget.

The Office of the Ombudsman has been subject to significant increases in its work load in recent years, the most recent being the requirement to investigate WorkCover and Transport Accident Commission complaints. To ensure that large backlogs of cases awaiting investigation do not occur, the resourcing of the Ombudsman's Office must be considered in conjunction with evaluating the operations of the Office.

The unprecedented damage caused by the tsunami off the coast of Indonesia has resulted in the government establishing a $10 million Tsunami Disaster Reconstruction Fund. About two-thirds of the fund has now been allocated to various projects, with a substantial proportion of the projects directed towards Sri Lanka.

Chapter 13: Department of Primary Industries

The Department of Primary Industries' output budget allocation for 2006-07 is $398.6 million, a decrease of $27.8 million (or 6.5 per cent) from the estimated actual result of $426.4 million for 2005-06. This decrease reflects the one-off impact of the additional funding received in 2005-06 for locust control activities, along with the Benambra mine rehabilitation and the voluntary buyback of commercial fishing access licences in Victoria's bays and inlets. The decrease also reflects the winding down of the Red Imported Fire Ants Eradication Program and the one-off impact of the transfer of appropriation from capital for the purchase of land for the Melbourne Market Redevelopment and the reduction in funding from the Commonwealth for the Exceptional Circumstances Program.

The department estimates it will carry forward output funding of $18.9 million from 2005-06 to 2006-07.

Compared with net royalty and licence fee receipts of $1.4 million generated from formally protected intellectual property in 2005-06, $260,000 was expended in protecting the intellectual property generated from the commercialisation of agricultural research and development products. The Minister advised the Committee that surplus funds are deployed to meet employment costs associated with commercialisation activities, and reinvested in new capability and technology development. It was of particular interest to the Committee to hear of the department's discovery of an antimicrobial present in wallaby milk, which has antibacterial microbial characteristics far stronger than anything else seen, particularly against some of the so-called super bugs. The Minister advised the Committee that this antibiotic has been found to be a hundred times more effective than penicillin. The Minister also indicated that, while it takes a long time to prove (and further tests are required), the department was working towards protecting the intellectual property from this research project.

Accounting for 27 per cent of Australia's total food and fibre exports, Victorian food and fibre exports for the 2005 calendar year were valued at $6.8 billion. Two major trends emerged between 1995 and 2005 – the continuing strength in wine exports and the ongoing increase in lamb and sheep-meat production at the expense of wool. The main factor affecting the level of Victorian food and fibre exports in recent years has been the relatively difficult seasonal conditions, evidenced by the significant drought in 2002 and 2003, and the dry seasonal conditions that have persisted through the recovery period. The Committee understands that the Department of Primary Industries wool strategy is to be released shortly.

To attract greater investment in gold exploration in Victoria and open up new exploration in areas to the west and north of the state's 'golden triangle' where limited or no exploration has taken place, the 2006-07 budget provides $9 million over three years to fund the Developing Gold Undercover initiative.

The budget papers reveal a change in audit approach during 2005-06 for the occupational health and safety audits of high or critical minerals and petroleum sites. This shift involved an increased focus on major systems audits of large prescribed mines and the introduction of a targeted 'blitz' audit program. The first two targeted audit programs were on mobile equipment and guarding, which had been the subject of numerous incidents and accidents over the past 12 months. The current 'blitz' campaign, which focuses on environmental impacts from dust and noise, is targeting mines and quarries located close to residential areas.

Although the 2005-06 budget forecasted that the minerals and petroleum royalty audit program would generate $500,000 in royalties annually over each of the next four years, an additional $217,000 in revenue was identified by the department in 2005-06. This consisted of $135,000 from the extractives sector and $82,000 from the minerals sector.

Chapter 14: Department of Sustainability and Environment

The Department of Sustainability and Environment's output budget allocation for 2006-07 is $1,066.2 million, an increase of $62.7 million (or 6.2 per cent) on the estimated actual result of $1,003.5 million for 2005-06. The department's 2006-07 budget allocation includes $14.7 million for asset initiatives carried over from 2005-06.

Expenditure on weeds and pest animal control will increase by more than $2 million in 2006-07.

New asset funding of $6.6 million over two years ($4.5 million in 2005-06) was provided in the 2005-06 budget to reconstruct the Seal Rocks Sea Life Centre on Phillip Island, specifically to repair the visitor information centre and restaurant and storm water damage to the roof that occurred in 2002. With estimated expenditure of $1.5 million in 2005-06, an estimated $3 million is to be carried forward to 2006-07 for this capital project.

Under the Conservation Land Purchase Program, 130 properties have been acquired since 1999-2000 at a cost of $16.2 million (17 in 2005-06 for $2.6 million). Covering 8,991 hectares, these voluntary acquisitions are designed to increase the reservation levels of Victoria's most threatened ecosystems.

A wide range of water conservation strategies have been developed by the department. Among these, the Smart Water Fund has contributed $28 million over six years to drive innovation in water recycling, water conservation and biosolids management to assist in preserving Victoria's water supplies.

In the event that Victoria experiences long term drought conditions, and if the government's water conservation strategies prove to be ineffective, budgetary avenues for providing additional financial inducements aimed at encouraging the public and business sector to use less water, rather than implementing additional water restrictions, may need to be considered in future.

In 2006-07, $31.8 million will be provided to the nine rural catchment management authorities to undertake 96 projects to improve the health of Victoria's rivers. The Committee noted that the $270 million announced by the government in January 2006, as part of the Yarra River: Securing water quality for a Healthy Future Action Plan for new initiatives to improve the health of the Yarra River, the Maribyrnong and tributaries, brought recent total funding for improving the river to $580 million.

The Committee was interested to hear that, although the Wimmera-Mallee pipeline was originally proposed to be a ten year project, the government was examining possibilities for accelerating the project.

The 2006-07 budget allocates $30 million towards building a new pipeline to secure Bendigo's water supply and the future of surrounding irrigators, because an extra 20 billion litres of water will be needed annually to meet the Bendigo region's needs. Based on the feasibility study, the estimated project cost is $70 million. The potential partners are Coliban Water, Goulburn–Murray Water and the National Water Commission. If federal funding to match the state is not forthcoming, the Committee was advised that the people of Bendigo and farmers in the local area who use the system will be required to fund the balance through their water rates.

The 2006-07 budget provides new funding to establish the Growth Areas Authority, $20.6 million over five years; $5.5 million in 2006-07. The Minister indicated that to avoid another layer of red tape, which delays planning and planning approval in growth areas of the state, it is crucial that the Authority forms partnerships with councils and developers in future.

The government foreshadowed that the time taken to make planning decisions would be reduced by up to 50 per cent from the implementation of the Better Decisions Faster initiative, to which the government allocated $3.1 million in 2003-04 to streamline and improve Victoria's planning process. The Minister informed the Committee in July 2006 that with the impending completion of enhancements to enable electronic data collection, including the timelines for decisionmaking, accurate data would be available for comparative purposes.

Chapter 15: Department of Treasury and Finance

The Department of Treasury and Finance's output budget allocation for 2006-07 is $191 million, a decrease of $300,000 (-0.1 per cent) on the estimated actual result for 2005-06. The department has also made changes to its outputs for 2006-07, consolidating six outputs into three. There is no carry over funding from 2005-06.

The government expects significant savings will be gained from the relocation and consolidation of various departments and agencies into new locations at 50 Lonsdale Street and the former Southern Cross Hotel site. However, the projected benefits were unquantifiable and the Committee was unable to satisfy itself as to whether, and the extent to which, the relocation of the departments and agencies is likely to prove to be a financial, environmental and economic benefit to the State. The Committee expressed the view that such benefits should be clearly identified and published in the department's annual report.

The progressive devolution of procurement functions to departments has occurred in recent years, with the policy making function remaining with the Minister for Finance. The Committee determined, however, that adequate controls have not been implemented to ensure that all breaches of government purchasing policy are brought to the attention of the Minister for Finance through the Victorian Government Purchasing Board. The Victorian Government Purchasing Board needs to give greater attention to its legislative responsibility to work with departments to ensure that supply policies and ministerial directions on procurement are being properly implemented. The Board also needs to ensure that all officers involved in the procurement of goods and services have a good knowledge of procurement practices and policies.

A vehicle leasing computer module is currently being developed to assist VicFleet better manage the government's vehicle fleet. Given it is now two years since operation of the vehicle fleet was transferred to the state, the Committee considers that the module should be implemented without delay.

The government's dividend demand on Victoria's government business enterprises will increase by 13.7 per cent during 2006-07 to $383.8 million. Of this amount, $283.8 million will be received from the State Electricity Commission and Melbourne Water Corporation.

The Treasurer has indicated to the Committee that the Gateway Initiative appears to have been successful in reducing project delays and budget overruns on those infrastructure projects where it has been applied.

The government withdrew $600 million from the equity base of the Transport Accident Commission (TAC) during 2005-06.

Chapter 16: Department for Victorian Communities

The Department for Victorian Communities' output budget allocation for 2006-07 is $310.1 million, a decrease of $268.2 million (46.4 per cent) on the estimated actual result for 2005-06. The main reason for the decrease relates to Commonwealth Games expenditure. The department expects to carry over funding of $4.7 million from 2005-06 to 2006-07, with approximately 50 per cent ($2.3 million) of these funds related to the Electronic Grant Management System.

The government has partnered with Victoria's Indigenous communities to develop the Victorian Indigenous Affairs Framework as a whole of government approach to addressing Indigenous disadvantage. The *Victorian Government Indigenous Affairs report, July 2004-June 2005* was presented to Parliament in March 2006, and documents the government's achievements for the year under five key strategic areas.

New funding initiatives were announced in the 2006-07 budget, with $29.2 million allocated to the Aboriginal Affairs portfolio, and $46.6 million allocated across other portfolios. These budget initiatives are likely to add impetus to the government's future reporting under its new Indigenous Affairs framework.

In terms of next steps, the Committee considers Aboriginal Affairs Victoria should maintain the momentum for improving reporting on Indigenous affairs. The Committee also considers that involving representatives of Victoria's Indigenous communities in periodic evaluations of programs would complement the government's partnership philosophy and add credibility to reported results.

The 2006 Commonwealth Games were held in March 2006. In 2003, the government announced that the budget for the Commonwealth Games was to be $1.1 billion. At the time of preparing this report, the government had not announced a revised Games budget.

The government also capped its funding towards the cost of staging the Commonwealth Games at $697 million. During this budget estimates inquiry, the Committee was advised that the capped funding had been revised to $651 million, following the government's decision in 2005 to remove the security funding component of $46 million from the funding cap.

The government's contractual agreements for the redevelopment of the Melbourne Cricket Ground (MCG) require it to provide additional funding to this project should total project construction costs exceed $450 million. The final cost of the project is anticipated to be $465 million.

Of the 1.8 million Commonwealth Games tickets available for sale, 1.5 million (83 per cent) were sold. The Committee requested information about, but was not advised of the number of tickets given away.

The government has established the Workforce Participation Partnerships, targeting employers' labour and skill needs and providing sustainable employment opportunities for Victorians facing significant barriers to work. The program replaces three major employment programs introduced by the government in the 2003-04 budget – the Community Jobs, the Jobs for the People, and the Community Regional Skills programs.

The budget of the Workforce Participation Partnerships program for 2006-07 is $14.3 million, almost half the total funding of $29.2 million assigned to the Employment programs output in the 2006-07 budget.

The proportion of total expenditure on public libraries funded by local councils has increased in recent years, while that of the state government has decreased. In percentage terms, the local councils' share of total funding of public libraries has increased by 34 per cent since 1999-2000 whereas the figure for the state government is 8.8 per cent.

The 2006-07 budget allocated $8.8 million over four years, $2.1 million in 2006-07, to strengthen the capacity of multicultural communities to participate in their community by extending the Language Services Strategy, strengthening the Victorian Multicultural Commission grants program and promoting multi-faith and multicultural harmony initiatives. Monitoring the effectiveness of departmental strategies to address issues relating to racial and religious tolerance will be important in future.

The government committed $149 million for the construction of the new $190 million rectangular sports stadium in the Olympic Parks precinct. The planning for the stadium is proceeding on the basis that the Melbourne and Olympic Parks Trust, as the main co-funder of the project, will raise approximately $41 million for its construction. The final construction cost has yet to be finalised and will only be determined after the selection of the project builder.

The Committee was advised that extensive planning has been undertaken to assess the Melbourne and Olympic Parks Trust's ability to repay the borrowings required to finance the construction of the stadium. The expectation is that the borrowing repayments will be met from additional revenue from the stadium's tenants, sponsors, naming rights and suppliers.

In the 2004-05 budget, the government announced funding of $9.6 million for the construction of a national ice sports centre. The construction of this project is yet to commence. The Committee was advised that while a consortium for the development of the project has been selected, the execution of the project agreement is subject to the developer obtaining investment finance for the project. The government is currently working through the timelines for the development of the ice sports centre.

The 12th FINA World Championships to be held in Melbourne in 2007 will largely be funded from the government's major events cap. The additional funding of $2 million was announced in the budget to expand the capacity of facilities at the Melbourne Sports and Aquatic Centre for the staging of the championships. At the time of

preparing this report, the Committee was advised that the final budget for the championships had not been established. The Minister indicated that the government will provide about two-thirds of the funding for this event, similar to the funding ratio adopted for the 2006 Commonwealth Games.

The *Gambling Regulation Act 2003* requires the government to credit the Community Support Fund with an amount equal to the money from gambling paid into the consolidated fund (8.33 per cent of the total daily net cash balances), less $45 million. The government credits approximately 11 per cent of electronic gaming machine taxes into the Fund each year; for 2006-07 this will be approximately $1,006 million.

For 2005-06, the Fund had estimated revenue of $103.2 million and expenditure of $119 million, with a balance of unallocated funds at 30 June 2006 of $69.5 million. Revenue in 2006-07 is expected to increase by $7.3 million to $110.5 million, while expenditure is expected to decrease in 2006-07 by $11 million to $108 million.

The Committee's *Report on the 2005-06 Budget Estimates*, noted that there was a limited amount of information in the budget papers relating to the Community Support Fund. The Committee noted that one year on, there continues to be a paucity of information in the public domain regarding this Fund.

The evaluation results of the five year Women's Safety Strategy are expected to be available in 2007. These results are expected to be used to develop the next such strategy.

The department's Office for Youth is the key agency driving a whole of government agenda for young Victorians. Its responsibilities include policy advice, research and strategic planning in relation to government policies, and programs and service delivery for young Victorians.

The 2006-07 budget allocated $14 million for support projects and to help Victoria's young people. Of this, $1.6 million for the *youthcentral* website falls within the direct responsibility of the Youth Affairs portfolio. The Department of Education and Training was allocated $10 million over four years for the Youth Transition Support initiative, and the Department of Justice was allocated $2.6 million over three years for the Protecting Victorian Youth initiative.

On 10 May 2006, the Premier issued a new whole of government reporting directive for four community areas, including youth, effective from the 2005-06 reporting cycle. Under the revised directive, the department's reporting requirements in terms of young people will be based on the principles of inclusion, diversity and collaboration, with a greater focus on program outcomes and reporting on milestones over time.

RECOMMENDATIONS

The Public Accounts and Estimates Committee recommends that:

Chapter 2: Government response to the Public Accounts and Estimates Committee Report on the 2005-06 Budget Estimates

Recommendation 1: **The Victorian Government reconsider recommendations nos. 35(c), 76 and 136 contained in the Public Accounts and Estimates Committee's *Report on the 2005-06 Budget Estimates.***

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Chapter 5: National reform agenda and financial management compliance framework

Recommendation 2: **The Department of Premier and Cabinet look for further opportunities to achieve outcomes from the National Reform Agenda.**

Page 96

Recommendation 3: **The Victorian Government reconsider its decision not to prepare a report to Parliament on the overall effectiveness of its Financial Management Compliance Framework, as was originally intended when the framework was introduced.**

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Chapter 6: Parliamentary departments

Recommendation 4: **Future budget papers include trend targets for the Provision of Information and Resources to Parliament output.**

Page 108

Recommendation 5: **The Department of Parliamentary Services provide a report to Parliament at the conclusion of the Bills, Bells and Ballots exhibition on its overall effectiveness and final costs.**

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Chapter 7: Department of Education and Training

Recommendation 6: **The Department of Education and Training establish additional performance measures associated with the Leadership Development Program and incorporate these performance measures into the appropriate outputs.**

Page 126

Recommendation 7: **The Department of Education and Training release a mid-term report on how initiatives under the statement, *Maintaining the advantage: skilled Victorians* are advancing.**

Page 131

Recommendation 8: **The Victorian Learning and Employment Skills Commission include in its annual report an update on the implementation of the Higher Skills initiative.**

Page 132

Recommendation 9: **The Department of Education and Training review its current data collection and recording system so that details of school fees and voluntary contributions collected can be separately identified for reporting purposes.**

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Chapter 8: Department of Human Services

Recommendation 10: **The Department of Human Services prepare estimates of staffing levels for the forthcoming year and submit this information to the Public Accounts and Estimates Committee when required.**

Page 160

Recommendation 11: **To complement the Department of Human Services' workforce studies that examine current practitioner supply against forecast demand according to professional occupational groups and industry sectors, the department also monitor:**

(a) the adequacy of human resource planning at an individual agency level; and

(b) the extent of current and projected skill shortages/gaps experienced by its larger agencies.

Page 166

Recommendation 12: **The Department of Human Services continue with its efforts to achieve improved inter-governmental funding arrangements for the provision of Home and Community Care services in Victoria.**

Page 169

Recommendation 13: **The Department of Human Services and the Office of Senior Victorians in the Department for Victorian Communities develop a strategy to protect the wellbeing of the frail elderly living in the community, who may be at risk of abuse and neglect.**

Page 171

Recommendation 14: **The Department of Human Services include in its annual report details about the outcomes of implementing the Aged Care Land Bank pilot program.**

Page 172

Recommendation 15: **The Department of Human Services include in the Aged Support Services output an additional quantity performance measure relating to the number of research and service development projects to be completed in the year.**

Page 173

Recommendation 16: **The Department of Human Services' Office for Children:**

(a) closely monitor implementation of actions recently taken to strengthen Victoria's foster care system; and

(b) inform Parliament about the effectiveness of past measures aimed at retaining high numbers of experienced foster carers.

Page 179

Recommendation 17: **The Department of Treasury and Finance in conjunction with the Office for Children have a role in evaluating the cost effectiveness of payments to foster carers.**

Page 179

Recommendation 18: **The Department of Human Services ensure:**

(a) all audit issues arising from the 2005 Auditor-General's performance audit on its out of home care reforms are fully addressed; and

(b) Parliament is adequately informed over time about the extent to which implementation of its new strategic framework for out of home care services leads to improved outcomes for children.

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Recommendation 19: **Future budget papers disclose numbers to supplement percentage based performance measures in outputs managed within the portfolio for Children.**

Page 185

Recommendation 20: **The Department of Human Services:**

(a) ensure Parliament is fully informed about the results of its Outcomes for Children project and associated modifications to the direction of programs for children; and

(b) use this research to enhance the portfolio's output performance measures and targets presented in future budget papers.

Page 186

Recommendation 21: **The Department of Human Services evaluate the outcomes delivered by its Support and Choice initiative, including a comprehensive survey of participants.**

Page 191

Recommendation 22: **The Department of Human Services commission an urgent evaluation of the effectiveness of the older carer support packages and its planning activities targeted at older carers of people with disabilities.**

Page 193

Recommendation 23: **The Department of Human Services develop a strategy that addresses the needs of people with a disability over the age of 50 years who reside in residential aged care facilities.**

Page 195

Recommendation 24: **The Department of Human Services ensure its capital program for people with a disability, who require disability and nursing support, addresses the growing need for alternatives to residential aged care facilities.**

Page 195

Recommendation 25: **The Department of Human Services publish on its website the evaluation findings of the six month trial of the new approach that enables people with a disability to purchase services and supports directly without going through a disability agency or a broker.**

Page 196

Recommendation 26: **The Department of Human Services develop performance measures for the Disability Housing Trust that include the number of people with a disability accommodated by the trust.**

Page 199

Recommendation 27: **Progress made in delivering key strategies in the Victorian State Disability Plan, including developments that have occurred in expanding access to trams for people with a disability, be included in the Department for Victorian Communities' annual report, on departmental websites and in the budget papers.**

Page 201

Recommendation 28: **In the interests of enhancing accountability, the government express targets in definitive and meaningful terms.**

Page 201

Recommendation 29: **As a matter of urgency, the Department of Human Services ensure the Disability Support Register is completed in a timely manner.**

Page 202

Recommendation 30: **The Department of Human Services develop a performance measure that reflects the aggregate number of the various forms of 'hospital beds', including same day hospitalisations/procedures, hospital-in-the-home care, and medi-hotels across the public hospital system.**

Page 205

Recommendation 31: **The Department of Human Services publish a triennial report on the health outcomes derived from the Victorian Government's investment in prevention and disease management strategies. Appropriate linkages should also be formed by developing a suite of performance indicators that cover the relationship between risk factors and health outcomes.**

Page 207

Recommendation 32: **If departments have incurred expenditure on a particular program over a certain value, either directly or by way of grants to a funded agency, the combined value should be taken into account when making judgements about whether the stipulated threshold has been exceeded or not.**

Page 212

Recommendation 33: **The Department of Human Services adopt a risk management framework over its capital works program to ensure any avoidable delays to project completion are addressed at an early stage. This framework should include an internal review mechanism of project management to detect and rectify delays.**

Page 222

Recommendation 34: **The Department of Human Services monitor the effectiveness of its strategies for reducing the staff vacancy rate in community dental clinics across rural Victoria.**

Page 223

Recommendation 35: **The Office of Housing strengthen its contract management practices to ensure it takes action earlier where contractual non-performance is evident.**

Page 228

Chapter 9: Department of Infrastructure

Recommendation 36: **The Department of Infrastructure evaluate whether its programs and advertising campaigns have been effective in changing consumer behaviour in terms of using energy more efficiently.**

Page 243

Recommendation 37: **The Department of Infrastructure develop ways to measure the number of energy consumers who are experiencing financial hardship and are expected to benefit from financial assistance provided by the Victorian Government and energy retailers in 2006-07 and 2007-08.**

Page 244

Recommendation 38: **The Department of Infrastructure examine options to quantify the costs and benefits of consolidating information and communication technology services across government.**

Page 252

Recommendation 39: **The Victorian Government's proposed regime for reporting annually to Parliament on the *Meeting Our Transport Challenges* plan encompass financial and non-financial performance for all projects, and progressive achievement of its expected outcomes.**

Page 261

Recommendation 40: **The Department of Infrastructure ensure there is comprehensive coverage in its annual report on the implementation of the new ticketing solution across the public transport network, including performance against cost and time targets.**

Page 264

Recommendation 41: **The Department of Infrastructure publish in its annual report to Parliament information about the economic and social benefits to the community from implementation of the Regional Fast Rail project.**

Page 267

Recommendation 42: **The Victorian Taxi Directorate within the Department of Infrastructure establish and report against trend targets to assist further improvement in the timeliness of its investigation of complaints against taxi drivers.**

Page 268

Chapter 10: Department of Innovation, Industry and Regional Development

Recommendation 43: **The Department of Innovation, Industry and Regional Development publicly release the results of the assessment of its financial services industry action plan *Investing in Victoria's Future*.**

Page 277

Recommendation 44: **The Department of Innovation, Industry and Regional Development publish the final cost to the Victorian Government of the High Court challenge on the constitutional validity of the new Commonwealth industrial relations legislation.**

Page 279

Recommendation 45: **The Department of Innovation, Industry and Regional Development develop new performance measures to enable the effectiveness of the seminars conducted by the Workplace Rights Advocate to be assessed.**

Page 281

Recommendation 46: **The Department of Innovation, Industry and Regional Development outline the desired outcomes expected from the *Healthy Futures* life science statement, and inform Parliament about progressive achievement of those outcomes.**

Page 284

Recommendation 47: **Future budget papers include performance measures and output targets relating to funding allocations made under *Healthy Futures,* to enable Parliament to assess progress towards attainment of higher level outcomes.**

Page 284

Recommendation 48: **The Department of Innovation, Industry and Regional Development ensure Parliament receives the results of the Victorian Government's review of the implementation of the Biotechnology Strategic Development Plan for Victoria 2004.**

Page 286

Recommendation 49: **The Department of Innovation, Industry and Regional Development update its Opening Doors to Export Strategy to reflect the Victorian Government's position in terms of export targets.**

Page 287

Recommendation 50: **The Victorian Government continue to make representations to the Commonwealth Government about restrictive trade practices that are affecting small businesses.**

Page 288

Recommendation 51: **The Department of Innovation, Industry and Regional Development report on the financial position and the ongoing viability of the Docklands Film and Television Studios in its 2006-07 annual report.**

Page 293

Chapter 11: Department of Justice

Recommendation 52: **The Department of Justice publish explanations for all budget variances in excess of 10 per cent, in future budget papers, to increase transparency and accountability.**

Page 310

Recommendation 53: **The Department of Justice publish details of the evaluation timeframe for the Corrections Long Term Management Strategy, and publish results of completed evaluations.**

Page 327

Recommendation 54: **To assist budgetary decision making about the level of funding to be allocated to future problem gambling initiatives in Victoria, the Department of Justice undertake a benchmarking exercise with similar jurisdictions.**

Page 329

Recommendation 55: **To inform policy and budget development relating to future problem gambling initiatives and to encourage responsible gambling, the Department of Justice commission a multifaceted research project specific to Victoria that:**

(a) identify the number of problem gamblers who participate in each form of gambling product other than electronic gaming machines;

(b) quantify gambling losses according to gambling products as a proportion of household final consumption expenditure;

(c) examine the reasons gamblers become problem gamblers rather than responsible gamblers; and

(d) explore the development of suitable preventative strategies to reduce the prevalence of some gambling developing into an addiction.

Page 331

Recommendation 56: **The annual report of the Department of Justice include information on the achievements of the Victorian Government's Problem Gambling Communication Strategy, including the *Think of What You're Really Gambling With* campaign.**

Page 332

Recommendation 57: **Victoria Police report externally on the implementation and subsequent benefits of adopting the People Allocation Model once it is in place.**

Page 335

Recommendation 58: **The Commissioner for Law Enforcement Data Security publish, in its annual report, performance measures and timelines for the development of the new database, to enable assessment of the effectiveness of the LEAP replacement project.**

Page 336

Recommendation 59: **To enhance accountability regarding the Victorian Government's funding programs to the racing industry, the Department of Justice publish on its website details of the particular projects funded from the new Racing Industry Development Program.**

Page 338

Recommendation 60: **The Department of Justice ensure the issue of accessibility is taken into account when allocating funding from the Racing Industry Development Program for capital projects.**

Page 338

Recommendation 61: **The Department of Justice commission a research project to:**

(a) quantify the role women play in various aspects of the racing industry; and

(b) identify any opportunities and suggestions for enhancing this involvement.

Page 339

Chapter 12: Department of Premier and Cabinet

Recommendation 62: **The Department of Premier and Cabinet facilitate an external review of the Ombudsman's Office to determine whether any additional resources are required and if the Office is achieving its objectives effectively, efficiently and economically.**

Page 351

Recommendation 63: **The Department of Premier and Cabinet take a lead role in evaluating the effectiveness of existing migrant settlement programs in Victoria and to identify and implement new programs where warranted to help integrate migrants into the broader Australian community and culture.**

Page 354

Recommendation 64: **The Department of Premier and Cabinet prepares a status report to Parliament and the wider Victorian community on all expenditure from the Tsunami Disaster Reconstruction Fund, along with outcomes achieved.**

Page 355

Chapter 13: Department of Primary Industries

Recommendation 65: **To prevent skill shortages adversely affecting the Department of Primary Industries' ability to deliver specific initiatives/projects in the resources sector, the department undertake regular market testing to assess:**

(a) the pay and conditions offered by the Victorian Government compared with the private sector; and

(b) whether any inducements need to be introduced to recruit permanent in-house technical staff.

Page 364

Recommendation 66: **The Department of Primary Industries include in its annual report, an update on its research work associated with the discovery of a bacteria killing compound in wallaby milk.**

Page 367

Recommendation 67: **In the interests of Victorian taxpayers, the Department of Primary Industries ensure intellectual property rights of the Wallaby Genome Project are secured and formalised prior to finalisation.**

Page 367

Recommendation 68: **The Department of Primary Industries ensure its science projects that were delayed in 2005-06 are completed in a timely manner in 2006-07.**

Page 368

Recommendation 69: **The Department of Innovation, Industry and Regional Development develop long term planning strategies to help manage growth and change in provincial regions where new jobs and economic growth will be generated in the future.**

Page 381

Recommendation 70: **The Department of Primary Industries develop a program that calls for environmental inspectors to progressively assess the adequacy of rehabilitation bonds to ensure their relevance and currency in terms of the likely costs involved in restoring each site to as near as possible pre-mining conditions when mining ceases.**

Page 382

Recommendation 71: **The Victorian Government enter into discussions with the Commonwealth Government in relation to receiving a fair share of the resource rent collected from the oil and gas investment in off-shore Victoria.**

Page 384

Recommendation 72: **The Department of Primary Industries review the factors that prevented it achieving the level of revenue expected from the Minerals and Petroleum Royalty Audit Program introduced in 2005-06.**

Page 387

Recommendation 73: **The Department of Primary Industries examine the cost effectiveness of continuing with its Minerals and Petroleum Royalty Audit Program and whether modifications need to be made to its operations.**

Page 387

Chapter 14: Department of Sustainability and Environment

Recommendation 74: **The Department of Sustainability and Environment publish explanations for all budget variances in excess of 10 per cent in future budget papers, to increase transparency.**

Page 394

Recommendation 75: **The Department of Sustainability and Environment identify the projected skill shortages over the next two to six years in the functional areas of its operations where modelling work has not taken place, and examine the impact of these workforce challenges in the mid to long term.**

Page 398

Recommendation 76: **The Department of Sustainability and Environment commission an independent evaluation of the project management practices of the Seal Rocks Sea Life Centre.**

Page 402

Recommendation 77: **Three years post implementation, the Department of Sustainability and Environment commission an independent evaluation of the Growth Areas Authority to examine whether it is meeting its objectives and delivering the intended outcomes to its key stakeholders.**

Page 408

Recommendation 78: **The Department of Sustainability and Environment ensure planning processes supporting the rollout of the Transit Cities Program recognise the need for an appropriate mix of services in each transit city, including the appropriate integration of transport services to effectively meet the long term objectives of the program.**

Page 412

Recommendation 79: **To assist in preparing future water conservation initiatives, the Department of Sustainability and Environment commission an immediate study, to assess the effectiveness of each of the Victorian Government's current demand management strategies for conserving water across the state.**

Page 415

Recommendation 80: **Melbourne Water, in conjunction with the Department of Sustainability and Environment, develop performance measures and targets for managing water quality in the Yarra River.**

Page 416

Recommendation 81: **The Department of Sustainability and Environment annually report the progress of the development of the Wimmera-Mallee pipeline in terms of budget and established timelines.**

Page 422

Recommendation 82: **The Department of Sustainability and Environment finalise timelines and funding arrangements for the commencement and completion of the Bendigo Water Pipeline in a timely manner.**

Page 423

Chapter 15: Department of Treasury and Finance

Recommendation 83: **The Department of Treasury and Finance at the end of the 2006-07 financial year determine the actual savings achieved from the consolidation of the Department of Human Services from five locations to a single site and the relocation of five departments to the Southern Cross site. The department should include this information in its next annual report.**

Page 432

Recommendation 84: **The Department of Treasury and Finance:**

(a) finalise as a matter of priority the development and implementation of the proposed fleet management system, together with appropriate indicators to determine efficiency and effectiveness; and

(b) include in its next annual report information about the extent to which VicFleet is performing against established industry benchmarks.

Page 433

Recommendation 85: **The Victorian Government Purchasing Board work with departments to improve the level of training undertaken by officers involved in the procurement of goods or services to ensure procurement activities comply with the board's supply policies and Ministerial Directions, in order to reinforce the compliance by departments with board policies, including the early reporting of breaches of supply policies.**

Page 437

Recommendation 86: **The Minister for Finance:**

(a) give further consideration to issuing a Standing Direction that emphasises the responsibilities of departments to detect and report breaches of government supply policy; and

(b) review legislative requirements to determine whether provisions covering the reporting of breaches should be strengthened.

Page 437

Chapter 16: Department for Victorian Communities

Recommendation 87: **The Department for Victorian Communities ensure more meaningful performance measures for the Youth Affairs output are presented in future budget papers.**

Page 446

Recommendation 88: **Aboriginal Affairs Victoria within the Department for Victorian Communities:**

(a) establish an outcomes focus to measure and report Victoria's performance in addressing Indigenous disadvantage over time; and

(b) involve representatives from Indigenous communities in periodic evaluations of Victorian Government programs in place to support Indigenous people.

Page 454

Recommendation 89: **The Department for Victorian Communities:**

(a) build on the early potential of the Workforce Participation Partnerships Program, directing future actions towards achieving longer term employment placements for an increasing number of targeted jobseekers and consistently meeting the expectations of employers and industry; and

(b) report regularly to Parliament on the program's effectiveness.

Page 465

Recommendation 90: **The Department for Victorian Communities undertake an extensive re-evaluation of the adequacy and extent of local library services throughout the state and, in particular, the more remote regions, to evaluate whether the requirements of those most in need are being satisfied.**

Page 468

Recommendation 91: **The Department for Victorian Communities develop a framework for assessing the effectiveness of its suite of initiatives designed to maintain racial and religious tolerance in Victoria.**

Page 472

Recommendation 92: **The Department for Victorian Communities develop and report performance measures of a qualitative nature to assess whether budget outlays directed at promoting Victoria's racial and religious tolerance and multicultural harmony have been effective.**

Page 472

Recommendation 93: **The Department for Victorian Communities announce:**

(a) the final costs of the Rectangular Sports Stadium Project;

(b) any revisions to existing funding arrangements; and

(c) changes to construction/completion timelines.

Page 476

Recommendation 94: **In future announcements on the national ice sports centre, the Department for Victorian Communities outline:**

(a) construction timelines;

(b) the allocation of risks; and

(c) the state's financial commitment to the project.

Page 479

Recommendation 95: **The Department for Victorian Communities publicly release the revised economic benefits study of the 12th FINA World Championships.**

Page 482

Recommendation 96: **The Department for Victorian Communities increase the amount of publicly available information relating to the Community Support Fund, by including in its annual report information on the purpose of grants from the fund, and how they relate to section 10.3.3 of the *Gambling Regulation Act* 2003;**

Page 488

Recommendation 97: **The Department for Victorian Communities publish evaluation criteria for the grants provided from the Community Support Fund.**

Page 488

Recommendation 98: **The Victorian Government further strengthen the framework for whole of government decision making and reporting to Parliament on youth issues in conjunction with the implementation of its *New Future Directions* statement for young people.**

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CHAPTER 1: INTRODUCTION

1.1 Background

All money the government receives from taxes, imposts, rates, duties and other revenues (such as royalties) are paid into the Consolidated Fund.[1] Each year, the government introduces Appropriation Bills into Parliament, so the authority can be given to spend money from the Consolidated Fund.

In June 2006, the Bill received Royal Assent for the *Appropriation (2006/07) Act* 2006 and the *Appropriation (Parliament 2006/07) Act* 2006, enabling the government to appropriate funds from the Consolidated Fund for the ordinary annual services of government, and the operations of Parliament.

During 2006-07, the government will appropriate a total of $26,862.6 million, of which $26,774.7 will fund the activities of the ten government departments, and $87.9 million will fund various parliamentary activities.[2]

1.1.1 Budget estimates

The *Financial Management Act* 1994 requires the government to submit to Parliament, along with the appropriation Bills, the budget estimates for the forthcoming financial year.[3] The budget estimates describe, for the relevant financial year, the:

- goods and services each government department will provide or produce;
- amounts available, or to be available, to each department; and
- estimated amount of the receipts and receivables for each department.[4]

The budget estimates are also cover with the application of additional funds to support service delivery and capital expenditure, which do not require annual parliamentary approval. For 2006-07, these additional funds include:

- special appropriations ($1,542.9 million);[5]
- agency revenue credited to appropriations ($2,076.8 million); and[6]
- prior year appropriations carried over ($371.9 million).[7]

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1 *Constitution Act 1975* (Vic), s.89
2 This includes both Houses of Parliament, parliamentary services, parliamentary committees and the Auditor-General
3 *Financial Management Act 1994*, s.40
4 ibid.
5 Budget Paper No.4, *2006-07 Statement of Finances*, p.173
6 ibid., pp.177–179
7 ibid.

The budget estimates identify that for 2006-07, the government expects total income from transactions of $32,442.1 million and total expenditure from transactions of $32,125.3 million, producing a net result of $316.8 million.[8] The estimated cost of departments and Parliament delivering their outputs is $29,116.7 million.[9]

1.2 Objectives of the budget estimates process

In submitting this report, the Public Accounts and Estimates Committee (the Committee) does not intend to replicate the information contained in the 2006-07 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 the Public Accounts and Estimates Committee follows

The Public Accounts and Estimates Committee is responsible for undertaking a detailed review of the budget estimates and revenues contained in the budget papers. This review (by way of public hearings) assists Parliament to more effectively scrutinise the activities of government.

To review the 2006-07 Budget Estimates, the Committee held public hearings during June and July 2006 with the Premier, each Minister and the Presiding Officers of the Victorian Parliament.

To prepare for the estimates hearings, the Committee draws heavily on a range of information sources. These include the budget papers, the Auditor-General's reports and departmental responses to the Committee's 2006-07 estimates questionnaire. The Committee is aware that after this report was prepared but not finalised, a number of reports from the Auditor-General have been recently tabled in Parliament. These reports have not been taken into consideration.

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8 ibid., p.9

9 Budget Paper No.3, *2006-07 Service Delivery*, pp.64–256

1.3.1 Departmental estimates questionnaire

Prior to the estimates hearings, the Committee sends a questionnaire to each department, to obtain supplementary budget information. For the 2006-07 questionnaire, the Committee focused on the following issues:

- output responsibilities and initiatives;
- human resources and skill shortages;
- departmental financial statements (operating statement, administered items statement and balance sheet) and budget development assumptions;
- output cost information and carry over funding (2005-06 to 2006-07);
- departmental savings;
- departmental asset investment;
- advertising and promotion;
- departmental housing;
- security;
- National Reform Agenda; and
- Financial Management Compliance Framework

1.3.2 Departmental follow-up

Following the estimates hearings, the Committee writes to Ministers to request answers to questions that they took on notice, as well as any other matters the Committee wants to follow-up to better understand the financial and performance information contained in the budget papers.

1.3.3 Acknowledgments

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

The cost of this inquiry was approximately $212,000.

CHAPTER 2: GOVERNMENT RESPONSE TO THE PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE REPORT ON THE 2005-06 BUDGET ESTIMATES

Key findings of the Committee:

2.1 **The Public Accounts and Estimates Committee's *Report on the 2005-06 Budget Estimates* made 208 recommendations, 81 of which were accepted, 29 were accepted in part, 65 were accepted in principle, eight are under review and 25 were rejected.**

2.2 **The proportion of recommendations rejected by the Victorian Government, increased from 6 per cent in the *Report on the 2003-04 Budget Estimates* (five of 81 recommendations) to 14 per cent in the *Report on the 2004-05 Budget Estimates* (25 of 177), and reduced marginally to 12 per cent in the *Report on the 2005-06 Budget Estimates* (25 of 208).**

2.3 **The Committee has identified four recommendations in the *Report on the 2005-06 Budget Estimates* 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 were to be reviewed. The Committee followed up the status of some of the more important matters during the 2006-07 budget estimates process.**

2.1 Legislative requirement to respond to the Committee's recommendations

Ministers are required by legislation to respond within six months of the report being tabled, to recommendations in the Committee's reports.[10]

2.2 Report on the 2005-06 Budget Estimates – previous recommendations

The Committee's *Report on the 2005-06 Budget Estimates* was tabled out of session on 30 November 2005. A copy of the government's response was tabled in the Legislative Assembly on 30 May 2006.

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

Exhibit 2.1 shows that of the 208 recommendations contained in the Committee's *Report on the 2005-06 Budget Estimates*, 81 were accepted (39 per cent), 29 were accepted in part (14 per cent), 65 were accepted in principle (31 per cent), eight are under review (4 per cent) and 25 were rejected (12 per cent). The rejection rate of 12 per cent represented a marginal improvement on the 14 per cent of recommendations rejected in the *Report on the 2004-05 Budget Estimates*.

The Committee acknowledges the marked reduction in the number of recommendations in the *Report on the 2005-06 Budget Estimates* relating to the Department of Education and Training that were rejected by the government (two out of 16, or 12 per cent compared with 9 out of 17, or 53 per cent for the prior year).

Exhibit 2.1: Government response to PAEC recommendations in the Report on the 2005-06 Budget Estimates

Department	Accept	Accept in part	Accept in principle	Under review	Reject	Total
Education and Training	0	0	13	1	2	16
Human Services	16	2	20	2	10	50
Infrastructure	8	2	2	0	0	12
Innovation, Industry and Regional Development	10	11	0	0	1	22
Justice	14	2	6	1	5	28
Premier and Cabinet	0	6	1	0	2	9
Primary Industries	5	2	5	1	2	15
Sustainability and Environment	14	2	3	1	1	21
Treasury and Finance	4	0	1	1	0	6
Victorian Communities	10	2	11	1	1	25
Parliamentary departments	0	0	3	0	1	4
Total	**81**	**29**	**65**	**8**	**25**	**208**
Percentage	**39**	**14**	**31**	**4**	**12**	**100**

Source: Victorian Government, response to the Committee's Report on the 2005-06 Budget Estimates, tabled 30 May 2006, pp.1–102

After considering the comments in the government's response, the Committee identified four recommendations (exhibit 2.2) that warrant reconsideration.

Exhibit 2.2: Further action required to fully implement certain recommendations in the PAEC's Report on the 2005-06 Budget Estimates

Recommendation	Action taken/planned	Committee's further comments
For the provision of disability services, that the Department of Human Services 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. *(Recommendation 35 (c), page 215)*	**Rejected** The Department of Human Services is not able to mandate the disclosure of remuneration paid to board members and senior management in grantee organisations' annual reports as a condition of funding because separate governing legislation determines the annual reporting requirements of individual agencies.	The Committee considers that given the significant level of funding provided to the non-government sector for disability services, and the importance of preserving public confidence in the operation of these organisations, the Department of Human Services should encourage grantee organisations to disclose the remuneration paid to board members and senior management.
That 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. *(Recommendation 76, page 408)*	**Accept in principle** The Attorney-General and the Courts Consultative Council are considering a draft performance audit protocol that is yet to be finalised. Further action is subject to responses being provided to the Courts Consultative Council by relevant jurisdiction heads.	The Committee reiterates its view that the Department of Justice should continue to pursue a satisfactory outcome, without any further delay, to enable the Auditor-General to conduct performance audits of the administrative systems and processes of Victoria's courts.
That the Transport Accident Commission publicly disclose the value of individual sponsorships. *(Recommendation 136, page 595)*	**Under review** The Transport Accident Commission is an independent statutory authority responsible for managing its own commercial operations, which includes making decisions on confidentiality. The Transport Accident Commission has informed the government that its sponsorship arrangements with football clubs are commercial in confidence, which is consistent with the practice of the past 16 years. The government will consider the Public Accounts and Estimates Committee's recommendation.	The Committee restates that expenditure by publicly owned and operated entities should be subject to the same level of scrutiny as other areas of government, and again calls on the Transport Accident Commission to publicly disclose the value of individual sponsorships.

The Committee recommends that:

Recommendation 1: **The Victorian Government reconsider recommendations nos. 35(c), 76 and 136 contained in the Public Accounts and Estimates Committee's *Report on the 2005-06 Budget Estimates.***

CHAPTER 3: BUDGET OVERVIEW

Key findings of the Committee:

3.1 **The Victorian Government expects to achieve a budget surplus of $317 million in 2006-07 and surpluses averaging $316 million over the next three years. This projection is in line with its fiscal strategy of maintaining a buffer of at least $100 million minimum operating surplus to allow for unforseen circumstances and provide budget flexibility.**

3.2 **The 2006-07 budget provides for an infrastructure investment program of $3.6 billion, which is in addition to infrastructure investments of $1.3 billion announced in the government's *2005-06 Budget Update*.**

3.3 **The infrastructure investment program will be financed over the next four years by a combination of cash operating surpluses and net debt, with net debt projected to increase from 0.9 per cent of gross state product at June 2006 to 2.5 per cent at June 2010, compared with 3.1 per cent in 1999.**

3.4 **Revenue for 2006-07 is estimated to be $32,442.1 million, an increase of $1,243.2 million or 4 per cent from the 2005-06 estimated actual result and 6 per cent from the 2005-06 budget. This revenue growth is principally driven by increases in Commonwealth grants, taxation revenue and dividends from government business enterprises.**

3.5 **Expenses for 2006-07 are expected to be $32,125.3 million, up by $1,375.9 million or 4.5 per cent from the estimated actual result for 2005-06 and 6.2 per cent from the 2005-06 budget. This increase is mainly due to new policy funding, indexation of departmental expenses and flow-on costs from Commonwealth special purpose grants.**

3.6 **The *Appropriation (2006/2007) Act* 2006 includes $482 million (the equivalent provision was $281.2 million in 2005-06) as an advance to the Treasurer to meet urgent claims that may arise before Parliament's approval is obtained.**

3.7 **A total of $3 billion is provided for recurrent expenses over the forward estimates period in contingencies not allocated to departments.**

3.8 **Two rating agencies have confirmed Victoria's triple-A credit rating.**

3.9 **The budget papers forecast Victoria's economic growth in 2006-07 to increase (from 2.5 per cent in 2005-06) to 3.25 per cent as growth in consumer spending recovers and improvements in net exports emerge.**

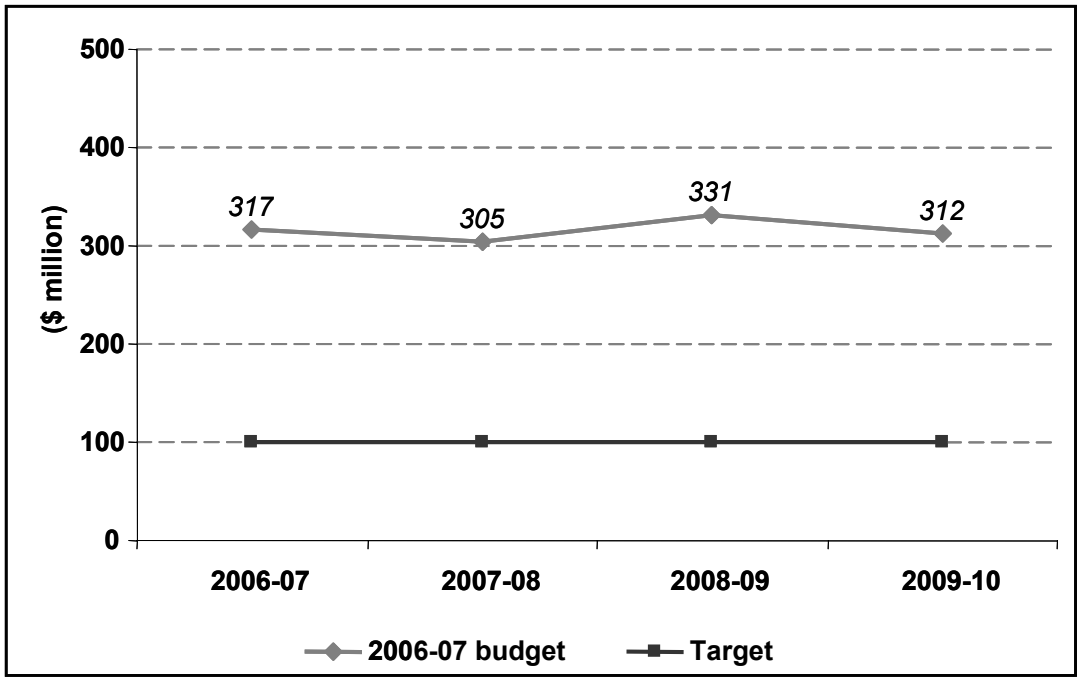
3.10 The government will need to closely monitor the collective impact of the May and August 2006 Reserve Bank of Australia interest rate decisions, on its short to medium term economic projections.

3.11 The government's unfunded superannuation liability is expected to increase by $600 million in 2006-07. The budget papers indicate the government is on track to achieve full funding of the superannuation liability by its target date of 2035.

3.1 Budget strategies and priorities

The Victorian Government has continued its commitment to maintain a budget surplus of at least $100 million each year. This fiscal strategy is designed to allow for unforseen circumstances and provide budget flexibility.[11] The government expects to achieve a net result under the Australian equivalents to International Financial Reporting Standards (A-IFRS) of $317 million in 2006-07 and budget surpluses averaging $316 million in each of the next three financial years (exhibit 3.1).

Exhibit 3.1: 2006-07 budget
General government sector net result from transactions



Source: Budget Paper No.2, 2006-07 Strategy and Outlook, pp.4-5

[11] Budget Paper No.2, *2006-07 Strategy and Outlook*, p.4

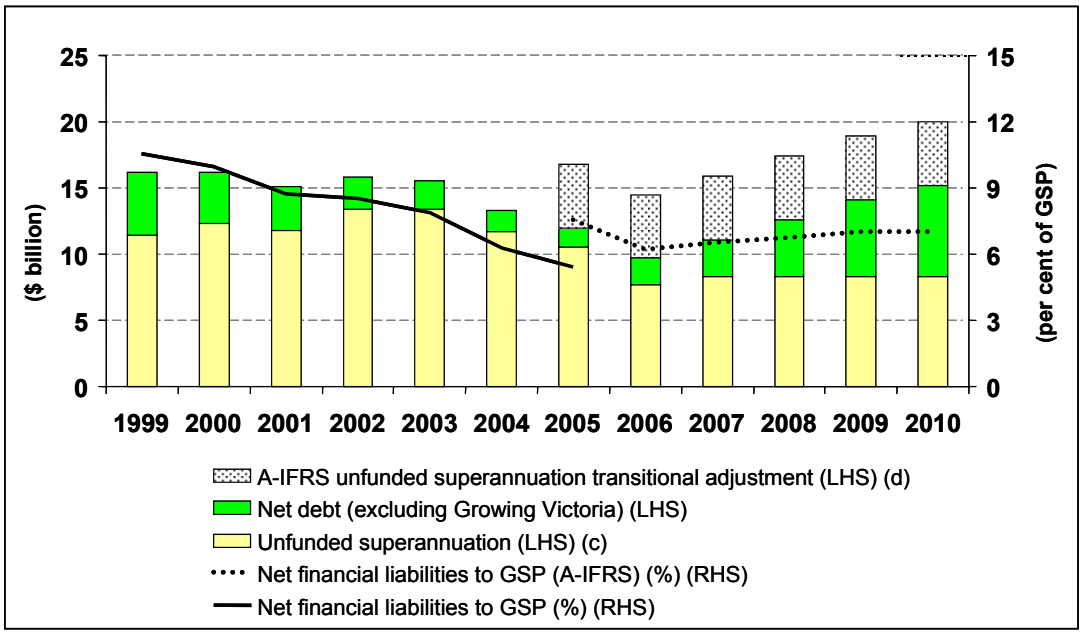
The Treasurer has described the 2006-07 budget as delivering the largest capital works program in Victoria's history, with a record high infrastructure investment of $4.9 billion.[12] The government views the annual operating surplus as an important funding source for this program.[13] About 60 per cent of the net infrastructure investment program announced in the budget is expected to be financed by cash operating surpluses in the four years from 2006-07.[14] The remainder will be funded from net debt[15] which is projected to increase from $2 billion at June 2006 to $7.1 billion at June 2010.[16]

The government regards the projected rising levels of net debt as low by historical and international standards.[17] As a percentage of gross state product, net debt was 3.1 per cent in 1999 and is expected to be 2.5 per cent by 2009-10 compared with 0.9 per cent at June 2006.[18] As with all budgets, these figures assume there are no net additional recurrent initiatives in future budgets until 2010-11 other than initiatives funded from contingency funds, and that future capital spending is contained within the unallocated provisions set aside in the forward estimates.

Projected movements in net debt and other general government net financial liabilities over the forward estimates are shown in exhibit 3.2.

12 Budget Paper No.1, *2006-07 Treasurer's Speech*, p.3
13 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.48
14 ibid.
15 ibid.
16 ibid., pp.51, 66
17 ibid.
18 ibid., pp.51, 54, 66

Exhibit 3.2: General government net financial liabilities at 30 June (a)(b)



Notes: (a) *general government net financial liabilities are calculated as the sum of net debt and unfunded superannuation liabilities* [19]

(b) *net debt is calculated as gross debt less liquid financial assets. In the years applicable, Growing Victoria investments are excluded as an offset to gross debt on the grounds that these investments are earmarked for infrastructure projects and are therefore not available to redeem gross debt* [20]

(c) *unfunded superannuation liabilities between 1999 and 2004 are calculated under the previous Australian accounting standards, whereas between 2005 and 2010 the relevant A-IFRS standard has been applied* [21]

(d) *for comparative purposes only, the transitional adjustment applied to unfunded superannuation liabilities in 2004-05 has also been separately identified in the period 2005 to 2010* [22]

Source: *Hon. J Brumby, MP, Treasurer, 2006-07 Budget Estimates hearing, 13 June 2006, presentation slide 3*

The government states that its 2006-07 budget priorities are directed towards the following themes:[23]

- record investment in infrastructure;
- giving high priority to schools and skills;
- driving jobs and investment across Victoria;
- investing in Victorian families;

19 ibid., p.17
20 ibid.
21 ibid.
22 ibid.
23 Victorian Government, *2006-07 Victorian Budget Overview: Meeting the challenges*, May 2006, pp.5–7

- delivering through *A Fairer Victoria* initiatives to tackle disadvantage and create new opportunities for individuals, families and communities;
- delivering high quality health and community services;
- meeting transport challenges;
- improving community safety;
- maintaining Victoria's liveability; and
- ensuring environmental sustainability.

New output and asset funding initiatives relating to these themes are described in Appendix A of Budget Paper No.3, *2006-07 Service Delivery*. Information on these initiatives is provided in a later section of this chapter.

Revenue for 2006-07 is estimated to be $32,442.1 million,[24] an increase of $1,243.2 million or 4 per cent from the 2005-06 estimated actual result and 6 per cent higher than the 2005-06 budget.[25] Revenue is expected to rise by an average of 3.1 per cent over the forward estimates.[26] The revenue growth in 2006-07 is due to:

- an expected net increase in Commonwealth general purpose grants of $431 million, largely due to an increase in goods and services tax grants of $619 million[27] following the Commonwealth Grants Commission's *2006 Update of State Revenue Sharing Relativities*, offset by the cessation of National Competition Policy grants from 2006-07;[28]
- higher Commonwealth specific purpose grants of $169 million reflecting increased funding for education, human services and roads;[29]
- increased taxation revenue of $201 million comprising higher levels of revenue from payroll tax, the congestion levy, gambling taxation, insurance taxation, and motor vehicle taxation, partly offset by decreases in certain items including those arising from land tax changes, an anticipated moderation of property market activity, and the full year impact of the abolition of debits tax;[30]
- higher dividend revenue of $179 million from government business enterprises offset by a $47 million decrease in income tax and rate equivalent revenue that mainly reflects the non-recurring additional 2005-06 income from the transfer of council assets to the Melbourne Water Corporation;[31] and

[24] Budget Paper No.2, *2006-07 Strategy and Outlook*, p.34
[25] calculated from Table 3.1 of Budget Paper No.2, *2006-07 Strategy and Outlook*, p.34 and Table C.1 of Budget Paper No.4, *2006-07 Statement of Finances*, p.226
[26] Budget Paper No.2, *2006-07 Strategy and Outlook*, p.33
[27] calculated from Table 3.9 of Budget Paper No.4, *2006-07 Statement of Finances*, p.149
[28] Budget Paper No.4, *2006-07 Statement of Finances*, p.133
[29] ibid.
[30] ibid., pp.132–133
[31] ibid., p.147

- increased revenue of $95 million[32] from fines and regulatory fees, mainly as a result of replacing the Western Ring Road cameras, the roll-out of the red light camera network, and the annual indexation of fees and charges.[33]

Expenses for 2006-07 are estimated to be $32,125.3 million,[34] up by $1,375.9 million or 4.5 per cent from the estimated actual result for 2005-06 and 6.2 per cent higher than the 2005-06 budget.[35] Expenses are expected to rise by an average of 3.2 per cent over the forward estimates.[36] The increase in 2006-07 is principally due to:[37]

- net new output policy funding of $584 million, which includes $162 million announced in the *2005-06 Budget Update*;
- indexation of expenses under the departmental funding model for general wages growth and for the impact of inflation on non-wage costs;
- flow-on expense effects of Commonwealth specific purpose grants;
- funding of $114 million to the Transport Ticketing Authority for the design, development and implementation of a new transport ticketing system;
- higher depreciation expense of $77.7 million[38] reflecting the government's significant infrastructure investment program and asset revaluations; and
- an increase of $56 million in grants to VicTrack to enable it to meet a higher capital charge payment because of its increased net asset position.

The government's highest expense item continues to be employee benefits with a projected cost of $12,019.5 million[39] in 2006-07, about 37.4 per cent of total expenses.

The total net impact of output funding initiatives announced in the budget and the *2005-06 Budget Update* totals $2,410.1 million[40] over the forward estimates period.[41]

The Committee observed that the rate of increase in projected expenditure in 2006-07 exceeds the rate of increase in estimated revenue. This is a similar situation to 2005-06.[42] The expected level of a positive margin between revenue and expenditure in 2006-07, that is the forecast budget surplus for the year, is $316.8 million,[43] a fall of $132.7 million[44] on the estimated actual position for 2005-06. The Committee

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32 calculated from Table 3.1 of Budget Paper No.4, *2006-07 Statement of Finances*, p.131
33 Budget Paper No.4, *2006-07 Statement of Finances*, p.132
34 Budget Paper No.2, *2006-07 Strategy and Outlook,* p.34
35 calculated from Table 3.1 of Budget Paper No.2, *2006-07 Strategy and Outlook,* p.34 and Table C.1 of Budget Paper No.4, *2006-07 Statement of Finances*, p.226
36 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.33
37 Budget Paper No.4, *2006-07 Statement of Finances*, p.239
38 calculated from Table D.1 of Budget Paper No.4, *2006-07 Statement of Finances*, p.236
39 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.34
40 calculated from Table 3.2 of Budget Paper No.2, *2006-07 Strategy and Outlook*, p.35
41 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.35
42 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.99
43 Budget Paper No.2, *2006-07 Strategy and Outlook,* p.34
44 calculated from Table 3.1 of Budget Paper No.2, *2006-07 Strategy and Outlook,* p.34 and Table D.1 of Budget Paper No.4, *2006-07 Statement of Finances*, p.236

identified in its *Report on the 2005-06 Budget Estimates* that the incurrence of an excess of annual expenditure over revenue is not sustainable in the long term, and is a matter that requires constant monitoring by the government.[45]

The budget provides funding for new asset investment projects with a total estimated investment of $3.6 billion.[46] This is in addition to infrastructure investments of $1.3 billion identified in the *2005-06 Budget Update*.[47] The Treasurer has described the government's record infrastructure program of $4.9 billon as:[48]

> *...crucial to boosting productivity and participation, attracting even higher levels of business investment, and gearing-up our economy to make the shift to the high value industries and jobs that will maintain our quality of life.*

Over the forward estimates period, $2,610.1 million[49] has been set aside in unallocated provisions for fixed asset investment (including unallocated funds in the *Meeting Our Transport Challenges Reserve*).[50]

The *Appropriation (2006/2007) Act* 2006 provides a net appropriation of $26,775 million for the government to meet its service delivery responsibilities in 2006-07.[51] This amount excludes funds credited to departments pursuant to s.29 of the *Financial Management Act* 1994,[52] which allows departments to retain certain receipts, mainly generated from the recoupment of costs associated with service delivery. The aggregate net appropriation for 2006-07 includes an amount of $482 million, up from an equivalent provision of $281.2 million in 2005-06, as an advance to the Treasurer to meet urgent claims that may arise before Parliament's approval is obtained.[53]

A total of $3 billion is provided for recurrent expenses over the forward estimates period in contingencies not allocated to departments.[54]

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45 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.99
46 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.36
47 ibid.
48 Budget Paper No.1, *2006-07 Treasurer's Speech*, p.3
49 calculated from Table 3.5 of Budget Paper No.2, *2006-07 Strategy and Outlook,* p.49
50 Budget Paper No.2 *2006-07 Strategy and Outlook*, p.49
51 *Appropriation (2006/2007) Act* 2006, p.5
52 Budget Paper No.1, *2006-07 Treasurer's Speech*, p.12
53 *Appropriation (2006/2007) Act* 2006, p.14
54 Budget Paper No.4, *2006-07 Statement of Finances*, p.44

3.2 Basis for the 2006-07 budget

The government's broad strategic priority is to establish a stable financial basis from which growth can be promoted across the whole state.[55]

The government has in place short and long term financial objectives derived from this priority (exhibit 3.3).

Exhibit 3.3: Victorian Government 2006-07 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 • maintain state government net financial liabilities at prudent levels
Short-term financial objectives:
• 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 • maintain a triple-A credit rating

Source: Budget Paper No.2, 2006-07 Strategy and Outlook, p.3

Victoria's credit rating is assessed by two international agencies – Standard & Poor's, and Moody's Investors Service Limited. Both agencies conduct an annual review of the state's economic structure and prospects, financial performance and outlook, balance sheet position, liquidity and debt management strategy, and fiscal strategy.[56]

Standard & Poor's confirmed Victoria's AAA credit rating on 17 August 2006:[57]

> *Standard & Poor's expects the state to maintain its commitment to fiscal prudence and to remain comfortably within the 'AAA' credit rating. This expectation holds regardless of the outcome in the upcoming election, as we expect both parties to maintain a commitment to fiscal discipline.*

[55] Budget Paper No.2, *2006-07 Strategy and Outlook*, p.2

[56] Department of Treasury and Finance, *Business and the Government*, *Credit Rating*, www.dtf.vic.gov.au, accessed 15 August 2006

[57] Standard & Poor's, *State of Victoria's 'AAA' affirmed: Government's steady performance continues*, media release, 17 August 2006, www.standardandpoors.com.au

Moody's Investors Service Limited confirmed Victoria's Aaa rating in December 2005, following release of the government's *2005-06 Budget Update*:[58]

> *The outlook for Victoria's Aaa ratings is stable. The state's strong financial position and low debt burden position it well to absorb projected financing deficits (net borrowing results) and an associated increase in the debt burden anticipated over the medium term due to higher spending levels and slower revenue growth.*

The agency also concluded, in terms of 'what could change the rating – down':[59]

> *An unlikely scenario combining a severe correction in the housing market and economic recession, along with a significant change in the government's prudent fiscal policies that would lead to rapid accumulation of debt, could have an adverse impact on the rating.*

3.3 New initiatives funding for 2006-07

The government's pursuit of its financial objectives relating to service delivery, infrastructure investment and the taxation system (presented in exhibit 3.3) is principally reflected in each budget through new revenue, output and asset funding initiatives.

Exhibit 3.4 shows the new 2006-07 output and asset funding initiatives.

[58] Department of Treasury and Finance, *Business and the Government*, *Credit Rating*, www.dtf.vic.gov.au, accessed 15 August 2006; Moody's Investors Service, *Credit Opinion: Victoria (State of) Australia*, 13 December 2005

[59] ibid.

Exhibit 3.4: New output and asset initiatives funding for 2006-07

Department	2006-07 Output initiatives ($ million)	2006-07 Asset initiatives ($ million)
Education and Training	113.7	217.3
Human Services	244.1	124.0
Infrastructure	161.6	219.3
Innovation, Industry and Regional Development	36.8	5.0
Justice	72.7	42.2
Premier and Cabinet	23.4	1.0
Primary Industries	4.8	0.6
Sustainability and Environment	38.7	12.2
Treasury and Finance	9.0	19.2
Victorian Communities	23.0	54.6
Parliament	4.2	3.7
Government wide	77.6	22.0
Total 2006-07 budget funding	**809.6**	**721.0**
Less: Funding from demand contingency and efficiencies	**387.0**	**n/a**
Net impact of new 2006-07 budget output funding (a)	**422.6**	**n/a**

Note: *(a) excludes initiatives funded through internal reprioritisation or other existing funding sources and 2005-06 Budget Update initiatives*

n/a not applicable

Some figures may not add up due to rounding

Source: *Budget Paper No.2, 2006-07 Strategy and Outlook, pp.35–36*

When arriving at the net impact of new output initiatives in 2006-07, allowance is made for existing forward estimates contingencies and other efficiencies totalling $387 million. The budget papers state that, in accordance with normal budgetary practice, contingencies are included in the forward estimates to ensure there is sufficient capacity to fund increased service delivery demand resulting from population growth, and for specific projects where funding has not been announced for commercial-in-confidence reasons.[60] Contingencies also provide for programs lapsing, items not yet formalised at the time of the budget and an allowance for departmental underspending in 2006-07.[61]

Examples of major output initiatives announced in the 2006-07 budget include:

[60] Budget Paper No. 2, *2006-07 Strategy and Outlook*, p.35
[61] Budget Paper No. 4, *2006-07 Statement of Finances*, p.44

- the introduction of a $300 School Start Bonus – to help parents with the costs of their children's first year at primary and secondary schools ($182 million over five years);[62]
- an increase in the Major Events Cap – to continue to attract new events to the state, attract tourists, and add to the vitality and diversity of the state ($50 million over four years);[63]
- further strengthening of the child protection system under a new legislative framework – through widespread reforms within community child and family services ($151 million over four years);[64]
- continuation of the State Disability Plan – to support the aspirations of people with a disability to exercise greater choice ($42 million over four years);[65]
- continued implementation of the Mental Health Strategy – to provide for increases in specialist mental health services ($116 million over four years);[66]
- further extension of the Hospital Futures Strategy – to deal with continual increases in demand for hospital care as well as investment in medium to long term health reform strategies ($508 million over four years);[67]
- provision of funding under the Healthy Futures Statement – to support growth in medical research and life sciences ($230 million);[68]
- an allocation of funding under the government's major transport action plan, *Meeting Our Transport Challenges* – for transport initiatives including the Central Dandenong Transit City project, improvements to metropolitan local bus services and introduction of Friday and Saturday late night services ($422.2 million over four years);[69] and
- continuation of road safety commitments – with funding to ensure the reliability of Victoria's speed cameras ($138 million over four years).[70]

Examples of major initiatives for investment in new assets identified in the 2006-07 budget include:

- an initial allocation under the Building Tomorrow's Schools Today Fund – to accelerate and transform school infrastructure ($100 million over two years);[71]

62 Budget Paper No.3, *2006-07 Service Delivery*, p.6
63 ibid., p.16
64 ibid., p.20
65 ibid., p.23
66 ibid., p.24
67 ibid., p.26
68 ibid., p.30
69 ibid., pp. 284, 306, 331
70 ibid., p.39
71 ibid., p.8

- funding for schools and training institutions – to create world-class assets to support the delivery of excellence in educational programs ($268 million);[72]
- upgrading publicly owned aged care facilities – to assist members of the community who are no longer able to live in their own homes ($132 million);[73]
- continuation of a capital upgrade program for health care facilities – at Royal Melbourne Hospital, the Box Hill Hospital and the Rochester and Elmore District Health Service ($116 million);[74]
- provision of funding for a new ticketing system for the public transport system based on Smartcard technology ($283.2 million);[75] and
- investment of $1,351.5 million over six years in new transport assets under the *Meeting Our Transport Challenges* action plan, a key component of the government's infrastructure program announced in the 2006-07 budget.[76]

The Treasurer announced in the 2006-07 budget that the government planned to use $600 million from the sale of its share in the Snowy Hydro Limited to deliver *'...the biggest one-off investment in school building projects in Victoria's history...'*[77] An initial allocation of $100 million was provided in the budget for capital projects.[78] Subsequent to the budget, the Premier stated that the government would not be proceeding with the sale following decisions by the Commonwealth and New South Wales governments.[79] The Premier indicated the anticipated sale proceeds were not contained in the forward estimates and Victoria remains committed to the educational infrastructure program, which will now be delivered over a longer timeframe.[80]

3.4 Economic projections for 2006-07

The budget papers forecast that the Victorian economy would grow by 2.5 per cent in 2005-06 supported by strong business investment and population growth, solid employment growth and moderate growth in consumer spending.[81] Growth in 2006-07 is expected to improve to 3.25 per cent as consumer spending recovers and as improvements in net exports emerge.[82]

72 ibid.
73 ibid., p.27
74 ibid., pp.27–28
75 ibid., p.311
76 Budget Paper No.4, *2006-07 Statement of Finances*, p.224
77 Budget Paper No.1, *2006-07 Treasurer's Speech*, p.11
78 ibid.
79 Hon. S Bracks, MP, Premier, *Victoria withdraws from Snowy sale*, media release, 2 June 2006
80 ibid.
81 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.23
82 ibid.

The budget papers also indicate that Victoria faces several challenges to sustained economic growth.[83] The short-term challenges include the dual effect of high petrol prices and the impact of the Reserve Bank of Australia's (RBA's) May 2006 interest rate rise.[84] The medium-term challenges relate to the effects of the minerals commodity price boom on non-mineral exporters and import-competing businesses in Victoria.[85] Longer-term challenges include the impact of population ageing and a slow-down in productivity growth.[86]

In terms of inflationary pressures, the budget papers cite the RBA's May 2006 decision and identify upside risks to inflation as higher than expected oil prices, stronger labour demand resulting in wage pressures and any substantial depreciation in the Australian dollar.[87] The budget papers also indicate that financial markets expect a further modest increase in interest rates and any larger adjustment would place pressure on medium-term growth forecasts.[88]

On 2 August 2006, the RBA announced an additional increase in the cash rate by 25 basis points to 6 per cent.[89] The RBA stated this increase was warranted to contain inflation in the medium term.[90]

The Committee considers it will be important for the government to closely monitor the collective impact of the May and August 2006 RBA decisions and possible future interest rate increases on its short to medium term economic projections.

The government considers the key to meeting prevailing economic challenges is to boost productivity and labour force participation. Reforms announced in the 2006-07 budget have therefore been aimed at improving the business environment, increasing infrastructure investment, raising investment in human capital, and promoting innovation and research and development.[91] The government also indicated it has taken a lead in promoting a national reform agenda that has recently been endorsed by the Council of Australian Governments.[92]

3.5 Unfunded superannuation liabilities

Unfunded superannuation liability is the state's most significant liability. After falling by $2.8 billion in 2005-06 (due largely to strong equity returns on investments), the liability is expected to increase by $600 million in 2006-07 to $13.1 billion[93] and to

83 ibid., p.31
84 ibid.
85 ibid.
86 ibid.
87 ibid., p.85
88 ibid.
89 Reserve Bank of Australia, *'Monetary policy'*, media release, 2 August 2006, www.rba.gov.au/MediaReleases/2006/mr_06_05.html, accessed 16 August 2006
90 ibid.
91 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.119
92 ibid.
93 ibid., p.62

remain at that level by June 2010.[94] The budget papers attribute this increase to accrued liabilities growing faster than assets.[95]

The Committee notes that in, 2006-07, the government proposes to make payments of only $1,173.6 million[96] compared with an accrued superannuation expense of $1,710.4 million.[97]

The government adopted a funding framework in 2000 aimed at fully meeting the unfunded superannuation liability by 2035.[98] This framework is based on actuarial advice and is reviewed annually.[99]

The budget papers indicate that, between 2000-01 and 2004-05, the government made payments of $4,675 million compared with the $3,185 million required under the original full funding framework.[100] The budget papers further state that, at 30 June 2006, the government will be ahead of the original payment schedule by about $1,167 million, and is on track to achieve full funding of the superannuation liability by the target date of 2035.[101]

94 Budget Paper No.4, *2006-07 Statement of Finances*, p.42
95 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.62
96 Budget Paper No.4, *2006-07 Statement of Finances*, p.12
97 ibid., p.9
98 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.62
99 ibid.
100 ibid., p.64
101 ibid.

CHAPTER 4: SECURITY EXPENDITURE, ADVERTISING AND PROMOTIONAL EXPENDITURE AND DEPARTMENTAL HOUSING

Key findings of the Committee:

4.1 Victorian Government expenditure on improving security has increased significantly ($30.8 million or 440 per cent) since 2002-03. This amount does not include the Commonwealth Games security budget.

4.2 Between 2002-03 and 2005-06, expenditure by government departments on advertising and promotion totalled $124.3 million. All departments indicated they complied with the whole of government advertising contracts and communications guidelines.

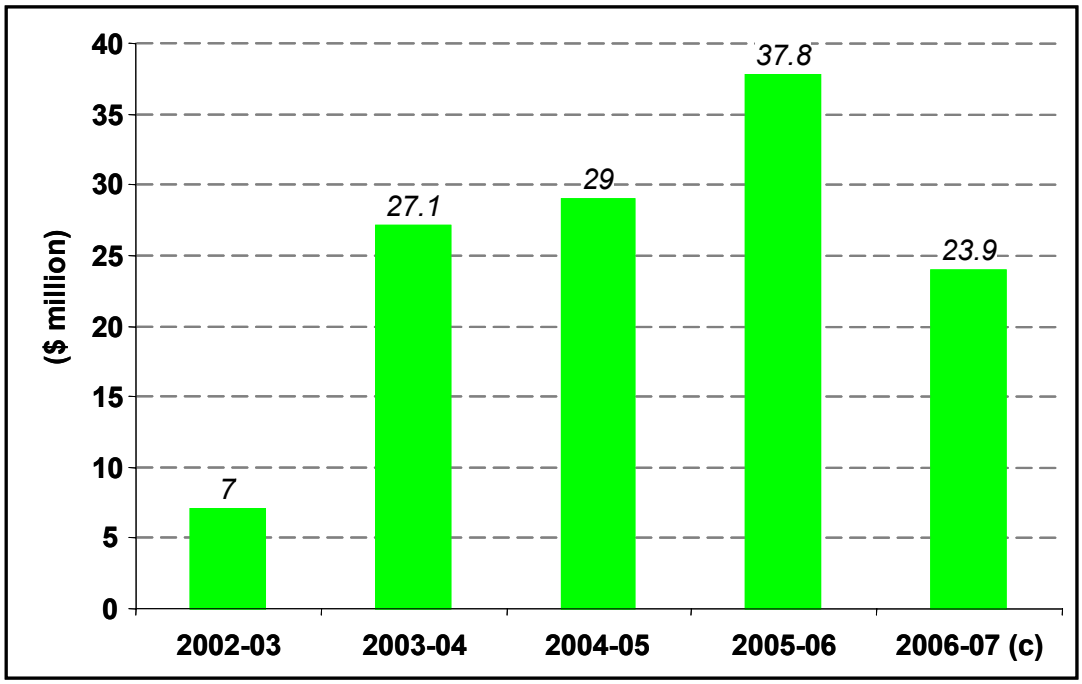
4.3 During 2005-06, government departments (not including Victoria Police) maintained 356 departmental houses, a significant decrease in the number of departmental houses maintained in 1996 (671).

4.1 Security expenditure

Since the early part of this decade, the government has increasingly focused on preventing any terrorist attacks on government infrastructure. With an increased emphasis on security, the Committee was interested to know what expenditure by government departments, since 2002-03, had been allocated to security.

Exhibit 4.1 shows actual and budgeted expenditure increased by $30.8 million (440 per cent) between 2002-03 and 2005-06, although this figure does not include the security expenditure for the Commonwealth Games.

Exhibit 4.1: Departments and parliamentary departments (a) Growth in security expenditure 2002-03 to 2006-07



Notes: *(a) does not include security expenditure by the Department of Treasury and Finance*

(b) this figure does not include the security expenditure for the Commonwealth Games, which was included in the Department for Victorian Communities' budget. The department did not provide this information at the time this report was published

(c) 2006-07 data represents estimated expenditure

Sources: *Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, pp.24–25, Department of Human Services, pp.16–17; Department of Infrastructure, pp.29–31; Department of Innovation, Industry and Regional Development, p.20; Department of Justice, pp.35–36; Department of Premier and Cabinet, pp.19–20; Department of Primary Industries, pp.16–17; Department of Sustainability and Environment, p.25; Department for Victorian Communities, pp.22–23; Parliamentary Departments, pp.12–13*

Exhibit 4.2 presents the budgeted and actual expenditure of each department and the Parliamentary departments for 2002-03 to 2005-06. Budget and estimated expenditure is provided for 2006-07.

Exhibit 4.2: Departments and parliamentary departments (a) Security expenditure – 2002-03 to 2006-07

	2002-03 Budget ($ million)	2002-03 Actual ($ million)	2003-04 Budget ($ million)	2003-04 Actual ($ million)	2004-05 Budget ($ million)	2004-05 Actual ($ million)	2005-06 Budget ($ million)	2005-06 Estimated Actual ($ million)	2006-07 Budget ($ million)
Department of Education and Training (b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Department of Human Services	1.4	1.4	5.9	4.5	7.3	7.0	8.8	8.6	5.1
Department of Infrastructure (c)	0.0	0.0	0.5	0.01	0.6	0.6	16.7	16.7	7.0
Department of Innovation, Industry and Regional Development (d)	0.0	0.18	0.0	0.09	0.0	0.17	0.0	0.18	0.1
Department of Justice (e)	4.8	4.8	17.6	18.6	12.9	12.6	8.4	8.0	8.0
Department of Premier and Cabinet	0.4	0.4	3.4	0.9	3.5	1.1	4.2	3.5	2.8
Department of Primary Industries (f)	0.0	0.0	0.0	0.0	1.0	1.0	0.3	0.3	0.4
Department of Sustainability and Environment	0.0	0.0	0.0	0.1	0.0	0.0	0.1	0.09	0.0
Department for Victorian Communities	(g) 0.0	(g) 0.0	2.5	2.4	11.1	6.1	(h) 105.4	(i) 0.0	0.0
Parliamentary departments	0.3	0.3	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Total	**6.9**	**7.0**	**30.4**	**27.1**	**36.9**	**29.0**	**144.4**	**37.8**	**23.9**

Notes: *(a) the Department of Treasury and Finance was not requested to provide details of its expenditure on security*

(b) the department did not incur any security expenses because the Department of Treasury and Finance manages security within the Treasury precinct. The department also does not collect information on security expenditure by schools or TAFEs

(c) the security expenditure for the Department of Infrastructure includes expenditure by VicRoads

(d) Department of Innovation, Industry and Regional Development does not have a specific security budget

(e) the security expenditure for Department of Justice includes expenditure by Victoria Police

(f) the Department of Sustainability and Environment met the 2002-03 and 2003-04 security costs for the Department of Primary Industries

(g) the Department for Victorian Communities was established during 2002-03, and therefore did not have a budget for security expenditure

(h) the Department for Victorian Communities expended funds to counter the threat of terrorism as part of the security budget for the Commonwealth Games. The Commonwealth Games security budget for 2004-05 of $105.4 million included funding for crowd management and asset protection and counter terrorism activities

(i) expenditure for 2005-06 was not provided by the Department for Victorian Communities as the final report on the Commonwealth Games, including the final costs for security, was still being prepared at the time this report was tabled in Parliament

Sources: Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, pp.24–25; Department of Human Services, pp.16–17; Department of Infrastructure, pp.29–31; Department of Innovation, Industry and Regional Development, p.20; Department of Justice, pp.35–36; Department of Premier and Cabinet, pp.19–20; Department of Primary Industries, pp.16–17; Department of Sustainability and Environment, p.25; Department for Victorian Communities, pp.22–23; Parliamentary Departments, pp.12–13

4.2 Advertising and promotion expenditure

Departments spend part of their annual budget allocation each year on advertising and promotion. The government requires all departments and some agencies to comply with Victorian Government Purchasing Board whole of government contract guidelines.

The Committee was interested to know the status of advertising and promotion expenditure within the departments, with a specific focus on historical and planned revenue and expenditure, and advertising engagement practices.

4.2.1 Advertising and promotion revenue and expenditure

Exhibit 4.3 shows the departmental advertising expenditure from 2003-04 to 2005-06. Figures for 2005-06 are at 31 March 2006; information relating to the last quarters was not available. Neither the Department of Treasury and Finance nor Parliamentary Departments provided information on their advertising and promotion expenditure.

Only one department was able to provide the Committee with an estimate of its advertising and promotion expenditure for 2006-07. The remaining departments informed the Committee that this information had not been finalised at the time they forwarded their responses to the Committee's budget estimates questionnaire.

The Committee notes that the Department of Human Services, the Department of Primary Industries and the Department for Victorian Communities would not have been able to readily provide the Committee with information relating to planned expenditure, even if time permitted, because they do not maintain separate advertising budgets. Instead, these departments devolve responsibility for determining advertising and promotion expenditure to program areas.

Exhibit 4.3: Departmental advertising and promotion expenditure 2003-04 to 2006-07

Department	2003-04 ($ million)	2004-05 ($ million)	2005-06 (a) ($ million)	2006-07 ($ million)
Department of Education and Training	2.0	0.9	0.8	n/a
Department of Human Services	13.3	12.6	(b) 5.1	n/a
Department of Infrastructure	(c) 2.9	(c) 2.5	(c) 6.6	n/a
Department of Innovation, Industry and Regional Development	(d) 3.8	(d) 4.9	(d) 5.4	3.2
Department of Justice	1.6	2.5	6.0	n/a
Department of Premier and Cabinet	2.7	2.4	2.8	n/a
Department of Primary Industries	1.7	2.0	1.6	n/a
Department of Sustainability and Environment	(e) 7.9	(f) 9.1	(g) 6.4	n/a
Department of Treasury and Finance	n/a	n/a	n/a	n/a
Department for Victorian Communities	0.6	(h) 5.8	(i) 10.7	n/a
Parliamentary Departments	n/a	n/a	n/a	n/a
Total	**36.5**	**42.7**	**45.1**	**3.2**

Notes: (a) *data relates to the first three quarters of 2005-06 only. Fourth quarter data was not available at the time of tabling this report*

(b) *data relates to the first two quarters of 2005-06 only. Third and fourth quarter data was not available at the time of tabling this report*

(c) *these figures include advertising by the Department of Infrastructure, VicRoads and the Southern and Eastern Integrated Transport Authority*

(d) *these figures do not include television advertising and promotion expenditure*

(e) *included expenditure of $3.5 million as part of the Our Water, Our Future action plan. Melbourne's water businesses reimbursed the Department of Sustainability and Environment for all this expenditure*

(f) *included expenditure of $3.9 million as part of the Our Water, Our Future action plan. Melbourne's water businesses reimbursed the Department of Sustainability and Environment for all this expenditure*

(g) *included expenditure of $1.4 million as part of the Our Water, Our Future action plan. Melbourne's water businesses reimbursed the Department of Sustainability and Environment for all this expenditure*

(h) *$4.7 million of this figure was booked under the auspices of the Department for Victorian Communities by the Melbourne 2006 Corporation*

(i) *$7.1 million of this figure was booked under the auspices of the Department for Victorian Communities by the Melbourne 2006 Corporation*

Sources: *Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, pp.19–22; Department of Human Services, pp.12–14; Department of Infrastructure, pp.21–27; Department of Innovation, Industry and Regional Development, pp.16–18; Department of Justice, pp.30–32; Department of Premier and Cabinet, pp.16–18; Department of Primary Industries, pp.12–14; Department of Sustainability and Environment, pp.19–22; Department for Victorian Communities, pp.18–21*

The Committee expected the Department of Human Services would have been able to provide details of third quarter advertising and promotion expenditure, and that the Department of Innovation, Industry and Regional Development would have been able to provide details about television advertising and promotion expenditure.

4.2.2 Advertising engagement practices

All departments reported to the Committee that they complied with the whole of government contracts' advertising and communications guidelines. Specifically, these are the Government Advertising – Master Agency Media Services (MAMS), and the Marketing Services Panel.[102]

All departments are obliged to make all media bookings through MAMS, and to choose from a panel of preferred suppliers for advertising and communications services.[103] Government departments must choose from the 26 advertising suppliers or 31 communications suppliers for projects over $2,000, with the number of quotes required depending on the value of the project.

Eight departments reported using suppliers from the Marketing Services Panel for advertising and promotion expenditure in excess of $100,000. While the Department of Primary Industries had two projects worth in excess of $100,000, neither of the projects used the services of advertising agencies. One was developed by a television production company and the other project primarily incurred postage costs.[104]

Exhibit 4.4 highlights the departments' use of advertising and communication agencies for expenditure over $100,000, from the panel of 57 suppliers. There were no communications services contracted as advertising services contracts were concentrated in 11 of the 26 suppliers.

The Department of Treasury and Finance and the Parliamentary Departments have not been included because they did not report any advertising or promotion expenditure.

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102 www.vgpb.vic.gov.au, accessed 25 July 2006

103 ibid.

104 Department of Primary Industries, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, p.14

Exhibit 4.4: Advertising agencies used by departments for promotions in excess of $100,000

Department	Marketing services panel providers										
	Clemenger BBDO	George Patterson Partners	Grey Global Group	J Walter Thompson	Young & Rubicam	George Pty Ltd	Magnum Opus	Shannon's Way	Creative Outlet	Growth Solutions Group	Marmalade Communications
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 Sustainability and Environment								✓			
Department for Victorian Communities	✓								✓		

Sources: Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, p.22; Department of Human Services, p.14; Department of Infrastructure, p.27; Department of Innovation, Industry and Regional Development, pp.18–19; Department of Justice, p.32; Department of Premier and Cabinet, p.18; Department of Sustainability and Environment, p.22; Department for Victorian Communities, p.21.

4.3 Departmental Housing

Government departments have historically provided housing for their employees, primarily as a way to attract employees to remote areas, or where appropriate private housing was either limited or unavailable.[105]

At 1 July 1993, the government owned 2,624 houses for use by government employees.[106] The Government Employees Housing Authority managed these properties, but the Authority was wound up in 1996, and responsibility for government employee housing transferred to participating departments.[107]

[105] Hon. M Leighton, MP, Shadow Minister for Housing and Construction, Victoria, Legislative Assembly, *Debates*, 26 May 1995, p.1812

[106] Hon. M Leighton, MP, Shadow Minister for Housing and Construction, Victoria, Legislative Assembly, *Debates*, 24 October 1995, p.704

[107] Hon. S Plowman, MP, Minister for Energy and Minerals, Victoria, Legislative Assembly, *Debates*, 11 May 1995, p.1454

Departments retained approximately 671 of these properties for use by their employees, and government was to sell the remaining properties.

There were several criticisms about the use of government employee housing at the time the Authority was wound-up. These criticisms included low levels of occupancy, and occupancy by non-government employees.[108]

The Committee considered it was timely to examine the status of government employee housing. All departments were asked in the Committee's 2006-07 Budget Estimates questionnaire to provide information on the number and location of departmental properties, annual rental income, property values, average occupancy rates; and the reasons for retaining government employee housing.

Of the ten departments, only four currently have employee housing. As exhibit 4.5 shows, the four departments currently maintain 356 properties for use by their employees. These properties are valued at $28 million, and generate $1.1 million in annual rental income. The Committee is aware that Victoria Police, a Department of Justice agency, also maintains departmental housing for its sworn officers, however this information was not provided to the Committee.

Exhibit 4.5: Departmental housing

Department	Number of properties	Total annual income ($ million)	Total valuation ($ million)	Average occupancy rate (%)
Department of Education and Training	293	1.0	24.3	87
Department of Primary Industries	32	0.01	1.6	93
Department of Justice	12	0.05	1.2	100
Department of Sustainability and Environment	19	0.04	0.9	97
Total	**356**	**1.1**	**28.0**	

Sources: Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, p.23, 33–38; Department of Justice, pp.34–35, Department of Primary Industries, pp.15–16; Department of Sustainability and Environment, p.24, Department of Justice, email, 7 September 2006

[108] Hon. I Smith, MP, Minister for Finance, Victoria Legislative Assembly, Debates, 26 May 1995, p.1830

CHAPTER 5: THE NATIONAL REFORM AGENDA AND THE FINANCIAL MANAGEMENT COMPLIANCE FRAMEWORK

Key findings of the Committee:

5.1 Most departments were participating in the National Reform Agenda, although the extent of participation varied. Departmental participation primarily involves representation on various working groups and committees, working with other Victorian Government departments, and developing programs and initiatives that meet the objectives of the National Reform Agenda.

5.2 The majority of departments identified benefits flowing from the Financial Management Compliance Framework, and had verification processes in place, with most using the services of independent auditors to provide the assurance. Similarly, most departments reported conducting formal training programs to ensure compliance with the requirements in the framework.

5.1 The National Reform Agenda

The Council of Australian Governments (COAG) adopted a National Reform Agenda in February 2006. The National Reform Agenda aims to further raise living standards and improve services, by lifting Australia's productivity and workforce participation over the next decade.[109] The Victorian Government has been a strong supporter of the National Reform Agenda, having previously published proposals in 2005 for further reforms that would build on the achievements of the National Competition Policy.[110]

In July 2006, COAG reaffirmed its commitment to the National Reform Agenda, and will now focus on completing specific reform proposals for consideration at its next meeting. COAG also agreed that the Commonwealth Government would fund states and territories on a case-by-case basis, if required, to ensure the respective governments share the costs and benefits of reform. The funding will be available once the states and territories have developed specific implementation plans.[111]

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109 Council of Australian Governments, *Communiqué*, 10 February 2006, p.1, http://www.coag.gov.au, accessed 18 July 2006

110 Department of Premier and Cabinet, *A Third Wave of National Reform*, 2005

111 Council of Australian Governments, *Communiqué*, 14 July 2006, http://www.coag.gov.au, accessed 18 July 2006

5.1.1 Responding to the National Reform Agenda

As a supporter of the National Reform Agenda, the Victorian Government has been active in responding to the key elements agreed to in principle by COAG. Budget Paper No.2, *2006-07 Strategy and Outlook* provides details of how the government has, and will continue to respond to the reform agenda.[112]

As the Committee was interested in how individual departments are responding to the National Reform Agenda, all departments were asked to provide details of their National Reform Agenda activities in their response to the Committee's budget estimates questionnaire.

Most departments stated in their questionnaire responses that they were participating in the National Reform Agenda, although the extent of participation varied. The Committee expected some variation in participation, given the current status of the National Reform Agenda, the ongoing development of reform proposals and the varying relevance of the National Reform Agenda to different departments. Primarily, departmental participation involves representation on various working groups and committees, working with other Victorian Government departments, and developing programs and initiatives that meet the objectives of the National Reform Agenda. Only the Department for Victorian Communities has stated that it is not implementing any National Reform Agenda initiatives, but plans to support central agencies.

None of the ten departments has allocated any funding to the National Reform Agenda for 2006-07.

Exhibit 5.1 details how each department is responding to the National Reform Agenda.

[112] Budget Paper No.2, *2006-07 Strategy and Outlook*, pp.109–120

Exhibit 5.1: National Reform Agenda departmental involvement

Department	Response to the National Reform Agenda
Education and Training	The department is working closely with the Department of Premier and Cabinet and the Department of Treasury and Finance to progress work under the human capital stream of the National Reform Agenda. It is also contributing to a report on transition pathways from school to work, which the Ministerial Council on Education, Employment, Training and Youth Affairs is undertaking. The department is making further contributions through the COAG agreed outcomes to address skills shortages through a national approach to apprenticeships, training and skills recognition.
Human Services	The department is working with the Department of Premier and Cabinet and the Department of Treasury and Finance to develop nationally agreed outcomes and measures, and state implementation plans, that will deliver outcomes aimed at contributing to increased workforce participation and productivity. The focus of this work is on improving the prevention and management of chronic diseases. The department is also working on National Reform Agenda issues relating to early childhood through the Office for Children, and is contributing to the mental health agenda. It considers the National Reform Agenda will have implications for its services, with the potential to fundamentally reshape Commonwealth-State relations, and provide some new avenues for funding a more integrated approach to health care delivery. This is likely to lead to a greater focus on prevention and early intervention.
Infrastructure	The department is advising the Victorian representatives on the Competition and Regulation Working Group (CRWG), a COAG group that forms the steering committee for a national review of urban congestion. It is also participating in the inter-jurisdictional group that will be preparing the draft report for the CRWG's consideration. The department is also preparing a five yearly infrastructure report, in consultation with the Department of Sustainability and Environment, the Department of Premier and Cabinet and the Department of Treasury and Finance. Other work includes reviewing its port regulations and making a submission to the Productivity Commission on road and rail pricing.
Innovation, Industry and Regional Development	The department is supporting the work of other departments through participation on inter-departmental committees. It does not expect any implications for departmental services from its participation in the National Reform Agenda.
Justice	The department is responding to all facets of the National Reform Agenda through the delivery of programs and initiatives to encourage workforce participation, applying National Competition Policy, and establishing a consistent, best practice regulatory framework.
Premier and Cabinet	As well as initiating the National Reform Agenda through the A Third Wave of National Reform report, the department has actively supported the development of the National Reform Agenda through COAG meetings, chairing and participating in COAG working groups, and promoting Victoria's approach to the National Reform Agenda through Senior Officials Meetings (SOM). It has also established a National Reform Secretariat to work on COAG and the National Reform Agenda. Capacity has been achieved through reprioritisation of resources.

Exhibit 5.1: National Reform Agenda departmental involvement *(continued)*

Department	Response to the National Reform Agenda
Primary Industries	The department is participating in whole of government National Reform Agenda activities including the development of a workforce participation strategy for Victoria, with an emphasis on building the capacity of the workforce and addressing barriers and disincentives. The department has been involved in the deregulation of industries in the Agriculture portfolio and adopting a flexible, outcome focused regulation in areas including earth resources, fisheries and biosecurity. It is also actively involved in implementing regulatory reform in the water area. The full impact of the National Reform Agenda on departmental services is currently unclear. Given its regulatory role in relation to various primary industries, there is likely to be some impact on the department's activities as a result of a coordinated, whole of government approach to regulatory reform. The extent of that impact will not be clear until the actions required have been fully developed.
Sustainability and Environment	The department is supporting the Climate Change Group (CCG) and undertaking work for the Natural Resources Management Ministerial Council (NRMIC). The CCG's role is to oversee the implementation of the Climate Change Plan of Action's recommendations. COAG has tasked the NRMIC with examining and reporting on the possible development of emissions intensity benchmarks and environmental management systems for agriculture, which includes the development of new approaches to reduce emissions from agriculture and land use, and new measures to promote carbon sequestration in agriculture and land use.
Treasury and Finance	The Department of Treasury and Finance is working with the Department of Premier and Cabinet on aspects of the National Reform Agenda that have financial implications, or that could increase Victoria's growth prospects in the long term.
Victorian Communities	The Department for Victorian Communities is not currently implementing initiatives arising from the National Reform Agenda. The department will support the central agencies in implementation as necessary.

Sources: Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, p.25; Department of Human Services, pp.17–18; Department of Infrastructure, p.32; Department of Innovation, Industry and Regional Development, p.20; Department of Justice, pp.36–42; Department of Premier and Cabinet, pp.20–21; Department of Primary Industries, p.18; Department of Sustainability and Environment, p.26; Department of Treasury and Finance, p.20; Department for Victorian Communities, p.23

It would appear at this stage that Victoria's participation in the National Reform Agenda will not have significant implications for departments.

The Committee recommends that:

Recommendation 2: The Department of Premier and Cabinet look for further opportunities to achieve outcomes from the National Reform Agenda.

5.2 Financial Management Compliance Framework

The Victorian Government introduced the Financial Management Compliance Framework (FMCF) in 2003 as part of broader financial management reforms for Victorian public sector agencies. The FMCF provides a mechanism for agencies to monitor and review compliance with legislative and regulatory financial management.[113]

The FMCF, which is mandatory for all departments, involves a three-tier reporting regime that ensures effective and transparent financial management compliance.[114]

As the FMCF commenced operation in 2004-05, the Committee was interested to learn what progress departments had made in complying with the framework. The Committee was also interested to learn how the FMCF had affected departmental practices and outcomes, and what departmental training had occurred to ensure compliance.

Exhibits 5.2, 5.3 and 5.4 identify departmental responses to the Committee's enquiries. The Committee is pleased that the majority of departments identified benefits flowing from the FMCF, and had verification processes in place, with most utilising the services of independent auditors to provide assurance. Most departments reported having formal training programs to ensure that they complied with the requirements of the FMCF.

The Committee is concerned, however, that some departments did not undertake formal training, but instead relied on more passive methods for training staff. These methods include reactive training that relied on individuals or business units identifying a need for training, and publishing policies and guidelines. The latter method is of particular concern to the Committee if the department does not have systems in place to assess the effectiveness of the policies and guidelines, and whether staff use this medium.

113 Victorian Auditor-General's Office, *'Auditing in the public interest'* newsletter, winter 2003, p.6
114 ibid.

Exhibit 5.2: Financial Management Compliance Framework verification processes

Department	Response
Education and Training	The department has participated in an independent review of compliance, including its associated authorities. This review formed the basis of the department's responses to the Financial Management Compliance Framework certification.
Human Services	The department participates in annual independent assurance reviews to verify the compliance statements against the framework.
Innovation, Industry and Regional Development	The Finance Branch, in consultation with other departmental representatives, reviews each of the mandatory direction requirements, and the detailed procedures, to ensure that the department complies. The Finance Branch checks to ensure the required processes are in place. If a particular procedure is not in place, the Finance Branch identifies and checks an alternative process. It then maintains documentation for each of the direction requirements, where appropriate. The Finance Branch then communicates the review results to the Secretary and the Audit Committee. Finally, the Finance Branch compiles a list of all areas where partial compliance was found, and details the actions for the department to follow to ensure compliance the next year. The Audit Committee monitors and reviews this list.
Infrastructure	The department conducts an annual internal review to ensure that it meets all compliance obligations. It then develops an action plan/strategy to ensure it promptly rectifies any non-compliance. The department also participates in an annual independent review, with management outlining actions the department needs to take to rectify any reported issues.
Justice	The Finance Branch verifies compliance with the FMCF by departmental agencies. The department requires annual written assurance from business units that financial compliance within their area of responsibility is appropriate. It also seeks the same assurance from operationally independent agencies within the portfolio that are not dependent on the department's corporate systems, policies or personnel. Internal Audit provides detailed input into the compliance response for each procedure within the direction requirement. The Finance Branch submits the collated compliance response to the Justice Audit Committee and Secretary for final approval, before submission of results to relevant Ministers.
Premier and Cabinet	When completing the compliance checklist, relevant departmental officers examine the requirements under the *Financial Management Act* 1994 and provide evidence of compliance. Internal auditors or other independent auditors also review the department's compliance with the Financial Management Framework and Tax Compliance Framework.
Primary Industries	The department's internal auditors undertake an annual review of the department's responses to the Financial Management Compliance Framework requirements, and provide a comprehensive written report to the Audit and Risk Management Committee who ensure that the department implements the recommendations.

Exhibit 5.2: Financial Management Compliance Framework verification processes *(continued)*

Department	Response
Sustainability and Environment	The department has allocated responsibility for each of the various components of the directions which make up the FMCF to departmental officers. The department requires these officers to ensure that it is compliant, or taking every step to ensure compliance, with each of the Direction requirements. The officers provide a quarterly update to the Corporate Finance Team (co-ordinators of the FMCF for the department) in cases where any item has previously been assessed as not, or partially compliant. In the final quarter of each financial year, the officers also provide a full response to every Direction (or part thereof) that they are responsible for, including substantiation to support the assessment. The department's internal auditors then undertake a review of the responses and accompanying substantiation to validate the department's assessment.
Treasury and Finance	When completing the compliance checklist, relevant departmental officers examine the requirements under the *Financial Management Act* 1994 and provide evidence of compliance. Internal auditors or other independent auditors also review the department's compliance with the Financial Management Framework and Tax Compliance Framework, and report to the Internal Audit Committee.
Victorian Communities	The department has developed an internal checklist of FMCF requirements covering all attributes of the 29 Standing Directions. Internal auditors then verify the checklist, the processes to satisfy the requirements and documentation supporting the department's compliance.

Sources: Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, p.26; Department of Human Services, pp.19–20; Department of Infrastructure, p.33; Department of Innovation, Industry and Regional Development, p.21; Department of Justice, p.43; Department of Premier and Cabinet, p.21; Department of Primary Industries, pp.18–19; Department of Sustainability and Environment, pp.27–28; Department of Treasury and Finance, p.21; Department for Victorian Communities, p.24

Exhibit 5.3: Financial Management Compliance Framework departmental training activities

Department	Response
Education and Training	Departmental staff that have primary responsibility for the development, promulgation and verification of financial management policies and procedures, receive the level of training required to ensure that the department's compliance with the Directions continues to be of the highest level.
Human Services	To date, over 500 departmental officers have been trained in basic procurement, which includes a number of fundamental requirements of the Financial Management Compliance Framework (FMCF). A further 450 officers have been trained in introductory accounting concepts and financial management in the same period. Regional awareness sessions were conducted and individual sessions were held with financial (feeder) systems managers on FMCF specific requirements pertaining to systems controls.
Innovation, Industry and Regional Development	The department provides in-house training to all staff that perform the review. The training includes an explanation of the purpose of the framework, the Direction requirements and the level of compliance, including reasons for partial compliance and action plans for the department in the prior year. The department's induction training also includes elements of the Financial Management Compliance Framework.
Infrastructure	The department has provided awareness sessions and prepared internal information bulletins on different aspects of the framework. Topics covered included the Goods and Services Tax and Fringe Benefits Tax, Oracle Financials, procurement and contract management, financial reporting requirements, and accounts payable and receivable.
Justice	No FMCF specific training was undertaken during 2005-06, with training and support in financial management provided to new business units, agencies and personnel as required. This training encompasses issues relating to financial control and governance.
Premier and Cabinet	The department publishes on-line detailed procedures and guidelines supporting the requirements of the Directions under the Financial Management Act, which are therefore available to all staff and covered in various training material. The department also conducts financial training sessions throughout the year, especially for new users. It also conducts training on a one-to-one basis and on request from staff members.
Primary Industries	During 2005-06, the department continued to provide numerous finance-related training courses to support the department's financial compliance activities. The training included Financial Delegation, Fraud Awareness, Contract Management, Purchasing Card, Petty Cash Management and Project Financial Management.
Sustainability and Environment	The department has undertaken a range of training programs to ensure responsible officers are fully aware of relevant guidelines, policies and procedures. This includes training on governance and financial management, basic tools and one-on-one FMCF training. The department also holds various forums and meetings where they advise of new or updated policies. These include the Financial Management Group and Business Managers meetings.

Exhibit 5.3: Financial Management Compliance Framework departmental training activities *(continued)*

Department	Response
Treasury and Finance	The department publishes, on an internal financial database, detailed procedures and guidelines supporting the requirements of the Directions under the Financial Management Act. The database is available to all staff, and it is also covered in various training materials, including the department's induction program. The department also conducts training sessions on financial matters throughout the year, especially for new users. Training is also conducted on a one-to-one basis and, on request, from staff members.
Victorian Communities	Staff induction procedures for new recruits have been updated to include requirements relating to various aspects of the FMCF. Targeted individual tuition and advice for staff responsible for key processes embodied in the framework has been undertaken to improve the quality of procedures and controls inherent in complying with the framework.

Sources: *Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, p.26; Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, pp.19–20; Department of Infrastructure, p.33; Department of Innovation, Industry and Regional Development, p.21; Department of Justice, p.43; Department of Premier and Cabinet, p.21; Department of Primary Industries, pp.18–19; Department of Sustainability and Environment, pp.27–28; Department of Treasury and Finance, p.21; Department for Victorian Communities, p.24*

Exhibit 5.4: Financial Management Compliance Framework impact on departmental practices and outcomes

Department	Response
Education and Training	The Financial Management Compliance Framework has provided the department with a formalised mechanism by which it can assess the appropriateness and effectiveness of its policies and procedures. In addition, the framework assists the department to identify the existence of any compliance issues, and ensure their rectification on a timely basis.
Human Services	The department has a comprehensive Financial Governance Framework (FGF), which is complemented by the FMCF. The FGF uses a class framework building approach, with three underpinning frameworks and associated actions: Internal Controls, Risk Management and Fraud Control. Business rules reflecting the frameworks comprise over 400 policies and procedures. Assurance is particularly strong with systematic auditing of monthly base financial transactions, risk based internal audits, independent annual FMCF and taxation audits, as well as external audits by the Australian Tax Office and the Auditor-General. The department's Audit Committee (and dedicated Risk Management Committee) provides the key oversight activity. The department has integrated FMCF practices into the FGF to help produce the outcome of a comprehensive financial governance regime for the department.
Innovation, Industry and Regional Development	The FMCF has enabled the department to attain the most effective financial management to achieve its business objectives and to meet the government's financial management and reporting obligations under the Directions. It has also led to the development of consistent and formalised financial management systems and procedures, and enabled the identification and rectification of compliance issues on a timely basis. The FMCF has also ensured that the department captures and disseminates financial management knowledge to all staff, and this has led to improved efficiency and effectiveness of financial management practices.
Infrastructure	The department has placed a greater focus on internally analysing compliance with the 29 Direction Requirements, and a major emphasis on the analysis and reporting of financial risks on a regular and consistent basis. The result of this has been a concentration on mitigating any compliance issues and major financial risks.
Justice	The framework has enabled the department to identify areas of partial or non-compliance, and significantly improve practices to ensure mainly full compliance.
Premier and Cabinet	The FMCF has raised awareness within the department of best practice in Financial Management and Tax matters. Certain policy and procedural documentation, not previously maintained, has been developed.
Primary Industries	The department already had rigorous governance and financial compliance programs, and these have been complemented by the requirements of the Financial Management Compliance Framework.
Sustainability and Environment	The department has increased awareness of policies and procedures across the organisation, and the requirement to ensure compliance. The FMCF has also had the effect of ensuring that all policies and procedures are kept up to date, and made available to all staff via the department's intranet. Further, the requirement to move the level of compliance from not, or partially compliant, to fully compliant for some elements of the FMCF has resulted in the department adopting best practice systems and processes for financial management.

Exhibit 5.4: Financial Management Compliance Framework impact on departmental practices and outcomes *(continued)*

Department	Response
Treasury and Finance	The FMCF has raised the awareness within the department of best practice in financial management and tax matters. Certain policy and procedural documentation, not previously maintained has been developed. The FMCF has also provided the department with a mechanism through which it can effectively identify and rectify compliance issues on a timely basis.
Victorian Communities	The FMCF has led to improvements in the level of awareness and understanding of governance requirements. A more complete set of policies and procedures have been formalised, documented and made available to staff.

Sources: Responses to the Committee's 2006-07 Budget Estimates questionnaire: Department of Education and Training, p.26; Department of Human Services, pp.19–20; Department of Infrastructure, p.33; Department of Innovation, Industry and Regional Development, p.21; Department of Justice, p.43; Department of Premier and Cabinet, p.21; Department of Primary Industries, pp.18–19; Department of Sustainability and Environment, pp.27–28; Department of Treasury and Finance, p.21; Department for Victorian Communities, p.24

The introduction of the Financial Management Compliance Framework in 2003 was a key component of the government's strategy to improve the overall performance of government departments in financial and risk management. The framework was to be integrated as part of a broader Risk Management Framework across government and was seen as discharging the accountability responsibilities of the Minister for Finance to Parliament by ensuring that public resources are being managed in a financially responsible manner.[115]

The framework refers to a process whereby the Department of Treasury and Finance is to monitor and report on the financial management obligations of public sector entities.[116] The framework also referred to an expectation that the Auditor-General could review and report on the adequacy of the framework as a risk management approach of government, inclusive of individual reviews of public sector entities as to their compliance with the framework.[117] To the knowledge of the Committee this is yet to occur.

From the responses to the Committee's questionnaire, it is obvious that the level of participation in the framework varies considerably across the public sector. The Committee considers that this is a very important initiative from a governance viewpoint and that Parliament would benefit from being provided with a report from the government detailing the achievements to date and any scope for further improvements.

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115 *Whole of government Financial Management Compliance Framework – explanatory framework document*, June 2003, p.4

116 ibid., p.2

117 ibid., p.7

Following its *Report on the 2004-05 Budget Estimates* the Committee recommended that a report be prepared for Parliament by the Department of Treasury and Finance detailing the results of the operation of the Financial Management Compliance Framework.[118] The department responded that as there was no legislative requirement for the Minister for Finance or the department to prepare such a report, there was no intention to do so.[119] The preparation of such a report would assist in discharging the accountability responsibilities of the Minister for Finance to Parliament in ensuring that risk management obligations are being met across the public sector.

The Committee recommends that:

Recommendation 3: **The Victorian Government reconsider its decision not to prepare a report to Parliament on the overall effectiveness of its Financial Management Compliance Framework, as was originally intended when the framework was introduced.**

[118] Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.631

[119] Government's response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, 59th Report, May 2005, p.82

CHAPTER 6: PARLIAMENTARY DEPARTMENTS

Key findings of the Committee:

6.1 The parliamentary departments' output budget for 2006-07 is $89.1 million, an increase of $7.6 million (9.3 per cent) from the estimated actual expenditure for 2005-06. This increase is mainly attributable to funding for the November 2006 state election and the relocation of the Department of Parliamentary Services and the parliamentary investigative committees to 55 St Andrews Place.

6.2 The parliamentary departments estimate they will carry over $1.4 million in output funding from 2005-06 to 2006-07 relating to Members' electorate office budgets and communication and printing allowances.

6.3 Performance information in the budget papers for the new consolidated Provision of information and resources to Parliament output does not include trend targets.

6.4 The number of equivalent full-time staff, including electorate officers, employed by the parliamentary departments at 30 June 2007 is expected to be 435.8, unchanged from the position at 30 June 2006.

Departmental review

6.1 Budget summary – output costs and performance measures

6.1.1 Budget development

The parliamentary departments advised the Committee that the key assumptions underlying development of their budget projections for 2006-07 were:[120]

- the November 2006 election and the opening of, and implementation of changes for, the 56th Parliament of Victoria;
- known movements in salary costs;

[120] Parliamentary departments, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, p.12

- relocation of the Department of Parliamentary Services and the parliamentary committees to 55 St Andrews Place; and
- increased operating costs including motor vehicles, fringe benefits tax, fuel costs and consumer price index adjustments.

6.1.2 Budget summary – output costs

The output budget of the parliamentary departments for 2006-07 is $89.1 million, an increase of $7.6 million on the estimated actual result for 2005-06. Exhibit 6.1 provides a breakdown.

Exhibit 6.1: Parliamentary departments Output costs

Output groups	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (%)
Legislative Council	8.8	8.8	9.0	2.3
Legislative Assembly	16.4	16.4	16.8	2.4
Parliamentary Services	50.8	50.8	57.6	13.4
Parliamentary Investigative Committees	5.5	5.5	5.7	3.6
Total	**81.5**	**81.5**	**89.1**	**9.3**

Source: Budget Paper No.3, 2006-07 Service Delivery, p.271

The parliamentary departments have advised the Committee that the 13.4 per cent budgeted increase in 2006-07 costs for the Parliamentary Services output group relates to:[121]

- $3 million for the November 2006 state election;
- $1 million for the relocation of the Department of Parliamentary Services and the parliamentary investigative committees to 55 St Andrews Place;
- $833,000 for higher depreciation and the capital asset charge arising mainly from the refurbishment of the Parliament House kitchen; and
- the impact of movement in the consumer price index on the cost of supplies and services.

[121] ibid., p.10

6.1.3 Performance measures

The 2006-07 budget papers mention that following the administrative restructuring of the Department of Parliamentary Services, the six former outputs have been consolidated into the new output Provision of Information and Resources to Parliament, replacing:[122]

- the information provision output;
- the information access output;
- the research output;
- the public relations and education output;
- the Hansard, sessional indexes and Committee transcripts output; and
- the support services output.

Many of the discontinued performance measures for the above outputs have been aggregated into the new output. Former timeliness measures relating to Hansard chamber records, Hansard committee transcripts and indexes to records of proceedings, for example, have been combined into a new measure, indexes, records, speeches and transcripts provided within agreed time frames and in required formats.

All but one of the revised performance measures shown in the 2006-07 budget papers for the consolidated output have targets that are identical to related expected outcomes for 2005-06. The remaining measure, dealing with the level of satisfaction from Members, staff and officers with services, has a lower target for 2006-07.[123]

The budget papers state that the consolidation provides for efficient and streamlined reporting of services and reflects the outputs delivered through the current operating structure.

In its *Report on the 2004-05 Budget Outcomes*, the Committee suggested the Department of Parliamentary Services raise the standard of its performance measurement and reporting practices.[124] Building on this, the Committee considers that performance information for the new Provision of Information and Resources to Parliament output, presented in future budget papers, should include trend targets to help drive the achievement of efficiencies and improved delivery of parliamentary services.

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122 Budget Paper No.3, *2006-07 Service Delivery*, p.270
123 ibid., p.274
124 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, pp.166–168

The Committee recommends that:

Recommendation 4: **Future budget papers include trend targets for the Provision of Information and Resources to Parliament output.**

6.2 Carry over funding

The parliamentary departments informed the Committee that the estimated funding carry over from 2005-06 into 2006-07 is $1.4 million, comprising:[125]

- electorate office budgets (maximum of $8,000 per member) $400,000
- communication allowance (maximum of $8,000 per member) $800,000
- printing allowance (maximum of $4,000 per member) $200,000

6.3 Human resources issues

6.3.1 Departmental workforce

The parliamentary departments advised that they anticipate 435.8 equivalent full-time staff will be employed at 30 June 2007, unchanged from the position at 30 June 2006 (exhibit 6.2).[126]

Exhibit 6.2: Parliamentary departments Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
Executive officers	6.0	5.0	5.0
Grades 1-6	195.0	202.5	202.5
Electorate officers	222.0	222.0	222.0
Sessional staff	6.4	6.3	6.3
Total	**429.4**	**435.8**	**435.8**

Source: Parliamentary departments, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, pp.3–5

[125] Presiding Officers, Parliamentary departments, response to the Committee's follow-up questions, received 27 July 2006, p.4

[126] Parliamentary departments, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, pp.3–5

6.4 Bills, Bells & Ballots – 150 years of Victoria's Parliament

In 2006, the Parliament of Victoria celebrates 150 years of the official opening of the first Parliament in Victoria. A program of events to mark the occasion began in November 2005 and will end on 25 November 2006, the anniversary of the opening of Victoria's Parliament House.[127]

An important element of the celebration program is an interactive multimedia travelling exhibition, Bills, Bells, and Ballots. Parliament's website indicates that the exhibition features an informative walk through the history and role of Parliament and showcases treasures, significant documents and other items rarely seen outside of Parliament.

The Committee was informed at the estimates hearing that the overall budget for the exhibition was about $400,000.[128] The Committee was further advised that the contracted expenditure for the exhibition is $252,000, which includes the graphic design work, construction of the exhibition, and transport, assembly and dismantling at each of the 11 locations visited throughout Victoria. The total cost of the event is not yet available because several locations are still to be visited.[129]

The Committee was advised that, approximately 1,380 students have been through the exhibition in school groups, with an additional 420 booked for the remaining locations. A number of visits from community organisations have also occurred.

The Committee recognises the significance of the 150 year celebration program and the key role of the travelling exhibition in that program.

The Committee considers that the Department of Parliamentary Services should ensure there is informative reporting back to Parliament following the conclusion of the exhibition. The reported information should include users' feedback to assist in assessing the project's overall success, a breakdown of visitor numbers under the main visitor categories, and final costs against budget for the activity's key components.

The Committee recommends that:

Recommendation 5: **The Department of Parliamentary Services provide a report to Parliament at the conclusion of the Bills, Bells and Ballots exhibition on its overall effectiveness and final costs.**

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127 Parliament of Victoria website, www.parliament.vic.gov.au, accessed 3 August 2006

128 Dr S O'Kane, Secretary, Department of Parliamentary Services, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.14

129 Presiding Officers, Parliamentary departments, response to the Committee's follow-up questions, received 27 July 2006, p.1

CHAPTER 7: DEPARTMENT OF EDUCATION AND TRAINING

Key findings of the Committee:

7.1 **The Department of Education and Training's 2006-07 output budget is $7,633.6 million, an increase of $359 million (4.9 per cent) from the estimated actual results for 2005-06.**

7.2 **The department estimates it will carry over $36.7 million in output funding from 2005-06 to 2006-07. This carry over funding is largely due to delays in the implementation of initiatives/programs such as the procurement of the wide area network, and the Leading Schools Fund programs.**

7.3 **The department anticipates the number of teaching staff to increase from 40,350 in June 2006 to 40,480 equivalent full-time positions in June 2007, a net increase of 130 equivalent full-time positions. School services officer positions are also expected to increase from 10,040 in June 2006 to 10,070 in June 2007.**

7.4 **Departmental estimates indicated that in the three years to 2009, the number of secondary teachers graduating from Victorian universities will not be sufficient to meet demand. The department expects to offset this shortfall by recruiting from other sources such as from interstate, through teachers returning to the workforce, and by implementing other initiatives.**

7.5 **The results of the 2004 literacy and numeracy test for Years 3, 5 and 7 showed Victorian students were above the national benchmark in: reading for year 7, writing for years 3 and 7, and numeracy for years 3, 5 and 7, but years 3 and 5 students' reading skills and year 5 students' writing skills were not above the national benchmark. The 2006-07 budget included funding of $11.6 million for the Literacy Improvement Teams initiative to improve literacy standards through the engagement of literacy specialists.**

7.6 **The completion rate at 2005 for year 12 or an equivalent educational qualification was 85 per cent, 0.2 per cent lower than the achievement rate of 85.2 per cent for 2004. A target completion rate of 90 per cent has been established for 2010. Additional strategies have been introduced in 2006-07 to support the achievement of this target.**

7.7 **To continue the Victorian Certificate of Applied Learning (VCAL) for a further four years, $47.4 million has been allocated. Positive achievements recorded in the first tranche of this program included an average annual growth in enrolment of 42 per cent for the period 2002-2005.**

7.8 **Under the Higher Skills initiative, $42.3 million over four years will fund an additional 3,500 vocational education and training places. A market based approach will be adopted in allocating the 3,500 places and in determining the high-priority industries.**

7.9 **The department does not collect details on the type of fees collected by schools.**

7.10 **Without detailed information from the latest school maintenance audit, the Committee is unable to assess the adequacy of funding provided for school maintenance requirements.**

7.11 **The Department of Education and Training is currently conducting a trial on the outsourcing of the assessment process for students with disabilities. The trial is expected to be completed in the latter part of 2006.**

Departmental review

7.1 Budget summary – output costs and performance measures

7.1.1 Budget development

The key assumptions used by the Department of Education and Training in formulating its budget estimates include:[130]

- output appropriations:
  - the affect of changes to projected government and non-government school enrolments are factored into the budget estimates as the department is funded on a per student basis;
  - new budget initiatives;

[130] Department of Education and Training, response to the Committee's 2006-07 Budget Estimates questionnaire, received 5 June 2006, p.22

  - the indexation of output appropriation based on the departmental funding model indexation arrangements;

- Commonwealth grants, taking into account the payment schedules and escalation factors relevant to each type of grant. Non-government school projected enrolments is also a key driver of Commonwealth grants;
- employee provisions are forecasted on the basis of staffing profiles and current salaries and conditions with entitlements adjusted for approved wage agreements and known oncost rates. Oncost rates are estimated based on movements in current interest rates and anticipated salary movements; and
- depreciation and amortisation of buildings, plant and equipment, and other non-current physical assets.

7.1.2 Budget summary – output costs

The department's output budget for 2006-07 was $7,633.6 million, an increase of $359 million (or 4.9 per cent) from the estimated actual results for 2005-06 of $7,274.6 million (see exhibit 7.1).

Exhibit 7.1: Department of Education and Training Output costs

Output group/output	Column 1 2005-06 Target (b) ($ million)	Column 2 2005-06 Estimated Actual (b) ($ million)	Column 3 2006-07 Target (c) ($ million)	Column (3–2)/2 Variation (a) (%)
Compulsory years				
Early years	2,001.3	2,009.4	2,088.3	3.9
Middle years	2,127.5	2,134.8	2,246.7	5.2
Sub-total	**4,128.8**	**4,144.2**	**4,335.0**	**4.6**
Post-compulsory years				
Later years	1,241.3	1,251.7	1,303.0	4.1
Training and further education	1,155.6	1,162.0	1,239.2	6.6
Adult and community education	36.0	36.0	36.8	2.2
Cross-sectoral	38.4	38.4	39.2	2.1
Sub-total	**2,471.3**	**2,488.1**	**2,618.2**	**5.2**
Services to students				
Services to students	533.5	595.0	632.9	6.4
Sub-total	**533.5**	**595.0**	**632.9**	**6.4**
Portfolio management services				
Services to Ministers and policy	27.8	27.8	28.5	2.5
Regulation	18.6	19.5	19.0	-2.6
Sub-total	**46.4**	**47.3**	**47.5**	**0.4**
Total	**7,180.0**	**7,274.6**	**7,633.6**	**4.9**

Notes: *(a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome*

(b) refers to 2005 calendar year [131]

(c) refers to 2006 calendar year [132]

Source: *Budget Paper No.3, 2006-07 Service Delivery, p.65–78*

7.2 Carry over funding

The department anticipates it will carry forward output funding of $36.7 million from 2005-06 to 2006-07.[133] This is due to:[134]

- Commonwealth Government funding for the LOTE (Language Other Than English) Program – the carry over of this funding is attributed to the timing

[131] Budget Paper No.3, *2006-07 Service Delivery*, p.68
[132] ibid.
[133] Department of Education and Training, response to the Committee's 2006-07 Budget Estimates questionnaire, received 5 June 2006, p.12
[134] ibid.

difference that occurs at 30 June 2006 because this program is delivered on a calendar year basis ($5.6 million);

- the whole-of-government delay in the procurement of the wide area network ($10 million);
- a delay in the implementation of the Leading Schools Fund programs ($2.8 million);
- delays in the development of an international brand for the provision of international education in Victoria ($2 million); and
- $16.3 million for various other programs, where the respective funding to be carried forward is estimated at less than or equal to $1 million per program.

7.3 Human resources issues

7.3.1 Departmental workforce

Teaching staff are expected to increase by 130 equivalent full-time staff from 40,350 at June 2006 to 40,480 at June 2007. School services officer positions will increase by 30 equivalent full-time staff, from 10,040 at June 2006 to 10,070 at June 2007 (exhibit 7.2).

Teaching staff represents 80 per cent of the workforce at 30 June 2007.

Exhibit 7.2: Department of Education and Training Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
Teaching staff (a)	39,623.2	40,350.0	40,480.0
School services officer staff (b)	9,602.5	10,040.0	10,070.0
Public service executive officer	67.0	69.0	69.0
Public service staff (c)	1,886.5	1,935.0	1,935.0
Other (d)	7.0	6.0	6.0
Total	**51,186.2**	**52,400.0**	**52,560.0**

Notes: *(a) include staff employed in schools and central and regional locations*

(b) include staff employed in schools and a small number of staff employed in regional offices

(c) include Student Support Services Officers in schools and public service staff employed in central and regional locations

(d) include Ministerial staff (2 EFT) and chairs of statutory and other bodies in the education portfolio

Source: *Department of Education and Training, response to the Committee's 2006-07 Budget Estimates questionnaire, received 5 June 2006, pp.4-5*

(a) Skill shortages

(i) School teachers

The department indicated that there is no overall teacher shortage in Victoria, but there are difficulties in recruiting teachers to some geographic and subject areas, such as:[135]

- subject areas – in government schools, hard to fill subject areas are mathematics, physics, chemistry, general science, technology studies, information technology, special education, music and languages other than English (especially Indonesian, French, Italian, German and Japanese); and
- geographic areas – areas experiencing sustained recruitment difficulties are Victoria's far west and north, and growth areas of Melbourne's urban fringe.

The department advised that based on it estimates, in the three years to 2009 the number of secondary trained teachers graduating from Victorian universities will not be sufficient to meet demand.[136] However, this shortfall is likely to be offset through recruitment from other sources, for example, interstate recruitment, by teachers

[135] ibid., p.28
[136] ibid.

returning to the classroom, and through the continuation of specially tailored teacher supply initiatives.[137]

Factors contributing to shortages in secondary trained teachers include:[138]

- insufficient numbers of funded secondary teacher education places in Victorian universities;
- insufficient numbers of applicants for secondary teacher education places in some subject disciplines;
- changes in school student enrolment patterns resulting in progressively larger groups of secondary students and diminishing numbers of primary students; and
- an ageing secondary teacher workforce which is resulting in increased separation rates amongst experienced teachers, particularly in some hard to fill disciplines.

To ensure that recruitment difficulties do not constitute a risk to the Victorian education system, initiatives implemented by the department include:[139]

- career change program – enables skilled non-teaching professionals to re-train as teachers in areas of high demand;
- refresher training – offered to teachers who have been away from the classroom for more than three years or are new to the Victorian education system;
- promotion of teaching – to encourage students in faculties other than education to consider teaching as a career;
- student teacher practicum scheme – provides financial support for student teachers to undertake a practicum in a rural school;
- rural retraining program – provides teachers with training in an area of curriculum in need;
- teaching scholarship scheme – provides financial incentives to student teachers to take up employment in hard to fill vacancies; and
- teacher graduate recruitment program – allows schools to recruit recent graduates to specially designated vacancies.

The department is consulting with the Victorian Deans of Science and is examining a range of options to complement current teacher supply initiatives to improve the supply of qualified teachers in mathematics and science.[140]

137 ibid.
138 ibid.
139 ibid., pp.29–30
140 ibid., p.30

(ii) TAFE sector

The department advised that while it is not aware of any TAFE institutes facing an immediate shortage of teaching or non-teaching staff, some TAFE institutes have experienced difficulty in recruiting suitably qualified teachers for certain trade programs, for example, the building and construction sector, and in some senior management positions.[141]

The factors contributing to these shortages include:[142]

- an ageing workforce; and
- the buoyant building and construction sector which has also created recruitment difficulties with some TAFE's relying on recruiting casual teachers.

The department in partnership with the TAFE sector has implemented a range of initiatives to address recruitment shortages:[143]

- to improve the pool of prospective entrants to the TAFE workforce, a consortium, comprising the department and the majority of TAFE institutes, are implemented jobs@TAFE – an e-recruitment system for teaching and non-teaching staff;
- the department is working with the State Services Authority (SSA) to improve TAFE workforce data through the Authority's annual public sector-wide workforce data collection;
- the development of a best practice guide for workforce planning in the TAFE sector; and
- a professional learning program for TAFE managers that includes a workforce planning component.

141 ibid., p.28
142 ibid., p.29
143 Department of Education and Training, response to the Committee's 2006-07 Budget Estimates questionnaire, received 5 June 2006, pp.29, 30

Review of portfolios

7.4 Education and Training portfolio

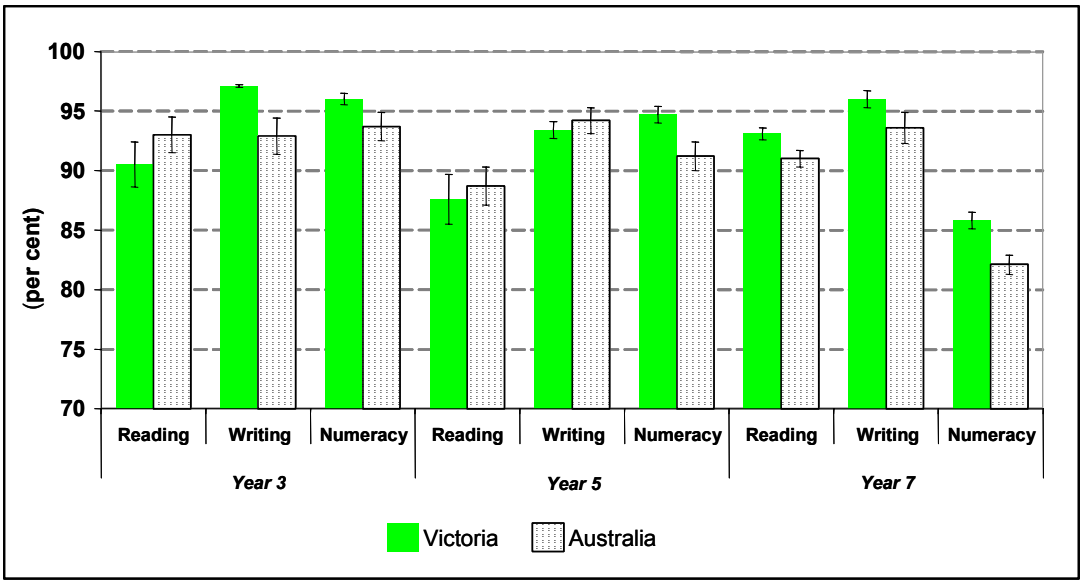
7.4.1 Key issues affecting the portfolio

(a) Student outcomes

(i) Improving literacy standards

The Committee was advised at the estimates hearing that against the national benchmark standards for years 3, 5 and 7 in literacy and numeracy, Victoria was '… *at or above the national average in 2004.*'[144] (exhibit 7.3).

Exhibit 7.3: Years 3, 5 and 7 literacy and numeracy achievements in Victoria, 2004



Note: *the lines shown at the end of each bar represent the statistical uncertainty/error associated with the measurement of the results*

Source: *Hon. L Kosky, MP, Minister for Education and Training,2006-07 Budget Estimates hearing, 7 June 2006, presentation slide 5 (modified)*

[144] Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.2

Exhibit 7.3 shows that achievements in reading for years 3 and 5, and writing for year 5 were not above the national benchmark for the respective categories in 2004. The Committee enquired about actions taken to target students who do not meet national standards.

The department advised of new programs and initiatives to be provided from 2006:[145]

- Literacy Improvement Teams initiative, which incorporates support for teachers of students who require additional assistance in literacy, and 45 trained literacy specialists employed in identified schools to provide extensive coaching and training for teachers in effective literacy teaching strategies;
- publication of a prep–year 10 English developmental continuum, showing indicators of progress and a range of evidence-based teaching approaches that are most effective in the teaching of English;
- professional learning opportunities focusing on the continuum;
- a professional learning program for school-based literacy leaders to update their knowledge and explore effective strategies; and
- a literacy website that provides a single point of access to the range of high quality literacy resources available to meet the diverse needs of learners.

The 2006-07 budget included funding of $11.6 million over three years for the Literacy Improvement Teams initiative to provide a range of resources to improve student literacy in years 3 to 8, through the engagement of literacy specialists to develop tools to target and improve literacy.[146]

The Committee also enquired about the evaluation strategies to measure the success of the initiatives. The department advised that the strategies include:[147]

- Literacy Improvement Teams using all elements of the new school accountability and improvement framework to plan and monitor progress, and to ascertain the impact of the initiative on student outcomes. Evaluation elements will include:
  - an evaluation to assess the impact of the Literacy Improvement Teams initiative on teacher practice and subsequent student outcomes, and to inform planning for future support, that will be conducted for the duration of the initiative;

[145] Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.11

[146] Budget Paper No.3, *2006-07 Service Delivery*, pp.289, 291

[147] Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.12

  - student learning data that will be available in Term 4, 2006 and Term 4, 2007 to indicate whether improvement in student literacy outcomes has been achieved;
  - schools being required to set literacy improvement targets in consultation with regional offices and conducting appropriate pre and post testing of students to monitor improvement;
- teacher responses to the continuum and the website. Regularly collecting the level of use will be monitored and feedback will be gathered. Information provided to the department will inform any revision of the resources and the future provision of support to teachers on using the continuum effectively; and
- evaluation and revision of the implementation and effectiveness of the Literacy Leader Professional Learning Program.

(ii) Measuring years 8 and 10 student outcomes

Budget Paper No.3, *2006-07 Service Delivery* shows that the performance measures associated with years 8 and 10 assessments were discontinued at the end of the 2005 calendar year.[148] These performance measures assess students competencies in reading, writing, algebra, and chance and data.[149]

The Committee enquired about alternative performance measures to replace the discontinued ones. The department advised the Committee that it:[150]

> *... proposes to include the results of the national benchmarks as the replacement to the existing Year 8 and 10 teacher judgement measures and will publish results as they become available.*
>
> *There is agreement to move to common national tests by 2008. Victoria has already implemented the Year 9 Achievement Improvement Monitor tests. Once the Year 9 benchmark is set by the Performance Measurement and Reporting Taskforce, Victoria will be able to report the proportion of Year 9 students meeting national benchmark levels. This will complement the national benchmark data already available at Years 3, 5 and 7.*

(iii) Improving student participation and achievements in years 5 to 9

Funding of $14.2 million over two years was provided for the Improved Teaching and Learning initiative in the 2005-06 budget.[151] Further funding of $24.1 million over two

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148 Budget Paper No.3, *2006-07 Service Delivery*, p.392
149 ibid.
150 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.15
151 Budget Paper No.3, *2005-06 Service Delivery*, p.281

years was provided in the 2006-07 budget under the Schools for Innovation and Excellence initiative.[152] This additional funding will continue the operation of 250 education clusters (primary and secondary government schools) to develop innovative curriculum and programs aimed at improving student participation and achievement in years 5 to 9.[153]

Exhibit 7.4 shows the three staged implementation of the Improved Teaching and Learning initiative and the timeframes.

Exhibit 7.4: Implementation of the Improved Teaching and Learning initiative

	2003	2004	2005	2006	2007
Phase 1	√	√	√	(a) √	(a) √
Phase 2		√	√	√	(a) √
Phase 3			√	√	√

Note: (a) additional funding was allocated in the 2006-07 budget to extend the phase beyond its three year implementation period[154]

Source: Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.10

An evaluation of phase 1, conducted by the Australian Council for Educational Research in 2005, showed the initiative had a positive impact on student outcomes through:[155]

- improvements in students' literacy and numeracy performance levels; and
- improvements in students' engagement with school.

The department advised the Committee that these outcomes have been measured using systematic accountability data, including the statewide Achievement Improvement Monitor and the Student Attitudes to School survey.[156]

152 ibid., p.289
153 ibid., p.290
154 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.10
155 ibid.
156 ibid.

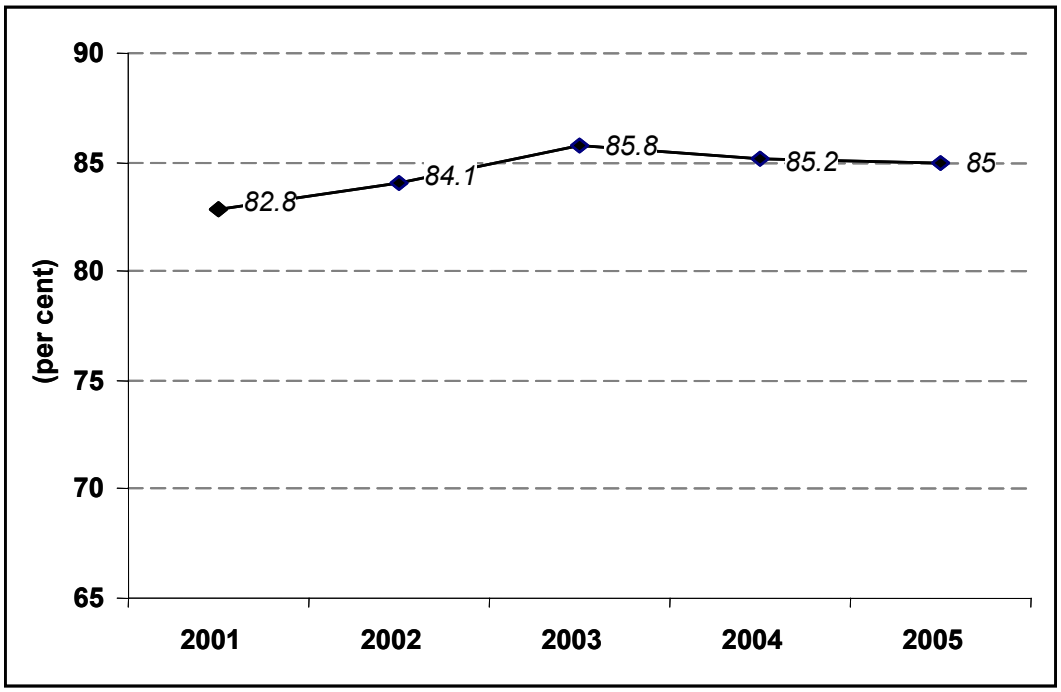
(b) Later years schooling

(i) Year 12 completion rate target

The government set a target in 2001 of 90 per cent of young people in Victoria completing year 12 or an equivalent educational qualification by 2010.[157]

Exhibit 7.5 shows the completion rates for the period 2001-2005. The 2005 completion rate for Victoria (85 per cent) is higher than the 2005 national average of 82.7 per cent.[158]

Exhibit 7.5: Year 12 or equivalent qualification completion rate 2001-2005



Source: Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, 7 June 2006, presentation slide 7

The Committee noted the 2005 completion rate is about 0.2 per cent lower than the 85.2 per cent rate achieved in 2004. The Committee requested details of additional strategies proposed in 2006-07 and beyond to meet the government's year 12 or equivalent educational achievement target. The department provided the Committee with details about these strategies:[159]

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157 Department of Premier and Cabinet, *Growing Victoria Together*, November 2001, p.8

158 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.10

159 ibid., pp.10–11

- the introduction of a youth transition support initiative in 2006-07 to assist young people aged 15 to 19 years who have disengaged from education, training or employment to explore existing government services and education and training opportunities (the $10 million over four years Youth Transition Support initiative[160]);
- from 2007, the guaranteed place in TAFE or other public provider will assist young people to complete year 12 or its equivalent in a public education and training setting of their choice (the $28.3 million over four years Guaranteed Place in TAFE for Young People initiative[161]);
- the development of four new technical education centres, which will be operational in 2006-07. The centres will enable young people to undertake vocational education and training in high-tech, modern facilities that have industry standard equipment (the $32 million Technical Education Centres asset initiative[162]); and
- an additional 4,500 pre-apprenticeship places will be created in areas of skill shortage to assist young people to accelerate their apprenticeship. Furthermore, there will be a focus on ensuring apprenticeships are completed once competencies are achieved, rather than based on time served (the $33.2 million over four years Expanding Opportunities for Young People initiative[163]).

Output funding of $71.5 million and asset funding of $32 million was committed to these strategies in the 2006-07 budget. The Committee expects to see further improvements in the year 12 or equivalent educational achievement rates in future years from the implementation of these new strategies.

(ii) Victorian Certificate of Applied Learning (VCAL)

The Victorian Certificate of Applied Learning (VCAL) was launched in 2003, following a successful trial in 2002.[164] Funding of $47.7 million over four years was provided in the 2002-03 budget for the implementation of VCAL.[165] The 2006-07 budget allocated further funding of $47.4 million over four years to continue the program.[166]

The Committee requested evidence of the achievements of the VCAL program and was advised by the department that:[167]

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160 Budget Paper No.3, *2006-07 Service Delivery*, p.289
161 ibid.
162 ibid., p.293
163 ibid., p.289
164 Public Accounts and Estimates Committee, *Report on the 2002-03 Budget Outcomes*, April 2004, p.189
165 Budget Paper No.3, *2002-03 Budget Statement*, p.171
166 Budget Paper No.3, *2006-07 Service Delivery*, p.289
167 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, pp.13-14

- enrolments have grown by an average of 42 per cent annually from 546 in 2002 to 10,692 in 2005;
- in 2005, 380 providers offered the VCAL compared with 323 providers in 2004;
- 40 per cent of students who completed 2004 VCAL year 12 succeeded in gaining an apprenticeship/traineeship in 2005; and
- the VCAL Participation Project 2005 surveyed all 2004 VCAL students and found that 31 per cent of VCAL students would not have been in school had the VCAL not been available.

In line with these achievements, the performance targets for 2006 also showed an expected increase in student enrolments and in the number of providers offering the program.[168] Three new performance measures have also been established for the 2006 calendar year to measure the success of the program.[169]

The Committee noted the positive achievements of the program as an additional pathway for students interested in vocationally oriented career options.

(c) Leadership development programs

The 2006-07 budget provided additional funding of $11.7 million over four years for the Building Leadership Capacity initiative. This initiative is designed to create leadership development programs that build the strategic capabilities of assistant principals, aspiring leaders and school leadership teams; to help improve student outcomes; and support continuous improvement in government schools.[170]

At the budget estimates hearing, the Minister advised the Committee that significant funding was allocated to the professional development of principals.[171] Eight school leadership programs were funded in 2006 at a cost of approximately $3.217 million[172] (exhibit 7.6).

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168 Budget Paper No.3, *2006-07 Service Delivery*, p.69
169 ibid., p.70
170 ibid., pp.289–290
171 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.17
172 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.1

Exhibit 7.6: School leadership program costs, 2006

Program	Participants	2006 Cost ($000) (a)
Master in school leadership course	215 high potential leaders	840
Young leaders program	20 high potential leaders	150
Towards the principalship program	112 aspirant principals	200
Eleanor Davis program	30 aspirant principals	250
Mentoring for first-time principals program	140 first time principals	380
Coaching to enhance the capabilities of experienced principals	100 experienced principals	393
Development program for high performing principals	60 high performing principals	750
Building capacity for improvement program	115 teachers and school leaders	254
Total		**3,217**

Note: *(a) these are approximate costs*

Source: *Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.1*

All leadership development funding is in the Compulsory Years output group and the programs delivered are available to principals and aspiring leaders across the Early, Middle and Later Years output groups.[173]

Budget Paper No.3, *2006-07 Service Delivery,* however, contains only one performance target for the Leadership Development Program in the Early Years output.[174] Accordingly, the Committee recommends that:

Recommendation 6: **The Department of Education and Training establish additional performance measures associated with the Leadership Development Program and incorporate these performance measures into the appropriate outputs.**

[173] ibid.
[174] Budget Paper No.3, *2006-07 Service Delivery*, p.65

(d) Schools regeneration projects

The 2006-07 budget announced asset funding of $20 million in 2006-07 for the Transformation Planning initiative, which comes under the Building Tomorrow's Schools Today Fund.[175] The projects funded include two specialist schools, Maribyrnong Sports School and the John Monash Science School.[176]

The Minister provided an overview of the initiative:[177]

> *We have a number of regeneration projects, which is where we have school communities where the population demographics have changed. They are wanting to completely reconfigure the number of schools. There was $20 million of funding for the detailed planning work to go ahead, and that will proceed, and we are looking at the scheduling for those projects at the moment.*

The Minister indicated that the aim of these projects is to involve the school community and look at developing education responses to the community's needs. These projects also aim to provide new educational opportunities for students, and are not just about rebuilding or reconfiguring schools.[178]

The department advised that ten clusters of secondary schools were provided with funding to develop educational plans in 2006 (exhibit 7.7).

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175 ibid., p.293

176 Department of Education and Training, 2006-07 Victorian Budget fact sheet, *Snowy Fund transforms Victorian schools*, 30 May 2006

177 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.5

178 ibid., pp.23–24

Exhibit 7.7: Schools receiving funding to develop educational plans, 2006

Schools	2006 Funding ($000)
Colac cluster – Colac College and Colac High School	40
Maroondah network – all secondary schools in the Maroondah network	30
Knox cluster – Bayswater Secondary College, Boronia Heights College, Fairhills High School, Ferntree Gully College, Rowville Secondary College, Scoresby Secondary College and Wantirna College	40
Maryborough precinct – all government schools in the Maryborough township	60
Broadmeadows cluster – Erinbank Secondary College, Hillcrest Secondary College, Broadmeadows Secondary College and many primary schools in the Broadmeadows area	40
Coburg Senior Secondary College and other Northern Metropolitan Region secondary providers	120
Thomastown cluster – Thomastown Secondary College, Peter Lalor Secondary College, Lakeside Secondary College and Merrilands College	40
Dandenong cluster – Dandenong High School, Cleeland Secondary College and Doveton Secondary College	13.5
Springvale cluster – Chandler Secondary College, Coomoora Secondary College, Heatherhill Secondary College, Noble Park Secondary College and Springvale Secondary College	40
Brimbank cluster – Brimbank Secondary College, Deer Park Secondary College, Kealba Secondary College and St Albans Secondary College	40

Source: Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.2

The Committee noted the imminent implementation of these projects will provide students with expanded educational options.

(e) School closures

The Committee requested details of government schools that closed between 1999 and 2006 (exhibit 7.8).

Exhibit 7.8: Government schools – closed and merged 1999-2006

		(Column 1)	(Column 2)	(Column 2-1)
Number of schools closed since November 1999	**Number of schools merged since November 1999**	**Total number of schools (a) February 1999**	**Total number of schools (a) February 2006**	**Net reduction in number of schools**
24	30	1,635	1,606	29

Note: (a) based on the annual report of the Department of Education and Training and school census data [179]

Source: Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.8

In relation to the reasons for the closure and mergers of schools, the department advised:[180]

> *In line with the policy of the Bracks Government, closures and mergers of government schools have only been effected at the request of the particular school communities.*

The department further indicated that *'the key factor leading to a school council's request is usually a decline in enrolments to a level where the delivery of an appropriate curriculum becomes an issue.'*[181]

(f) Trade and skills

(i) Apprenticeships and traineeships

The Committee heard at the estimates hearing that between 2002 and 2005, apprenticeship completions grew by 17 per cent and traineeship completions by 44 per cent.[182] The Committee was advised that growth was demand driven, and the service agreement with TAFE institutes contain requirements to meet certain numbers of apprenticeships, traineeships and skill areas.[183]

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179 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.8

180 ibid.

181 ibid.

182 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.26

183 ibid.

For the 12 months ending September 2005, 45,000 apprenticeships and traineeships were completed, an increase of about 6 per cent since September 2004 (42,500 completions).[184]

The department provided information on skill shortages in rural, regional and metropolitan areas:[185]

- in rural and regional areas – skills shortages and recruitment are evident for truck drivers, motor mechanics, nurses, carers, hairdressers, electricians, general clerks, sales assistants, chefs, pastry cooks and engineering and construction tradespersons; and
- in metropolitan areas – skill shortages are evident for automotive, electrical, construction and food trades, hairdressers, child care workers and cabinet makers.

The number of apprenticeships completed in 2005 was 8,138. The building and construction industry, and the automotive and engineering industries represents 62.8 per cent of apprenticeships completed in 2005 (exhibit 7.9).

Exhibit 7.9: Apprenticeship completions, 2005

Industry	**2005** (number)
Building and construction	2,658
Automotive	1,363
Engineering	1,089
Electro technology, printing, information communication	882
Wholesale, retail and personal services	746
Tourism and hospitality	471
Furnishing	331
Food	290
Textiles, clothing and footwear	252
Racing	22
Primary	18
Community services and health	15
Forest	1
Total	**8,138**

Source: Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.4

[184] Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.3

[185] ibid.

The Minister indicated that the Maintaining the Advantage: Skilled Victorians skills statement allocates significant funding to pre-apprenticeships for young people to try out apprenticeships.[186] The statement committed $33.22 million over four years to the Expanding Opportunities for Young People initiative to expand opportunities for young people through additional pre-apprenticeships programs; an additional 4,500 pre-apprenticeship places will be funded.[187] The Committee also heard at the budget estimates hearing that the apprentice trade bonus initiative announced in the 2006-07 budget ($35.6 million over four years) is critical funding aimed at encouraging apprentices to stay on their apprenticeship course.[188] The Minister advised that this funding will help address the issue of drop-outs in apprenticeships – the Committee heard that *'we have about two-thirds of young people who drop out in the first year of their apprenticeship. Of those who do drop out, ... 70 per cent ... drop out in the first six months.'*[189]

The Committee welcomes the initiatives to remedy skills shortages in Victoria. Budget Paper No.3, *2006-07 Service Delivery* shows that most of the initiatives are funded over a four year period.[190] The Committee considers, therefore, that the release of a mid-term report would inform the public of progress achieved under the skills statement.

Accordingly, the Committee recommends:

Recommendation 7: **The Department of Education and Training release a mid-term report on how initiatives under the statement, *Maintaining the advantage: skilled Victorians* are advancing.**

(ii) Vocational education and training places

The 2006-07 budget provided funding of $42.3 million over four years to the Higher Skills initiative to fund an additional 3,500 vocational education and training (VET). This funding focuses on priority industry sectors to ensure skill deepening occurs in areas critical to the economy.[191]

The Committee requested further details on the application of this initiative and was advised by the department that:[192]

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186 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.27

187 Budget Paper No.3, *2006-07 Service Delivery*, pp.289, 291

188 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.27

189 ibid.

190 Budget Paper No.3, *2006-07 Service Delivery*, pp.289, 316

191 ibid., pp.289, 292

192 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, pp.12–13

- most industries will receive places, including electro-technology, information and communications, community services and health, and other high priority areas;
- the number of places allocated to each industry over each of the four years will be determined by market demand at the local level and in accordance with budget phasing;
- the allocation of these places will also be informed by the Victorian Learning and Employment Skills Commission's priorities framework. This framework ensures that priorities are identified by labour market forecasting and factors such as projected employment growth, turnover, skill shortages and skills gaps;
- while the precise final allocation of the places is yet to be determined, 500 places for construction and engineering (based on the Victorian Learning and Employment Skills Commission's framework) were identified in the skills statement; and
- the 3,500 places will be phased evenly over the four years.

The Committee noted a market-based approach is adopted for the roll out of this initiative. The Committee considers annual reporting of this initiative over its four year period will provide further clarity of the allocation of VET places and of the high-priority industries. Accordingly, the Committee recommends that:

Recommendation 8: **The Victorian Learning and Employment Skills Commission include in its annual report an update on the implementation of the Higher Skills initiative.**

(iii) Maintaining quality of learning

The skills statement indicated that a focus will be on enabling workers to gain formal qualifications through the recognition of knowledge and skills gained on-the-job.[193]

The Committee was interested to hear about the safeguards in place to ensure the quality of learning is not compromised and how this will be monitored. The department advised:[194]

> *A number of the initiatives outlined in Maintaining the Advantage: Skilled Victorians are underpinned by recognition of prior learning so that existing skills can be recognised and progress can be fast tracked.*

[193] Department of Education and Training, *Maintaining the Advantage: Skilled Victorians*, February 2006, p.19

[194] Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.14

Examples include Skills Stores, Mature Age Priority Training and Higher Skills initiatives.

Recognition of prior learning is an assessment process conducted by registered training organisations. This process assesses individuals' non-formal and informal learning to determine the extent to which they have achieved the required learning outcomes, competency outcomes, or standards for entry to a whole or part of a qualification.

Recognition of prior learning is written into the Australian Quality Training Framework charter and into the standards for registered training organisations delivering accredited vocational training.

These standards are the benchmark for delivery of training within the vocational education and training sector across Australia. All registered training organisations must meet these standards and are subjected to regular auditing of their training and assessment practices.

Additionally, the Council of Australian Governments has agreed to bilateral funding of a three year program to build the training system's capacity to deliver quality recognition of prior learning and drive good practice.

(g) Capital projects

(i) Status of asset initiatives

The Committee requested a status report on asset investment projects for which capital expenditure has occurred, or was budgeted to occur, in 2005-06. Exhibit 7.10 shows the status of selected asset projects directly associated with schools infrastructure works.

Exhibit 7.10: Selected asset projects with funding budgeted to occur in 2005-06

Asset initiatives	Forecast expenditure 2005-06 ($000)	Budget 2005-06 ($000)	Variation ($000)	Variation (%)	Explanation (a)
Investing in Excellence (b)	17,882	21,000	3,118	14.8	Delays in the implementation of several projects including the Rural Learning Centres.
New and replacement schools (c)	25,887	47,000	21,113	44.9	The projected under-expenditure is due to implementation issues associated with several projects: • Caroline Springs Secondary College $2.2 million (e); • Mill Park Lakes Primary School/ Mill Park Lakes Secondary College $3.2 million (e); • Tarneit Primary School $2.2 million (e); • Wallan Secondary College $1.2 million (e); • Bendigo Special Development School $600,000 (f); • Newcomb Secondary College $800,000 (f); • Nichols Point Primary School $1.8 million (f); • Victorian College of the Arts Secondary School $6 million (f); • Williamstown High School $2.7 million (f); • Woady Yaloak Primary School $400,000 (f). The Department of Treasury and Finance has approved re-phasing of $6 million of the 2005-06 allocation into the 2006-07 financial year.

Exhibit 7.10: Selected asset projects with funding budgeted to occur in 2005-06 *(continued)*

Asset initiatives	Forecast expenditure 2005-06 ($000)	Budget 2005-06 ($000)	Variation ($000)	Variation (%)	Explanation (a)
Modernisation (d)	79,806	65,650	-14,156	-21.6	The estimated over-expenditure is due to the implementation of projects proceeding ahead of schedule.

Notes: *(a) status as at April 2006*

(b) this initiative addresses the demand for diversity and specialisation in secondary schools through the provision of facilities for areas of learning such as science and technology, arts, languages, sport, design and music, and a new rural learning centre[195]

(c) funding is provided for construction or completion of 16 new and replacement schools [196]

(d) funding is provided for schools modernisation projects aimed at improving student outcomes and learning environments[197]

(e) new schools[198]

(f) replacement schools[199]

Source: Department of Education and Training response to the 2006-07 Budget Estimates questionnaire, received 5 June 2006, p.15

The Committee noted that significant delays were experienced during 2005-06 in the construction and completion of new and replacement schools (exhibit 7.10).

The Committee requested details of other asset projects where the expected completion date has changed. Exhibit 7.11 identifies these projects.

195 Budget Paper No.3, *2005-06 Service Delivery*, p.284
196 ibid.
197 ibid., p.283
198 ibid., p.284
199 ibid.

Exhibit 7.11: Asset projects – changes to completion dates

Projects	Published completion date	Expected completion date	Explanation
Caroline Springs P-12	February 2007	May 2007	Industrial dispute delayed completion of Stage 1 which led to subsequent delays in Stage 2
Classroom replacement Program	February 2007	June 2007	Delays were due to a longer than anticipated timeframe to proceed to tender and to evaluate tenders prior to the awarding of the contract. The production schedule has now been accelerated and project completion is expected by June 2007
Maryborough Precinct Phase 2	March 2007	May 2007	Delays in Phase 1 works have led to subsequent delays in Phase 2
Moreland City College	August 2006	November 2006	Delays due to longer than anticipated project planning requirements. Tenders for the project have closed and are being evaluated
Newcomb Secondary College	January 2007	September 2007	Delays in Stage 1 were due to discussions with the adjoining shopping complex regarding the siting of the school and issues associated with project documentation and the potential to combine Stages 1 and 2 to take advantage of the economies of scale available to larger projects
Rockbank Primary School	April 2005	To be advised	Delays due to issues relating to obtaining and securing an appropriate site for a replacement school. A new site has been selected but problems have arisen because of the local council's compulsory acquisition process
Rural Learning Centre (Marlo)	September 2005	November 2006	Project delayed due to need to identify site and subsequent decision to implement a national design competition to determine the preferred architect
Tarneit P-9	January 2007	December 2007	Project delayed for one year pending a review of the most appropriate education provision model for the area. Initially planned as a P-6 school, now expected to be a P-9 school
Victorian College of the Arts Secondary School	March 2007	To be advised	Approval has been granted for this project to commence planning. The current program is to complete planning in May 2007, with building works to be completed in 2009.[200]

[200] Department of Education and Training, email, received 7 September 2006

Exhibit 7.11: Asset projects – changes to completion dates *(continued)*

Projects	Published completion	Expected completion	Explanations
Williamstown High School	December 2006	June 2007	Project delays due to complex planning issues
Wodonga High School – Flying Fruit Fly Circus Campus	August 2004	August 2006	Delays were experienced because it was decided not to rebuild on the existing campus. A new site had to be identified
Re-engineering the Victorian Curriculum and Assessment Authority's assessment processing system	July 2006	April 2007	Delays due to further consideration of the procurement strategy and additional business analysis being undertaken to strengthen specifications before advertising for delivery of the system
Kangan Batman Institute of TAFE - Automotive Centre of Excellence	December 2004	June 2006	Delays due to late commencement of construction due to extensive decontamination works and protracted negotiations required to secure long term tenure to the Docklands site

Source: Department of Education and Training response to the 2006-07 Budget Estimates questionnaire, received 5 June 2006, pp.17–18

Exhibit 7.11 shows that:

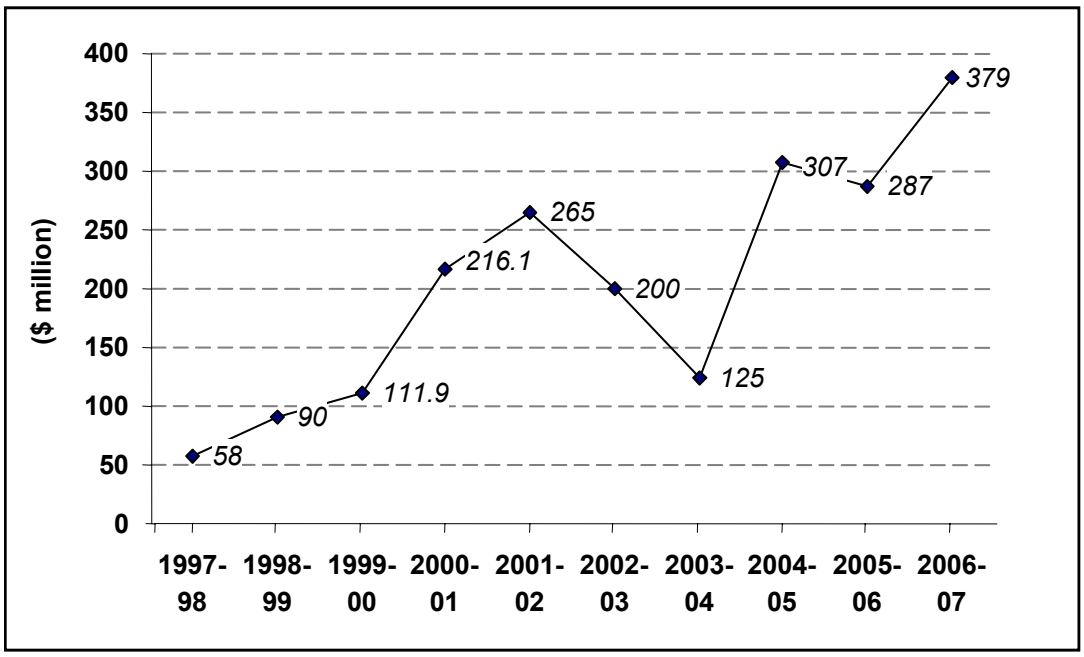
- two projects to be completed in 2004 have been rescheduled to 2006;
- of the two projects to be completed in 2005, one has been rescheduled to 2006 and expected completion of the other project is yet to be determined; and
- two projects to be completed in 2006 have been rescheduled to 2007.

The Committee noted in particular the two year delay to the Wodonga High School – Flying Fruit Fly Circus campus. The Committee urges the government to take action to resolve the delay faced by this project.

(ii) Funding for capital projects

Exhibit 7.12 shows capital projects funding for the period from 1997-98 to 2006-07 as advised by the Minister for Education and Training at the budget estimates hearing.

Exhibit 7.12: Historical investment in school capital works (a), 1997-98 to 2006-07



Note: *(a) capital works figures total the new asset initiative funding announced in the budget papers since 1997-98*[201]

Source: *Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, pp.24–25*

Exhibit 7.12 shows a significant increase in capital works funding in 2006-07 and the 2006-07 budget announced new asset funding of $100 million from the Building Tomorrow's Schools Today Fund.[202]

This fund was established on the premise of future sale proceeds of the state's share in the Snowy Hydro Limited.[203] The government committed about $600 million of the sale proceeds to this fund to be invested in government school infrastructure projects.[204]

The 2006-07 budget announced $150 million (including output funding of $50 million for maintenance works)[205] was to come from this fund (exhibit 7.13).

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201 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.18

202 Budget Paper No.3, *2006-07 Service Delivery*, p.293

203 Hon. S Bracks, MP, Premier, *Benefits flow to schools, irrigators and environment under Snowy Hydro agreement*, media release, 13 February 2006

204 Department of Education and Training, 2006-07 Victorian Budget fact sheet, *Snowy Fund transforms Victorian schools*, 30 May 2006

205 Budget Paper No.3, *2006-07 Service Delivery*, p.289

Exhibit 7.13: Building Tomorrow's Schools Today Fund funding commitments

Initiative	Column 1 2005-06 ($ million)	Column 2 2006-07 ($ million)	Column 3 2007-08 ($ million)	Column 4 (1+2+3) Total ($ million)	Column 5 Remaining funding ($ million)	Column 4 + 5 Overall total ($ million)
Output						
School maintenance	50.0			50.0		
Asset						
Replacement schools		4.2	6.3	10.5		
Relocatable school buildings		6.6		6.6		
Accelerated modernisation		25.2	37.7	62.9		
Transformation planning		20.0		20.0		
Total	**50.0**	**56.0**	**44.0**	**150.0**	**450.0**	**600.0**

Source: Budget Paper No.3, 2006-07 Service Delivery, p.289, 293

Exhibit 7.13 shows that other than the $150 million allocated to initiatives, allocation of the remaining $450 million has not been announced. The Minister indicated that:[206]

> *There have been no commitments made against that $450 million.*

On 2 June 2006, the sale of Snowy Hydro Limited was called off by the Federal Government, and consequently the remaining parties to the sale (that is New South Wales and Victoria) also withdrew from the arrangement.[207] The Committee is, therefore, interested in the future of the fund and its funding commitments.

The Minister advised that the announced $150 million commitment will proceed:[208]

> *We are clearly proceeding with the $150 million that was committed: – $100 million for capital and $50 million for maintenance – those projects are proceeding as part of the normal budget process.*

Of the remaining $450 million the Committee was advised that these projects will take longer to complete:[209]

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206 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.5

207 Hon. S Bracks, MP, Premier, 2006-07 Budget Estimates hearing, transcript of evidence, 5 June 2006, p.4

208 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.5

209 ibid.

> *In relation to the additional $450 million, … those projects were always going to take four to five years, and it just means that they will take a little longer, five to six years.*

The Committee noted that the timeframe for these projects will now be extended by one to two years. The Committee also noted that had the sale of Snowy Hydro Limited had taken place, further projects could have been funded in 2006-07. The Committee was advised by the Treasurer during the estimates hearing that the $450 million funding is *'... to be used for further school improvements and ... regeneration projects focused towards a number of areas where the school stock is ... very old ...'*.[210]

The Committee noted the $150 million committed funding will proceed as budgeted. The Committee also noted a commitment to proceed with the $450 million funding which will be funded through future budgets over a longer timeframe.

(h) School fees

The Committee requested data on voluntary contributions collected by schools and was advised that the department may not be able to break down schools revenue in terms of the voluntary contributions, but that information on school fees collected is available.[211]

The Minister advised that:[212]

> *We do not direct schools on what they put forward as their voluntary contributions. However, we do direct them in terms of what they can ask for as part of the voluntary contributions. We are very clear that free instruction is provided in the eight key learning areas, so the voluntary contributions are to exclude those eight key learning areas.*

Exhibit 7.14 shows school fees collected for the period 2000 to 2005.

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210 Hon. J Brumby, MP, Treasurer, 2006-07 Budget Estimates hearing, transcript of evidence, 13 June 2006, p.12

211 Hon. L Kosky, MP, Minister for Education and Training, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.34

212 ibid., pp.33–34

Exhibit 7.14: School fees collected – 2000-2005 (a)

2000 ($ million)	2001 ($ million)	2002 ($ million)	2003 ($ million)	2004 ($ million)	2005 ($ million)
117.5	127.7	138.1	144.7	159.9	168.8

Note: (a) information for 2006 is not available until the end of the 2006 calendar year [213]

Source: Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.5

Exhibit 7.14 shows a gradual increase in school fees collected over the five years. The department advised that it collects details about total fees collected by schools, which include:[214]

- subject contributions – contributions received from parents for books, class sets or other requisites for curriculum needs, including outdoor/sport education and other tuition fees, such as instrumental music;
- sale of class materials – materials for elective subjects where the student consumes or takes possession of the finished article; and
- camps and excursions – camps, excursions and school based activities, including the cost of student accommodation, fares, and special sports or other activities or performances.

The school accounting Chart of Accounts does not enable information on voluntary contributions to be separately identified.[215]

The Committee considers that there is merit in the department reviewing its current information/data collection process and expanding on the schools accounting Chart of Accounts to accommodate the collection of data on voluntary contributions. The Committee also considers school fees collected could be identified separately for record keeping purposes.

Accordingly, the Committee recommends:

Recommendation 9: **The Department of Education and Training review its current data collection and recording system so that details of school fees and voluntary contributions collected can be separately identified for reporting purposes.**

213 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.5

214 ibid.

215 ibid.

7.5 Education Services portfolio

7.5.1 Key issues affecting the portfolio

(a) School maintenance

(i) Reporting school maintenance requirements

The Committee requested details of total outstanding maintenance; maintenance required in the next 12 months; and urgent maintenance by region during the 2004-05 budget outcomes inquiry. The department advised the Committee that *'as the responsibility for maintenance is managed at the individual school level rather than the regional level, the department does not collate information on outstanding maintenance on a regional basis.'* [216]

During the current estimates inquiry, the Committee enquired whether the previously requested information could be provided in an alternative format, such as by priority ratings, or in a format used by the department to determine priorities in preparing budgets. The department advised:[217]

> *The results of the 2006 School Maintenance Audit are stored in a database that forms part of the School Maintenance System. The database allows each school to access its data.*
>
> *There are no standard reports which would provide regional information for outstanding maintenance by priority ratings.*
>
> *In order to ensure that all schools are treated equitably, funding allocations are distributed to schools in accordance with the rankings identified via the audit.*

The Committee noted the department's reluctance to release information on outstanding school maintenance requirements. The Committee has, in previous budget estimates reports, recommended the public disclosure of unmet school maintenance needs.[218] The government rejected the Committee's recommendations.[219]

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216 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.204

217 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.18

218 Public Accounts and Estimates Committee, *Report on the 2004-2005 Budget Estimates*, November 2004, p.201; Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.139

219 Government's Response to the Recommendations of the Committee, *Report on the 2004-2005 Budget Estimates*, May 2005, recommendation no.36, p.17; Government's, Response to the Recommendations of the Committee, *Report on the 2005-2006 Budget Estimates*, May 2006, recommendation no.10, p.10

(ii) Maintenance funding

The 2006-07 budget announced funding of $50 million for priority maintenance works in government schools in 2005-06.[220] The Minister advised that this $50 million maintenance allocation is in addition to the annual $34 million funding in school budgets.[221] As the department indicated to the Committee in the 2004-05 budget outcomes inquiry, the $34 million comprises:[222]

> *... $27 million per annum to schools via the School Resource Package for planned and unplanned works. A further $7 million is available for urgent works that exceed schools available funding.*

The Minister advised that in terms of the allocation of the recently announced $50 million funding for maintenance:[223]

> *The detail of how this funding is going to be allocated is that every school in Victoria will receive a share of this funding. They will receive a minimum of $1,000. In addition to that, schools with the highest priorities of maintenance items that have been identified through the audit will receive the bulk of the money ...*

The most recent maintenance audit took place in 2005.[224] In addition to the budget allocation of $84 million, there was a subsequent additional $16 million from internal reprioritisation for toilet maintenance, bringing the total maintenance expenditure to $100 million.

The Committee is unable to ascertain the adequacy of funding for future maintenance requirements without further information from the latest school maintenance audit.

(b) Disabilities funding

The 2006-07 budget announced additional funding of $215.8 million (over five years from 2005-06)[225] for the Program for Students with Disabilities to meet the increased demand for services in government schools.[226] The department advised the Committee that for 2006-07, the $397.6 million[227] includes $54.9 million of additional funding to

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220 Budget Paper No.3, *2006-07 Service Delivery*, p.289
221 Ms J Allan, MP, Minister for Education Services, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.7
222 Department of Education and Training, response to the Committee's 2004-05 Budget Outcomes additional questions, received 6 January 2006, p.21
223 Ms J Allan, MP, Minister for Education Services, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.7
224 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.138
225 Budget Paper No.3, *2006-07 Service Delivery*, p.289
226 ibid., p.290
227 ibid., p.74

support expected program growth of approximately 4 per cent and to accommodate an increase in the consumer price index and indexation.[228]

The additional funding provided in the 2006-07 budget was attributed to:

- increased numbers of students coming onto the program;[229] and
- a range of factors, including:[230]
  - medical advances (for example, lower infant mortality rates);
  - increased community/parental awareness;
  - improved diagnosis and identification (for example, autism spectrum disorder); and
  - improved retention rates for students with additional learning needs.

The performance target for students funded under the disabilities program in government schools as a proportion of total student population, was established at 3 per cent.[231] The Minister advised the Committee at the 2004-05 estimates hearing:[232]

> *...we use a World Health Organisation standard as the base for funding the Students with Disabilities program and that standard says that the 3 per cent of your population has a disability, and that is reflected in our school population, so that is the level at which we estimate that the student population will be with a disability; therefore, we provide the program at that level.*

The Committee noted the outcome for the 2005 calendar year was 2.9 per cent, below the 3 per cent target for the year.[233] The department advised that the variation in the 2005 expected outcome of 2.9 per cent compared to 3 per cent reflects students moving out of the Program for Students with Disabilities and instead these students received additional funding under the severe language disorder category.[234]

Exhibit 7.15 shows the trend in students funded through the Program for Students with Disabilities for the period 2000-2006.

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228 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.19

229 Ms J Allan, MP, Minister for Education Services, 2004-05 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.13

230 Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.19

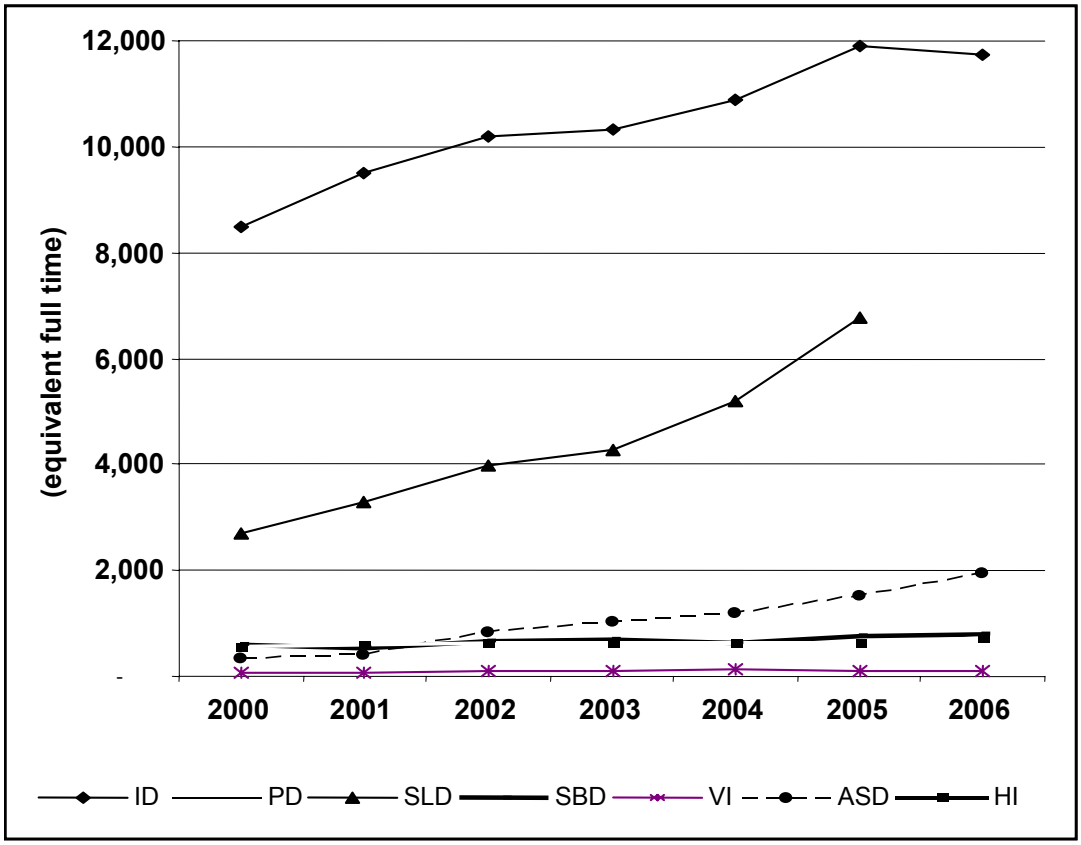
231 Budget Paper No.3, *2006-07 Service Delivery*, p.75

232 Ms J Allan, MP, Minister for Education Services, 2004-05 Budget Estimates hearing, transcript of evidence, 20 May 2004, p.16

233 Budget Paper No.3, *2006-07 Service Delivery*, p.75

234 Department of Education and Training, email, received 7 September 2006

Exhibit 7.15: Program for Students with Disabilities
Equivalent full-time students (rounded) (a)
2000 – 2006



Notes: *(a) this data includes non-level funded students, comprising phase one students (students in the education system prior to the introduction of index level funding) and students in deaf facilities and resource settings (that is, hospital schools, the Southern Autistic School, the Aurora School and the Victorian College of the Deaf)*

Positions funded under the severe language disorder (SLD) category are not shown for 2006 because this funding is no longer provided on an individual student allocation. From the beginning of 2006, every government school is provided with a budget through the Program for Students with Disabilities[235]

ID – intellectual disability; PD – physical disability; SLD – severe language disorder; SBD – severe behaviour disorder; VI – vision impairment; ASD – autism spectrum disorder; HI – hearing impairment

Source: *Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.7*

Exhibit 7.15 shows that for the period 2000-2006:[236]

- there was a significant growth in students funded for autism spectrum disorder. In 2006, equivalent full-time students funded was 1,950 compared with 1,516 in 2005, an increase of 434 students (or 28.6 per cent);

[235] Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.7

[236] ibid.

- equivalent full-time students funded in the severe behaviour disorder category dropped to 627 in 2004 before increasing to 796 in 2006;
- equivalent full-time students funded for vision impairment peaked in 2004 at 116; and
- places for hearing impairment increased by 104 equivalent full-time students in 2006, from 634 in 2005 to 738 in 2006.

The department advised that in Term 1 of 2006, 7,299.4 equivalent full-time students funded by the Program for Students with Disabilities attended special schools and 9,371.3 equivalent full-time students attended regular schools.[237] Overall, the total was 16,670.7 equivalent full-time students were funded under the disabilities program at this time.

Exhibit 7.16 shows the equivalent full-time students individually funded through the Program for Students with Disabilities in 2005 and 2006. The exhibit shows a large proportion of students were in the 'intellectual disability' and the 'autism spectrum disorder' categories in 2006.

Exhibit 7.16: Students funded by disability categories (equivalent full-time, rounded), 2005 and 2006

Category	2005 EFT	Proportion %	2006 EFT	Proportion %
Intellectual disability	11,892	52.1	11,735	70.4
Physical disability	1,166	5.1	1,152	6.9
Severe language disorder	6,760	29.6	0	0
Severe language disorder and critical educational needs	0	0	203	1.2
Severe behaviour disorder	756	3.3	796	4.8
Vision impairment	97	0.4	98	0.6
Autism spectrum disorder	1,516	6.6	1,950	11.7
Hearing impairment	634	2.8	738	4.4
Total	**22,821**		**16,671**	

Source: Ms S McDonald, General Manager, Strategic Policy and Planning Division, Department of Education and Training, response to the Committee's follow-up questions, received 31 July 2006, p.7

Exhibit 7.16 shows a decrease in students individually funded through the Program for Students with Disabilities between 2005 (22,821 equivalent full-time) and 2006 (16,671 equivalent full-time). The department advised this is due to the funding for the Language Support Program. Funding under this program is not provided on an individual student allocation basis in 2006 and is therefore not captured in the above exhibit.[238] Instead, a new funding model allocates funding for the Language Support

[237] ibid., p.6
[238] ibid., p.7

Program to government schools on a formula based model from 2006.[239] The Committee noted the combination of funding streams used for disabilities funding.

During the estimates hearing, the Minister provided information on the number of students funded by funding levels (exhibit 7.17).

Exhibit 7.17: Number of students funded by funding levels 2006

Funding levels	Number of students	Allocation per student ($)
Level 1	2,810	4,886
Level 2	5,620	11,300
Level 3	3,913	17,838
Level 4	2,085	24,346
Level 5	967	30,803
Level 6	738	37,296
Total	**16,133**	

Sources: Ms J Allan, MP, Minister for Education Services, 2006-07 Budget Estimates hearing, 7 June 2006, presentation slide 'Students with Disabilities – Student Numbers 2006'; and Department of Education and Training, Guide to the 2006 Confirmed Student Resource Package, p.32, www.education.vic.gov.au, accessed 11 August 2006

Exhibit 7.17 shows students on Level 2 funding account for around 35 per cent of the overall number of students funded. The Committee noted that determining index level funding is based on responses to the educational needs questionnaire.[240] The Minister advised the Committee of the trial in the outsourcing of the student assessment process, which aims to achieve consistent results across the state.[241] This trial is to conclude later in 2006.[242]

239 Department of Education and Training, *Guide to the 2006 Confirmed Student Resource Package*, p.24, www.sofweb.vic.edu.au/SRP, accessed 29 August 2006

240 Ms J Allan, MP, Minister for Education Services, 2006-07 Budget Estimates hearing, transcript of evidence, 7 June 2006, p.14

241 ibid.

242 ibid.

CHAPTER 8: DEPARTMENT OF HUMAN SERVICES

Key findings of the Committee:

8.1 **The Department of Human Services' output budget for 2006-07 is $11,583 million, an increase of $710.4 million (6.5 per cent) on the 2005-06 estimated actual output expenditure.**

8.2 **The Department of Human Services expects to carry over $31.4 million from 2005-06 for the provision of outputs and $90 million for additions to the net asset base. The output funding relates to activities where implementation was delayed and/or where Commonwealth funding was ahead of program requirements. Revisions to the cash flow forecast of the Asset Investment program was the reason for the asset initiatives funding carry over.**

8.3 **Actual equivalent full-time staff at 30 April 2006 (11,339) will increase only marginally compared with the 30 June 2005 staffing profile (11,093). Unlike most other departments, estimates of staffing levels for 2006-07 have not been provided by the Department of Human Services. In line with government policy, however, the department indicated that staffing levels would be adjusted to meet service delivery and associated support requirements as required.**

8.4 **By implementing a range of initiatives to remedy workforce shortages, Victoria has succeeded in recruiting and retaining the nurses and doctors needed to meet increasing demand. Over the past seven years (from 30 June 1999 to 30 June 2005), the doctor workforce has grown by almost 1,400 or 33 per cent, and the public nurse workforce has increased by 6,473 or 31 per cent.**

8.5 **The Council of Australian Governments announced this year that the cap on domestic full fee paying students would be increased from 10 to 25 per cent. When the effect of this increase is combined with the growth in Commonwealth supported places (to 220) to be phased in over the next two years, the department estimates that there will be an additional 328 places for domestic students in Victorian medical schools. Additional undergraduate places will however, be required in dentistry, medical radiation technology, nursing, allied health, social work and kindergarten teaching.**

8.6 **Victoria will experience extraordinary growth in the relative proportion of older members of the community in the coming years (about 70,000 people were over the age of 85 years in 2001 compared with an estimate of around 225,000 in 2031).**

8.7 **Victoria continued to fully match Commonwealth funding for home and community care (HACC) in this year's budget. The budget also provides $55 million of state only money above the matching requirement, which is now embedded within the HACC program each year, bringing the total investment of matched and beyond-matching funding to $440 million from both governments.**

8.8 **Elder abuse is estimated to affect about 20,000 Victorians a year. A budget allocation of $5.98 million over four years will be targeted at supporting the department's approach to addressing the issue of elder abuse in the community. This approach is based on the premise that all older people who have been abused, or who are at risk of suffering abuse, will be able to access the various legal avenues available to them under the education program proposed by the Victorian Government.**

8.9 **The government allocated $4.8 million in the 2006-07 budget to fund an Aged Care Land Bank pilot. This initiative will provide not-for-profit aged care providers with access to surplus government land at concessional prices, as part of a pilot to encourage additional high-care residential aged care beds to be provided in the inner metropolitan suburbs of Melbourne.**

8.10 **The number of foster carers in Victoria is declining by about 200 each year and the number of carers in the system has fallen from about 3,250 five years ago to 2,267 in 2005.**

8.11 **The government is implementing a range of actions, including funding for a recruitment campaign announced in July 2006, to strengthen Victoria's foster care system and address the decline in the number of foster carers.**

8.12 **The department has responded in a number of ways to the Auditor-General's 2005 performance audit report on reforms to the out of home care program and plans to launch a new strategic plan for the program.**

8.13 **Changes to performance targets in the 2006-07 budget for outputs managed within the Children portfolio were marginal given the magnitude of funding allocated in recent budgets to programs supporting children.**

8.14 **The department is developing an outcomes framework addressing the health, wellbeing, learning, development and safety of children. The framework will be used to guide objective setting and planning across government and assist future reporting on progress towards improving the wellbeing of children under the government's visionary document, *Growing Victoria Together*.**

8.15 **While evaluation of the department's Support and Choice initiative revealed it had a significant impact for some participants and their families, the early stage of implementation meant that most feedback from participants related to process rather than short and long term outcomes.**

8.16 **The Committee found that although 379 carers of those people on the four year waiting list for shared supported accommodation are over the age of 65, a range of supports exist other than this form of accommodation.**

8.17 **In 2005-06, 300 of the 1,500 Support and Choice packages were targeted to older people with a disability, and older carers.**

8.18 **A new program has been introduced to reduce the number of younger people with disabilities in residential aged care.**

8.19 **A system whereby payments are made directly to the person with a disability, to enable them to choose, arrange and purchase their own supports without going through a disability agency or a broker is under examination by the department. An evaluation of the six-month trial in the southern metropolitan region will be undertaken at the conclusion of the project.**

8.20 **The Minister indicated that the department will need to develop packages that provide a suitable financial return to attract organisations to form partnerships with the Disability Housing Trust.**

8.21 **With the number of public hospital beds in Victoria (per 1,000 weighted population) decreasing from 2.5 in 1998-99 to 2.3 in 2004-05, Victoria was ranked seventh among the states and territories. Over this period which saw the number of public hospital beds in Victoria decline from 12,162 in June 2000 to 11,946 by June 2005 (a reduction of 1.8 per cent), the total number of beds increased by 4 per cent, nationally. Although public hospital funding in Victoria increased substantially over this period, the Minister informed the Committee that additional capacity has been created in the public hospital system, given the many categories of beds and service provision not included in the bed number data, such as same day hospitalisations and hospital in the home care.**

8.22 **Twelve chronic diseases (for example cancer and cardiovascular diseases) make up 43 per cent of the burden of disease, 50 per cent of the underlying causes of death, 17 per cent of hospital admissions for more than three days and 22 per cent of hospital costs. To assess the impact of the government funding allocated to address the preventable component of these statistics (for example, the HARP Chronic Disease Management funding of $47.1 million to 21 health services in 2005-06), the Committee considers the department should introduce an evaluation and outcome reporting framework directed at the modifiable risk factors influenced by lifestyle choices (for example, high blood pressure, physical inactivity, poor diet and alcohol misuse).**

8.23 **The government expected that 75 per cent of semi-urgent (Category 2) patients would be admitted to Victorian public hospitals within 90 days (13 weeks) in 2005-06, compared with its target of 80 per cent. Major hospitals where the percentage of semi-urgent admissions was significantly below the 80 per cent target between July and December 2005 included the Frankston Hospital (44 per cent), the Monash Medical Centre (51 per cent) and the St Vincent's Hospital (56 per cent).**

8.24 **With an expected outcome of 75 per cent, the government's target for 80 per cent of emergency patients to be admitted to a hospital bed within 8 hours was not met during 2005-06. Between July and December 2005 this proportion was relatively low in various major hospitals (for example, 54 per cent at the Western Hospital and 59 per cent at both the Royal Melbourne Hospital and the Northern Hospital). A range of positive measures has been taken by the department to address this situation.**

8.25 **It has taken a year for the department to divulge to the Committee that the $458,000 information program connected with the launch and promotion of the Austin and Mercy complex was met by the department incurring $32,000 directly and providing a grant of $215,000 to the Austin Hospital, with the remaining $211,000 met from hospital funds. A breakdown of this expenditure, although appearing in the media in April 2006, was not provided to the Committee despite being requested in June 2005.**

8.26 **For the 44 new or existing asset investment projects in excess of $10 million in the Health portfolio in 2005-06, delays in 13 projects (29.5 per cent) resulted in revisions having to be made to the expected completion dates. Explanations for these extensions centred on unforseen factors, extended administrative procedures and changes to project scope.**

8.27 **No improvement has been achieved in reducing the workforce shortage in community dental clinics across rural Victoria. Compared with the vacancy rate of 31 per cent at March 2005, the rate at March 2006 was 32 per cent. A number of strategies have been employed to address this issue.**

8.28 **At 30 June 2006, the number of public housing applicants waiting for Office of Housing accommodation was 34,930, a decrease of 2,641 (7 per cent) since 2000-01. Of this total, 4,628 (13.2 per cent) were applicants for early housing and 30,302 (86.7 per cent) were applicants on the wait-turn waiting list.**

8.29 **Because the wait-turn waiting list doesn't reflect the level of need, the Office of Housing does not collect or report waiting times for those on the wait-turn waiting list, which represents 86.7 per cent of all those waiting.**

8.30 **At 30 June 2006, the estimated number of Office of Housing funded social housing stock was 77,163, an increase of 2,390 (3.1 per cent) since 2000-01. Most growth occurred in non-direct tenure public rental units (Aboriginal Housing Board of Victoria housing, and community-managed rental housing).**

8.31 **The Office of Housing recently terminated the contract for developing its management information system due to significant delays, failure to complete the project and poor functionality. Only one of five components was completed, and implemented 2.5 years late. Completion of the project is now not expected until 2008, four years after the original completion date.**

Departmental review

8.1 Budget summary

8.1.1 Budget development

The Department of Human Services advised the Committee that the assumptions influencing its 2006-07 budget were based on the need to effectively respond to the key challenges facing the state's human services system.[243]

The key assumptions used to develop the department's budget projections for 2006-07 include:[244]

- the 2006-07 budget and the forward estimates budgets include indexation funding of 2.5 per cent, which is provided under the departmental funding model. The model provides forward year escalation funding on a no policy change basis to provide departments with funding certainty and future spending capacity in the forward estimates budgets from 2006-07 to 2009-10;
- the 2006-07 budget and forward estimate budgets reflect approved government funding to deliver programs and priorities as determined by government in the current budget, and the current year effect of initiatives announced in prior year budgets; and
- the 2006-07 budget and forward estimate budgets assume continuity of Commonwealth funding beyond the expiration of the current funding agreements with the department, and at an assumed level of growth and indexation consistent with the level of funding currently provided, which is about 2 per cent per year.

8.1.2 Budget summary – output costs

The department's output budget for 2006-07 was $11,583.0 million, an increase of $710.4 million or 6.5 per cent on the estimated actual result for 2005-06.[245] Exhibit 8.1 provides a detailed breakdown. Explanations for certain variations in excess of 10 per cent between the 2005-06 estimated actual and the 2006-07 target output cost are provided by way of notes to exhibit 8.1 to supplement information contained in the budget papers.

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243 Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, p.15

244 ibid., pp.15–16

245 Budget Paper No.3, *2006-07 Service Delivery*, pp.83–118

Key budget initiatives relating to the department include an additional $1.2 billion over five years in output funding for Victoria's health system and $1.3 billion in total estimated investment in assets to upgrade health, community health and aged care related infrastructure.[246]

Exhibit 8.1: Department of Human Services Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Acute health services				
Admitted services	4,461.5	4,430.9	4,765.9	7.6
Non-admitted services	750.8	774.8	834.5	7.7
Emergency services	252.7	258.5	272.3	5.3
Acute training and development	185.5	184.6	200.1	8.4
Sub-total	**5,650.5**	**5,648.8**	**6,072.8**	**7.5**
Ambulance services				
Ambulance emergency services	303.3	311.6	324.2	4.0
Ambulance non-emergency services	60.2	60.3	62.8	4.1
Sub-total	**363.5**	**371.9**	**387.0**	**4.1**
Mental health				
Clinical care	663.0	662.9	706.1	6.5
Psychiatric disability rehabilitation and support services	69.5	71.6	76.5	6.8
Sub-total	**732.5**	**734.5**	**782.6**	**6.5**
Aged and home care				
Aged care assessment	30.0	30.1	32.3	7.3
Aged support services	74.2	72.1	81.0	12.3
Aged residential care	218.9	244.0	253.6	3.9
HACC primary health, community care and support	408.3	402.6	440.0	9.3
Sub-total	**731.4**	**748.8**	**806.9**	**7.8**
Primary and dental health				
Community health care	154.8	156.7	168.1	7.3
Dental services	125.2	126.3	129.8	2.8
Sub-total	**280.0**	**283.0**	**297.9**	**5.3**

[246] 2006-07 Victorian Budget Overview, *Meeting the Challenges*, p.6

Exhibit 8.1: Department of Human Services
Output costs *(continued)*

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Small rural services				
Small rural services – acute health	194.2	200. 4	210.8	5.2
Small rural services – aged care	91.4	128.6	132.5	3.0
Small rural services – home and community care services	21.0	24.4	24.5	0.4
Small rural services – primary health	12.0	14.5	14.2	-2.1
Sub-total	**318.6**	**367.9**	**382.0**	**3.8**
Public health				
Health protection	126.6	134.2	142.7	6.3
Health advancement	44.9	47.8	49.2	2.9
Public health development, research and support	23.6	20.5	20.5	0.0
Sub-total	**195.1**	**202.5**	**212.4**	**4.9**
Drug services				
Drug prevention and control	22.1	22.5	24.1	7.1
Drug treatment and rehabilitation	88.8	87.0	96.1	10.5
Sub-total	**110.9**	**109.5**	**120.2**	**9.8**
Disability services				
Information assessment and planning	67.0	66.2	72.0	8.8
Primary support	111.1	118.7	120.7	1.7
Community participation and inclusion	182.2	184.3	191.7	4.0
Individual support	125.7	124.6	141.1	13.2
Residential accommodation support	501.6	500.0	515.8	3.2
Sub-total	**987.6**	**993.9**	**1,041.3**	**4.8**

Exhibit 8.1: Department of Human Services
Output costs *(continued)*

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Child protection and family services				
Statutory child protection services	105.3	108.8	119.3	9.7
Child protection specialist services	40.5	41.1	51.5	(b) 25.3
Placement and support services	153.1	165.7	190.7	(c) 15.1
Family and community services	87.1	89.7	95.0	5.9
Sub-total	**386.0**	**405.2**	**456.5**	**12.7**
Juvenile justice and youth services				
Juvenile justice custodial services	49.9	47.9	48.3	0.8
Community based services	54.2	59.4	59.0	-0.7
Sub-total	**104.1**	**107.3**	**107.4**	**0.0**
Early years services				
Child health services	77.6	67.4	70.8	5.0
Kindergarten and child care services	126.6	130.0	145.1	(d) 11.6
Early childhood intervention services	46.5	45.4	45.2	-0.4
Sub-total	**250.7**	**242.8**	**261.0**	**7.5**
Concessions to pensioners and beneficiaries				
Energy, water and municipal rates concessions	249.1	250.0	259.8	3.9
Social and community services	12.5	13.2	13.6	3.0
Sub-total	**261.6**	**263.2**	**273.4**	**3.9**

Exhibit 8.1: Department of Human Services
Output costs *(continued)*

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Housing assistance				
Homelessness assistance	112.9	115.2	124.3	7.9
Long term housing assistance	272.8	278.1	257.3	(e) -7.5
Home ownership and renovation assistance (f)	n/a	n/a	n/a	n/a
Sub-total	**385.7**	**393.3**	**381.6**	**-3.0**
Total	**10,758.2**	**10,872.6**	**11,583.0**	**6.5**

Notes: *(a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome*

(b) the increase in the 2006-07 output is primarily due to additional funding in 2006-07 to implement the new Children, Youth and Families Act 2005, and for the Safety of Children in Care initiative [247]

(c) the increase in the 2006-07 output is primarily due to additional funding in 2006-07 to implement the new Children, Youth and Families Act 2005[248]

(d) the increase in the 2006-07 output is primarily due to additional funding in 2006-07 for the Growing Communities, Thriving Children and the Intervening early to maximise outcomes for children initiatives, and enterprise bargaining agreement funding for early childhood teachers[249]

(e) the decrease in the 2006-07 budget is a result of the completion of the Affordable Housing initiative, and planned final year funding for the Strategy for Growth in Housing for Low Income Victorians

(f) since 2002-03, this output has been funded by the Office of Housing[250]

Source: *Budget Paper No.3, 2006-07 Service Delivery, pp.83–118*

8.2 Carry over funding

Exhibit 8.2 provides information about the department's estimated carry over of unspent 2005-06 appropriations to 2006-07 to complete projects and deliver services:

[247] Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, p.9
[248] ibid.
[249] ibid.
[250] Budget Paper No.3, *2006-07 Service Delivery*, p.118

Exhibit 8.2: Department of Human Services Estimated carry over funding from 2005-06 to 2006-07

Purpose	Estimated carry forward ($ million)
Carry over of funding for output purposes:	
Commonwealth funded programs	31.4
Total	**31.4**
Carry over of funding for capital purposes:	
Commonwealth funded asset programs	8.5
State funded programs	81.5
Total	**90.0**

Source: Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, p.10

The output funding relates to activities where implementation was delayed in 2005-06, and/or where funding provided by the Commonwealth was ahead of program requirements for the financial year.[251]

The asset funding relates to revised cash flow forecast of the asset investment program in 2005-06, and will be used to complete or continue these projects in 2006-07.[252]

8.3 Human resources issues

8.3.1 Departmental workforce

The department advised that there was a 2.2 per cent increase in the equivalent full-time staff at 30 April 2006 (11,339) compared with 30 June 2005 (11,093) (exhibit 8.3). The Committee noted that the largest growth in staff numbers during this period related to child protection and juvenile justice officers (an increase of 95 or 6.2 per cent).[253] The department further advised that while it did not collect staffing numbers for its major budget funded agencies, it was working closely with its agencies and payroll providers to establish a new workforce database to enable the collection of a wider range of staffing details.[254]

The Committee noted that unlike most other departments, estimates of staffing levels for 2006-07 have not been provided by the Department of Human Services.[255] In line with government policy, however, the department indicated that staffing levels will be

[251] ibid., p.10
[252] ibid.
[253] ibid., p.2
[254] ibid.
[255] ibid.

adjusted to meet service delivery and associated support requirements as the need arises.[256]

Exhibit 8.3: Department of Human Services Equivalent full-time staff (a)

	30 June 2005 Actual	30 April 2006 Actual
Executives	109	111
Disability development and support officers	4,173	4,311
Child protection and juvenile justice officers	1,523	1,618
Housing services officers	419	432
Allied health workers	438	448
Nurses	188	189
Victorian public service officers	4,047	4,063
Other	196	167
Total	**11,093**	**11,339**

Note: (a) the above figures do not include funded vacancies

Source: Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, p.2

Recommendation 10: The Department of Human Services prepare estimates of staffing levels for the forthcoming year and submit this information to the Public Accounts and Estimates Committee when required.

(a) Skill shortages

As part of this year's budget estimates process, the Committee pursued the issue of how major skill shortages are managed across departments.

The department has undertaken a number of workforce studies to examine current practitioner supply against forecast demand.[257] Gap analyses have been undertaken in the nursing, maternal and child health nursing and medical practitioners professions.[258] Workforce studies conducted by industry sector rather than by professional groups include the disability services workforce, the mental health workforce, the radiation oncology workforce, and the children's services workforce.[259] Work is also underway on estimates of specialist medical trainees required in the public hospital system and

256 ibid.
257 ibid., p.20
258 ibid.
259 ibid.

in the palliative care workforce, specialist physicians, surgeons and the housing workforce.[260]

Available workforce studies and analysis of other data indicate that substantial growth in undergraduate training numbers will be required to meet future demand for human services.[261] The department informed the Committee that funding of undergraduate training is a Commonwealth Government responsibility, and Victoria has continued to call on the Commonwealth to meet its responsibilities in this area.[262]

On July 13 2006, the Commonwealth announced an additional 60 undergraduate medical places would be allocated to Victoria.[263] This brings the total number of additional Commonwealth supported Victorian undergraduate medical places up to 220, with these to be phased in over the next two years.[264] The Council of Australian Governments also announced this year that the cap on domestic full fee paying students would be increased from 10 to 25 per cent.[265] When the effect of this is combined with the growth in Commonwealth supported places, the department estimated that there will be an additional 328 places for domestic students in Victorian medical schools.[266]

According to the department, additional undergraduate places will be required in dentistry, medical radiation technology, nursing, allied health, social work and kindergarten teaching.[267]

The department also advised that a recent survey of a group of rural, regional and metropolitan health services suggested a number of professions presenting the most significant recruitment difficulties are:[268]

- for rural and regional health services, physiotherapy, occupational therapy, podiatry and speech pathology; and
- for metropolitan health services, physiotherapy, occupational therapy and podiatry.

While the factors contributing to the skills shortage were varied, complex and interrelated, the key drivers include:[269]

- increasing demand for services and an ageing of the population;
- an ageing health workforce;

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260 ibid.
261 ibid., pp.20–21
262 ibid., p.21
263 Department of Human Services, email received, 4 September 2006
264 ibid.
265 ibid.
266 ibid.
267 Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, p.21
268 ibid.
269 ibid.

- a decrease in workforce participation rates;
- increased complexity of care;
- increased use of technology;
- inadequate number of undergraduate training places in allied health, nursing and medical fields;
- perceived unattractiveness of various sectors and settings such as rural, aged care and disability;
- increasing sub-specialisation, reducing the scope of clinical practice and restricting practice to large metropolitan and regional centres; and
- specific rural factors such as professional and social isolation, cost of up-skilling and training and limited professional support (such as access to locums and liaison and interaction with peers).

Regarding decreased workforce participation rates, the department advised that there has been a decline in average weekly hours worked across all age groups and all major occupation categories, that is, specialists, primary care practitioners, specialists in training and hospital non-specialists.[270] The Victorian Government submission to the Productivity Commission's Health Workforce Study cited a range of data regarding trends in hours worked, which identified reduced average working hours across a range of disciplines.[271] In addition, the information presented regarding future work intentions suggests that this trend is likely to continue.[272]

The size of the workforce supply pool is also influenced by the number of people leaving. Generally, this is due to retirements from the workforce, attrition (such as career change) or emigration.[273] Data is collected on medical workforce exits and collection of information on allied health professional's work intentions has commenced.[274]

While sufficient data are not available to project trends accurately, the department advised that without policy intervention, given increasing average age across all professions, retirement rates are likely increase, leading to a reduction in the labour force supply pool.[275]

The Committee acknowledges that services provided either by the department or through its funded agencies often depend on highly specialised workforces.[276] The Committee also recognises that acquiring the necessary skills and qualifications is

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270 Department of Human Services, email, received 4 September 2006
271 ibid.
272 ibid.
273 ibid.
274 ibid.
275 ibid.
276 Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, p.21

often a lengthy process, with many years elapsing between a person commencing training and becoming a fully qualified and trained member of the workforce.[277]

The department advised on 7 June 2006 that a range of initiatives designed to remedy any shortages had been put in place:[278]

- Victoria has lobbied the Commonwealth Government for substantial increases in undergraduate numbers, and was recently successful in securing an additional 160 medical places (120 at Deakin University in Geelong and 40 at Monash University's Churchill campus in Gippsland). The Committee noted the Minister's comments at the budget estimates hearing that: *'We had a shortfall of 240 medical undergraduate training places, and the government worked very hard with the universities to lobby the federal government'*;[279]
- Victoria is seeking additional growth in nursing and allied health training numbers from 2007. Planning and other initiatives to support this growth and enhance system capacity are being implemented;
- in addition to partially addressing the current shortfall in medical training numbers, establishment of these facilities in regional Victoria will help improve rural recruitment, retention and access to services in these areas. Victoria has committed up to $30 million to support the capital investment necessary to accommodate growth of up to 240 additional medical places;
- the Better Skills Best Care workforce redesign strategy has been established to explore how new and/or amended workforce roles might provide better outcomes for patients, greater satisfaction for staff and contribute to more efficient and sustainable services. To achieve such goals, the strategy is exploring various ways to make best use of available skills by exploring how:
  - work might be reorganised to minimise duplication of effort and make best use of available staff;
  - new roles can be developed to meet current and evolving patient needs; and
  - technology can be better employed to manage training and workforce requirements;
- the department has supported 37 pilot projects established in 2004-05 to explore new and/or amended roles in a range of service settings and locations, and the development of a service-wide workforce redesign projects in anaesthetics, intensive care and emergency department streams in eight rural and metropolitan hospitals; and

277 ibid.
278 ibid., pp.21–22
279 Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, p.16

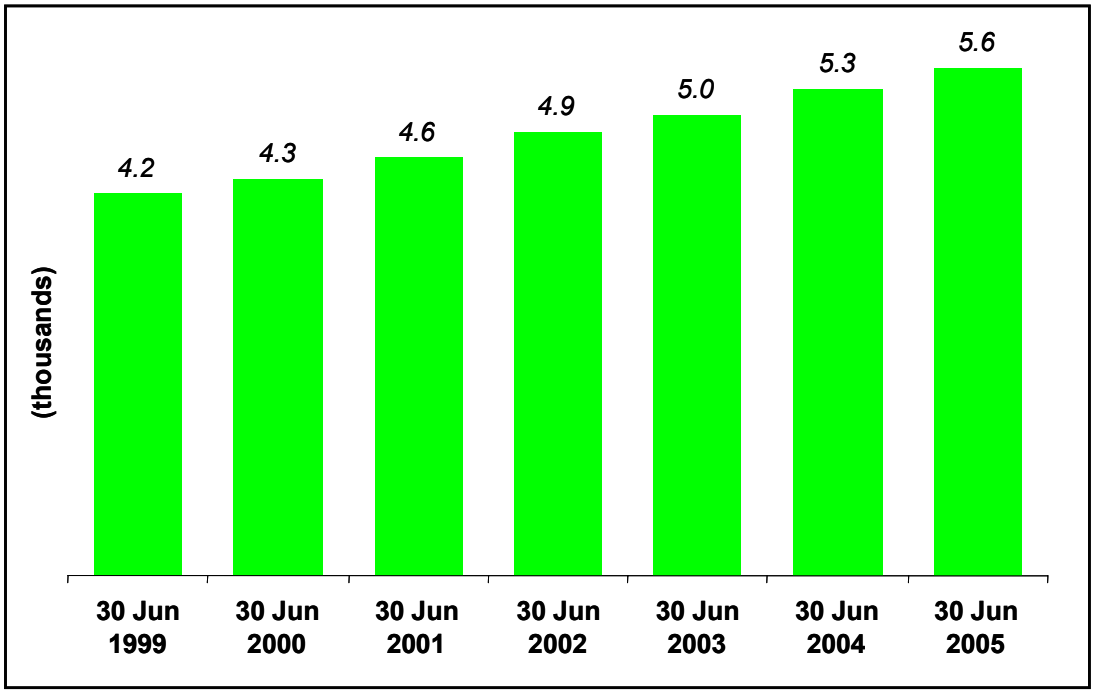
- elements of the recent wage agreement with kindergarten teachers, involving entry-level parity with primary school teachers, will assist in attracting graduates to the early childhood services sector.

The Minister for Health indicated that Victoria was succeeding in recruiting and retaining the nurses and doctors needed to meet the increasing demand.[280] Exhibit 8.4 shows that over the past seven years (30 June 1999 to 30 June 2005), the doctor workforce has grown by almost 1,400 or 33 per cent, and the public nurse workforce has increased by 6,473 or 31 per cent.[281]

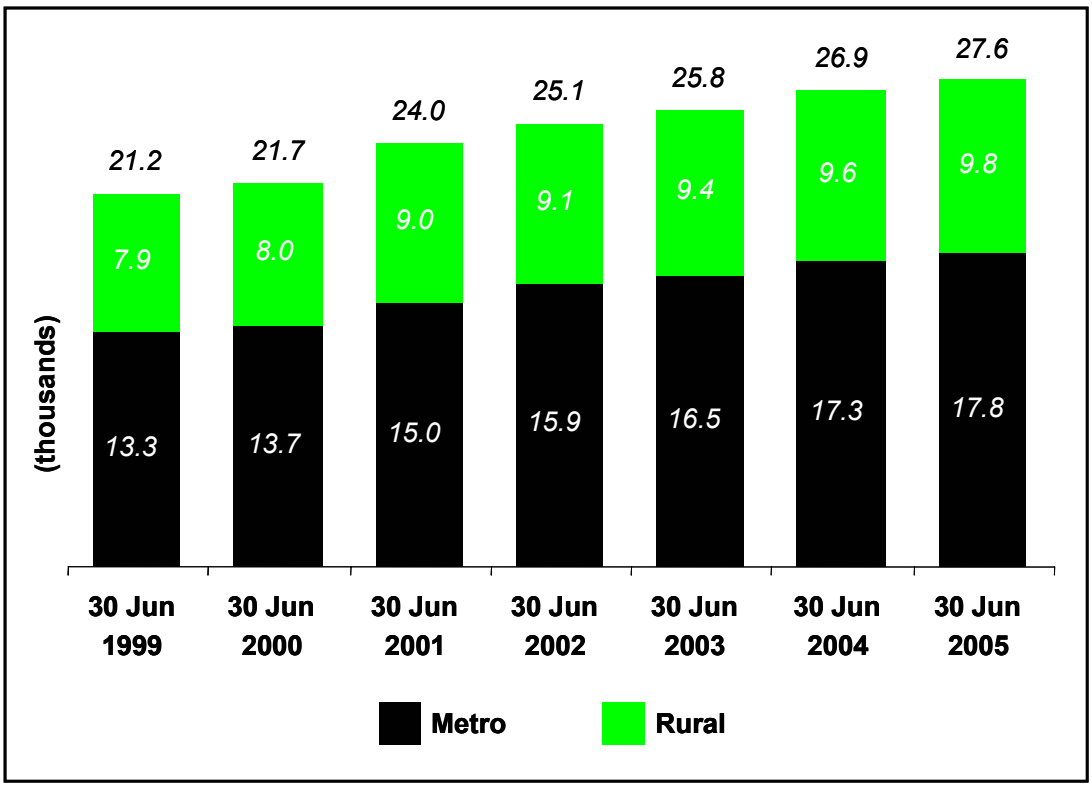
[280] Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, 9 June 2006, presentation slide 8

[281] Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, p.3

Exhibit 8.4:Number of doctors in the Victorian public hospital system
Equivalent full-time staff 30 June 1999 to 30 June 2005



Number of nurses in the Victorian public hospital system
Equivalent full-time staff 30 June 1999 to 30 June 2005



Source: Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, 9 June 2006, presentation slide 8

The Committee considers that the department must continue to build the workforce capacity if it is to effectively manage the increasing demand for services and the complexity of care provided by the health sector.

The Committee acknowledges and supports the Minister's efforts in lobbying the federal government for more places in dentistry, medicine, nursing and allied health areas.[282] To assist with the ongoing workplace planning process, the Committee also considers that the department should monitor the extent of human resource planning undertaken by individual agencies, and analyse the current and projected skill shortages experienced by each funded agency.

The Committee recommends that:

Recommendation 11: **To complement the Department of Human Services' workforce studies that examine current practitioner supply against forecast demand according to professional occupational groups and industry sectors, the department also monitor:**

(a) the adequacy of human resource planning at an individual agency level; and

(b) the extent of current and projected skill shortages/gaps experienced by its larger agencies.

Review of portfolios

8.4 Aged Care portfolio

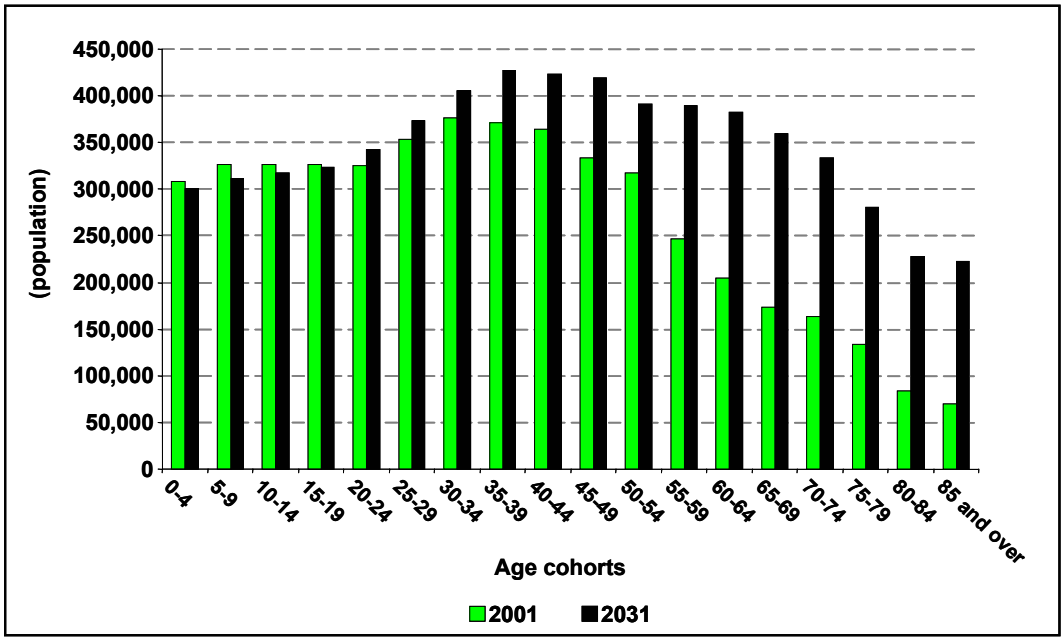
8.4.2 Key issues affecting the portfolio

(a) Challenges facing the aged care sector

The changing demographic profile of the Victorian community demonstrates an extraordinary growth in the relative proportion of older members in the years to come. Exhibit 8.5 shows that in 2001, for example, about 70,000 people were over the age of 85 years, while in 2031, there will be around 225,000 members of the community over 85 years old.

[282] ibid., p.17

Exhibit 8.5: Victoria's population 2001 and 2031



Source: Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 2

At the estimates hearing, the Minister informed the Committee that the Victorian community faces a number of challenges, specifically:[283]

- the lack of provision of residential aged care compared with the Commonwealth Government's benchmark, which it established, regulates and funds;
- a specific shortage of high-care accommodation to support the needs of residents with such needs is being experienced;
- availability of service provision within the inner suburbs of Melbourne and the supply of residential aged care which has declined;
- supported residential services are under pressure, and the cost of land and the opportunity cost to providers of supported residential services has resulted in the closure of businesses to capitalise on their assets; and
- recent incidents of elder abuse have raised ongoing community concerns about the wellbeing of older people and ensuring their safety, security and quality of care.[284]

[283] Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.2

[284] Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 4

The Committee noted that an Auditor-General's report on the condition of public sector residential aged care facilities was tabled in August 2006.

(b) A new funding agreement for the Home and Community Care program

The Committee's *Report on the 2005-06 Budget Estimates*, continued to note from the previous year[285] that it was mindful of the ongoing high level of annual unmatched funding that Victoria has deemed necessary to meet the unmet need to deliver Home and Community Care (HACC) services.[286] The Committee also indicated that the magnitude of this financial commitment reinforced the need for a renegotiated HACC agreement to be in place as soon as possible, one that recognises the state's needs.[287] The Committee understands that Victoria continued to fully match the Commonwealth funding for home and community care in this year's budget.[288] The budget also provides $55 million of state only money above the matching requirement, which is now embedded within the HACC program each year,[289] bringing the total investment of matched and beyond matching funding to $440 million[290] from both governments.[291] The Minister advised that to his knowledge, no other state across the country had a similar financial arrangement.[292]

In pursuing the state of deliberations between Victoria and the Commonwealth for a renegotiated HACC agreement, the Minister indicated during this year's budget estimates process that:[293]

> *We thought over last summer that we were making some headway in relation to some reforms that were put on the agenda for COAG [Council of Australian Governments] for reform to the HACC system, and the state of Victoria spent a lot of time and effort trying to develop models that satisfied the Commonwealth requirement to have discrete expenditure in ageing and a preference for the states to assume responsibility for disability.*
>
> *... there is expenditure within the home and community care budget which straddles allocated services to older people but also provides significant support for younger people with disabilities. We tried to*

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285 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.287–288

286 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.174

287 ibid., p.174

288 Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.3

289 ibid.

290 ibid., p.4 and Budget Paper No.3, *2006-07 Service Delivery*, p.91

291 www.health.vic.gov.au/hacc, accessed 3 August 2006

292 Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.4

293 ibid., pp.3–4

> *develop models that would accommodate their perceived administrative or political need which made sense in terms of the delivery of services, but after investing a great deal of thought into redesigning the program, we were not successful in achieving a level of agreement. Hopefully we will have opportunities in the future to do so. What I can tell you is that the time frame is going to fall behind [the expectation previously conveyed by the government to the Committee was that a new agreement would be operational from June 2006.]* [294]

The Committee reiterates its call for the department to continue with its efforts to obtain an equitable distribution of funding for Victoria through the HACC program and acknowledges the ongoing support provided by local government.

The Committee recommends that:

Recommendation 12: **The Department of Human Services continue with its efforts to achieve improved inter-governmental funding arrangements for the provision of Home and Community Care services in Victoria.**

(c) Safety and dignity of older people – elder abuse

Research shows that seniors aged 75 years and over are most likely to experience some form of abuse, which can be physical, emotional, psychological or financial.[295] Elder abuse is estimated to affect about 20,000 Victorians a year.[296]

The Minister informed the Committee that the allocation of $5.98 million over four years in the budget will be directed at supporting the department's approach to addressing the issue of elder abuse in the community.[297] The primary purpose of this funding is to try to:[298]

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294 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled 17 May 2005, p.35

295 Mr G Jennings, MLC, Minister for Aged Care, *Dedicated legal service to support older Victorians*, media release, 15 June 2006

296 www.publicadvocate.vic.gov/Elder Abuse: Victoria's Hidden Problem, accessed 11 September 2006

297 Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.7

298 ibid., p.7

> *... create a network of supportive environments so that older people, if they feel they have been abused or are at risk of being abused, have someone to turn to. They will turn by and large, hopefully – on the basis of us educating and encouraging people to empower themselves to exercise this form of support and remedy – to their local community legal centre or their legal aid office, where we will have somebody who has been trained and supported to deal with the needs of older people.*

The Committee considers that this approach is based on the premise that all older people who have been abused, or who are at risk of suffering abuse, will be able to access the various legal avenues available to them under the education program proposed by the government.[299] Accordingly, the Committee questioned the Minister about the strategies in place for dealing with older members of the community who may be suffering abuse but who are not capable of looking after themselves, for example, someone who has dementia, lives under the care of their relatives and is exposed to malnutrition, physical assault, financial abuse or neglect.[300]

The Committee put a hypothetical case to the Minister – that of a person with dementia who may attend a day care centre for people suffering from the disease. The Committee questioned why there is no regime in place that requires a person who runs such a facility to report suspected neglect or abuse an older person may be experiencing at home, having the full protection of the law for doing so.[301]

The Minister responded to this hypothetical case, indicating that:[302]

> *The real world will have some degree of intervention that may be available to any individual. The circumstances of acuity of dementia will more likely mean that the person is in residential care – they are far more likely to be in residential care than staying at home if they are not capable of communication in their own right. What we are trying to work on, in collaboration with the Commonwealth, is particular incident reporting regimes that apply within residential aged care to have that degree of confidence that if abuse is taking place you have confidence that those issues will be responded to.*
>
> *The great myth that advocates of mandatory reporting assume is that there is either no capacity for individuals to take some action on their own behalf, or that they would not choose to take action on their own behalf. There is a great assumption that people are closeted and locked away and not involved in any interaction with the service system and the obligations that may flow from that interaction. It sounds pretty scary but in fact it is very important for anybody to deconstruct it in a positive way*

299 ibid., p.8
300 ibid.
301 ibid.
302 ibid., pp.8–9

that will enable us to take the appropriate remedy. That will depend upon the circumstances.

The Committee acknowledges the Minister's statement that the Elder Abuse Prevention Project has reviewed current practices and identified blind spots in service provision.[303] In keeping with this policy position for identifying service gaps, however, the Committee considers the Department of Human Services in conjunction with the Department for Victorian Communities Office of Senior Victorians should develop a strategy that supports the frail elderly living in the community who may be susceptible to the risk of abuse and neglect. This strategy should include members of the aged community, suffering from various stages of dementia but not living in residential care, who may be potentially or actually suffering abuse while in the care of their relatives.

The Committee recommends that:

Recommendation 13: **The Department of Human Services and the Office of Senior Victorians in the Department for Victorian Communities develop a strategy to protect the wellbeing of the frail elderly living in the community, who may be at risk of abuse and neglect.**

(d) Aged Care Land Bank pilot

The Committee recommended in its *Report on the 2004-05 Budget Estimates* that in view of the increased need for residential aged care, the projected growth in population, and the considerable delay between approvals and building completion of aged care facilities, the Department of Human Services and the Victorian Government Property Group identify and facilitate the sale of suitable state government sites for residential aged care developments.[304]

The Committee was pleased to find that the government had acted on this recommendation, allocating $4.8 million in the 2006-07 budget to fund an Aged Care Land Bank pilot.[305] This initiative will provide not-for-profit aged care providers with access to surplus government land at concessional prices, as part of a pilot to encourage additional high-care residential aged care beds to be provided in the inner metropolitan suburbs of Melbourne.[306]

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303 Mr G Jennings, MLC, Minister for Aged Care, *Dedicated legal service to support older Victorians*, media release, 15 June 2006

304 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.294

305 Budget Paper No.3, *2006-07 Service Delivery*, p.301

306 ibid., p.304

The Minister indicated at the budget estimates hearing that:[307]

> *We are very happy to work hand in glove with PAEC when we are at the cutting edge of public policy. When we are together there can be nothing stronger within public policy in Victoria, and we are together on this one because we recognise the value.*

Benefits from this initiative include the prospect of providing more residential beds for the elderly close to the centre of the city and reducing the backlog of people occupying hospital beds who would be more appropriately housed in residential aged care facilities.[308] The Committee was interested to hear that very positive responses have been received from the not-for-profit sector, [309] and Preston and Coburg are the first locations where services are to be developed.[310]

The Committee will follow the progress of this initiative as it unfolds, and expects that commentary on the outcomes of the investment strategy will be included in the department's annual report.

The Committee recommends that:

Recommendation 14: **The Department of Human Services include in its annual report details about the outcomes of implementing the Aged Care Land Bank pilot program.**

(e) Funded research and service development projects

The budget papers contain a quality performance measure for the Aged Support Services output. The measure *'Funded research and service development projects for which satisfactory reports have been received'* is presented in percentage terms.[311] A review of the last three budget papers shows that the department has met its 100 per cent target for satisfactory reports to be received for projects it funded since 2002-03.

Because the budget papers do not disclose quantitative information relating to this performance measure, there may only be a very small number of projects for the year. This could lead to a misleading result, one that places the department in a very positive light. For this reason, the Committee sought from the department an outline of the particular research and service development projects expected to be finalised in 2006-07 together with associated funding details. Exhibit 8.6 presents this

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307 Mr G Jennings, MLC, Minister for Aged Care, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.11
308 ibid.
309 ibid., p.12
310 ibid.
311 Budget Paper No.3, *2006-07 Service Delivery*, p.91

information. The Committee noted that 44 per cent of the allocated funding ($423,821 out of $967,089) is directly associated with dementia and will be interested in learning about how aged care policy and budget initiatives have been informed by this research.

Exhibit 8.6: Department of Human Services
Research and service development projects planned for 2006-07

Project name	Funding ($)
Literature review of factors predictive of successful ageing	54,523
Development of a resource kit to assist medication management in residential aged care	178,315
Guide to services for frail older Victorians and their families	42,240
Research on the care needs of people living alone, without a carer	32,160
Dementia friendly physical and social environments – application of guidelines; handbook and web-based	98,821
Projects in dementia friendly services to meet diverse needs and transition between services	325,000
Well for Life – support and capacity building Phase 3	57,168
Well for Life – support and capacity building Phase 4	79,862
Victorian eye care service review	99,000
Personal Alert Victoria – Assessment tools and processes	To be finalised

Source: Mr G Jennings, MLC, Minister for Aged Care, response to the Committee's follow-up questions, received 4 August 2006, p.6

To ensure a greater understanding of the budget estimates and to improve the quality and presentation of the budget information, it is important that performance measures presented in percentage terms to provide information about quality, are supplemented by related quantitative information, where necessary, to provide meaningful information to the readers of the budget papers. The Committee considers the department should include an additional quantity performance measure in the Aged Support Services output relating to the number of research and service development projects to be completed in the year. Such an inclusion will complement its quality performance measure about the extent of satisfactory reports received.

The Committee recommends that:

Recommendation 15: **The Department of Human Services include in the Aged Support Services output an additional quantity performance measure relating to the number of research and service development projects to be completed in the year.**

The Committee was interested in gaining an understanding of how the results of the research and service development projects finalised in 2004-05 and 2005-06 had been used. Exhibit 8.7 outlines the information provided to the Committee by the Minister.

Exhibit 8.7: Department of Human Services
Use of previous research and service development projects

Project name	Use made of results
Supported residential services (SRS) survey	Follow-up research to the 2003 SRS Census (SRS pension-level sector) to ascertain the level of residents with a psychiatric disability.
Statutory town planning project	Report is being examined to inform advice to the Ministers for Aged Care and Planning on options to improve the statutory planning system and its relation to older persons' accommodation, including residential aged care.
Innovative and creative respite projects	Key learning and ideas to be compiled in hard copy and web-based products for service organisations' use. Some projects have led to service configuration to better meet needs.
Projects in education and training in dementia-friendly care in hospitals	Key learning and ideas compiled into a booklet for health services. The most sustainable and successful of the eight projects conducted is being implemented in other hospitals.
What carers value – review of carer literature and practice	Findings made available to peak bodies and service organisations via hard copy and the web.
Personal Alert Victoria - evaluation	Recommendations have provided direction for service development work aiming to streamline and improve processes, including development of a project to investigate improving efficiency and effectiveness of assessment tools and processes, referrals and waiting list management. Has also provided the basis for investigation of target group issues and eligibility and the proposed re-tender of service.

Source: Mr G Jennings, MLC, Minister for Aged Care, response to the Committee's follow-up questions, received 4 August 2006, p.7

Outcomes delivered from research and service development projects funded or undertaken through the Aged Care Branch of the department contribute to policy and program development for community and residential aged care services.[312] Where appropriate, research findings are included in aged care publications, which are also listed on the Department of Human Services' and the National Ageing Research Institute's websites.[313]

[312] Department of Human Services, email, received 1 September 2006
[313] ibid.

8.5 Children portfolio

8.5.1 Key issues affecting the portfolio

(a) Addressing falling numbers of foster carers

The Department of Human Services' Office for Children website identifies that home based care, including foster care, is provided to children unable to live at home due to risk of abuse or neglect. The website states that children are placed with appropriate caregivers through a community service organisation. It further indicates that the majority of children referred to a home base care service are the subject of protective services intervention.[314]

The Committee's *Report on the 2005-06 Budget Estimates* recommended the department examine whether home based placements are keeping pace with demand and what additional incentives may be needed to increase the availability of foster care.[315] The government's response to the report stated that a number of actions were planned in this area.[316]

Recognising the importance of foster carers to the wellbeing of children most in need of care, the Committee sought information from the Minister about:

- factors influencing the availability of sufficient numbers of foster carers in Victoria to meet demand; and
- initiatives underway to ensure the adequacy of future levels of available foster care support.

The Minister stated that the factors influencing the potential availability of foster carers in Victoria included:[317]

- demographic changes, including changes in patterns of workforce participation;
- changes in the complexity of needs presented by children and young people in care;
- levels of reimbursement to carers for the costs of caring for children in care;
- access to training to provide foster carers with the skills appropriate to meet the needs of children in care; and

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314 Website of the Office for Children, www.office-for-children.vic.gov.au, accessed 8 August 2006

315 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp.190–191

316 Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.24

317 Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2006, pp.11–12

- the capacity of community service organisations to support and encourage existing foster carers, and to recruit new foster carers.

The Minister also advised the Committee of the following strategies aimed at ensuring the adequacy of future levels of available foster care support.

In relation to the retention of carers, the Minister indicated that:

- a commitment of $16 million over four years was made in 2003-04 to increase care giver reimbursements;
- a commitment of $20 million over four years was made in 2004-05 to improve support to carers to assist them to meet the education and medical needs of the children and young people in their care;
- a $4 million increase in funding was made to home based care in 2006-07 providing more funding to the community service organisations that provide foster care and enabling an increased proportion of caregivers to receive supplementation for providing care for children and young people with more intensive and complex needs. The additional community service organisation funding in turn strengthens their level of support to carers;
- a commitment of $1.4 million recurrent funding was made in 2006-07 to develop advanced training for carers; improved training is important for retention because it provides carers with the skills to more fully engage in their role;
- the Looking After Children Framework continues to be implemented, which advocates for greater levels of carer involvement in planning for the needs of children in their care. Involvement of carers in this planning process has improved communications and been identified as a major factor in influencing carers to remain as carers;
- recurrent funding of $166,000 was made in 2004 to the Foster Care Association of Victoria to provide support and create an effective voice for carers in Victoria; and
- the home based care handbook was published in November 2003, clarifying the roles, responsibilities and expectations of carers, agency and departmental staff. The previous lack of clarity was identified as a source of frustration for carers.

Some of the above strategies involve actions, including funding allocations, commenced several years ago. The Minister has stated that Victoria was losing about 200 carers each year, with the number of carers falling from about 3,250 five years ago to 2,267 in 2005.[318] The Committee has reservations, therefore, on the effectiveness of these early strategies for retaining foster carers and expects that

[318] Hon. S Garbutt, MP, Minister for Children, *$500,000 to spearhead foster care recruitment campaign*, media release, 30 July 2006

appropriate corrective measures have been built into the more recent funding initiatives.

In terms of the recruitment of new carers, the Minister advised the Committee that:

- recruitment of foster carers is the responsibility of the community service organisations funded to deliver foster care and the increased funding provided in the 2006-07 budget will strengthen their capacity to recruit carers;
- the department (with community service organisations) is developing a caregiver information pack to assist recruitment of carers by ensuring all applicants for foster care receive high quality, consistent information when making inquiries about foster care; and
- in 2006-07, $500,000 has been provided to the Centre of Excellence in Child and Family Welfare to fund a recruitment campaign to raise the profile of foster care in the community and to recruit new carers.

The Minister announced the latter recruitment campaign on 30 July 2006, stating that the recruitment drive was aimed at halting '*the alarming fall in the number of people applying to become carers'*. The Minister went on to describe foster carers as:[319]

> *... the community's unsung heroes with an unwavering commitment and drive to make a real difference in the lives of children who cannot live with their families. However, in recent years, as demands of modern life put increasing pressures on families and more women enter the workforce, there has been a decline in the number of people applying to become carers.*

The Minister indicated that about 1,000 people enquired about becoming a carer in 2005, and the aim of the recruitment campaign was to boost the number of carers to more than 1,200, or by about 20 per cent.

In November 2005, the Minister announced an extra $75 million over the next four years for Victoria's child protection and foster care systems.[320] The department's 2006-07 Budget Information Kit shows that of this amount, $14.6 million has been provided in 2006-07 for the establishment of a new model of therapeutic foster care, among other things.[321]

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319 ibid.,

320 Hon. S Garbutt, MP, Minister for Children, *$75 million boost to protect Victorian children*, media release, 22 November 2005

321 Department of Human Services, *Protecting the safety and wellbeing of Victoria's children*, media release, 30 May 2006

At the estimates hearing, the Minister provided the following comments on this new model:[322]

> *We are also bringing in a new style of foster care called therapeutic foster care, which will be a different level of support. There will be networks of foster carers, supported with social workers, with therapy and with more experienced people to better support them. That will involve even more comprehensive assessment and training and also an increased payment rate. That is quite a new style of foster care which will come in with the new Act ... It is about recognising their role, about recognising the contribution they make, about involving them in planning decisions and about the child's welfare. Things like better recognition, conferences where they meet with child protection workers and community service organisation workers and their role is discussed and supported also help encourage them to stay in the system. We are now delivering a new style of foster care.*

The Committee welcomes the information provided by the Minister on actions underway to strengthen Victoria's foster care system and to address the decline in the number of foster carers. The Committee is also pleased that the announcement of the planned carer recruitment drive was accompanied by an identification of an intended outcome, which enables an assessment of the ultimate success of the drive.

The Committee agrees with the Minister's comments about the extensive and essentially voluntary contribution made by carers to the lives of children in need. It is this contribution and the difference it can make to children's lives that reinforce the importance of the government ensuring its foster care strategies bring about higher numbers of adequately supported carers.

The Committee considers the Department of Treasury and Finance should have an active role in evaluating the cost effectiveness of payments to foster carers. The Committee believes it is critical that the level of remuneration paid to foster carers is always commensurate with the importance of their role and that sufficient attention is given to the benefits, social and economic, that accrue from the retention of high numbers of experienced foster carers in the child support system.

It is important that the Office for Children closely monitors implementation of the various initiatives in place, including the planned recruitment drive. The Office should also ensure that relevant information is available to Parliament on the effectiveness of past and current improvement measures for carers, including:

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[322] Hon. S Garbutt, MP, Minister for Children, 2006-07 Budget Estimates hearing, transcript of evidence, 14 June 2006, p.15

- statistics on actual numbers of inquiries from potential recruits compared with the targeted level;
- the desired number of carers needed in the system to fully meet demand together with the actual numbers;
- the implications to children of any shortage in carer numbers in terms of placement delays and alternative care;
- results of early experience with the new therapeutic foster care model; and
- feedback obtained periodically from carers on their satisfaction with training, support networks and remuneration issues.

The Committee recommends that:

Recommendation 16: **The Department of Human Services' Office for Children:**

(a) closely monitor implementation of actions recently taken to strengthen Victoria's foster care system; and

(b) inform Parliament about the effectiveness of past measures aimed at retaining high numbers of experienced foster carers.

Recommendation 17: **The Department of Treasury and Finance in conjunction with the Office for Children have a role in evaluating the cost effectiveness of payments to foster carers.**

(b) Response to performance audit report on out of home care reforms

The Auditor-General presented a performance audit report to Parliament in June 2005, *Our children are our future: Improving outcomes for children and young people in Out of Home Care*. The audit examined major reform activity undertaken by the department for out of home care services and focused on reform action in four key initiatives:[323]

[323] Victorian Auditor-General's Office, *Our children are our future; Improving outcomes for children and young people in Out of Home Care*, June 2005, pp.45–46

- Family Support Innovation projects, which are targeted at families at high risk and involved in the child protection system,
- the Looking After Children framework, which aims to improve communication, collaboration, assessment and planning related to children and young people in out of home care,
- Take Two, a therapeutic specialist service for child protection clients; and
- Quality Assurance Strategy, a process for assessing and monitoring compliance by community service organisations with the minimum standards of care.

While audit did not assess how current out of home care services were being delivered, the Auditor-General concluded that the department's reform work was soundly based. The report contained 14 recommendations to assist the department to build on its reform program. The audit found in some cases the department did not disclose methodological limitations, have findings independently reviewed, or include a process for addressing stakeholder concerns, but concluded that these omissions were unlikely to have significantly affected the soundness of its work.

The Committee sought information from the Minister on action taken by the department in response to the Auditor-General's 14 recommendations (exhibit 8.8).

Exhibit 8.8: Performance audit report on reform of out of home care services Action by the Department of Human Services

Audit recommendation	Departmental action
1. Establish a formal process to identify and access a range of potential options in formulating any new initiatives and that this process includes timely consultation with key stakeholders.	A new advisory structure, the Child Protection and Family Services Advisory Group, has been established to provide program management with advice on issues of service coordination, policy development, program development and initiative implementation.
2. Include a pilot phase when developing all new reform initiatives to test whether they are likely to deliver the required outcomes and to identify any potential implementation problems.	The department generally supports this recommendation, but in some cases, alternative testing methods may be more appropriate. One example of a new initiative being tested is the recent development of two different models of kinship care. This allows for the identification and resolution of issues before services are implemented on a statewide basis. In other cases, pilot phases are undertaken, for example, the initial pilot for therapeutic foster care.
3. Ensure risk mitigation strategies are in place for any future reform initiatives that lack a strong evidence base.	The assessment and treatment of potential risks is being implemented formally with new initiatives.
4. Continue to strengthen the knowledge base regarding the efficacy of interventions and services to address the needs of children and young people.	The Office for Children supports a range of research and evaluation activity. The recent appointment to the Alfred Felton Chair in Child and Family Welfare will support collaboration between the University of Melbourne School of Social Work and community service organisations. The department has seconded a research assistant to support the Chair.
5. Develop a strategy for the ongoing translation of emerging relevant research into policy and practice.	The department has utilised a range of international research on the cognitive development of children and effects of unstable care arrangements which underpins many of the reforms in the *Children, Youth and Families Act* 2005.
6. Assess the impact of all reform initiatives on the capacity of community service organisations to assume new and extra service responsibilities while continuing to maintain existing services.	The consultative structures in place will inform this issue as new initiatives are implemented.
7. Regularly review, in consultation with community service organisations, performance indicators for reform initiatives to ensure they are an accurate and reasonable measure of efficiency and effectiveness, and related targets are soundly based.	Performance indicators have been reviewed for the two initiatives highlighted by the Auditor-General.

Exhibit 8.8: Performance audit report on reform of out of home care services Action by the Department of Human Services *(continued)*

Audit recommendation	Departmental action
8. Ensure all reform initiatives have an adequate evaluation framework to assess whether they are achieving their intended aims.	An active evaluation process is being implemented with key initiatives, for example, an evaluation of Take Two involving La Trobe University has been conducted, together with several other research projects dealing with client assessment. An evaluation framework is being developed for the new kinship care models and therapeutic foster care models.
9. Establish a formal risk management process as part of planning and implementation of all reform initiatives.	The assessment and management of potential risks is being assessed during the implementation of all new initiatives.
10. Develop a strategic plan for reform of out of home care, in consultation with key stakeholders, that specifies expected outcomes.	The Family and Placement Service Sector Development Plan launched in August 2006 will sets the strategic direction for an ongoing process of monitoring and review of program outcomes.
11. Regularly review the ongoing alignment of its strategic directions for out of home care reform with the key issues facing the service system.	The Family and Placement Service Sector Development Plan addresses this recommendation.
12. Develop a clearly articulated management strategy to oversee the reform program which is supported by structured project management processes.	The reforms for out of home care are part of a broader reform agenda across the child and family support program. Governance structures for the reform program are established and a process is underway to consolidate all individual project plans under a master plan.
13. Regularly review the progress of its current work to address gaps in the out of home care service system (including those related to the needs of Aboriginal children and young people) to ensure timely completion.	The Family and Placement Service Sector Development Plan addresses this recommendation.
14. Ensure the new client information system has sufficient flexibility and capacity to accommodate additional data needs beyond initial implementation.	The new information system is being built and configured to provide sufficient flexibility and capacity to accommodate future service needs.

Source: Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2006, pp.9–11

The Committee welcomes the steps initiated by the department in response to the Auditor-General's recommendations. Implementation of many actions is either planned or at an early stage. It will therefore be important for the department to maintain the impetus of its work to ensure all audit recommendations are fully addressed.

The Committee is particularly mindful of the significance the Auditor-General placed on the department establishing a strong strategic direction for its reform initiatives relating to out of home care services and on the quality of links between individual initiatives and an overarching framework. The Committee agrees with the Auditor-General that the success of any strategic approach will be measured by improved outcomes for children in out of home care.

On this critical point, the Committee looks forward to considering the department's new Family and Placement Service Sector Development Plan. It will be important that the department ensures this plan clearly articulates strategic goals for the out of home care reforms, the management and consultative processes to be followed in pursuit of those goals, and the desired outcomes and program milestones for measuring performance over time. The plan should also identify procedures for ensuring there is a transparent line of communication to Parliament on the department's progressive implementation of the plan.

The Committee recommends that:

Recommendation 18: **The Department of Human Services ensure:**

(a) all audit issues arising from the 2005 Auditor-General's performance audit on its out of home care reforms are fully addressed; and

(b) Parliament is adequately informed over time about the extent to which implementation of its new strategic framework for out of home care services leads to improved outcomes for children.

(c) Performance reporting for programs impacting on children

The Committee's *Report on the 2005-06 Budget Estimates* recommended the department review performance targets for the 2006-07 budget that relate to output groups managed within the portfolio of Children.[324] The government's response to the Committee's report stated that the department would consider the recommendation during development of performance targets for the 2006-07 budget.[325]

The Committee's comments were prompted by the introduction of a number of major initiatives by the department and by an expectation that implementation of these initiatives would be accompanied by an expected increased level of performance.

Funding initiatives under the government's *A Fairer Victoria* statement affecting the Children portfolio and totalling $126.3 million over four years to 2008-09 were announced in the 2005-06 budget. Initiatives for children's services under *A Fairer Victoria* (involving a further $268.3 million up to 2009-10) were presented in the 2006-07 budget. Based on this information, the Committee asked the Minister during its 2006-07 estimates inquiry to elaborate on any changes to performance measures and targets in 2006-07 for the portfolio's suite of outputs; and to indicate if any longer term projections, in terms of enhanced outcomes for children, had been formulated.

(i) Changes to performance measures and targets

The Minister advised there have been no changes in output performance measures for 2006-07. The Minister further advised four principal changes to output performance targets, which are explained in footnotes in the 2006-07 Budget Papers. The main changes relate to the impact of an additional ten family support innovation projects that will provide extra services to 1,300 families. These expanded services, together with new approaches to early interventions and prevention of child abuse and neglect, are also expected to contribute to a decline in child protection notifications, from 36,600 in 2005-06 to 36,500 in 2006-07.[326]

The Committee considers that the changes to performance targets in 2006-07 were marginal given the magnitude of funding allocated in recent budgets to programs for children.

The Committee also sought from the Minister information about the underlying actual numbers for all performance measures that include a percentage. The Minister's response indicated that the Office for Children reviews output measures and targets on

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[324] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp.189–190

[325] Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.23

[326] Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2006, p.8

an annual basis and will consider the future provision of actual numbers to supplement percentage based measures.[327] The Committee looks forward to considering an expansion of performance information in future budgets because it believes the presentation of both percentages and numbers within output measures would enable a more complete assessment of performance.

The Committee recommends that:

Recommendation 19: **Future budget papers disclose numbers to supplement percentage based performance measures in outputs managed within the portfolio for Children.**

(ii) Enhanced outcomes for children

The Minister informed the Committee that the department has identified the key aspects of health, wellbeing, learning, development and safety as essential to our children's future, and has developed an outcomes framework to guide the setting of objectives and planning across the whole of government. The Minister also advised that:

> *... at this stage, the outcomes framework is being used to frame our collection of baseline data. Longer term projections will be developed as the outcomes of reform initiatives are evaluated.* [328]

The 2006-07 Budget Papers include comment on this outcomes project in the context of future reporting on progress towards improving the wellbeing of young children under the government's *Growing Victoria Together* document. The budget papers state that composite measures of health and education outcomes for young children are not yet well developed at a state or national level, and signal that next year's progress report will include a set of indicators based on the department's work to benchmark child outcomes.[329]

The Committee recognises that the development of outcomes and objectives to support the achievement of a measure for improving the wellbeing of young children in *Growing Victoria Together* should have preceded funding decisions and implementation of programs. Significant time lags between structuring programs and developing intended outcomes are not conducive to maximising the effectiveness of programs or ensuring that significant levels of public funds required to deliver them have been optimally managed. The Committee considers that identifying intended outcomes in advance of funding commitments and establishment of related programs is a key principle that should underpin budgetary decision making within government.

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327 ibid., p.7
328 ibid., p.9
329 Budget Paper No.3, *2006-07 Service Delivery*, p.361

The Committee nevertheless welcomes the work underway within the department to develop an outcomes framework to guide objective setting and planning across government for services supporting children. It recognises the early state of work on outcomes dealing with the health, wellbeing, learning, development and safety of young children, and the degree of complexity inherent in this key social policy area. It awaits with interest the results of this exercise.

The Committee considers it will be important for the department to determine the modifications necessary to the objectives and direction of existing programs for children, to ensure service delivery is directly aligned with the developed outcomes. The extent of these modifications and any consequential budgetary implications should be disclosed as part of information communicated to Parliament on completion of the outcomes project.

The Committee also considers the department should use the development of intended outcomes for children as a springboard for the review of output performance information presented in the budget papers. It is an ideal opportunity for the department to refresh output performance measures and targets to better reflect reform initiatives and drive achievement of outcomes.

The Committee recommends that:

Recommendation 20: **The Department of Human Services:**

(a) ensure Parliament is fully informed about the results of its Outcomes for Children project and associated modifications to the direction of programs for children; and

(b) use this research to enhance the portfolio's output performance measures and targets presented in future budget papers.

(d) Child Safety Commissioner

The Minister for Children announced the appointment of the first Child Safety Commissioner in May 2005.[330]

The functions of the Commissioner as set out in the *Child Wellbeing and Safety Act* 2005 are:

- to provide advice and recommendations to the Minister about child safety issues;

[330] Hon. S Garbutt, MP, Minister for Children, *Minister appoints first Child Safety Commissioner*, media release, 10 May 2005

- to promote child friendly and child safe practices in the Victorian community;
- to educate and inform the community about the *Working with Children Act* 2005 and to review the administration of that Act by the Department of Justice;
- to promote the active participation of children in out of home care in decisions that affect them, to advise the Minister and the Secretary on the performance of out of home care services, and to undertake investigations when requested to do so by the Minister; and
- to conduct inquiries into and report on the deaths of children known to child protection.

During the estimates inquiry, the Committee asked the Minister to describe the main issues identified to date by the Child Safety Commissioner that have implications for the department's work in the Children portfolio. The Minister cited the following main issues identified by the Commissioner:[331]

(i) Promote child safe environment

A key concern has been to promote child safe organisations across the broader community. A broad ranging advisory group from a diverse range of child related sectors has been formed to advise the Commissioner in this responsibility. The Office of the Child Safety Commissioner will soon launch a manual developed to assist organisations develop child safe policies and practices and an information guide to assist parents when they are assessing the quality of organisations with which their children may be associated.

(ii) Monitor Victoria's out of home care service system and promote quality service delivery

The Office of the Child Safety Commissioner monitors the out of home care system through a range of activities including analysis of:

- the quality assurance system associated with internal and external assessment of out of home care standards compliance;
- Category 1 Critical Incident Reports emerging from the out of home care service system;
- issues and concerns brought to the attention of the Commissioner by different community members.

[331] Hon. S Garbutt, MP, Minister for Children, response to the Committee's follow-up questions, received 4 August 2006, pp.12–14

All such analysis is brought to the attention of the department for reference, to advise or seek further clarification on issues raised if deemed necessary.

The Commissioner has advised that he wishes to study further, and subsequently provide comment or advice on, various issues to the department, including:

- the impact and rollout of the 'best interests' principle in the *Child Youth and Families Act* 2005;
- implementation of the Aboriginal Child Placement Principle;
- children who display high risk behaviours;
- children with a disability in mainstream out of home care services;
- unaccompanied children under the age of 16 years in Supported Accommodation Assistance Program services;
- the quality of service with regard to kinship care, permanent care and preparing children and young people to leave state care.

The Office of the Child Safety Commissioner has previously conducted extensive consultations (with a wide range of stakeholders including children currently and previously in care) about the proposed development of a charter for children in care. The department is currently considering a draft charter. The Commissioner will have an ongoing interest in monitoring the final charter and its impact in assisting the delivery of a quality service to vulnerable children and young people in out of home care.

(iii) Conduct inquiries into the deaths of children known to Child Protection services

The Child Safety Commissioner provides secretariat functions and support to the Victorian Child Death Review Committee (VCDRC). The Office also supports the VCDRC in monitoring the implementation of recommendations regarding three past group inquiries:

- tackling SIDS – a community responsibility;
- partnerships in caring for children;
- children with complex needs.

With the support of the Child Safety Commissioner, the VCDRC has recently initiated a group analysis to examine the responses to chronic neglect in a sample of ten deaths of children reviewed between 2004 and 2006. Ongoing discussions will occur with the department to consider how the findings from individual inquiries and broader research can improve services and responses across the system.

(iv) Working with Children Act 2005

Contractors have now been engaged and mechanisms are being developed to monitor and evaluate the pilot phase of the implementation of the Working with Children Act. A regular review of the legislation will be conducted, and the Child Safety Commissioner will provide an annual report to the Minister for Children, the Attorney-General, and the Secretary of the Department of Justice.

The Committee welcomes the Minister's outline of the early work of the Child Safety Commissioner in the relatively short period of time since the Commissioner's appointment. The Committee is encouraged by the diversity of matters that have come within the initial purview of the Commissioner. Some of these matters have been the subject of comment by the Committee in past estimates reports such as its call for action in its *Report on the 2005-06 Budget Estimates* to address systemic concerns arising from inquiries into the deaths of children.[332]

The Committee views the multi-faceted role of the Commissioner as vital to preserving the safety and protection of Victorian children at risk. It looks forward to considering periodic reports from the Commissioner to Parliament (presented in future departmental annual reports), on the results of reviews and investigations conducted in this highly important field.

8.6 Community Services portfolio

8.6.1 Key issues affecting the portfolio

(a) Flexible choices of accommodation and support – evaluation findings

At last year's budget estimates hearing, the Minister informed the Committee that an independent evaluation of the greater use by the department of flexible choices of accommodation and support on personal outcomes for people with a disability was underway.[333] The Committee's *Report on the 2005-06 Budget Estimates* recommended that the department continue to monitor whether adequate support was being provided to people with a disability who were pursuing more independent lifestyles in the community through flexible accommodation choices.[334]

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332 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp.191–193

333 Hon. S Garbutt, MP, Minister for Community Services, 2005-06 Budget Estimates hearing, transcript of evidence, 2 June 2005, p.17

334 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.207

The Committee requested an update of the major findings of the evaluation of the department's program to provide flexible accommodation choices and support personal outcomes for people with a disability. The Minister informed the Committee that independent evaluation of the first year of the Support and Choice initiative stated:[335]

> *Overall, Support and Choice has confirmed that the individual planning and support approach is an important direction for the future and has the potential to greatly improve the participation and quality of life for people with a disability and their family/significant others. Notably, there is significant broad scale commitment to the principles of an individual planning and support approach across all stakeholder groups. (LIME Consulting Group, 2005)*
>
> *The experiences and outcomes for participants were of key importance to the evaluation. The evaluation found that Support and Choice had a significant impact for some participants and their families, in particular people who have moved from Shared Supported Accommodation and families with children with disabilities. Significant outcomes included:*
>
> - *re-location to new housing of their choice by three-quarters of the participants wanting to move from Shared Supported Accommodation;*
> - *reduction in family stress for families caring for children with disabilities;*
> - *increasing skills and opportunity for community inclusion;*
> - *additional supports provided to enable independent living;*
> - *collaboration across programs to pool resources and develop tailored responses; and*
> - *flexible and creative options to meet identified goals.*

The Committee's review of the report identified that in terms of assessing participant and family outcomes, the evaluation found the following:[336]

> *It should be stressed that implementation of Support and Choice by each of the eight regions of the department was developmental in nature. The majority of interviews conducted with participants and families were undertaken at an early stage of implementation, and their comments reflect the developmental process in train. In general, participants*

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335 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.9

336 LIME Management Group, *Evaluation of Support and Choice Implementation*, October 2005, p.56

> *interviewed at the later stage of the evaluation reported more positive experiences with the process. This demonstrates a commitment to a continuous improvement approach from those implementing the initiative. The early stage of implementation also meant that much of the feedback from participants related to the process of Support and Choice, as opposed to short and longer term outcomes.*

The Committee considers that the Department of Human Services should commission an evaluation of the delivered outcomes that have been provided by the department's Support and Choice initiative. This evaluation should include a comprehensive survey of participants in the initiative.

The Committee recommends that:

Recommendation 21: **The Department of Human Services evaluate the outcomes delivered by its Support and Choice initiative, including a comprehensive survey of participants.**

(c) Older carer support

The Committee understands that the waiting time for someone to obtain shared supported accommodation is 218 weeks (or four years) and there are 269 carers over 70 years of age and 110 over the age of 65.[337] In other words, 379 of the carers of those people on the four year waiting list are over 65 years of age.[338]

Enquiring about the type of assistance available to this group of carers, the Committee was advised that there are a range of supports other than the provision of shared supported accommodation.[339] The Minister indicated that:[340]

> *We are moving towards expanding the range of supports, including the accommodation options. Support and Choice, as an example, does provide accommodation support. Accommodation support can be more frequent respite, it can be aids and equipment, it can be recreational or day programs for the person with the disability. It can be leisure time. It could be a holiday away for two weeks. It can be employment for the person with a disability that keeps them engaged in their local community and of course gives spare time to the carer. It can be all of these things. I showed you the figures on respite as an example… That is a major growth in our area with the Commonwealth introducing its funding as well as the state matching it. So shared supported*

337 Hon. S Garbutt, MP, Minister for Community Services, 2006-07 Budget Estimates hearing, transcript of evidence, 14 June 2006, p.5
338 ibid.
339 ibid.
340 ibid.

> *accommodation really does not reflect either the range of supports that they are getting or the range of supports they particularly want.*
>
> *We are finding, when the department talks to people about the bigger range of possibilities under Support and Choice, that people are very satisfied with being able to identify what best suits them, what best meets their goals – for the person with the disability, their carer and their family – and opting for a whole range of things which do not come under the heading of shared supported accommodation at all. With the accommodation innovations programs, for example, we are finding that people are choosing a whole range of different accommodation options that we have never supplied in the past. They are going into public housing or family managed housing or they are renting accommodation. They are renting with friends.*
>
> *There are a whole range of options that quite clearly governments do not provide but other organisations do, and people with disabilities and their carers are choosing to enter into those.*

Despite these options, the Committee noted a continued demand for shared supported accommodation that is demonstrated by an unchanged output target for 2006-07 of 4,650 clients compared with the previous year.[341]

The Committee was interested in learning about the older carer support packages delivered through the Individual Support output. The Committee was advised that the total cost for this output includes a range of activities and it is not possible to determine the costs attributed to older carer support packages.[342] Approximately 30 per cent of all clients who received a service in 2004-05 were 45 years or older, and many of these people were likely to have an ageing carer.[343] In 2005-06 there were approximately 1,500 Support and Choice packages, of which 300 were specifically targeted to older people with a disability and older carers (in 2004-05, there were approximately 1,280 Support and Choice packages, with 300 targeted to older people with a disability and older carers).[344]

The Minister also advised that in relation to funding directed at older carers, the department was:[345]

> *... actively seeking to contact those people. We are linking up with day programs, home and community care, Commonwealth carers respite services, to try and get the word out. We have delivered brochures and information sheets to health and aged care services, to local government*

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341 Budget Paper No.3*, 2006-07 Service Delivery*, p.105

342 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.4

343 ibid.

344 ibid.

345 ibid., p.6

hospitals; all of those sorts of places where you would expect to see ageing carers using those services. They have been advertised through the local media, and we are promoting and advertising in places like pharmacies and local bowling clubs, and bingo halls et cetera. We are very determined that people will take up this offer; it is a very good one.

With an ageing population, the Committee sees value in the department commissioning an evaluation of whether:

- the older carer support packages are reaching the desired target group;
- the initiatives introduced by the government are making a difference; and
- ageing carers have been given adequate options about future accommodation support and ongoing care, once they are no longer able to continue in undertaking the role of primary carer.

The Committee recommends that:

Recommendation 22: **The Department of Human Services commission an urgent evaluation of the effectiveness of the older carer support packages and its planning activities targeted at older carers of people with disabilities.**

(c) People with a disability living in residential aged care facilities

The government provided $21 million over four years ($1.7 million in 2006-07, increasing each year to a maximum of $9 million in 2009-10) to reduce the number of young people with a disability living in residential aged care facilities.[346] In enquiring about why the bulk of funding is provided in the final year, rather than a greater proportion in the earlier years or a more uniform spread over the four year period, the Committee learned that the flow of funds reflects the expected rate of service development and support allocation, including provision of individualised support packages and development of new projects associated with increasing the range of accommodation options.[347] The focus initially will be on client assessment and planning, service establishment and the commencement of individualised packages.[348] The matched funding of the final year of the project will form the basis of ongoing recurrent funding, which is important for ensuring longer term sustainability of support options.[349]

346 Budget Paper No.3, *2006-07 Service Delivery*, pp.23, 296, 299
347 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.13
348 ibid., p.13
349 ibid.

Matched by Commonwealth funding, the initiative is designed to assist people with a disability to move from residential aged care facilities to alternative service options with priority given to people aged less than 50 years.[350] The Committee was interested in pursuing with the Minister how this program is to be implemented in Victoria. At the end of last year, the Council of Australian Governments reached an agreement about a program that involves the provision of $60.2 million over five years (fifty-fifty state and Commonwealth funding) from 1 July of this year to reduce the number of younger people with disabilities in residential aged care.[351] Victoria will supply the disability supports and the Commonwealth is responsible for providing the nursing supports.[352] Initially, the priority will be for people aged less than 50 years, and in the opinion of the Minister, that obviously *'leaves a big question mark for those over 50 years of age'*.[353] The initiative will comprise three elements:[354]

- to assist younger people living in residential aged care to move into more suitable accommodation with the appropriate nursing support and disability supports;
- to endeavour to prevent further admissions; and
- to provide better support for younger people who remain in residential aged care, if that is their choice, or if there is no other accommodation available.

Victoria is at the stage of negotiating a bilateral agreement with the Commonwealth. Issues to be addressed in the negotiation process involve:[355]

- the programs for those people with a disability who are aged over 50 and who live in residential aged care facilities;
- funding for new growth in the system for more people who need this care;
- the fact that there is no capital from the Commonwealth; and
- the current situation where funding that accompanies the person exiting residential aged care is not as high as the amount spent on them in aged care facilities.

The Committee considers that the issue of the inappropriate placement of people, over the age of 50 with a disability, in residential aged care facilities must be carefully managed to ensure they are receiving appropriate disability support in addition to the residential nursing care.

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350 Budget Paper No.3, *2006-07 Service Delivery*, p.299
351 Hon. S Garbutt, MP, Minister for Community Services, 2006-07 Budget Estimates hearing, transcript of evidence, 14 June 2006, p.7
352 ibid.
353 ibid.
354 ibid.
355 ibid.

The Committee recommends that:

Recommendation 23: **The Department of Human Services develop a strategy that addresses the needs of people with a disability over the age of 50 years who reside in residential aged care facilities.**

Recommendation 24: **The Department of Human Services ensure its capital program for people with a disability, who require disability and nursing support, addresses the growing need for alternatives to residential aged care facilities.**

(d) Plans for people with a disability to purchase services and supports directly

The Minister informed the Committee that the department is reforming the way people with a disability are supported, to ensure maximum choice and opportunity. The department was examining the introduction of a system where payments are made directly to the person with a disability so that they can choose, arrange and purchase their own support services, without going through a disability agency or a broker.[356] Disability Services commenced a project in the southern metropolitan region in January 2006 to develop and trial direct payments to a small group of people with disabilities, and with their families and carers or guardians or administrators – whoever is appropriate.[357] The Minister advised that a direct payments system would be in line with the goals identified in individual plans.[358] It gives people with a disability direct control of their funding, it is more flexible, and it expands the range of options available to manage their supports and their individualised planning support approach.[359]

The department will undertake an evaluation of the six month trial at the conclusion of the project.[360] The Minister informed the Committee that:[361]

> *It has been tried in some other places. It has been used in the United States and Canada since the seventies, in fact. It has been a more recent development in Europe. Here in Australia, Western Australia has been using direct payments known as consumer managed funding for over 10 years and in Victoria the Transport Accident Commission has moved to this style of funding. It is known there as self purchasing and since*

356 ibid., p.12
357 ibid.
358 ibid.
359 ibid.
360 ibid.
361 ibid.

> *January 2005 has become the standard business practice at the Transport Accident Commission.*
>
> *The research that has followed those sorts of trials has demonstrated that it has many benefits, including improved self esteem, improved relationships and new vocational lifestyle opportunities opening up, because people can think of many more things that they want to do than the department can, and it has contributed to a reduction in the supports that people need in order to maintain their independence and active participation in the community. It has been trialled and run successfully elsewhere, so we are trialling it here. It is not for everybody, I would hasten to add. It is not something that everyone would want to or need to or should participate in, but we are trialling it to see what the results are here. It is being done very carefully in very small groups, and we will be evaluating it.*

The Committee considers it will be important for the department to ensure that the greater level of autonomy built into the purchasing function for people with a disability does not compromise the quality of purchasing decisions and the securing of value for money. These issues need to be evaluated when the trial is completed. The Committee will hope to review the outcomes of the six month trial as part of next year's estimates process.

The Committee recommends that:

Recommendation 25: **The Department of Human Services publish on its website the evaluation findings of the six month trial of the new approach that enables people with a disability to purchase services and supports directly without going through a disability agency or a broker.**

(e) Disability Housing Trust

Continuing the Committee's interest in hearing about progress made on new developments concerning the activities of the Disability Housing Trust, the Minister indicated that the trust would offer, in line with the State Disability Plan, greater accommodation choice and diversity than the accommodation provided by way of the community based unit. Exhibit 8.9 describes the key features of the Disability Housing Trust as outlined by the Minister.

Exhibit 8.9: Disability Housing Trust
Key features

The Disability Housing Trust has been established as a charitable trust rather than as a government statutory authority.
The inaugural board of directors was formed in February 2006 and launched on 5 June 2006. It has a board of directors as well as members.
The board is represented by people with a variety of knowledge and experience across the finance, housing and disability sectors, and a range of different skills that will need to be brought to this board, because it is not just about disability. It is about housing, planning, charitable trusts, finance and partnership arrangements and there is a range of players.
The government has committed $10 million in funding over three years ($3 million, 2004-05; $3 million, 2005-06; $4 million, 2006-07).
The trust is to deliver 100 new housing opportunities of different types (not described as units or houses).
The board will have a key role in generating both community and private sector investment.
It is hoped that the trust will leverage additional capital through a range of potential partners (for example, families, not-for-profit housing providers, disability support agencies, local government, the private sector, superannuation funds and churches).

Source: Hon. S Garbutt, MP, Minister for Community Services, 2006-07 Budget Estimates hearing, transcript of evidence, 14 June 2006, pp.13–14

The Minister brought to the Committee's notice at the estimates hearing, that families will often say, '*We have a family home. We would like to ensure that our son or daughter, when we go, has this home and is able to live in it with support*'.[362] The department had previously not been able to take up those offers, partly because the old community residential unit model meant that the support came with the house.[363] But, with the introduction of the Support and Choice initiative, which enables the person with the disability to apply that package of support to a rental house, public housing or some other alternative, this means that the person with a support package could go to a family home and get other people with packages of support living there as well.[364]

The Minister indicated that people are not comfortable with leaving a house to the government, but leaving it to a charitable trust has potential.[365] Churches, for example, have offered property and houses[366] and, while they also do not want to offer them to the government, they will offer them to a charitable trust.[367] Superannuation funds have funds to invest and are often happy to invest in this form of very stable bricks and mortar investment, but somehow the department has to make it work so that they

362 Hon. S Garbutt, MP, Minister for Community Services, 2006-07 Budget Estimates hearing, transcript of evidence, 14 June 2006, p.13
363 ibid.
364 ibid.
365 ibid.
366 ibid.
367 ibid.

obtain a return.[368] According to the Minister there are a lot of potential partners, but the Trust needs to establish a relationship with those partners.[369]

The Committee was advised that the Trust would initiate an expression of interest process by 30 July 2006 to identify opportunities for capital project development and partnerships with a range of investors to develop new housing opportunities.[370] A communication strategy (detailing proposed communication and consultation processes to promote improved access to secure and affordable housing for people with a disability and to encourage increased investment in housing options) will be developed by 30 July 2006.[371]

The Minister indicated that the Office of Housing has been an active participant in the development phase of the Trust to ensure alignment with housing reforms being progressed through the government's Strategy for Growth in Housing for Low Income Victorians.[372] The Office of Housing has expertise in asset planning and management, technical design, evaluation and delivery of capital projects and property acquisition and disposal.[373] It can also offer programmed, responsive and ongoing maintenance services, together with a range of specialist and essential services (such as, fire services).[374] The Office of Housing can offer these services to the Trust on a competitive fee for service basis.[375] The Minister also indicated that by the Trust initiating an expression of interest process to identify opportunities for capital project development and partnerships with a range of investors, it may also choose to approach the Office of Housing for assistance in its assessment of capital project proposals.[376] The availability and cost of these services would be subject to negotiation between the Trust and the Office of Housing.[377]

The department and the Trust, as an independent organisation, will release annual reports including details on performance.[378]

The Committee considers the budget papers need to include performance measures for the operation of the Disability Housing Trust that disclose the number of people with a disability accommodated by the trust.

368 ibid.
369 ibid., pp.13–14
370 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.11
371 ibid.
372 ibid., p.5
373 ibid.
374 ibid.
375 ibid.
376 ibid.
377 ibid.
378 ibid., p.11

The Committee recommends that:

Recommendation 26: **The Department of Human Services develop performance measures for the Disability Housing Trust that include the number of people with a disability accommodated by the trust.**

(f) Improving access to public transport for people with a disability

The Committee noted that priority strategy five of the *Victorian State Disability Plan 2002-2012* deals with making public services accessible so that people with a disability, like other members of the community, have access to a range of services that support quality of life which includes public transport.[379] The Minister stated in the department's Disability Services Division's March 2006 report that:[380] *'we have continued implementing the accessible public transport strategy to increase access to the public transport network for people with a disability.'*

The Minister told the Committee that the recent $10.5 billion *Meeting Our Transport Challenges* action plan sets out the government's plan to improve Victorian transport services [381] and as part of this plan, the government will invest $250 million over ten years to improve access to public transport for Victorians with a disability.[382]

The Committee was advised that all new Public Transport Services coming into operation after 2002 must comply in full with the Disability Discrimination Act Disability Standards for Accessible Public Transport 2002.[383] All existing works and services must be retrofitted or replaced to comply with the milestones of broadly 25 per cent compliance by 2007, 55 per cent by 2012, 90 per cent by 2017 and full compliance by 2022, except for trains and trams which must comply in full by 2032.[384] There are 30 technical parts to be met including requirements for circulation, grading, handrails, tactile ground surface indicators, toilets, furniture, information, signs and lighting.[385] Costs are being included in project budgets where appropriate.[386] The Committee noted that approximately $2.3 billion had been expended on public transport initiatives connected to the Disability Discrimination Act since 1999-2000.[387]

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379 Hon. S Garbutt, Minister for Community Services, *Report on the implementation of the Victorian State Disability Plan 2002-2012*, March 2006, p.17
380 ibid.
381 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.12
382 ibid., pp.12–13
383 Office of the Minister for Transport, email from Mr S Spadafora, 7 September 2006
384 ibid.
385 ibid.
386 ibid.
387 ibid.

Specific initiatives to expand access to trams for community members with a disability and to comply with the requirements of the Disability Discrimination Act over the next ten years include:[388]

- the progressive purchase of additional low floor trams to expand the current fleet of 95 air-conditioned low floor trams. Combined with modified tram stops, these trams provide wheelchair access to Melbourne's tram network for the first time. The new trams will feature dedicated wheelchair space, improved colour contrasting for people with a visual impairment and improved customer service via automated announcements and electronic displays;
- construction of up to 350 accessible platform tram stops on major tram routes, a significant expansion from the current 70 wheelchair accessible tram stops provided in Melbourne; and
- refurbishment of existing trams to include high contrast handrails and grab handles for people with vision impairment.

Progress achieved against the milestone for 25 per cent of public transport services to be compliant with the disability standards for accessible public transport by 2007 are shown in exhibit 8.10.

Exhibit 8.10: Compliance with disability standards for accessible public transport
Current progress achieved in meeting 25 per cent milestone by 2007

Public transport services	Progress against 25 per cent milestone (%)
Metropolitan trains	100
Metropolitan stations	(a) <25
Trams	23
Tram stops	6
Buses	44
Bus stops	<5
V/Line trains	89
Regional stations	(b) <25

Notes: *(a) some parts have much higher compliance, and Connex is planning to meet all 25 per cent requirements by 2007.*

(b) some parts have much higher compliance, and V/Line Passenger is planning to meet all 25 per cent requirements by 2007.

Source: *Email received 7 September 2006 from Mr. Sam Spadafora, Office of the Minister for Transport*

[388] Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.13

The department advised the Committee that it should meet the 25 per cent target for replacing or retrofitting existing public transport works and services by 2007, with the exception of tram stops.[389] The Committee noted that in relation to the tram stop target, they '*will meet it later'*, and that '*upgrading tram stops is complex, involving many stakeholders including VicRoads, local government, property owners and the general community*'.[390] The Committee was also advised that progress would be made towards the 2012 milestone.[391]

The Committee noted that the government intends to achieve the disability standards for accessible public transport under the *Disability Discrimination Act* 1992 (Cth) for most transport modes by 31 December 2007, but will not be able to meet the requirement for a quarter of tram stops to be disabled-friendly within that timeframe, and that the department has no definitive timeline for completion.[392] The Committee also considers the practice of expressing targets in a form that, by definition, requires performance of up to a certain level (construction of up to 350 accessible platform tram stops on major tram routes), while commendable in terms of setting a challenging and aspirational goal, should also be accompanied by a minimum acceptable target.

The Committee recommends that:

Recommendation 27: **Progress made in delivering key strategies in the Victorian State Disability Plan, including developments that have occurred in expanding access to trams for people with a disability, be included in the Department for Victorian Communities' annual report, on departmental websites and in the budget papers.**

Recommendation 28: **In the interests of enhancing accountability, the government express targets in definitive and meaningful terms.**

389 Office of the Minister for Transport, email from Mr S Spadafora, 7 September 2006
390 ibid.
391 ibid.
392 Disability Standards for Accessible Public Transport 2002 (Schedule 1) under sub-section 31(1) of the *Disability Discrimination Act* 1992 (Cth)

(g) Performance measure linked to waiting times for urgent supported accommodation of a critical nature

Notwithstanding that quantitative information about the number of people waiting for urgent shared supported accommodation is released each year in December rather than in the subsequent May budget papers,[393] the Committee again raised the issue of whether the department would develop a performance measure linked to waiting times for urgent supported accommodation of a critical nature.

The Committee learned that the department had developed a new recording system, the Disability Support Register, to respond more flexibly to the support needs of people with a disability.[394] Significant features of the register will promote clear and transparent processes for targeting, short-listing and prioritising resources.[395] The register will record a person's current and ongoing need for disability support, which will be developed following a comprehensive planning process that will consider the full range of available supports, including community-based supports.[396] The register is able to capture and record a person's unique support needs instead of recording a request for a service 'type'.[397] It supports the development of creative and innovative responses tailored to the needs of the person.[398]

The Minister advised the Committee that timeliness in response is dependant on a number of factors and is difficult to apply consistently as many people receive interim supports and have changing support needs.[399] While the department is not intending to introduce timeliness as a performance measure, it will reconsider this decision following the implementation of the register.[400]

The Committee considers the implementation of the Disability Support Register should be assigned a high priority by the department, a matter the Committee intends keeping under review during next year's estimates process.

The Committee recommends that:

Recommendation 29: **As a matter of urgency, the Department of Human Services ensure the Disability Support Register is completed in a timely manner.**

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393 Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled 17 May 2005, p.30

394 Hon. S Garbutt, MP, Minister for Community Services, response to the Committee's follow-up questions, received 4 August 2006, p.15

395 ibid.

396 ibid.

397 ibid.

398 ibid.

399 ibid.

400 ibid.

8.7 Health portfolio

8.7.1 Key issues affecting the portfolio

(a) Hospital admissions in Victoria

The Commonwealth Department of Health and Ageing, in its June 2006 report on *The state of our public hospitals,* found that the number of public hospital beds in Victoria (per 1,000 weighted population) fell from 2.5 in 1998-99 to 2.3 in 2004-05. Ranked seventh among the states and territories, Victoria's bed numbers were below the national average of 2.6 (exhibit 8.11).

Exhibit 8.11: Public hospitals – number of average available beds per 1,000 weighted population, states and territories 2004-05 compared with 1998-99

Rank	State or territory	2004-05	1998-99	Rank
1	Northern Territory	3.7	4.2	1
2	South Australia	2.9	3.2	2
2	New South Wales	2.9	2.9	5
4	Queensland	2.5	3.2	2
4	Western Australia	2.5	3.1	4
4	Tasmania	2.5	2.4	8
7	**Victoria**	**2.3**	**2.5**	**7**
8	Australian Capital Territory	2.2	2.7	6
	Australia	**2.6**	**2.9**	

Source: Australian Government, Department of Health and Ageing, The state of our public hospitals June 2006 report, p.12

According to the Australian Institute of Health and Welfare, Victoria had 12,162 public hospital beds in June 2000,[401] which declined to 11,946 (a reduction of 1.8 per cent) by June 2005.[402] Over this period the total number of beds increased by 4.0 per cent, nationally.[403]

401 Australian Government, Australian Institute of Health and Welfare: *Australian Hospital Statistics 1999-2000*, Table 2.6

402 Australian Government, Australian Institute of Health and Welfare: *Australian Hospital Statistics 2004-05*, p.56

403 Australian Government, Australian Institute of Health and Welfare: *Australian Hospital Statistics 1999-2000*, Table 2.6; *Australian Hospital Statistics 2004-05*, p.56

At the budget estimates hearing, in response to questioning about the reduction in hospital beds during a period where funding has increased, the Minister stated that:[404]

> *... the bed numbers remain around 12, 000 in the system, but on any one day, beds are being utilised in a range of different ways within the system. The additional money that has been provided by the government – the 83 per cent over the last six and a half years – has seen a lot of additional capacity developed. New hospitals like Casey, et cetera, have come on stream, and they have provided additional beds.*
>
> *The Australian Institute of Health and Welfare does collect data about available bed numbers, but there are many categories of beds and service provision in Victoria that are not included in that data. The Australian Institute of Health and Welfare itself said in its last report:*
>
> *The concept of an available bed is also becoming less important, for example, in the light of increasing same-day hospitalisations and the provision of hospital-in-the-home care.*
>
> *... The figure that really counts is that in 1999 there were around 990, 000 people admitted into our public hospitals. This year there will be 1.3 million people admitted into our hospitals, and the services that will be provided for those people will be in a range of different kinds of beds. They will be acute beds, they will be sub-acute beds, they will be in same-day procedure centres, they will be in medi-hotels, they will be in hospital in the home.*
>
> *The government is expanding the health system enormously, and what counts is the outcome that people have. It is the health outcome that people receive. People who focus only on beds ... fail to understand the nature of health care delivery in a contemporary health system.*

The Committee considers that the extent of beds in various forms, as described by the Minister, is a valuable indicator of the response by the department for the funding provided to the hospital system through the budget. The department should explore the possibility of building the range of different kinds of beds in the hospital system into one performance measure.

[404] Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, pp.30–31

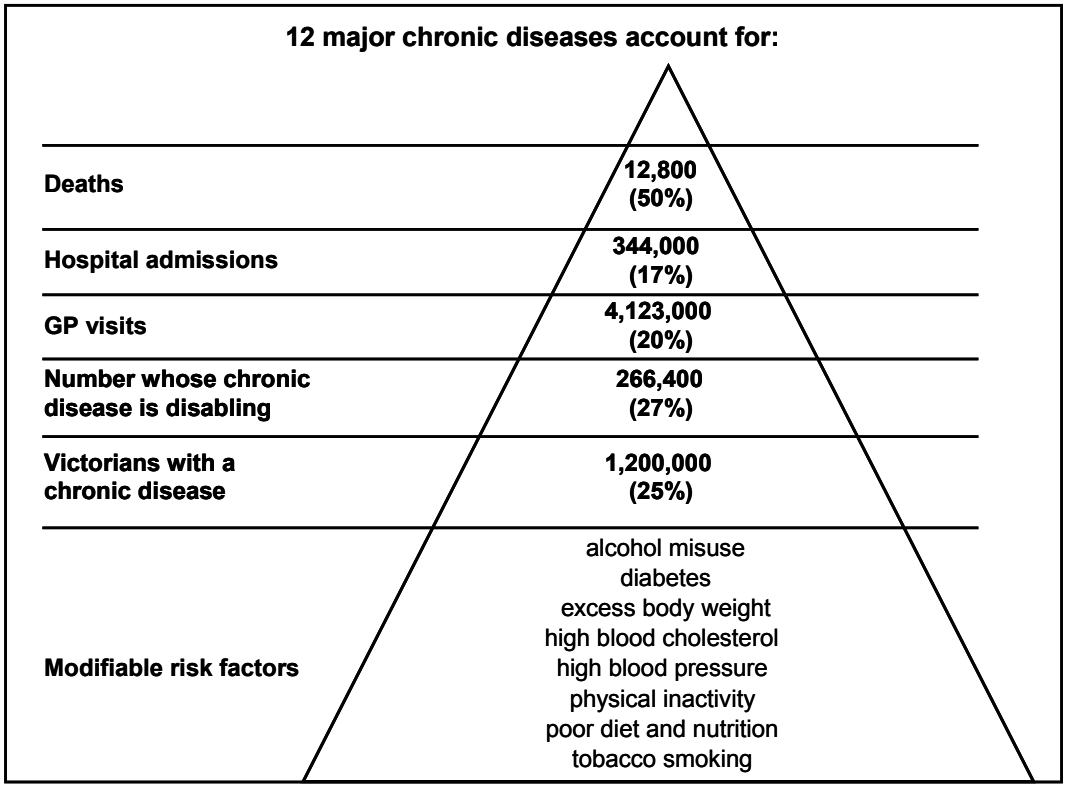
The Committee recommends that:

Recommendation 30: **The Department of Human Services develop a performance measure that reflects the aggregate number of the various forms of 'hospital beds', including same day hospitalisations/procedures, hospital-in-the-home care, and medi-hotels across the public hospital system.**

(b) Lifestyle-related illnesses – evaluation of outcomes

At the budget estimates hearing, the Minister informed the Committee that 12 chronic diseases make up 43 per cent of the burden of disease, 50 per cent of the underlying causes of death, 17 per cent of hospital admissions for over three days and 22 per cent of hospital costs (see exhibit 8.12).[405] These chronic diseases include the following major disease groups: cancer, cardiovascular diseases, mental disorders, neurological and sense disorders, chronic respiratory diseases, injuries and diabetes.[406]

Exhibit 8.12: Impact of modifiable risk factors associated with the major chronic diseases/life-style related illnesses

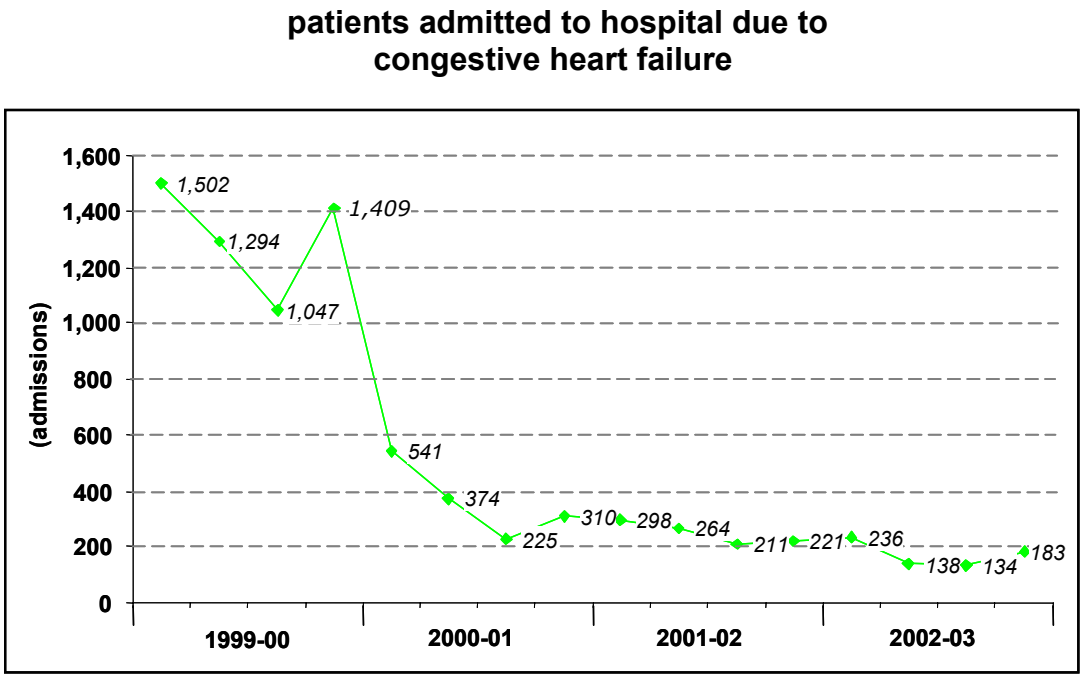


Source: Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, 9 June 2006, presentation slide 5

[405] ibid., p.2
[406] Dr Robert G Hall, *Victorian Burden of Disease Study*, 2001

The Minister drew to the Committee's attention the preventable component of these statistics and the impact of various responses such as the Hospital Admission Risk Program (see exhibit 8.13).[407] The Victorian Government established the Hospital Admission Risk Program (HARP) in 2001-02 to develop preventative models of care involving hospitals and community agencies, which focused on people with chronic and complex conditions and gave priority to high volume and/or frequent users of the acute public hospital system.[408] According to the Minister, almost $200 million has been invested in this program over the past five years.[409] The department's new Hospital Admission Risk Program – Chronic Disease Management service involves embedding the models of care that have emerged through HARP since 2001 into the Victorian service system.[410] HARP Chronic Disease Management funding involved the allocation of $47.1 million to 21 health services across the state for 2005-06.[411] Exhibit 8.13 shows the significant impact on hospital performance in terms of reduced hospital admissions through the intervention of HARP.

Exhibit 8.13: Hospital Admission Risk Program



Source: Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, 9 June 2006, presentation slide 6

The Committee acknowledges that various modifiable risk factors influenced by lifestyle choices can lead to the advent of chronic disease with a consequential adverse impact on the health system and health outcomes. With this in mind, the development

407 Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, p.2
408 www.health.vic.gov.au/harp-cdm, accessed 12 July 2006
409 Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, 9 June 2006, presentation slide 6
410 www.health.vic.gov.au/harp-cdm, accessed 12 July 2006
411 www.health.vic.gov.au/harp-cdm/harpfund, accessed 12 July 2006

of an evaluative and outcome reporting framework directed at the government's preventative models of care (for example, directed at smoking) that focus on lifestyle-related illnesses (for example, lung cancer) would provide useful information about the effectiveness of government programs (for example, in reducing the number of deaths and hospital admissions), whether value for money has been achieved from budgetary outlays and future policy development.

The Committee looks forward to examining the results of the Auditor-General's performance audit on health promotion and prevention in Victoria: focusing on healthy eating and physical activity.

The Committee recommends that:

Recommendation 31: **The Department of Human Services publish a triennial report on the health outcomes derived from the Victorian Government's investment in prevention and disease management strategies. Appropriate linkages should also be formed by developing a suite of performance indicators that cover the relationship between risk factors and health outcomes.**

(c) Semi-urgent elective waiting times

The budget papers reveal that, with regard to the proportion of semi-urgent (Category 2) patients admitted within 90 days (13 weeks), it was expected that an outcome of 75 per cent would be realised for 2005-06 against a target of 80 per cent.[412]

In various major hospitals, the percentage of semi-urgent patients admitted for elective surgery within 90 days between July and December 2005 was significantly below the target of 80 per cent (for example, 44 per cent at the Frankston Hospital, 51 per cent at the Monash Medical Centre and 56 per cent at St Vincent's Hospital).[413]

While the waiting times for the majority of specialties identified in the *Report on the 2005-06 Budget Estimates* [414] improved between July 2005 and December 2005, the Committee noted that there was still a range of specialties among various hospitals where the waiting times for semi-urgent patients for elective surgery substantially exceeded the clinically ideal waiting time of 13 weeks (for example, 41 weeks at the Geelong Hospital and 39 weeks at the Austin Hospital for a total hip replacement; 51 weeks at the Geelong Hospital and 44 weeks at the Austin Hospital for a total knee

412 Budget Paper No.3, *2006-07 Service Delivery*, p.83

413 Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals July to December 2005,* pp.58–62

414 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.228

replacement; and 54 weeks for shoulder and elbow procedures and 35 weeks for procedures for haemorrhoids at the Royal Melbourne Hospital[415]).

The Minister informed the Committee that an additional $10 million, allocated across the system to assist with timely treatment of elective surgery patients, has been distributed to those health services with demand pressures and the capacity and workforce to undertake additional services.[416]

The Committee expects to see a shortening in the time that semi-urgent patients have to wait for elective surgery in those specialties where the waiting time substantially exceeds the clinically ideal time of 13 weeks or 90 days. The Committee also considers that, in view of the additional funding provided to the acute health sector in recent years, the department should be better placed to meet its target of 80 per cent of semi-urgent patients to be admitted within 90 days.

(d) Waiting times in emergency departments

The budget papers reveal that, with regard to the proportion of emergency patients admitted within 8 hours, it was expected that an outcome of 75 per cent would be realised for 2005-06 against a target of 80 per cent.[417]

In various major hospitals the proportion of emergency department admissions to hospital beds within 8 hours between July and December 2005 was relatively low (for example, 59 per cent at the Royal Melbourne Hospital, 59 per cent at the Northern Hospital and 54 per cent at the Western Hospital).[418]

The Minister brought to the Committee's notice that:[419]

> *Demand for emergency department care is increasing – since the government came to office, Victorian emergency departments have treated an extra 200,000 patients each year. In 2004-05, Victorian patients were treated, on average, 11 minutes faster than their interstate counterparts and 77 per cent of patients were seen within recommended treatment times. Despite these pressures, the average time taken to admit patients to a ward bed has substantially improved – the percentage of patients admitted within eight hours increased 8 percentage points from 2004-05 to year to date. Substantial levels of additional investment in 2005-06 led to these improvements.*

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415 Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals July to December 2005,* Timely treatment - Elective surgery

416 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 4 August 2006, p.9

417 Budget Paper No.3, *2006-07 Service Delivery*, p.83

418 Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals July to December 2005,* pp.58–62

419 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 4 August 2006, p.10

In 2006-07, the government has provided for the further expansion and improvement of hospital services. An additional $508 million over four years will increase capacity to manage growing demand and expand new models of care.

The 2006-07 budget also allocates funding for the redevelopment of the Royal Melbourne Hospital emergency department to meet a growing need for complex care. The redevelopment will expand the number of treatment cubicles from 36 to 58, increase the bed capacity of the Short Stay Observation Unit and Medical Assessment Planning Unit from 15 to 42 and improve the ability of the hospital to treat emergency patients within benchmark times. Four psychiatric short stay beds and an additional Intensive Care Unit bed will open during 2006-07.

Additional funding has been allocated to the Northern Hospital for 64 medical/ surgical inpatient beds to assist the timely transfer of patients from the emergency department. Fifteen Medical Assessment and Planning beds were established in July 2006 to improve quality of care and provide more timely treatment.

At Western Health a new eight bed Short Stay Unit was opened in April 2006 to relieve pressure on the emergency department. In 2006-07, additional funding will address demand growth and establish an additional Intensive Care Unit bed.

The Committee acknowledges the positive action taken by the department in relation to those hospitals where a relatively low proportion (less than 60 per cent) of emergency department admissions were admitted to hospital beds within 8 hours between July and December 2005.

(e) Costs involved in the launch and promotion of the Austin and Mercy complex

During last year's estimates process the Committee sought on 16 June 2005 the following information relating to the opening of the new Austin Hospital and Mercy Hospital for Women that occurred on 7 May 2005:[420]

- the total amount of expenditure by government agencies (including the hospitals) on the launch;
- a breakdown of expenditure according to the sources of funding (for example, Department of Premier and Cabinet, Department of Human Services and the hospitals);

[420] Public Accounts and Estimates Committee, 2005-06 Budget Estimates follow-up questions, 16 June 2005, question 13

- a breakdown of their expenditure into categories such as television, newspapers, equipment hire and consultants.

This information was not provided to the Committee when requested, although the Department of Human Services subsequently disclosed in the *Your Hospitals* report for January – June 2005 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*'.[421]

As part of the Committee's work in preparing its *Report on the 2004-05 Budget Outcomes*, a range of information was sought from departments covering publicly funded government advertising and promotion programs over $100,000 that were undertaken in 2004-05. The Committee was particularly interested in determining what specific strategies were in place to address whether government advertising and promotion programs over $100,000 were relevant to government responsibilities and provided value for money.[422] The Committee expected to see, but disappointingly did not find, any information relating to the launch of the Austin and Mercy Complex in the response provided by the Department of Human Services.[423] To clarify this matter, the Committee then sought in early April 2006 an explanation from the Department of Human Services about why this information was not provided and importantly indicated that, if this was an oversight, it would be appreciated if the department could provide information relating to the contributions made by all parties in funding the launch.[424] The Department of Human Services' response as shown in the Committee's *Report on the 2004-05 Budget Outcomes* was as follows:[425]

> *The Minister's response is to refer you to page 3 of the January – June 2005 Your Hospitals report which contained relevant information on the objectives, target audience and total cost of the launch.*

The Committee flagged in its *Report on the 2004-05 Budget Outcomes* that it would seek a more informative response as part of its review of the 2006-07 budget estimates.[426]

In response to questioning at the estimates hearing, the Minister offered the following explanations to the above issues that were again pursued by the Committee:

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421 Department of Human Services, *Your hospitals: A six monthly report on Victoria's public hospitals January to June* 2005, p.3

422 Public Accounts and Estimates Committee, Budget Outcomes questionnaire, 1 December 2005, question 6.2

423 Department of Human Services, response to the Committee's 2004-05 Budget Outcomes questionnaire, received 17 January 2006

424 Public Accounts and Estimates Committee, 2004-05 Budget Outcomes questionnaire, follow-up questions, 4 April 2006 (questions 6.1 and 6.2 of outcomes questionnaire)

425 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.134

426 ibid.

> *The Austin information program did not register in the department's advertising and promotion expenditure because the payments were made by the Austin themselves. If the request had been made to the Austin Hospital, then that information would have been available. We provided a grant to the Austin Hospital, the Austin Hospital then used that grant in the way that they saw fit, and it was a very successful day – a day when 20,000 Victorians had access to around 500 health professionals who came from the Austin voluntarily, were on hand to talk about the latest medical treatments, common health conditions and how to best use the hospital services. So that funding was provided to the Austin. We have been very clear about what the department's expenditure was, and we have provided that information to the Committee.* [427]
>
> *I can certainly tell you that the expenditure from the Department of Human Services was $32, 000 directly, that we provided a $215,000 grant to the Austin Hospital to assist it in that three-month program …* [428]

The Committee is very clear in concluding that this has been a tedious process to attempt to extract information that the Committee considered to be in the taxpayers' interest concerning the launch of the Austin and Mercy Complex. The Committee is also somewhat perplexed by the detailed reporting in the press on 18 April 2006[429] of information requested by the Committee concerning a breakdown of the expenditure but not released by the Department of Human Services when requested on 16 June 2005. Given that the cost of the launch ($458,000) was met by the department incurring $32,000 directly and by providing a grant of $215,000 to the Austin with the remaining $211,000 met from hospital funds, there can be no doubt that this campaign should have been included in the programs that warranted an explanation to the Committee about the relevance of the government outlays and attainment of value for money. It is disappointing that, although the Committee endeavoured in June 2005 as part of the 2005-06 estimates process to gain an understanding of the funding of the launch between the various parties, it was not until a series of questions were raised at the 2006-07 estimates hearing one year later that the information was provided to the Committee.

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427 Hon. B Pike, MP, Minister for Health, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, p.5

428 ibid., p.7

429 Mr P Mickleborough, 'Taxpayers left with a $450,000 bill: Party Pain', *Herald Sun* newspaper, 18 April 2006, pp.1, 4

The Committee recommends that:

Recommendation 32: **If departments have incurred expenditure on a particular program over a certain value, either directly or by way of grants to a funded agency, the combined value should be taken into account when making judgements about whether the stipulated threshold has been exceeded or not.**

(f) Asset investment projects

The 2006-07 budget provides $1.3 billion total estimated investment over five years to upgrade health, aged care and community health related infrastructure across Victoria, including the rebuilding of the Royal Children's Hospital ($847.4 million over five years) and a major upgrade of the Royal Melbourne Hospital Emergency Department ($56.3 million over four years).[430] Over the two prior years, budget allocations for asset initiatives have totalled $723.6 million in the 2004-05 budget[431] and $473.4 million in the 2005-06 budget.[432]

Exhibit 8.14 shows a snapshot for 2005-06 of how the state's asset investment projects in excess of $10 million for the health portfolio have performed in comparison to the budget and timelines. The Committee noted that for the 44 new or existing projects including those to be completed by way of public private partnerships, delays in 13 projects or almost a third (29.5 per cent) resulted in revisions having to be made to the expected completion dates. The Committee noted that explanations for these extensions (see exhibit 8.14) could be classified into the following main categories:

- factors that were unforseen or unavoidable surrounding issues connected with environmental/climatic conditions or project complexity;
- extended administrative procedures for example, protracted contract negotiations; and
- changes in project scope for example, program requiring amendment after feasibility completed.

The Committee believes that the department needs to carefully evaluate, monitor and manage potential risks arising from its capital works program, with a particular emphasis on projects not completed on time. For example, the Committee would expect that, with regard to the Health Information and Communication Technology Strategy project and the associated Electronic Prescribing in Key Victorian Hospitals project (both of which have experienced delays leading to significant revisions to the

[430] Budget Paper No.3, *2006-07 Service Delivery*, pp.301–302
[431] Budget Paper No.3, *2004-05 Service Delivery*, pp.279–280
[432] Budget Paper No.3, *2005-06 Service Delivery*, pp.287–288

completion dates), the department will be particularly vigilant in its monitoring of this project to ensure that it is completed on a timely basis without requiring further extensions. The Committee also considers that it is important for an internal review mechanism to be in place to detect and rectify any delays at an early stage that can be levelled at poor project management.

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health New Works 2005-06 > $10 million									
1. Super Clinics Metropolitan	19	5.57	-70.7	Under expenditure due to planning requirements but completion forecast within contractual dates and overall budget.	42	Unchanged	August 2007	Unchanged	
2. Disability Services Strategic Replacement & Refurbishment Program for Shared Supported Accommodation	15	10.8	-28.0	Under expenditure due to delays in start-up of property acquisition within the 2005-06 financial year, but completion forecast within contractual dates and overall budget.	39.5	Unchanged	June 2008	Unchanged	
3. Royal Children's Hospital Redevelopment Stage 1	37.9	9.8	-74.1	Under expenditure due to re-scoping works following announcement of main development.	37.9	32.9	June 2007	June 2008	Project delayed by site conditions, impacting on decanting of kitchen.
4. Medical Equipment Program 2005-06	25	25	0.0		35	Unchanged	June 2006	Unchanged	
5. Eastern Health Mental Health Redevelopment St 1	3	2.7	-10.0		32	Unchanged	April 2009	Unchanged	
6. The Knox Development	4	3	-25.0	Under expenditure due to tender process but completion forecast within contractual dates and overall budget.	30	Unchanged	March 2008	Unchanged	
7. Geelong Hospital Emergency Department Redevelopment	3.5	1.8	-48.6	Under expenditure due to slight delays but completion forecast within contractual dates and within overall budget.	26.1	Unchanged	March 2008	Unchanged	
8. Northern Hospital Redevelopment St 2A	9	9.7	7.8		24.5	Unchanged	July 2007	Unchanged	

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health New Works 2005-06 > $10 million *(continued)*									
9. The Alfred Hospital Intensive Care Unit Redevelopment	0.712	0.64	-10.1	Under expenditure due to slight delays, but completion forecast within revised program and within overall budget.	20.24	Unchanged	June 2008	October 2008	Revised program after feasibility study completed.
10. Metropolitan Food Services Redevelopment Stage 1	10	3.4	-66.0	Under expenditure due to delays in agreeing scope of Heidelberg and Dandenong kitchens, but completion forecast within revised program and within overall budget.	20	Unchanged	December 2006	February 2007	Heidelberg kitchen progressing to contractual program. Dandenong kitchen scope reviewed with agency and being designed.
11. Mornington Centre Promoting Health Independence Stage 1A	9	8.3	-7.8		20	Unchanged	July 2007	Unchanged	
12. Statewide Infrastructure Renewal Strategy 2005-06	20	20	0.0		20	Unchanged	June 2006	Unchanged	
13. Placement & Support Residential Facility Renewal Strategy 2005-06	5	9	80.0	Project currently ahead of program, but within overall budget and with no significant risks	15	Unchanged	February 2008	Unchanged	
14. Energy Infrastructure Project Stage 2 Royal Melbourne Hospital	6	6.650	10.8	Project currently on schedule, with no significant risks	12	Unchanged	November 2006	Unchanged	
15. Northeast Health Wangaratta, Nursing Home Redevelopment	2	0.740	-63.0	Under expenditure due to delays in town planning and selection of alternative site but construction completion now currently on revised program, with no significant risks.	11	Unchanged	August 2007	Unchanged	

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health New Works 2005-06 > $10 million *(continued)*									
16. Maroondah Hospital Redevelopment Stage 2A	6.5	1.735	-73.3	Initial delays in construction start impacted on expenditure. Construction completion currently on program, with no significant risks	10	Unchanged	April 2007	Unchanged	
17. Monash Medical Centre - Clayton, Emergency Department Redevelopment	6.5	6.5	0.0		10	Unchanged	February 2007	Unchanged	
18			30	66.7					
31	28.5	-8.1		Project currently ahead of revised program, but within overall budget and with no significant risks.	352.6	Unchanged	January 2006	June 2007	The majority of construction work is completed or nearing completion, the overall project completion date is June 07. Minor works packages are continuing to progress well.
19. Health Information & Communication Technology Strategy					138.5	Unchanged	June 2007	June 2008	Project delayed due to extended health sector consultation, contract negotiations, recruitment of qualified staff and vendor capacity constraints in meeting the scale and complexity of HealthSMART

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health Existing Projects > $10 million *(continued)*									
20. Kew Residential Services Redevelopment	19	19.178	0.9		86.5	Unchanged	November 2006	June 2007	All residents moving out of Kew will be settled in their new homes by July 2006, and Kew Residential Services will be formally closed. The on-site community houses project was delayed initially by the Heritage Listing of the site and 4 additional buildings (now resolved) and VCAT proceedings initiated by Boroondra City Council. The development plan is now approved and the developer has submitted a planning permit.
21. The Alfred Centre Elective Surgery (CESA)	40	44.578	11.4	Project slightly ahead of program with expenditure target for 2005-06 expected to be achieved.	60	Unchanged	June 2007	October 2006	Project currently on schedule, with no significant risks
22. Departmental City Office Accommodation	17.8	17.8	0.0		51.8	Unchanged	February 2006	Unchanged	
23. Grace McKellar Centre Geelong Redevelopment Stage 2	26	28.8	10.8	Project now progressing well and marginally ahead of revised program, but within overall budget and with no significant risks.	50	Unchanged	June 2007	September 2007	Inclement weather and soil problems have caused a minor delay, however, the project now is on target to achieve a revised schedule with no significant risks.
24. Residential Aged Care & Rural Health Redevelopment & Upgrade	4.611	4.611	0.0		40	Unchanged	June 2006	Unchanged	

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health Existing Projects > $10 million *(continued)*									
25. Residential Aged Care Strategy 2003-04	2.015	2.2	9.2		25.5	Unchanged	June 2006	Unchanged	
26. Medical Equipment Program 2004-05	4.733	4.733	0.0		25	Unchanged	June 2005	February 2006	A delay had been caused by the complex nature of some medical equipment which is not available off the shelf and was manufactured specifically or composed individually. The equipment is largely made overseas and shipped to Australia.
27. Electronic Prescribing in Key Victorian Hospitals	5	1	-80.0	Under expenditure due to Health ICT project complexity and revised program (see above).	21	Unchanged	June 2006	June 2008	The objectives, scope & architecture are being developed as part of an integrated clinical system approach with the $138.5M Health ICT Strategy project (see above)
28. Statewide Infrastructure Renewal Strategy 2004-05	0.958	0.958	0.0	Project Completed - Minor amount to be paid 2005-06	20	Unchanged	June 2005	December 2005	Project completed.
29. Monash Medical Centre Moorabbin Expansion of Radiotherapy Services	11	10	-9.1		19	Unchanged	June 2006	November 2006	The project is now on target to achieve a revised schedule following resolution of delays caused by latent site conditions.

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health Existing Projects > $10 million *(continued)*									
30. Angliss Hospital Redevelopment	2	1.660	-17.0	Some under expenditure in minor works.	18.5	Unchanged	November 2004	June 2006	The main project was completed in November 2004. Minor works associated with the main project were moved back due to requirement of decanting hospital staff from areas requiring works. The remaining minor works are in construction.
31. Geelong Hospital Radiotherapy Service	4.5	6	33.3	Project currently ahead of program, but within overall budget and with no significant risks.	18	Unchanged	March 2007	Unchanged	
32. Juvenile Justice Facility Redevelopment, Malmsbury & Parkville	0.131	0.131	0.0	Project completed, minor amount to be paid in 05-06.	17.603	Unchanged	March 2005	Unchanged	
33. Dandenong Hospital Redevelopment Stage 2c	5.4	6.200	14.8	Project currently on program, but within overall budget with no significant risks.	15	Unchanged	June 2006	Unchanged	
34. Colac Area Health, Polwarth Nursing Home - RACS	9.3	7.7	-17.2	Project within overall budget and with no significant risks. Final claim payment processed early in next financial year.	14	Unchanged	June 2007	July 2006	Construction completion of the main works ahead of schedule, with no significant risks
35. Banyule Community Health Service	6.5	5.684	-12.6	Project currently on program, with no significant risks. Minor delays have impacted expenditure but within revised program and within overall budget.	10.875	Unchanged	June 2007	July 2006	The project now is on target to achieve a revised schedule following resolution of authority service relocation and site difficulties.

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Health Existing Projects > $10 million *(continued)*									
36. Latrobe Regional Hospital, Cancer Treatment Centre, Traralgon	5.8	6	3.4		10.7	Unchanged	June 2006	April 2006	Project completion in April 2006 ahead of original June 2006 date.
37. Yarrawonga District Health Service Acute & Aged Redevelopment Stage 1	5.7	5.73	0.5		10.3	Unchanged	June 2007	October 2006	Project ahead of schedule, with no significant risks
38. Community Disability Services	0.652	0.54	-17.2	Project completed with minor amounts to be paid	10	Unchanged	June 2005	Unchanged	
39. Disability Community Based Supported Accommodation - Priority Works	4.5	4.5	0.0		10	Unchanged	June 2007	Unchanged	
40. Energy Infrastructure Facilities Stage 1	0.343	0.343	0.0		10	Unchanged	June 2005	Unchanged	
41. Placement & Support Residential Renewal Strategy 2004-05	1.5	2.35	56.7	Project currently ahead of program, but within overall budget with no significant risks	10	Unchanged	June 2007	Unchanged	
42. Werribee Mercy Hospital Redevelopment	0.661	0.32	-51.6	Project completed, with minor amounts to be paid.	10	Unchanged	August 2005	Unchanged	

Exhibit 8.14: Asset Investment Projects with Total Estimated Investment > $10 million *(continued)*

Project name	Budget 2005-06 ($ million)	Estimated expenditure 2005-06 ($ million)	Variance (%)	Explanation for expected variation >10%	Total estimated investment (TEI) ($ million)	Amended total estimated investment (TEI) ($ million)	Expected completion date	Revised completion date	Reason for completion date change
Post Budget and Other Approvals - Private Partnership									
43. 2003-04 ERC Submission Royal Women's Hospital (October 2003)	49.765	4.230	n/a		250	65.058	December 2007	June 2008	Construction of new hospital. Public announcement made by Premier on 11 April 2005. Demolition of Charles Connibere building now completed. Work has commenced on super structure.
44. Royal Children's Hospital Redevelopment	0	0.7	n/a		752.4	757.4	TBA	TBA	Since the project was approved in November 2005, detailed planning has progressed in conjunction with the hospital.

Note: TBA To be advised

Source: Department of Human Services, response to the Committee's 2006-07 Budget Estimates questionnaire, received 7 June 2006, pp.33–39

The Committee recommends that:

Recommendation 33: **The Department of Human Services adopt a risk management framework over its capital works program to ensure any avoidable delays to project completion are addressed at an early stage. This framework should include an internal review mechanism of project management to detect and rectify delays.**

(g) Community dental clinics – staff vacancy rates

In its *Report on the 2005-06 Budget Estimates*, the Committee reported that the workforce shortage, represented in particular by a vacancy rate of 31 per cent in rural areas at March 2005,[433] posed a challenge that would need to be effectively managed to ensure accessible dental services were provided in future to rural communities.[434] Although the Committee acknowledged the workforce strategies aimed at addressing the issues confronting the department's Community Dental program at that time, it signalled in the report its intention to keep outcomes under review in this important area.[435]

At March 2006, metropolitan community dental services had a vacancy rate of 7 per cent, while rural services had a vacancy rate of 32 per cent.[436]

The 2004-05 budget injection of $3.1 million over four years to support the dental workforce includes an allocation of $784,000 for 2006-07.[437] The 2006-07 budget provided an increase in funding allocation to the Primary and Dental Health output group of 6.4 per cent, with the Dental Services output budget increasing by $3.5 million over 2005-06.[438] The Minister advised the Committee that new or expanded initiatives include statewide professional development, an enhanced mentor support for recent graduates and scholarships for undergraduates willing to work in rural public sector services.[439]

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433 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.254
434 ibid., p.256
435 ibid.
436 Hon. B Pike, MP, Minister for Health, response to the Committee's follow-up questions, received 4 August 2006, p.11
437 ibid.
438 ibid.
439 ibid.

The Minister also indicated that the Victorian Government is supporting rural workforce development through rural student clinical placements, rural bonded scholarships and support for the establishment in 2006 of a Bachelor of Oral Health Science degree at La Trobe University, Bendigo.[440] The first La Trobe University, Bendigo Bachelor of Oral Health Science students will graduate in 2008, boosting numbers of dental therapy and hygiene professionals provided through University of Melbourne graduations.[441]

Current policy aimed at integrating community and school dental services will, according to the Minister, also help to reduce vacancy rates by maximising the potential of the dental health teams to allow dental therapists currently employed in the school dental service to treat clients up to the age of 25.[442]

The Committee maintains that, given that the department has not been successful in reducing the vacancy rates in community dental clinics situated in rural areas of Victoria, this matter will need to be closely monitored by the department to assess the effectiveness of its strategies to address this issue. This matter will be kept under review by the Committee.

The Committee recommends that:

Recommendation 34: **The Department of Human Services closely monitor the effectiveness of its strategies for reducing the staff vacancy rate in community dental clinics across rural Victoria.**

8.8 Housing portfolio

8.8.1 Key issues affecting the portfolio

(a) Access to public housing

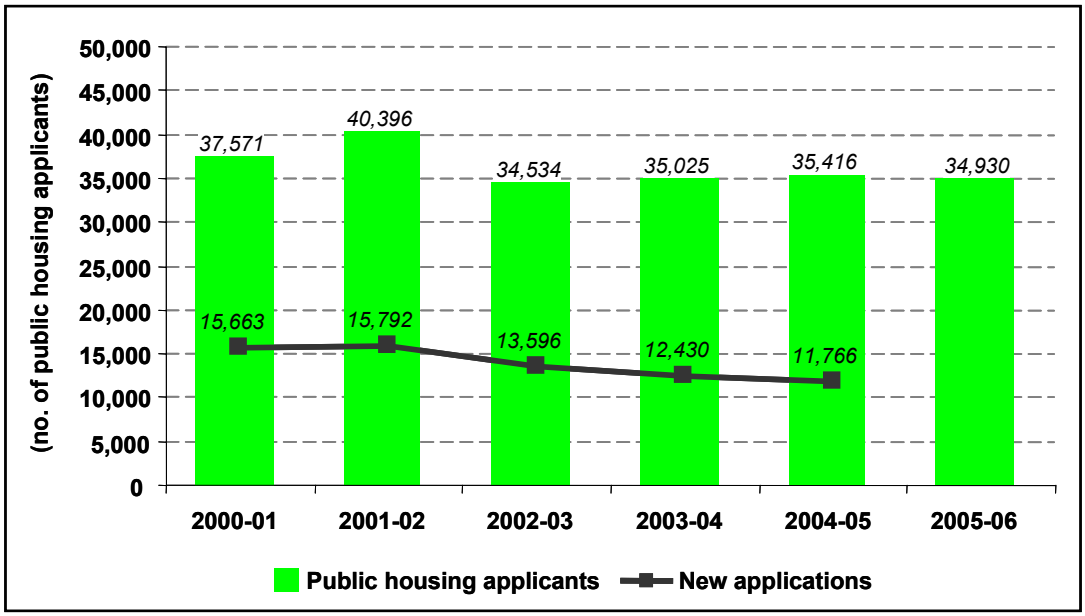
Public housing acts as a safety net for low income renters, providing access to affordable and secure accommodation. With supply exceeding demand for available public housing, governments must ration access to available public housing stock. The most common way they do this is through eligibility criteria, and the maintenance of waiting lists.

440 ibid.
441 ibid.
442 ibid.

As of 30 June 2006, the number of public housing applicants waiting for the Office of Housing to house them was 34,930. Of this total, 4,628 (13.2 per cent) were applicants for early housing (those most in need) and 30,302 (86.7 per cent) were applicants on the wait-turn waiting list (those with less urgent needs).

As exhibit 8.15 demonstrates, the number of applicants waiting for public housing has decreased by 2,641 (7 per cent) since 2000-01, while the number of new applications has also decreased.

Exhibit 8.15: Victorian Public Housing waiting list



Sources: *Office of Housing, Summary of Housing Assistance Programs 2001-02, p.16; Office of Housing, Summary of Housing Assistance Programs 2002-03, p.16; Office of Housing, Summary of Housing Assistance Programs 2003-04, p.16; Office of Housing, Summary of Housing Assistance Programs 2004-05, p.16; www.housing.vic.gov.au, accessed 9 August 2006*

Between June 2002 and February 2004, the Office of Housing implemented the Waiting List Confirmation Project, which *'confirmed and updated the waiting list application details to ensure that only eligible applicants remained on the waiting list'*.[443] This project led to a significant drop in the number of applicants in 2002-03, although the number of applicants has increased slightly between 2002-03 and 2005-06 (1.1 per cent). Interestingly, while the number of applicants on the waiting list has increased slightly, the number of new applicants steadily decreased.

While the waiting list provides an important indicator of demand for public housing, the time applicants wait is a stronger indicator of access to public housing. The Office of Housing currently reports in the budget papers the average waiting times for those on the segmented waiting list (those in most need). This is an average across the three

[443] Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 21 July 2005, p.9

segments. Because the wait-turn waiting list does not reflect the level of need, the Office of Housing does not collect or report on waiting times for those on the wait-turn waiting list, which, as noted earlier, represents 86.7 per cent of all those waiting.

(b) Housing stock

Ensuring the Office of Housing can meet the short, medium and long term housing needs of eligible Victorians requires a sufficient stock of social housing. Social housing includes direct tenure public rental housing, Aboriginal Housing Board of Victoria housing, and community managed rental housing.

At 30 June 2006, the total estimated number of Office of Housing-funded social housing stock was 77,163.[444] As exhibit 8.16 demonstrates, the total social housing stock has increased from 74,773 in 2000-01 to 77,163 in 2005-06. This represents an increase of 2,390 (3.1 per cent) over the period.

Most growth in the total social housing stock occurred in the smaller category of what we have called non-direct tenure public rental units (Aboriginal Housing Board of Victoria housing, and community managed rental housing).

In January 2005, Parliament amended the *Housing Act* 1983 to establish and regulate housing associations. The aim of housing associations is to '*increase the supply of affordable and appropriate housing through partnerships, which include partnerships with local government, as well as community organisations and the private sector'*.[445]

Housing associations represent a shift away from the traditional model of public housing procurement, and through the leveraging of government funds, aims to increase the supply of social housing stock at a greater rate than the traditional approach can achieve,[446] while providing '*low-income people greater variety and choice in their access to affordable* housing'.[447] The introduction of housing associations in part explains the growth patterns in direct and non-direct tenure housing procurement.

There are currently five not-for-profit agencies registered under the Act as housing associations, and one agency registered as a housing provider, with the government expecting an additional 130 '*housing opportunities*' through this initiative by 2007-08.[448]

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444 ibid., p.3

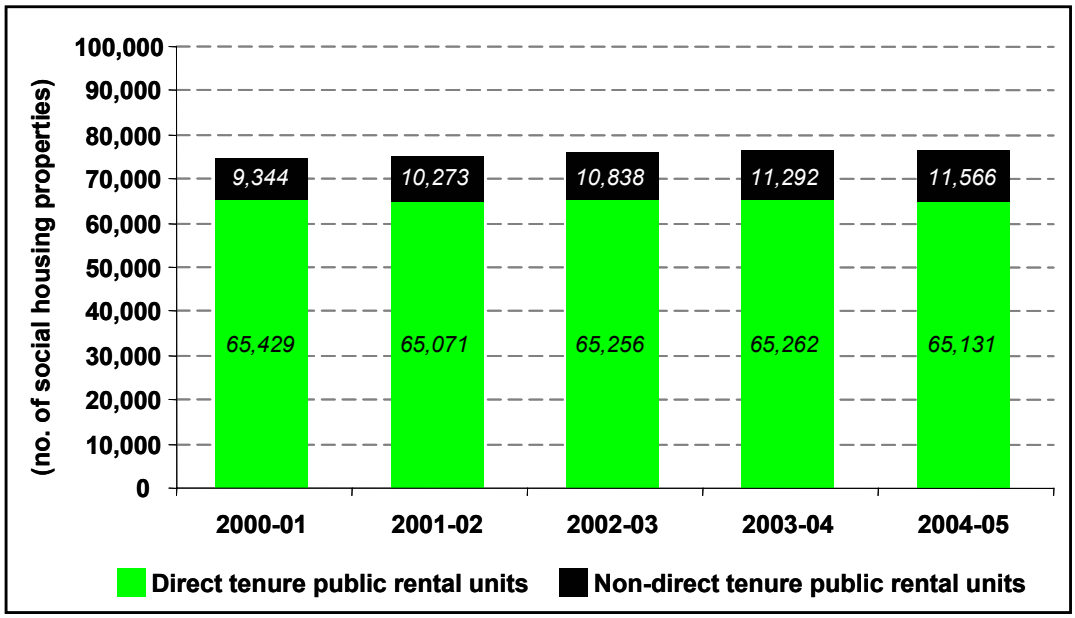
445 Ms C Broad, MLC, Minister for Housing, 2006-07 Budget Estimates hearing, transcript of evidence, 6 July 2006, p.6

446 Hansard, *Housing (Housing Agencies) Bill*, Second Reading, 18 November 2004, p.1732

447 ibid., p.1731

448 Ms C Broad, MLC, Minister for Housing, 2006-07 Budget Estimates hearing, transcript of evidence, 6 July 2006, p.7

Exhibit 8.16: Victoria
Total social housing stock



Sources: Office of Housing, Summary of Housing Assistance Programs 2000-01, p.53; Office of Housing, Summary of Housing Assistance Programs 2001-02, p.53; Office of Housing, Summary of Housing Assistance Programs 2002-03, p.55; Office of Housing, Summary of Housing Assistance Programs 2003-04, p.55; Office of Housing, Summary of Housing Assistance Programs 2004-05, p.57

The Committee asked the Office of Housing to provide information disaggregating the total social housing stock at 30 June 2006 (into direct tenure and non-direct tenure housing), however the Office of Housing declined to provide this to the Committee. The Office of Housing advised that it expects a net increase in the total social housing stock in 2006-07 of 226 properties.

(c) Housing Integrated Information Program

In 2002, the Department of Treasury and Finance approved a business case and $42 million in funding for the Office of Housing to develop a new management information system,[449] with the cost of the contract estimated at $20 million.[450] The proposed system, called the Housing Integrated Information Program (HiiP), was intended to improve the way the Office managed its properties,[451] reduce paperwork and increase business processes.[452]

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449 Victorian Auditor-General's Office, *Maintaining Public Housing Stock*, June 2004, p.18

450 Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 21 July 2006, p.6

451 Victorian Auditor-General's Office, *Maintaining Public Housing Stock*, June 2004, p.18

452 Ms C Broad, MLC, Minister for Housing, 2006-07 Budget Estimates hearing, transcript of evidence, 6 July 2006, p.7

Under the terms of the contract, the first stage of the five stage project was due for completion in October 2003. The first stage provides a system for managing responsive repairs (those repairs that tenants commonly report). The contractor did not meet this deadline, or the deadline of August 2004 for the progressive implementation of the remaining stages.

The Office of Housing has advised the Committee that implementation of stage one did not occur until March 2006,[453] approximately two and a half years later than the planned implementation date. The Office of Housing further advised the Committee that on implementation, performance and design issues were evident, that required the contractor to remediate. At this point, the contractor advised the Office of Housing that under the terms of its contract, it was unable to remediate the issues with stage one, or deliver key parts of the remaining four stages.[454]

On 30 June 2006, the Office of Housing terminated the contract. Full and final settlement was reached, with the contractor repaying the Office of Housing $13 million, and contributing a further $13 million to the further development of the remaining stages, and remediation work on stage one.[455]

The Office of Housing has advised that it is currently replanning the development of the further project stages, using in-house and other external sources. The planned completion date for the project has now been set as 2008, some four years after the original completion date. The Office of Housing anticipates completing the project within the current budgetary constraints,[456] however, the Committee noted with some concern that the Office of Housing has estimated the cost of the new contract at $30 to $35 million. This is at least $10 million more than the original contract, even though one stage is complete. Following the budget estimates hearings, the Committee asked the Office of Housing to clarify the project costs, as a variety of costs and budgets had been provided.[457] The Office declined to provide further information that would clarify this matter.[458]

The Committee is pleased that the Office of Housing has taken appropriate action after these extensive delays, and recovered $26 million from the contractor. However, the Committee is also concerned that it took this long for the Office of Housing to take action. With none of the modules implemented by the project completion date, the risks of project non-completion or significant overruns should have been evident in August 2004, and acted on by the Office of Housing sooner.

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453 Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 21 July 2006, p.7

454 ibid.

455 ibid.

456 ibid.

457 Public Accounts and Estimates Committee, 2006-07 Budget Estimates follow-up questions, 7 July 2006, question 10

458 Ms C Broad, MLC, Minister for Housing, response to the Committee's follow-up questions, received 21 July 2006, pp.6–7

Of more concern to the Committee is that while the Office of Housing has stated that the first module is operating, and that *'tenants' maintenance needs are continuing to be serviced'*, the Office of Housing has also indicated that stage one is also not fully functioning, further noting that *'Anite indicated that under the terms of the contract it was unable to remediate stage one, or deliver on key aspects of the remaining stages'*. From project conception, it has taken three and a half years to implement one partially functioning module, out of the planned five.

The Committee will keenly monitor the progress of the HiiP redevelopment over the coming two years, after which the Office of Housing expects to have completed the project.

The Committee has commented on procurement policy in section 15.4.1(c) in the chapter relating to the Department of Treasury and Finance.

The Committee recommends that:

Recommendation 35: **The Office of Housing strengthen its contract management practices to ensure it takes action earlier where contractual non-performance is evident.**

CHAPTER 9: DEPARTMENT OF INFRASTRUCTURE

Key findings of the Committee:

9.1 **The Department of Infrastructure's output budget for 2006-07 is $3,780.5 million, an increase of $323.1 million (9.3 per cent) on the estimated actual result for 2005-06.**

9.2 **The department estimates it will carry over $163.8 million from 2005-06 to 2006-07. Of this, $21.7 million is for output purposes (eight initiatives) and $142.1 million is for capital purposes (12 initiatives). This represents a 579 per cent increase in the value of funds carried forward to 2006-07, compared with funds carried forward to 2005-06.**

9.3 **The department has estimated that at 30 June 2007, it will have a total workforce of 3,927.8 equivalent fulltime staff. This includes 1,187 within the department, 2,709 within VicRoads, and 31.8 within the Southern and Eastern Integrated Transport Authority. These figures represent an increase of 158 (4.1) per cent on the estimated total equivalent full time staff for 30 June 2006.**

9.4 **The department had ten instances where the 2006-07 budget varied by greater than 10 per cent from the 2005-06 estimated actual result. The department published only one explanation for the variations in the budget papers.**

9.5 **The current level of renewable energy in Victoria (4 per cent of total consumption) is lower than the Australian average of 10 per cent, and the Victorian target of 10 per cent. According to the Minister, this represents one of the lowest levels anywhere in the world,**

9.6 **The budget provides $4.6 million over the next two years ($2.3 million in 2006-07) to assist energy consumers experiencing difficulties in meeting their energy bills due to financial hardship. The government has also been able to negotiate an outcome with the energy retailers, where they will provide a special hardship contribution amounting to $9.6 million over two years to fund a variety of programs associated with financial hardship. About 12,000 consumers pass through current retailer hardship programs over the course of a year.**

9.7 **The department's project budget for the Telecommunications Purchasing and Management Strategy (TPAMS) had been revised from $43.3 million to $18.8 million. This was attributed to a change in the accounting treatment of the project's expenditure to reflect the purchase of information and communication technology (ICT) services instead of the original intention that the funding would be used to develop physical ICT assets.**

9.8 **TPAMS capital expenditure of $6.5 million was rephased from 2005-06 to 2006-07 to allow for the roll out of the fibre optic broadband connection to schools and to accommodate the revised completion timeframe of Project Rosetta, the whole of government integrated electronic directory service.**

9.9 **The shared services centre established in 2005-06 to consolidate the ICT functions of four departments is expected to reduce the cost of information technology services over time. The Committee has suggested that the department investigate options to quantify the cost savings and benefits to the government.**

9.10 **At 31 May 2006, Major Projects Victoria was managing 14 projects (including two public private partnerships projects), worth a combined value of $3.1 billion. The government's contribution to these projects is $1.6 billion.**

9.11 **Major Projects Victoria expects to complete just over half of these projects within the original expected completion dates, with six projects having their timeliness revised. This includes the industrial waste long term containment facility, which the government does not expect to open until at least June 2007.**

9.12 **Regular and informative reporting to Parliament on progress against targets and achievement of intended outcomes under the *Meeting Our Transport Challenges* plan should be key elements of the government's accountability framework for the plan.**

9.13 **The government expects that installation of equipment for its new transport ticketing solution, (using Smartcard technology), will commence from March 2007 followed by a pilot exercise. It anticipates transition from the existing ticketing system will be progressive as the new solution is rolled out over 2007.**

Departmental review

9.1 Budget summary – output costs and performance measures

9.1.1 Budget development

The key assumptions used to develop the Department of Infrastructure's budget projections for 2006-07 were:[459]

- government funding based on current policy settings and approved budget initiatives;
- motor vehicle taxation estimates, based on the Department of Treasury and Finance's modelling of demand for car purchases and registration;
- Commonwealth funding for road and rail infrastructure projects, in line with the AusLink agreement;
- a continuation of public transport contract arrangements, including partnership agreements; and
- economic projections including provision for consumer price index and population growth, based on the Department of Treasury and Finance's forecasts.

9.1.2 Budget summary – output costs

The department's output budget for 2006-07 is $3,780.5 million, an increase of $323.1 million (9.3 per cent) on the estimated actual result for 2005-06.[460] Exhibit 9.1 provides a detailed breakdown of the department's outputs costs and exhibit 9.2 provides an explanation for variations between the 2005-06 estimated actual and the 2006-07 target being greater than 10 per cent, where reasons are not provided in the budget papers.

[459] Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, p.28

[460] Budget Paper No.3, *2006-07 Service Delivery*, pp.122–144

Exhibit 9.1: Department of Infrastructure Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Public safety and security				
Public transport safety and regulation	15.3	15.9	15.9	0.0
Road safety and regulation	57.2	69.7	108.1	55.0
Vehicle and driver regulation	122.4	122.8	125.3	2.0
Marine safety and regulation	16.4	12.8	17.9	39.8
Infrastructure security and emergency management	2.1	2.6	5.1	96.1
Sub-total	**213.4**	**223.8**	**(b) 272.3**	**21.6**
Public transport services				
Integrated metropolitan public transport services	1,535.5	1517.5	1632.8	7.6
Rural and regional public transport services	473.3	475.7	525.0	10.3
Specialist transport services	205.9	202.3	212.0	4.8
Sub-total	**2,214.7**	**2,195.5**	**2,369.8**	**7.9**
ICT policy, programs and infrastructure				
eGovernment infrastructure	19.0	21.2	21.6	1.9
ICT policy and programs	27.0	25.8	31.7	22.8
Sub-total	**46.0**	**47.0**	**53.3**	**13.4**
Infrastructure planning, delivery and management				
Integrated transport policy and planning	5.9	12.8	14.5	13.3
Public transport infrastructure development	47.6	52.6	156.8	198.0
Road system management	761.7	757.1	725.0	-4.2
Traffic and transport management	120.1	119.2	138.6	16.2
Freight, logistics, ports and marine development	39.7	29.0	23.2	-20.0
Energy policy services	11.2	10.7	11.7	9.3
Public construction and land development	9.7	9.7	15.3	57.7
Sub-total	**995.9**	**(c) 991.1**	**1,085.1**	**9.4**
Total	**3,470.0**	**3,457.4**	**3,780.5**	**9.3**

Notes: *(a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome*

(b) the total reported ($272.3 million) differs from the figure reported in the output summary ($272.4 million) on page 121 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $272.3 million is the sum of the individually reported output costs

(c) the total reported ($991.1 million) differs from the figure reported in the output summary ($991 million) on page 121 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $991.1 million is the sum of the individually reported output costs

Source: *Budget Paper No.3, 2006-07 Service Delivery, pp.122–144*

While there were ten instances of output cost variations in excess of 10 per cent, the department published details of only one variation in the budget papers. This lack of publicly available information reduces transparency and accountability when there has been significant variations from estimates. Exhibit 9.2 identifies the nine variations to output costs that the department did not describe in the budget papers.

Exhibit 9.2: Department of Infrastructure Variations to output costs

Output groups/outputs	Reason for variation
Road safety and regulation	The 2005-06 estimated actual is ahead of target due to additional motorcycle safety, pedestrian treatment and other projects approved post-budget. The 2006-07 increase reflects the step-up in Safer Roads Infrastructure Program operating projects.
Marine safety and regulation	The 2005-06 estimated actual is behind target due to the timing of payments to organisations that receive boating safety and facilities funding. The 2006-07 increases are due to the carry over of the unspent funds.
Infrastructure security and emergency management	The 2005-06 estimated actual is ahead of target due to additional effort being directed toward this output. The 2006-07 increase is due to funding for the counter terrorism initiative announced in the 2006-07 state budget.
Rural and regional public transport services	The 2006-07 increase is due to an increase in the capital charge relating to the investment in rail assets and the movement in the contracted price for V/Line services. The increase in contracted price for V/Line services primarily relates to leasing and maintenance of the new V'Locity rolling stock.
ICT policy and programs	The 2006-07 increase is due to funding for new budget initiatives announced in the 2006-07 budget.
Integrated transport policy and planning	The 2005-06 estimated actual is ahead of target due to additional TravelSmart Program funding, and additional effort in transport policy and planning. The 2006-07 increase is due to funding for new budget initiatives announced in the 2006-07 budget.
Traffic and transport management	The 2006-07 increase relates to VicRoads undertaking an increased number of traffic and transport projects.
Freight, logistics, ports and marine development	The reduction in 2005-06 and in 2006-07 primarily reflects a change in the mix between capital and operating activities for road projects.
Public construction and land development	The 2006-07 increase is due to additional funding for Transit Cities projects announced in the 2006-07 budget.

Source: *Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, pp.15–18*

9.2 Carry over funding

The department plans to carry forward $163.8 million of funding from 2005-06 into 2006-07. This includes $21.7 million (13.2 per cent) for output purposes and $142.1 million (86.8 per cent) for capital purposes. Exhibit 9.3 identifies both the purpose and value of the carry over funding.

The department is carrying forward significantly greater funds into 2006-07 than those carried forward from 2004-05 to 2005-06 ($24.1 million).[461] The value of funds carried forward into 2006-07 represents an increase of 579 per cent on the value of funds the department carried forward into 2005-06.

Exhibit 9.3: Department of Infrastructure
Estimated carry forward funding from 2005-06 to 2006-07

Purpose	Estimated carry forward ($ million)
Carry over of funding for output purposes:	
Information and communication technology projects	8.7
Boating safety and facilities grants	5.8
Dandenong Transit Cities project	1.5
Power line relocation grants	1.3
Freight and logistics projects	0.4
Other minor projects	4.0
Total	**21.7**
Carry over of funding for capital purposes:	
Fast rail links to regional centres	34.2
Country train safety system	18.8
Rail partnership agreement works	18.8
Craigieburn rail project	16.7
Dandenong Transit Cities project	12.1
Tullamarine – Calder Interchange project	9.1
Station Pier safety and security upgrade	8.7
Mildura rail upgrade	5.3
Corio independent goods line	3.4
Ballarat freight yard relocation	2.6
Telecommunication Purchasing and Management Strategy	2.0
Other minor projects	10.4
Total	**142.1**

Source: Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, p.19

[461] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.288

The department identified several factors that have contributed to the carry over of funds into 2006-07. Factors contributing to the carry over of $21.7 million for output purposes, include:[462]

- changes to contract milestones;
- delays in receiving invoices from grant recipients; and
- changes in project scheduling, following stakeholder consultation.

For the $142.1 million in carry over funding for capital purposes, factors include:[463]

- changes in project scope;
- finalisation of planning permits;
- finalisation of environment effects statements;
- extended consultation processes;
- external issues regarding Pacific National;
- difficulties in obtaining third-party agreements; and
- maximising the state's financial interests in claims processes.

9.3 Human resources issues

9.3.1 Departmental workforce

The department has estimated that at 30 June 2007, it will have a total workforce of 3,927.8 equivalent full-time staff. This includes 1,187 within the department itself, 2,709 within VicRoads, and 31.8 within the Southern and Eastern Integrated Transport Authority (SEITA). These figures represent an increase of 158 (4.1 per cent) on the estimated total for 30 June 2006.

Analysis of the proportion of senior managers and executive officers employed within the department and its funded agencies reveals:[464]

- within the department, executive officers represent 6.2 per cent of the equivalent full-time staff, and senior managers (grade 6) represent 28.5 per cent of the equivalent full-time staff;
- within VicRoads, executive officers represent 2.5 per cent of the total equivalent full-time staff, and senior managers (grade 6) represent 2.9 per cent of the total equivalent full-time staff; and

462 Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, p.20
463 ibid.
464 ibid., pp.6–8

- within SEITA, executive officers represent 28.3 per cent of the total equivalent full-time, and senior managers (grade 6) represent 26.4 per cent of the total equivalent full-time staff.

Exhibit 9.4 identifies staff numbers for the department and its major budget-funded agencies.

The Committee asked the department to provide information where staff increases or decreases were greater than 10 per cent between 30 June 2005 and 30 June 2006, and between 30 June 2006 and 30 June 2007.

Examination of the 30 June 2005 actual equivalent full-time staff and the 30 June 2006 estimated equivalent full-time figures provided, identify that the total number of equivalent full-time staff for the department (not including VicRoads and SEITA) increased by 152.3 (15.4 per cent) during 2005-06. The increases predominantly occurred in the VPS grades 3-6, and were a result of: machinery of government changes in December 2006, with staff increases in the Office of Shared Services Centre, additional staffing in public transport to strengthen project management resources, safety and asset management and regional services, and taxi compliance.[465]

Exhibit 9.4: Department of Infrastructure and agencies Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
Department of Infrastructure			
Executive officers	63.8	68.0	74.0
Grades 1-6	904.9	1,053.0	1,098.0
Other	17.0	17.0	15.0
Sub-total	**985.7**	**1,138.0**	**1,187.0**
VicRoads			
Executive officers	69.0	69.0	69.0
Grades 1-6	2,426.0	2,531.0	2,640.0
Sub-total	**2,495.0**	**2,600.0**	**2,709.0**
Southern and Eastern Integrated Transport Authority			
Executive officers	9.0	9.0	9.0
Grades 1-7	24.8	22.8	22.8
Sub-total	**33.8**	**31.8**	**31.8**
Total	**3,514.5**	**3,769.8**	**3,927.8**

Source: Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, pp.6–9

[465] ibid., p.9

(a) Skill shortages

The department has identified several current and long term skill shortages. For the department, current skills shortages include engineering fields (including signalling) and senior project management positions. VicRoads does not have any current skills shortages, but has indicated that an anticipated shortage of civil engineers is likely to have an impact in the long term.[466]

The department has identified several factors contributing to the current and anticipated skill shortages, including:[467]

- the demand for civil engineers worldwide, and the opportunities for people with these skills to work overseas; and
- stagnation in the number of civil engineers graduating from Australian universities, while the demand for engineers has continued to grow.

The impact of skill shortages on the functions of the department, and its ability to meet objectives and planned outcomes, is mixed. While the department and VicRoads are able to fill current engineering vacancies, in the medium to long term, the potential inability to recruit new engineers may affect VicRoads' ability to undertake major or routine maintenance works. While the department has identified strategies within VicRoads to retain engineers beyond 55 years of age,[468] exhibit 9.5 identifies other strategies to address skill shortages.

[466] ibid., p.34
[467] ibid., p.35
[468] ibid.

Exhibit 9.5: Department of Infrastructure and VicRoads Actions to address skill shortages

Department of Infrastructure	• enhanced graduate engineer programs • succession planning programs • development of a project management competency framework • mentoring programs • implementation of accredited project management training • phased retirement planning • programs to position the department as an 'employer of choice'
VicRoads	• widely promote VicRoads as an employment brand • use e-recruitment to attract a wider field of applicants, and to enable VicRoads to access passive job seekers • market the VicRoads graduate program and its benefits • support talented undergraduates from disadvantaged backgrounds • overseas recruitment • conduct graduate surveys, on-boarding surveys and 'why people stay' surveys, and act on the findings • benchmark market salaries • promote career development opportunities for VicRoads employees • review policy support for rural recruitment • implemented a Senior Technical Specialist classification in the latest Enterprise Bargaining agreement

Source: Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, pp.35–36

Review of portfolios

9.4 Energy Industries portfolio

9.4.1 Key issues affecting the portfolio

(a) Attracting investment in power generation – ensuring sufficient power supplies into the future

The Minister informed the Committee that one of the major challenges is attracting investment in power generation.[469] Improving investor certainty in the energy sector poses a significant challenge facing the department in the medium term.[470]

[469] Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.2

The Committee learned that the facilitation of an additional 1,725 megawatts of new capacity since 1999 includes a range of facilities which are shown in exhibit 9.6.

Exhibit 9.6: New transmission and generation capacity in Victoria 1999-2006

Facility	Additional capacity (megawatts)
Transmission	
Basslink project(a)	600
Snovic (Snowy to Victoria Interconnect Upgrade)(a)	400
Sub total	1,000
Generation	
Valley Power Peaker Station	300
Somerton Power Station	148
Bairnsdale Power Station	80
Loy Yang A upgrade	60
Challicum Hills Wind Farm	52.5
Pacific Hydro's 30MW wind farm, Yambuk, at Portland	30
Toora Wind Farm	22
Codrington Wind Farm	18
Southern Hydro's generators at Eildon Power Station (hydro)	15
Sub total	725.5
Total	**1,725.5**

Note: *(a) Upgraded transmission capacity*

Sources: *Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, pp.3, 9; Department of Infrastructure, email, received 31 August 2006*

At the estimates hearing, the Minister for Energy Industries made the following comments in relation to providing greater certainty to potential investors in Victoria's power industry:[471]

> *In terms of longer term, large-scale projects, the Mortlake project, for example, has 500 megawatts of gas-fired intermediate base-load power that Origin wants to bring on stream ... the one thing they require to make that final decision to invest in this multimillion-dollar project is an emissions trading scheme. That is because gas production is just slightly more expensive than brown coal production, but it would become competitive if an appropriate emissions trading scheme were brought into play. That is just one example.*

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470 Budget Paper No.3, *2006-07 Service Delivery*, p.119

471 Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.9

> *The other example is that if somebody wants to build a brown coal power station using new clean-coal technology, obviously there are additional costs involved in that. What makes it cost effective is having a scheme which values the cost of carbon. We think that Australia is moving in the direction of a total policy vacuum in relation to this particular issue.*
>
> *Let me tell you that it will be very difficult to get investment in this industry without providing certainty about the cost of carbon going forward. For us it is a huge issue.*

The Committee noted the establishment of a national emissions trading task force and the work underway at a state level to develop a paper dealing with the possible introduction of a national emissions trading scheme.[472]

The Minister also informed the Committee that recent Federal Government decisions to withdraw from the sale of the Snowy Hydro and to prevent a proposal for a wind farm to be located in Bald Hills, South Gippsland, (because it could threaten the endangered orange-bellied parrot): [473]

> *... have been seen by the investment community and businesses everywhere as absolutely appalling in relation to sovereign risk and in relation to businesses being able to make confident investments in this country.*

(b) Reducing greenhouse gas emissions

The Committee noted that according to research, significant reductions in greenhouse gas emissions will need to be achieved by the middle of the century, if the impact of climate change is to be reduced.[474] A recent report from ABARE economics suggested that, unless there is a major change in approach, the levels of greenhouse gas in 2050 will be 142 per cent above levels measured in 2001.[475] According to the report, the achievement of significant cuts in emissions would require an expansion of available technologies.[476] The government considers the best technology at the moment for saving greenhouse emissions is renewable energy.[477]

In view of these developments, the Committee was interested in hearing about the action taken to promote investment in renewable energy in this state as well as the strategies to achieve efficiencies in the use of energy.

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472 ibid., p.2
473 ibid., p.10
474 Hon. T Theophanous, MLC, Minister for Energy Industries and Minister for Resources, Hon. J Thwaites, MP, Minister for the Environment, *Victoria leads nation on renewable energy target*, media release, 17 July 2006
475 ibid.
476 ibid.
477 ibid.

(i) Boosting investment in renewable energy

The current level of renewable energy in Victoria is 4 per cent of total consumption. According to the Minister for Energy Industries this represents one of the lowest levels anywhere in the world and is lower than the Australian average of 10 per cent and the Victorian target of 10 per cent.[478]

The Committee was interested in hearing from the Minister how the decision by the Federal Government not to expand the mandatory renewable energy target has impacted on investment in renewable energy in Victoria. The Minister advised the Committee that:[479]

> *When we put this policy objective up – that is what it was, it was an objective that we had – we relied on the continuation of the mandatory renewable energy target scheme which would fund the additional renewable energy in this state. It was a scheme that was used initially to fund the Portland wind energy facility and a number of other smaller facilities that have already come on stream. We now have a bit over 100 megawatts of installed wind power capacity in this state. We have not been able to reach our target of 1,000 megawatts, and the principal reason for the failure to get to 1,000 megawatts of wind, the principal reason why we have not been able to make big inroads into additional renewable energy for this state, is that the federal government decided a couple of years ago to do a review. The review came back and recommended the continuation and improvement of the mandatory renewable energy target.*
>
> *The federal government decided to ignore the recommendations of their own review and instead took steps which have effectively resulted in the nobbling of that scheme. That scheme has a residual component still left in it but, so far as Victoria is concerned, no wind energy facility will take up the mandatory renewable energy scheme in future. It is now petering out. It is being taken up by a bit of solar hot water services that are being installed in individual houses. It is being taken up at that low level because it just does not provide the capacity to build large-scale wind farms or large-scale renewable energy facilities.*
>
> *This abrogation of responsibility in this area is of huge concern to us as a government. Not only is it an abrogation of our international responsibilities in relation to the greenhouse question of the amount of renewable energy that this country has, but we as a state are put in a position where, no longer having the capacity to fund renewable energy, we are looking at – we have not made final decisions but we are looking*

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478 Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.3

479 ibid.

at – whether we will have to introduce our own scheme in order to try and fill the gap that the federal government has created in renewable energy.

(ii) Energy efficiency campaign

The 2004 Greenhouse Challenge for Energy package describes energy efficiency as a major component of addressing greenhouse questions.[480] The Minister informed the Committee that the government is on target to reduce its energy consumption by 15 per cent and 10 per cent of the government's energy requirements are purchased from green sources at a significant cost to departmental budgets each year.[481]

The Minister indicated that:[482]

We also have a range of programs around appliances with the five-star appliances, five-star homes and those types of things in order to reduce consumption by changing the technology. One of the things that occurred to us that we needed to do was to try and reduce energy consumption through behavioural change. We have done this quite successfully in relation to water where we are able to get Victorians to turn off taps, use water wisely and to reduce their consumption and use of water in this state very significantly. We have developed this campaign under the title 'You have the power. Save energy', which is meant to provide the message that people can make behavioural change decisions.

... We want people to do simple things that make a difference, and we will be putting out advertising material which shows how many balloons you can save if you take certain actions – balloons full of CO_2 that do not go into the atmosphere.

... We are currently doing things about turning down your heater and things of that nature, such as switching off the second fridge, switching off lights and so forth. As we come into summer, we would like to have a program about turning up the temperature on the airconditioner, because that will save enormous numbers of balloons.

The Committee considers that the department should commission an evaluation of its strategies to assess whether they are having a positive impact on reducing energy consumption through behavioural change.

480 ibid., p.7
481 ibid.
482 ibid., pp.7–8

The Committee recommends that:

Recommendation 36: **The Department of Infrastructure evaluate whether its programs and advertising campaigns have been effective in changing consumer behaviour in terms of using energy more efficiently.**

(c) Addressing financial hardship for energy consumers

Given that Victoria has a privatised energy system and people obviously need essential services in the form of electricity, gas and other types of energy to be able to live in the community, access to energy resources is essential.[483] The issue of consumers facing energy hardship is therefore an important policy area for government.[484]

The budget provides $4.6 million over the next two years ($2.3 million in 2006-07) to assist energy consumers experiencing difficulties in meeting their energy bills due to financial hardship.[485] The two year package includes an expansion of the Utility Relief Grants Scheme ($2 million each year), administered by the Department of Human Services, and targeted training for financial counsellors to enhance their capacity to provide advice on energy related hardship matters ($300,000 each year).[486] This increase in funding to the existing Utility Relief Grant Scheme will bring the total funding for the scheme up to $11 million over 2006-07 and 2007-08 ($5.5 million per year).[487] The Committee learned that, according to recent figures compiled by the Department of Human Services, around 12,000 consumers pass through current retailer hardship programs over the course of a year.[488]

The Minister also advised the Committee that the government has been able to negotiate an outcome with the energy retailers, whereby they will also fund a variety of programs associated with financial hardship.[489] This financial hardship contribution, which amounts to $9.6 million over two years, will be directed towards pilot measures and incremental enhancements to the retailers' hardship policies.[490]

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483 ibid., p.5
484 ibid., p.5
485 Budget Paper No.3, *2006-07 Service Delivery*, pp.284–285
486 ibid., p.285; Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 7 July 2006, p.5
487 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 11 August 2006, p.2
488 ibid.
489 Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.5
490 Hon. T Theophanous, MLC, Minister for Energy Industries, response to the Committee's follow-up questions, received 11 August 2006, p.2

The Minister for Energy Industries also advised the Committee that the government would be introducing new legislation to require the adoption by retailers of a best practice hardship policy, which will include programs and the prevention of consumer disconnection, and enshrine the principle that a consumer will not be able to be disconnected on the grounds of incapacity to pay.[491] Once a consumer is eligible under one of these hardship policies, they cannot be disconnected if they have been dealt with within that framework.[492]

The Committee learned that it will be the responsibility of the retailer to make sure that the scheme is offered. If the retailer does not offer the program, the Ombudsman can penalise the retailers.[493] In terms of the safeguards to ensure the system is not abused, the retailer can review eligibility at any time.[494] The Minister advised the Committee that the government is very confident that those members of the community, who simply elect not to pay, will still be disconnected.[495]

In fully endorsing the concept that no people in this state in genuine financial hardship should be denied access to power because of incapacity to pay, the Committee considers the department should develop quantitative measures for the number of energy consumers experiencing difficulties in meeting their energy bills that are expected to benefit from the $11 million provided by the government and the $9.6 million to be provided by the three energy retailers over 2006-07 and 2007-08.

The Committee recommends that:

Recommendation 37: **The Department of Infrastructure develop ways to measure the number of energy consumers who are experiencing financial hardship and are expected to benefit from financial assistance provided by the Victorian Government and energy retailers in 2006-07 and 2007-08.**

491 Hon. T Theophanous, MLC, Minister for Energy Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.5
492 ibid.
493 ibid.
494 ibid., p.6
495 ibid.

9.5 Information and Communication Technology portfolio

9.5.1 Key issues affecting the portfolio

(a) Telecommunications Purchasing and Management Strategy

(i) Changes to capital expenditure

In the *Report on the 2005-06 Budget Estimates*, the Committee noted the rollout of the Telecommunications Purchasing and Management Strategy (TPAMS) will conclude in 2005-06.[496]

At the 2006-07 estimates hearing, the Committee was advised $6.5 million in TPAMS/Project Rosetta capital expenditure has been re-phased from 2005-06 to 2006-07 (see exhibit 9.7).[497] The Minister advised that for TPAMS, this was mainly due to the rollout of fibre optic broadband connection to schools which was not originally part of the TPAMS model.[498] The rephasing of Project Rosetta capital expenditure was attributed to a change in the project completion timeframe to the end of July 2006.[499]

As reported in the *Report on the 2005-06 Budget Estimates*, the capital expenditure of the telecommunications purchasing and management strategy project was $47.7 million.[500] Included in the $47.7 million is $4.4 million for upgrades to departmental local area networks (LAN) which was appropriated directly to individual departments.[501] Excluding this component, the revised project budget managed by the Department of Infrastructure was $43.3 million.[502]

The Committee was 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.[503]

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496 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.303

497 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, 5 July 2006, presentation slide 8

498 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.4

499 ibid.

500 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.305

501 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, 5 July 2006, presentation slide 8

502 ibid.

503 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.311

The changes in accounting treatment resulted in $24.5 million of capital expenditure being reclassified to operating expenditure (exhibit 9.7). Thus, the project capital expenditure was revised to $18.8 million (exhibit 9.7).

Exhibit 9.7 shows the capital and operating expenditure re-allocations and the $6.5 million of capital expenditure rephased from 2005-06 to 2006-07.

Exhibit 9.7: TPAMS and Project Rosetta capital expenditure 2002-03 to 2006-07

	2002-03 Actual ($ million)	2003-04 Actual ($ million)	2004-05 Actual ($ million)	2005-06 Estimate ($ million)	2006-07 Estimate ($ million)	Total ($ million)
Capital expenditure	1.0	7.7	3.0	5.1	2.0	18.8
Capital expenditure reclassified to output expenditure	3.9	5.3	4.9	5.9	4.5	24.5
Total estimated project expenditure	**4.9**	**13.0**	**7.9**	**11.0**	**6.5**	**43.3**
Over/(under) spend	**-**	**-**	**-**	**(6.5)**	**6.5**	**-**

Note: (a) figure in parentheses indicate an underspending compared with budgeted expenditure

Source: Hon. M Thomson, MP, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, 5 July 2006, presentation slide 8

The Committee enquired about the reasons for the accounting classification review and was advised by the Minister for Information and Communication Technology:[504]

> *It was originally envisaged that the entire $43.3 million would be used to create assets.*
>
> *During the project it was determined that the best outcome was to procure some services rather than build assets and accordingly the accounting treatment changed due to the different mix of expenditure type (ie. depreciation and CAC [capital asset charge] only apply for asset expenditure).*

The Committee noted however, the accounting classification review took place towards the end of the life of the project during 2004-05 instead of earlier when the change in procurement options was identified. The Committee also noted the subsequent backdating of the accounting adjustments to the 2002-03 and 2003-04 project costs (exhibit 9.7).

[504] Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 4 August 2006, pp.3–4

(ii) Benefits of Project Rosetta

The Committee's *Report on the 2004-05 Budget Outcomes* commented on the progress of the implementation of Project Rosetta, the whole of government integrated electronic directory service and that it would obtain further details of the tangible and intangible benefits of this project during this budget estimates inquiry.[505] Exhibit 9.8 lists these benefits.

[505] Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.128

Exhibit 9.8: Project Rosetta – tangible and intangible benefits

Tangible benefits	
Whole of government	• avoided expenditure – most departments had already identified the need for a robust identity management capability and to individually undertake their own approach would be more costly than a whole of government approach • improved security – employees and contractors are quickly and accurately removed from access to departmental systems (improved revocation of authority and access); and for the first time, the government has a single view across department of its employees and contractors
Departments	• increased productivity – reduced search time for VPS staff in locating accurate contact details: – reduced time wasted for both the initiator and receiver of contacts made using inaccurate details – improved identity management processes within departments, reducing duplicated data maintenance effort – a reduction in the need to maintain multiple directories – reduction in account creation times and reduced manual overheads; – enhanced reporting and administration tools – reduction in duplicate forms • increased functionality – departments are now actively pursuing new functionality on their new infrastructure by connection of more applications, expanding the common identity management capability: – opportunity for expanded employee self-service – improved password management – simplified sign-on to multiple applications • increased security – improved revocation: – improved accountability and control – consistency of process, avoiding potential security gaps – a single view of employees/contractors in computers systems within the department (rather than multiple views of the same employee)
Intangible benefits	
Whole of government and departments	• provide an infrastructure for identity management on a common platform for the government as a whole, and for individual departments • assure integrity and accuracy of data about people across all government departments • produce gains in security, efficiency and effectiveness over the existing fragmented directory approach • deliver a departmental-level infrastructure that allows each department to connect additional applications over time • deliver a platform suitable for other eGovernment initiatives for the next 3 – 5 years

Source: Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 4 August 2006, pp.4–5

The Minister also advised that a benefits management framework for Project Rosetta has also been established to assist departments to focus on and capture the benefits.[506]

(b) Overseas trade missions and delegations

At the estimates hearing, the Committee enquired about overseas delegations and visits undertaken in 2005-06 and those planned for 2006-07, the outcomes and the cost of these trips.

The Minister for Information and Communication Technology advised that overseas delegations in 2005 went to India, and in 2006, to Japan, the USA and Israel.[507] There were no further overseas delegations planned for 2006.[508]

On the outcomes and the costs involved, the Minister advised:[509]

> *During 2005-06, the government supported 108 overseas delegations to international trade fairs and missions. A total of 202 Victorian companies attended events resulting in $202.9 million in projected exports reported to date, inward investment of 200 jobs and an estimated capex [capital expenditure] of $21 million.*
>
> *The cost for all overseas delegations, which includes grant payments to companies and costs incurred to have government support some of these delegations, was $711,311.*

(c) Office of the Chief Information Officer – projects

The Office of the Chief Information Officer (OCIO) is responsible for driving ICT related policy and strategy within government to achieve simpler and smarter service delivery, operational efficiency and consolidated/standardised ICT capabilities within and between departments and agencies.[510] New performance measures were introduced for 2006-07, reflecting its strategic coordination and advisory role.[511]

On activities to be undertaken in 2006-07, the OCIO's target involves developing and implementing 15 whole of government policies, standards and strategic projects.[512] A list of the expected projects is shown in exhibit 9.9.

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506 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 4 August 2006, p.5

507 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.9

508 ibid.

509 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 4 August 2006, p.2

510 Department of Premier and Cabinet, *2004-05 Annual Report*, p.31

511 Budget Paper No.3, *2006-07 Service Delivery*, p.196

512 ibid.

Exhibit 9.9: Office of the Chief Information Officer Development and implementation projects, 2006-07

Development projects	Implementation projects
• Identity and access management policy • Processes and information interoperability policy and framework • ICT governance policy • Web management policy • Identity and access management standard • Web management standard (3rd tranche) • Processes and information interoperability standard • ICT governance standard • Network strategy • Desk top (end user) computing strategy	• Web management policy • Security policy • Network policy • IP address standard • Web management standard (tranche 1 and 2)

Source: Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 4 August 2006, p.1

In addition, the OCIO will also undertake ten strategic projects in 2006-07.[513] These projects are expected to be:[514]

- projects commenced:
  - information management and security project;
  - next phase – shared services;
  - next phase – data centres;
  - integrated service delivery project;
  - desktop standardisation project;
- projects underway:
  - eGovernment; and
  - regional management forum information support.

The Committee was also advised that a further three projects will be defined as part of the eGovernment project development.[515]

513 ibid.
514 Hon. M Thomson, MLC, Minister for Information and Communication Technology, response to the Committee's follow-up questions, received 4 August 2006, p.2
515 ibid.

(d) Information and communication technology – shared services

In 2005-06, a shared services centre was created, consolidating ICT functions for the Department of Infrastructure, the Department of Sustainability and Environment, the Department of Primary Industries and the Department for Victorian Communities.[516]

The Minister for Information and Communication Technology advised that:[517]

> *... the reasons why we actually looked at shared services is that fundamentally if we are going to have a proper strategic approach to how technology is used across government, then a shared service is an efficient model. It also means that you have the same technology and platforms in place which means that you can perform more efficiently as a government. It means in the longer run that your technology spend will be less because you have a shared platform from which you are operating. It is a lower risk environment.*

The Committee also heard that the shared services centre is expected to lead to some significant savings.[518]

On the cost of establishing the shared services centre, the Minister advised it received $4.6 million of seed funding from the Office of the Chief Information Officer, of which $3 million will have been spent in 2005-06 and the remainder to be spent in 2006-07.[519] The Committee heard that the funding for 2006-07 will be around the same as for 2005-06 in total, assuming no changes to the size of the centre.[520]

The Committee was advised of the benefits of a shared services centre:[521]

> *The substantial benefits really are that it drives the unit cost of IT down over time, and that is the most substantial benefit we will achieve in the medium term.*

The Committee considers the department should further explore avenues for quantifying the cost and the benefits of consolidated ICT functions. Accordingly, the Committee recommends:

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516 Hon. S Bracks, MP, Premier, 2006-07 Budget Estimates hearing, transcript of evidence, 5 June 2006, p.26; Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, 5 July 2006, presentation slide 9

517 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.5

518 Hon. S Bracks, MP, Premier, 2006-07 Budget Estimates hearing, transcript of evidence, 5 June 2006, p.26

519 Hon. M Thomson, MLC, Minister for Information and Communication Technology, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.5

520 Mr R McDonald, Executive Director, Corporate Resources, Department of Infrastructure, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.6

521 ibid.

Recommendation 38: **The Department of Infrastructure examine options to quantify the costs and benefits of consolidating information and communication technology services across government.**

9.6 Major Projects portfolio

9.6.1 Key issues affecting the portfolio

(a) Major Projects Victoria – status of managed projects

Major Projects Victoria (MPV) is the government's main project manager for large-scale construction projects and complex property development, managing them from 'concept to completion'. MPV provides services across the whole of government.

At 31 May 2006, MPV was managing 14 projects, worth a combined value of $3.1 billion. The government's contribution to these projects is $1.6 billion.[522] Given the significant public investment in these projects, the Committee was interested to know how they were progressing, with a focus on timelines and expenditure.

As exhibit 9.10 shows, MPV expects to complete the majority of projects within the original completion dates; only six projects have had their timelines revised (shown in bold in exhibit 9.10), with extensions granted ranging from six to 26 months. Of note is the revised expected completion date for the Commonwealth Games Village. While some construction has been completed, and other construction is in progress or yet to commence, MPV has advised that while it expects the 650 apartments to be built at the Commonwealth Games Village site to be completed by 2011, the terms of the contract provide an additional ten years for completion in the event that 'adverse market conditions occur.[523]

While MPV did not provide details of market conditions it would consider 'adverse', the Committee is concerned that the government has entered into a contract that (assuming a start date of 2006) provides the contractor(s) with up to 15 years to complete the construction of the apartments. Depending on the contractual relationship and contract management practices, the Committee considers that such a term risks exposing this project to significant delays and cost over-runs.

In relation to the other projects, the Committee is pleased to note that only three have revised project values, and with the exception of the Melbourne Convention Centre, the revisions are relatively minor.

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522 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 3 August 2006, pp. 6–7

523 ibid., p.7; Department of Infrastructure, email, received 9 August 2006

Exhibit 9.10: Major Projects Victoria – status of current projects

Project description	Project value (a) ($ million)	Revised project value ($ million)	State government contribution ($ million)	Expenditure 2004-05 ($ million)	Estimated expenditure 2005-06 ($ million)	Estimated expenditure 2006-07 ($ million)	Remaining expenditure ($ million)	Expected completion (a)	Revised expected completion	Current status at 31 May 2006
Austin Hospital – mental health facility	**376.3**	**395.1**	**352.6**	**307.5**	**18.0**	**27.1**	**0.0**	**February 2007**	**December 2007**	**Final stages of construction of the new mental health facility**
Australian Synchrotron	206.0	206.0	157.2	101.5	49.5	6.2		March 2007	March 2007	Commissioning of machine
Former fish market site Redevelopments	170.0	170.0	18.0	6.9	10.2	0.4	0.5	June 2010	June 2010	Demolition of overpass
Industrial Waste Management Facilities	**8.5**	**12.0**	**12.0**	**4.4**	**5.4**	**2.2**	**0.0**	**June 2007**	**June 2007**	**Assessing environment effects statement**
Melbourne Convention Centre Redevelopment (PV Project) (d)	**366.7**	**1000.0**	**371.0**	**4.8**	**6.4**	**3.3**	**356.5**	**December 2008**	**December 2008**	**Construction**
Melbourne Recital Centre and MTC	121.5	121.5	(c) 82.1	1.5	0.0	29.3	51.3	January 2007	March 2009	Engagement of contractor
Princes Pier restoration	0.0	0.0	14.0	0.0	0.0	8.0	6.0	April 2008	April 2008	Scoping of works
Rectangular Pitch Stadium	190.0	190.0	149.0	0.0	6.0	23.0	120.0	2009	2009	Scoping of works
Royal Melbourne Showgrounds (PV Project) (d)	**108.6**	**108.6**	**108.6**	**7.1**	**5.8**	**9.2**	**86.5**	**September 2005**	**September 2006**	**PV project - contract over 25 years**
Parliament House catering redevelopment	6.1	6.1	6.1	0.0	6.1	0.0	0.0	August 2006	August 2006	Final stage of refurbishment

*Note: Projects highlighted in **bold** have had their timelines revised*

Exhibit 9.10: Major Projects Victoria – status of current projects – *(continued)*

Project description	Project value (a) ($ million)	Revised project value ($ million)	State government contribution ($ million)	Expenditure 2004-05 ($ million)	Estimated expenditure 2005-06 ($ million)	Estimated expenditure 2006-07 ($ million)	Remaining expenditure ($ million)	Expected completion (a)	Revised expected completion	Current status at 31 May 2006
Commonwealth Games Village (f)	**370.0**	**370.0**	**(e) 172.3**	**87.5**	**50.8**	**20.3**	**13.7**	**2011**	**Between 2011-2021**	**Construction in progress (g)**
Hepburn Springs Spa redevelopment	10.2	10.2	8.5	0.7	0.0	4.2	3.6	February 2008	February 2008	Scoping of works
Kew Residential Development	360.0	360.0	0.8	0.1	0.1	0.2	0.4	February 2007	February 2007	Early works on development
State Library (all stages)	**190.6**	**190.6**	**190.6**	**168.2**	**12.1**	**10.3**	**0.0**	**December 2006**	**June 2007**	**Completion of construction and fit out**

Notes: *Projects highlighted in **bold** have had their timelines revised*

(a) as advised at the 2005-06 Budget Estimates hearing

(b) Beacon Cove, Jolimont Eastside, Kensington Banks, and Mont Park Springthorpe are not included in this table as do not require further state government funding

(c) error in budget paper no.1 05-06, 06-07 the amount of $98 million includes private and public sector investment

(d) Partnerships Victoria projects show cash flows representing project management costs and net present values relating to partnership agreements between private operators and government

(e) after revenue from land sales, the expected government net contribution will be $89.4 million

(f) 650 apartments are to be built by 2011. The contract provides that this date can be extended to 2021 if adverse market conditions occur.

(g) 155 houses, heritage precinct and social housing constructed. Retrofit of houses underway. 90 houses and 95 demountable housing units sold

Sources: *Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 3 August 2006, pp.6–7; Department of Infrastructure, email, received 9 August 2006*

(b) Industrial waste long term containment facility

The Victorian Government announced in May 2004 the assessment of Crown land near Nowingi in Victoria's north-west. The planned facility:[524]

> *... will manage solid prescribed industrial wastes that cannot otherwise be avoided, reused or recycled. These wastes, known as Category B prescribed industrial wastes, are created during the manufacture of everyday products such as cars, clothes, whitegoods, plastics, paints and farm chemicals.*

Following an environment effects statement (EES), the government expected it would be able to commence the process for appointing an operator for the long term containment facility in June 2005.[525] In the 2005-06 Budget Papers, the government extended this timeline to March 2006.[526]

Given the project's frequently changing timelines, the Committee was interested to know the progress made in establishing the containment facility, and the government's view on the expected completion date.

MPV has advised the Committee that the scheduled completion date for the facility is now June 2007,[527] with the 2006-07 Budget Papers indicating it does not expect to commence the process for appointing an operator until December 2006, 18 months later than originally planned.[528]

Based on the timelines MPV has published on its internet site, the government expected the independent panel hearing EES submissions would report to the Minister for Planning in June 2006.[529] The Committee noted this did not occur, and MPV has now advised that the EES hearings will finish on 8 September 2006. The next steps for the project, with no identified timeframes, are: the panel's recommendations to the government; the Minister's assessment report; the issue of statutory permits and approvals; the appointment of a private sector operator; and construction and operation of the facility.

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524 www.majorprojects.vic.gov.au, accessed 10 August 2006
525 Budget Paper No.3, *2004-05 Service Delivery*, p.132
526 ibid., p.125
527 Mr J Lenders, MLC, Minister for Major Projects, response to the Committee's follow-up questions, received 3 August 2006, p.6
528 Budget Paper No.3, *2006-07 Service Delivery*, p.143
529 www.majorprojects.vic.gov.au, accessed 4 May 2006 and 4 September 2006

The Committee is concerned about the lack of clarity regarding the timelines for the remainder of this project. The Minister for Major Projects advised the Committee that, *'it would take approximately 12 months to build the facility after the government received approval from the independent panel to proceed'*.[530]

9.7 Transport portfolio

9.7.1 Key issues affecting the portfolio

(a) Release of the government's major transport plan

In May 2006, the government released a ten year, $10.5 billion action plan, *Meeting Our Transport Challenges.* When unveiling the plan, the Premier stated that it laid out a 25 year vision for the state's transport network and provided funding for the first ten years.[531] The Premier indicated that it was the greatest single investment in the transport system ever undertaken by a Victorian Government.[532]

The plan incorporates ten actions. Exhibit 9.11 shows these actions together with their ten year expected costs.

Exhibit 9.11: Meeting Our Transport Challenges plan Actions planned and ten year expected costs

Actions	Ten year expected costs ($ million)
1. Delivering for the future	n/a
2. Creating a cross-town transport network for Melbourne	1,390
3. Boosting Melbourne's rail network	2,030
4. Improving metropolitan train and tram services	1,770
5. Delivering first class public transport for provincial Victoria	510
6. Building better road connections	1,980
7. Delivering a better link between the east and west of Melbourne	865
8. Promoting smarter, healthier travel choices	135
9. Creating accessible, connected communities	710
10. Building a safer, more secure network	1,080
Total ten year expected costs	**10,470**

530 Mr J Lenders, MLC, Minister for Major Projects, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, p.7

531 Hon. S Bracks, MP, Premier, *Bracks Launches $10.5 billion Transport Plan For Victoria*, media release, 17 May 2006

532 Hon. S Bracks, MP, Premier, *Overview to Meeting Our Transport Challenges*, message from the Premier, May 2006, p.3

Source: A Victorian Government initiative, Meeting Our Transport Challenges, May 2006, pp.32, 66–67

The plan contains high-level descriptions of the main categories of works to be undertaken within each action together with broad commencement timelines ranging from 2006-2007 to 2011-12. For most actions, the plan also envisages future unquantified investments and recurrent expenditure beyond the ten year funding period ending 2015-16 through to 2017-30. The nature and breadth of the plan suggest that work programs will be characterised by a multiplicity of individual projects.

In addition to the delivery of transport projects, the plan provides for:[533]

- an allocation of $5 million in 2006-07 under Action 7 for an East-West Needs Assessment to consider options for connecting Melbourne's eastern and western suburbs;
- a comprehensive review of the state's transport legislation with new legislation to be introduced into Parliament during 2007-08; and
- the creation of a new position of Coordinator-General of Infrastructure to improve the coordination and integration of transport and land use planning and policy.

It is clear to the Committee that the magnitude and timeframe of the *Meeting Our Transport Challenges* plan mean it will significantly influence project and financial management within the transport portfolio for many years.

(i) An outline of the plan's main financial components

The plan identifies that the injection of $10.5 billion over the next ten years will comprise:[534]

- $8.8 billion to be invested in new transport projects; and
- $1.7 billion to fund recurrent costs.

The 2006-07 Budget Papers state that the $8.8 billion investment in new projects will be mainly provided from the following sources:[535]

- $5.9 billion from a new budget funded *Meeting Our Transport Challenges Reserve*;
- $2.2 billion from the Better Roads Victoria program to fund metropolitan and regional arterial road projects;

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533 Victorian Government, *Meeting Our Transport Challenges*, *Overview*, A Victorian Government initiative, May 2006, pp.18, 32

534 ibid., p.18

535 Budget Paper No.3, *2006-07 Service Delivery*, p.32

- $597 million provided by the Transport Accident Commission to extend the Safer Roads Infrastructure Program; and
- $41 million from VicTrack to improve safety at level crossings.

Budget funding

The plan states that the new reserve will be established as a specific budget provision to ensure that sufficient funds are set aside for projects. At the estimates hearing, the Minister commented on this point and said that the Treasurer had set up the reserve:[536]

> *... to give certainty that the money is going to be there to provide surety for these projects which take a very long time to deliver.*

Exhibit 9.12 shows the initial level of budget funding commitments for the plan, as presented in the 2006-07 budget.

Exhibit 9.12: Budget funding commitments Meeting Our Transport Challenges plan

Nature of funding	Budget initiatives allocated to projects in four year period to 2009-10 ($ million)	Budget commitments allocated to projects in six year period 2010-11 to 2015-16 ($ million)	Budget commitments not yet separately identified in ten year period to 2015-16 ($ million)
Recurrent funding			
Budget output initiatives	422.2	-	1,222.4
Asset funding			
Budget asset initiatives funded from the *Meeting Our Transport Challenges Reserve*	1,267.9	83.6	4,536.9

Sources: Budget Paper No.3, 2006-07 Service Delivery, pp.32–37, 284, 288, 306, 311–312, 331, 333; Budget Paper No.4, 2006-07 Statement of Finances, pp.223–224

Based on the information shown in exhibit 9.12, around 74.3 per cent of the plan's estimated recurrent costs and 77 per cent of its expected asset investments have not yet been allocated as budget commitments to specific projects in particular years. The plan identifies that, while many projects have been fully developed and costed, the remainder are undergoing rigorous scoping, costing and stakeholder consultation. For these projects, final budgets and timelines are to be announced progressively.[537] Future budgets will therefore determine the spread of related project funding under the plan over the ten year period to 2015-16.

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536 Hon. P. Batchelor, MP, Minister for Transport, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, p.31

537 Victorian Government, *Meeting Our Transport Challenges*, *Overview*, A Victorian Government initiative, May 2006, p.3

The total amount of $1,351.5 million shown in exhibit 9.12 as budget asset initiatives allocated to specific projects up to 2015-16 from the *Meeting Our Transport Challenges Reserve* involves 19 transport projects. The most significant allocation in dollar terms is $737 million to the West Gate – Monash Freeways Improvement Package. The budget papers state that this package will be partly funded by the redemption of City Link Concession Notes with the proceeds of the redemption credited to the Reserve.[538]

Non-budget funding

In addition to budget funding commitments, the 2006-07 Budget Papers identify that:

- $55.4 million in output funding for the Safer Roads Infrastructure Program will be met by the Transport Accident Commission over the three year period 2007-08 to 2009-10;
- of the expected asset funding of $597 million from the Transport Accident Commission over ten years for the Safer Roads Infrastructure Program, $470.5 million will be provided in the four years to 2009-10; and
- $349.8 million (around 16 per cent) of the $2.2 billion in asset funding to be provided over ten years from the Better Roads Victoria Program for metropolitan and regional arterial road projects has been allocated to five projects in the period up to 2009-10.

While the budget papers show commitments of $24 million over four years from the *Meeting Our Transport Challenges Reserve* for the Railway Level Crossing Upgrade Program, they do not indicate the expected timing of non-budget funding of $41 million to be provided under the plan by Vic Track to improve safety at level crossings.

The Minister informed the Committee that the non-budget funding contributions to the plan from the Better Roads Victoria Program, the Transport Accident Commission and VicTrack do not impact on existing commitments and priorities and it has not been necessary to defer or replace projects in these areas as a result of the new plan.[539]

The Minister also advised the Committee there are no projects included in the plan that already form part of the existing programs of VicRoads. The Minister indicated that all projects are completely new and involve the allocation of new funding to extend current programs beyond previous commitments.

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538 Budget Paper No.4, *2006-07 Statement of Finances*, pp.223–224

539 Hon. P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 31 July 2006, p.8

(ii) Need for a strong accountability framework

The Committee considers that the size of the *Meeting Our Transport Challenges* plan, with its $10.5 billion expected cost over a decade and breadth of project activity across Victoria's transport network, demands that the government establish a strong accountability framework during its implementation. Regular and informative reporting to Parliament on progress against planned actions and achievement of identified outcomes should be integral to such a framework.

In terms of higher level outcomes emanating from the plan, the Premier stated at the plan's launch that, over the next four years, it was expected to add:[540]

- around 24,000 extra public transport services across Victoria every week;
- an extra 50 million passengers carried on public transport per year;
- an extra 260 kilometres to Melbourne's cross-town SmartBus network; and
- over 800 new staff employed on the public transport network.

The Committee welcomes identification by the Premier of the plan's expected outcomes. It considers that these projections should constitute a key element of the government's periodic reporting on the plan's implementation.

The Committee was also pleased to see that Action 1, *Delivering for the future*, of the plan states the government will:[541]

> *... ensure maximum transparency and accountability by annually reporting on projects that are funded from the [Meeting Our Transport Challenges] Reserve in the state budget.*

At the estimates hearing, the Minister for Transport referred to this aspect of the plan as follows:[542]

> *In the years ahead, because of circumstances which arise at a given point in time or if there is a need for a new initiative to be added to it, it will be added. The really important thing is that, as the Treasurer has explained, there is a new reserve that is going to be created. The reporting will occur in two ways. At each annual budget from now on – we started in this year's budget – there will be an identification as to what the initiatives are going to be that will be funded in that budget and the following forward estimates period. Also in the budget process, there will*

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540 Hon. S Bracks, MP, Premier, *Bracks Launches $10.5 billion Transport Plan For Victoria*, media release, 17 May 2006

541 Victorian Government, *Meeting Our Transport Challenges*, *Overview*, A Victorian Government initiative, May 2006, p.18

542 Hon. P Batchelor, MP, Minister for Transport, 2006-07 Budget Estimates hearing, transcript of evidence, 9 June 2006, p.31

be a report of what has been spent in the preceding year as part of Meeting Our Transport Challenges

A reference to reporting on the transport plan is also contained in the budget papers in a new performance measure and in the timeliness target established for the department's *Integrated Transport Policy and Planning* output. This new measure states that a progress report on the transport plan will be released in the fourth quarter of 2006-07.[543]

The Committee views the above reporting intentions of the government as positive.

The Committee considers it will be important that the proposed annual reporting arrangements for the plan are sufficiently wide to adequately inform Parliament on:

- annual progress against key financial and non-financial targets (estimated cost, commencement and completion dates, kilometres of new tracks constructed etc.) for all projects, budget and non-budget funded, within each action of the plan;
- how the above progress has contributed to progressive achievement of the plan's higher level expected outcomes;
- the quantum of both budget and non-budget funding available each year for the plan and the allocation and use of this funding across the plan's actions; and
- any additions to or deletions from the plan and the associated budgetary implications.

The Committee also considers that the government's accountability obligations relating to the plan's implementation would be best met through presentation to Parliament of an annual special purpose report encompassing the plan's financial and non-financial performance. Information reported annually in the budget relating to output funding and asset allocations for the *Meeting Our Transport Challenges Reserve* could be cross-linked to this special purpose performance report.

The Committee recommends that:

Recommendation 39: **The Victorian Government's proposed regime for reporting annually to Parliament on the *Meeting Our Transport Challenges* plan encompass financial and non-financial performance for all projects, and progressive achievement of its expected outcomes.**

[543] Budget Paper No.3*, 2006-07 Service Delivery*, p.136

(b) New integrated public transport ticketing solution

In its *Report on the 2005-06 Budget Estimates*, the Committee referred to the new integrated public transport ticketing solution and funding for the solution provided in the 2004-05 and 2005-06 budgets. This solution, which is based on Smartcard technology, will be rolled out from 2007 to replace the existing system. The Committee's report also stated that Kamco had been awarded a $494 million contract in July 2005 for implementation of the new solution and that the Minister had requested an investigation by the Auditor-General into the Smartcard tender process following allegations of the leaking of sensitive material.[544]

The Committee understands that the Auditor-General's investigation of the Smartcard tender process is still underway. It looks forward to considering the outcome of this investigation when the Auditor-General's report on the matter is presented to Parliament.

The 2006-07 budget allocates significant levels of funding in 2006-07 and 2007-08 to the ticketing project. Exhibit 9.13 shows this funding and costs incurred in and prior to 2005-06.

Exhibit 9.13: Estimated costs of new transport ticketing solution

Nature of funding	Funding in and prior to 2005-06 ($ million)	Budget 2006-07 ($ million)	Estimate 2007-08 ($ million)	Estimate 2008-09 and beyond ($ million)	Total ($ million)
Output funding	23.5	99.3	40.4	-	163.2
Asset funding	57.4	114.8	109.4	1.6	283.2
Total	**80.9**	**214.1**	**149.8**	**1.6**	**446.4**

Sources: Budget Paper No.3, 2006-07 Service Delivery, pp.306–307, 311; Department of Infrastructure, email, received 4 August 2006

The Minister for Transport has advised the Committee that the first two years of the contract awarded to Kamco relate to the design, development and progressive delivery of the ticketing solution, followed by ten years of operational services. The Minister further advised that, of the funding allocated for the project in the budget papers, $338.3 million is provided for contract payments and the balance covers expenditure associated with building and civil works and transport operators' costs for installing ticketing equipment on vehicles and infrastructure.[545]

The Minister also informed the Committee that installation of equipment for the project will commence from March 2007 with implementation of a pilot exercise

[544] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp.339–340

[545] Hon P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 31 July 2006, p.2

following soon after that time. The Minister further advised that transition from the existing ticketing system will be progressive as the new ticketing solution is rolled out over 2007.[546]

At the estimates hearing, the Minister outlined some of the features of the new system's Smartcard technology which are expected to encourage more sustainable travel behaviour. The Minister stated that a key feature of the new ticketing system will be the ability for the '*chip inside the smartcard'* to be able to make rational decisions for commuters and give commuters the benefits. By way of example, the Minister for Transport indicated that:[547]

> *At the end of the working week, if you had been going in and out five days a week you would be able to get the advantages that a weekly ticket provided rather than using, under the old system, five individual daily tickets. These are the sorts of combinations and permutations, even if you understand them, that you still cannot take advantage of with things that are unexpected. You may buy a daily ticket at the beginning of the day and then because of some other circumstance not use it to go home at the end of the day, and the long-life smartcard will be able to make that calculation for you and pass it on to you.*

On how commuters will be able to pay for public transport tickets, the Minister stated:[548]

> *We want to encourage people, if they are familiar and happy with the retail outlets, to continue to use them, and encourage people to do it over the Internet – you can do it through call centres and over the phone – but another feature of the technology will be that you will be able to do it through direct debit in the way that people do with their e-tags, where you can choose to have a direct debit from your bank account so that once it gets to a predetermined level it is then topped up, so it is very easy for you.*

The Committee was interested to hear from the Minister on these features of the new ticketing solution. It was also interested in the projected levels of fare evasion expected from use of the smartcard technology compared with those currently experienced. On this latter point, the Minister advised that the user friendly nature of the new system will make it easier for passengers to '*do the right thing'* and travel with a valid ticket, thereby reducing inadvertent or unintentional fare evasion.[549]

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546 ibid., p.7
547 ibid., p.26
548 ibid.
549 Hon. P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 31 July 2006, p.7

A further matter of interest to the Committee concerned media disclosure that ERG Limited, a member of the group contracted to deliver the new ticketing system, had signalled deterioration in its expected financial result for 2005-06. ERG Limited has been engaged to manage the installation and maintenance of the new system's fare collection equipment, but does not provide the equipment.

Information on the website of the Australian Stock Exchange shows ERG Limited advised the Exchange on 30 June 2006 that:[550]

- its net costs of completing major supply contracts had increased by approximately $19 million;
- its expected result for 2005-06 was now a net loss before tax and significant items in the range of $33 million-$38 million; and
- it anticipated that its Multi Application Smartcard System, which had a written down value of $16 million at 31 December 2005, would be fully written off.

The Committee considers it will be very important for the department to closely monitor this aspect of the project to ensure there are no adverse consequences likely to impact on the cost and timeliness of delivery of the new system.

Because of the significance of the new ticketing solution in terms of budget commitments and public interest, the Committee believes the department should ensure that its annual report for the coming years adequately informs Parliament on key elements of the implementation of the new system. The material presented in the annual report should identify the procedures followed by the department in overseeing the work of the system's contractor. It should also disclose comparison of performance against time and cost targets established for the main components of the project, including the installation of equipment, management of the pilot exercise and delivery of the program for progressive roll out of the solution across the transport network.

The Committee recommends that:

Recommendation 40: **The Department of Infrastructure ensure there is comprehensive coverage in its annual report on the implementation of the new ticketing solution across the public transport network, including performance against cost and time targets.**

[550] Website of the Australian Stock Exchange, www.asx.com.au , accessed 1 August 2006

(c) Regional Fast Train project – update

In several past reports, the Committee has commented on the progress of this major rail project against initial and revised cost and time targets.

The Committee's *Report on the 2004-05 Budget Outcomes* identified:[551]

- the latest dates set for completion of construction of works for the project's four corridors – Bendigo (December 2005), Latrobe (December 2005), Ballarat (March 2006) and Geelong (March 2006);
- an amended budget of $750 million as announced by the government in December 2004 – the budget having been revised upwards on two previous occasions from an initial cost estimate of up to $550 million ;
- an expectation by the department, as stated in its *2004-05 Annual Report*, that all elements of the project would be complete by mid-2006, with improved services and new timetables in place; and
- the Auditor-General had presented an interim report to Parliament in December 2005 – a complete audit was not possible because significant demands placed on the project's management team meant it was not able to participate in the audit, prompting the Auditor-General to advise Parliament that the audit had been deferred and would recommence in early 2006.

Construction works are now completed and new VLocity trains running (but not yet at express speeds) on the Ballarat, Bendigo and Geelong lines. Media releases issued by the Premier at the time the first train ran on each line stated that:[552]

> *... by mid-2006, the new trains will run to a new timetable with more services at more convenient times and at speeds up to 160 kilometres per hour.*

For the remaining Latrobe line, the department's website states that construction works, focusing on installation of a fully automatic signalling system, commenced on 29 April 2006 (the revised completion target was December 2005) and constitute the final major upgrade for the project.[553]

The 2006-07 Budget Papers provide the latest information on time targets for introduction of revised timetables, incorporating the fast rail services, for the project's four lines. A performance target under the department's *Public Transport Infrastructure Development* output states that these timetables are now scheduled to

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551 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, pp.250–252

552 Hon. S Bracks, MP, Premier, *VLocity on track in Ballarat,* media release, 22 December 2005; *VLocity on track in Geelong,* media release, 3 February 2006 and *VLocity on track in Bendigo*, media release, 24 February 2006

553 Department of Infrastructure website www.doi.vic.gov.au, accessed 2 August 2006

be in place during the first quarter of 2006-07 for the Ballarat, Bendigo and Geelong lines, and during the second quarter for the Latrobe line, rather than by mid-2006.[554]

The Minister informed the Committee that only certain sections of the project's four lines have been designed for speeds of 160 kilometres per hour, subject to safety accreditation. The Minister indicated the contractors specified that operation at this speed over the full length of the lines was not necessary to achieve express target times. The Minister further advised that the cost of increasing maximum speed from 130 to 160 kilometres per hour formed part of the contract cost and there were no additional costs associated with maintaining the four lines arising from the increase in maximum speed.[555]

On 2 August 2006, the Premier released new timetables catering for VLocity fast trains travelling at up to 160 kilometres per hour to be introduced in September 2006 for the Ballarat, Bendigo and Geelong lines. Fast rail services on the Latrobe line are to commence later in 2006. The Premier identified that peak services would reduce travel time to Ballarat by at least 23 minutes, to Bendigo by at least 17 minutes, to Geelong by nearly 10 minutes and to Traralgon by at least nine minutes.[556]

The Auditor-General presented a report to Parliament in August 2006 on *Delivering regional fast rail services.*[557] This report addresses the department's management of the project's development and completes the audit commenced in 2005. The Auditor-General's report is critical of various aspects of the management of this project and indicates it will deliver only modest journey time savings for most passengers.

The Premier has described the regional fast rail project as '*the biggest upgrade to regional rail in 120 years'* which will *'provide lasting economic and social benefits for regional Victoria'*.[558]

With the project shortly to be finalised and become fully operative, the Committee considers that the department should ensure that a sound framework is in place for tracking and reporting to Parliament on the economic and social benefits progressively accruing to the community as the return on the project's capital investment. In line with an earlier recommendation of the Committee in its *Report on the 2005-06 Budget Estimates*, this framework should incorporate actual time savings compared with targets for both express services and stopping services, together with disclosure of the method of calculation of savings.[559]

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554 Budget Paper No.3*, 2006-07 Service Delivery*, p.137

555 Hon P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 31 July 2006, p.3

556 Hon. S Bracks, MP, Premier, *401 extra train services for regional Victorians*, media release, 2 August 2006

557 Victorian Auditor-General's Office, *Results of special audits and other investigations*, August 2006

558 Hon. S Bracks, MP, Premier, *Provincial Victoria to benefit from $1.2 billion transport investment*, media release, 17 May 2006

559 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.333

The Committee recommends that:

Recommendation 41: **The Department of Infrastructure publish in its annual report to Parliament information about the economic and social benefits to the community from implementation of the Regional Fast Rail project.**

(d) Victorian Taxi Directorate – management of complaints against taxi drivers

The department's Victorian Taxi Directorate is responsible for regulating the taxi and hire car industries and implementing programs and activities to improve the quality of service provided by the thousands of taxis and hire cars that operate in Victoria.[560]

In March 2004, the Acting Minister for Transport announced that a new Customer Charter had been developed to provide drivers and passengers with a clearer understanding of their rights and responsibilities. The Acting Minister indicated the charter outlined passenger rights and responsibilities as well as identifying that drivers should (1) be courteous and helpful, (2) know and obey traffic rules, (3) be neat, clean and tidy, and (4) take the most direct, practicable route.[561]

The directorate's responsibilities include the investigation of complaints received from the public concerning the behaviour of taxi drivers.

During the estimates inquiry, the Committee sought information from the Minister on action taken by the directorate to bring about continual improvement in its management of complaints against drivers. The Minister for Transport responded as follows:[562]

> *The Victorian Taxi Directorate (VTD) employed an additional seven compliance officers in September 2005 and two administrative officers specialising in complaints handling in December 2005. A third administrative officer was also engaged in March 2006 to further bolster the VTD's ability to address complaints in a timely manner.*
>
> *These actions have already contributed to a significant increase in the number of complaints handled in the 2005-06 year (2043 compared with the previous year of 1488 complaints). Sixty five per cent of complaints are now resolved within 60 days, and 45 per cent out of the 65 per cent are resolved within 30 days.*

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560 Website of the Victorian Taxi Directorate, www.taxi.vic.gov.au, accessed 2 August 2006

561 Hon. R Cameron, MP, Acting Minister for Transport, *Taxi charter makes rights and responsibilities clearer*, media release, 15 March 2004

562 Hon. P Batchelor, MP, Minister for Transport, response to the Committee's follow-up questions, received 31 July 2006, pp.9–10

The rise in complaint levels in recent years can be attributed to the promotion of a passenger complaints/compliments 24 hour 'hot line' in taxi-cabs, on taxi totems, on the VTD's website and via media communications initiatives. Many passengers are taking advantage of this service. In the past complaints could only be lodged during normal working hours which may have been inconvenient to many taxi users. Complaints are now also being lodged by other road users.

The increased visibility of the VTD's Compliance Unit on Victorian roads and the promotion of a Customer Charter are also factors alerting passengers to the level of service they are entitled to expect and encouraging them to notify the VTD of poor service.

On average, nine complaints, queries and comments are received and logged by the VTD each day, where previously these would have been actioned but not recorded. In the context of an excess of 32 million passenger trips each year, the number of complaints about taxis recorded by the VTD is very small at less than 0.01 per cent.

The Committee welcomes the Minister's advice on the recent expansion of the directorate's investigative resources to manage an increasing number of complaints. It also acknowledges the very small level of complaints received relative to the annual number of passenger trips.

With the widened facilities now available to the public to lodge complaints, the Committee considers the directorate should ensure that it continues to improve the timeliness of its investigations. It should do this through the setting of trend targets to drive future management action and reporting on its performance against those targets on an annual basis.

The Committee recommends that:

Recommendation 42: **The Victorian Taxi Directorate within the Department of Infrastructure establish and report against trend targets to assist further improvement in the timeliness of its investigation of complaints against taxi drivers.**

CHAPTER 10: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

Key findings of the Committee:

10.1 **The Department of Innovation, Industry and Regional Development's output budget for 2006-07 is $433.2 million, an increase of $35 million (8.8 per cent) from the estimated actual results for 2005-06.**

10.2 **The department estimates it will carry over $9 million in output funding from 2005-06 to 2006-07. This is largely attributed to grant recipients not meeting their targets in line with payment schedules, delays in the commencement of new projects, and delays in finalising grant contracts.**

10.3 **The department did not provide estimates of staff numbers at 30 June 2007 but advised the Committee that while it anticipates changes in staff numbers during 2006-07, at this stage it is not possible to provide details. The estimated workforce at 30 June 2006 is 704.6 equivalent full-time staff.**

10.4 **The financial services action plan, *Investing in Victoria's future*, is expected to be fully implemented in 2006-07.**

10.5 **The government intends to review its implementation of the 2004-07 Biotechnology Strategic Development Plan to assess performance against the plan's six key targets and develop new actions for achieving its goal of Victoria becoming a leading centre for biotechnology by 2010.**

10.6 **The department has adopted a new performance target of *'increasing the number of exporters'*.**

10.7 **The target of $30 billion in exports by 2010 remains unchanged; according to the government it is on track to achieve this target. Exports increased by $923 million in 2004-05 to $26.8 billion.**

10.8 **Faced with a challenging film and television industry climate, the government entered into supplementary agreements with the private operator of the Docklands Film and Television Studios to enable the operator to expand the studios in order to remain viable.**

Departmental review

10.1 Budget summary – output costs and performance measures

10.1.1 Budget development

The Department of Innovation, Industry and Regional Development advised the key assumptions used in developing its budget projections include:[563]

- new initiatives;
- budget escalation/indexation factor as determined by the Department of Treasury and Finance; and
- estimated carry over funding of $9 million from 2005-06 into 2006-07.

10.1.2 Budget summary – output costs

The department's output budget for 2006-07 was $433.2 million, an increase of $35 million (or 8.8 per cent) from the estimated actual result of $398.2 million for 2005-06. Exhibit 10.1 provides a budgetary breakdown.

[563] Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, p.19

Exhibit 10.1: Department of Innovation, Industry and Regional Development Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Investment attraction				
Investment facilitation and attraction	22.0	23.7	27.4	15.6
Sub-total	**22.0**	**23.7**	**27.4**	**15.6**
Trade development				
Export promotion	7.6	8.9	11.0	23.6
Sub-total	**7.6**	**8.9**	**11.0**	**23.6**
Developing innovative industries				
Small business support	15.5	18.2	24.3	33.5
Innovative and high performing workplaces	10.7	13.2	13.0	-1.5
Science technology and innovation	101.8	169.7	143.9	-15.2
Advanced manufacturing	6.0	7.3	11.5	57.5
Service industries	4.7	6.1	4.6	-24.6
Strategic policy	6.8	7.6	5.6	-26.3
Sub-total	**145.5**	**222.1**	**202.9**	**-8.6**
Regional development				
Regional economic and community development	25.9	31.5	48.5	54.0
Regional infrastructure development	36.8	64.2	97.2	51.4
Sub-total	**62.7**	**95.7**	**145.7**	**52.2**
Marketing Victoria				
Tourism	39.1	47.8	46.2	-3.3
Sub-total	**39.1**	**47.8**	**46.2**	**-3.3**
Total	**276.9**	**398.2**	**433.2**	**8.8**

Note: *(a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome*

Source: *Budget Paper No.3, 2006-07 Service Delivery, pp.147–157*

The department provided the following explanations for significant variations in output costs:[564]

- investment facilitation and attraction output – the increase of $3.7 million (15.6 per cent) is attributed to the carry over of initiatives from 2005-06 into 2006-07 ($1.3 million)[565] and a higher attribution of corporate costs to this output in 2006-07;
- export promotion output – the increase of $2.1 million (23.6 per cent) is largely due to the carry over of initiatives from 2005-06 into 2006-07 ($2.9 million);[566]
- small business support output – the increase of $6.1 million (33.5 per cent) is due to: funding for new initiatives such as the Small Business Programs ($3.8 million), and the Skills Statement ($2.7 million); and the transfer to this output of responsibility for the Industrial Supplies Office grants program ($1.4 million). Offsetting these increases was a reduction of $1.1 million associated with the expiration on 30 June 2006 of the department's three year agreement to receive grant funding from the Victorian Property Fund.[567] A new agreement was not in place at the time the 2006-07 budget was prepared.[568] Other movements were due to the net effect of 2004–05 and 2005-06 funding carry overs;
- science technology and innovation output – the decrease of $25.8 million (15.2per cent) is attributed to:
  - changes in the phasing for the:
    - Life Science initiatives in 2006-07 ($12 million) compared with 2005-06 ($52 million);
    - Centre of Energy and Greenhouse Technologies in 2006-07 ($5 million) compared with 2005-06 ($7 million);
    - Science, Technology and Innovation (STI) initiative (first and second generations) in 2006-07 ($49 million) compared with 2005-06 ($38 million);
  - new funding for Energy Technology Innovation Strategy (ETIS) sustainable energy research and development ($1 million), and the Enhancing Sustainability in Investments initiative ($1 million);
- advanced manufacturing output– the increase of $4.2 million (57.5 per cent) is due to funding for new initiatives such as the Design Sector Strategy

564 Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, pp.12–13

565 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.2

566 Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to the Committee's follow-up questions, received 27 July 2006, p.1

567 Department of Innovation, Industry and Regional Development, email, received 31 August 2006

568 ibid.

($3.5 million), and the Careers in Manufacturing campaign ($1 million). These increases were offset by a reduction in corporate cost allocation;

- service industries' output – the decrease of $1.5 million (24.6 per cent) is attributed to the completion of funding for the Melbourne Centre for Financial Studies Program ($1.9 million), offset by new funding for the Asia-Pacific Economic Cooperation (APEC) Regional Finance Centre ($400,000);
- strategic policy output – the decrease of $2 million (26.3 per cent) is largely caused by the transfer of the responsibility for the Industrial Supplies Office grants program ($1.4 million) to the Small business support output, and a reduction in corporate cost allocation;
- regional economic and community development output – the increase of $17 million (54 per cent) is attributed to new funding for the Smelter Expansion Project of $800,000 (of a total of $2.2 million); funding for the Provincial Victoria Growth Fund ($9.5 million); and carry over of 2005-06 funding into 2006-07; and
- regional infrastructure development output – the increase of $33 million (51.4 per cent) is due to new funding for the Smelter Expansion Project of $400,000 (of a total of $2.2 million); funding for the renewing of the Regional Infrastructure Development Fund ($32 million); and the Provincial Victoria Growth Fund ($2.5 million).

10.1.3 Performance measures

In the *Report on the 2005-06 Budget Estimates*, the Committee recommended that the department move towards developing outcome-focused performance measures.[569] The Committee noted that the recommendations have been accepted in part by the department.[570]

10.2 Carry over funding

The department estimates it will carry forward output funding of $9 million from 2005-06 into 2006-07.[571] This is due to:[572]

- grant recipients not achieving milestones in line with payment schedules;
- delays in starting new projects (relating to recruitment of staff to administer programs, and other administrative issues); and

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569 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.361, 364

570 Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.50

571 Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, p.14

572 ibid.

- delays in finalising grant contracts.

Specific details of funding to be carried forward from 2005-06 into 2006-07 for selected outputs are:

- investment facilitation and attraction output – the estimated carry over funding of $1.3 million related primarily to:[573]
  - business development initiatives; and
  - Victorian Government business offices – for the promotion and marketing of Victoria;
- export promotion output – the estimated carry over funding of $2.9 million was for the following initiatives:[574]
  - Agenda for New Manufacturing ($1.5 million);
  - business development ($300,000);
  - trade fairs and missions ($600,000); and
  - Opening Doors Export Plan ($500,000);
- advanced manufacturing output – the estimated carry over funding of $1.1 million was for the following initiatives:[575]
  - Agenda for New Manufacturing ($800,000); and
  - business development industry grants ($300,000).

10.3 Human resources issues

10.3.1 Departmental workforce

The department advised that while it anticipates staff numbers in 2006-07 may change, it was not possible to provide details at the time the response to the Committee's questionnaire was prepared.[576] The department's estimated workforce at 30 June 2006 is 704.6 equivalent full-time staff (exhibit 10.2).

[573] Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.2

[574] Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to the Committee's follow-up questions, received 27 July 2006, p.1

[575] Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to the Committee's follow-up questions, received 27 July 2006, p.1

[576] Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, p.4

Exhibit 10.2: Department of Innovation, Industry and Regional Development Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Actual
Executive officers	47.0	47.0
Grades 1-7	674.3	651.2
Other (a)	6.4	6.4
Total (b)	**727.7**	**704.6**

Notes: *(a) include the Small Business Commissioner (1 EFT), the Commissioner of Italy (0.4 EFT), the Agent General of London (1 EFT) and ministerial staff (2 EFT)*

(b) includes funded vacant positions (44.4 EFT at 30 June 2005; 48.1 EFT at 30 June 2006)

Source: *Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, p.4*

(a) Skill shortages

The department identified the occupational groups in demand in the short term as accountants and scientists (especially those involved in new technologies or knowledge industries).[577] Beyond the short term, client/project management, investment attraction and export skills are three areas where shortages may occur.[578] The department advised, however, that in the short term, there is no significant impact expected on the achievement of its objectives and priorities.[579]

[577] Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, p.22

[578] ibid.

[579] ibid., p.23

Review of portfolios

10.4 Financial Services portfolio

10.4.1 Key issues affecting the portfolio

(a) Financial services industry action plan

At the estimates hearing, the Minister for Financial Services advised that the final stages of the financial services industry action plan – Investing in Victoria's Future – will be implemented in 2006-07.[580] The action plan was originally intended to be delivered in full by June 2006.[581]

Of the 29 initiatives in the action plan, 27 were completed at 30 June 2006; the remaining two initiatives are substantially completed.[582] The centrepiece of the action plan, the Melbourne Centre for Financial Studies, was launched in August 2005.[583] The Minister advised that the main activity of the Centre is to conduct academic and industry research:[584]

> *It is designed to build on those recognised strengths in financial services research as well as enhance our reputation for leading edge research. It will help to bridge the gap between universities and academic research and industry.*

The 2005 progress report on the financial services industry action plan identified that 23 initiatives were fully or substantially completed by October 2005.[585] The Committee sought further information on some initiatives:

- on the initiative to explore export opportunities in financial services arising from new trade agreements (initiative 21), the Minister advised that:[586]

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580 Hon. A Haermeyer, MP, Minister for Financial Services, 2006-07 Budget Estimates hearing, 19 June 2006, presentation slide 10

581 Department of Innovation, Industry and Regional Development, *Investing in Victoria's Future: The Victorian Government's Action Plan for the Financial Services Industry Report Card,* 2005

582 Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2004, p.1

583 Hon. A Haermeyer, MP, Minister for Financial Services, 2006-07 Budget Estimates hearing, transcript of evidence, 19 June 2006, p.15

584 ibid., p.15

585 Department of Innovation, Industry and Regional Development, *Investing in Victoria's Future: The Victorian Government's Action Plan for the Financial Services Industry Report Card,* 2005

586 Hon. A Haermeyer, MP, Minister for Financial Services, response to the Committee's follow-up questions, received 27 July 2004, p.2

Export opportunities primarily in financial services education and training have been identified. A report considering likely impacts of FTA [free trade agreement] on financial services has been prepared.

- on the initiative to identify research opportunities for Victoria in the trading of electricity, carbon credit and water rights and sustainable finance and investment (initiative 23), the Minister advised:[587]

  A consultancy selection process is currently underway involving a Request for Quotation pertaining to a study exploring the feasibility of establishing an Energy Data and Research Centre.

The Committee looks forward to further research on other topics identified by this initiative.

The Committee was interested in the targets established to measure the success of the financial services industry action plan. The Minister advised:[588]

A fuller assessment of the success of the action plan will be carried out once full implementation of the plan is completed.

The Committee awaits the release of this report and the results of the assessment of the financial services industry action plan. As the only Australian state to have developed an action plan for the financial services industry,[589] it is important that the assessment results be publicly released.

Accordingly, the Committee recommends that:

Recommendation 43: **The Department of Innovation, Industry and Regional Development publicly release the results of the assessment of its financial services industry action plan *Investing in Victoria's Future*.**

(b) Asia-Pacific Economic Cooperation (APEC) regional finance centre

The 2006-07 budget allocated $1.6 million over four years ($400,000 per year) for the establishment of the Asia-Pacific Economic Cooperation (APEC) Regional Finance Centre.[590] The Minister for Financial Services advised:[591]

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587 ibid.
588 ibid., p.3
589 Department of Innovation, Industry and Regional Development, *Investing in Victoria's Future: The Victorian Government's Action Plan for the Financial Services Industry Report Card,* 2005
590 Budget Paper No.3, *2006-07 Service Delivery*, p.316
591 Hon. A Haermeyer, MP, Minister for Financial Services, 2006-07 Budget Estimates hearing, transcript of evidence, 19 June 2006, p.6

> *The establishment of that centre will develop and strengthen APEC training in financial services regulation and develop new training products for regulators in the region and conduct research activities. It has already attracted over 250 international bankers and regulators. The expansion of the regional finance centre's activities is going to assist in attracting hundreds of regional regulators to Victoria. That will generate significant export income for the state as well as showcasing our financial services.*

The Committee was advised that the centre will be operational in 2006-07 to capitalise on the APEC leaders meeting in Australia in 2007.[592]

10.5 Industrial Relations portfolio

10.5.1 Key issues affecting the portfolio

(a) The Commonwealth Workplace Relations Act

In December 2005, the Commonwealth Parliament passed the *Workplace Relations Amendment (WorkChoices) Act* 2005, with the relevant parts of the amended *Workplace Relations Act* commencing operation in March 2006.[593] The legislation seeks to establish a unitary national system of workplace relations.

The Committee was interested to know how the Victorian Government was responding to the new legislation, and the activities comprising its response to the amended *Workplace Relations Act*.

The government responded in six key ways to the new legislation during 2005-06, including:[594]

- the workplace rights standard was adopted, which sets out seven principles that the Victorian Government believes should underpin a fair industrial relations system;
- a submission was made to the Senate Employment, Workplace Relations and Education Committee Inquiry into the Work Choices Bill;
- an Office of Workplace Rights Advocate was established, to assist employees navigate the amended *Workplace Relations Act* 1996;
- the *Public Sector Employment (Award Entitlements) Act* 2006 was enacted to protect the current award entitlements of Victoria's public sector workers;

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592 Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development, 2006-07 Budget Estimates hearing, transcript of evidence, 19 June 2006, p.7

593 V Lambropoulos, *'Nationalisation of the industrial relations system'* Law Institute Journal 80.08, August 2006, p.55

594 www.business.vic.gov.au, accessed 4 August 2006

- a High Court challenge was initiated, focusing on the Commonwealth's use of the corporations power and the ability of the new legislation to override any Victorian industrial relations legislation; and
- research was undertaken, assessing the effects of the new legislation on Victorian employees and working families.

The Committee was particularly interested in those activities that had budgetary implications, and those likely to have a direct impact on Victorian employees and employers.

(i) High Court challenge

In March 2006, Victoria announced plans to take action in the High Court, along with the other states and territories, to challenge the constitutional validity of the new Commonwealth industrial relations legislation.[595] Directions hearings for the case occurred on three occasions between February and April 2006, with the High Court hearing the case in May 2006.[596] The outcome of this case was not known at the time of tabling this report.

The Committee was interested to know the source of funding and budgeted and actual expenditure for this challenge, given that neither the 2005-06 or the 2006-07 Budget Papers included this information.

The Minister has advised the Committee that the High Court challenge was funded from the Innovative and High Performing Workplaces output. The budget for the challenge was $550,000, and while the Minister has indicated that the department has not yet finalised the costing for the case, estimated expenditure at 27 July 2006 was $513,000. This expenditure included senior and junior counsel legal fees, legal advice, case development and research.[597]

The Committee recommends that:

Recommendation 44: **The Department of Innovation, Industry and Regional Development publish the final cost to the Victorian Government of the High Court challenge on the constitutional validity of the new Commonwealth industrial relations legislation.**

595 Hon. R Hulls, MP, Minister for Industrial Relations, *Victoria's High Court challenge to WorkChoices*, media release, 1 March 2006

596 www.aph.gov.au/library/intguide/law/workchoicesbill.htm, accessed 4 August 2006

597 Hon. R Hulls, MP, Minister for Industrial Relations, response to the Committee's follow-up questions, received 27 July 2006, p.1

(ii) Victorian Workplace Rights Advocate

The Office of the Workplace Rights Advocate (the Advocate) commenced operation in March 2006, with funding of $8.8 million over four years (2005-06 to 2008-09).[598] The Advocate broadly aims to help employees, employers and independent contractors to understand how the changes in the new Commonwealth industrial relations legislation may affect them.[599] The work of the Advocate encompasses:[600]

- assisting employees to assess the workplace agreements their employer offers them, against their existing award entitlements;
- encouraging employers to develop cooperative workplace arrangements with employees;
- providing advice on alternate employment arrangements, such as collective agreements; and
- investigating harsh and unfair employment practices, as well as conducting research into the impact of the new industrial relations legislation on Victorian workers and their families.

The Minister advised that, at 20 June 2006, the Advocate had commenced two investigations into unfair work practices, and will also '*play a significant role in highlighting, and putting on the public record, employers who are exploiting isolated and vulnerable workers'*.[601]

The Advocate also conducts seminars to *'provide information to small businesses and employees on the application of the new industrial relations legislation to Victoria as well as the role of the newly established Workplace Rights Advocate'*.[602] Eleven seminars, targeted at rural Victoria because of their limited exposure to industrial relations information, were scheduled between May and July 2006.

As a measure of effectiveness, the Committee was interested to learn how well these seminars had been attended. The Minister advised that targets for attendance were not set, and nor were attendance lists maintained.[603] The Committee noted that the department has no way to measure, in terms of attendance, how effective these seminars have been in reaching the target audiences. As it stands, there is no way of knowing whether these seminars have been poorly or well attended, and consequently whether the aims of the seminar have been achieved. The Committee looks forward to

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598 Budget Paper No.3, *2006-07 Service Delivery*, p.316
599 www.business.vic.gov.au, accessed 4 August 2006
600 ibid.
601 Hon. R Hulls, MP, Minister for Industrial Relations, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.4
602 www.business.vic.gov.au, accessed 4 August 2006
603 Hon. R Hulls, MP, Minister for Industrial Relations, response to the Committee's follow-up questions, received 27 July 2006, p.3

examining the development of new output measures relating to this issue at the next budget estimates hearings.

The Committee recommends that:

Recommendation 45: **The Department of Innovation, Industry and Regional Development develop new performance measures to enable the effectiveness of the seminars conducted by the Workplace Rights Advocate to be assessed.**

10.6 Innovation portfolio

10.6.1 Key issues affecting the portfolio

(a) Launch of government's life science statement, Healthy Futures

The government launched its life science statement, *Healthy Futures,* in April 2006. The Minister indicated that *Healthy Futures* is a $230 million package to strengthen Victoria's world-class medical research facilities, improve the health of Victorians and create new industries and jobs.[604]

The *Healthy Futures* package comprises:

- a number of separate allocations totalling $200 million over five years dealing with the advancement of various aspects of medical research in Victoria; and
- a further allocation of up to $30 million toward the creation of more medical school places.

Exhibit 10.3 identifies the specific funding allocations to date under the *Healthy Futures* package.

[604] Hon. J Brumby, MP, Minister for Innovation, *Healthy Futures: Parkville Precinct to boost Victorian Medical Research*, media release, 4 April 2006

Exhibit 10.3: Funding initiatives under the Healthy Futures life science statement

Funding initiative	Budget allocation ($ million)
Action 1 – Leading the world	
Walter and Eliza Hall Institute Expansion	50.0
New Australian Centre for Neuroscience and Mental Health Research	53.0
New Australian Regenerative Medicine Institute (asset funding)	35.0
New Austin – Burnet Super Institute	16.0
Bioresources facility for the Austin Biomedical Alliance	9.2
Action 2 – Building a Healthier Future	
Medical University places funding	(a) 23.6
Victorian Cancer Agency	15.0
Building the Australian Cancer Grid	11.0
New e-Research Centres	10.0
Action 3 – Tomorrow's Treatment Today	
Streamlining multi-site clinical trials	0.3
New bioprocessing facility	1.0
Total	**224.1**

Note: *(a) amount allocated for additional medical school places out of a provision of up to $30 million*

Sources: *Budget Paper No.3, 2006-07 Service Delivery, pp.296, 306, 318 and 320, and Victorian Government Initiative, Healthy Futures: Delivering better health, research and jobs for Victorians, June 2006*

Responsibility for managing the above initiatives rests with the Departments of Innovation, Industry and Regional Development (six initiatives), Human Services (four initiatives) and Infrastructure (one initiative).

At the estimates hearing, the Minister for Innovation made the following comments on the significance of some of the funding initiatives:[605]

> *The Australian Centre for Neuroscience, which brings together four facilities, will be one of the world's largest single neuroscience facilities. The Austin and Burnett will be the largest infectious diseases institute in Australia, and the Australian Regenerative Medicine Institute will be the world's largest core stem cell research institute.*

[605] Hon. J Brumby, MP, Minister for Innovation, 2006-07 Budget Estimates hearing, transcript of evidence, 13 June 2006, pp.9–10

The Minister also claimed that *Healthy Futures* will lead to close to three quarters of a billion dollars of additional investment in the life sciences sector.[606] The 2006-07 Budget Papers indicate the Commonwealth Government will provide an additional 160 medical places for Victoria, and committed $97 million to the Walter and Eliza Institute expansion, the Australian Centre for Neuroscience and Mental Health Research and the merger of the Austin and Burnet Institutes.[607]

Because the 2006-07 Budget Papers do not include any performance measures relating directly to the *Healthy Futures* funding package, the Committee asked the Minister how the effectiveness of the package would be measured and the results reported to Parliament. The Minister indicated that the government will report on initiatives in the *Healthy Futures* statement through departmental annual reports with project milestones and output reporting in the annual budget papers. The Minister also informed the Committee that grant arrangements with third parties under the major capital works initiatives in *Healthy Futures* are governed by a strict contractual framework.[608]

The Committee considers that the department should specify the desired outcomes expected from the significant funding allocations provided under the *Healthy Futures* initiative. Regular reporting to Parliament on progress towards achieving these outcomes and, in future budget papers, on periodic operational performance against project milestones and output targets will allow Parliament to consider the extent to which the potential benefits of the various actions are being realised.

In its *Report on the 2005-06 Budget Estimates*, the Committee recommended that the department introduce an outcomes focus into its management and reporting processes. The government's response to this recommendation stated that the Department of Innovation, Industry and Regional Development was in the process of developing a policy and program design framework to support continued development of its outcomes focus in planning, management and reporting.[609] The Committee considers that the department is therefore, well placed to apply its new framework to the development of outcomes for *Healthy Futures* and progressive reporting to Parliament on the statement's overall effectiveness.

606 Hon. J Brumby, MP, Minister for Innovation, 2006-07 Budget Estimates hearing, transcript of evidence, 13 June 2006, p.2

607 Budget Paper No.3, *2006-07 Service Delivery*, p.30

608 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2006, p.1

609 Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.51

The Committee recommends that:

Recommendation 46: **The Department of Innovation, Industry and Regional Development outline the desired outcomes expected from the *Healthy Futures* life science statement, and inform Parliament about progressive achievement of those outcomes.**

Recommendation 47: **Future budget papers include performance measures and output targets relating to funding allocations made under *Healthy Futures,* to enable Parliament to assess progress towards attainment of higher level outcomes.**

(b) Biotechnology Strategic Development Plan for Victoria 2004 – update

In its *Report on the 2005-06 Budget Estimates*, the Committee recommended that the department oversee a mid term review of the Biotechnology Strategic Development Plan for Victoria 2004 to determine whether it required modification to achieve the government's vision of Victoria becoming a leading centre for biotechnology by 2010.[610] The report indicated that the government had released its initial plan in 2001 and that, following an external review, an updated plan covering the period to 2007 was launched in June 2004.

The government's response to this recommendation was that no further action would be taken because a review of the 2004 plan was scheduled to take place in 2006-07.[611]

The Committee's comments on this matter also indicated that the Biotechnology Strategic Development Plan for Victoria 2004 identified several key targets including:

- corporate biotechnology research and development expenditure would exceed $500 million per year; and
- venture capital investment in Victorian biotechnology would exceed 40 per cent of the national annual venture biotechnology investment.

The Committee expressed concern in its report that given Australia's low level of venture capital the 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. The Minister for Innovation

610 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp.367–368

611 Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.52

explained at the estimates hearing that the targets set for the initial five year 2001 plan were substantially achieved over the first two years, which led to the updated 2004 plan having more aggressive targets.[612]

In April 2006, the Minister released the results of the Victorian Life Sciences Industry Update prepared by Blake Industry and Market Analysis. The Minister stated that the update showed Victoria's publicly listed life sciences sector is now valued at $16.4 billion, a 50 per cent increase over 2004-05 figures. It also showed that corporate research and development expenditure is now at $413 million, a 30 per cent rise on 2003-04 figures, with product sales from these companies approaching $6 billion, a 30 per cent increase on the previous year.[613]

The Committee asked the Minister about the extent to which the findings by Blake Industry and Market Analysis compared with the government's corresponding projections. It also asked the Minister to describe the targets that have been developed to assist Victoria achieve its goal of becoming one of the top five global biotechnology centres by 2010.

The Committee was advised that based on the independent assessment, the government was on track to meet the targets set in the 2004-07 Biotechnology Strategic Development Plan. The Minister's response indicated that two targets in the plan best reflect the economic prospects of the life sciences sector:[614]

- the target of $500 million for corporate biotechnology research and development expenditure – with expenditure at $413 million in 2004-05; and
- the target of deals and partnerships with a combined project value totalling more than $1 billion – with $678 million in known deals signed since 1 July 2004.

The Minister also informed the Committee that the plan will be reviewed to consider whether all actions have been successfully implemented and all targets have been achieved. Revised targets and new actions will then be established in consultation with the life sciences sector to ensure the sector continues to reach new heights.[615]

The Committee looks forward to assessing the findings of the government's review of its implementation of the Biotechnology Strategic Development Plan for Victoria 2004 and the extent to which the plan's six key targets have been achieved. The Committee considers the results of this exercise – incorporating the government's future actions for attaining its macro goal of Victoria becoming a leading centre for biotechnology by 2010 – should be reported to Parliament.

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612 Hon. J Brumby, MP, Minister for Innovation, 2006-07 Budget Estimates hearing, transcript of evidence, 13 June 2006, p.5

613 Hon. J Brumby, MP, Minister for Innovation, *Victoria's success in commercialising medical research soars*, media release, 6 April 2006

614 Hon. J Brumby, MP, Minister for Innovation, response to the Committee's follow-up questions, received 14 July 2006, p.2

615 ibid.

The Committee recommends that:

Recommendation 48: **The Department of Innovation, Industry and Regional Development ensure Parliament receives the results of the Victorian Government's review of the implementation of the Biotechnology Strategic Development Plan for Victoria 2004.**

10.7 Manufacturing and Export portfolio

10.7.1 Key issue affecting the portfolio

Opening Doors to Exports Strategy

The government released the *Opening Doors to Exports* Strategy in 2004. The strategy set targets to increase the value of exports and the number of exporters, by 2010.[616] Specifically, targets aim to achieve $30 billion in exports and a doubling in the number of exporters by 2010.[617]

The government established 2001-02 as the baseline year, with the value of exports in that year being $29.5 billion. By 2003-04, however, the value had fallen to approximately $25.7 billion.[618] Similarly, 12,250 Victorian companies were involved in export activity in 2001-02, but by 2003-04 this number had fallen to 10,542.[619] The Committee noted that to achieve the target number of exporters (24,500 companies by 2010), there would have to be an increase of over 130 per cent between 2004-05 and 2009-10.

In 2005, the Committee examined the issue of enhancing government target setting in relation to manufacturing and export. It also examined the *Opening Doors to Exports* strategy at this time, noting that it would assess the Department of Innovation, Industry and Regional Development's progress towards achieving these targets as part of the 2006-07 Budget Estimates hearings.

The Minister for Manufacturing and Export advised that the department has refocused its target to 'increasing the number of exporters'.[620]

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616 Victorian Government, *Opening Doors to Export*, April 2004, p.1

617 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.368

618 ibid., p.369

619 ibid.

620 Hon. A Haermeyer, MP, Minister for Manufacturing and Export, 2006-07 Budget Estimates hearing, transcript of evidence, 19 June 2006, p.9

The Committee noted that the new targets, and the decisions to adopt these targets, were not acknowledged by the department until the Committee queried them at the 2006-07 estimates hearings. Whatever the rationale for making these changes, the new targets represent a significant shift from the original policy, and the Committee therefore considers the department should have acknowledged this at the time the changes were made.

The Minister advised that the target of $30 billion in exports by 2010 remains unchanged, and that the government is on track to achieve this target. In 2004-05, exports increased by $923 million, to a total of $26.8 billion.[621]

Given the Committee's concerns in 2005 about the government's ability to achieve the export targets, the Committee was interested to know the strategies the department had implemented to increase the likelihood that it will achieve the 2010 targets. The department indicated that it has increased the range of programs, to complement the existing programs and to help establish new exports (see exhibit 10.1).

Exhibit 10.4: Victorian Government Export facilitation programs – 2006

New programs	Existing programs
Collaborative export marketing	First Step Exporter
Next Step Exporter	Grow your Business
Export networks	Export communication network
Export roundtable	Vic Export
Access (China and Middle East)	Trade fairs and missions
	Access America

Source: Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to the Committee's follow-up questions, received 27 July 2006, p.3

The Minister also informed the Committee that the government has appointed three special trade envoys, whose role is to represent Victoria nationally and internationally, identify market opportunities and provide advice to Victorian companies.[622]

The Committee recommends that:

Recommendation 49: The Department of Innovation, Industry and Regional Development update its Opening Doors to Export Strategy to reflect the Victorian Government's position in terms of export targets.

621 ibid., p.10

622 Hon. A Haermeyer, MP, Minister for Manufacturing and Export, response to the Committee's follow-up questions, received 27 July 2006, p.3

10.8 Small Business portfolio

10.8.1 Restrictive trade practices

At the estimates hearing the Committee raised its concern with the Minister for Small Business about the disparity in power relationships between small and big business, and how such power can sometimes be exercised by big business.

The Minister informed the Committee that, as a result of market concentration within certain sectors such as the retail and automotive repairs industries, one of the growing themes emerging from the small business sector is that '*sometimes you see things like predatory pricing where a large business will set its prices below cost simply to force a smaller business out of the market place*'.[623]

The Minister indicated that, while the vast majority of the trade practices powers reside in Canberra, the establishment in Victoria of the Office of the Small Business Commissioner has the capacity to assist small business in various ways such as through the implementation of mediation processes and raising matters through forums like the Australian Consumer and Competition Commission.[624]

Because restrictive trade practices are primarily the responsibility of the Commonwealth Government, the Committee considers the Victorian Government should continue to lobby the Commonwealth Government to take effective action regarding restrictive trade practices by large businesses, given that unfair competition is increasingly an issue raised by small business.[625]

The Committee recommends that:

Recommendation 50: **The Victorian Government continue to make representations to the Commonwealth Government about restrictive trade practices that are affecting small businesses.**

623 Hon. A Haermeyer, MP, Minister for Small Business, 2006-07 Budget Estimates hearing, transcript of evidence, 19 June 2006, p.3
624 ibid., pp.3–4
625 ibid., p.4

10.9 State and Regional Development portfolio

10.9.1 Key issues affecting the portfolio

(a) Docklands film and television studios

The Committee enquired of the Minister for Arts about strategies for reinvigorating the Victorian television industry and strategies planned for 2006-07. The Minister advised:[626]

> *The Government is aware of the enormous challenges currently facing the television industry in Australia and in this state, and through Film Victoria is developing strategic plans to address the crucial issues. The Government announced, in May 2006 increased investment funding to promote the Victorian film, television and digital media industries. Funding is targeted at reinvigorating Victoria's television industry, specifically drama and children's programs, over the next two years, through the funding of pilot TV series programs and increased production investment funding.*
>
> *The value of film, television and new media production supported by Film Victoria programs has increased 41 per cent in the past three years from $66 million in 2003-04 to $92 million in 2005-06, generating employment growth of 14 per cent.*

The Committee's *Report on the 2004-05 Budget Outcomes*, commented on the new contractual arrangements between the government and the private operator of the film and television studios, Melbourne Central City Studios Pty Ltd (MCCS), including the state's commitment to act as guarantor for the operator's new $14.5 million loan.[627] The Committee also indicated it will continue to examine the new contractual arrangements in the 2006-07 Budget Estimates inquiry.[628]

During the 2004-05 Budget Outcomes inquiry, the Committee was advised that:

> *Despite Victoria's spectacular success in attracting production in 2004-05, the market in attracting film production is tougher today than it was a few years ago when the government responded to calls from industry for studios.* [629]

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626 Hon. M Delahunty, MP, Minister for Arts, response to the Committee's follow-up questions, received 21 July 2006, p.4

627 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.271

628 ibid., p.272

629 Department of Innovation, Industry and Regional Development, response to the Committee's 2004-05 Budget Outcomes questionnaire, received 21 December 2005, p.19

> *To make it possible for MCCS to expand the studios, the Victorian Government has signed new contracts with MCCS. The government did not provide any further direct funding to MCCS for the expansion.* [630]
>
> *The contracts do not replace, but rather are additional to those signed with MCCS in 2002.* [631]

During the current estimates inquiry, the Committee noted that the initial terms and conditions for repaying the state loan provided to the operator have been varied under the new arrangements, as advised by the Minister for State and Regional Development:[632]

> *One loan exists between the operator of the studios and the government. Under the supplementary agreements the principal and interest repayments of the state loan have been deferred, interest payments continue to be accrued during this period. There has been no change to the operator's loan discharge options at the end of the term. The supplementary agreements allow the state to delay principal repayments in their discretion beyond the initial extension.*

The Committee observed that the supplementary agreement provided further concessions in allowing the operator to delay the loan repayment.

The Committee also enquired about changes to previously agreed milestones/timelines for the provision of infrastructure and new facilities. Exhibit 10.5 presents a summary of advice about further variations received from the Minister for State and Regional Development.

630 Department of Innovation, Industry and Regional Development, response to the Committee's 2004-05 Budget Outcomes questionnaire, received 21 December 2005, p.19

631 ibid., p.20

632 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.3

Exhibit 10.5: Docklands film and television studios Changes to milestones for the provision of infrastructure and new facilities

Infrastructure/new facilities	Previous start date	Supplementary agreements
Deferred sound stage	1 July 2006	Permits the state to consider (but gives no commitment to approve) a request by the developer to waive or defer the obligation to construct the deferred sound stage for such a period as it considers, in its discretion, reasonable. The current start date is 31 December 2006.
Commercial development	30 June 2004	Extended the start date to 31 December 2005. The contracts recognise that the development will be driven by market forces. The current start date is 31 December 2006. The contracts provide development rights to the operator only; the developer is not contractually bound to develop the commercial development.

Source: Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.4

The Committee noted that the changes to the milestones for the construction of the deferred sound stage and the commercial development supporting the studio complex under the supplementary agreement are to be significantly beneficial to the operator.

While the Committee is aware of the increasingly competitive film and television industry, it observed that the supplementary agreements allowed the operator further concessions and flexibility.

The Committee enquired of the Minister for State and Regional Development how the new contractual changes represent good value for the state. The Minister advised:[633]

> *The state was pleased with the new agreements which represented good value to the state. Expert opinion obtained by the department confirmed that the state's position was strengthened as a result of executing the supplementary project deeds. The benefits to the state are summarised below:*
>
> - *execution of a Fixed and Floating Charge in favour of the external lender and the state;*
> - *an equity commitment from MCCS shareholders;*
> - *a release and waiver of past claims was obtained by the state;*
> - *an undertaking that MCCS would make no further requests for assistance other than what they are contractually entitled to make;*

[633] ibid., p.5

- *recommitment to the CCS [Central City Studios] Foundation with a higher contribution; and*

- *recommitment to the project KPIs [key performance indicators].*

The Committee noted the Minister's response did not quantify the benefits to the state of the new contractual arrangements.

The Committee asked the Minister to identify the major risks arising from the new contractual arrangements, and action taken to mitigate these risks:[634]

> *In assessing the new contract arrangements, the risk of operator default/failure was balanced against increased security over the assets in the context of the broader project objectives of contributing to industry development through a film and television studio capable of attracting significant production into Victoria.*
>
> *The new loan did not expose the state to unacceptable risks, as it largely funded capital investment, which in turn increased the value of the studios' assets. Furthermore – the risk for the project has essentially always been the same, i.e. operator failure. Industry conditions are beyond operator or state control and so the only mitigation is monitoring for poor performance by the operator.*

The Committee noted the changed conditions faced by the operator post completion of the studios and the concessions provided by the government to the operator in the supplementary agreements.

On the key performance indicators, the Committee was advised in the 2004-05 Budget Outcomes inquiry that under the supplementary agreement:[635]

> *... the government has not agreed to amend in any way the KPIs [key performance indicators] that MCCS must meet as studio operator.*

The Committee asked the Minister for State and Regional Development about the rewards or penalties for exceeding or failing to meet targets established for the key performance indicators in the loan agreement. The Minister advised:[636]

> *There are no performance bonuses or rewards paid to the operator under the contracts for successfully meeting or exceeding the KPIs. Failure of the operator to meet KPIs may be deemed as an Event of Default of the Loan Agreement.*

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634 ibid., p.5

635 Department of Innovation, Industry and Regional Development, response to the Committee's 2004-05 Budget Outcomes questionnaire, received 21 December 2005, p.20

636 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.4

The department clarified that *'... the state decides whether or not a default event is caused by external factors – not the developer or any third party'.* [637]

The Committee requested interim results for 2005-06 (up to the end of May 2006) and was advised that:[638]

> *The data is yet to be verified and as such it would not be prudent to release such information. Consequently, the department is yet to determine if the operator has achieved the KPIs for the 2005-06 financial year.*

The Committee noted that in the event of default, the state in terminating the agreement would assume responsibility for the future operation and development of the studios.

The Committee is aware that the Auditor-General recently released a follow-up report on the status of the Docklands film and television studios.[639]

The Committee recommends:

Recommendation 51: **The Department of Innovation, Industry and Regional Development report on the financial position and the ongoing viability of the Docklands Film and Television Studios in its 2006-07 annual report.**

(b) Provincial Victoria Growth Fund

The provincial Victoria action plan, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*, announced funding of $100 million to establish the Provincial Victoria Growth Fund (PVGF).[640] It was stated that the PVGF will assist regional councils, businesses and communities to:[641]

- market and promote provincial Victoria;
- identify and capture new business, industry and investment opportunities;
- tackle skills shortages; and
- manage and plan for growth and change.

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637 Victorian Auditor-General's Office, *Report on Public Sector Agencies: Results of special reviews and 30 June 2002 financial statement audits*, February 2003, p.186

638 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.5

639 Victorian Auditor-General's Office, *Results of Special Audits and Other Investigations*, August 2006

640 Department of Innovation, Industry and Regional Development, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*, November 2005, p.3

641 ibid., p.20

The Committee was interested in the performance indicators and targets that were established to measure these key result areas. The Minister advised the Committee that high-level targets were not established for these key result areas because:[642]

> *The Provincial Victoria Growth Fund comprises a wide range of initiatives across various portfolios of the government. The initiatives are subject to an implementation process in which appropriate performance indicators and targets are specified. These measures and targets include quantity and timeline measures.*

The first batch of PVGF initiatives was announced in March 2006.[643] The Committee enquired about the process for allocating funding that has not been earmarked for specific purposes:[644]

> *Funding that has not been earmarked for specific purposes will be allocated to proposed projects and initiatives which meet the PVGF guidelines. These proposals will be considered by an inter-departmental committee comprising of government agencies that have influence over regional development. This will ensure that funded projects and initiatives will meet the government's policy objectives for regional development.*

While the Committee strongly supports initiatives to drive growth in provincial Victoria, it reiterates the importance of establishing appropriate and relevant targets to measure the outcomes of the Fund.

(c) Regional Infrastructure Development Fund

The Treasurer indicated at the estimates hearing that the government had committed funding totalling $380 million (including interest component) to the Regional Infrastructure Development Fund (RIDF).[645] Through the provincial Victoria action plan, the government committed an additional $200 million to extend the RIDF to 2009-10.[646]

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642 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.6

643 Hon. J Brumby, MP, Minister for State and Regional Development, *Driving further growth in provincial Victoria*, media release, 30 March 2006

644 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.7

645 Hon. J Brumby, MP, Treasurer, 2006-07 Budget Estimates hearing, transcript of evidence, 13 June 2006, p.9

646 Department of Innovation, Industry and Regional Development, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*, November 2005, p.3; Budget Paper No.3, *2006-07 Service Delivery*, p.316

The Committee had commented on the rephasing of RIDF payments compared with the budget estimates in a previous budget estimates report,[647] and the Committee requested information on strategies to address the under expenditure of RIDF funding caused by delays in grantees meeting designated milestones. The Minister indicated that:[648]

> *To date [30 June 2006][649] $318 million has been announced from the RIDF towards 111 major infrastructure projects worth over $852 million. The government is therefore on track with committing the available RIDF budget, which was $290 million[650] at 30 June 2006.*
>
> *While the available RIDF budgets have been committed, expenditure has usually occurred after these approvals. This is due predominantly to the capital nature of RIDF projects, with many projects delivered over a period spanning multiple financial years. With the requirement for grantees to reach agreed milestones before receiving payment, this results in expenditure occurring after the actual approval of the grant.*
>
> *Expenditure under the RIDF has increased in recent years as more projects reach completion. To date [30 June 2006][651], 61% of funded projects have been completed, while a further 25% are currently under construction.*

The Committee is pleased that more than 50 per cent of RIDF funded projects had reached completion at 30 June 2006, and that expenditure under RIDF had increased as a result of the completion of these projects.

(i) Reconciliation of RIDF expenditure to output cost

Exhibit 10.6 shows the Regional Infrastructure Development output cost for 2004-05 and 2005-06.

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647 Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, September 2003, p.295

648 Hon. J Brumby, MP, Minister for State and Regional Development, response to the Committee's follow-up questions, received 14 July 2006, p.6

649 Department of Innovation, Industry and Regional Development, email, received 24 July 2006

650 Includes $25 million allocation from the Moving Forward action plan for 2005-06 [source: Department of Innovation, Industry and Regional Development, email, received 24 July 2006; Budget Paper No.3, *2006-07 Service Delivery*, p.316]

651 Department of Innovation, Industry and Regional Development, email, received 24 July 2006

Exhibit 10.6: Regional infrastructure development output cost

	2004-05 $ million	2005-06 $ million
Budget	78.7	36.8
Expected outcome	76.7	64.2
Actual	36.4	

Source: Hon. J Brumby, MP, Treasurer, response to the Committee's follow-up questions, received 26 July 2006, p.1

The Committee was advised that the Regional Infrastructure Development output cost includes components such as: the RIDF; Regional Development Victoria programs; and recurrent operational costs.[652] Therefore, the output costs for 2004-05 (actual: $36.4 million) and 2005-06 (expected outcome: $64.2 million) will be higher than the actual expenditure from RIDF for the respective years. Exhibit 10.7 shows actual RIDF expenditure was $33.9 million in 2004-05 and an expected expenditure of $47.6 million in 2005-06.

The Treasurer further informed the Committee that the 2005-06 expected output cost of $64.2 million (exhibit 10.6) is higher compared with its budget of $36.8 million because of additional funding allocation announced by the Moving Forward action plan in November 2005.[653]

Exhibit 10.7 shows the commitments and expenditure of the Regional Infrastructure Development Fund (RIDF) for 2004-05 and 2005-06.

Exhibit 10.7: Regional Infrastructure Development commitments and expenditure

	2004-05 $ million	2005-06 $ million
Total value of approved commitments	49.5	99.9
Actual expenditure	33.9	(a) 47.6
Uncommitted funds	0	0

Note: (a) provisional pending the finalisation of end of financial year information

Source: Hon. J Brumby, MP, Treasurer, response to the Committee's follow-up questions, received 26 July 2006, p.2

[652] Hon. J Brumby, MP, Treasurer, response to the Committee's follow-up questions, received 26 July 2006, p.1

[653] ibid.

Exhibit 10.7 shows the value of approved commitments for 2004-05 ($49.5 million) and 2005-06 ($99.9 million) were higher than the actual expenditure from the RIDF for their respective years (2004-05: $33.9 million; and 2005-06: $47.6 million). The Committee was advised of the following reasons for the variations:[654]

> *Where the available RIDF have been committed in a given year, there is usually a delay before expenditure occurs. This is due predominately to:*
>
> - *the capital nature of RIDF projects, with many projects delivered over a period spanning multiple financial years and funds being made over the life of the projects; and*
>
> - *the requirement for grantees to reach the agreed milestones before receiving payment.*

The Treasurer also indicated that the value of the 2005-06 approved commitments of $99.9 million (see exhibit 10.7) exceeds the expected output cost outcome of $64.2 million (see exhibit 10.6) because of the:[655]

> *... commitment of significant funding through the Moving Forward Statement in 2005-06 to large RIDF projects which are to be rolled out over a number of years, ...*

10.10 Tourism portfolio

10.10.1 Key issue affecting the portfolio

(a) Ten Year Tourism and Events Strategy

The budget has allocated the tourism portfolio $46.2 million in output funding for 2006-07, a decrease of $1.6 million compared with, the 2005-06 expected outcome. In 2005-06, the output received a one-off $1.6 million funding for bushfire recovery costs. [656]

The department advised that the output funding has been allocated across eight program areas '*to ensure the fulfilment of priority areas of focus for the year ahead*'.[657] Exhibit 10.8 identifies the program area, purpose and the output funding.

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654 ibid., p.2

655 ibid.

656 Department of Innovation, Industry and Regional Development, response to the Committee's 2006-07 Budget Estimates questionnaire, received 30 May 2006, p.13

657 Hon. J Pandazopolous, MP, Minister for Tourism, response to the Committee's follow-up questions, received 27 July 2006, p.4

Exhibit 10.8: Tourism output funding

Program area	Purpose	($ million)
Domestic marketing	Activities to stimulate growth in domestic travel including advertising; public relations; research; and various marketing activities	21.5
International marketing	Operating costs for eight international offices; international cooperative marketing; public relations activities; and trade training initiatives	10.8
Business events	Source and secure new business events for Victoria	5.5
Industry development	Tourism awards and tourism accreditation activities	1.7
Investment and aviation	Secure new direct flights to Melbourne and facilitate new tourism infrastructure for the state	1.2
Policy and planning	Various service activities	0.5
Government and corporate communication	Various service activities	0.5
Executive and corporate services	Various service activities	4.5
Total		**46.2**

Note: *at the time the department provided this information, the Tourism Victoria's board was still to confirm the allocation of funds*

Source: *Hon. J Pandazopolous, MP, Minister for Tourism, response to the Committee's follow-up questions, received 27 July 2006, p.4*

To ensure that Victoria continued to benefit from tourism, the department announced in March 2005 that it was developing a ten year tourism and events strategy.[658] The strategy would *'ensure the government is providing the right level of support and direction for the industry to deal with the challenges of the future'*.[659] The strategy was planned for completion by September 2005.[660]

The department announced several new tourism initiatives in the 2006-07 budget that focus on the new Melbourne Convention Centre and on Victorian tourism generally,[661] and with the completion of the Commonwealth Games, the Committee was interested in the status of the ten year strategy.

The department advised that the ten year strategy did not meet its original deadline, and completion is now not expected until later in 2006.

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658 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.380

659 Hon. J Pandazopoulos, MP, Minister for Tourism, *Victoria to build a 10 year tourism and events industry strategy,* media release, 4 March 2005

660 ibid.

661 The Tourism and Events Strategy: Business events ($8.2 million); and the Tourism and Events Strategy: Marketing Melbourne and Victoria ($12.4 million); Budget Paper No.3, *2006-07 Service Delivery*, p.317

CHAPTER 11: DEPARTMENT OF JUSTICE

Key findings of the Committee:

11.1 **The Department of Justice's output budget for 2006-07 is $2,983 million, an increase of $202.9 million (7.2 per cent) on the estimated actual result for 2005-06.**

11.2 **The Department of Justice has estimated that at 30 June 2007, it will have a total workforce of 20,252.2 equivalent full-time staff, which includes 6,489.7 within the department, and 13,762.5 within Victoria Police. Since the 30 June 2006 estimates, the department has increased its staff by 243.3 (3.8 per cent), and Victoria Police has increased its operational staff by 34.7 (0.3 per cent) and its non-operational staff by 2.5 (0.1 per cent).**

11.3 **The Department of Justice had 14 instances where the 2006-07 budget varied by greater than 10 per cent from the 2005-06 estimated actual result. The department did not publish any explanation for the variations in the budget papers.**

11.4 **At 30 June 2006, the value of outstanding fines and fees was $718.9 million, and the total value of outstanding fines and fees that had reached the warrant stage was $415.1 million. The Victorian Government expects to recover approximately $50 million as a result of the recent fee waiver program.**

11.5 **The Department of Justice and the Auditor-General have agreed to a new protocol enabling auditing of the court's administrative functions. The protocol applies to the Supreme Court, the County Court, the Magistrates' Court (including the Coroner's Court and the Children's Court), and the Victorian Civil and Administrative Tribunal.**

11.6 **Consumer Affairs receives $32.9 million (45.6 per cent) of its funding from appropriations, with $37.4 million (51.8 per cent) coming from trust fund income, and $2.1 million (2.6 per cent) coming from the Community Support Fund.**

11.7 **Per prisoner costs for 2004-05 across the public prisons ranged from $135 at the new Beechworth Correctional Centre to $297 at the Dame Phyllis Frost Centre. The average daily per prisoner cost was $190, which was an average $22 more, per prisoner per day than the average private prison cost ($168).**

11.8 Contrasting with the $1.56 billion in gambling taxes expected to be received in 2006-07 (with $1 billion or 64.1 per cent coming from electronic gaming machines), $29.4 million is to be directed at problem gambling initiatives in 2006-07.

11.9 An estimated 42,749 members of the adult population in Victoria were categorised as problem gamblers in 2004.

11.10 Given that player losses from playing electronic gaming machines as a percentage of household final consumption expenditure (1.8 per cent) comprised only slightly more than half the player losses on all forms of gambling as a percentage of household final consumption expenditure (3.3 per cent), there may also be significant issues associated with other gambling products.

11.11 In August 2005, the Victorian Government announced it would replace the Victoria Police Law Enforcement Assistance Program (LEAP) database. The 2006-07 budget allocates $59 million over four years for the replacement of LEAP, with an additional $7.2 million for the establishment of the Office of the Commissioner of Law Enforcement Data Security.

11.12 The budget provides $18.6 million in output funding over two years through the establishment of a new Victorian Racing Industry Development Fund for new projects, including asset development and improvements at non-metropolitan racing venues.

Departmental review

11.1 Budget summary – output costs and performance measures

11.1.1 Budget development

The Department of Justice advised the key assumptions used to develop its budget projections for 2006-07 were:[662]

- provision of an output appropriation funding base on an ongoing basis, except where the Expenditure Review Committee (ERC) has approved or directed otherwise;

[662] Department of Justice, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, p.33

- receipt of incremental appropriation funding at a rate of 2.5 per cent, except for fixed price cost items;
- conducting annual reviews of any contractually defined and other agreed fixed price cost items, and agreements with the Department of Treasury and Finance on any necessary incremental or decremental funding adjustments; and
- conducting mid year reviews to assess the factors that may materially affect revenues the department is likely to generate. Typically, such a review involves an assessment of changing economic and market conditions and demographics. This relates largely to licensing and business names functions, as well as fines and other regulatory fees levied by the police and the courts.

11.1.2 Budget summary – output costs

The department's output budget for 2006-07 is $2,983.0 million, an increase of $202.9 million (7.2 per cent) on the estimated actual result for 2005-06.[663] Exhibit 11.1 provides a detailed breakdown of the department's output costs and exhibit 11.2 provides an explanation for variations between the 2005-06 estimated actual and the 2006-07 target being greater than 10 per cent, where the reasons are not provided in the budget papers.

[663] Budget Paper No.3, *2006-07 Service Delivery*, pp.161–191

Exhibit 11.1: Department of Justice Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target (a) ($ million)	Column (3-2)/2 Variation (b) (%)
Public safety policy				
Crime and violence prevention	19.8	19.0	33.0	73.6
Emergency readiness support	11.0	11.8	12.3	4.2
Office of Police Integrity	n/a	n/a	16.7	n/a
Sub-total	**30.8**	**30.8**	**62.0**	**101.2**
Emergency prevention and response				
Metropolitan fire and emergency services	31.2	30.8	32.2	4.5
Country Fire Authority	46.0	45.8	50.5	10.3
State Emergency Services	58.9	47.1	55.4	17.6
Sub-total	**136.1**	**123.7**	**138.1**	**11.6**
Reducing the crime rate				
Investigating crimes	461.0	492.5	494.5	0.4
Facilitating justice outcomes	226.8	249.4	250.4	0.4
Sub-total	**687.8**	**741.9**	**744.9**	**0.4**
Reducing the road toll and incidence of road trauma				
Targeting road user behaviour	140.2	154.3	154.9	0.4
Sub-total	**140.2**	**154.3**	**154.9**	**0.4**
High levels of community perception of safety				
Responding to calls for assistance	80.7	88.8	89.2	0.5
Community safety programs	537.3	545.5	547.7	0.4
Sub-total	**618.0**	**634.3**	**636.9**	**0.4**
High levels of customer satisfaction				
Community confidence in and access to policing services	25.5	28.1	28.1	0.0
Sub-total	**25.5**	**28.1**	**28.1**	**0.0**
Legal support for government				
Legal policy	4.6	5.0	5.0	0.0
Law reform	2.4	2.4	2.4	0.0
Legal advice to government	16.9	16.6	17.6	6.0
Privacy regulation	1.7	2.1	2.2	4.8
Native title framework	2.6	2.7	3.8	40.7
State electoral rolls and elections	29.5	29.6	41.9	41.6
Sub-total	**57.7**	**58.4**	**72.9**	**24.8**

Exhibit 11.1: Department of Justice
Output costs *(continued)*

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target (a) ($ million)	Column (3-2)/2 Variation (b) (%)
Dispensing justice				
Public prosecutions	38.8	39.3	41.7	6.1
Forensic evidence	15.3	15.3	15.8	3.3
Matters in the Supreme Court	43.6	47.2	55.6	17.8
Matters in the County Court	64.2	63.2	69.1	9.3
Matters in the Magistrates' Court	79.8	90.8	101.5	11.8
Matters in the Children's Court	8.5	9.0	9.7	7.8
Matters in the Coroner's Court	6.6	7.4	8.0	8.1
Matters in the Victorian Civil and Administrative Tribunal	26.5	27.0	28.5	5.6
Alternative dispute resolution	1.5	1.3	2.0	53.8
Legal aid	37.4	37.4	41.0	9.6
Victims support	8.2	8.1	9.9	22.2
Sub-total	**330.4**	**346.0**	**382.8**	**10.6**
Enforcing court orders				
Traffic fines processing	84.1	83.2	116.2	39.7
Enforcement of court orders and warrants	32.7	24.5	31.6	29.0
Asset confiscation order processing	3.4	2.5	3.0	20.0
Sub-total	**120.2**	**110.2**	**150.8**	**36.8**
Enforcing correctional orders				
Prisoner supervision and support	379.9	358.7	414.2	15.5
Community based offender supervision	52.4	55.4	59.4	7.2
Sub-total	**432.3**	**414.1**	**473.6**	**14.3**
Protecting consumers				
Consumer protection	66.7	70.9	72.2	1.8
Sub-total	**66.7**	**70.9**	**72.2**	**1.8**
Regulating gaming and racing				
Regulation of gambling	20.8	22.5	21.5	- 4.4
Gaming and racing industry management	5.0	32.8	29.6	- 9.8
Sub-total	**25.8**	**55.3**	**51.1**	**-7.5**

Exhibit 11.1: Department of Justice
Output costs *(continued)*

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target (a) ($ million)	Column (3-2)/2 Variation (b) (%)
Achieving equal opportunity				
Discrimination prevention and redress	5.4	5.5	6.9	25.5
Advocacy and guardianship	7.0	6.6	7.8	18.2
Sub-total	**12.4**	**12.1**	**14.7**	**21.4**
Total	**2,683.9**	**2,780.1**	**2,983.0**	**7.3**

Note: (a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome

Source: Budget Paper No.3, 2006-07 Service Delivery, pp.161–191

While there were 14 instances of output cost variations in excess of 10 per cent, the department did not publish any details in the budget papers. This lack of publicly available information reduces transparency and accountability when there has been significant variation from estimates. Exhibit 11.2 identifies the variations to the output costs that the department did not provide in the budget papers.

Exhibit 11.2: Department of Justice Variations to output costs

Output groups/outputs	Reason for variation
Crime and violence prevention	Increased funding is due to the Diversion Support and Referral initiative, and further funding as part of the government's Aboriginal Justice Agreement (Stage 2).
Country Fire Authority	Increased funding is due to a consumer price index escalation of the government's existing Consolidated Fund contribution, as well as new funding to meet the cost of the Emergency Alerting System.
State Emergency Services	Increase reflects funding provided to the Victoria State Emergency Service, as well as project funding managed by the Department of Justice Bureau of Emergency Services Telecommunications, to implement a range of statewide emergency services related telecommunications systems.
Native title framework	Increased funding has been provided for the Gunditjmara Native Title matter.
State electoral rolls and elections	Additional funding has been provided for the Victorian Electoral Commission to conduct the November 2006 state election.
Matters in the Supreme Court	Increased funding is for the Melbourne Legal Precinct Master Plan funding commitment, which will see redevelopment of the Supreme Court undertaken in 2006-07 and 2007-08. Funding has also been provided to the Supreme Court to undertake additional complex organised crime and counter terrorism related trials.
Matters in the Magistrates Court	Approximately 50 per cent of the 2006-07 increase is due to increased funding for initiatives including the Bail Support Program, Koori Courts, and Breaking the Cycle and Family Violence initiatives. The remainder of the increase is due to additional capital asset charge funding.
Alternative dispute resolution	The 2006-07 increase is due to new funding as part of the Gateways to Civil Justice initiative commenced in 2005-06.
Victims support	Increase is due to new output initiative funding to implement a victims charter, including additional funding for victims support services.
Traffic fines processing	Increase reflects the government's continued commitment to improve road safety, and specifically to ensure the adequate maintenance and reliability of road safety cameras.
Enforcement of court orders and warrants	The 2006-07 increase is primarily due to funding returning to levels before the introduction of the 2006 infringement amnesty, which affected the 2005-06 estimated outcome.
Prisoner supervision and support	Increase is primarily due to the first full year of operating Victoria's two newest prison facilities. The 2006-07 estimate also includes funding from 2005-06 relating to commissioning.
Discrimination prevention and redress	The 2006-07 estimate reflects the creation of the Human Rights Charter Unit, and related initiatives as part of the government's Human Rights Charter initiative.
Advocacy and guardianship	Increase reflects incremental funding from the 2005-06 budget provided, following an extensive price review of the Office of the Public Advocate.

Source: Department of Justice, response to the Committee's 2006-07 Budget Estimates Questionnaire, received 2 June 2006, pp.21–24

11.1.3 Performance measures

Each year the department sets targets for the number of traffic infringement notices processed. This target has increased to between 2.4 and 2.6 million traffic infringement notices in 2006-07, representing an increase of between 850,000 and 950,000 (56.2 per cent[664]) over the 2005-06 expected outcome.

Analysis of the targets and actual outcomes for each year since 2003-04 suggests that the targets the department sets for the number of traffic infringement notices processed are over-optimistic and rarely met. Exhibit 11.3 shows the annual targets and actual or expected outcomes.

Exhibit 11.3: Department of Justice
Number of traffic infringement notices processed

2003-04 Target ($ million)	2003-04 Actual ($ million)	2004-05 Target (a) ($ million)	2004-05 Actual ($ million)	2005-06 Target ($ million)	2005-06 Estimate ($ million)	2006-07 Target ($ million)
2.2	1.3	1.8	1.3	1.8	1.6	2.5

Note: (a) in 2004-05, the department introduced a range for the target. For ease of measurement, the Committee has taken the midpoint for targets for 2004-05 onwards

Sources: Budget Paper No.3, Service Delivery 2004-05, p.170; Budget Paper No.3, Service Delivery 2005-06, p.161; Budget Paper No.3, Service Delivery 2006-07, p.183

The department implemented the timeliness measure of *'clearance of infringements within 120 days'* in 2002, setting the target at 78 per cent each year. With the exception of 2004-05, where the actual performance was 81 per cent, actual or estimated performance for each of the other years is 78 per cent.

The Committee was concerned that the department would not be able to meet its timeliness performance measure due to the significant increase in the 2006-07 targets. The department has advised that the increased targets have associated increases in funding for processing costs, which will enable it to maintain its current timeliness target.[665]

11.2 Carry over funding

The department has not carried forward any funding from 2005-06.

[664] Based on the midpoint of the ranges

[665] Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 26 July 2006, p.8

11.3 Human resources issues

11.3.1 Departmental workforce

The department has estimated that at 30 June 2007, it will have a total workforce of 20,252.2 equivalent full-time staff. This includes 6,489.7 within the department itself, and 13,762.5 within Victoria Police.

Exhibits 11.4 and 11.5 show that the Department of Justice employs a range of staff, and the 30 June 2007 total estimate represents:

- an increase of 243.3 equivalent full-time (3.8 per cent) on the 30 June 2006 estimate; and
- an increase of 836.2 equivalent full-time (14.7 per cent) on the 30 June 2005 actual.

Custodial Officers (291.1) and VPs staff (506.1) have seen the largest staffing increases within the department since 30 June 2005.[666]

Of the 13,762.5 equivalent full-time positions employed by Victoria Police, 11,326.5 (82.2 per cent) are operational police (including reservists and recruits) and 2,436 (17.8) represent non-operational staff. For operational police, the 30 June 2007 estimate represents:

- an increase of 143.7 equivalent full-time (1.2 per cent) on the 30 June 2006 estimate; and
- an increase of 544.3 equivalent full-time (5.0 per cent) on the 30 June 2005 actual.

The 30 June 2007 estimate for non-operational staff employed by Victoria Police represents:

- a decrease of 12 equivalent full-time (-0.5 per cent) on the 30 June 2006 estimates; and
- an increase of 2.5 equivalent full-time (0.1 per cent) on the 30 June 2005 actual.

Non-operational Victoria Police employees in the forensic officer category have experienced the largest decline, an estimated reduction of 31.2 equivalent full-time in 2006-07.[667]

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666 Department of Justice, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, pp.6–7

667 ibid., p.10

The figures for the department and Victoria Police represent an increase of 158 (4.1 per cent) on the estimated total equivalent full-time for 30 June 2006.

Exhibit 11.4: Department of Justice
Equivalent full-time staff

	June 2005 Actual	June 2006 Estimate	June 2007 Estimate
Executive officer	76.7	77.0	81.0
Allied Health (grades 1-4)	83.0	76.2	76.5
Community Corrections Officer (grades 1-6)	327.9	328.8	334.4
Custodial Officer (grades 1-6)	1,144.8	1,397.9	1,435.9
VPS (grades 1-7)	3,045.8	3,391.1	3,551.9
Forensic Medical Officer	4.2	2.0	2.0
Pathologist	7.3	10.1	10.1
Registrar	398.0	400.5	403.5
Sheriff's Officer (grades 1-5)	147.5	143.6	163.6
Solicitor (grades 1-6)	406.1	409.8	420.8
Other	12.2	9.4	10.0
Total	**5,653.5**	**6,246.4**	**6,489.7**

Source: Department of Justice, response to the Committee's 2006-07 Budget Estimates Questionnaire, received 2 June 2006, pp.6–8

Exhibit 11.5: Victoria Police
Equivalent full-time staff

	June 2005 Actual	June 2006 Estimate	June 2007 Estimate
Chief Commissioner	1.0	1.0	1.0
Deputy Commissioner	2.0	0.0	3.0
Assistant Commissioner	8.0	10.0	10.0
Commander	15.0	12.0	12.0
Chief Superintendent	2.0	1.0	1.0
Superintendent	68.0	65.0	65.0
Chief Inspector	21.0	18.0	18.0
Inspector	255.5	249.0	250.0
Senior Sergeant	586.8	577.3	580.0
Sergeant	1,767.8	1,765.4	1,770.0
Senior Constable	5,949.7	6,495.0	6,700.0
Constable	1,892.0	1,676.6	1,802.0
Reservist	16.4	14.5	14.5
Recruit	197.0	298.0	100.0
Sub-total	**10,782.2**	**11,182.8**	**11,326.5**
Executive officer	13.0	15.0	15.0
VPS (grades 1-7)	2,101.4	2,107.5	2,126
Forensic Officer (grades 1-7)	175.8	180.2	149.0
Protective Services Officer	143.3	145.7	146.0
Sub-total	**2,433.5**	**2,448.4**	**2,436.0**
Total	**13,215.7**	**13,631.2**	**13,762.5**

Source: Department of Justice, response to the Committee's 2006-07 Budget Estimates Questionnaire, received 2 June 2006, pp.8–10

(a) Skill shortages

Skill shortages have the potential to affect the department's functions and its ability to meet objectives and planned outcomes, in both the short and long term. Together with an ageing workforce, the department has identified a shortage of forensic pathologists and forensic physicians, with this shortage already resulting in an increased workload for existing forensic pathologists.[668]

To address the skill shortage, the department participates on the Standing Committee of Attorney's-General (SCAG), which is considering the shortage of forensic specialists. The department is also working with the Royal College of Pathologists of

[668] ibid., pp.44–45

Australasia to increase the number of available training positions, and is also considering developing a new professional forensics category of forensic nursing.[669]

Other strategies the department has developed to address current and future skill shortages include:

- implementing a capability framework that it will use in recruitment, workforce planning, performance management, and learning and development, to strengthen the skills needed for the future;
- identifying a dedicated resource for workforce planning and the integration of the capability framework;
- building a model that its business units can use to further their internal approach to workforce planning;
- working with the State Services Authority on whole of government workforce planning models and approaches.
- looking at the overall needs of the department, including:
  - identifying issues and developing targeted responses (such as a recruitment and specific skills retention strategy);
  - strategically managing its capability profile;
  - improving the potential for driving transformation through its people by;
    - identifying how organisational talent should align with the department's strategy and priorities, and provide its managers with the capacity to achieve this alignment in their own business units.
    - attracting the best and brightest younger entrants by putting considerable effort into ensuring its graduate recruitment program is supported through development opportunities, coaching and executive endorsement and the department is seen as an employer of choice;
    - actively participating in the Youth Employment Scheme (YES) and providing a significant number of placements to people who may otherwise not receive the opportunity to gain practical on and off-the-job training. The department offers many of the YES trainees ongoing employment at the conclusion of their placement.

The Committee recommends that:

Recommendation 52: **The Department of Justice publish explanations for all budget variances in excess of 10 per cent, in future budget papers, to increase transparency and accountability.**

669 ibid., p.45

Review of portfolios

11.4 Attorney-General's portfolio

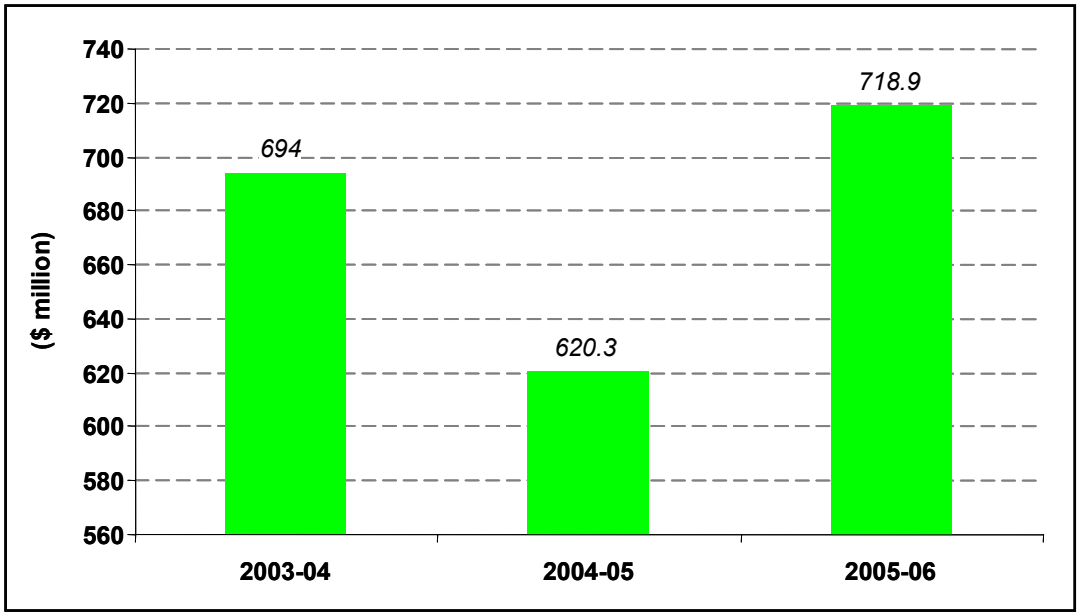
11.4.1 Key issues affecting the portfolio

(a) Outstanding infringements and warrants

A broad range of state and local government agencies can issue infringement notices or fines as penalties for minor offences, including those relating to parking, speeding and littering.[670]

The Attorney-General advised the Committee that at 30 June 2006, the total value of outstanding fines and fees was $718.9 million.[671] This represents an increase of $98.6 million (15.8 per cent) on the total value at 30 June 2005 ($620.3 million). Exhibit 11.6 shows that while the total value of outstanding fines and fees decreased between 2003-04 and 2004-05, the value is now higher than in 2004-05.

Exhibit 11.6 Outstanding fines and fees 2003-04 to 2005-06



Sources: Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 26 July 2006, p.5; Victorian Auditor-General's Office, Report on results on financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits, May 2005, p.58

670 www.justice.vic.gov.au, accessed 1 August 2006

671 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 26 July 2006, p.5

These figures do not include the value of bad debts that have been written-off. The Auditor-General calculated the value of bad debts in 2003-04 at $160.2 million, and noted that the Department of Justice expected to make further write-offs in subsequent years.[672]

At 30 June 2006, the value of outstanding fines and fees that had reached the warrant stage was $415.1 million,[673] a decrease of $12.8 million (-3.0 per cent) on the 2004-05 figures ($427.9 million) and a decrease of $124.4 million (-23.0 per cent) on the 2003-04 figure ($539.5 million) reported by the Auditor-General.[674] The Auditor-General noted that: [675]

> *... changes in the value of outstanding warrants from year to year reflect the impact of new warrants issued and warrants cleared, together with the impact of several other adjustments which account for expired warrants, doubtful debt provisioning ...*

Information on the value of write-offs for bad debts at the warrant stage for 2004-05 and 2005-06 was not available at the time the Committee tabled this report.

The government expects to recoup approximately $50 million in outstanding fines through the fee waiver initiative, conducted in early 2006,[676] with 112,132 individual debtors (31 per cent of all debtors) taking advantage of the program. This includes approximately 30,000 debtors entering into payment plans with an average value of $500.[677]

The *Infringements Act* 2006 commenced operation on 1 July 2006. This legislation is one of the government's key strategies to improve its performance in reducing the number and value of outstanding fines and fees, including those at the warrant stage. This legislation encompasses a range of measures to improve the cash collection rates, reduce the debt profile and improve the overall level of fine payment.[678] The legislation includes measures for vulnerable people, who perhaps should not be dealt with by way of infringement, such as:[679]

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672 Victorian Auditor-General's Office, *Report on results on financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits*, May 2005, p.58

673 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 26 July 2006, p.5

674 Victorian Auditor-General's Office, *Report on results on financial statement audits for agencies with other than 30 June 2004 balance dates, and other audits*, May 2005, p.59

675 ibid.

676 Hon. R Hulls, MP, Attorney-General, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.7

677 ibid.

678 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 26 July 2006, p.6

679 ibid., p.5

- issuing official warnings, rather than infringements;
- considering the special circumstances of people with mental and intellectual disabilities, serious drug addictions and those experiencing homelessness; and
- providing a right to seek an internal review to have the infringement notice withdrawn or otherwise dealt with.

The legislation also includes measures for better enforcement for those able to meet their legal obligations, such as:[680]

- licence/vehicle registration suspension and non-renewal;
- wheel clamping;
- orders allowing for the attachment of earnings; and
- orders allowing for charging and the sale of real property (land).

The Committee welcomes the commencement of the *Infringements Act* 2006, and considers the range of new measures as a positive step. It remains concerned, however, about the continued high level of outstanding fines and the negative impact this is likely to have on the deterrent effect of fines. If the community develops an attitude that infringement notice fine collection may not be a high government priority, and that fines are unlikely to be enforced, then both the general and specific deterrent effects of the infringement system are likely to be reduced.

The Committee is also mindful of the impact that bad debt write-offs and expired warrants may have on the total reported value of outstanding warrants, and that reductions in the value may not be solely attributable to better enforcement of outstanding warrants. The Committee plans to monitor this issue over coming years to assess the impact that the new legislation has on the total value of outstanding fines and fees.

(b) Freedom of Information

The Ombudsman released a discussion paper in 2005 on the Freedom of Information Act, and tabled a report in Parliament in 2006 emanating from the discussion paper.[681] The Ombudsman identified that delays in processing Freedom of Information requests continued to be a problem, together with the lack of quality in reasons for decisions, and the poor level of assistance to FOI applicants.[682] Some of the Ombudsman's key findings include:[683]

680 ibid., p.6
681 Ombudsman, *Review of the Freedom of Information Act*, June 2006
682 ibid., p.4
683 ibid., pp.4–5

- the ten departments and Victoria Police receive 18 per cent of all FOI applications, yet are involved in more than 67 per cent of applications to the Victorian Civil and Administrative Tribunal (VCAT);
- while full access to information is provided for 77 per cent of requests, only 36 per cent of requests to departments, and 31.5 per cent of requests to Victoria Police were given full access;
- in many cases, statements of reason were inadequate. The material facts on which departments and agencies based their decisions were not stated, and the documents for which exemption was claimed were not identified or linked to the reasons given; and
- only 56 per cent of FOI decisions by government departments in 2003-04 were made within the statutory time frame of 45 days. Nearly 21 per cent of decisions took more than 90 days.

The Ombudsman made several recommendations, broadly encompassing legislative reform and improvements to FOI processes and administration within departments and agencies that are subject to the Freedom of Information Act.

The Attorney-General stated in a media release in June 2006 that the government would act immediately to implement the Ombudsman's recommendations.[684] The Attorney-General also noted that the government had requested all government departments to respond within 28 days on their progress in implementing the recommendations relating to FOI administration and procedures.[685]

Given the importance of FOI to open and accountable government, the Committee was interested in what actions the government had taken in response to the Ombudsman's report. The Attorney-General has advised the Committee that along with improvements made ahead of the Ombudsman tabling the report, the following actions have also been taken:[686]

- the Department of Justice will further strengthen its FOI leadership role, to provide support and guidance to all agencies. This includes continuing to provide advice to agencies on significant FOI developments, including legislative changes and decisions relating to the interpretation of the Freedom of Information Act;
- a schedule is being developed to ensure the practice notes the Ombudsman identified will be completed by the end of 2006;
- the Department of Justice has commenced reviewing the legislative changes the Ombudsman recommended; and

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684 Hon. R Hulls, MP, Attorney-General, *Government to act on Ombudsman's report*, media release, 1 June 2006

685 Hon. R Hulls, MP, Attorney-General, response to the Committee's follow-up questions, received 26 July 2006, p.2

686 ibid.

- the Attorney-General's Office is examining the legislative changes the Ombudsman recommended.

The Attorney-General has advised that all departments have responded to the request for information on how they will implement the Ombudsman's administrative and procedural recommendations. All departments have stated that they intend to implement those recommendations that were not already included in their standard practices.[687]

The Attorney-General also informed the Committee that following a review of the Ombudsman's recommendations, any costs associated with implementing the recommendations would be minimal, although it would deploy additional resources where necessary.[688]

(c) Auditing the courts' administrative functions

The Committee raised in its *Report on the 2004-05 Budget Estimates* and its *Report on the 2005-06 Budget Estimates* the issue of the Auditor-General being able to audit the administrative functions of Victoria's courts. [689] This issue first came to prominence in 1996, when the Auditor-General received legal advice that any audit of administrative functions within Victoria's courts was not within the powers of the *Audit Act* 1994 conferred on the Auditor-General. The Department of Justice similarly believed that auditing these functions would undermine the separation of powers doctrine.[690]

The Committee has previously stated that the Auditor-General should be able to audit the administrative functions of the courts, and recommended that the Department of Justice and the Auditor-General develop a protocol to define the limits of any auditing of administrative functions.

In 2005, the Committee recommended that the protocol be finalised by the 2006-07 budget. On advice from the Attorney-General, the Committee understands that a protocol between the Department of Justice and the Auditor-General has now been finalised.

The protocol applies to the Supreme Court; the County Court; the Magistrates' Court (including the Coroner's Court and the Children's Court); and the Victorian Civil and Administrative Tribunal. The protocol notes that any performance audits the Auditor-General conducts under s.16 of the *Audit Act* 1994 will involve only the administrative functions of the courts, and not their judicial functions. Importantly, the protocol

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687 ibid.

688 ibid.

689 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.433; Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.408

690 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.431

recognises that '*the distinction between judicial and administrative functions is a matter of judgement and incapable of precise definition for all circumstances'*.[691]

The protocol lists the following guidelines to assist in the conduct of performance audits into the administrative functions of courts:[692]

- where the Auditor-General intends to undertake a s.16 audit, the Auditor-General will advise the Attorney-General and the relevant Head of Jurisdiction of the scope of the intended audit, its proposed terms of reference, and who is to undertake the audit, prior to its commencement;
- a s.16 audit will not proceed unless the relevant Head of Jurisdiction is satisfied that the proposed audit is unlikely to involve the relevant court's judicial functions;
- regular consultation with the relevant Head of Jurisdiction will occur during the course of a s.16 audit. If, during the course of such consultation, the relevant Head of Jurisdiction forms a view that the report of the audit will deal with judicial functions, the issue will be raised with the officer conducting the audit.

  If the question cannot be adequately resolved (by discussion) to the satisfaction of the Head of Jurisdiction, the audit will be suspended, and except for the Supreme Court, the issue will be referred to the Attorney-General who, after consultation with the relevant Head of Jurisdiction, will determine whether the audit is likely to deal with judicial functions.

  In the case of the Supreme Court, the Chief Justice will finally determine whether the audit is likely to deal with judicial functions.
- the Auditor-General's Office will not publish a report of a s.16 audit on the courts unless a draft of the report has first been considered by the relevant Head of Jurisdiction, and by the Attorney-General; and
- the Auditor-General's Office will withdraw a draft report of a s.16 audit on the courts if the Attorney-General considers it deals with judicial functions.

691 Department of Justice, *Victorian Courts Performance Audit Protocol*, email, received 2 August 2006
692 ibid.

11.5 Consumer Affairs portfolio

11.5.1 Key issues affecting the portfolio

(a) Consumer Affairs (Victoria) trust funds

The government has approved a 2006-07 budget allocation for Consumer Affairs Victoria (CAV) of $72.2 million.[693] Compared with the way the government funds other departmental portfolios, CAV receives only $32.9 million (45.6 per cent) from appropriations, $37.4 million (51.8 per cent) comes from trust fund income, and $2.1 million (2.6 per cent) comes from the Community Support Fund.[694]

Exhibit 11.7 identifies the six trust funds CAV manages, and the contribution each makes to the overall 2006-07 CAV budget. The trust fund contributions are broadly in line with contributions in the 2005-06 budget ($35.6 million, or 50.3 per cent).[695]

Exhibit 11.7: Trust fund contributions to Consumer Affairs Victoria 2006-07 output costs

Trust fund	($ million)	Output cost (%)
Victorian Property Fund	17.4	24.1
Residential Tenancies Fund	11.1	15.4
Motor Car Traders' Guarantee Fund	3.2	4.5
Domestic Builders' Fund	4.0	5.5
Prostitution Control Fund	1.1	1.6
Consumer Credit Fund	0.5	0.7
Total	**37.4**	**51.8**

Note: figures are rounded to one decimal place, and the rounding has resulted in the total differing from the individual items by 0.1

Source: Hon. M Thomson, MLC, Minister for Consumer Affairs, 2006-07 Budget Estimates hearing, 5 July 2006, presentation slide 5

693 Budget Paper No.3, *2006-07 Service Delivery*, p.187
694 Hon. M Thomson, MLC, Minister for Consumer Affairs, 2006-07 Budget Estimates hearing, 5 July 2006, presentation slide 5
695 ibid.

Legislation supporting the trust fund and planned activities for 2006-07, determine the funding that will come from appropriations and how much will come from trust fund income. Any planned activities that do not fit within the legislation governing the various trusts, will come from appropriations.[696]

Exhibit 11.8 highlights the relevant trusts, their supporting legislation and the purpose of the trust expenditure.

[696] Hon. M Thomson, MLC, Minister for Consumer Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.5

Exhibit 11.8: Consumer Affairs Victoria – managed trusts

Trust account	Legislation	Income source	Expenditure purpose
Consumer credit fund	*Credit (Administration) Act* 1984	• credit provider contributions • interest on investments	• grants relating to consumer credit education and research as permitted by s.86AB of the Act • secretarial support to the Consumer Credit Fund Advisory Committee
Domestic builders' fund	*Domestic Building Contractors Act* 1985	• part share of the Domestic Builder registration fees and Domestic Building Dispute Levy collected by the Building Commission • interest on investments • fees collected by the Victorian Civil and Administrative Tribunal relating to the Domestic Building List • fines	• administration of the Act • costs relating to the Domestic Building List of the Victorian Civil and Administrative Tribunal
Motor car traders' guarantee fund	*Motor Car Traders Act* 1986	• interest on investments • licensing fees • fines • recovery of claims paid	• administration of the Act • guarantee claims
Prostitution control fund	*Prostitution Control Act* 1994	• licensing fees • fines • interest on investments	• administration of the Act
Residential tenancies fund	*Residential Tenancies Act* 1997	• transfers from Residential Bonds Investment Income Account • interest on investments • fees collected by the Victorian Civil and Administrative Tribunal relating to the Residential Tenancies List • interest on individual bond trust accounts	• administration of the Act • costs relating to the Residential Tenancies List of the Victorian Civil and Administrative Tribunal

Exhibit 11.8: Consumer Affairs Victoria – managed trusts *(continued)*

Trust account	Legislation	Income source	Expenditure purpose
Victorian property fund	*Estate Agents Act* 1980	• interest on estate agents' trust accounts • income from investments • licensing fees • fines	• administration of the Act and other real estate related legislation as permitted by s.75 of the Act • grants relating to real estate as permitted by s.76(3) of the Act • operation of the Estate Agents Council • guarantee claims

Source: Consumer Affairs Victoria, Annual Report 2004-05, pp.170–171

Total revenue generated by CAV each year from the trusts it manages generally exceeds the output cost published in the budget papers. For example, revenue from its trusts in 2004-05 was $102 million, while the target for the Consumer Protection output was $61.9 million. In that year, Consumer Affairs also received approximately $26 million in appropriations, bringing total revenue to $128 million.

For 2005-06, the trusts that CAV manage generated revenue of $84.7 million, a decrease of $17.3 million (-16.9 per cent) on 2004-05. CAV also estimates that for 2006-07, trust fund revenue will be steady at $84.7 million.

Trust revenue in excess of operational requirements is invested with the Treasury Corporation of Victoria,[697] Victoria's central funding authority and financing adviser.[698] CAV's approach to trust fund investment reflects a conservative risk-averse approach, using investment instruments such as protected bank bill investments.

(b) Managing consumer affairs grants

Under the *Credit (Administration) Act* 1984 and the *Estate Agents Act* 1980, the Minister for Consumer Affairs may approve grants from the Consumer Credit Fund and the Victorian Property Fund to a range of applicants.

Consumer Affairs Victoria provided $11 million in funding to grant recipients from these two funds in 2005-06. Exhibit 11.9 shows the Victorian Property Fund approved grants to eight recipients, worth $10.7 million. Grants ranged from $19,000 to $5.9 million, with CAV approving two more grants than it did in 2004-05. Compared with 2004-05 grants, the 2005-06 grants from the Victorian Property Fund have increased by $9.4 million, or 704.1 per cent.[699]

In 2005-06, CAV also approved 15 grants worth $306,551 from the Consumer Credit Fund, a fund established with the proceeds of an ANZ bank-CAV settlement. Grants ranged from $2,300 to $60,000, with the value of grants in 2006-07 decreasing by $303,736 (-49.7 per cent) compared with 2005-06.

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697 Hon. M Thomson, MLC, Minister for Consumer Affairs, response to the Committee's follow-up questions, received 21 July 2006, p.2

698 www.tcv.vic.gov.au, accessed 27 July 2006

699 calculated from Appendix 10 of Consumer Affairs Victoria, *Annual Report 2004-2005*, p.169 and exhibit 11.9

Exhibit 11.9: Consumer Affairs Victoria Grants 2005-06

Grant recipient	Value ($)	Description
Victorian Property Fund		
Migrant Information Centre (Eastern Melbourne), Mitcham	87,173	Migrant and refugee rental housing assistance
Consumer Utilities Advocacy Centre	125,650	Improving the energy efficiency of low-income households
Department of Human Services, Office of Housing	1,264,456	Group self-build 2005-08
Department of Human Services, Office of Housing	2,678,654	Home renovation service 2005-08
Sports Federation of Victoria	72,092	Use of council and Crown land by sport and recreation groups
Victorian Urban Development Authority (VicUrban)	5,920,000	Support the provision of affordable housing.
Real Estate Institute of Victoria	601,543	Professional development for estate agents and agents representatives 2005-06
Supported Housing Ltd, Kew	19,000	Tenancy information, feedback and representation for tenants with disabilities
Subtotal	**10,768,568**	
Consumer Credit Fund		
Brotherhood of St Laurence	9,000	Research and analysis of consumer credit options for low income earners
Consumer Affairs Victoria	44,601	Educating young indigenous people and their families about credit and debt
Consumer Affairs Victoria	60,000	Consumer credit review research
Consumer Credit Legal Services Inc	11,850	Victorian consumer credit review - submission by Consumer Credit Legal Service and Consumer Law Centre Victoria
Council On The Ageing Victoria Inc	35,000	Credit preferences and credit traps for older people
Financial and Consumer Rights Council Inc	18,900	Financial counselling: the current and changing landscape
Geelong Ethnic Communities Council Inc	20,000	Credit (less)
Migrant Resource Centre NW Region Inc	10,000	Bringing the law to the community
Prison Fellowship Australia – Victoria	4,500	Lives in transition ‘Managing Money Matters’
Public Interest Law Clearing House (Vic) Inc	25,200	Consumer credit and debt advocacy training for regional and rural Victoria

Exhibit 11.9: Consumer Affairs Victoria Grants 2005-06 *(continued)*

Grant recipient	Value ($)	Description
Consumer Credit Fund *(continued)*		
Redundancy Payment Central Fund Ltd	45,455	Consumer credit and debt crisis among building and construction industry Apprentices
SE Region Migrant Resource Centre Inc	2,300	'Grush' - increasing the Sudanese communities' awareness about credit and managing money
The New Hope Foundation	9,745	Managing personal credit and budgeting daily: an educational program for newly arrived migrant communities in south-eastern Victoria
Vietnamese Youth Network of the West	5,000	Information on credit to Vietnamese young people and their parents
Waverley Emergency Adolescent Care Inc	5,000	Tandana Place youth specific (12-20) drug and alcohol residential rehabilitation program
Subtotal	**306,551**	
Total	**11,075,119**	

Note: Projects descriptions provided by CAV

Source: Hon. M Thomson, MLC, Minister for Consumer Affairs, 2006-07 Budget Estimates hearing, 5 July 2006 presentation slides 13–14

11.6 Corrections portfolio

11.6.1 Key issues affecting the portfolio

(a) Prisoner costs

The Committee's *Report on the 2004-05 Budget Outcomes* recommended that the government enhance its reporting of costs and benefits of Victorian prisons, by including a comparison between public and private prisons. The Committee recommended that these comparisons should include:[700]

- expenditure totals in the financial year for all prisons under their major cost categories;
- average cost of housing a prisoner for the year in each prison;
- explanations for major variations in expenditure on an individual prison basis;
- assessed aggregate performance against service delivery outcomes by each prison and the resulting impact on the amount of the performance linked fee, in the case of private prisons; and
- commentary on matters relevant to any comparisons that can be drawn between costs of public and private prisons.

The Committee made these recommendations because the department's external reporting was limited to the aggregate cost for the prisoner supervision and support output.[701] The other main external reporting of prisoner costs was through the Productivity Commission's *Report on Government Services*, although this did not differentiate between Victoria's public and private prisons.[702] The Committee also felt this enhanced reporting was important '*given the magnitude of annual prison outlays and the mix in Victoria of privately operated and publicly managed prisons*'.[703]

While the government is not required to respond to the Committee's recommendation until October 2006, the Committee was interested to learn what the department's position was on the enhanced disclosure of comparative cost information. The Committee also wanted to be provided with current information relating to each part of the recommendation.

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700 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.289
701 Department of Justice, *2004-05 Annual Report*, p.72
702 Productivity Commission, Steering Committee for the Review of Government Service Provision, *Report on Government Services 2006*, Vol.1, 31 January 2006, p.7.20
703 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.289

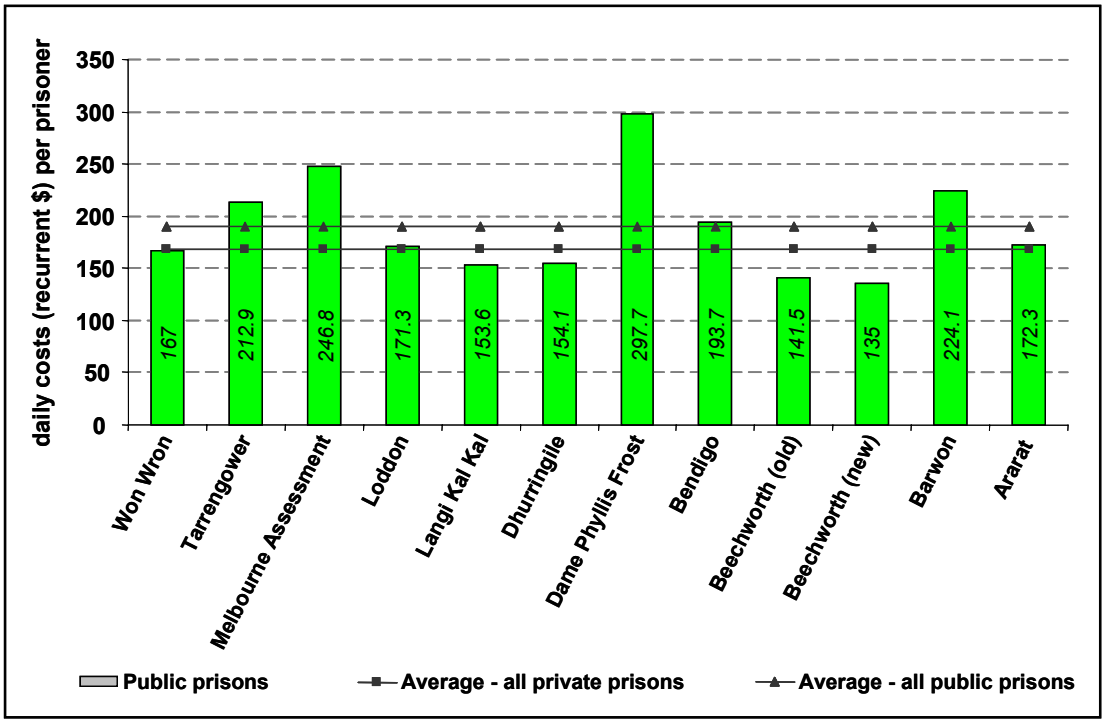
At the 2006-07 estimates hearings, the Minister informed the Committee that the department was '*happy to provide a greater level of information to the Committee*',[704] and the Committee is pleased the department will support its work in better understanding the costs associated with public and private prisons.

The department has provided the Committee with details of the average daily recurrent costs for prisoners at each of Victoria's public prisons, and an aggregated average for the private prisons.

Exhibit 11.10 shows the average recurrent daily costs per prisoner, by prison, for 2004-05. While the department was able to provide costs per prison for the public prisons, it did not provide costs for each of the private prisons due to the current status of the Prison Service Agreement reviews. An average was provided for all private prisons.

Per prisoner costs across the public prisons ranged considerably, from $135 at the new Beechworth Correctional Centre to $297 at the Dame Phyllis Frost Centre. The average daily per prisoner cost was $190, which was an average $22 more, per prisoner, per day, than the average private prison cost ($168).

Exhibit 11.10: Average recurrent daily costs by prisoner and prison, 2004-05



Source: Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 4 August 2006, p.1

[704] Hon. T Holding, MP, Minister for Police and Emergency Services, 2006-07 Budget Estimates hearing, transcript of evidence, 3 July 2006, p.10

The department has advised the Committee that the 2004-05 average costs per prisoner had increased significantly. The increases were primarily due to the recurrent costs associated with the prison construction program, a decline in the average daily prisoner population and program expenditure under the Corrections Long Term Management Strategy.[705] The department further advised that costs in 2005-06 (still being finalised) and 2006-07 were likely to increase further due to the conversion of flexible prison beds into permanent beds.[706]

(b) Corrections Long Term Management Strategy

In 2002, the department implemented the *Corrections Long Term Management* Strategy (CLTMS) with the aim of reducing re-offending and diverting low-risk offenders from prisons.[707] The strategy involved expanding community based options and offender rehabilitation programs, as well as the construction of three new prisons.

The department allocated $3.2 million to evaluate the CLTMS, and given the significant government investment in the strategy ($334.5 million over five years), the Committee was interested to know the results of any evaluation undertaken to date, and the future of the strategy.

The department advised the Committee that five elements of the CLTMS had been evaluated. Exhibit 11.11 provides summaries of the evaluations.

[705] Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 4 August 2006, p.6

[706] ibid.

[707] Department of Justice, *Corrections Long Term Management Strategy*, July 2002, p.1

Exhibit 11.11: Corrections Long Term Management Strategy evaluation results

Strategy	Outcome
Redevelopment of Community Correctional Services	The number of offenders under supervision has increased by 22 per cent, with the number of beds saved approximately 385 (10 per cent greater than the target of 350). The bed savings are due largely to the increased number of offenders on community-based orders and parole orders. This suggests the courts and the Adult Parole Board have greater confidence in community correctional services to effectively manage offenders in the community.
Bail Support program	Based on results from the Melbourne Magistrates' Court, the program assisted over 3000 defendants to access accommodation and other services. The program has been extended from one to ten courts, and a further evaluation is planned for later in 2006.
Offenders in Adult Community Education pilot program	With the pilot program concluding at the end of 2006, the preliminary evaluation has found that the program has exceeded its targets (which the department did not provide details of to the Committee), and reported positive feedback from participants.
Corrections Housing Pathways program	The program targets prisoners at high risk of homelessness, and has reduced the re-incarceration rate of program participants by 70 per cent nine months after release from prison.
Employment pilot program	The program's design is robust, matching both government policy and current evidence regarding successful strategies to assist prisoners and offenders with employment. The program participants had a lower rate of re-offending compared with non-program participants.

Source: Hon. T Holding, MP, Minister for Police and Emergency Services, response to the Committee's follow-up questions, received 4 August 2006, p.3

The Committee was interested to know the future of the strategy, given the apparent early success in achieving its aims, at least for those programs evaluated to date. The department, in its 2005-08 strategic plan, noted that development of a second phase is a strategic priority.[708] The strategic plan does not provide further details and neither the Minister nor the department provided the Committee with details about the department's plans post-2006.

The Committee recommends that:

Recommendation 53: The Department of Justice publish details of the evaluation timeframe for the Corrections Long Term Management Strategy, and publish results of completed evaluations.

[708] Department of Justice, *Corrections Victoria: Strategic Plan 2005-08*, p.1

11.7 Gaming portfolio

11.7.1 Key issues affecting the portfolio

(a) Funding directed at problem gambling

The Minister brought to the Committee's notice that to date the government has spent about $111 million to help address problem gambling.[709] Recent funding directed at problem gambling initiatives includes:[710]

- $14.7 million in 2004-05;
- $14.2 million in 2005-06; and
- $29.4 million in 2006-07, which includes funding for initiatives previously funded by the Department of Human Services and rolled over to 2006-07.

The $29.4 million directed at problem gambling initiatives in 2006-07 will apply to:[711]

- problem gambling service delivery – $10.2 million
- problem gambling service enhancements – $2.6 million
- responsible gambling and community building – $6.8 million
- responsible gambling community education and awareness – $8.5 million
- program management and administration – $1.3 million

In contrast, the Committee noted that approximately $1.56 billion in gambling taxes is expected to be received in 2006-07, with $1 billion or 64.1 per cent coming from electronic gaming machines.[712]

The Committee is aware of criticism from some areas of the community about the disproportionate amount of funding directed at problem gambling compared with the revenue collected by the government in the form of gambling taxes from electronic gaming machines, public lotteries, the casino and the racing industry. The Committee therefore considers that undertaking a benchmarking exercise between Victoria and similar gambling jurisdictions would provide useful information to assist budgetary decision making about the level of funding to be allocated to future problem gambling initiatives in Victoria.

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709 Hon. J Pandazopoulos, MP, Minister for Gaming, Budget Estimates hearing, transcript of evidence, 16 June 2006, p.15

710 Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 20 July 2006, p.1

711 ibid.

712 Budget Paper No.4, *2006-07 Statement of Finances*, p.134

The Committee recommends that:

Recommendation 54: **To assist budgetary decision making about the level of funding to be allocated to future problem gambling initiatives in Victoria, the Department of Justice undertake a benchmarking exercise with similar jurisdictions.**

(b) Trends in problem gambling

The Minister informed the Committee that problem gambling prevalence had halved, from 2.14 per cent of the adult population in 1999 (an estimated 74,645 adults[713]) to 1.12 per cent in 2004 (an estimated 42,749 adults[714]).[715]

The Committee noted that while about 15 per cent of regular gamblers in the 2003 Victorian Longitudinal Community Attitudes Survey were identified as problem gamblers, which translated to the estimated one year prevalence rate of about 1.12 per cent in Victoria's adult population, another estimated 15 per cent of regular gamblers in the surveyed population were considered to be borderline cases with a moderate risk of having (or possibly developing) a gambling problem.[716] This again translated to an estimated one year prevalence rate of about 1 per cent in Victoria's adult population.[717]

The Committee is concerned that an estimated 42,749 members of the adult population in Victoria were categorised as problem gamblers in 2004.

(c) Gambling losses

The budget papers reveal that between June 2000 and September 2002, total player loss (the difference between the amounts bet and the amounts paid out as prizes) on gambling activities averaged 3.8 per cent of household final consumption expenditure.[718] Total player loss declined to 3.3 per cent of household final consumption expenditure[719] in 2005-06.[720]

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713 Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 20 July 2006

714 ibid.

715 Hon. J Pandazopoulos, MP, Minister for Gaming, Budget Estimates hearing, transcript of evidence, 16 June 2006, pp.11–12

716 GRP Report No.6, The Centre for Gambling Research Australian National University, *2003 Victorian Longitudinal Community Attitudes Survey*, April 2004, p.12

717 ibid.

718 Budget Paper No.4, *2006-07 Statement of Finances*, p.140

719 ibid., p.141

720 Hon. J Pandazopoulos, MP, Minister for Gaming, Budget Estimates hearing, transcript of evidence, 16 June 2006, p.11

Given that these figures cover all forms of gambling, and that concern in the community about problem gambling is particularly directed at electronic gaming machines, the Committee sought information that dissected the household consumption data according to gambling losses relating to electronic gaming machines. Exhibit 11.12 presents this information.

Exhibit 11.12:Player losses on gambling activities as a percentage of household final consumption expenditure June 2000 – September 2002 (average) compared with 2005-06

	June 2000 – September 2002 (average) (%)	2005-06 (%)
Player losses on all forms of gambling as a percentage of household final consumption expenditure.	3.8	3.3
Player losses from playing electronic gaming machines as a percentage of household final consumption expenditure.	2.2	1.8

Source: Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 20 July 2006, p.1

The Committee noted that player losses from electronic gaming machines as a percentage of household final consumption expenditure comprise only slightly more than half of gambling losses (58 and 55 per cent in June 2000 to September 2002 and 2005-06 respectively), which indicates that there may also be significant issues associated with gambling products other than electronic gaming machines.

With net electronic gaming machine expenditure[721] totalling $2.39 billion in 2004-05,[722] it is understandable that the focus of attention has been directed at electronic gaming machine gambling activity. Given that 45 per cent of gambling losses (as a percentage of household final consumption expenditure) arise from gambling on products other than electronic gaming machines, the Committee considers the government should commission research into developing further strategies to address problem gambling and to encourage responsible gambling by:

- identifying the number of problem gamblers that participate in gambling other than playing electronic gaming machines; and
- quantifying gambling losses as a percentage of household final consumption expenditure for those product groups.

[721] Net Cash Balance: Total amount waged on a gaming machine, less prizes paid, less any contribution to a jackpot as defined in the *Gambling Regulation Act* 2003 s. 3.6.2

[722] www.vcgr.vic.gov.au Victorian Commission for Gambling Regulation, *Statistical Data Fact Sheet*, accessed 26 July 2006

The Committee was interested to hear from the Minister that:[723]

> *At the end of the day I think we have all got to be concerned about getting proper messages out to people so that they think about what they are doing and [that] services are available for people, irrespective of why they are problem gamblers.*

The Committee recommends that:

Recommendation 55: **To inform policy and budget development relating to future problem gambling initiatives and to encourage responsible gambling, the Department of Justice commission a multifaceted research project specific to Victoria that:**

(a) identify the number of problem gamblers who participate in each form of gambling product other than electronic gaming machines;

(b) quantify gambling losses according to gambling products as a proportion of household final consumption expenditure;

(c) examine the reasons gamblers become problem gamblers rather than responsible gamblers; and

(d) explore the development of suitable preventative strategies to reduce the prevalence of some gambling developing into an addiction.

(d) Problem gambling campaign

The Committee was advised that $8 million has been committed to community education and awareness programs in 2005-06 and 2006-07, which finalises a $19.5 million commitment to the government's Problem Gambling Communication Strategy since 2000.[724] The strategy provides information to the Victorian public about the risks associated with gambling and promotes the support available for problem gamblers, their families and friends.[725]

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723 Hon. J Pandazopoulos, MP, Minister for Gaming, transcript of evidence, 16 June 2006, p.15

724 Hon. J Pandazopoulos, MP, Minister for Gaming, response to the Committee's follow-up questions, received 20 July 2006, p.2

725 ibid.

A key element is the *Think of What You're Really Gambling With* media and community education campaign.[726] Launched in 2000, it has been implemented in phases, with three phases now completed.[727] According to the Minister, the campaign is now used in New South Wales, Tasmania and South Australia and is regarded as one of the most highly effective health promotion campaigns undertaken by any Australian state government.[728] An independent evaluation of the campaign has found strong performance against the indicators identified to measure the effectiveness of the strategy, including:[729]

- changes in service demand;
- behaviour change; and
- audience reach and recall.

An increase of up to 60 per cent in call activity to the Gambler's Help Line has been reported to date, and 96 per cent of people surveyed are aware of the advertising campaign.[730]

The Committee considers that the Department of Justice could enhance accountability by including in its annual report the outcomes delivered from implementing the government's problem gambling campaign.

The Committee recommends that:

Recommendation 56: **The annual report of the Department of Justice include information on the achievements of the Victorian Government's Problem Gambling Communication Strategy, including the *Think of What You're Really Gambling With* campaign.**

726 ibid.
727 ibid.
728 ibid., p.3
729 ibid.
730 ibid.

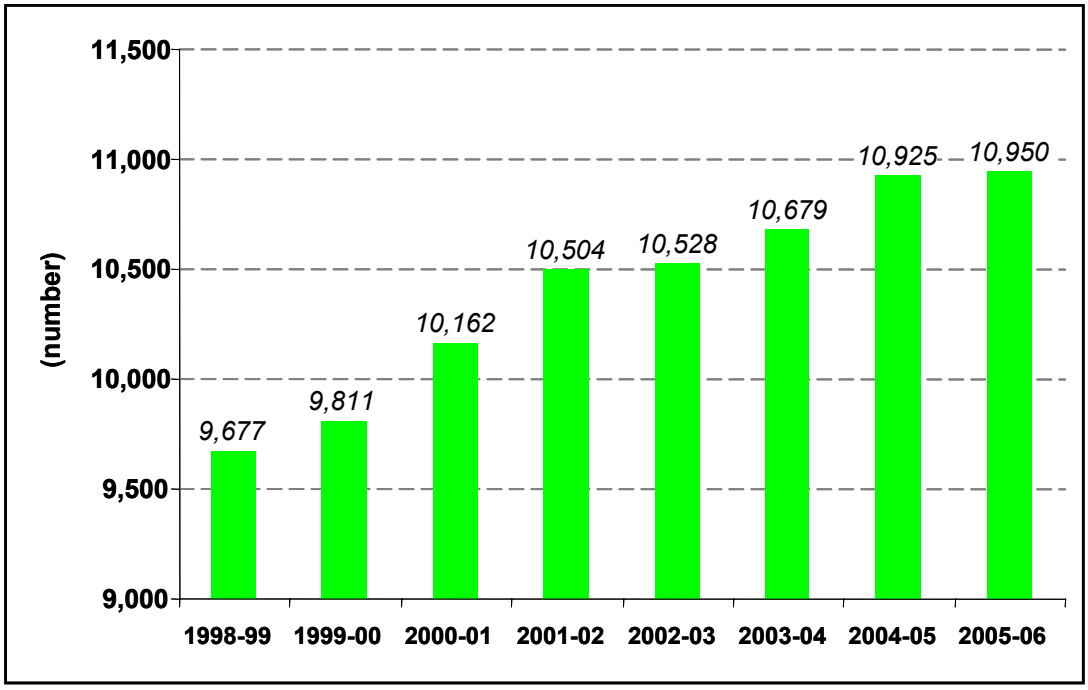
11.8 Police and Emergency Services portfolio

11.8.1 Key issues affecting the portfolio

(a) Victoria Police workforce

The Minister for Police and Emergency Services advised the Committee that the government, as of 30 June 2006, has achieved its target of increasing operational police numbers to 10,950.[731] Exhibit 11.13 identifies the growth in operational police numbers between 1998-99 and 2005-06.

Exhibit 11.13: Growth in operational police numbers



Source: Victorian Auditor-General's Office, Planning for a Capable Victoria Police Workforce, May 2006; Hon. T Holding, MP, Minister for Police and Emergency Services, 2006-07 Budget Estimates hearing, transcript of evidence, 3 July 2006, p.10

The Minister also advised that Victoria Police had enhanced the diversity of its operational police, by increasing the number of female employees, and increasing the number of employees from culturally and linguistically diverse (CALD) backgrounds. Victoria Police has also reduced the attrition rate to 2.3 per cent, making them a more attractive employer.[732]

[731] Hon. T Holding, MP, Minister for Police and Emergency Services, 2006-07 Budget Estimates hearing, transcript of evidence, 3 July 2006, p.9

[732] ibid., p.10

In May 2006, the Victorian Auditor-General completed a performance audit on Victoria Police's workforce planning. The report noted that '*Victoria Police has a sound basis for workforce planning through its clear intention of moving to a more intelligence-based policing model, focused on prevention of crime as well as reacting to crime, and working in partnership with the community'*.[733] In a broadly positive assessment of Victoria Police's workforce planning, the Auditor-General found there was a sound basis for workforce planning, with an integrated planning approach that had already produced positive results regarding Victoria Police's capability.

The Auditor-General also noted that '*currently, Victoria Police operates on a resourcing model based on the opening hours and services provided by individual police stations, rather than on the policing needs of the local area. This can result in some areas being under-resourced and others over-resourced*'.[734] Victoria Police has sought to address these issues through the development of the People Allocation Model.

The People Allocation Model (PAM) aims to overcome the problems with the current allocation model, which allocates human resources based on police station opening hours and services, rather than community needs. Instead, PAM aims to allocate human resources through consideration of geographic, social, economic and demographic data to ensure that resources are more responsive.[735]

The Committee is pleased that Victoria Police is now moving to a more responsive model of employee allocation, and considers this an important development to ensure that Victoria Police is able to effectively prevent and investigate crime, as well as respond to community needs. Given the improvements in the number and diversity of sworn police officers, and in light of the Auditor-General's performance audit, the Committee was interested to know what progress Victoria Police had made in implementing its People Allocation Model.

Victoria Police advised the Committee that while they have developed PAM, the Police Association concurrently developed a similar resource allocation model. While both models have similarities, they also have several differences that both parties are working to reach a consensus on. As a result, Victoria Police has delayed the implementation of PAM to ensure maximum workforce support for the new model. Victoria Police further advised that pending implementation, they are unable to identify a timeframe against which to measure the benefits of the new model.[736]

733 Victorian Auditor-General's Office, *Planning for a capable Victoria Police workforce*, May 2006, p.v
734 ibid., p.4
735 ibid., p.63
736 Hon. T Holding, MP, Minster for Police and Emergency Services, response to the Committee's follow-up questions, received 4 August 2006, p.6

The Committee recommends that:

Recommendation 57: **Victoria Police report externally on the implementation and subsequent benefits of adopting the People Allocation Model once it is in place.**

(b) Law Enforcement Assistance Program (LEAP)

In August 2005, the Victorian Government announced it would replace the Victoria Police Law Enforcement Assistance Program (LEAP) database.[737] This decision followed a review by the Office of Police Integrity (OPI) in 2005 into how Victoria Police managed the LEAP database, with a recommendation for its replacement.

The 2006-07 budget allocates $59 million over four years for the replacement of LEAP, with an additional $7.2 million for the establishment of the Office of the Commissioner of Law Enforcement Data Security.[738] The Commissioner's broad role will be to oversee the development of the new database, and manage the LEAP database until it is replaced by Victoria Police. The core functions of the Commissioner include:[739]

- operating the LEAP database, including maintaining the integrity of the hardware, software and data;
- managing the security of the database, including managing access, audits and reviews;
- overseeing the release of information to people and organisations external to Victoria Police; and
- planning for the replacement of LEAP.

Given the importance of the LEAP system to Victoria Police's core duties, and the significant financial investment by the government in a new system the Committee was interested to know what progress Victoria Police had made in developing and implementing the new database.

Exhibit 11.14 identifies the key timelines and associated tasks for 2006-07. Victoria Police did not provide timelines and milestones for the years 2007-08 to 2009-10.

737 Hon. S Bracks, MP, Premier, *Premier announces statutory body to manage LEAP*, media release, 22 August 2005

738 Department of Justice, 2006-07 Victorian Budget Fact Sheet, *High-tech Police budget boost*

739 ibid.

Exhibit 11.14: LEAP Replacement Project timelines and tasks

Milestone	Task
August 2006	• Implementation of security and audit recommendations, including: – development of a warning screen to remind database users of their obligations regarding the appropriate use of LEAP data. This element is complete. – development of a 'reason for access' identifier, which a LEAP user must nominate before performing a search. This element is complete. – development of an on-line audit facility to assist with freedom of information requests, identifying system breaches and facilitating investigations into inappropriate LEAP access.
September 2006	• Completion of the set-up and initiation stage, which includes: – refinement of an outline implementation plan – recruitment of a project manager and other key staff
December 2006	• Development of a security strategy
June 2007	• Completion of system requirements validation and related delivery components

Source: Hon. T Holding, MP, Minster for Police and Emergency Services, response to the Committee's follow-up questions, received 4 August 2006, p.5

Recommendation 58: The Commissioner for Law Enforcement Data Security publish, in its annual report, performance measures and timelines for the development of the new database, to enable assessment of the effectiveness of the LEAP replacement project.

11.9 Racing portfolio

11.9.1 Key issues affecting the portfolio

(a) Racing industry development program

As a major social and economic contributor to the state, the racing industry supports more than 70,000 jobs and contributes over $2 billion each year to the Victorian economy.[740] The racing industry in Victoria is a community based sport, with more

[740] Hon. J Pandazopoulos, MP, Minister for Racing, *Government backs racing industry in $18.6 million boost*, media release, 30 May 2006

than 120,000 people involved as either an employee or participant.[741] One in five Victorian residents attend the races each year.[742]

The budget provides $18.6 million in output funding over two years ($9.3 million in 2006-07)[743] through the establishment of a new Victorian Racing Industry Development Fund for new projects, including asset development and improvements at non-metropolitan racing venues.[744] Projects are to include:[745]

- capital works such as water saving measures, horse ambulances, new grandstands and track upgrades at non-metropolitan racecourses;
- capital works for training purposes, such as disease prevention research, new buildings and track upgrades at licensed racecourses; and
- grant programs that have the potential to stimulate industry growth, including a greater focus on racing tourism events like the international Melbourne Cup tour, the Spring Carnival and country races.

The Minister informed the Committee that funding would assist the three racing codes:[746]

> *The racing industry of course is very keen for us to work on those sorts of initiatives that support capital redevelopment in regional Victoria, because that is where there is greatest need, as well as industry initiatives that help the industry improve its competitiveness. This will benefit all the three racing codes and will be split up according to their market share. There will be a grants-type program that we want the peak bodies to apply for, highlighting their priorities and suggested projects for us to evaluate against criteria that are still under development.*

The Committee was interested to hear from the Minister that recent investments to improve accessibility include the development of a wheelchair ramp at the Traralgon racecourse to improve access to the grandstand.[747]

The Committee considers that all funding applications for future capital projects to enhance the growth of the racing industry in Victoria, must address accessibility issues.

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741 www.aapracingandsports.com.au, accessed 27 June 2006
742 ibid.
743 Budget Paper No.3, *2006-07 Service Delivery*, pp.320–321
744 ibid., p.45
745 Hon. J Pandazopoulos, MP, Minister for Racing, *Government backs racing industry in $18.6 million boost*, media release, 30 May 2006
746 Hon. J Pandazopoulos, MP, Minister for Racing, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, p.3
747 ibid., p.4

The Committee recommends that:

Recommendation 59: **To enhance accountability regarding the Victorian Government's funding programs to the racing industry, the Department of Justice publish on its website details of the particular projects funded from the new Racing Industry Development Program.**

Recommendation 60: **The Department of Justice ensure the issue of accessibility is taken into account when allocating funding from the Racing Industry Development Program for capital projects.**

(b) Women's role in racing

In discussing the proposed use of the health benefits levy transitional payment to racing clubs of $9.3 million in 2006-07[748], the Minister indicated that:[749]

> *We have introduced the health benefits levy which is of course an additional tax on poker machines and we have, with the racing industry, said that we want to return that with increased investment on what we are returning back to the racing industry now to $18.6 million over two years.*

The Committee enquired at the estimates hearing about whether attracting women to become involved in the racing industry was to form part of the criteria for distributing the funding over the two year period.[750] To assist in developing, promoting and managing the thoroughbred, harness and greyhound racing codes, the Committee believes that attracting women to the racing industry should be examined as part of strategic planning and the finalisation of criteria for distributing the funding to the racing clubs. Collecting and analysing information about the role of women in the various aspects of the racing industry could be useful for development of future policy. Areas that could be examined include the proportion of women:

- represented on boards of racing clubs;
- involved in racing administration (e.g. as managers in peak bodies, as stewards or as betting supervisors) and marketing;
- undertaking racing traineeships;
- members of racing clubs;

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748 Budget Paper No.4, *2006-07 Statement of Finances*, p.91

749 Hon. J Pandazopoulos, MP, Minister for Racing, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, p.3

750 ibid.

- racegoers;
- interested in wagering on any of the racing codes;
- bookmakers;
- trainers;
- strappers;
- jockeys, apprentices, harness drivers, track work riders and stablehands;
- licensed to ride in group one races; and
- owners and breeders.

Such analysis may indicate scope for capturing a new market that will demand greater involvement by women and better use of their talents in the business of racing in future.

The Committee recommends that:

Recommendation 61: **The Department of Justice commission a research project to:**

(a) quantify the role women play in various aspects of the racing industry; and

(b) identify any opportunities and suggestions for enhancing this involvement.

(c) Betting exchanges

In accordance with legislation that came into effect on 29 November 2005,[751] Racing Victoria Limited approved on 7 July 2006, 174 wagering service providers not licensed in Victoria to publish Victorian thoroughbred race fields to the end of July 2007.[752] Approved applications were in the following three categories:[753]

- bookmakers (164)
- totalisators (9)
- betting exchanges (1)

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751 *Racing and Gambling Acts (Amendment) Act* 2005, section 2.5.16A Restrictions on publication of race fields

752 www.racingvictoria.net.au, *Wagering service providers approved to publish fields,* accessed 29 August 2006

753 ibid.

According to Racing Victoria Ltd., these policies have been formulated to ensure that the use of Victorian thoroughbred race fields does not impact on the integrity of Victorian thoroughbred racing and that approved wagering service providers make an appropriate economic contribution to the Victorian thoroughbred racing industry.[754]

Licensed in Tasmania, the only betting exchange application received was from Betfair Pty Ltd.[755] Racing Victoria Limited has indicated that prior to approval of this application, a rigorous process was applied to examining the company's procedures seeking its commitment to meet Racing Victoria Ltd's integrity requirements.[756]

In relation to sports betting, the Committee noted the earlier views expressed by Racing Victoria Ltd that:[757]

> *Betting exchanges appear to pose a significant integrity risk to the extent that the betting exchange model facilitates persons being able to act as an unlicensed bookmaker and to lay bets on whether a particular outcome does not occur. The broad position of the Australian racing industry is that this model creates major integrity enforcement problems due to its creation of a previously unavailable capacity to profit from knowledge that a specific runner is not going to win. Sporting contests involving multiple competitors would appear to be exposed to the same risk and therefore sporting organisations may need to consider specific integrity assurance measures should betting models of this kind be permitted to operate on the sport's contests.*

The Committee also noted the warning expressed by the Minister for Racing at last year's budget estimates hearing and included in the Committee's *Report on the 2005-06 Budget Estimates*:[758]

> *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. 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.*

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754 ibid.
755 ibid.
756 ibid.
757 www.racingvictoria.net.au, *Sports Betting: A new regulatory framework? Response by Racing Victoria Limited April 2006*, pp.6–7, accessed 29 August 2006
758 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.456

At the 2006-07 Budget Estimates hearing, the Committee was told by the Minister that, in determining whether an applicant is given permission to use Victorian race fields, the controlling bodies have two guidelines – one is around economic benefit and the other is around integrity.[759]

The Committee may in future examine the economic returns that have been generated for Victoria from the approval given to Betfair to publish or otherwise make available Victorian racefields, and the effectiveness of the regulatory structures put in place to preserve the integrity of thoroughbred racing in Victoria.

[759] Hon. J Pandazopoulos, MP, Minister for Racing, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, p.9

CHAPTER 12: DEPARTMENT OF PREMIER AND CABINET

Key findings of the Committee:

12.1 **The output budget of the Department of Premier and Cabinet for 2006-07 is $521.5 million, an increase of $13.7 million (2.6 per cent) on the estimated actual result for 2005-06.**

12.2 **The department estimates it will carry forward $8.3 million in output funding and $11.2 million in asset funding from 2005-06 to 2006-07.**

12.3 **The number of equivalent full-time staff employed by the department at 30 June 2007 is expected to be 543.0, with no increase expected on the number of staff at 30 June 2006.**

12.4 **The investigative responsibilities of the Ombudsman's Office have been expanded to encompass WorkCover and the Transport Accident Commission. The department and the Office will need to closely monitor the impact of this additional workload on the Office's resources, as well as ensuring that the Office is managing its resources effectively and efficiently in achieving its objectives.**

12.5 **The government is currently putting in place a governance and contract management framework for government advertising, which is intended to eventually result in improved control over advertising and communications across government.**

12.6 **The government is aware there are deficiencies in the current support provisions for refugees and migrants.**

12.7 **Almost two-thirds of the government's $10 million Tsunami Disaster Reconstruction Fund has been allocated to projects with a substantial proportion provided to Sri Lanka.**

12.8 **The construction of the Melbourne Recital Centre and Theatre originally estimated to cost $61 million in 2002-03 and scheduled to be completed in 2006, will now cost an estimated $121.5 million and is scheduled for completion at the end of 2008.**

Departmental review

12.1 Budget summary – output costs and performance measures

12.1.1 Budget development

According to the Department of Premier and Cabinet, the key assumptions used to develop its budget projections were the provision of adequate resources to: [760]

- ensure the department continues to provide high quality policy advice and continues to foster good relationships with other departments, to ensure quality policy outcomes; and
- focus on building key relationships with the Commonwealth Government and other states and territories, particularly in relation to the Council of Australian Governments (COAG) and National Reform Agenda initiatives.

12.1.2 Budget summary – output costs

The department's output budget for 2006-07 is $521.5 million, an increase of $13.7 million (2.6 per cent) on the estimated actual result for 2005-06.[761] Exhibit 12.1 provides a detailed breakdown of the department's outputs and output costs and exhibit 12.2 provides an explanation for variations between the 2005-06 estimated actual and the 2006-07 target of greater than 10 per cent, where reasons are not described in the budget papers.

[760] Department of Premier and Cabinet, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.18

[761] Budget Paper No.3, *2006-07 Service Delivery*, pp.192–204

Exhibit 12.1: Department of Premier and Cabinet Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Strategic policy advice and projects				
Strategic policy advice	27.5	27.2	31.5	15.8
Strategic policy projects	11.0	12.3	7.9	-35.7
Government information services and support	35.4	40.4	41.1	1.7
Protocol and special events	1.8	2.1	1.8	-14.2
ICT strategy and services	13.2	18.2	15.5	-14.8
Sub-total	**88.9**	**(b) 100.2**	**97.8**	**-2.4**
Public sector management, governance and support				
Advice and support to the Governor	8.3	8.3	8.8	6.0
State Services Authority	10.5	10.3	11.5	11.6
Ombudsman services	15.8	19.0	5.6	-70.5
Chief Parliamentary Counsel services	4.1	4.0	4.1	2.5
Sub-total	**38.7**	**(c) 41.6**	**(d) 30.0**	**-27.8**
Arts and cultural development				
Arts development and access	30.9	29.6	38.0	28.3
Creating place and space	87.4	88.0	91.3	3.7
Portfolio services and policy	3.0	4.6	4.4	-4.3
Arts portfolio agencies	228.7	243.8	260.0	6.6
Sub-total	**350.0**	**366.0**	**(e) 393.7**	**7.5**
Total	**477.6**	**(f) 507.8**	**(g) 521.5**	**2.7**

Notes:

(a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome

(b) the total reported ($100.2 million) differs from the figure reported in the output summary ($100.3 million) on page 193 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $100.2 million is the sum of the individually reported output costs

(c) the total reported ($41.6 million) differs from the figure reported in the output summary ($41.7 million) on page 193 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $41.6 million is the sum of the individually reported output costs

(d) the total reported ($30 million) differs from the figure reported in the output summary ($29.9 million) on page 193 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $30 million is the sum of the individually reported output costs

(e) the total reported ($393.7 million) differs from the figure reported in the output summary ($392.7 million) on page 193 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $393.7 million is the sum of the individually reported output costs

(f) the total reported ($507.8 million) differs from the figure reported in the output summary ($508 million) on page 193 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $507.8 million is the sum of the individually reported output costs

(g) the total reported ($521.5 million) differs from the figure reported in the output summary ($520.4 million) on page 193 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $521.5 million is the sum of the individually reported output costs

Source: Budget Paper No.3, 2006-07 Service Delivery, pp.193–204

Exhibit 12.2 identifies the seven variations greater than 10 per cent to output costs that the department did not outline in the budget papers.

Exhibit 12.2: Department of Premier and Cabinet Explanation for variations to output costs 2005-06 to 2006-07

Output groups/outputs	Reason for variation
Strategic policy advice	The increase is a result of the inclusion of ERC approved funding for the Continuity of Essential Public Operations Strategy; additional support for the Victorian Major Events Company, and the full year effect of funding for the state government Architect Output.
Strategic policy projects	The reduction is due to one-off funding in 2005-06, and a reduced level of funding in 2006-07. This includes one-off funding for cultural patronage, ERC funding, and the Tsunami Development Reconstruction Fund funding reducing from $3.5 million in 2005-06, to $2.5 million in 2006-07.
Protocol and special events	The reduction is due to a decrease in official visits in 2005-06.
ICT strategy and services	The reduction is due to the transfer of funding from additions to net asset base to output funding.
State Services Authority	The increase brings the funding level in line with the original funding proposal for the State Services Authority (detailed in previous budget papers).
Ombudsman services	The reduction is due to the transfer of the Office of Police Integrity from the Department of Premier and Cabinet to the Department of Justice.
Arts development and access	The increase is due to new budget funding for growing regional arts (Provincial Statement); interdepartmental festivals package; strengthening the small arts sector; orchestra pit services in Victoria; and increasing opera activity and diversity in Victoria.

Source: Department of Premier and Cabinet, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.13

12.2 Carry over funding

The department plans to carry forward $19.5 million from 2005-06 into 2006-07, which includes $8.3 million (42.6 per cent) for output purposes, and $11.2 million (57.4 per cent) for capital purposes. The department advised the Committee that all carry over funding is a result of programs the department did not complete in 2005-06. Exhibit 12.3 identifies the carry over funding.

The funds being carried over into 2006-07 are marginally greater than those carried over from 2004-05 to 2005-06 ($15.1 million),[762] representing an increase of 29.1 per cent on the value of funds carried over into 2005-06.

Exhibit 12.3: Department of Premier and Cabinet
Estimated carry over funding from 2005-06 to 2006-07

Purpose	Estimated carry forward ($ million)
Carry over of funding for output purposes:	
Output programs	8.3
Total	**8.3**
Carry over of funding for capital purposes:	
Capital programs	11.2
Total	**11.2**

Source: Department of Premier and Cabinet, email, received 2 August 2006

12.3 Human resources issues

12.3.1 Departmental workforce

The department has estimated that at 30 June 2006, it will have a total workforce of 543 equivalent fulltime equivalent full-time staff, which includes 323.1 within the department itself, and 219.9 within its five agencies. The 2006-07 figures have not increased above the estimated total equivalent full-time staff for 30 June 2006, and the department advises that it does not consider there will be any significant change to staff numbers in 2007.[763]

[762] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.466

[763] Department of Premier and Cabinet, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.7

While the department does not include casual employees in its workforce figures, it provided the Committee with casual employee figures separately. Across the department and its agencies, 89 casual staff were estimated to have been employed at 30 June 2006. The department employed 36 casuals (40.4 per cent), while the Office of the Governor employed 46 casuals (51.6 per cent).[764]

Analysis of the proportion of senior managers and executive officers employed within the department and its funded agencies reveals that:[765]

- within the department, executive officers represent 8.2 per cent of the total, while senior managers (grade 6) represent 19.6 per cent of the equivalent full-time staff; and
- within the department's five agencies, executive officers represent 6.3 per cent of the total equivalent full-time staff, while senior managers (grade 6) represent 15.3 per cent of the total equivalent full-time staff.

Exhibit 12.4 identifies the staff numbers for the department and its major budget funded agencies.

Exhibit 12.4: Department of Premier and Cabinet and agencies Equivalent full-time staff – 2005 to 2007

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
Department of Premier and Cabinet			
Executive officers	25.4	26.5	26.5
Grades 1-7	253.9	269.6	269.6
Driver	20.0	20.0	20.0
Solicitor	7.0	6.0	6.0
Other	0.0	1.0	1.0
Sub-total	**306.3**	**323.1**	**323.1**
Office of the Governor			
Grades 1-6	25.0	26.1	26.1
Sub-total	**25.0**	**26.1**	**26.1**
Office of the Chief Parliamentary Counsel			
Executive officers	3.0	3.0	3.0
Grades 1-7	17.2	15.8	15.8
Solicitor	10.9	13	13
Sub-total	**31.1**	**31.8**	**31.8**

764 ibid., pp.5–8

765 Department of Infrastructure, response to the Committee's 2006-07 Budget Estimates questionnaire, received 2 June 2006, pp.5–8

Exhibit 12.4: Department of Premier and Cabinet and agencies Equivalent full-time staff – 2005 to 2007 *(continued)*

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
State Services Authority			
Executive officers	3.0	6.0	6.0
Grades 1-6	31.0	44.1	44.1
Sub-total	**34.0**	**50.1**	**50.1**
Office of Police Integrity			
Executive officers	3.0	3.0	3.0
Grades 1-7	56.7	65.2	65.2
Sub-total	**59.7**	**68.2**	**68.2**
Ombudsman Victoria			
Executive officers	2.0	2.0	2.0
Grades 1-6	50.7	41.7	41.7
Sub-total	**52.7**	**43.7**	**43.7**
Total	**508.8**	**543.0**	**543.0**

Source: Department of Premier and Cabinet, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, pp.5–8

(a) Skill shortages

The department indicated in its response to the Committee's 2006-07 Budget Estimates questionnaire that it does not have any identifiable skill shortages, currently or in the future.

Review of portfolios

12.4 Arts portfolio

12.4.1 Melbourne Recital Centre and Theatre

At the estimates hearing the Committee asked the Minster for the Arts about the construction of the Melbourne Recital Centre. The Committee was particularly interested in the increase in project construction costs (from $98 million to $121.5 million), and the revised completion date, which was initially estimated to be in 2006 but has now been extended to the end of 2008.[766]

[766] Hon. M Delahunty, MP, Minister for Arts, 2006-07 Budget Estimates hearing, transcript of evidence, 8 June 2006, p.6

The Committee also noted that the government had envisaged spending about $32.9 million in 2005-06.[767] The estimated carry over of funding for capital purposes from 2005-06, which related mainly to the centre, was $11.2 million. It was obvious to the Committee that given the unspent capital allocation carried forward, the construction of the centre, which was originally identified as costing $61 million in the 2002-03 budget, has continued to be characterised by long delays.

The Minister advised that the revised budget is $121.5 million and that this project will provide the music industry with a dedicated centre that will comprise two co-located buildings. One building is a dedicated home for the Melbourne Theatre Company and the second is a world class purpose-built recital centre. The Minister also indicated that the state government was contributing $82 million to the project, with Crown Ltd contributing $16 million, a contribution from Melbourne University of $12 million with the remaining $11 million to be obtained from fundraising.[768]

The contribution of $12 million from the University of Melbourne represents the value of land in the Southbank arts precinct originally owned by the University, which was transferred to the government on 20 April 2005. The delay in transferring this property also contributed to delays in finalising tenders for the project, which was eventually awarded to Bovis Lend Lease in May 2006.[769]

Given that the project is already well behind time and the cost has exceeded the last estimate by $23 million, the Committee considers it is important that progress on this project is closely monitored to ensure construction remains on time and on budget.

12.5 Premier's portfolio

12.5.1 Key issues affecting the portfolio

(a) Resourcing the Ombudsman's Office

The Committee was advised that the Ombudsman's Office anticipated handling around 3,432 complaints in 2005-06, an increase of 33 per cent over the initial 2005-06 estimate of 2,576 complaints. Given this outcome the Committee asked the Premier whether the projection of 3,000 complaints for 2006-07 was realistic, particularly as the Office will now be required to investigate WorkCover and Transport Accident Commission complaints.[770]

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767 Budget Paper No.2, *2002-03 Budget Statement*, p.209; Budget Paper No.3, *2005-06 Service Delivery*, p.306

768 Hon. M Delahunty, MP, Minister for Arts, *Star takes centre stage to kickstart construction,* media release, 11 August 2006

769 Hon. M Delahunty, MP, Minister for Arts, *Land transfer clears way for Southbank's missing link*, media release, 20 April 2005; Hon. M Delahunty, MP, Minister for Arts *Builder appointed for recital centre and theatre*, media release, 27 May 2006

770 Hon. S Bracks, MP, Premier, response to the Committee's follow-up questions, received 3 August 2006, p.2

The Premier's response confirmed that the number of complaints received by the Ombudsman's Office has actually increased by more than 30 per cent over the past two years. The Premier also indicated that the increasing trend in the volume of complaints received and their complexity is likely to continue.[771]

The Premier indicated that:[772]

> *All of these extended jurisdictions are likely to increase the number of complaints the Ombudsman receives. If the workload for 2006-07 indicates the need for a budget increase, the Ombudsman will submit a request for additional funding to meet these emerging cost pressures as part of the budget process.*

The Committee considers that waiting for the impact of any additional workload to be determined, along with consideration of any subsequent requests for resources could be a lengthy process. Extended delays in the provision of suitable qualified resources could result in a significant backlog of complaints and restrict the ability of the Ombudsman to carry out the functions of the Office. The Committee agrees that the Ombudsman's Office must have adequate resources to meet workload demands which the Premier has acknowledged will continue to increase. However, before additional resources are provided it could be beneficial for an external review to examine the manner in which existing resources are utilised with due regard to systems, infrastructure, human resource skills, productivity and outputs, including volume and quality.

The Committee recommends that:

Recommendation 62: **The Department of Premier and Cabinet facilitate an external review of the Ombudsman's Office to determine whether any additional resources are required and if the Office is achieving its objectives effectively, efficiently and economically.**

(b) Asset Investment Program – staffing of facilities

The Committee noted that the government's asset investment program for 2006-07 and beyond includes the construction of new schools, hospitals, transport facilities and police stations which, when built, will require staff resources to operate and manage them.

771 ibid., p.4
772 ibid.

The Committee asked the Premier whether the State Services Authority had calculated the number of new employees required to staff these facilities, including trained professionals such as doctors, and the estimated cost to the 2006-07 budget. [773]

The Premier advised that responsibility for management of staffing resources currently resides with the employer, be it a department or a public sector entity. The Premier further indicated that to date, the State Services Authority has not been requested to undertake a review of employee numbers required to staff these facilities. However, the Authority has a major research project in progress to develop workforce planning models on a whole-of-government basis, with particular emphasis on areas of occupational demand and pressure. [774]

The Committee understands that the outcomes from this research will not be available until two or three years. The Committee would expect that the data will enable the government to more effectively monitor its workforce across the public sector, in preference to the existing system of allowing departments to determine their workforce needs in isolation of the Authority. The response from the Premier suggests that the government does not know the level of additional resources that will be required and the impact on the budget that will evolve from building new infrastructure.

(c) Service-wide budget for advertising

The Committee asked the Premier about the role of his department in monitoring government advertising, including the use of the marketing services panel, and whether there is any intention to establish a service-wide budget for advertising. [775]

The Premier responded that although the government had put in place systems and processes that enable the cost of advertising and communications across the whole of government to be accurately estimated, it is not yet at a stage where a formal budget framework for advertising could be easily implemented. This is because decisions about the allocation of funds for advertising and communications are highly decentralised and frequently made at the individual business unit and branch level. [776]

The Premier emphasised, however, that the government was in the process of implementing additional governance and contract management mechanisms which will enable the government to enforce global limits on advertising expenditure across all departments and agencies. [777] Once implementation has been completed, the government anticipates more effective reporting and accountability mechanisms will exist.

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[773] ibid.
[774] ibid.
[775] ibid., p.2
[776] ibid., p.3
[777] ibid.

The Committee concurs with the intended approach outlined by the Premier, as it will enable the total cost of advertising and communications across the public sector to be determined for the first time. As previously referred to in chapter 4 of this report the Committee was unable to determine this figure, due in part to the failure of the Department of Human Services and the Department of Innovation, Industry and Regional Development to provide the requested details. As the proposed system will enable the total cost of advertising to be identified, the Committee would expect that the annual budget papers will identify sector wide budgets for this expenditure.

(d) Monitoring the compliance of departments with the government's advertising guidelines

In addition to the question on government advertising, the Committee asked the Premier to what extent his department monitors the compliance of departments with the advertising guidelines. [778]

The Premier responded that the government introduced a peer review process in 2004 for all proposed advertising and communications related activities. The group that manages this process, the Government Communications Review Group (GCRG), meets fortnightly to review all advertising and communication activities being proposed by departments.

Among the range of issues considered by the Review Group is the question of whether each proposed activity complies with the Victorian Government's Guidelines for Advertising and Communications. In the event of non-compliance, the group is able to veto or require modification to any non-compliant program. [779]

The Committee has noted that this process has the distinct advantage of being a procedure undertaken prior to advertising or communication strategies being implemented. Accordingly, compliance of government agencies with government advertising guidelines on advertising should be enhanced. The Committee looks forward to the release of a performance audit on government advertising currently being undertaken by the Auditor-General to determine how effective the peer review process has been in preventing political advertisements.

(e) Refugee and Migrant Settlement Program

The Committee noted that within the budget, and *A Fairer Victoria* policy statement, the government had set aside funding for refugee and migrant health. The Committee asked the Premier to outline what the government aimed to achieve in relation to refugee and migrant health in 2006-07.[780]

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[778] ibid., p.2
[779] ibid., p.3
[780] Hon. S Bracks, MP, Premier, 2006-07 Budget Estimates hearing, transcript of evidence, 5 June 2006, p.8

The Premier indicated that while such programs would normally be almost exclusively the responsibility of the Commonwealth Government, the state government was aware that with the very large number of migrants settling in Victoria, there was a need to supplement and support some of the existing services. The Premier emphasised the government's awareness that there are significant deficiencies in the current support provision for refugees in this country. [781]

The Premier also outlined a number of existing programs that the Department of Human Services is currently undertaking including the Refugee Health and Wellbeing Action Plan and a range of targeted support measures contained within the government's *A Fairer Victoria* program statement released in 2005. The Premier also emphasised the government's commitment to piloting regional settlement of humanitarian migrant entrants as an important part of its broader strategy to encourage greater migration to regional Victoria. [782]

While acknowledging the existence of and the need to improve current migrant settlement and health programs, the Committee considers that a significant vacuum may exist with longer term programs aimed at integrating settled migrants into the broader Australian community and culture. Consequently, the Committee considers that there may be a need for further research and work in this area to be undertaken by the Victorian Government in consultation with the Commonwealth Government, local councils and migrant representative bodies. The Committee is aware that issues of integrating into the community and the health of new arrivals are interrelated.

This view appears to be supported by the Premier who indicated: [783]

> *Even though nearly 80 per cent of the respondents to the Victorian population health survey think that multiculturalism makes life in their area better, this has declined from nearly 86 per cent in 2004, which is interesting. This trend is more pronounced in rural areas, declining from 79.6 per cent in 2004 to 69.5 per cent in 2005, so we have a further challenge in undertaking to adhere to our objectives in that area.*

The Committee recommends that:

Recommendation 63: **The Department of Premier and Cabinet take a lead role in evaluating the effectiveness of existing migrant settlement programs in Victoria and to identify and implement new programs where warranted to help integrate migrants into the broader Australian community and culture.**

781 ibid.
782 ibid.
783 ibid., p.29

(f) Tsunami Disaster Reconstruction Fund

The Committee asked the Premier to provide details about progress made with the tsunami disaster reconstruction fund. [784]

The Premier indicated that the $10 million allocated to this Fund was in addition to the existing moneys that had previously been provided immediately after the tsunami hit the region. The Premier reported that almost two thirds of the $10 million had been allocated to substantial construction projects that will provide lasting benefit to the tsunami affected communities.

The Premier also mentioned that some difficult governance issues were involved in ensuring an adequate accountability trail was established from the beginning. The Premier indicated that of the $10 million in the Fund, a substantial proportion would go to Sri Lanka and a number of projects have been started in that country. The Premier indicated he would be prepared to report future progress to the Committee.

The Committee considers it would be beneficial for Parliament and the wider Victorian community to receive a report on the Fund once it is fully expended.

The Committee recommends that:

Recommendation 64: **The Department of Premier and Cabinet prepares a status report to Parliament and the wider Victorian community on all expenditure from the Tsunami Disaster Reconstruction Fund, along with outcomes achieved.**

[784] ibid., p.6

CHAPTER 13: DEPARTMENT OF PRIMARY INDUSTRIES

Key findings of the Committee:

13.1 **The Department of Primary Industries' output budget for 2006-07 is $398.6 million, a decrease of $27.8 million or 6.5 per cent from the 2005-06 estimated actual result.**

13.2 **The 2006-07 budget allocation for the Department of Primary Industries includes about $18.9 million of output funding carried over from 2005-06 to 2006-07.**

13.3 **Estimates of equivalent full-time staff show a marginal increase from 2,635.2 at 30 June 2005 to an estimated staff establishment of 2,653.6 at 30 June 2006 and 2,658.8 at 30 June 2007.**

13.4 **The department is experiencing difficulties recruiting ongoing information technology staff to develop and maintain divisional applications. And due to the resources boom it is also having difficulties attracting geoscience and mining engineering staff because the pay rates in the Victorian public service are not competitive with those in the mining industry.**

13.5 **Net royalty and licence fee receipts of $1.4 million were generated from formally protected intellectual property in 2005-06. of this sum, $260,000 was spent in protecting the intellectual property generated from the commercialisation of agricultural research and development products. Surplus funds are deployed to meet employment costs associated with commercialisation activities and reinvested in new capability and technology development.**

13.6 **The department has discovered that an antimicrobial present in wallaby milk has, at this stage, antibacterial microbial characteristics far stronger than anything else, particularly against some of the so-called *'super bugs'*. The Minister for Agriculture indicated that the department has detected this antibiotic to be a hundred times more effective than penicillin. While it takes a long time to prove, and further tests are required, the department is working towards protecting the intellectual property from this research project.**

13.7 **Two major trends emerged between 1995 and 2005 in relation to Victoria's food and fibre exports – the continuing strength in wine exports, and the on-going increase in lamb and sheep-meat production at the expense of wool. The main factor affecting the level of Victorian food and fibre exports in recent years has been the drought.**

13.8 **During 2006-07 the department plans to focus activity on solving some of the trade barriers that pose a key limitation to growing Victorian exports. This shift in focus has resulted in a reduced target of 70 significant customer interactions to take place in 2006-07 (to facilitate export outcomes) compared with the target and expected outcome of 100 for 2005-06.**

13.9 **Enforcement activity connected with illegal fishing in 2005-06 resulted in 209 offenders being found guilty (143 in 2004-05) and $36,672 in revenue generated from the sale of forfeited products and equipment ($46,954 in 2004-05).**

13.10 **The budget provides $9 million over three years (to 2008-09) to fund the *Developing Gold Undercover* output initiative. This funding is to attract greater investment in gold exploration in Victoria and open up new exploration in areas to the west and north of the state's 'golden triangle', where limited or no exploration has taken place. Geoscience Victoria estimates that there is potentially 30 million ounces of gold in the area north of Bendigo alone yet to be developed.**

13.11 **The budget papers reveal a change in audit approach during 2005-06 for the occupational health and safety audits of high or critical minerals and petroleum sites. This involved an increased focus on major systems audits of large prescribed mines and the introduction of a targeted 'blitz' audit program. The first two targeted audit programs were on mobile equipment and guarding, which had been the subject of numerous incidents and accidents over the past 12 months. The current 'blitz' campaign, focusing on environmental impacts from dust and noise, is targeting mines and quarries located close to residential areas.**

13.12 **Although the 2005-06 budget forecast that the minerals and petroleum royalty audit program would generate $500,000 in royalties annually over each of the next four years, an additional $217,000 in revenue was identified by the department in 2005-06. This consisted of $135,000 from the extractives sector and $82,000 from the minerals sector.**

Departmental review

13.1 Budget summary

13.1.1 Budget development

The Department of Primary Industries advised that the following key assumptions have been used to develop the department's budget projections for 2006-07: [785]

- CPI at 2.75 per cent;
- increase of 3 per cent in employee entitlements under the Enterprise Bargaining Agreement;
- new initiatives announced in the Provincial Victoria statement;
- new initiatives announced in the 2006-07 budget; and
- revised revenue projection for industry and commercial research projects.

13.1.2 Budget summary – output costs

The department's output budget for 2006-07 was $398.6 million, a decrease of $27.8 million or 6.5 per cent on the estimated actual result for 2005-06.[786] Exhibit 13.1 provides a detailed breakdown. Explanations for certain variations in excess of 10 per cent between the 2005-06 estimated actual and the 2006-07 budget estimates, to supplement information contained in the budget papers, are set out below:

- Regulation and Compliance output (-17.8 per cent): Movement reflects the one-off impact of the additional funding received in 2005-06 for locust control activities, along with the Benambra mine rehabilitation and the voluntary buyback of commercial fishing access licences in Victoria's bays and inlets. The decrease also reflects the winding down of the Red Imported Fire Ants Eradication program;[787] and
- Sustainable Practice Change output (-20.3 per cent): Movement reflects the one-off impact of the transfer of appropriation from capital for the purchase of land for the Melbourne Market Redevelopment and the reduction in funding from the Commonwealth Government for the Exceptional Circumstances Program.[788]

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785 Department of Primary Industries, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, p.15

786 Budget Paper No.3, *2006-07 Service Delivery*, pp.207–213

787 Department of Primary Industries, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, p.8

788 ibid.

Exhibit 13.1: Department of Primary Industries Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Sustainable development of primary industries				
Primary industries policy	24.2	23.9	25.5	6.7
Regulation and compliance	76.8	96.5	79.4	-17.8
Strategic and applied scientific research	151.2	166.7	182.7	9.6
Sustainable practice change	99.3	139.3	111.0	-20.3
Total	**351.5**	**426.4**	**398.6**	**-6.5**

Note: (a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome

Source: Budget Paper No.3, 2006-07 Service Delivery, pp.207–213

13.2 Carry over funding

The department expects to carry forward $18.9 million from 2005-06 to 2006-07. Exhibit 13.2 shows the initiatives to which this output funding is expected to be applied.

Exhibit 13.2: Department of Primary Industries Estimated carry over output funding from 2005-06 to 2006-07

Purpose	Estimated carry forward ($ million)
Catchment management projects funded through catchment management authorities	5.5
Projects funded by rural industry research corporations	6.3
Research and experimental projects – industry co-investment	7.1
Total	**18.9**

Source: Department of Primary Industries, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, p.9

Factors contributing to the carry over of funding include: [789]

- projects for rural industry research corporations that commenced at dates other than originally forecast;

[789] ibid., p.9

- timing issues associated with the receipt of funding for industry co-funded projects; and
- the diversion of resources towards emergency response and recovery activities relating to the Grampians bushfires and plague locust control.

13.3 Human resources issues

13.3.1 Departmental workforce

The department advised that it anticipates 2,653.6 equivalent full-time staff will be employed at 30 June 2006 (exhibit 13.3),[790] only a marginal increase of 0.7 per cent on the number of equivalent full-time staff at 30 June 2005.

Exhibit 13.3: Department of Primary Industries
Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Estimate	30 June 2007 Estimate
Executives	18.8	19.8	20.0
Agricultural farm workers	60.6	50.2	52.7
Scientists grades A-D	nil	(b) 1,072.5	1,051.5
Principal scientist	41.6	46.1	46.1
Victorian public service officers – Grades 1-6	2,511.2	1,455.0	1,478.5
Other	3.0	10.0	10.0
Total	**2,635.2**	**2,653.6**	**2,658.8**

Note: *(a) it is not possible to provide accurate estimates of funded vacancies apart from executive officers and principal scientists*

(b) new science specific career structure created

Source: *Department of Primary Industries, response to the Committee's 2006-07 Budget Estimates questionnaire, received 8 June 2006, pp.3–4*

To identify immediate skill shortages the department monitors recruitment outcomes and obtains advice from divisions based on their experience in the labour market when filling vacancies.[791] Projected skill shortages in the medium term (over the next two to three years) are estimated in the departmental business planning cycle, which has input from all divisions within the department.[792] In the longer term, changes in skill requirements are based on divisional business planning, the identifiable impact of

[790] ibid., pp.3–4
[791] ibid., p.19
[792] ibid.

specific initiatives/projects and changing demands of technology, and stakeholder expectations, in particular, fund providers.[793]

In terms of projecting skill shortages over the next two to three years, the Committee learned that as the resources sector is expected to remain buoyant, geoscience and mining engineering staff will remain difficult to attract.[794] Changes in science technology, with greater emphasis on genomics, 'dry' science (modelling and computer simulation), synchrotron and collaborative large multi-discipline projects require a workforce with different capabilities.[795] Because these skills are in short supply globally, the department anticipates difficulties in attracting staff from these disciplines,[796] but its graduate recruitment program is targeting these areas. Projections over the longer term (over the next four to six years) predict that labour market skills within the resources sector will be more balanced, with more graduates in the market and slightly less demand from industry as the 'boom' tapers off.[797] According to the department, this will create a more manageable market for geoscience capabilities.[798] The technology driven changes in science, however, will still be evident.[799]

The Committee was interested to learn that the expanding resources sector, driven by increased demand for resources from China and India, has contributed to the geoscience skill shortages and that the shift in science capability has primarily been driven by technology.[800] Both of these drivers are outside the influence of the department.[801]

To remedy and address skill shortages, the department is:[802]

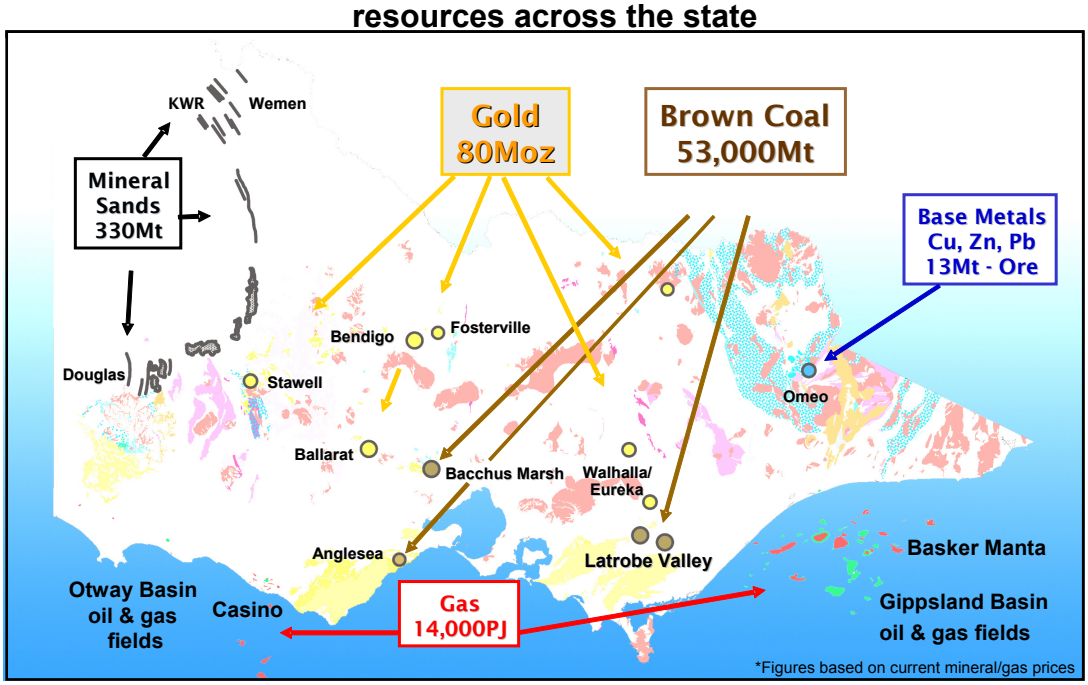
- placing greater emphasis on management to maximise the retention of staff;
- monitoring labour market rates for geoscience and information technology staff;
- using contract personnel to meet critical skill shortage areas to maintain service delivery capacity; and
- continuing its emphasis on graduate recruitment and establishing a culture to retain skilled staff.

The Committee acknowledges the work underway and planned to address the department's projected skill shortages in the agriculture and resources sectors. The Committee will keep this matter under review, especially in light of the estimates

793 ibid.
794 ibid.
795 ibid.
796 ibid., p.20
797 ibid.
798 ibid.
799 ibid.
800 ibid.
801 ibid.
802 ibid.

undertaken by GeoScience Victoria of 'yet-to-find' and undeveloped resources across the state (exhibit 13.4).

Exhibit 13.4: Yet-to-find and undeveloped resources across the state



Notes: *KWR this relates to the possible Iluka Resources project in North West Victoria near Ouyen with KWR short for the names of Kulwin, Woornack and Rownack - being separate mineral sands deposits that would be treated as part of the one project*

Wemen is the name of a country town between Ouyen and Robinvale in North West Victoria where there is a mineral sands mine that was closed in 2003 but may re-open

Douglas is the name of the new mineral sands development near Horsham that is expected to start production in 2006-07 operated by Iluka Resources

Moz stands for million ounces

Mt stands for million tonnes

Cu Symbol for copper

Zn Symbol for zinc

Pb Symbol for lead

Pj stands for peta joules being a measure of energy used in the gas industry

Source: *Hon. T Theophanous, MLC, Minister for Resources, 2006-07 Budget Estimates hearing, 4 July 2006, presentation slide 4 and Department of Primary Industries, response to the Committee's additional follow-up question, received 31 July 2006*

The Committee recommends that:

Recommendation 65: **To prevent skill shortages adversely affecting the Department of Primary Industries' ability to deliver specific initiatives/projects in the resources sector, the department undertake regular market testing to assess:**

(a) the pay and conditions offered by the Victorian Government compared with the private sector; and

(b) whether any inducements need to be introduced to recruit permanent in-house technical staff.

Review of portfolios

13.4 Agriculture portfolio

13.4.1 Key issues affecting the portfolio

One of the ten goals contained in the government's vision for Victoria to 2010 and beyond set out in *Growing Victoria Together,* is for more quality jobs and thriving, innovative industries across Victoria.[803] These goals form the basis for budgetary and policy decisions.[804] The government has set a target for Victoria to increase exports to $30 billion by 2010.[805]

(a) Agricultural research activities

(i) Financial outcomes generated from formally protected intellectual property

Continuing the Committee's interest in ensuring that the financial outcomes generated from formally protected intellectual property are maximised in the public interest, the Committee was interested in comparing the revenue generated from the commercialisation of agricultural research and development products to the expenditure incurred in this process.

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803 Victorian Government, *A Vision for Victoria to 2010 and Beyond: Growing Victoria Together,* March 2005, p.3

804 ibid., p.1

805 ibid.

Revenue generated from formally protected intellectual property for the years ended 30 June 2005 and 30 June 2006 is shown in exhibit 13.5.

Exhibit 13.5: Department of Primary Industries
Revenue generated from formally protected intellectual property
2004-05 to 2005-06

	2004-05 ($)	2005-06 ($)
Gross royalty and licence fee receipts	2,914,239	2,057,454
Distribution to external equity holders	902,329	690,789
Net royalty and licence fee receipts	2,011,910	1,366,665

Source: Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.3

Exhibit 13.6 reveals the expenditure incurred by the department in protecting intellectual property during 2004-05 and 2005-06.

Exhibit 13.6: Department of Primary Industries
Expenditure incurred in protecting intellectual property
2004-05 to 2005-06

	2004-05 ($)	2005-06 ($)
Gross intellectual property registration and maintenance costs	251,044	293,089
Costs recovered from external licensees	26,003	32,626
Net intellectual property registration and maintenance costs	225,041	260,463

Source: Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.3

The Committee was advised that the surplus funds generated from the above activities are used to meet employment costs associated with commercialisation activities, and reinvested in new capability and technology development.[806]

Expenditure incurred in creating intellectual property is not assigned to specific items of protected intellectual property for the following reasons:[807]

- the *'market failure'* component of the department's investment criteria results in the department undertaking research activities in areas that are not sufficiently mature to attract private investment. This is commonly the case in the very early stages of a new technology or a new industry. Therefore, while the research may ultimately deliver significant returns to both farmers and

[806] Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.3
[807] ibid.

industry and result in broader economic growth, the financial returns able to be captured by the department are unlikely to outweigh the costs incurred in creating the intellectual property that underpins these outcomes;

- typically, there is a significant time lag between the creation of intellectual property and the generation of a commercial return; and
- there is no practical or accepted method of allocating expenditure incurred in broadly based research programs to individual items of intellectual property.

(ii) Bacteria-killing compound in wallaby milk

The Committee was interested in gaining an understanding of the achievements being realised from the research work undertaken by the department into the wallaby genome project, the importance of this project to Victoria and how the intellectual property rights were being secured for Victorian taxpayers.

At the estimates hearing, the Committee was told of the discovery by the department that an antimicrobial present in wallaby milk has, at this stage, antibacterial microbial characteristics far stronger than anything else, particularly against some of the so-called super bugs.[808] The Minister indicated that it has been detected that its antibiotic is a hundred times more effective than penicillin.[809]

While it takes a long time to prove and further tests are required,[810] the Minister informed the Committee that the department was working towards protecting the intellectual property from this research project.[811]

The Committee believes that it is absolutely critical that the commercial return from this project is maximised and looks forward to monitoring the progress of this exciting project during subsequent estimates processes.

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808 Dr C Noble, Executive Director, Research and Development, Department of Primary Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 15 June 2006, p.20

809 Hon. R Cameron, MP, Minister for Agriculture, 2006-07 Budget Estimates hearing, transcript of evidence, 15 June 2006, p.21

810 ibid.

811 Mr P Harris, Secretary, Department of Primary Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 15 June 2006, p.21

The Committee recommends that:

Recommendation 66: **The Department of Primary Industries include in its annual report, an update on its research work associated with the discovery of a bacteria killing compound in wallaby milk.**

Recommendation 67: **In the interests of Victorian taxpayers, the Department of Primary Industries ensure intellectual property rights of the Wallaby Genome Project are secured and formalised prior to finalisation.**

(iii) Investment Performance Report

In response to the Committee's recommendation in its *Report on the 2004-05 Budget Estimates* that the Department of Primary Industries prepare an annual research report card on its agricultural research activities, it was encouraging to find that the department had recently published an investment performance report for 2004-05 for the agriculture and food sector. The Minister advised the report would be referred to in the department's 2005-06 annual report and of the intention for a similar report to be produced annually.[812] The purpose of the report is to demonstrate the return to government, industry and the community from ongoing investment in research, development and extension projects.[813]

The investment performance report disclosed that during 2004-05, the department managed a $112.4 million investment in the sustainable development of the agriculture and food sector.[814] Of this, the Victorian Government contributed $67.9 million towards the research, development and extension projects, while Rural Industry Research Corporations and Cooperative Research Centres collectively contributed $22.8 million. [815]

In terms of defining and measuring benefits from past investment, the department described in the report its contribution to government outcomes and the benefit of those outcomes to Victoria.[816] In doing so, however, the report points out that most benefits are far from immediate as the true impact may not be realized for five years

[812] Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.4
[813] Department of Primary Industries, *Agriculture and Food Sector: Investment Performance Report 2004-05*, p.1
[814] ibid., p.17
[815] ibid.
[816] ibid., p.3

or more, and no simple measures exist to monitor the achievement of complex policy outcomes.[817]

While a number of strategic outcomes have been defined in the report together with key result areas and achievements, the report indicates that:[818]

> *In 2004-05, the value of productivity improvement in Victoria was worth $119 million for broadacre industries. This means departmental spending on policy, science and other services that assisted in the development and adoption of new technologies contributed to a benefit of $119 million to the broadacre industries in this year (assuming constant prices).*

The Committee is pleased that the department has adopted a culture of facilitating an accountability framework over its investment in research, development and extension projects by publicly reporting on the return generated.

(iv) Meeting research and development targets

For the Strategic and Applied Scientific Research output, the department anticipated it would complete 84 per cent of Agrifood, Fisheries and Natural Resource Management Research and Development Project milestones and reports on time in 2005-06 compared with a target 90 per cent.[819]

In enquiring into the factors that prevented the department from meeting its 90 per cent target in 2005-06, the Minister advised the Committee that Primary Industries Research Victoria (PIRVic) scientific and technical staff contributed a significant amount of time to the department's emergency response activities associated with locust control and bushfires.[820] As a consequence, some milestones for science projects were necessarily delayed.[821]

The Committee recommends that:

Recommendation 68: **The Department of Primary Industries ensure its science projects that were delayed in 2005-06 are completed in a timely manner in 2006-07.**

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817 ibid.
818 ibid., p.6
819 Budget Paper No.3, *2006-07 Service Delivery*, p.211
820 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.5
821 ibid.

(b) Export outcomes

(i) Food and fibre exports

Victorian food and fibre exports for the 2005 calendar year were valued at $6.8 billion, and accounted for 27 per cent of Australia's total food and fibre exports.[822]

Overall, the value of food and fibre exports from Victoria has experienced an annual trend growth rate of 4.46 per cent since 1995 (see exhibit 13.7).[823]

[822] ibid., p.2
[823] ibid.

Exhibit 13.7: Department of Primary Industries
Value of Victorian food and fibre exports by industry 1995 to 2005 calendar years ($AUD million)

Commodity Grouping	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	Annual trend growth rate(a) (%)
Dairy	1,226	1,455	1,489	1,775	1,899	2,386	2,725	2,592	1,801	2,080	2,105	5.44
Meat	737	658	751	827	833	1,040	1,299	1,293	1,154	1,291	1,375	7.98
Wool	1,213	1,105	1,300	964	830	1,207	1,392	1,401	1,027	1,006	913	-1.12
Wine	56	73	108	134	144	181	231	318	353	477	623	25.91
Grains (b)	172	783	800	548	658	944	1,492	932	404	984	447	5.16
Horticulture	286	331	316	347	367	402	408	498	424	366	404	3.56
Prepared foods	260	279	315	279	344	382	393	413	422	424	402	5.26
Fibre products (b)	305	332	385	370	262	319	354	390	362	353	277	-0.02
Niche	115	138	149	136	137	162	169	174	190	163	135	2.68
Seafood	139	139	128	107	108	140	126	115	99	133	131	-0.84
Total	**4,509**	**5,292**	**5,740**	**5,486**	**5,583**	**7,162**	**8,590**	**8,126**	**6,236**	**7,277**	**6,812**	**4.46**

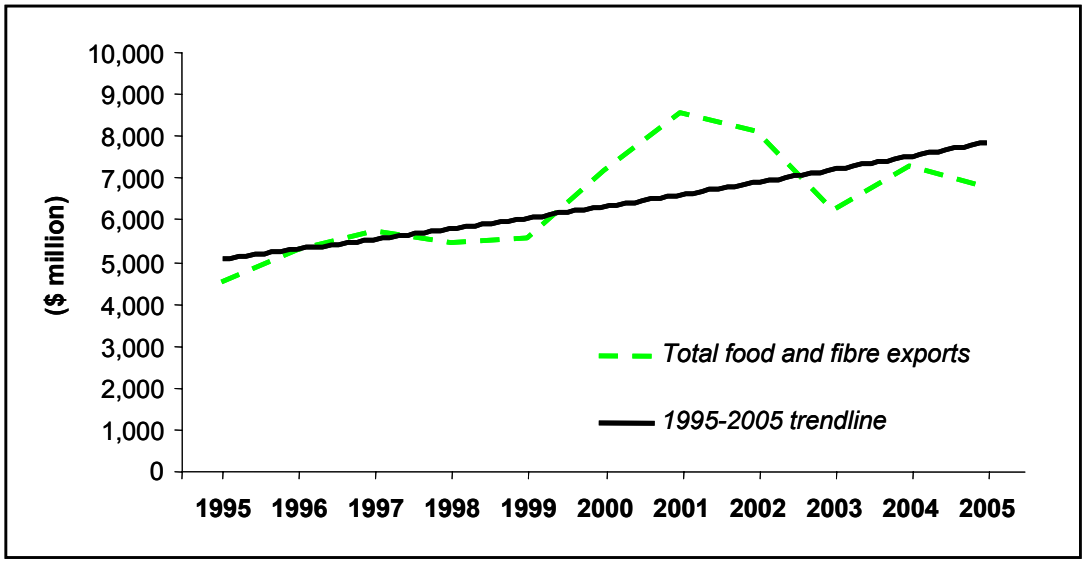
Notes: *(a) annual trend growth rates derived by a log-linear regression line of best fit based on values for the period from 1995 to 2005. These trend growth rates are based on historical data only – realistic projected growth rates for each industry should also incorporate industry, economic and export market knowledge*

(b) grain and fibre product export figures are heavily affected by confidentiality agreements and figures should be used with caution

Source: *Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.2*

The Minister informed the Committee that the ten year trend data in exhibit 13.8 is affected by the occurrence of significant drought in 2002 and 2003 that dramatically reduced production and stocking levels and also the dry seasonal conditions that have persisted through the recovery period.[824] The ten year trend, while encompassing these conditions, takes into account more observations and produces a result less affected by these few years.[825]

Exhibit 13.8: Department of Primary Industries
Total food and fibre exports Victoria
1995 to 2005

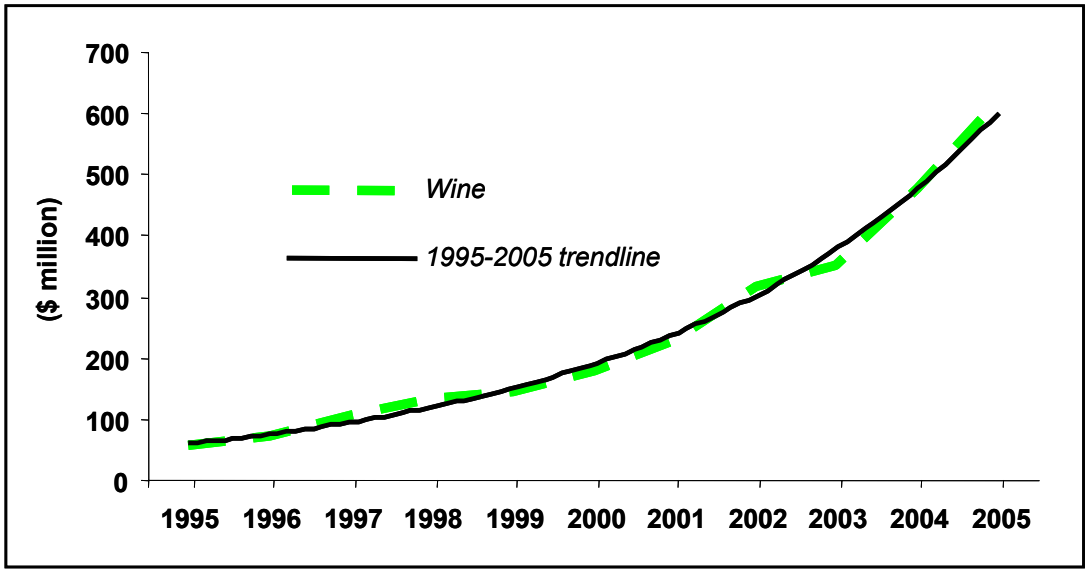


Source: Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.8

Statistics for the past ten years reveal two major trends: the continuing strength in wine exports as a result of high production levels (see exhibits 13.7 and 13.9), and the on-going increase in lamb and sheep-meat production at the expense of wool (see exhibits 13.7 and 13.10).[826] The Committee noted that the Victorian wool industry, which accounts for 20 per cent of the national wool industry value and volume as well as sheep numbers, is a major part of the Victorian economy with an estimated gross value of production at the farm gate of around $500 million.[827] The Committee understands that the Department of Primary Industries is currently developing a wool strategy which will be released shortly.[828]

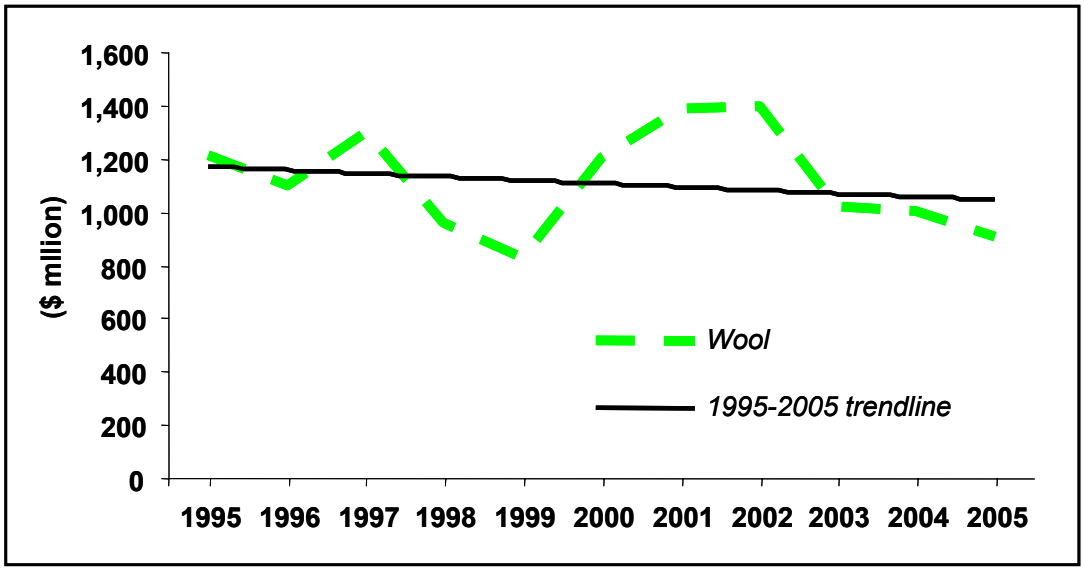
824 ibid.
825 ibid.
826 ibid.
827 www.dpi.vic.gov.au, accessed 20 July 2006
828 ibid.

Exhibit 13.9: Department of Primary Industries
Wine exports Victoria
1995 to 2005



Source: Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.9

Exhibit 13.10: Department of Primary Industries
Wool exports Victoria
1995 to 2005



Source: Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.9

The Committee noted that a strong long term trend in export growth is less evident in the dairy, meat, grains, and prepared food sectors shown in the ten year statistics (see exhibit 13.7).[829] The Committee also noted that the dairy sector had continued its role as the leading agricultural export category and indeed as the single largest export category from the Port of Melbourne.

The Minister advised the Committee that a range of other factors impact on export values, which include relatively high exchange rates, the increasingly competitive nature of a number of export markets and fluctuations in individual commodity prices.[830] The Minister indicated, however, that the main factor affecting the level of Victorian food and fibre exports in recent years has been the relatively difficult seasonal conditions.[831]

The Committee will keep under review developments that occur in the wool industry in terms of budget and policy decisions aimed at assisting the wool industry and expanding associated exports from Victoria.

(ii) Customer interactions to facilitate exports

The budget papers reveal that, within the Sustainable Practice Change output, a target of 70 has been set for the number of significant customer interactions to occur in 2006-07 to facilitate export outcomes compared with a target and expected outcome of 100 for 2005-06.[832]

The Committee was interested in understanding the factors that had led to the reduction in the target for 2006-07 and gaining an insight about the background surrounding the statement in the budget papers that '*in 2006-07 there will be a focus around problem solving activities to help reduce trade barriers*'.[833]

The Minister brought to the Committee's notice that introducing Victorian agrifood businesses to overseas buyers (i.e. significant customer interactions) is only one activity that the department undertakes, within a broader program of work aimed at facilitating export outcomes.[834] The department's strength is in using its science capability to assist in overcoming key trade barriers and issues that are limiting the Victorian sector's ability to grow exports.[835] The Committee was advised that during 2006-07, the department plans to build further on these strengths and focus activity on solving some of the trade barriers that pose a key limitation to growing Victorian

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829 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.2
830 ibid.
831 ibid.
832 Budget Paper No.3, *2006-07 Service Delivery*, p.212
833 ibid., p.213, note (k)
834 Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.5
835 ibid.

exports.[836] This shift in focus has resulted in the reduced target for significant customer interactions in 2006-07.[837]

Notwithstanding that numerous opportunities have arisen as a result of Australian bilateral trade agreements (such as with USA and Thailand), the Minister informed the Committee that 'barriers to trade' ranged from a need to develop and negotiate new protocols for controlling specific pests (such as fruit fly) to addressing a lack of buyer knowledge about Victoria's supply capabilities.[838]

The Victorian Government has invested $1.5 million over three years in the Growing Demand for Victorian Food initiative in order to establish Victorian Government agrifood specialists in Thailand and North America.[839] According to the Minister, this initiative is helping the Victorian agrifood sector to take advantage of opportunities arising from Australia's Free Trade Agreements with these important export markets by overcoming barriers and issues to trade.[840]

The Minister assured the Committee that many of these barriers and issues can be addressed through the department's science and market development expertise.[841] For example, the Thai quarantine authority stopped exports of Victorian seed potatoes due to a perceived pest and disease issue.[842] The department's scientists and agrifood specialists worked with Thai officials to develop acceptable protocols for the control of the disease, which enabled trade to resume.[843] The Minister brought to the Committee's notice that during 2006-07, the department will be working with industry, Biosecurity Australia and government officials to gain access for Victorian table grape exports into China, as well as overcoming some of the supply chain issues associated with exporting citrus fruit to USA and China.[844]

The Committee will be interested in keeping under review the progress made by the department in overcoming the barriers to trade and achieving export growth in future.

(c) Illegal fishing

Under the department's Regulation and Compliance output, the government has set a target of greater than 90 per cent for enhancing or maintaining levels of community compliance to achieve sustainability within a fisheries resource and/or area.[845] The Committee was interested in hearing from the Minister about how well the department

836 ibid.
837 ibid.
838 ibid.
839 ibid., pp.5–6
840 ibid., p.6
841 ibid.
842 ibid.
843 ibid.
844 ibid.
845 Budget Paper No.3, *2006-07 Service Delivery*, p.210

has performed in achieving that objective, the strategies implemented over the previous reporting period and how these measures assisted in reducing illegal fishing.

The Minister advised the Committee that:[846]

> *Obviously compliance in fishing is something that we have to be constantly vigilant about. When we talk about illegal fishing, what we are really talking about is theft: theft from the community of a community resource. If the commercial sector take too much from the total resource, it will affect other commercial operators. We have people who take too many fish out of the rivers, for example, and that will affect other recreational fishers. That theft from the community is a significant issue.*
>
> *A couple of years ago we introduced 13-FISH, a reporting hotline, which has been very successful, and also Fisheries Victoria does a lot of work monitoring, particularly in relation to abalone theft.*

The Committee was also informed that:[847]

> *In regard to the performance measure, we maintain a performance of above 90 per cent. The reason for that is to make sure that the resources are allocated to where they are needed. If we have a high level of compliance, then it is not of great benefit to apply the resources in that particular area. One of the great advantages of the 13-FISH, 24-hour, seven day a week reporting number is that it allows the opportunity for stewardship within the community, so that they get involved in supporting the protection of the resource. They also have the ability to actively target offences when they are occurring and provide a lot of information to go into our intelligence database.*
>
> *One of the key changes that we have made in recent years to fisheries employment in Victoria – and other states are moving to this – is with regard to evidence information-driven enforcement. We get the intelligence, analyse it and see where we can best apply our resources to get the greatest outcome at the end of the day. That allows us to have targeted operations, so instead of just general patrolling, we are now moving into a target operations scheme …*
>
> *We also have native fish strategies. There is potential displacement of abalone crime into native fish, which is now becoming very popular in the market places. We conduct target operations with regard to Murray cod and golden perch in inland waters, and we are apprehending offenders who organise crimes in those areas, to stop the displacement.*

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846 Hon. R Cameron, MP, Minister for Agriculture, 2006-07 Budget Estimates hearing, transcript of evidence, 15 June 2006, p.7

847 Dr P Appleford, Executive Director, Research and Development, Department of Primary Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 15 June 2006, pp.7–8

We are also targeting marine species, such as snapper, where there is illegal trade from amateurs who are legally catching their bag limit but then putting that into the market place ...

The Committee sought and received from the Minister various details about enforcement outcomes connected with illegal fishing in Victoria (see exhibit 13.11).

Exhibit 13.11: Department of Primary Industries
Enforcement results
2003-04 to 2005-06

Enforcement results	2003-04	2004-05	2005-06
Penalty Infringement Notices issued	1,708	1,631	1,402
Prosecution briefs prepared	115	108	155
Results derived from the preparation of the prosecution briefs – Court results: (a)			
• total number of offenders	152	146	225
• total number of offenders with findings of guilt	150	143	209
• total number of charges	1,792	1,780	1,141
Revenue generated from sale of forfeited product and equipment (a)	$10,359	$46,954	$36,672

Note: *(a) It should be noted that the number of offenders, charges with finding of guilt and total revenue generated do not serve as proxies for resource protection. Planned operations are based on resource risk, where on occasions an individual with a low value operation can damage the resource to a greater extent than a group of thieves*

Sources: *Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.1; Department of Primary Industries, response to the Committee's 2004-05 Budget Outcomes questionnaire, received 20 December 2005, p.24*

The Committee was informed that:[848]

- the figures shown above reflect the total number of enforcement results for the respective financial periods, which includes, but is not limited to, investigations and planned operations outputs;
- there can be a substantial time lag between the successful completion of a planned operation and the finalisation of subsequent court proceedings;
- the information on court results relates to matters determined by the courts during 2003-04, 2004-05 and 2005-06; and
- in any year, investigations or operations will fluctuate as the results are dependent on the types of activities taking priority throughout the year, and are largely impacted by the seasonal conditions which create or quash

[848] Hon. R Cameron, MP, Minister for Agriculture, response to the Committee's follow-up questions, received 19 July 2006, p.1

opportunities for illegal activities to occur. Seasonal factors impact on variability of fish catches and fishing opportunities.

(d) Fish Stocking initiative

The government, as part of its Provincial Victoria Statement released in November 2005, announced an initiative designed to boost recreational fishing and tourism opportunities.[849] Given that recreational fishing is a major social and economic contributor to provincial communities and is a significant tourist drawcard, the government provided $3.2 million over four years to:[850]

- increase opportunities for recreational fishing across provincial Victoria;
- improve recreational fishing facilities and infrastructure; and
- boost opportunities for fishing as a family activity.

Funded from the Provincial Victoria Growth Fund, the project will create a small number of heavily stocked waters, provide better access to areas of high recreational values and launch the First Fish Campaign to promote a more family-friendly image of recreational fishing.[851] The Minister brought to the Committee's notice that as part of the initiative, five family fishing lakes have been specifically identified as premier fishing lakes to be stocked with fish.[852]

The Minister informed the Committee that:[853]

> *Recreational fishing is important to a lot of people. It is also important to the economy, with around $400 million of economic activity generated because people go fishing. They have to travel there. They might stay sometimes. They go and buy sinkers and fishing lines. In all, it generates a lot of activity of people getting out and about. We recognise that and that is why one of the things that we do is to promote fish stocking. What that means is that we put fish in different waterways.*

The Committee also learned that: [854]

> *In recent years we have stocked up to 1.3 million fish across the Victorian waterways for the benefit of general anglers ... We provide a lot of support to the average fisher through the Recreational Fishing Grants program. That is derived from revenue for the recreational*

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849 Victorian Government, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest,* November 2005, p.48

850 ibid.

851 ibid.

852 Hon. R Cameron, MP, Minister for Agriculture, 2006-07, Budget Estimates hearing, transcript of evidence, 15 June 2006, p.4

853 ibid., pp.3–4

854 Dr P Appleford, Executive Director, Fisheries Victoria, Department of Primary Industries, 2006-07 Budget Estimates hearing, transcript of evidence, 15 June 2006, p.4

> *fishing licences. It also supports the fish stocking program. Annually the department puts approximately $900,000 to $1 million into that program itself but over the last few years, since 2001-02, $430,000 from the recreational fishing licence revenue was also put into fish stocking. In addition, more than $4.5 million has been allocated to another 130 projects in the areas of facilities, habitat improvements, education and research projects.*

The Committee noted that, in addition to providing recreational value, fish stocking across Victorian waterways provides educational value to the young members of the fishing community and economic benefits to the state in terms of tourism.

The Minister took issue with a Committee member's view on the inappropriateness of fishing stock for recreational fishing being in the Agriculture portfolio.

13.5 Resources portfolio

13.5.1 Key issues affecting the portfolio

(a) Output budget for the minerals and petroleum sector

Because the Department of Primary Industries continued with the change to the presentation of its output structure, which it commenced in the 2005-06 Budget Papers, the Committee again could not determine the level of output funding provided in the 2006-07 budget for the minerals and petroleum sector. Responding to the Committee's request for financial information to enable a comparison between the output funding for 2006-07 with the previous year for the Resources portfolio, the Minister provided the following information to account for the increase of $3.7 million in the budget for the Minerals and Petroleum Division output ($24.5 million in 2006-07 compared with $20.8 million in the 2005-06 budget):[855]

- $3 million of a $9 million three year Developing Gold Undercover Program announced as part of the Provincial Victoria initiative released in November 2005. This program will generate new geological data and geoscience models, along with improving the on-line accessibility and delivery of geoscience information;
- $500,000 of a $1.5 million three year Developing the Latrobe Valley's Resources Future Program, announced as part of the Provincial Victoria initiative. This program will encourage new low emission brown coal based investment and support opportunities for producing other commodities from coal such as urea, ammonia and methane;

[855] Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.1

- a net reduction of $1.735 million associated with funding for the construction of the mechanical thermal expression pilot plant in the Latrobe Valley. The 2005-06 budget provided $2.2 million for the building of the plant, but following contractual delays, $465,000 will now be contributed to the construction of the plant in 2006-07;
- $1 million to be contributed to funding the rehabilitation of the Benambra mine site and associated tailings dam; and
- $700,000 for increased regulation of health, safety and environment outcomes within the earth resources sector to address greater levels of activity in the sector and to meet higher standards demanded by the community for an effective regulatory regime.

The Committee reiterates its comment from last year that it should not have to make a special request each year through the estimates process for output funding details and associated explanations relating to the Resources portfolio to be made public.[856]

(b) Developing gold undercover output initiative

The budget provides $9 million over three years (to 2008-09) to fund the Developing Gold Undercover output initiative.[857] This funding is to attract greater investment in gold exploration in Victoria and open up new exploration in areas to the west and north[858] of the state's 'golden triangle', where limited or no exploration has taken place.[859] The expansion and further development of geoscience data and the online mechanisms to supply information to potential investors quickly and efficiently is to be a key part of this initiative.[860]

The Committee was interested in gaining an understanding of the level of additional investment that could potentially flow to Victoria from the funding allocated to this initiative. The Minister informed the Committee that Geoscience Victoria estimates that there is potentially 30 million ounces of gold in the area north of Bendigo alone yet to be developed.[861] These estimates are supported by work from other organisations such as the CSIRO.

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856 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.508

857 Budget Paper No.3, *2006-07 Service Delivery*, p.328

858 Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.3

859 Budget Paper No.3, *2006-07 Service Delivery*, p.329

860 ibid.

861 Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.3

Exhibit 13.12 demonstrates the magnitude of this opportunity by contrasting the north of Bendigo estimate with the production levels of existing goldmines.

Exhibit 13.12: Goldmining in Victoria
Production levels

Goldmine	Approximate production levels (ounces per year)
$190 million Fosterville goldmine	(a) 250,000
Stawell goldmine redevelopment cost $24 million (b)	(a) 120,000
$55 million Ballarat goldfields (c) $350 million Bendigo mining project (c)	(d) 800,000

Notes:
(a) these operations have further exploration potential
(b) because the Stawell goldmine has been operating for some 20 years, the capital investment cost of this project cannot be presented in the same way as the new projects that have either just commenced or are about to commence. Of relevance is that Stawell has recently invested in new capital (during 2005) to increase production from approximately 100,000 ounces per year to around 120,000 ounces per year. The redevelopment investment to achieve this is approximately $24 million. Prior to the expansion, the Stawell goldmine had a total capital investment of approximately $100 million
(c) new projects under construction or being commissioned
(d) estimate when projects are at full production
(e) gold will be produced through smaller projects such as the AGD Mining operation at Costerfield (due to commence in 2006-07) and potentially the Goldstar Resources operated Walhalla gold project

Sources: Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.5; Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.3; Department of Primary Industries, email, received 1 August 2006

With the Gold Undercover Program having the potential to attract significant new investment to the state, the Minister informed the Committee of the possibility that new operations similar to the Fosterville and Bendigo mines, could be discovered through new data generated from this program, based on the geological prospectivity of the region.[862] While gold production in Victoria accounted for only 1 per cent of total Australian gold production in 2004, with only one goldmine in operation,[863] Victoria's share of total Australian gold production is estimated to rise to around 5 per cent between 2004 and 2010.[864]

The Committee was interested to hear from the Minister for Resources that, according to a recent study by La Trobe University on the regional economic impact of the new Bendigo goldmine, up to 2,100 new jobs will be created in Bendigo and the

862 ibid.
863 Mr W Mollard, *A new gold rush? Outlook for gold production in Victoria,* Ballarat Regional Outlook Conference, 20 July 2005, p.1
864 ibid., p.5

surrounding community from this one mine.[865] As the mine approaches full-scale production, it will add around $600 million a year to regional output and elevate gold ahead of agriculture as the main income source in the Bendigo region.[866]

The Committee considers that with Victoria experiencing a new boom in the gold sector, and the consequent potential to attract significant new investment in future,[867] it will be important for the department to monitor the extent of likely growth in gold producing regions of the state and the demand for new services in those regions.

The Committee recommends that:

Recommendation 69: **The Department of Innovation, Industry and Regional Development develop long term planning strategies to help manage growth and change in provincial regions where new jobs and economic growth will be generated in the future.**

(c) Benambra Mine rehabilitation

The Benambra Mine operated in East Gippsland as a base metals mine producing copper and zinc concentrates from 1992 to 1996.[868] The mine was closed when the operator went into administration in 1998.[869] Attempts by the administrator to sell the mine were unsuccessful and, in October 2004, the site was passed to the department.[870] The sudden closure of the mine was not in accordance with licence conditions or with the procedures in the environmental effects statement, which meant that certain post-mining works were required to restore the environment to as near pre-mining conditions as possible.[871]

The Minister explained that the very small rehabilitation bond was used to mitigate potential environmental effects during the interim period while the company was in administration.[872] The cost incurred in completing the rehabilitation of the Benambra Mine site met by the department amounted to $5.8 million.[873] This cost was financed through the sale of plant from the site, by contributions from the department, and

865 Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.5
866 ibid.
867 Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.3
868 Department of Primary Industries, *Benambra Mine Rehabilitation Project: Your questions answered*, August 2005
869 ibid.
870 ibid.
871 ibid.
872 Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.7
873 ibid., p.8

obtaining a repayable $4 million advance under section 37 of the Financial Management Act.[874]

The Minister indicated that a review of rehabilitation bonds has been undertaken and, as a result, the department is updating the way rehabilitation bonds are held.[875] Under the arrangements, an operation cannot commence without having been properly bonded and environmental inspectors assess the potential cost of rehabilitating each site.[876] According to the Minister, the department has made substantial progress over the past two to three years in reviewing bonds and reducing the state's potential liabilities.[877] The amount of bonds held in the form of bank guarantees is in the order of $90 million to $100 million.[878]

The Committee supports the department introducing environmental inspectors to assess the potential cost of rehabilitating each site, but maintains that it is essential for such reviews to be updated progressively to ensure that the value of each bond is sufficient to meet the end costs involved in restoring each site.

The Committee recommends that:

Recommendation 70: **The Department of Primary Industries develop a program that calls for environmental inspectors to progressively assess the adequacy of rehabilitation bonds to ensure their relevance and currency in terms of the likely costs involved in restoring each site to as near as possible pre-mining conditions when mining ceases.**

(d) Revenue from royalties

Given that the government encourages almost $2 billion in new oil and gas investment in offshore Victoria,[879] the Committee asked the Minister to outline any taxation or royalty revenue it receives, or is likely to receive, from the new oil and gas fields and from the existing Bass Strait operations.

874 ibid.
875 ibid., p.7
876 ibid., p.8
877 ibid.
878 ibid.
879 Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, 4 July 2006, presentation slide number 2

Over the last six years, there has been a massive expansion in the oil and gas sector in Victoria.[880] Large scale projects made possible by the department include:[881]

- the development of BHP's $250 million Minerva gas project and Santos's $200 million Casino gas project at the Otway Basin;
- Anzon's $304 million Basker-Manta oil project in the Gippsland Basin;
- the completion of the first stage of Woodside's $1.1 billion Otway gas project;
- offering Esso a production licence for the Kipper gas project in Bass Strait; and
- Origin's $500 million BassGas project, which is likely to come into operation in the near future.

The Minister informed the Committee that:[882]

> *It is the biggest petroleum investment since the development of the Bass Strait fields by Esso BHP that we have been able to bring about. So more than ever with the development of these multi-million dollar facilities, we see ourselves as the energy hub of the south-east of Australia. But … while Victoria is a beneficiary of this boom in terms of employment, it is not a beneficiary in terms of revenue from resource rent. Indeed, the government which collects the petroleum resource rent is in fact the federal government, which collects something in the order of $1.5 billion in petroleum resource rent from this industry every year. It is an unfortunate situation where we in Victoria are disadvantaged, relative to other states. There are resource rent arrangements in place with Western Australia, for example, where it receives hundreds of millions of dollars in relation to the big resources that come out of that state, and I am talking about the offshore resources. Victoria receives virtually nothing from the massive amount of revenue that is raised each year by the Commonwealth in resource rent …*
>
> *… The fact is that Western Australia gets something in the order of $600 million or $700 million in resource rent arising out of the offshore North West Shelf operations that are taking place in this sector; Victoria gets virtually nothing … This area requires some reform and we would welcome the federal Treasurer entering into discussions about how he could return some of that $1.5 billion back to Victorians.*

880 Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.3
881 ibid.
882 ibid.

The Committee supports the concept of Victoria receiving a fair share of the resource rent collected in this area by the Commonwealth Government.

The Committee recommends that:

Recommendation 71: **The Victorian Government enter into discussions with the Commonwealth Government in relation to receiving a fair share of the resource rent collected from the oil and gas investment in off-shore Victoria.**

(e) Audits

(i) Major audits of high or critical minerals and petroleum sites

The budget papers reveal a change in audit approach for the audits of high or critical minerals and petroleum sites. This entails an increased focus on major systems audits of large prescribed mines and the introduction of a targeted 'blitz' audit program.[883] The impact of this change is reflected by the reduced number of audits of high or critical minerals and petroleum sites expected to be completed in 2005-06 (80) compared with the target of 128.[884]

The Minister informed the Committee that:[885]

> *... we take safety very seriously. It is one of the highest priorities that we have as a government ... We do not want to see any mine accidents. We certainly do not want to see any deaths emerging from this industry. We saw the events in Tasmania and how heartbreaking those events can be. You see overseas that in places like China, thousands of people die each year in the mining industry, and we take every single life as being important.*

With this sentiment in mind, the Minister advised the Committee that the major systems audits undertaken on the high or critical minerals and petroleum sites in Victoria assess the effectiveness of risk controls established and maintained by the mine operators.[886] And, as part of the audit process, the department will provide advice on how to improve the management of risks to encourage mine operators to further raise occupational health and safety standards.[887]

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883 Budget Paper No.3, *2006-07 Service Delivery*, pp.209, 212

884 ibid.

885 Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.9

886 Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.2

887 ibid.

The main objectives of major systems audits for the earth resources sector are to ensure that:[888]

- controls are in place and operating as intended;
- controls are designed well enough to ensure risks are managed effectively; and
- each mine owner's response to risk is adequate and effective and that risks are reduced to an acceptable level.

There are five key elements of the audit cycle managed by the department:[889]

- a review assessment of major mining hazards and controls;
- identification of critical controls and components of the safety management system that will be the focus of the audit;
- an on-site analysis of control implementation;
- the preparation of audit recommendations and a formal audit report; and
- follow-up to ensure implementation of recommendations.

The Minister indicated that the issue of how resources are used in terms of safety is whether everything is covered, or whether more resources are directed at high risk areas.[890] It was decided to do *'blitz auditing campaigns'*, which are now part of the auditing mix,[891] to allow the department to visit more mining and quarrying sites.[892] Blitz audit campaigns are publicised in advance to promote voluntary compliance, although visits to particular sites are unannounced.[893]

Key issues regulated in the targeted program are identified from an analysis of the occupational health and safety and environmental incident database, and via input from the inspectorate and other stakeholders.[894] Research is undertaken in relation to identifying the sites and issues to be pursued.[895] The first two targeted audit programs were on mobile equipment and guarding, which had been the subject of numerous incidents and accidents over the past 12 months.[896] A number of notices and directions were issued as a result.[897] The Committee heard that the current 'blitz' campaign focusing on environmental impacts from dust and noise is targeting mines and quarries located close to residential areas.[898]

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888 ibid.
889 ibid.
890 Hon. T Theophanous, MP, Minister for Resources, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.9
891 ibid.
892 ibid.
893 ibid., pp.9–10
894 ibid., p.10
895 ibid.
896 ibid.
897 ibid.
898 ibid.

Another issue that the Committee pursued with the Minister involved drawing a practical distinction between the role of the department and that of the Victorian WorkCover Authority, specifically whether there is excessive overlap in some of those areas.

The Committee was informed that an inquiry has been set up to look at the synergy between the department's work in the mining area and that of the Victorian WorkCover Authority.[899] The Minister indicated that a report had recently been completed on this issue, and its recommendations were being considered before any decisions would be made about whether there should be any change in arrangements.[900]

The Committee intends to keep under review how risk exposures associated with potential major mining hazards that could occur at Victoria's mines including coal mines, large underground mines and tourist operated mines, are managed by government.

(ii) Minerals and petroleum royalty audit program

The 2005-06 budget revealed that one revenue initiative was to undertake a minerals and petroleum royalty audit program.[901] The aim of such an audit is to assess various mining, extractive and petroleum royalties to ensure they are accurate and comply with legislative requirements.[902] The 2005-06 budget forecast that the audit program would generate $500,000 in royalties annually over each of the next four years to 2008-09.[903]

Following the introduction of a royalty audit program, an additional $217,000 in revenue was identified by the department in 2005-06.[904] This consisted of $135,000 from the extractives sector and $82,000 from the minerals sector.[905]

The Committee considers that the department must review the factors that resulted in it only achieving 43.4 per cent of the revenue target in 2005-06, with a view to examining the cost effectiveness of continuing with this activity or aiming to significantly increase the level of royalties collected from undertaking minerals and petroleum royalty audits in future.

899 ibid.
900 ibid.
901 Budget Paper No.3, *2005-06 Service Delivery*, p.321
902 ibid.
903 ibid., pp.318, 321
904 Hon. T Theophanous, MP, Minister for Resources, response to the Committee's follow-up questions, received 21 July 2006, p.2
905 ibid.

The Committee recommends that:

Recommendation 72: **The Department of Primary Industries review the factors that prevented it achieving the level of revenue expected from the Minerals and Petroleum Royalty Audit Program introduced in 2005-06.**

Recommendation 73: **The Department of Primary Industries examine the cost effectiveness of continuing with its Minerals and Petroleum Royalty Audit Program and whether modifications need to be made to its operations.**

CHAPTER 14: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

Key findings of the Committee:

14.1 **The Department of Sustainability and Environment's output budget for 2006-07 is $1,066.2 million, an increase of $62.7 million or 6.2 per cent on the 2005-06 estimated actual result.**

14.2 **The Department of Sustainability and Environment anticipates carrying forward $14.7 million in asset funding from 2005-06 to 2006-07.**

14.3 **Estimates of equivalent full-time staff show a decrease from 2,765.3 at 30 June 2005 (includes 255.0 field staff) to 2,632.4 at 30 June 2006 (includes an estimate of 217.8 field staff), increasing marginally to an estimated 2,657.4 at 30 June 2007. The Committee was advised that the actual number of equivalent full-time field staff employed at 30 June 2006 remained at 255 compared with the estimate of 217.8 because a number of summer project fire fighters, who would normally cease employment at the end of the fire season, continued in fixed term field staff roles post 30 June 2006.**

14.4 **Certain skill shortages have been identified in the areas of planning, water engineering and various fire management roles. In the key area of fire and emergency management, workforce modelling has identified a shortage of staff in critical incident controller and operation officer roles over the next five to ten years. A number of strategies are being examined to ensure the required number of staff is trained and available to participate in fire and emergency management operations. Modelling should be undertaken on projected shortages in terms of identifying skill shortages over the next two to six years in other functional areas of the department.**

14.5 **State expenditure on weeds and pest animal control will increase by more than $2 million in 2006-07. While the department is currently treating and monitoring about 160 infestation sites throughout the state, at least 20 of these infestations will be considered eradicated after treatment and follow-up monitoring over the last three years. The time required to achieve eradication would generally take longer than one year, depending on factors such as the species involved, the size of the infestation, and the method of treatment to achieve eradication.**

14.6 **The 2005-06 budget provided new asset funding of $6.6 million over two years ($4.5 million in 2005-06) to reconstruct the Seal Rocks Sea Life Centre on Phillip Island. This funding will be used to repair the visitor information centre and restaurant at the Centre, storm water damage to the roof that occured in 2002. The estimated expenditure on this capital project was $1.5 million for 2005-06, leaving an estimated $3 million to be carried forward to 2006-07. The Minister for Environment advised that, while the safety issues at the centre have largely been dealt with, the installation of storm shutters and venting works will be undertaken before June 2007 in conjunction with the internal refurbishment of the building.**

14.7 **Under the Conservation Land Purchase Program, 130 properties have been acquired since 1999-2000 at a cost of $16.2 million; 17 were purchased in 2005-06 for $2.6 million. Covering 8,991 hectares, these voluntary acquisitions are designed to increase the reservation levels of Victoria's most threatened ecosystems.**

14.8 **A wide range of water conservation strategies have been developed by the Department of Sustainability and Environment, for example, the Smart Water Fund has made available $28 million over six years to drive innovation in water recycling, water conservation and biosolids management to help secure Victoria's water supplies.**

14.9 **In the event of Victoria experiencing long term drought conditions, and if the Victorian Government's water conservation strategies do not prove to be sufficient, the Committee considers that budgetary avenues for providing additional financial inducements aimed at encouraging the community and businesses to use less water (rather than implementing additional water restrictions) may need to be considered in future.**

14.10 **In 200-07, $31.8 million will be provided to the nine rural catchment management authorities to undertake 96 projects to improve the health of Victoria's rivers.**

14.11 **The Committee noted that the $270 million announced by the government in January 2006, as part of the *Yarra River: securing water quality for a healthy future* action plan for new initiatives to improve the health of the Yarra River, the Maribyrnong and tributaries, brought recent total funding for improving the river to $580 million.**

14.12 **The government has implemented a wide range of strategies to achieve an appropriate balance between environmental flows and water consumption. While a number of decisions have been made through the government's *Our water our future* action plan to address priority stressed systems across the state, the process for addressing remaining stressed systems will come from decisions made in the sustainable water strategies, the government's new planning framework for deciding on large scale, long term changes in water use.**

14.13 **Although the Wimmera-Mallee pipeline was originally proposed to be a ten year project, the government is now examining possibilities for accelerating the project.**

14.14 **The 2006-07 budget provides $30 million towards building a new pipeline to secure Bendigo's water supply and the future of surrounding irrigators. An extra 20 billion litres of water will be needed annually to meet the Bendigo region's needs. Based on the feasibility study, the estimated project cost is $70 million. The potential partners are Coliban Water, Goulburn-Murray Water and the National Water Commission. If federal funding is not forthcoming, Coliban Water has indicated that the people of Bendigo and the farmers in that area who use the system will have to fund the balance through their water rates.**

14.15 **The budget provides new output funding to establish the Growth Areas Authority ($20.6 million over five years; $5.5 million in 2006-07). The Minister for Planning indicated that to avoid another layer of red tape that delays planning and planning approval in growth areas, it is crucial that the authority forms partnerships with councils and developers in future.**

14.16 **The government foreshadowed that the time taken for planning decisions to be made would be reduced by up to 50 per cent as a result of the implementation of the Better Decisions Faster initiative (the government allocated $3.1 million in 2003-04 to streamline and improve Victoria's planning process). The Minister for Planning informed the Committee in July 2006 that with the impending completion of enhancements to enable electronic data collection, including the timelines for decision making, accurate data would be available for comparative purposes.**

Departmental review

14.1 Budget summary – output costs

14.1.1 Budget development

The Department of Sustainability and Environment advised that internal allocation of resources within the department takes into account the new resources allocated in the budget each year, and the previous decisions and other announcements, all of which form the basis of its budget setting.[906]

14.1.2 Budget summary – output costs

The department's output budget for 2006-07 was $1,066.2 million, an increase of $62.7 million or 6.2 per cent on the estimated actual result for 2005-06.[907] Exhibit 14.1 provides a detailed budgetary breakdown and an explanation for variations between the 2005-06 estimated actual and the 2006-07 target being greater than 10 per cent, where reasons are not provided in the budget papers.

[906] Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, p.23

[907] Budget Paper No.3, *2006-07 Service Delivery*, pp.217–236

Exhibit 14.1: Department of Sustainability and Environment Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Healthy and productive water systems				
Sustainable water management and supply	154.3	155.3	162.8	4.8
Healthy and productive land; healthy, productive and accessible marine, coastal and estuarine systems; and flourishing biodiversity in healthy ecosystems				
Sustainable catchment management and biodiversity conservation	157.4	161.9	171.8	6.1
Management of parks, forests and public land	280.1	(b) 321.7	308.5	(b) -4.1
Fire prevention, operations and planning	97.4	100.4	118.3	(c) 17.8
Sub-total	*534.9*	*584.0*	*598.6*	
Less Waste, less pollution; and clean air, liveable climate				
Sustainability and greenhouse policy	21.2	27.3	33.2	(d) 21.6
Statutory activities and services for environmental protection	69.6	79.6	87.8	(e) 10.3
Sub-total	90.8	106.9	121.0	
Liveable Cities, responsible development; effective property markets; and living cultural heritage				
Liveable cities, sustainable regions and heritage protection	146.3	157.3	183.8	(f) 16.8
Total	**926.3**	**1,003.5**	**1,066.2**	**6.2**

Notes: (a) *a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome*

(b) *includes $32.9 million transfer from of the Royal Melbourne Showgrounds to the joint venture and $7.9 million write down of crown land. Decisions on accounting treatment were not finalised with the Auditor-General and the Department of Treasury and Finance until September 2005. In substance, if these transactions were included in the estimated actual expenditure for 2004-05, a positive variance would have occurred between the estimated actual expenditure for 2005-06 and the 2006-07 target for this output* [908]

(c) *movement primarily reflects a $3.6 million net increase in the funding of an existing initiative and a $6.4 million net increase in new initiatives funding approved as part of the 2006-07 budget cycle* [909]

[908] Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.2

[909] Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, p.10

(d) movement primarily reflects a reduction of $5.8 million Treasurer's Advance funding approved during 2005-06 and a $9.5 million net increase in new initiatives funding approved as part of the budget cycle [910]

(e) movement is mainly attributed to the operation of the Environment Protection Fund and increased user charges costs. Increased costs have been matched by increased external revenue [911]

(f) movement reflects a $21.6 million net increase in new initiatives funding, approved as part of the 2006-07 budget cycle, and a $3.2 million increase in the capital asset charge and depreciation funding due to completion of the Land Exchange project [912]

Source: Budget Paper No.3, 2006-07 Service Delivery, pp.217–236

The Committee considers that the department's explanations for variances in excess of 10 per cent between the estimated actual costs for 2005-06 and the 2006-07 target should have provided more detail.

The Committee recommends that:

Recommendation 74: The Department of Sustainability and Environment publish explanations for all budget variances in excess of 10 per cent in future budget papers, to increase transparency.

14.2 Carry over funding

The department expects to carry forward $14.7 million in capital from 2005-06 to 2006-07, which includes the capital works shown in exhibit 14.2.

910 ibid., p.11
911 ibid., p.10
912 ibid., p.9

Exhibit 14.2: Department of Sustainability and Environment Estimated carry over funding from 2005-06 to 2006-07

Purpose	Estimated carry forward ($ million)
Carry over of funding for capital purposes:	
Protecting and repairing our water sources	(a) 2.4
Provincial Services - Anglesea depot	(b) 1.2
New bushfire initiative	(c) 2.2
Seal Rocks	(d) 3.0
Protecting our bays	(e) 1.6
Ports and risk mitigation	(e) 0.7
Wimmera-Mallee Pipeline (State)	0.07
Victorian Water Trust (VWT) - Country Towns Water Supply and Sewerage Program	(f) 1.0
VWT - Gippsland Lakes and Macalister River - Upgrading irrigation system	(f) 0.5
VWT - Werribee Plains	(f) 0.6

Notes:

(a) project delayed pending the completion of a review of management arrangements for groundwater. An audit on bores has now been completed and work is progressing in line with the audit recommendations

(b) due to a change in status of land allocation by Alcoa for a new departmental depot, the finalisation of the project has been delayed

(c) new bushfire initiative ($1.1 million) - delays related to the prioritisation of emergency radio network (police and ambulance services were scheduled ahead of the department); outstanding issues resolved following discussions with Telstra. Work on the network will proceed in 2006-07. Road works ($1.1million) - delays due to bush fires and bad weather. The department also anticipates transferring up to $800,000 from capital to output for plant and machinery maintenance and for stock purchases

(d) tender approved in March 2006. Project delivery now expected by December 2006

(e) project requires detailed assessment of proposals from local ports committees and coastal managers. Expenditure also re-profiled to ensure sufficient funds once detailed designs for projects is completed. Delivery is expected to accelerate from 2006-07

(f) delays due to outstanding negotiations with third parties and project complexity

Source: Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, pp.12–13

14.3 Human resources issues

14.3.1 Departmental workforce

The department advised that it anticipates 2,632.4 equivalent full-time staff will be employed at 30 June 2006 (exhibit 14.3),[913] a decrease of 4.8 per cent on the number of equivalent full-time staff at 30 June 2005.

Exhibit 14.3: Department of Sustainability and Environment
Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Estimate	30 June 2007 Estimate
Executive officers	52.0	54.0	54.0
VPS grades 1-6	2,444.3	2,341.6	2,341.6
Field staff	255.0	(a) 217.8	(b) 242.8
Other	14.0	19.0	19.0
Total	**2,765.3**	**2,632.4**	**2,657.4**

Notes: *(a) decrease due to the expectation that there would be a reduction in fixed term staff that were employed beyond the end of the 2005 fire season on a variety of maintenance and operational programs which would have subsequently ended in July – September 2005. The Committee was advised, however, that the actual number of equivalent full-time field staff employed at 30 June 2006 was 255 compared with the estimate of 217.8 because a number of summer project fire fighters, who would normally cease employment at the end of the fire season, continued in fixed term field staff roles post 30 June 2006*

(b) increase in field staff numbers as part of recruitment to roles in year 3 of the Public Land Fire initiative. The employment will be in regional Victoria and will support improved fire prevention and suppression works

Source: *Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, pp.2–3*

While the department is generally able to recruit and deploy staff to meet current operational needs, a number of factors combine to make it difficult to secure staff in competitive recruitment fields and retain employees in some of the more specialised areas.[914] Some skill shortages have been identified in the areas of planning, water engineering – (project managers) and certain fire management roles.[915]

According to the Minister, the broader public sector is experiencing shortages of qualified town planners, primarily arising from an increase in the demand for town planners and a shortage of supply, and in the area of water engineering – (project

[913] Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, p.3
[914] ibid., p.31
[915] ibid.

management) due to the specialised nature of the work, geographic locations and remuneration offered by private industry.[916]

A Network Emergency Organisation has been established by the department, in conjunction with the Department of Primary Industries, Parks Victoria and VicForests, to undertake the key function of fire and emergency management.[917] In this area, workforce modelling identified a shortage of staff in critical incident controller and operation officer roles over the next five to ten years.[918] A number of strategies are being examined to ensure the required number of staff is trained and available to participate in fire and emergency management operations.[919] Other than this work, no other modelling has been undertaken on projected shortages in terms of identifying skill shortages over the next two to six years.[920]

The Committee was interested in determining the likely effect of skill shortages on the functions and operations of the department. The Minister informed the Committee that where insufficient skills or resources are identified in the department's workforce in the short term, it employs a number of discrete strategies (including targeted recruitment and employment programs, contracting in of expertise from external sources and re-prioritisation of work) to ensure higher priority work is completed and non-essential work is stopped.[921]

The Minister also indicated, however, that in the mid to longer term, more analysis is required to identify, analyse and understand the exact extent of the issues.[922] Without identifying the significant contributing factors and how they affect the department, sector or occupational group, for example, incorrect solutions that do not address the real issues may be identified and applied.[923] The Committee learned that while the workforce challenges facing the department may be significant, it is unclear at this stage what the actual impact of these challenges will be.[924] Equally, more work is required to identify the business demand and workforce supply issues.[925]

The department, along with all Victorian departments, is working with the State Services Authority in this regard.[926]

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916 ibid., pp.31–32
917 ibid., p.32
918 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.6
919 Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, p.32; Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, pp.6–7
920 Department of Sustainability and Environment, response to the Committee's 2006-07 Budget Estimates questionnaire, received 9 June 2006, p.32
921 ibid., p.33
922 ibid.
923 ibid.
924 ibid.
925 ibid.
926 ibid.

Apart from the modelling work that has been performed to assess the skill needs of the department's fire management activities, the Committee encourages the department to identify the projected skill shortages over the next two to six years in the other functional areas of its operations and the impact of these workforce challenges in the mid to long term.

The Committee recommends that:

Recommendation 75: **The Department of Sustainability and Environment identify the projected skill shortages over the next two to six years in the functional areas of its operations where modelling work has not taken place, and examine the impact of these workforce challenges in the mid to long term.**

Review of portfolios

14.4 Environment portfolio

14.4.1 Key issues affecting the portfolio

(a) Seal Rocks Sea Life Centre

A summary of the background to the early stages of the development of the Seal Rocks Sea Life Centre, as reported by the Auditor-General, is shown in exhibit 14.4.

Exhibit 14.4: Seal Rocks Sea Life Centre 1997-2002

In March 1997, the state entered into a series of agreements with Seal Rocks Victoria Australia Pty Ltd (SRVA) for the development of the Seal Rocks Life Centre, located on Crown land at Point Grant on Phillip Island, some 130 kilometres east of Melbourne. Stage One of the development, the onshore facilities, was commissioned in March 1998 to serve as an interpretative centre on sharks, seals and the surrounding environment. The capital cost of the completed onshore facilities was around $13 million. Stage two of the development related to the proposed development of offshore facilities, including an undersea tunnel and observation tower, at an estimated capital cost of $50 million.
Under the project arrangements, SRVA agreed to construct and operate the Centre and transfer it, together with amenities, to the state at the completion of the 25 year term of the arrangements. The financial and operating arrangements were set out in a series of agreements between the state, SRVA and the project's financier.
The Centre opened in April 1998 and subsequently SRVA was involved in disputes with the government over various aspects of the contractual arrangements. This situation led to the appointment of an independent arbitrator in July 2000, after SRVA lodged a compensation claim against the government for breach of contract.
An interim award was handed down by the independent arbitrator on 9 August 2002. The government has since made application to appeal against the independent arbitrator's interim award. The application was scheduled for hearing in the Supreme Court.
As a consequence of the government's action to appeal the interim decision, SRVA lodged an application in the Supreme Court on 6 September 2002 for leave to appeal against the interim award, and sought compensation for loss of future earnings of up to $400 million.
The government's Annual Financial Report for 2001-02 disclosed this matter as an unquantifiable event occurring after balance date.
A detailed review by the Victorian Auditor-General's Office of the Seal Rocks arrangement was suspended in July 2000 due to the commencement of the arbitration process. Due to the prolonged period of arbitration and the recent litigation initiated by both the government and SRVA, it was not possible for the Auditor-General to recommence and report to Parliament on this issue. The review was to proceed once the current legal proceedings were completed.

Source: *Victorian Auditor-General's Office, Report of the Auditor-General on the Finances of the State of Victoria, 2001-02, pp.143–144*

Subsequent to the *Report by the Auditor-General on the Finances of the State of Victoria 2001-02*, the Public Accounts and Estimates Committee examined the status of this matter as part of its *Report on the 2002-03 Budget Outcomes*. The Committee's findings and response by the government are set out in exhibit 14.5.

Exhibit 14.5: Seal Rocks Sea Life Centre 2002-03

Committee's Report on the 2002-03 budget outcomes
In 2002-03, the department paid $46.8 million in costs to settle disputes over various aspects of the contractual arrangements for the Seal Rocks development project. Settlement costs of $42.9 million, paid to Seal Rocks Victoria (Australia) Pty Ltd (SRVA), accounted for a major component of this expenditure. Since July 2000, the department incurred total costs of $55.9 million in relation to this matter.
The assets of SRVA were assumed by the department in August 2002, and subsequently transferred to the Phillip Island Nature Park Board of Management.
In August 2002, a large part of the Seal Rocks Sea Life Centre building sustained significant storm damage. Repairs to the building were undertaken and completed in April 2003, however, due to the detection of a building fault at the time of final inspection, the building remained closed.
The department advised the Committee that all public areas around the building were operating. In 2002-03, approximately $1 million was incurred by the department on building repair costs and management expenses of the Seal Rocks Sea Life Centre.
The department advised the Committee that the recommendations of a Taskforce appointed to advise on the future management of the Seal Rocks Sea Life Centre were currently being considered.
The Committee recommended that urgent action be taken by the department to resolve the future management and operation of the Seal Rocks Sea Life Centre.
Government's response to the Committee's recommendation
The department has prepared business cases for three options for the future management and operation of the Seal Rocks Sea Life Centre which were under review. Once decisions have been made, action will be taken to implement the recommendation.

Sources: Public Accounts and Estimates Committee, Report on the 2002-03 Budget Outcomes, April 2004, pp.416–417; Victorian Government, response to the Committee's Report on the 2002-03 Budget Outcomes, tabled 14 October 2004, p.58

The 2005-6 budget provided new asset funding of $6.6 million over two years to reconstruct the Seal Rocks Sea Life Centre on Phillip Island.[927] This funding will be used to repair the visitor information centre and restaurant at the Centre, as well as storm water damage to the roof that occurred in 2002.[928] The recommissioning that will repair and upgrade the facility will cover:[929]

- a new kitchen and equipment;
- interpretive display in the main hall;
- rectification of the structure to comply with current building standards; and
- new plant, associated equipment and fittings for the cool room, freezer and dry room.

927 Budget Paper No.3, *2005-06 Service Delivery*, pp. 32, 311
928 2005-06 Victorian Budget Fact Sheet, *Seal Rocks*
929 ibid.

The Committee noted the advice from the department that of the 2005-06 budget of $4.453 million, the estimated expenditure for 2005-6 on this capital project was $1.493 million, leaving an estimated $2.96 million to be carried forward to 2006-7.[930] The department advised the Committee that a tender was approved in March 2006 and project delivery was now expected by December 2006.[931]

Given the long time frame experienced in completing this capital project, the Committee sought details from the Minister about the factors that led to the underspending of approximately two thirds of the budget to reconstruct the Seal Rocks Sea Life Centre in 2005-6[932] and the budget extension to December 2006.[933]

The Minister advised the Committee that funds were expended in 2005-06 on a building assessment and subsequent structural rectification works.[934] Concept plans for the building's refurbishment were also developed.[935] While refurbishment works commenced in 2005-06, the majority of the works would be undertaken in 2006-07.[936] Consequently some funds, originally allocated for expenditure in 2005-06, have been carried forward to 2006-07.[937]

Following allegations in the media about the Seal Rocks tourist attraction being unsafe because the roof of the centre could place visitors at risk during windy periods,[938] the Committee obtained the following information concerning the safety issues confronting the Centre, action taken and expenditure involved to address this issue:[939]

> *The safety issues at the former Seal Rocks Sea Life Centre have largely been dealt with. The building assessment found that various structural elements of the building required upgrading and accordingly structural rectification works were carried out. These works were completed in mid January 2006, with the exception of the installation of storm shutters and venting works, which will be undertaken before June 2007, in conjunction with the internal refurbishment of the building.*
>
> *With the exception of the small food and beverage and gift shop outlet, members of the public will not have access to the building until the refurbishment works are complete.*

930 Department of Sustainability and Environment's response to the Committee's budget estimates questionnaire, p.12
931 ibid., p.18
932 ibid., p.12
933 ibid., p.18
934 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.3
935 ibid., p.3
936 ibid.
937 ibid.
938 Ms F Tomazin, 'Costly Seal Rocks Centre Unsafe: MP', *The Age* newspaper, 30 March 2006, p.4
939 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.3

Expenditure on improving safety at the former Seal Rocks Sea Life Centre to 30 June 2006 totalling $1,437,422 comprised the following:[940]

- $490,000 for storm damage repairs;
- $807,701 on maintenance undertaken prior to the government's decision to restore the building; and
- $139,721 on 2005-06 structural rectification works.

Around $640,000 is to be spent on a new air-conditioning system in 2006-07, which will incorporate the storm shutters and venting works.[941]

The Committee considers the department should commission an independent evaluation of the project management processes applied to the Seal Rocks Sea Life Centre. Then the lessons learnt from this project, once identified, can be applied to the delivery of future capital programs. A prolonged timeframe such as this and the associated costs to the state, should clearly never be repeated.

Recommendation 76: **The Department of Sustainability and Environment commission an independent evaluation of the project management practices of the Seal Rocks Sea Life Centre.**

(b) Eradication of weed infestations

The advent of weeds can have a substantial economic impact by restricting agricultural production and/or reducing profitability.[942] Weeds can have an environmental impact on a region's ecosystems and can hasten other forms of land degradation, including erosion and salinisation.[943] Weeds can also threaten and impact on remnant vegetation and parks.[944] Social impacts can include reduced landscape and recreational benefits, disputes between neighbours, increased stress and workloads for land managers and reduced land values.[945]

The Minister informed the Committee that expenditure on weeds and pest animal control will increase by more than $2 million in 2006-07, with significantly more funding being provided for projects affecting both private and public land.[946]

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940 ibid., p.4
941 ibid.
942 Port Phillip and Westernport Catchment Management Authority, *Port Phillip and Westernport Weed Action Plan*, p.5
943 ibid.
944 ibid.
945 ibid.
946 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.9

According to the Minister, funding in support of Weed Alert activities has been increased in recognition of the threat posed by State Prohibited Weeds to Victoria's key assets and values.[947] The Committee was interested to hear that weed risk assessment, evaluation and associated economic modelling clearly demonstrate that return on investment in weed control is maximised by early intervention.[948]

Additional funding of $1.1 million (increasing to $1.4 million from $340,000 in 2005-06) has been provided through the Improving Provincial Victoria's Biosecurity Project as part of the Provincial Victoria initiative.[949] Part of these funds is to enhance the early detection and treatment of new weed infestations.[950] Positions supporting the existing Weed Alert Program are being provided under the Tackling Weeds on Private Land initiative.[951] Established in 2006, the Weed Spotters network involves a group of 600 trained volunteers who are assisting in early detection of outbreaks of both state prohibited weeds and other species.[952] Through the government's Tackling Weeds on Private Land initiative and the use of recurrent funds, the department is currently treating and monitoring some 160 infestation sites statewide.[953] At least 20 of these infestations will be considered as eradicated after treatment and follow-up monitoring over the last three years.[954]

The Committee noted the department's output performance target of 20 state prohibited weed infestations to be eradicated in 2006-07, compared with a target and expected outcome of one for 2005-06.[955] The Committee learned that the time required to achieve eradication would generally be longer than one year and varies from site to site depending on a range of factors such as the species involved, the size of the infestation and the method of treatment used to achieve eradication.[956] In some limited instances more rapid eradication is possible. For example, at sites where the infestation is small and confined and all plant material and soil is removed completely.[957]

Additional funding of more than $1.1 million will be provided in 2006-07 for weeds and pest animals through the natural values management component of the Sustainable Management of Victoria's Parks initiative.[958] Through this initiative, 15 new Parks Victoria seasonal positions will be created to form roving teams to combat pest plant and animals throughout eastern, central and western regional Victoria.[959] The strike teams will be highly mobile, concentrating on high priority areas where

947 ibid.
948 ibid.
949 ibid.
950 ibid.
951 ibid.
952 ibid., p.8
953 ibid.
954 ibid.
955 Budget Paper No.3, *2006-07 Service Delivery*, p.223
956 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.8
957 ibid.
958 ibid., p.9
959 ibid., p.9

communities and primary producers are affected by pest plants and animals.[960] These roving teams will work with community members, friends and Landcare groups to assist in protecting Victoria's native biodiversity and minimise the effect of pests on public and neighbouring land.[961]

The Committee considers that every effort needs to be made to ensure the department completes its treatment and follow-up monitoring activities of the remaining 140 infestation sites across the state and others that are identified in a timely manner to ensure that this early intervention maximises the return on investment in weed control to the state. The Committee also congratulates those 600 volunteers who have given up their time to participate in the Weed Spotters network.

(c) Conservation Land Purchase Program

The department's Conservation Land Purchase Program is designed to increase the reservation levels of Victoria's most threatened ecosystems, particularly native grasslands and grassy woodlands, by acquiring high quality samples of such ecosystems from private land for addition to the reserve system.[962] The acquisition of sites is funded by the government, often with financial support from the National Reserve System Program of the Commonwealth Government's Natural Heritage Trust.[963] All acquisitions are on a voluntary basis.[964]

The Committee was interested in establishing the quantum of land that had been acquired since the inception of the program and the total cost; the funding contributed by the state, the Commonwealth and the local community for the acquisition of sites in 2005-06; and the funding provided in 2006-07 for the continuation of the program and the sites to be acquired in that year.

The Minister advised the Committee that the department and its predecessors had been purchasing land for at least 25 years.[965] While the expected funding for the program in 2006-07 is approximately $1.9 million, the program for the year is yet to be finalised.[966] Details of purchases since 1999 are shown in exhibit 14.6.

960 ibid., p.9
961 ibid., p.9
962 www.dse.vic.au, accessed 28 June 2006
963 ibid.
964 ibid.
965 Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.11
966 ibid., p.11

Exhibit 14.6: Conservation Land Purchase Program Properties purchased 1999-2000 to 2005-06

Year	Number of Properties	Hectares	Price ($000)
1999-00	14	606.5	757
2000-01	28	628.6	1,756
2001-02	26	2,039.9	2,824
2002-03	20	2,923.9	3,980
2003-04	11	1,228	2,282
2004-05	14	974.1	2,021
2005-06	17	590.1	(a) 2,584
Total	**130**	**8,991.1**	**16,204**

Note: (a) funding contributions: Department of Sustainability and Environment $2,107,800, Commonwealth Government $459,500 and the community $16,800

Source: Hon. J Thwaites, MP, Minister for Environment, response to the Committee's follow-up questions, received 4 August 2006, p.11

Exhibit 14.7 shows the areas and native species involved in the scheme.

Exhibit 14.7: Conservation Land Purchase Program Areas of Victoria and native species involved in the program

Areas of Victoria where land purchased	Native species protected
Grampians	Smoky mouse, long nosed potoroo, powerful owl
Mitiamo	Umbrella wattle, barking marsh frog
Pomborneit North	Corangamite water skink, button immortelle
Shelford	Striped legless lizard, golden sun moth
Meredith	Rye beetle grass, fat-tailed dunnart
Anglesea	Rufous bristlebird
French Island	King quail, musk duck, orange-bellied parrots
Wanalta	White-bellied sea eagle, swamp leek orchid
Youanmite	Corkscrew spear grass, bulokes
Boorhaman East	Barking owl, freckled duck, royal spoonbill
Monea North	Grey-crowned babbler, swamp billy-buttons
Tabberabbera	Delicate *New Holland* daisy, skeleton vine
Benalla	Bush stone-curlew, tree goanna

Source: Ms T Giles, 'Buying up the bush: push to save rare species', Herald Sun newspaper, 14 November 2005, p.14

The Committee commends the department's commitment to voluntarily purchase properties of high environmental significance from private landholders in order to protect some of the state's most endangered species.

14.5 Planning portfolio

14.5.1 Key issues affecting the portfolio

(a) Building activity throughout Victoria

The level of building activity can be regarded as a barometer for assessing the general health of the economy. The Committee, therefore, requested that the Minister provide details of the number of building permits issued in the past year and any initiatives designed to improve the building industry in Victoria.

The Minister advised that just under 100,000 building permits to the value of $15.3 billion were issued in 2005[967] (102,711 building permits were approved in 2004 with building activity valued at $15.7 billion[968]). This included a record performance in regional Victoria with approved building permits valued at $3.8 billion.[969] The high levels of activity continued into 2006, evidenced by $3.8 billion in building activity for the March quarter (16.8 per cent higher than for the same quarter in 2005).[970]

A comparison between building permits issued in the first quarter of 2006 and for the same period in the previous year reveals a number of positives for Victoria.[971] Domestic home building increased by 4 per cent; residential building (that is, apartments) grew by 37 per cent; retail rose 40 per cent to $240 million; hospital and health care increased by 53 per cent; and public buildings rose by 35 per cent.[972]

The March 2006 quarter shows that all of Victoria's regions experienced an increase in building permit activity compared with the same time last year.[973] Permit activity increased by 5 per cent to $174 million in Gippsland; by 52 per cent to $320 million in the south-west region; by 16 per cent to $171 million in the north-west region; by 23 per cent to $161 million in the north-central region; and by 17 per cent to $155 million in the north-east region.[974]

The Committee noted the budget papers reveal mixed forward indicators for dwelling investment. While the number of private dwelling units approved point to continuing soft conditions, housing affordability in the near term is improving and rental vacancy

967 Hon. R Hulls, MP, Minister for Planning, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.3
968 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.557
969 Hon. R Hulls, MP, Minister for Planning, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.3
970 ibid.
971 ibid.
972 ibid.
973 ibid.
974 ibid.

rates are low.[975] On balance, the 2006-07 budget foreshadows a gradual recovery in residential construction activity over the forecast period.[976]

While the value of building permits for 2005 ($15.3 billion)[977] compared with 2004 ($15.7 billion) declined by 2.5 per cent, reversing the upward trend of an 8.6 per cent rise on the previous record of $14.4 billion in 2003[978], and taking into account interest rate increases announced by the Reserve Bank, the Committee will be interested in monitoring the extent of building activity in the ensuing period. The Committee will also be interested in examining any associated budget strategies developed by the government to help stimulate the building industry and address emerging issues from any possible downturn in the building industry that may affect the Victorian community.

(b) Growth Areas Authority

The budget provides new output funding to establish the Growth Areas Authority ($20.6 million over five years; $5.5 million in 2006-07).[979] The Authority will ensure that land is strategically released to meet demand for shops, schools, community and health services, jobs and transport in the growth areas.[980] It will also reduce costs involved with undertaking growth area planning by streamlining processes and ensuring better coordination between councils and government agencies.[981]

The Authority's objectives are to:[982]

- ensure that development in growth areas occurs in a coordinated and timely manner;
- ensure that infrastructure, services and facilities are provided in growth areas in a coordinated and timely manner;
- promote sustainable development of land in growth areas;
- promote housing diversity and affordability in growth areas;
- promote employment opportunities in growth areas;
- ensure land is provided for commercial and industrial purposes in growth areas in a coordinated and timely manner; and

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975 Budget Paper No.2, *2006-07 Strategy and Outlook*, p.27
976 ibid.
977 Hon. R Hulls, MP, Minister for Planning, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.3
978 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.557
979 Budget Paper No.3, *2006-07 Service Delivery*, p.331
980 Department of Sustainability and Environment, 2006-07 Victorian Budget, *Growth Areas Authority – Fact Sheet*
981 ibid.
982 Hon. R Hulls, MP, Minister for Planning, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.9

- foster the development of communities in growth areas.

At the estimates hearing the Minister conveyed to the Committee the following key message for the future operation of the new Authority:[983]

> *This is really about a new partnership with local government. The last thing I want – and I have said this publicly – is another layer of red tape that holds up planning and planning approvals in growth areas. That is why it is absolutely crucial that the Growth Areas Authority works closely with councils and developers to form partnerships. Initial feedback is that it is a great concept, a great idea, but it is important that it works properly.*

The Committee was interested in gaining an understanding about the cost savings to accrue to the state from the establishment of the Growth Areas Authority. The Minister outlined a range of cost benefits for Victorians:[984]

- the single point of coordination for local government and developers in growth areas will result in simplified and better planning processes, reducing the impost on local government and developers, which should lead to more affordable housing;
- earlier provision of public transport should lead to reduced reliance on private vehicles, reduced impact on the environment and reduced traffic congestion; and
- the development contribution plan will provide government with a capital offset for state funded infrastructure projects.

The Committee maintains that three years post implementation, it will be incumbent on the department to commission an independent evaluation to assess the extent to which the expected benefits of establishing the authority have been realised. A suite of measurable performance indicators should also be developed for the Growth Areas Authority.

The Committee recommends that:

Recommendation 77: **Three years post implementation, the Department of Sustainability and Environment commission an independent evaluation of the Growth Areas Authority to examine whether it is meeting its objectives and delivering the intended outcomes to its key stakeholders.**

983 ibid., p.10

984 Hon. R Hulls, MP, Minister for Planning, response to the Committee's follow-up questions, received 20 July 2006, p.2

(c) Better Decisions Faster initiative

The Committee's *Report on the 2004-05 Budget Estimates* noted the $3.1 million allocated in 2003-04 to implement the *Better Decisions Faster* initiative to streamline and improve the planning process in Victoria.[985] The Committee also noted the government's ambitious target in its April 2004 economic statement:[986]

> *As a result of the Better Decisions Faster package, the time taken for planning decisions to be made will be cut by up to 50 per cent …*

The Minister informed the Committee that Better Decisions Faster comprises a program of 30 initiatives to improve the planning system.[987] Of the 30 initiatives, 26 have been completed or are in progress, and four have been rolled forward into the current Streamlining the Planning Permit Process review.[988] The Better Decisions Faster Project had a number of different objectives including improving the effectiveness of planning processes and improving timeliness in decision making.[989]

One of the largest Better Decisions Faster projects, the Planning Permit Activity *Report,* now provides reliable information about the number and types of planning permit applications.[990] Enhancements are being made to enable electronic data collection, including the timelines for decision making.[991] The Minister informed the Committee in July 2006 of the expectation that this work would be completed shortly and that accurate data would then be available for comparative purposes.[992]

Because the referral of applications can contribute to delays in decision making, 44 planning scheme amendments have been implemented under Better Decisions Faster to reduce the matters that need referral to other authorities or to make the need for referral more precise.[993] The Committee noted that the City of Glen Eira implemented the pre-lodgement certification proposals recommended in Better Decisions Faster, and has been able to issue permits for medium density developments in around 35 days.[994] The Greater Dandenong Council has a similar program for industrial developments.[995]

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985 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, pp.587–588
986 ibid.
987 Hon. R Hulls, MP, Minister for Planning, response to the Committee's follow-up questions, received 20 July 2006, p.3
988 ibid.
989 ibid.
990 ibid.
991 ibid.
992 ibid.
993 ibid.
994 ibid.
995 ibid.

The median time for determining appeals by the Victorian Civil and Administrative Tribunal has been significantly reduced, from over 20 weeks to 16 weeks.[996] This has occurred because of the introduction of prompt final hearings on Fridays.[997]

Because the need for a permit has been removed in a number of circumstances, the Minister advised that the time taken for decisions has been reduced by 100 per cent.[998] More 'quick fix' changes are proposed for the future, with these changes announced as part of the 'Streamlining the Planning Permit Process' review.[999]

The Minister also brought to the Committee's notice that initiatives A2 (Reject inadequate applications immediately) and B1 (Time limit on further information) have greatly assisted councils to remove applications from consideration where substantial work needs to be done to bring them to a suitable standard for decision making.[1000]

The Committee looks forward to the implementation of the improvements to the collection of electronic data, so that reliable comparisons can be made over time to assess the full impact of the government's initiatives on shortening the timeframe for making planning decisions throughout Victoria.

(d) Transit Cities Program

A Melbourne 2030 related initiative, transit cities is a major program to:[1001]

- improve public transport usage and the integration of transport services;
- provide opportunities for increased private investment and business innovation;
- improve the overall quality of places and encourage sustainable city development;
- develop high density housing at strategic redevelopment sites near transit centres;
- build communities that offer fair access for all to services and employment opportunities; and
- provide a range of housing, including the provision of affordable housing.

996 ibid., p.4
997 ibid.
998 ibid.
999 ibid.
1000 ibid., p.3
1001 www.dse.vic.gov.au Transit Cities Aims accessed 2 August 2006

While the government has already invested millions of dollars in a range of transit city projects, the 2006-07 budget includes a further $219 million for specific transit city initiatives.[1002] The largest component involves the allocation of $197 million over the next 15 years to implement the Revitalising Central Dandenong Transit City Project.[1003]

The Committee asked the Minister about the extent of demonstrable improvements that have been introduced by the program, apart from high density housing, and enquired about the 'game plan' for getting results in terms of transport and other improvements that transit cities can expect from the funding.[1004] The Committee raised the fact that the funding allocated to certain projects appeared to be very modest, given the scale of the tasks necessary to achieve the transit city objectives.[1005] The Committee considers that in the absence of adequate planning, there is a potential risk that some cities may receive high density housing without the appropriate mix of public transport or other enhancements that are supposed to also be built into the final outcome.

The Minister indicated that there are regular transit city program reviews and updates are taken to a Sub-Committee of Cabinet, with the Minister for Transport being central to ensuring improvements to the public transport aspects of transit cities.[1006] Some transit cities are further advanced than others, and funding is allocated accordingly.[1007] Further, a one-size-fits-all approach is not applied to transit cities because some are developed with a view to attracting private investment,[1008] and more government funding is going into some than others, which is why the program is reviewed regularly.[1009]

The Committee considers that planning processes that seek to create a mix of housing, shopping, employment and community facilities in one location around key transport nodes must be mindful that an appropriate mix of services to be developed, includes the appropriate integration of transport services relative to the scale of housing density in the area. Appropriate and well integrated services will allow local residents to enjoy better public transport access to these services, which in turn will make public transport a more attractive and convenient mode of transport.

1002 www.dse.vic.gov.au Transit Cities Aims accessed 2 August 2006
1003 Hon. R Hulls, MP, Minister for Planning, State Budget 2006 media release, *$219M to bring new life to regional cities and suburbs*, 30 May 2006
1004 Hon. R Hulls, MP, Minister for Planning, 2006-07 Budget Estimates hearing, transcript of evidence, 20 June 2006, p.14
1005 ibid.
1006 ibid.
1007 ibid.
1008 ibid.
1009 ibid.

The Committee recommends that:

Recommendation 78: **The Department of Sustainability and Environment ensure planning processes supporting the rollout of the Transit Cities Program recognise the need for an appropriate mix of services in each transit city, including the appropriate integration of transport services to effectively meet the long term objectives of the program.**

14.6 Water portfolio

14.6.1 Key issues affecting the portfolio

(a) Management of water shortages

(i) Melbourne's water storage levels

At 13 August 2006, Melbourne's water storages were 47.2 per cent full. Exhibit 14.8 provides a breakdown of capacity and percentage full for each reservoir.

Exhibit 14.8: Melbourne's water storage levels at 13 August 2006

Reservoir	Capacity (ML)	Percentage full (%)
Thomson	1,068,000	36.3
Cardinia	287,000	73.6
Upper Yarra	200,000	49.3
Sugarloaf	96,000	64.8
Silvan	40,000	85.1
Yan Yean	30,000	45.5
Greenvale	27,000	76.0
Maroondah	22,000	35.5
O'Shannassy	3,000	58.8
Total	**1,773,000**	**47.2**

Source: www.conservewater.melbournewater.com.au accessed 14 August 2006

Although the Thomson reservoir, Melbourne's largest, was about two thirds empty in mid August 2006, the Minister advised the Committee that the Melbourne system operates an integrated whole, so total storage capacity is of relevance rather than the capacity of the individual reservoirs.[1010] Current storage projections for the coming year show that under continuing dry conditions, storages may reach the trigger level for stage 1 restrictions in the next few months and track around this trigger level to summer/autumn 2007.[1011] Even if conditions are very dry, the Minister indicated it is unlikely that the stage two trigger will be reached in the next 12 months.[1012]

The Committee considers that if Victoria experiences a long term drought, and depending on the effectiveness of the government's water conservation strategies, budgetary avenues for providing additional financial inducements to encourage the community and businesses to use less water (rather than implementing additional water restrictions) may need to be considered.

(ii) Water conservation strategies

Mindful that Victoria's water storages are less than half full, the Committee was interested in the demand management initiatives, other than education programs, that have been implemented to conserve water. Exhibit 14.9 outlines these initiatives.

[1010] Hon. J Thwaites, Minister for Environment, response to the Committee's follow-up questions, received 3 August 2006, p.4
[1011] ibid., p.4
[1012] ibid.

Exhibit 14.9: Demand management initiatives (other than education programs) to conserve water

Demand management initiative	Description of initiative	Funding
An extension of the Water Smart Gardens and Homes rebate scheme until 30 June 2007.	This program offers households connected to a reticulated water supply a rebate for the purchase and installation of eligible water efficient products.	$10 million over four years
The Schools Water Efficiency Program	This program offers all schools, (both public and private) connected to a reticulated water supply, an opportunity to identify and implement low cost solutions to achieve indoor water savings at no upfront cost.	$3 million over eight years
The Sustainable Water Use Plan Program for regional local councils	This program offers regional councils $10,000 to prepare a water conservation plan for their facilities.	$600,000 over two years
The Industrial, Commercial and Institutional Fund program	This program offered the top 200 water users in Melbourne with an opportunity to receive funds to undertake environmentally sustainable water projects which did not have commercial paybacks.	$1 million over one year
The Smart Water Fund	Funding is provided to drive innovation in water recycling, water conservation and biosolids management to help secure Victoria's water supplies.	$28 million over six years
The Stormwater and Urban Water Conservation Fund	The fund supports local scale innovative water sensitive urban development initiatives, stormwater conservation and water recycling initiatives across Victoria.	$10 million over three years
Permanent water saving rules	Rules have been developed by all urban water authorities to encourage common sense water use and stop thoughtless water wastage.	
Water pricing rising block tariffs	Tariffs have been introduced for domestic customers in Melbourne to clearly demonstrate to customers the need to conserve water and to consider alternative, sustainable supplies that can be supplied efficiently. Regional water authorities are also beginning to implement similar pricing structures for their regions.	
Water supply demand strategies	Strategies need to be developed by each urban water authority every five years (with a fifty year outlook) to identify measures to maintain a balance between demand for water and available supply. Water authorities must develop water conservation targets as part of their strategy. These strategies are a fundamental input into the Sustainable Water Strategies being developed by government. The first strategies are to be developed by November 2006. The Melbourne water authorities have recently released their draft strategy for public comment and the first Sustainable Water Strategy for the Central Region is due to be released in late 2006.	

Source: Hon. J Thwaites, Minister for Environment, response to the Committee's follow-up questions, received 3 August 2006, p.5

The Committee acknowledges the wide range of water conservation strategies that have been developed by the Department of Sustainability and Environment. The Committee considers the department should commission an immediate study to evaluate the effectiveness of each of the government's demand management strategies to conserve Victoria's water supplies. This information could then be used for future policy development.

The Committee recommends that:

Recommendation 79: **To assist in preparing future water conservation initiatives, the Department of Sustainability and Environment commission an immediate study, to assess the effectiveness of each of the Victorian Government's current demand management strategies for conserving water across the state.**

(b) Environmental sustainability of Victoria's major rivers

(i) Improving the health of major rivers and tributaries, including the Yarra River

The Committee reported in its *Report on the 2004-05 Budget Outcomes* that one in every three of Victoria's major rivers and tributaries selected for assessment in 2004 were found to be in poor or very poor condition.[1013] The Committee recommended that the department's annual report contain information to explain strategies to deal with this issue and related outcomes.[1014] As part of the 2006-07 estimates process, the Committee pursued action taken by the department to improve the health of Victoria's major rivers and tributaries, and noted that in 2006-07, $31.8 million will be provided to the nine rural catchment management authorities to undertake 96 projects to improve the health of Victoria's rivers.[1015]

Based on the Regional River Health strategies, which provide regions with a detailed strategic plan for the management of their rivers over the next five years, information is being consolidated into the '10 year plan for river health'.[1016] This document identifies priority reaches for action, key management objectives for these reaches, and outlines ten year condition targets for them.[1017] The plan also outlines indicative on-ground work programs for the next three years for each Victorian river basin.[1018]

[1013] Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, pp.340–341

[1014] ibid., p.342

[1015] Hon. J Thwaites, Minister for Environment, response to the Committee's follow-up questions, received 3 August 2006, p.2

[1016] ibid., p.3

[1017] ibid.

[1018] ibid.

Melbourne Water will also undertake substantial river protection and restoration works in and around Melbourne as part of its responsibilities for river health in the Port Phillip and Westernport Region.[1019] The Committee noted that the $270 million announced by the government in January 2006, as part of the Yarra River: Securing water quality for a Healthy Future action plan for new initiatives to improve the health of the Yarra River, the Maribyrnong and tributaries, brought recent total funding for improving the river to $580 million.[1020] At the estimates hearing the Minister informed the Committee that:[1021]

> *... This is a project that is being overseen by an independently chaired Yarra coordinating committee ... the truth is that the river itself has over its whole history since European settlement been the recipient of pollution from industry and from households. In the 1970s there was a significant improvement when most of the more serious industrial pollutants were removed and, subsequent to then, there has been a much more gradual improvement, but certainly the river is much healthier than it was in that period in the 1970s and 1980s. With the investment we are putting in, we will see a continuation of that improvement.*

The Committee acknowledges that while this is a long term project, performance measures and targets need to be established and reported publicly on an annual basis to assess the extent of improvements achieved from the implementation of the various projects for managing water quality in the Yarra River.

The Committee recommends that:

Recommendation 80: **Melbourne Water, in conjunction with the Department of Sustainability and Environment, develop performance measures and targets for managing water quality in the Yarra River.**

(ii) Environmental flows and water consumption

The Committee noted that the government has implemented a wide range of strategies it claims will achieve an appropriate balance between environmental flows and water consumption.

[1019] ibid., p.2

[1020] Hon. S Bracks, MP, Premier; Hon J Thwaites, Minister for Water, *New plan to further improve the health of the Yarra*, media release, 13 January 2006

[1021] Hon. J Thwaites, MP, Minister for Environment, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.14

The government's Our Water Our Future action plan outlines the strategy to secure Victoria's water future for the next 50 years.[1022] The objective of the action plan is to achieve the sustainable management of water and a balance between the use of water for environmental, economic and social reasons.[1023] The new water allocation framework detailed in Our Water Our Future acknowledges the interdependency between the consumptive and non-consumptive values of Victoria's water resources.[1024]

The government's policy approach to water planning and allocation is detailed in Our Water Our Future:[1025]

- for rivers and aquifers currently not over-allocated, Victoria will establish an Environmental Water Reserve using a precautionary approach, establishing the needs of the environment and setting sustainable limits on extractions from that water system; and
- for stressed rivers and aquifers, Victoria will cap diversions at existing levels of entitlements and determine whether further water recovery to enhance the Environmental Water Reserve is required in priority stressed rivers.

The Minister advised the Committee that to return the volume of extraction to environmentally sustainable levels, it is necessary to implement a cap and, where necessary, provide additional water through recovery programs.[1026] Water recovery in Victoria is to be aimed at sustaining key environmental values and reducing flow stress in priority rivers, while recognising the rights of existing water users.[1027] Key environmental values will be identified through community processes including regional river health strategies and sustainable water strategies.[1028]

Our Water Our Future established programs to enhance the Environmental Water Reserve in a number of high priority regulated and unregulated rivers by recovering water through a range of measures including:[1029]

- investing in distribution system savings;
- investing in water reuse and recycling;
- changing system management;
- enabling water donations to be made;
- investing in reconfiguring irrigation systems; and

[1022] Hon. J Thwaites, Minister for Environment, response to the Committee's follow-up questions, received 3 August 2006, p.6
[1023] ibid.
[1024] ibid.
[1025] ibid.
[1026] ibid.
[1027] ibid.
[1028] ibid.
[1029] ibid.

- purchasing water through the water market, where appropriate.

Examples of Our Water Our Future programs to enhance the Environmental Water Reserve in priority rivers include:[1030]

- water saving initiatives in Melbourne to deliver additional environmental water reserve to the Thomson River, piping the Wimmera-Mallee systems to enhance the environmental water reserve for the Wimmera and Glenelg Rivers and reconfiguration and water savings to meet Victoria's commitment to the Living Murray and Snowy River initiatives;
- development and implementation of streamflow management plans in priority unregulated rivers to provide ecologically sustainable environmental water reserves; and
- development and implementation of groundwater management plans in priority areas to enable sustainable groundwater extractions.

The Committee noted that the 2006-07 budget contained three new performance measures dealing with water savings for environmental flows.[1031]

The Minister informed the Committee that while a number of decisions have been made through Our Water Our Future to address priority stressed systems across the state, the process for addressing remaining stressed systems will come from decisions made in the Sustainable Water Strategies, the government's new planning framework for deciding on large scale, long term changes in water use.[1032] As part of this process, the Minister will determine priorities and select projects for water recovery and, set volumes, methods of recovery and investment levels.[1033]

Sustainable Water Strategies will review the necessity for streamflow and groundwater management plans and other water recovery measures beyond the priorities identified in Our Water Our Future[1034] This iterative process to address priority stressed systems seeks considerable public involvement in the water planning process.[1035] The Minister indicated that Sustainable Water Strategies will be reviewed every 7 or 8 years, or sooner if needed, to ensure they remain a robust and effective planning instrument.[1036]

The draft Central Region Sustainable Water strategies, which include Melbourne, Geelong, Ballarat, the Macedon District and West Gippsland, was released in April 2006 for public comment.[1037] The public draft received more than 430 submissions

[1030] ibid., pp.6–7
[1031] Budget Paper No.3, *2006-07 Service Delivery*, p.219
[1032] Hon. J Thwaites, Minister for Environment, response to the Committee's follow-up questions, received 3 August 2006, p.7
[1033] ibid.
[1034] ibid.
[1035] ibid.
[1036] ibid.
[1037] ibid.

from organisations, interest groups and individuals when the consultation period concluded in late June 2006.[1038]

Key proposals of the draft strategy include:[1039]

- increasing Melbourne's water conservation target from 15 per cent by 2010 to 30 per cent by 2020;
- providing increased environmental flows in every major river in the region (totalling 66,000 mega litres);
- expanding the Pathways to Sustainability Program, which works with industry to achieve water savings; and
- progressively interconnecting water supply systems across the region.

An independent panel appointed by the Minister is currently preparing a report that includes consideration of these submissions.[1040] The department is in the process of preparing an implementation plan that will form part of the final strategy due to be released later this year.[1041]

The Committee recognises that achieving an appropriate balance in the efficient use of water, a finite resource of the state, for environmental, economic and social purposes poses a significant challenge for the government. Bearing this in mind, the Committee looks forward to examining (in time), the environmental outcomes to be derived from the government's extensive policy framework to address this issue.

[1038] ibid.
[1039] ibid.
[1040] Hon. J Thwaites, Minister for Environment, response to the Committee's follow-up questions, received 3 August 2006, p.7
[1041] ibid.

(c) Wimmera – Mallee pipeline

Exhibit 14.10 outlines expenditure details relating to the Wimmera-Mallee pipeline.

Exhibit 14.10: Wimmera-Mallee pipeline – expenditure details 2005-06

Project description	Total estimated investment ($ million)	Expenditure to 30.6.05 ($ million)	Estimated expenditure 2005-06 ($ million)	Remaining expenditure ($ million)
Piping the system – Commonwealth component – construction (Wimmera Mallee) (a)	167	7.885	35.4	123.715
Piping the system – state component – construction (Wimmera Mallee) (a)	167	8.232	23.280	135.488

Note: (a) the whole project has a forecast total estimated investment of $501 million with the Victorian and Commonwealth governments and the Grampians Wimmera-Mallee Water Authority each contributing a third [1042]

Source: Budget Information Paper No.1, 2005-06 Public Sector Asset Investment Program, p.62

At the estimates hearing, the Minister provided the Committee with the following progress report on the implementation of the pipeline:[1043]

> *The Wimmera-Mallee pipeline is an incredibly important project and it is vital for the future of the whole region. It is particularly so at a time when water storages in the region are devastatingly low. I think they are less than 7 per cent currently. It is also worth remembering that if it were not for the northern Mallee pipeline project a number of towns in the northern Mallee would be out of water, or would have had to have water carting for a number of years. This sort of project is absolutely vital if towns are going to survive.*
>
> *It will provide about 80, 000 megalitres of water a year on average for the environment and for the Glenelg and Wimmera rivers. But it will also provide much more security for towns and farms in terms of their water supplies. The Victorian government and the national government have each contributed $167 million towards the project. In addition, there is some prior expenditure which I think you asked about. The prior expenditure is $7.8 million, which has gone into planning and design works and into completing the Cannie Ridge and Patchewollock areas.*

[1042] Budget Information Paper No.1, *2005-06 Public Sector Asset Investment Program*, p.63

[1043] Hon. J Thwaites, MP, Minister for Environment, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.10

> *The tenders for the construction went out on 31 May for the first stage and we will wait and see the outcome of that. There has already been some expenditure in 2005-06 relating to the set-up of the project team – the project office, et cetera – and also some early pipeline installation works around Halls Gap. But the major part of the project will commence in this financial year once we have gone through the tenders for the first stage. We are also releasing expressions of interest for the next stage and so we will have a rolling program of works over the coming years. It was originally proposed to be a 10-year project and now we are looking at what possibilities there are for acceleration of the project.*

Due to the size and scale of the project, the Committee recommended in its *Report on the 2005-06 Budget Estimates* that the government ensure a rigorous project management regime is in place to govern this project through the tendering and construction phases.[1044] The government agreed with this recommendation and outlined the project governance structure to oversee and manage the project (exhibit 14.11).

Exhibit 14.11: Wimmera-Mallee Pipeline Project governance structure

A **Project Council** comprising high level government representatives and led by an independent chair on behalf of the Secretary of the Department of Sustainability and Environment to oversee and monitor the management of the project, ensure effective project governance and ensure appropriate use of government funds.
A **Project Control Group** comprising representatives from the Goulburn Murray Water Board and the Department of Sustainability and Environment, together with external experts, where appropriate, manage the delivery of the project.
A **Project Director**, appointed in November 2005, implementing project management and project control systems in accordance with national standards of project management.
A **Project Advisor** and **Probity Auditor** appointed to oversee the tendering process.
The **Gateway Review** process will be applied to ensure rigour around the tender process. Due to the size and scale of the project, a modified Gateway Review 3 (procurement strategy review) process was agreed with the Department of Treasury and Finance. This review will be undertaken in two stages: firstly, a high level strategy review to confirm the procurement strategy and secondly, a more detailed review to confirm the tender and contract documentation in accordance with this strategy.

Source: Victorian Government, response to the Committee's Report on the 2005-06 Budget Estimates, tabled 30 May 2006, p.86

To complete the accountability framework for this important project, the Committee considers that the Department of Sustainability and Environment must report annually on the development of the Wimmera-Mallee pipeline in terms of the budget and timelines.

[1044] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.555

The Committee recommends that:

Recommendation 81: **The Department of Sustainability and Environment annually report the progress of the development of the Wimmera-Mallee pipeline in terms of budget and established timelines.**

(d) Bendigo's water supply and the future of surrounding irrigators

Bendigo, like other regional centres, is experiencing the challenges of drought, climate change and population growth.[1045] The city has experienced several years of water restrictions that threaten economic confidence and future growth.[1046] According to the Bendigo Regional action plan released in 2005, an extra 20 billion litres of water would be needed annually to meet the Bendigo region's needs.[1047]

The 2006-07 budget provides $30 million towards building a new pipeline to secure Bendigo's water supply and the future of surrounding irrigators.[1048] This funding will be used to connect the Waranga Western Channel (part of the Goulburn-Murray Water system) to Lake Eppalock, which supplies Bendigo with water.[1049]

The Committee was interested in establishing the actual cost of this project and the contribution to be made from the various parties.

The Minister advised the Committee that based on the feasibility study the estimated project cost is $70 million.[1050] The potential partners are Coliban Water, Goulburn–Murray Water and the National Water Commission.[1051] In relation to funding contributions, the Minister advised that:[1052]

> *... Coliban is seeking federal funding to match the state, to make up the balance, and we have not had an indication from the commonwealth if it is going to contribute. But Coliban has indicated that the water situation in Bendigo is so severe that if it does not get the commonwealth contribution, it will do the project, but it will mean that the people of Bendigo and the farmers in that area that use that system will have to fund the balance through their water rates.*

1045 2006-07 Victorian Budget, *Bendigo water pipeline* – Fact sheet
1046 ibid.
1047 ibid.
1048 Budget Paper No.1, *2006-07 Treasurer's Speech*, p.6; Budget Paper No.3, *2006-07 Service Delivery*, p.333
1049 2006-07 Victorian Budget, *Bendigo water pipeline* – Fact sheet
1050 Hon. J Thwaites, MP, Minister for Environment, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, p.8
1051 2006-07 Victorian Budget, *Bendigo water pipeline* – Fact sheet
1052 Hon. J Thwaites, MP, Minister for Environment, 2006-07 Budget Estimates hearing, transcript of evidence, 4 July 2006, pp.8–9

The Committee considers the government must finalise timelines and funding arrangements for the commencement and completion of this project in a timely manner, to avoid any undue delays in the benefits of this project being realised by the residents of Bendigo and the surrounding farming community. Any costs to be met by ratepayers should be kept at a minimum, and the Committee maintains increasing water rates should only be considered after all other alternatives have been explored.

The Committee recommends that:

Recommendation 82: **The Department of Sustainability and Environment finalise timelines and funding arrangements for the commencement and completion of the Bendigo Water Pipeline in a timely manner.**

CHAPTER 15: DEPARTMENT OF TREASURY AND FINANCE

Key findings of the Committee:

15.1 **The output budget for the Department of Treasury and Finance in 2006-07 is $191 million, a decrease of $300,000 compared with the estimated actual result of $191.3 million in 2005-06.**

15.2 **The Department of Treasury and Finance, inclusive of the State Revenue Office and the Essential Services Commission, has estimated that at 30 June 2007 it will have a workforce of 1,042.5 equivalent full-time staff, which reflects a very minimal decrease in staff numbers from 1,048.1 at 30 June 2006.**

15.3 **The Victorian Government anticipates an increase in dividends from government business enterprises in 2006-07 of $46.4 million, bringing the total dividend receipts to $383.9 million. Most of this amount ($283.8 million) will be received from the State Electricity Commission and from the Melbourne Water Corporation.**

15.4 **Consolidation of the accommodation of the Department of Human Services from five locations to a single site and the relocation of five government departments to the Southern Cross site is expected by the government to realise savings through improved productivity. The Committee considers that the extent to which the projected savings are actually achieved should be reported by the Department of Treasury and Finance in its annual report.**

15.5 **Even after two years of development, the department is yet to finalise the development of a computerised vehicle leasing and fleet management system, including a range of performance indicators. This system needs to be finalised as soon as possible so that performance information can be compared with industry benchmarks and reported to Parliament.**

15.6 **The Victorian Government Purchasing Board needs to give greater attention to its legislative responsibility to work with departments to ensure that supply policies and ministerial directions are being properly implemented, with reports to be provided to the Board. It appears that not all breaches of government supply policies are brought to the attention of the responsible Minister and recorded in the annual reports of the departments and the Victorian Government Purchasing Board.**

15.7 Following a serious breach of government supply policies involving a $22.5 million contract, the Victorian Government Purchasing Board has advised the Department of Human Services that its procurement policies should be strengthened.

Departmental review

15.1 Budget summary – output costs and performance measures

15.1.1 Budget development

The Department of Treasury and Finance advised the Committee the key assumptions used to develop its budget projections were:[1053]

- the department operates, wherever possible, within its existing resources;
- the Economic and Financial Policy Division restructure will provide greater resource flexibility to serve government;
- the resources allocated to reduce red tape will have a positive result on productivity; and
- the department will use internal surplus funding to develop strategic pilot projects in the area of reform.

15.1.2 Budget summary – output costs

The department's output budget for 2006-07 is $190.9 million, a decrease of $400,000 (-0.1 per cent) on the estimated actual result for 2005-06.[1054] Exhibit 15.1 provides a detailed breakdown of the department's output costs.

The department has made several changes to its outputs for 2006-07, consolidating six outputs into three.[1055] Consequently, several outputs have variations between the 2006-07 target and the 2005-06 estimated actual of plus or minus 100 per cent.

Exhibit 15.2 provides an explanation for variations between the 2005-06 estimated actual and the 2006-07 target that are greater than 10 per cent (other than for those

[1053] Department of Treasury and Finance, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.20
[1054] Budget Paper No.3, *2006-07 Service Delivery*, pp.239–254
[1055] ibid., p.238

outputs where 2006-07 funding is either new or discontinued), and where explanations are not provided in the budget papers.

Exhibit 15.1: Department of Treasury and Finance
Output costs

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Strategic policy advice				
Financial and resource management frameworks	5.9	5.7	6.1	7.0
Budget and financial policy advice	10.7	12.7	11.6	-8.6
Strategic policy and research	3.2	3.5	0.0	-100.0
Financial risk management and policy advice	11.9	13.0	0.0	-100.0
Economic, social and environmental policy advice	5.0	5.7	0.0	-100.0
Inter-government financial relations policy advice	1.6	1.7	0.0	-100.0
Taxation (state revenue) policy advice	1.7	2.2	0.0	-100.0
Economic and financial policy: analysis and advice	0.0	0.0	15.7	n/a
Economic and financial policy: research and development	0.0	0.0	4.9	n/a
Sub-total	**(b) 40.0**	**44.5**	**38.3**	**-13.9**
Financial management services				
Financial reporting	11.3	10.6	10.8	1.8
Taxation (state revenue) monitoring and forecasting services	0.8	0.8	0.0	-100.0
GBE performance reporting services	2.2	2.4	2.6	8.3
Public financial corporations and balance sheet management	0.0	0.0	3.6	n/a
Sub-total	**(c) 14.3**	**13.8**	**(d) 17.0**	**23.1**
Risk management services				
Commercial and infrastructure project management	8.5	9.9	9.2	-7.0
Sub-total	**8.5**	**9.9**	**9.2**	**-7.0**

Exhibit 15.1: Department of Treasury and Finance
Output costs *(continued)*

Output groups/outputs	Column 1 2005-06 Target ($ million)	Column 2 2005-06 Estimated Actual ($ million)	Column 3 2006-07 Target ($ million)	Column (3-2)/2 Variation (a) (%)
Resource management services				
Procurement services	4.1	5.3	5.8	9.4
Government accommodation services	28.6	27.3	27.4	0.3
Government land and property services	9.4	9.3	9.7	4.3
Management of motor vehicle leases	2.4	2.6	2.9	11.5
Sub-total	**(e) 44.5**	**44.5**	**45.8**	**2.9**
Regulatory services				
Economic regulatory services	12.0	15.7	12.4	-21.0
Business environment policy advice	3.5	4.0	5.6	40.0
Sub-total	**15.5**	**19.7**	**18.0**	**-8.6**
Revenue management services				
Revenue management services to government	58.5	58.9	62.7	6.4
Sub-total	**58.5**	**58.9**	**62.7**	**6.4**
Total	**(f) 181.3**	**191.3**	**(g) 191.0**	**-0.1**

Notes: *(a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome*

(b) the total reported ($40 million) differs from the figure reported in the output summary ($39.9 million) on page 239 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $40 million is the sum of the individually reported output costs. The reduction of 13.9 per cent in the cost of this output group is attributed to savings achieved from the consolidation of five outputs in 2005-06 into three new outputs in 2006-07

(c) the total reported ($14.3 million) differs from the figure reported in the output summary ($14.2 million) on page 239 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $14.3 million is the sum of the individually reported output costs

(d) the total reported ($17 million) differs from the figure reported in the output summary ($16.9 million) on page 239 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $17 million is the sum of the individually reported output costs

(e) the total reported ($44.5 million) differs from the figure reported in the output summary ($44.6 million) on page 239 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $44.5 million is the sum of the individually reported output costs

(f) the total reported ($181.3 million) differs from the figure reported in the output summary ($181.2 million) on page 239 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $181.3 million is the sum of the individually reported output costs

(g) the total reported ($191 million) differs from the figure reported in the output summary ($190.9 million) on page 239 of Budget Paper No.3, 2006-07 Service Delivery. The figure of $191 million is the sum of the individually reported output costs

n/a not applicable

Sources: Budget Paper No.3, 2006-07 Service Delivery, pp.239–254; Department of Treasury and Finance, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.15

While there were three instances of output cost variations in excess of 10 per cent (other than for those outputs where 2006-07 funding is either new or discontinued), the department did not publish any details in the budget papers. This lack of publicly available information reduces transparency and accountability when there has been significant variations from the budget estimates. Exhibit 15.2 identifies three variations to output costs that the department did not explain in the budget papers.

Exhibit 15.2: Department of Treasury and Finance Variations to output costs

Output groups/outputs	Reason for variation
Management of motor vehicle leases	The increase is due to an internal reallocation to enhance the department's capability to manage the whole of government motor vehicle fleet system.
Economic regulatory services	The decrease is due to the department no longer accessing unapplied prior year surpluses to conduct specific reviews. In 2005-06, the department used surplus funding for the Electricity Distribution Price review, the Rural Water Price review and the Rail Access Arrangement review. The department also used surplus funds in 2005-06 to defend an appeal by Alinta Network Services against notices issued by the Essential Services Commission.
Business environment policy advice	The increase is due to funding to reduce the current burden of regulation and contain the growth in future regulatory burden.

Source: Department of Treasury and Finance, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.16

15.2 Carry over funding

The department has not carried over any funding from 2005-06.

15.3 Human resources issues

15.3.1 Departmental workforce

The department has estimated that at 30 June 2007, it will have a total workforce of 1,042.5 equivalent full-time staff, which includes 554.3 within the department itself, 426 within the State Revenue Office, and 62.2 within the Essential Services

Commission. These figures represents a reduction of 5.6 (0.5 per cent) on the estimated equivalent full-time staff for 30 June 2006.[1056]

Analysis of the proportion of senior managers and executive officers employed within the department and its funded agencies reveals that:[1057]

- within the Department of Treasury and Finance, executive officers represent 13.8 per cent of the total equivalent full-time staff, while senior managers (grade 6) represent 19.2 per cent;
- within the State Revenue Office, executive officers represent 1.4 per cent of the total equivalent full-time staff, while senior managers (grade 6) represent 6.8 per cent; and
- within the Essential Services Commission, executive officers represent 9.6 per cent of the total equivalent full-time staff, while senior managers (grade 6) represent 27 per cent.

Exhibit 15.3 identifies staff numbers for the department and its major budget funded agencies.

Exhibit 15.3: Department of Treasury and Finance and agencies
Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
Department of Treasury and Finance			
Executive officer	75.8	76.0	77.0
VPS (grades 1-7)	458.8	466.9	477.3
Sub-total	534.6	542.9	554.3
State Revenue Office			
Executive officer	6.0	6.0	6.0
VPS (grades 1-7)	387.2	439.0	419.0
Other	0.0	1.0	1.0
Sub-total	393.2	446.0	426.0
Essential Service Commission			
Executive officer	6.0	6.0	6.0
VPS (grades 1-7)	51.6	49.4	52.4
Senior Regulatory Managers	4.8	3.8	3.8
Sub-total	62.4	59.2	62.2
Total	**990.2**	**1,048.1**	**1,042.5**

[1056] Department of Treasury and Finance, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, pp.4–6

[1057] ibid.

Source: Department of Treasury and Finance, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, pp.4–6

(a) Skill shortages

The department advised it does not have any identifiable skill shortages, either now or in the future.

Review of portfolios

15.4 Finance portfolio

15.4.1 Key issues affecting the portfolio

(a) Expected savings from the relocation of departments

At the estimates hearing, the Committee asked the Minister what was the level of savings expected to be achieved each year from relocating the Department of Human Services (from five locations in the western end of the central business district) to the urban workshop at 50 Lonsdale Street,[1058] and relocating the Department of Infrastructure, Department of Justice, Department of Innovation, Industry and Regional Development and the State Revenue Office to the Southern Cross Tower.[1059]

The Minister did not quantify the estimated savings from the relocation of the Department of Human Services, but advised that:[1060]

> *The business case for the relocation assumed a 2.5% improvement in productivity (of the value of gross salaries) for departmental staff - a conservative estimate based on the range of results of international productivity studies.*
>
> *Additional cost savings include:*[1061]
>
> - *travel time savings when departmental staff travel to attend meetings;*
> - *churn costs which are lower for newer buildings with large and more flexible floor plates;*

[1058] Mr J Lenders, MLC, Minister for Finance, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, p.6
[1059] ibid., p.7
[1060] Mr J Lenders, MLC, Minister for Finance, response to the Committee's follow-up questions, received 25 July 2006, p.2
[1061] ibid., p.1

- *decrease in sick leave costs which is also likely to reduce the burden on the health care system;*

- *lower expected environmental costs (and less pollution in the form of greenhouse gases) for newer and more energy efficient office accommodation; and*

- *improved business systems and operations by having all departmental staff in a single location.*

The Minister further advised the Committee that the above savings also applied to the Southern Cross site.

The Committee noted that the business case was based on anticipated savings rather than on specific quantifiable savings, such as the cost savings in rental payments resulting from rationalisation of the five locations for the Department of Human Services into the one central location. The extent to which the anticipated savings from the relocations actually materialise cannot be determined at this stage. The Committee considers that the department should quantify the actual savings achieved after 12 months and report this information in its annual report.

The Committee recommends that:

Recommendation 83: **The Department of Treasury and Finance at the end of the 2006-07 financial year determine the actual savings achieved from the consolidation of the Department of Human Services from five locations to a single site and the relocation of five departments to the Southern Cross site. The department should include this information in its next annual report.**

(b) Government vehicle fleet operations

The Committee recommended in its *Report on the 2004-05 Budget Estimates*, that the Department of Treasury and Finance should develop and disclose performance indicators detailing the efficiency and effectiveness of whole of government vehicle fleet operations.

The department advised that it aimed to gain departmental support for a whole of government reporting system and that such a system would be developed and implemented in 2006. [1062]

[1062] ibid., p.5

At the hearing, the Committee asked the Minister for Finance about the status of the system. The Minister indicated that:[1063]

> *Since the government replaced the Commonwealth Bank of Australia as the owner and operator of the government vehicle fleet in 2004, a vehicle leasing system was established within VicFleet. The focus of systems development since the decision to transfer to TCV [Treasury Corporation of Victoria] financing has been to develop a leasing module with necessary financial and process controls. The second phase of development, planned to be completed in late 2006, will allow VicFleet to produce reliable whole of government efficiency and productivity reports surrounding the quality, ordering, delivery and initiation of transactions, as well as key remarketing information that is core to the delivery of an effective leasing service and related risk management.*

Given the significance of the operations of the government's vehicle fleet, and that two years have now elapsed since the transfer of fleet operations from the Commonwealth Bank of Australia, the Committee is concerned about the delay in implementing a system to measure, monitor and report on the efficiency and effectiveness of VicFleet's operations.

The Committee recommends that:

Recommendation 84: **The Department of Treasury and Finance:**

(a) finalise as a matter of priority the development and implementation of the proposed fleet management system, together with appropriate indicators to determine efficiency and effectiveness; and

(b) include in its next annual report information about the extent to which VicFleet is performing against established industry benchmarks.

(c) Procurement of goods and services by the public sector

The Committee spent a significant amount of time during the estimates hearing discussing with the Minister for Finance issues of policy and probity in the procurement of goods and services by the public sector including the role of the Minister and the responsibilities of the Victorian Government Purchasing Board.[1064]

[1063] ibid.

[1064] Mr J Lenders, MLC, Minister for Finance, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, pp.3–5, 9, 10, 13, 14

Responding to the Committee's questions the Minister emphasised the devolution and segregation of responsibilities that has been established between the government departments and his department.[1065] The Minister indicated:[1066]

> *... when there are emerging issues in a policy sense, that are urgent and need addressing, the department will tell me as a matter of urgency. When there is an administration of a contract, there is a responsible Minister for the administration of that contract. Then it is that Minister's department's responsibility on a contract management issue. I am not responsible for contract management across all government departments. I am responsible for the policies.*

The Committee was concerned that a potential gap existed between the policy responsibilities of Department of Treasury and Finance and the contract management responsibilities devolved to the departments.

The Minister indicated he was satisfied that the Department of Treasury and Finance provides sufficient policy, guidelines, advice and training to assist the state's procurement agencies undertake their purchasing responsibilities.[1067.] The Minister advised that the number of irregularities that have occurred in procurement are reported in the annual report of the VGPB, and that a level of reliance can also be placed on inbuilt checks and balances (including audits of the system by the Auditor-General), which provide added assurance. The Minister also identified some minor instances where irregularities had been brought to his attention and subsequent remedial action had been taken.[1068.]

The Committee understands that the Standing Directions of the Minister for Finance (3.4.5 Procurement) are silent on the issue of reporting instances of non conformance to the Department of Treasury and Finance. Further, the relevant mandatory elements in relation to procurement referred to in Standing Instruction 3.4.5, contained in other directions (Direction 2.1 – Financial Code of Practice), place responsibility for implementation of appropriate procurement processes with the individual agencies.

The key legislative provisions relating to government supply policies are contained within section 54L of the *Financial Management Act* 1994 that provides that:

[1065] ibid., p.4
[1066] ibid., p.5
[1067] ibid.
[1068] ibid., p.13

> *(1) The Board may prepare, make, amend and revoke instruments, to be known as 'supply policies' with respect to policies and practices relating to the supply of goods and services to departments and the management and disposal of goods by departments.*
>
> *and*
>
> *(4) All accountable officers and other members of staff of departments must comply with supply policies.*

The Committee considers that the Victorian Government Purchasing Board should determine the extent of compliance by departments with sections 54B and 54C of the *Financial Management Act* 1994 which outlines the functions and powers of the Board.

To illustrate the Committee's concerns an example was brought to the Minister's attention involving the Department of Human Services whereby the department had not reported a serious breach of supply policy to the VGPB. The Minister noted that, in this instance, the system had not functioned effectively, and that the contract had, in fact, been mismanaged by the department responsible for the contract.[1069]

The circumstances involved a $22.5 million contract entered into by the Department of Human Services with a private sector company which was in financial difficulty. Following a complaint from an unsuccessful tenderer who had suffered financially as a result of the department's decision, the matter was investigated. Subsequent reviews by a probity auditor appointed by the Department of Human Services and the Victorian Government Purchasing Board (VGPB) confirmed a number of instances of non-compliance with government policy:[1070]

- a working document was provided to a potential tenderer before the request for tender was issued;
- the Department of Human Services did not require all short listed tenderers to provide a Victorian Industry Participation Statement as required by VGPB guidelines; and
- the Department of Human Services project manager had inappropriate social contact with the successful tenderer.

Despite the irregularities, the Board determined that the irregularities had no effect on the outcome of the tender. However the VGPB was critical of the department's procurement practices and recommended a range of changes, which were subsequently accepted by the department. The VGPB further added that the Probity

[1069] ibid., p.14
[1070] ibid., p.2

Auditor engaged by the Department of Human Services to oversee the contract *'did not serve the department or the complainant well'*.[1071]

Given that the Department of Human Services is a very large department issuing contracts each year involving many millions of dollars, it is of concern that internal controls, including the ongoing use of probity auditors to oversee large contracts and tendering processes, proved to be deficient in allowing the situation to occur. Were it not for the complaint received from a competitor, the circumstances would not have become apparent. This example is also a reflection on the devolution of procurement responsibilities to departments without any independent oversight on the effectiveness of controls on procurement which the individual departments implement.

In order to detect any breaches the Financial Management Act provides for the Board to *'require accountable officers to audit compliance with supply policies and Ministerial Directions and provide audit reports to the Board'*. Although such a requirement is at the discretion of the board, the Committee considers that good governance arrangements within departments should allow for auditing of procurement activities to be undertaken as a matter of course.

Departments must advise the VGPB of breaches of the government's supply policy and the number of breaches must be recorded in the annual report of the Victorian Government Purchasing Board. Such processes, if implemented, should assist the department in detecting irregularities. However if these actions fail or are not undertaken, there remains an opportunity for the VGPB to use its investigative powers under the Financial Management Act to conduct investigations and not rely extensively on other external mechanisms such as the Auditor-General and complaints from the public and/or suppliers or contractors.

The Committee considers that the Minister for Finance should also give consideration to issuing a Standing Direction emphasising the departments' responsibilities to have strong internal controls, a document framework and guidance on procurement practices, and the need to report breaches of government supply policy to the VGPB. Strong internal controls could include a management plan that details existing and proposed processes, practices and performance standards, risk mitigation, identified training requirements in relation to procurement activities, delegations and monitoring thereof, and documented evidence of receipt of supplies.

The Committee considers the Minister for Finance should reassess whether the legislative provisions regarding compliance with government supply policies by departments and the reporting of breaches should be strengthened. It appears to the Committee that the VGPB needs to ensure that departmental officers responsible for the procurement of goods and services are sufficiently skilled and trained so as to ensure that procurement activities comply with supply policies and the provisions of the *Financial Management Act* 1994.

[1071] Letter, dated 15 December 2005, from the Chair, Victorian Government Purchasing Board to the Secretary, Department of Human Services

The Committee recommends that:

Recommendation 85: **The Victorian Government Purchasing Board work with departments to improve the level of training undertaken by officers involved in the procurement of goods or services to ensure procurement activities comply with the board's supply policies and Ministerial Directions, in order to reinforce the compliance by departments with board policies, including the early reporting of breaches of supply policies.**

Recommendation 86: **The Minister for Finance:**

(a) give further consideration to issuing a Standing Direction that emphasises the responsibilities of departments to detect and report breaches of government supply policy; and

(b) review legislative requirements to determine whether provisions covering the reporting of breaches should be strengthened.

(d) Funding of outstanding superannuation liabilities of the state

The Minister highlighted a number of initiatives recently undertaken by the government to improve both the administration and management of public sector superannuation funds and to provide adequate catch-up financing to meet its objective of fully funding the state's superannuation liability by 2035, including:

- a variety of state managed superannuation funds (for example, Emergency Services Superannuation Fund, Government Superannuation Office, State Employees Retirements Benefits Scheme, Melbourne Water superannuation fund etc.) that were previously administered separately through a series of different management and administrative structures amalgamated into one central fund to achieve significant economies of scale; and [1072]
- the prepayment of some of the state's superannuation funding requirements. This strategy, combined with the fact that the state's superannuation debt has peaked and will in future enter into a downward reducing spiral, means that the

[1072] Mr J Lenders, MLC, Minister for Finance, 2006-07 Budget Estimates hearing, transcript of evidence, 16 June 2006, pp.5–6

government is ahead of its program to fully fund the state's superannuation liability by 2035.[1073]

The Committee acknowledges the strategies and actions detailed by the Minister for Finance in support of the government's efforts to effectively manage the state's long term superannuation liabilities.

15.5 Treasury portfolio

15.5.1 Projected dividends payable by government business enterprises

The Committee asked the Treasurer to provide details about the projected dividends payable by government business enterprises (GBEs) to the government in 2006-07,[1074] see exhibit 15.4.

Exhibit 15.4: Government Business Enterprises dividends payable to government

Government Business Enterprise	2005-06 Revised ($ million)	2006-07 Forecast ($ million)	Change from prior year (a) ($ million)
State Electricity Commission Victoria	100.0	140.0	40.0
Melbourne Water Corporation	97.0	143.8	46.8
South East Water	45.8	34.6	-11.2
Yarra Valley Water	36.8	23.7	-13.1
City West Water	27.7	28.4	0.7
Regional and rural water authorities	0.8	4.8	4.0
Port of Melbourne Corporation	20.8	5.9	-14.9
Victorian Regional Channels Authority	0.1	0.7	0.6
VicForests	3.0	1.7	-1.3
VITS LanguageLink	0.4	0.2	-0.2
VicTrack	5.0	0.0	-5.0
Total dividend revenue	**337.4**	**383.8**	**46.4**

Note: (a) column and additional information added by the PAEC

(b) a negative variance indicates the amount is forecast to decrease compared with 2005-06 revised estimated actual outcome

Source: Hon. J Brumby, MP, Treasurer, response to the Committee's follow-up questions, received 26 July 2006, p.4

[1073] ibid., p.12

[1074] Hon. J Brumby, MP, Treasurer, 2006-07 Budget Estimates hearing, transcript of evidence, 13 June 2006, p.21

As shown in the above table, the State Electricity Commission and Melbourne Water Corporation will contribute $283.8 million of the $383.8 million, (74 per cent), of the total amounts forecast to be received by the government in 2006-07 from the GBEs.

The other nine GBEs will contribute the remaining $100.1 million. Of these nine, six will have a reduction in their dividend contributions, while the other three enterprises will provide an increased dividend payment. Overall, the net increase in forecast dividend payments to consolidated revenue will be in the order of $46.4 million, or 10 per cent over the previous year.

The Committee noted that the budget papers attributed the increase in dividends to better than expected investment returns by the larger authorities.[1075]

15.6 WorkCover/TAC portfolio

15.6.1 Key issues affecting the portfolio

(a) Decapitalisation of the Transport Accident Commission

An assessment of the financial standing of the Transport Accident Commission indicates that it is performing strongly and improving its annual results. Net Profit After Tax amounted to $51 million in 2002-03, $590 million in 2003-04, and $464 million in 2004-05.[1076] Similarly, its funding ratio was 111 per cent in June 2003, 116 per cent in June 2004, and 119 per cent in June 2005.[1077] The funding ratio also reflected an increasing trend and was placed well within the government's capital, pricing and reserving framework guideline of a range of 100 to 120 per cent.

The Committee was interested in the drawdown amount for 2005-06 and the potential impact that it may have on the capital base of the Commission and its capacity to undertake its core activities.

The Minister advised the Committee that: [1078]

- the TAC has adopted a target funding ratio of 110%, being the midpoint of a funding ratio range of 100-120%. To bring the funding ratio close to the preferred target, a return of capital of $600 million was considered appropriate for 2005-06;[1079] and

[1075] Budget Paper No.4, *2006-07 Statement of Finances*, p.132
[1076] Mr J Lenders, MLC, Minister for WorkCover, 2006-07 Budget Estimates hearing, 16 June 2006, presentation slide 2
[1077] ibid., presentation slide 2
[1078] Mr J Lenders, MLC, Minister for WorkCover, response to the Committee's follow-up questions, received 25 July 2006, p.1
[1079] ibid.

- the TAC's investment portfolio is *'marked to market'* consistent with the requirements of the accounting standards. The $600 million came from the liquidation of securities and cash in existing portfolios. The equities were sold at market value.

The Committee asked the Minister:

> *what was the book value of the assets that were liquidated in order to pay the $600 million dividend and what was the remaining equity held by the Transport Accident Commission after the dividend was paid?*

The Minister's response was:

> *The TAC's investment portfolio is 'marked to market' consistent with the requirements of accounting standards. The $600 million return of capital to government came from the liquidation of securities and cash in existing portfolios. The equities were sold at market value'.*[1080]

It was unclear from the Minister's response whether the equities were sold at a discount to their market value, and what impact the sale had on the value of the residual TAC equity.

The Minister indicated that the Commission's 2005-06 annual report would contain further information about the drawdown amount and the value of the remaining equity. The Committee will review these details and, if necessary, report on this matter at a later date.

(b) Relocation of the Transport Accident Commission

In December 2005 the government announced it would relocate the Transport Accident Commission to Geelong and had commenced negotiations for the construction of new corporate headquarters, to accommodate about 600 staff to be relocated in 2009.

The Committee sought to establish the cost of the move, including rental, redundancy, relocation and incentive costs, and the source of the funding. The Minister indicated that the cost will be met by the TAC; however no information regarding the cost was provided to the Committee.

[1080] ibid.

CHAPTER 16: DEPARTMENT FOR VICTORIAN COMMUNITIES

Key findings of the Committee:

16.1 **The output budget of the Department for Victorian Communities for 2006-07 is $310.1 million, a decrease of $268.2 million (46.4 per cent) on the estimated actual result for 2005-06. This decrease is principally due to the one-off effect on 2005-06 funding of the delivery of the Commonwealth Games in March 2006.**

16.2 **The department estimates it will carry forward $4.1 million in output funding and $600,000 in asset funding from 2005-06 to 2006-07.**

16.3 **Equivalent full-time staff numbers are expected to increase by 29.4 during 2006-07 to 788 at 30 June 2007. The increase includes 18.5 grade 5 positions primarily due to new initiatives relating to Indigenous Victorians, flexible transport solutions and affordable credit.**

16.4 **Future whole of Victorian Government reporting on Indigenous affairs will be based on five new strategic areas and have a greater focus on program outcomes and progress against milestones.**

16.5 **The involvement of representatives of Victoria's Indigenous communities in periodic evaluations of programs complements the government's partnership philosophy.**

16.6 **The government announced in 2003 that its funding for the 2006 Commonwealth Games was capped at $697 million. The Committee has been advised that the revised funding cap is $651 million, due to the decision in 2005 to remove the security funding component ($46 million) from the funding cap.**

16.7 **The Committee was advised that no revenue was foregone from tickets that were given away, such as hospitality packages or to the Games volunteers. The Committee considers, however, that there is a cost to the Games organisation of these tickets.**

16.8 **The audited end-of-Games special purpose report will be released in October 2006.**

16.9 **The government's Workforce Participation Partnerships initiative aims to meet employers' labour and skill needs and provide sustainable employment for Victorians facing significant barriers to work. There has been initial positive reaction to the initiative from organisations representing employers and from municipal councils.**

16.10 **The government is developing a new workforce strategy as part of its approach to addressing future employment challenges expected to emerge from the ageing of the population.**

16.11 **The proportion of total funds contributed to public libraries in recent years by local councils has been increasing while that of the state government has been decreasing, even though the total amount of money contributed by both levels of government has been increasing overall. While the range of services provided by some libraries has increased, such as internet services, there has been an overall statewide reduction in the number of permanent and mobile libraries, the number of mobile library service points, and the number of mobile library stocks.**

16.12 **A major contributing factor to the inability of local councils to maintain the existing level of services in the future will be the cessation, after 2005-06, of national competition policy grants from the Commonwealth. The impact is likely to have the greatest effect on those smaller rural shires that have a limited capacity to increase revenues from rates.**

16.13 **Monitoring the effectiveness of departmental strategies to address issues relating to racial and religious tolerance will be important in future.**

16.14 **Based on indicative information from 982 bodies, 646 (8 per cent) of the 8,063 members of boards were from culturally and linguistically diverse backgrounds at 30 June 2005.**

16.15 **The Melbourne and Olympic Parks Trust is anticipated to raise approximately $41 million for the construction of the new $190 million rectangular sports stadium. The final construction cost of the stadium has yet to be determined.**

16.16 **At the time this report was prepared, the construction of a national ice sports centre had been delayed pending the developer obtaining investment finance for the project.**

16.17 **The 12th FINA World Championships is largely funded from the government's major events cap. The 2006-07 budget announced funding of $2 million to expand the capacity of facilities at the Melbourne Sports and Aquatic Centre for the staging of this major event.**

16.18 The economic benefit of the 12th FINA World Championships is estimated to be more than $80 million.

16.19 For 2005-06, the Community Support Fund estimated its revenue as $103.2 million for 2005-06, and expenditure of $119 million (due to a timing difference between funding commitments and fund expenditure), with a balance of unallocated funds at 30 June 2006 of $69.5 million.

16.20 The 2006-07 budget papers contain limited information on Community Support Fund revenue and expenditure, particularly in relation to departmental expenditure.

16.21 The government provided output funding of $1.2 million over four years to sustain the operation of the Queen Victoria Women's Centre. The Centre was required to meet various key performance indicators under a service agreement entered into for this funding.

16.22 The Queen Victoria Women's Centre achieved full tenancy during 2005-06 and is expected to remain fully tenanted during 2006-07.

16.23 Several avenues are available to the government to further strengthen whole of government decision making and reporting to Parliament on youth issues, in conjunction with implementation of its new future directions statement for young people.

Departmental review

16.1 Budget summary – output costs and performance measures

16.1.1 Budget development

The Committee was advised that the key assumptions underlying the development of the department's budget projections for 2006-07 were:[1081]

- consumer price index of 2.75 per cent.
- wage increase of 3 per cent from 1 October 2006.
- number of estimated full-time staff of 758.6 at 30 June 2006 increasing to 788 at 30 June 2007.

[1081] Department for Victorian Communities, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.21

- receipt of 8.3 per cent of gaming machine revenue in accordance with the *Gambling Regulation Act* 2003.

16.1.2 Budget summary – output costs

The department's output budget for 2006-07 is $310.1 million, a decrease of 46.4 per cent on the estimated actual result for 2005-06. Exhibit 16.1 provides a detailed breakdown.

Exhibit 16.1: Department for Victorian Communities
Output costs

Output groups/outputs	Column 1	Column 2	Column 3	Column (3-2)/2
	2005-06 Target ($ million)	**2005-06 Estimated Actual ($ million)**	**2006-07 Target ($ million)**	**Variation (a) (%)**
Supporting local government and strengthening communities				
Local government sector development	39.0	49.5	58.5	18.2
Community information services	35.2	34.7	35.1	1.2
Community strengthening	10.2	22.7	12.3	-45.8
Sub-total	**84.4**	**106.9**	**105.9**	**-0.9**
Sport, recreation and the Commonwealth Games				
Sport and recreation sector development	55.4	57.0	61.9	8.6
Commonwealth Games	339.7	334.8	51.0	-84.8
Sub-total	**395.1**	**391.8**	**112.9**	**-71.2**
Advocating for people in communities				
Employment programs	31.7	28.0	29.2	4.2
Indigenous community and cultural development	19.3	18.7	22.0	17.6
Youth affairs	12.9	12.9	15.2	17.8
Multicultural affairs	9.1	9.2	10.7	16.3
Women's policy	3.1	3.1	3.1	0.0
Seniors and veterans	7.8	7.7	11.1	44.2
Sub-total	**83.9**	**79.6**	**91.3**	**14.6**
Total	**563.4**	**578.3**	**310.1**	**46.4**

Note: (a) a negative variance indicates that the 2006-07 budget has decreased compared with the 2005-06 estimated actual outcome

Source: Budget Paper No.3, 2006-07 Service Delivery, pp.256–268

The department advised the Committee of the following explanations for output cost variations of more than 10 per cent between the 2005-06 estimated actual and the 2006-07 target cost:[1082]

- Local Government Sector Development output – the increase of $9 million (18.2 per cent) is due to new initiatives for Neighbourhood Houses transferred from the Department of Human Services and a higher level of expenditure for local government library grants;
- Community Strengthening output – the decrease of $10.4 million (45.8 per cent) arises mainly from the reversal of earlier timing of payments during 2005-06 from the Community Support Fund offset by additional funding in 2006-07 for Flexible Transport Solutions and Fair and Affordable Credit;
- Commonwealth Games output – the decrease of $283.8 million (84.8 per cent) reflects the one-off nature in 2005-06 for many of the output's items for the March 2006 Commonwealth Games;
- Indigenous Community and Cultural Development output – the increase of $3.3 million (17.6 per cent) is attributable to new initiatives for Indigenous Communities;
- Youth Affairs output – the increase of $2.3 million (17.8 per cent) primarily arises from new initiatives for Healthy and Active Victorians and the transfer of funding for youthcentral from the Employment Programs output;
- Multicultural Affairs output – the increase of $1.5 million (16.3 per cent) relates to new initiatives for Strengthening Multicultural Communities; and
- Seniors and Veterans output – the increase of $3.4 million (44.2 per cent) arises from new Veterans initiatives such as the Commemoration and Education Program, the Spirit of Anzac Prize and the Restoring Community War Memorials Program, as well as new Seniors initiatives including Valuing Victoria's Seniors and Healthy and Active Victoria.

16.1.3 Performance measures

(a) Youth Affairs output

The government's May 2005 response to the Committee's *Report on the 2004-05 Budget Estimates* indicated that the department was reviewing its performance measures to enable more meaningful reporting.[1083] The Committee stated in its *Report on the 2004-05 Budget Estimates* that it looked forward to the results of this review

[1082] ibid., p.12
[1083] Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled 17 May 2005, p.87

being reflected in the 2006-07 budget performance measures to allow an assessment of outcomes.

The Minister announced in May 2006 that the government was developing, with the help of Victoria's young people, a new youth policy.[1084] The new policy statement was released in August 2006.[1085] The Committee strongly suggests the department ensures that, in conjunction with implementation of the new youth policy, action is taken to raise the standard of performance measures for the Youth Affairs output included in future budget papers.

The Committee recommends that:

Recommendation 87: **The Department for Victorian Communities ensure more meaningful performance measures for the Youth Affairs output are presented in future budget papers.**

16.2 Carry over funding

The department advised the Committee that there will be an estimated carry over of funding from 2005-06 into 2006-07 of $4.1 million in output funding and $600,000 in asset funding.[1086] The breakdown of this carry over is as follows:

- Seniors and Veterans output ($500,000) – comprising $300,000 for Positive Ageing initiatives to fund information resources for seniors and $200,000 for the Restoring Community War Memorial Grants Program.
- Youth Affairs output ($300,000) – for the FReeZA central program.
- Indigenous Community and Cultural Development output ($700,000 for output funding and $600,000 for asset funding) – the carry over is attributable to the delayed commencement of some projects such as the streamlining of administrative arrangements for Indigenous community organisations.
- Multicultural Affairs output ($300,000) – attributable to a later than anticipated commencement date for the Refugee Support Package Project following extensive community consultations and delayed commencement of other projects due to increased responsibilities for multicultural harmony initiatives.
- Electronic Grant Management System ($2.3 million) – arising from a decision to progressively implement the new system from July 2006.

[1084] Ms J Allan, MP, Minister for Youth Affairs, *$14 million boost to support young Victorians*, 2006-07 Victorian Budget media release, 30 May 2006

[1085] Hon S Bracks, MP, Premier, *$4.5 million gives Gen 'Y' power to make decisions*, media release, 11 August 2006

[1086] Department for Victorian Communities, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, pp.12–14

16.3 Human resources issues

16.3.1 Departmental workforce

The department advised that it anticipates 788 equivalent full-time staff will be employed at 30 June 2007, an increase of 29.4 staff on the number of equivalent full-time staff expected to be employed at 30 June 2006 (see exhibit 16.2).

Exhibit 16.2: Department for Victorian Communities Equivalent full-time staff

	30 June 2005 Actual	30 June 2006 Actual	30 June 2007 Estimate
Executive officers	30.0	29.0	29.0
Grades 1-7	726.5	726.5	756.0
Other	14.0	3.1	3.0
Total	**770.5**	**758.6**	**788.0**

Source: Department for Victorian Communities, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.6

The department informed the Committee that the expected increase of 29.4 equivalent full-time staff in 2006-07 includes 18.5 grade 5 positions primarily due to new initiatives relating to Indigenous Victorians, Flexible Transport Solutions and Affordable Credit.[1087]

16.3.2 Skill shortages

The Committee sought information from the department on the processes it had in place to identify immediate skill shortages and projected skill shortages in the next two to three years and in the next four to five years. The department was also asked to indicate its identified skill shortages for these periods. The department responded to the Committee as follows:[1088]

(a) Immediate skill shortages

The department's objective is to attract, retain and develop the right people with the right capabilities. Building the capacity of employees to undertake new tasks and activities associated with the department's community strengthening agenda is therefore a major driver of skill requirement.

[1087] ibid., p.7
[1088] ibid., pp.24–26

The department is completing the development of a workforce capability framework. This framework defines the future capability requirements of employees across all levels of the department and will underpin key processes such as recruitment and selection, learning and development, succession planning and performance management.

The department's People and Culture team work closely with line managers to identify future talent requirements and appropriate attraction and selection strategies to identify candidates with the right capabilities and values. Over the next 12 months, the department will continue to analyse roles which are more difficult to fill and identify future strategies to build capability and attraction strategies for these roles.

(b) Projected skill shortages in the next 2-3 years and beyond

The department will introduce an online learning centre for employees to more effectively identify, plan and undertake individual activities relevant to their capability gaps.

The department will participate in workforce planning initiatives introduced by the State Services Authority. Turnover data will also be utilised to plan for future role requirements.

Review of portfolios

16.4 Aboriginal Affairs portfolio

16.4.1 Key issues affecting the portfolio

(a) Performance reporting for Indigenous affairs

In both its *Report on the 2004-05 Budget Estimates* and its *Report on the 2005-06 Budget Estimates*, the Committee commented on issues associated with the government's approach to monitoring and reporting its performance in addressing Indigenous disadvantage in Victoria. The 2005-06 report included a recommendation that the department's Aboriginal Affairs Victoria co-ordinate an analysis of trends and outcomes emerging from the *Overcoming Indigenous disadvantage: key indicators 2005 report* to explore potential for improving Victoria's Indigenous affairs policies and programs.[1089]

The government's response to the Committee's recommendation stated that it had, in partnership with Victoria's Indigenous communities, developed the Victorian

[1089] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, pp. 610–611

Indigenous Affairs Framework as a whole of government approach to addressing Indigenous disadvantage. The response also indicated that future development work under the framework included an agreed process for whole of government reporting to show progress in the medium term. It also stated that a secretaries group had been established to oversee this work, including the measurement of progress against the key indicators for overcoming indigenous disadvantage.[1090]

(i) The Victorian Government Indigenous Affairs Report

The Minister presented *The Victorian Government Indigenous Affairs Report, July 2004-June 2005* to Parliament in March 2006.[1091] This report documents information on the government's key initiatives in Indigenous affairs during 2004-05. It cites the major achievement for the year as an amendment to Victoria's constitution, which recognises Aboriginal people's unbroken connection to the land that became the colony of Victoria.

This report describes actions taken during 2004-05 under five strategic areas:

- partnerships – recognising and respecting Indigenous people's right to self determination expressed through active partnerships with government that involve Indigenous Victorians in the planning, management and delivery of services.
- land and culture – delivering land justice to Indigenous Victorians and protecting Victoria's Indigenous cultural heritage for future generations.
- economic development and participation – improving education and training outcomes to aid participation and economic development, and assisting the effective translation of benefits of greater cultural recognition, land ownership and community control into opportunities for business development, employment and economic independence.
- family and community health and wellbeing – developing positive strategies to address individual and community wellbeing that build on the strength of Indigenous culture and help nurture and develop the wellbeing, knowledge, skills and identity of Indigenous Victorians.
- improved justice outcomes – addressing injustice and providing a safe and secure environment for Indigenous families and communities.

These five areas have also been included in the Premier's revised directive on departments' whole of government reporting responsibilities for specific community

[1090] Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.93

[1091] Department for Victorian Communities, *The Victorian Government's Indigenous Affairs Report, July 2004 June 2005*

areas, including Indigenous affairs.[1092] The directive was issued on 10 May 2006 and states that the changed reporting requirements must reflect '*new policy frameworks and a greater focus on program outcomes and reporting on milestones over time'*.

The Committee considers the new strategic areas for reporting on the government's achievements in Indigenous affairs, and the Premier's requirement for a greater focus on program outcomes, are positive developments. The Committee sees the combination of both factors as creating the basis for improved performance reporting over time by the government under its new Indigenous Affairs framework.

The Committee's expectation for advancements in the quality of future reporting takes into account the fact that the government's 2004-05 report:

- represents its early experience in reporting under the five new strategic areas;
- while well presented, contains mainly narrative descriptions of achievements and initiatives underway and planned in each strategic area, with limited attention to measurable expected future outcomes and related performance milestones;
- covers important initiatives resulting from the government's 2005 *A Fairer Victoria* statement and the 2005-06 budget, both of which have been followed by a wide range of budget initiatives to support Indigenous communities of around $75 million announced in the 2006-07 budget; and
- explains that while many of the programs and initiatives target areas identified for their potential to have significant and lasting impact on reducing Indigenous disadvantage, it will take time before improvements will be achieved.

The new funding initiatives for Indigenous communities announced in the 2006-07 budget cover a wide spectrum of activity across portfolios and comprise:[1093]

Within the Aboriginal Affairs portfolio:

- $12.6 million over four years to implement the new Victorian Aboriginal cultural heritage legislation;
- $10.8 million over four years for new community engagement arrangements to build capacity at a local and regional Indigenous level; and
- $5.7 million over three years for essential capital works on Indigenous community facilities and to meet building and occupational health and safety regulations.

[1092] Department of Premier and Cabinet, Premier's circular 2006/01, *Whole of Government Reporting on Responsiveness to Cultural Diversity, Women, Young People and Indigenous Affairs*, downloaded from the Victorian Government intranet

[1093] Budget Paper No.3, *2006-07 Service Delivery*, pp.284–285, 296, 298, 302, 323, 337–338

Within other portfolios:

- $26.1 million over four years, managed within the Police and Emergency Services portfolio, to extend the Aboriginal Justice Agreement, with the majority of funding aimed at reducing Indigenous over-representation in the criminal justice system;
- $14.1 million over four years, managed within the portfolio for Children, to reduce the over-representation of Indigenous children in the child protection system;[1094]
- $3.7 million over two years, managed within the Health portfolio, to establish a Koori Youth Alcohol and Drug Healing centre; and
- $2.7 million over four years to broaden vocational pathways for young Aboriginal people in northern Victoria through the Academy of Sport Health and Education.[1095]

These budget initiatives are likely to add impetus to the government's future reporting under its new Indigenous Affairs framework.

(ii) Overcoming Indigenous disadvantage

The Committee's *Report on the 2005-06 Budget Estimates* identified that COAG had commissioned the Steering Committee for the Review of Government Service Provision to produce a series of reports on overcoming Indigenous disadvantage. The Steering Committee's 2005 report, the second in the series, states that it is a strategic document to assist governments identify where the focus for policy attention should be, and to measure over time whether things are changing for the better.[1096]

At its meeting on 14 July 2006, COAG agreed that a long term generational commitment is needed to overcome Indigenous disadvantage. COAG indicated its future work will focus on those areas identified for joint action that have the greatest capacity to achieve real benefits for Indigenous Australians in the short and long term. COAG has agreed to establish a working group to develop a detailed proposal for generational change including specific, practical proposals for reform that reflect the diversity of circumstances in Australia.[1097]

The government's 2004-05 framework report included a summary of the latest available data on Victoria's position under selected key headline indicators for Indigenous disadvantage. Exhibit 16.3 reproduces this table.

[1094] Mr G Jennings, MLC, Minister for Aboriginal Affairs, *Budget backing for stronger Indigenous communities*, media release, 30 May 2006

[1095] ibid.

[1096] Steering Committee for the Review of Government Service Provision, *Overcoming Indigenous Disadvantage; Key Indicators 2005*, p. 1.2

[1097] Council of Australian Governments website, www.coag.gov.au, accessed 31 July 2006

Exhibit 16.3: Victoria's performance on selected headline indicators for indigenous outcomes

Headline indicator	All Victorians	Indigenous Victorians	Year and source
Life expectancy (years)			
Males	78.2	60.0	2002
Females	83.1	65.1	ABS Deaths Australia 2003
Birthweight *Percentage of all births less than 2500 grams*	6.9	13.5	2001 Perinatal data collection, AIHW Perinatal Statistics Unit (unpublished) 1999-2001
Suicide *Percentage of total deaths*	1.7	4.8	1999-2001 ABS unpublished*
School retention *(per cent of)*			
• To year 10	97.5	81.1	*Overcoming Indigenous Disadvantage (OID) Key Indicators Report 2005*
• To year 12	81.4	36.5	
School attainment			
• Year 12 certificate	82.7	44.6	ABS Schools Australia 2004
Unemployment *(inc CDEP)*	5.7	17.5	OID Report 2005 ABS 2002, NATSISS and GSS
Household income *Median gross weekly equivalised – $ per week*	630	465	ABS 2002, NATSISS and GSS
Home ownership *(per cent)*	77.3	35.9	ABS National ATSI Social Survey (NATSISS) 2002
Child protection			
• Substantiations	5.9	57.7	SCRGSP, 2005 *Report on Government Services*
• Placed in out of home care *Per 1,000 children aged 0-17 years*	3.3	41.4	
Imprisonment *Per 100,000 adults*	95.6	1,108.2	2002-03 *Report on Government Services 2005*
Juvenile incarceration			
• Male	26.3	302.7	OID Report 2005
• Female *Per 100,000 aged 10-17 years*	1.9	34.0	Statistics on rates of Juvenile detention in Australia 1981-2003

Note: * *Victorian data for 2004-05 is unavailable due to small numbers and low coverage of indigenous deaths*

Source: *Department for Victorian Communities, The Victorian Government's Indigenous Affairs Report, July 2004 – June 2005, p.40*

The government's framework report mentions that this information represents point in time data and that the outcomes from more recent government initiatives would not yet show in such data. The report also indicates that the national 2005 report on overcoming Indigenous disadvantage acknowledged there is clearly more

developments occurring in Indigenous communities than can be captured by statistics.[1098]

At the estimates hearing, the Minister commented on the level of disadvantage experienced by Aboriginal people in Victoria and described how government programs were addressing this disadvantage over time. The Minister stated:[1099]

> *What I am not happy about is the ongoing experience of Aboriginal people in terms of quality of life and the low benchmark for the level of disadvantage experienced by Aboriginal people ... For instance ... Aboriginal people have a life expectancy of 20 years less than other members of the community. That unfortunate circumstance will take some time to change because the cumulative effect of having better support for mothers and children ... which has been a major feature of our investment strategy in the last few years, will arm those young children in their future lives and we would expect their life expectancy to grow in accordance with that investment ...*
>
> *Similarly, [we would expect] our investments in other aspects whether it be through a response to chronic illnesses or an effort to improve not only the mainstream delivery of health services but also to develop collaborative arrangements with Aboriginal community-controlled health organisations to address the major incidence of illness and the morbidity pattern that leads to early mortality for Aboriginal people ... to have an effect, and they are having an effect, but demonstrating that on a statistical basis will take some time to come through.*
>
> *We have had a great degree of success in the last few budgets beyond Aboriginal Affairs – right across government – in showing that we are accumulating a significant coordination of integrated programs that range from early intervention, the transition within school, efforts within the school system, job creation opportunities, housing opportunities and family restoration programs that are working in a concerted way to increase the wherewithal of Aboriginal families.*

(iii) Improvement in performance reporting for Indigenous affairs

In terms of next steps, the Committee considers Aboriginal Affairs Victoria should maintain the momentum for improvement in reporting on Indigenous affairs that has been evident since creation of the government's Indigenous Affairs framework. It can achieve this by ensuring future reports to Parliament under the framework include:

[1098] Department for Victorian Communities, *The Victorian Government's Indigenous Affairs, July 2004-June 2005,* p.39

[1099] Mr G Jennings, MLC, Minister for Aboriginal Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, pp.3–4

- a strong focus on medium to long term expected outcomes for each of the five strategic areas in line with the Premier's revised whole of government reporting requirements for Indigenous affairs;
- the extent of achievement of milestones established to measure progress towards attainment of these outcomes as the benefits of programs and funding decisions are realised; and
- a clear ongoing connection with COAG's reporting initiatives associated with overcoming indigenous disadvantage, through disclosure of movements in headline indicators that enable the effectiveness of the government's work in addressing disadvantage experienced by Indigenous Victorians to be assessed over time.

There is a strong emphasis under the government's partnership philosophy on the participation of Indigenous Victorians in the planning, management and delivery of services. The Committee considers that also involving representatives of Victoria's Indigenous communities in periodic evaluations of programs would complement this philosophy and add credibility to reported results.

The Committee recommends that:

Recommendation 88: **Aboriginal Affairs Victoria within the Department for Victorian Communities:**

(a) establish an outcomes focus to measure and report Victoria's performance in addressing Indigenous disadvantage over time; and

(b) involve representatives from Indigenous communities in periodic evaluations of Victorian Government programs in place to support Indigenous people.

16.5 Commonwealth Games portfolio

16.5.1 Key issues affecting the portfolio

(a) State government contribution to the Games

(i) Games budget cap

The Minister advised the Committee that the government's capped funding to the Commonwealth Games has been revised down from $697 million to $651 million following the removal of the security funding component from the original funding

cap (exhibit 16.4). The Committee was first advised of the removal of the security funding component from the government's funding cap at the 2005-06 Budget Estimates hearing.[1100]

Exhibit 16.4: Commonwealth Games
State contribution to the Games

	Budget ($ million)
Capital works program	223
Operating budget	474
Whole of Games budget cap – announced March 2003	**697**
Less: original security budget	(46)
Revised whole of Games budget cap	**651**

Source: Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 7

On whether the government's expenditure will exceed its funding cap, the Minister advised that:[1101]

> *We are very confident that the whole-of-Games budget cap will be within budget.*

(ii) Games budget cap – allocation of funding

Exhibit 16.5 shows this information, including the revenue budgets (television rights, sponsorships, ticketing and other revenue), which were released to the Committee for the first time. This exhibit also shows the internal allocation of the government's original funding cap of $697 million.

[1100] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.623

[1101] Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.2

Exhibit 16.5: Commonwealth Games budget State government funding cap and revenue budgets

Budget item	Original budget ($ million)	Estimated budget (a) ($ million)	Increase/ (Decrease) ($ million)
Operating (including contingency)	**474**	**(b)**	
Capital projects, comprising:	**223**	**(b)**	
MCG redevelopment	77	77	nil
Games Village	35	35	nil
Melbourne Sports and Aquatic Centre	(e) 51	(b)	
Yarra Precinct improvements	31	(b)	
Other projects	(f) 29	29	nil
Sub-total state government costs	**697**	**697**	
Revenue, comprising:			
Television	63	(c)	
Sponsorships	109	(c)	
Ticketing	58	(c)	
Commonwealth Grant	103	(d) 113	10
Other revenue	11	(c)	
Sub-total revenue	**344**	**354**	**10**

Notes: (a) *excludes the additional security budget appropriated in the 2005-06 budget* [1102]

(b) *the estimated budgets for certain capital projects cannot be released because this could be detrimental to commercial negotiations currently underway in regard to finalising the costs of these projects* [1103]

(c) *budget has not been revised* [1104]

(d) *represents cash funding component* [1105]

(e) *figure provided to the Committee in the 2004-05 budget estimates inquiry as $52 million* [1106]

(f) *figure provided to the Committee in the 2004-05 Budget Estimates inquiry as $28 million* [1107]

Source: *Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.3*

[1102] Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.3

[1103] ibid., p.3

[1104] ibid., p.3

[1105] ibid., p.6

[1106] Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.720

[1107] ibid.

The Minister for Commonwealth Games advised the Committee that a contingency budget of $55 million was included in the whole-of-Games budget (in the operating costs of $474 million[1108]).[1109] The Minister also advised that this was not the only contingency funding available and that *'In addition, contingency funds were created by savings in the M2006 and OCGC budgets.'*[1110]

The Minister added that because the M2006 and OCGC have yet to finalise their accounts, it is not possible to determine the final status of the contingency fund.[1111]

The Minister also suggested that there may be some contingency funding from 2005-06 carried over to 2006-07:[1112]

> *The final carry forward of the whole-of-Games budget contingency for 2006-07 is currently being finalised and subject to the approval of the Treasurer.*

Exhibit 16.5 did not show the revised project cost for the Melbourne Sports and Aquatic Centre and the Yarra Precinct improvements. It is likely that the final project cost will not equate to the original budget as implied by the Minister's response:[1113]

> *The estimated budgets for certain capital projects cannot be released as this could be detrimental to commercial negotiations which are currently underway in regard to finalising the costs of these projects.*

The department's response to the Committee's 2006-07 estimates questionnaire, for example, indicated the total end cost for the Melbourne Sports and Aquatic Centre redevelopment to be $66.6 million,[1114] compared with the original budget of $51 million (exhibit 16.5).

Furthermore, under agreements associated with the redevelopment of the Melbourne Cricket Ground (MCG) the state is obliged to provide indemnities if the total MCG project construction cost exceeds $450 million.[1115] The Committee noted that a Grocon media release indicated that the final cost of the MCG redevelopment would be $465 million.[1116]

[1108] Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, September 2003, p.528

[1109] Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.4

[1110] ibid.

[1111] ibid., p.5

[1112] ibid.

[1113] ibid., p.3

[1114] Department for Victorian Communities, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.16

[1115] Budget Paper No.2, *2006-07 Strategy and Outlook*, p.100

[1116] Grocon Constructors Pty Limited, *MCG dispute between Grocon and Melbourne Cricket Club settled*, media release, 25 July 2006; www.grocon.com.au, accessed 5 September 2006

The Committee's *Report on the 2004-05 Budget Outcomes* highlighted the change to the published capital cost of the MCG athletics track as a result of a change in the accounting treatment of the project.[1117] The Committee was advised that the full project cost will be captured in the end-of-Games special purpose report.[1118]

Exhibit 16.5 shows the budgets for television, sponsorships, ticketing and other revenue. The Committee was advised the budgets for these revenue items have not been revised.[1119]

Because the Committee was not previously provided with budgets for revenue items for television broadcast rights and sponsorships, it is not able to ascertain the estimated budget for these items. The Committee expects variations in revenue and expenditure from the original budget will be provided in the end-of-Games special purpose report.

(b) Games budget

The government announced the total Games budget to be $1.1 billion in 2003, with it contributing $697 million towards the cost of staging the Games.[1120] Funding from the federal government, the City of Melbourne and revenue generated from Melbourne 2006 Corporation (M2006) would also contribute to the Games budget.[1121]

The Committee is aware that the Minister did not announce a revised Games budget.

Exhibit 16.4 indicates that the government's $697 million funding cap includes a budget of $46 million for Games security.[1122] The Committee has since been advised the revised whole-of-Games security budget, as announced in March 2006 was $119 million.[1123] The Minister explained the increase:[1124]

> *An interdepartmental security task force ... was established early last year to review security risks relating to the Games and to ensure appropriate strategies were developed. The review highlighted certain intermediate security planning needs, and an additional budget of $73 million was provided for these requirements, which brought the total security budget for the Games to $119 million.*

1117 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Outcomes*, April 2006, p.366

1118 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.8

1119 ibid., p.3

1120 Hon. S Bracks, MP, Premier of Victoria, *Premier announces costs of Commonwealth Games*, media release, 12 March 2003

1121 ibid.

1122 Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.12

1123 Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 7; Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.12

1124 Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.12

The Committee was also advised that:[1125]

> *... provided there are no significant outstanding invoices, expenditure on security is expected to be under the revised total budget announced, ...*

As indicated previously, security is now funded as a separate expenditure item by the government and does not form part of its revised funding cap of $651 million.

The total Games budget which was estimated at $1.1 billion in 2003, would need to absorb all Games related costs including:

- Games related funding provided directly to departments and agencies prior to 2003-04;[1126]
- payments for the use of third party venues and facilities and to compensate organisations for any additional costs incurred in their use;[1127]
- additional funding provided in the form of Treasurer's Advances;[1128]
- the cost of whole-of-Games security which was budgeted at $119 million;
- additional costs incurred on Games related capital/infrastructure projects; and
- any shortfall between expenditure and revenue of the Games Organising Committee (M2006) for the organisation of the Games the state is obliged to underwrite.[1129]

The Committee expects to see full details on the Games expenditure reported in the end-of-Games special purpose report.

(c) Ticketing

(i) Allocation of Games tickets

The Committee was advised during the 2005-06 Budget Estimates inquiry about the following allocation of Games tickets:[1130]

1125 ibid.

1126 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.4; and Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, September 2003, p.526

1127 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.4

1128 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.5; and Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.615

1129 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.4; and Budget Paper No.2, *2006-07 Strategy and Outlook*, p.105

1130 Hon. J. Madden, MLC, Minister for Commonwealth Games, 2005-06 Budget Estimates hearing, transcript of evidence, 8 June 2005, p.13

- 63 per cent allocated through the ticket ballot (general public);[1131]
- 10 per cent allocated to national and international packages;
- 10 per cent allocated to contractual obligations (sponsors, rights holders and stakeholders);[1132]
- 10 per cent allocated to athletes, Games family and officials (non revenue seats);[1133] and
- 7 per cent allocated to commercial (including past athletes and athlete families, promotions and commercial products, including hospitality packages).

During this inquiry, the Committee was interested in whether ticket allocations were met for each of the nominated categories, and the Minister provided the following explanation:[1134]

> *In August 2004 I declared the Melbourne 2006 Commonwealth Games a 'Declared Event' under the Sports Event Ticketing (Fair Access) Act and I approved the ticketing scheme developed by M2006 on 19 November.*
>
> *Under the initial Approved Ticket Scheme, 56 to 58 per cent of tickets were made available for sale to the public.*
>
> *By Games time, 78.8 per cent of tickets had been made available for public purchase.*
>
> *Between 9 to 13 per cent of tickets were initially reserved for domestic and international travel packages, 9 to 13 per cent were initially reserved for contractual obligations and 3 to 8 per cent initially reserved for commercial packages with an estimated 13 to 18 per cent of potential seats being non revenue.*
>
> *Where these preserved allocations were not taken up and as the seating plans were finalised, the available seats were released back to the central ticket pool for general sale.*

The Committee noted that with the exception of the sale of tickets to the public, the Minister's response neither indicates whether the ticket allocations were met for the other ticketing categories nor whether this information will be released in the end-of-Games special purpose report.

1131 Melbourne 2006 Commonwealth Games, Ticket allocation, www.melbourne2006.com.au, accessed 17 June 2006

1132 ibid.

1133 Me ibid.

1134 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.7

(ii) Ticket sales

During the 2005-06 Budget Estimates inquiry, the Committee was provided with information on ticket sales from the first round of the public ticketing ballot.[1135] During this inquiry, the Committee was interested to further explore the sale of Games tickets. The Minister advised the Committee about the number of tickets sold:[1136]

> *A total of just over 1.8 million tickets were available for sale to the public, as national and international travel packages, to meet contractual obligations (sponsors, rights holders and other stakeholders) and for commercial purposes (promotions, commercial products, athlete's families and past Commonwealth Games athletes).*

Of the available tickets, the Minister indicated that a total of 1.5 million tickets were sold to the public.[1137] This represents about 83 per cent of tickets sold.

The Committee requested but was not advised of the number of tickets given away.[1138]

The Committee is aware of the following comments made by the Minister for Commonwealth Games in a debate in the Legislative Council on the unsold Commonwealth Games tickets that were to be given away to the Games volunteers free of charge:[1139]

> *Can I just reinforce that there are no free tickets to the Games. I reinforce that: there are no free tickets. Any tickets that are made available in any particular way or in any complimentary form to volunteers come at an operational cost to Melbourne 2006. It is foregone revenue.*

The Committee requested information on foregone ticketing revenue from tickets that were given away and from tickets not sold. The Minister explained that:[1140]

> *No revenue was foregone due to Games tickets being given away. All hospitality tickets were paid for either directly or funded from M2006's or OCGC's internal budgets. Tickets provided for Games volunteers and others, as announced, were provided from those tickets that remained unsold immediately prior to the event.*

1135 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.627

1136 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.6

1137 ibid.

1138 ibid.

1139 Parliament of Victoria, Legislative Council, Parliamentary Debates, Questions without notice: Commonwealth Games: volunteers, Hansard, 8 February 2006, p.61

1140 Hon. J Madden, MLC, Minister for Commonwealth Games, response to the Committee's follow-up questions, received 17 July 2006, p.6

No revenue was foregone from tickets not sold.

Nevertheless, the Committee considers these tickets are a cost to the government. The Committee expects full accountability of Games ticket sales in the end-of-Games special purpose report.

(d) Games reporting

At the estimates hearing, the Committee was advised of the timing of the release of reports associated with the Games. Exhibit 16.6 shows the reporting schedule.

Exhibit 16.6: Commonwealth Games Reporting schedule

Reports	Anticipated reporting date	Actual reporting date
Environment report card	July/August 2006	Not yet reported
Triple bottom line report	August 2006	Not yet reported
Economic impact statement	August 2006	Not yet reported
Department for Victorian Communities 2005-06 annual report	October 2006	
Melbourne 2006 Corporation 2005-06 annual report (a)	October 2006	
End-of-Games special purpose report (b)	October 2006	

Notes: *(a) Melbourne 2006 Corporation will prepare its final accounts to 31 July 2006 as part of its wind up* [1141]

(b) the Office of Commonwealth Games Coordination will prepare the end-of-Games special purpose report to 31 July 2006 [1142]

Source: *Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 11*

The Committee understands all annual reports for the 2005-06 financial year will be tabled in both Houses of Parliament during the first week of October 2006.[1143] The Committee would, therefore, expect the end-of-Games special purpose report to be tabled by early October 2006.

In relation to this special purpose report, the Minister advised that:[1144]

[1141] Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 11

[1142] Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, 21 June 2006, presentation slide 11

[1143] Premier's Circular no.2005/4, *Tabling of Annual Reports*, www.fmkc.dtf.vic.gov.au, accessed 14 August 2006

[1144] Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.3

> *It is proposed that the final end-of-Games report will incorporate revenues and expenditure on the Games for the period to 31 July 2006. Preparation of the end-of-Games report is expected to be completed in about August – hopefully before then – for review and audit by the Auditor–General. There is a possibility, due to tight time lines, that not all the wrap-up issues will be addressed prior to the final end-of-Games report, but at this stage, however, it is considered unlikely any of those issues will be material in nature.*

As a matter of clarification, the Committee was also advised by the Executive Director of OCGC that *'we will report any material involvement'*.[1145]

The Committee sought clarification about the processes to capture the whole of government expenditure associated with the Games. The Minister indicated that:[1146]

> *My understanding is where there has been expenditure in other departments, that will be captured in the final report, but also that if there are other elements that have been expended by departments in relation to Games activities, I would anticipate that would be fed into the report or that the Auditor-General would oversight that to make sure that they were part of that report. I would expect that through an auditing process they would be captured. If we had not reported them, they would be included or considered.*

The end-of-Games special purpose report will be audited by the Auditor-General and released in October 2006.

16.6 Employment portfolio

16.6.1 Key issues affecting the portfolio

(a) Workforce participation partnerships

In November 2005, the Minister for Employment announced that a new program, Workforce Participation Partnerships, had been established to target areas with skill and labour shortages to benefit local industry and the broader community.[1147]

In a briefing to the Committee in March 2006, the Minister indicated that the Workforce Participation Partnerships program had two key aims:[1148]

[1145] Ms M Sussex, Executive Director, Office of Commonwealth Games Coordination, Department for Victorian Communities, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.22

[1146] Hon. J Madden, MLC, Minister for Commonwealth Games, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.21

[1147] Ms J Allan, MP, Minister for Employment , *Local job seekers to get more help finding work*, media release, 23 November 2005

- to address employers' labour and skill needs; and
- to provide sustainable employment opportunities to Victorians facing significant barriers to work.

The Minister explained that the program would provide assistance to certain groups of unemployed job seekers who face significant barriers to employment, specifically:

- people from culturally and linguistically diverse communities;
- people with a disability;
- older jobseekers (aged 45 years and over);
- Indigenous Australians; and
- young people (aged 15-24 years).

The material provided by the Minister at the briefing stated that a sustainable employment outcome under the program is the placement of a targeted jobseeker into employment for at least 30 hours per week for a minimum of 16 weeks. The material also showed that initial reaction to the program from the Victorian Employers' Chamber of Commerce and Industry, and the Municipal Association of Victoria had been positive.

The program replaces three major employment programs introduced by the government in the 2003-04 budget, namely Community Jobs, Jobs for the People and Community Regional Industry Skills programs.[1149]

The Workforce Participation Partnerships Program has been allocated funding of $24 million covering 2005-06 and 2006-07.[1150] Its budget for 2006-07 is $14.3 million, almost half the total funding of $29.2 million assigned to the Employment Programs output in the 2006-07 budget.[1151]

At the estimates hearing, the Minister described the introduction of the program as the most significant achievement in the employment portfolio for 2005-06. The Minister also stated that at 5 July 2006, 51 projects had been approved under the program and 1,440 job seekers had received assistance. Employers and industry are involved in all 51 projects.[1152]

The Committee welcomes the government's action in establishing this new employment initiative with a strong focus on linking employers' skill shortages with

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[1148] Ms J Allan, MP, Minister for Employment, Briefing for the Public Accounts and Estimates Committee, *Refocus of Employment Programs – Workforce Participation Partnerships*, 6 March 2006

[1149] Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.96

[1150] Ms J Allan, MP, Minister for Employment, Briefing for the Public Accounts and Estimates Committee, *Refocus of Employment Programs – Workforce Participation Partnerships*, 6 March 2006

[1151] Ms. J Allan, MP, Minister for Employment, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.7

[1152] ibid., p.5

the employment needs of disadvantaged people. In its *Report on the 2005-06 Budget Estimates*, the Committee called for a greater emphasis in employment programs on sustainable employment.[1153] It therefore also welcomes the program's key aim of achieving employment placements of a minimum of 16 weeks.

The Committee considers that the Department for Victorian Communities now has the task of building on the program's promising start. The department's future strategies should be directed towards increasing the numbers of targeted jobseekers engaged in the program, and longer employment placements. Consistently meeting the expectations of industry and employers should also be a core objective, and the department should ensure Parliament is informed regularly about the program's effectiveness.

The Committee recommends that:

Recommendation 89: **The Department for Victorian Communities:**

(a) build on the early potential of the Workforce Participation Partnerships Program, directing future actions towards achieving longer term employment placements for an increasing number of targeted jobseekers and consistently meeting the expectations of employers and industry; and

(b) report regularly to Parliament on the program's effectiveness.

(b) Addressing future employment challenges

The Minister outlined to the Committee the significant future employment challenges in Victoria that are expected to emerge from the ageing of the population.[1154]

The Minister forecasted that the growth in Victoria's working age population could slow to an average of just 5800 people a year by 2035, significantly down on the current average of 33,000. On this point, the Minister emphasised that '*our workforce is getting older and our pool of young people coming into the workforce is declining and we need to take steps to plan for that. We know that workforce participation is one of the key threats to the strength of our economy'.* [1155]

[1153] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.637

[1154] Ms J Allan, MP, Minister for Employment, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, p.6

[1155] ibid.

To address the longer term challenges of the ageing of the population, the Minister advised that the government: [1156]

- had major input into discussions on the National Reform Agenda considered recently by the Council of Australian Governments;
- in conjunction with the Commonwealth Department of Employment and Workforce Relations, participated in the regional skills shortage survey project which has involved surveys in 11 regions across the state to provide a detailed picture of Victoria's skills needs; and
- commissioned the Workforce Participation Task Force which released its report in December 2005.

The taskforce was asked to suggest ways to increase workforce participation in Victoria having regard to future skill requirements and existing disincentives and barriers to participation for special groups.[1157]

The taskforce identified the following four key elements for inclusion in a comprehensive workforce participation strategy for Victoria:

- building the capacity of Victoria's workforce;
- increasing flexibility in the workforce;
- addressing barriers and disincentives; and
- raising awareness and facilitating change.

Priority areas and recommended actions for each of these elements are presented in the taskforce's report. Recommendations relating to raising awareness and facilitating change, include that:[1158]

- the government assign specific policy and coordination functions to a Minister and a department to develop ongoing policy and a whole of government framework; and
- the Victorian Parliament regularly review and report on progress through relevant parliamentary committees.

The Minister has indicated that the government is in the process of developing a workforce strategy in response to the taskforce's report. The Minister stated that the *'strategy will identify practical ways to build the capacity of our workforce, recognising the role of other key players such as the Federal Government'*.[1159]

[1156] ibid., pp. 2, 6

[1157] Victoria: Working Futures, *Report of Victoria's Workforce Participation Taskforce 2005*, Executive Summary, p.3

[1158] Victoria: Working Futures, *Report of Victoria's Workforce Participation Taskforce 2005*, p.91

[1159] Ms J Allan, MP, Minister for Employment, *New report focuses on state's workforce participation*, media release, 12 December 2005

The Committee recognises the importance of the future employment challenges that will be presented by the ageing population. It looks forward to considering in future estimates hearings the government's impending workforce participation strategy and the measures proposed to address these challenges.

16.7 Local Government portfolio

16.7.1 Key issues affecting the portfolio

(a) Funding of libraries

At the estimates hearing[1160] the Committee raised the issue of funding of public library services with the Minister for Local Government. The Committee referred the Minister to the 2004-05 annual survey of public library services (specifically, page 38, which shows that state government funding for libraries increased from $24 million to $26.1 million since 1999-2000, an increase of 8.8 per cent). In comparison however, local government funding for libraries has increased by a far greater amount from $72.1 million to $96.6 million, an increase of 34 per cent.[1161] The Committee expressed its concern that funding for libraries is increasingly being borne by local government.

The Committee also referred the Minister to the same survey showing that since 1999-2000, the number of permanent libraries, (including branches), has fallen from 238 to 230, that the number of mobile libraries has fallen from 32 to 27, and that the number of mobile library service points has fallen from 605 to 451. The Committee considers such data indicates municipal libraries are struggling under financial pressures.[1162]

The Committee also brought to the Minister's attention information published by the Department for Victorian Communities, in the same annual survey, which shows that the government's contribution for capital library works fell from 22 per cent in 1999-2000 to 19 per cent in 2004-05. Recently, two public library corporations have had to cease operating mobile libraries, and altogether there are four less mobile library vehicles on the road, and the number of mobile library stocks has reduced by 135. [1163]

The Minister emphasised the funding increases that have occurred under the current government, and that for the first time public libraries have population growth recognised in recurrent funding allocations, a substantial enhancement.[1164] The

[1160] Ms C Broad, MLC, Minister for Local Government, 2006-07 Budget Estimates hearing, transcript of evidence, 6 July 2006, p.4
[1161] ibid.
[1162] ibid., p.8
[1163] ibid., pp.6–7
[1164] ibid., p.4

Minister also pointed out that libraries are now expected to have on hand not only books and periodicals but also DVDs and a whole range of other resources to support learning. These other resources included the recent LibraryLink initiative which enables '*Victoria's 2.5 million public library users unprecedented access to the 10 million books, CDs and other items in the state's public library catalogues*' via the internet.[1165] The Minister stressed that when all these factors are taken into account, there is no question that over the period, on a year-by-year basis, funding to public libraries has increased significantly.[1166] The Minister indicated that in her experience, the evidence is that public libraries are expanding, not contracting.[1167]

The Minister stated that:[1168]

> *... there is no question that local governments are stretched in terms in their capacity to fund infrastructure, be it roads ... or be it libraries ... those pressures will only be resolved when local government is given an appropriate share of Commonwealth tax revenues.*

The Committee recommends that:

Recommendation 90: **The Department for Victorian Communities undertake an extensive re-evaluation of the adequacy and extent of local library services throughout the state and, in particular, the more remote regions, to evaluate whether the requirements of those most in need are being satisfied.**

(b) Impact on the finances of municipal councils by the cessation of National Competition Grants from the Commonwealth

The Committee asked the Minister at the estimates hearing about the extent to which the cessation of national competition policy grants from the Commonwealth after 2005-06 will affect the finances of municipal councils in 2006-07 and beyond. [1169]

The Minister advised that the cessation of the grants is '*impacting very adversely, particularly on our smaller rural shires*'.[1170] The Minister also stated that '*local governments have made a very important contribution to increasing Victoria's competitiveness by implementing reforms which are part and parcel of the national*

[1165] Ms C Broad, MLC, Minister for Local Government, *LibraryLink helps Victorians find the perfect read*, media release, 13 August 2006
[1166] Ms C Broad, MLC, Minister for Local Government, 2006-07 Budget Estimates hearing, transcript of evidence, 6 July 2006, p.4
[1167] ibid., p.8
[1168] ibid., p.8
[1169] ibid., pp.4–5
[1170] ibid., p.5

competition policy reforms commenced under a previous federal Labour government', and that '*as a result of the decision of the federal government to discontinue these grants, almost $17 million will now not be available to councils*'. [1171]

The impact of this is that councils must now prepare their budgets taking into account this very significant reduction in their revenue base.

16.8 Multicultural Affairs portfolio

16.8.1 Key issues affecting the portfolio

(a) Strengthening multicultural communities

The 2006-07 budget allocated $8.8 million over four years ($2.1 million in 2006-07) to strengthen the capacity of multicultural communities to participate in their community by extending the Language Services Strategy, strengthening the Victorian Multicultural Commission grants program and promoting multi-faith and multicultural harmony initiatives.[1172]

Exhibit 16.7 provides a greater understanding of the 2006-07 Budget Estimates by summarising the main projects to be funded through this initiative and the related performance measures and targets.

[1171] ibid.
[1172] Budget Paper No.3, *2006-07 Service Delivery*, pp.337, 339

Exhibit 16.17: Projects to strengthen multicultural communities – 2006-07 to 2009-10

Project	Funding	Description	Performance measures and targets
Language Services Strategy – Access to Services	A further $3.1 million over four years to continue the strategy	The new funding will assist interpreting and translating services for new migrant communities from Africa and the Middle East and will help improve access to services such as mental health and aged care, where language issues remain a significant barrier.	The output measure for 2006-07 is for 10 projects to be implemented.
Victorian Multicultural Commission Grants – Building Stronger Communities	Community Grants Program increased to $3.6 million, with $600,000 allocated for festivals	Funding provided to multicultural community groups, schools, councils and not-for-profit organisations for a range of activities and projects that address the needs of Victoria's culturally and linguistically diverse communities.	The output measure target for the number of grants approved ranges between 1,600 – 1,650
Promoting multi-faith and multicultural harmony	As from 2006-07, $2.1 million has been allocated over four years to strengthen and promote Victoria's multi-faith and multicultural diversity.	This initiative follows the Premier's Multi-faith Leaders Forum held in September 2005. At the forum, faith leaders agreed on activities that include working with youth and women's networks to promote racial and religious tolerance and multicultural harmony.	This will be measured by the timeliness of multicultural project delivery.

Source: Hon. S Bracks, MP, Minister for Multicultural Affairs, response to the Committee's follow-up questions, received 14 July 2006, p.4

The Committee considers that to complement the quantitative measures to assess performance of the department in terms of promoting racial and religious tolerance and multicultural harmony on time, the budget papers and the department's annual report should disclose performance measures of a qualitative nature to assess the effectiveness of these strategies.

(b) Racial and religious tolerance in Victoria

In terms of the key government outcome of building safe communities, the Committee enquired about the initiatives planned to promote education and awareness of racial and religious tolerance in Victoria and was advised that:[1173]

- the Premier held a forum with multi-faith leaders in September 2005 to discuss multicultural harmony and racial and religious tolerance in Victoria. As a result of agreement reached at the forum, various initiatives were undertaken, including:
  - the *'Just Like You'* campaign on racial and religious tolerance; and
  - amendments to clarify and strengthen the operation of the Racial and Religious Tolerance Act;
- from 2006-07, $2.1 million will be allocated over four years to fund initiatives to strengthen and promote Victoria's racial and religious tolerance and multicultural diversity;
- $375,000 has been provided for the Centre for Dialogue at LaTrobe University to promote understanding of other cultures, faiths and value systems within schools and communities;
- funding has been provided to the Victorian Council of Churches to develop information material on racial and religious tolerance for faith communities;
- a Multi-faith Multicultural Youth Forum was staged on 30 July 2006 to explore opportunities to increase youth participation and leadership in the community and help young people's interfaith and intercultural relationships; and
- the Premier's Women's Summit in August 2006 will focus on the theme of Respecting Diversity – Harmony in Practice. The summit will hear the views of culturally and linguistically diverse and indigenous women on ways to improve cross-cultural understanding and racial and religious tolerance within the community.

Monitoring the effectiveness of the strategies employed by the department to address issues relating to racial and religious tolerance will be important in future. Qualitative performance measures must be developed and included in the budget papers and the department's annual report to disclose how successful the department has been in its efforts to promote multicultural harmony in Victoria. The department should undertake a program evaluation to gather information about this issue.

[1173] Hon. S Bracks, MP, Minister for Multicultural Affairs, response to the Committee's follow-up questions, received 14 July 2006, pp.2–3

The Committee recommends that:

Recommendation 91: **The Department for Victorian Communities develop a framework for assessing the effectiveness of its suite of initiatives designed to maintain racial and religious tolerance in Victoria.**

Recommendation 92: **The Department for Victorian Communities develop and report performance measures of a qualitative nature to assess whether budget outlays directed at promoting Victoria's racial and religious tolerance and multicultural harmony have been effective.**

(c) Culturally and linguistically diverse people on boards and committees

The government reported that it continues to encourage the participation of culturally and linguistically diverse people on boards and committees across government, so that such bodies will become more representative of the community as a whole.[1174] In working towards ensuring that government boards and committees reflect the state's diverse community, the Victorian Multicultural Register was launched in June 2005. The register is for use by departments and contains details of people from culturally and linguistically diverse backgrounds interested in serving on Victorian Government boards and committees.[1175] There are currently 110 people on the register.[1176] The Committee noted that based on Australian Bureau of Statistics (ABS) and Victorian Government client data standards, there are three agreed 'core minimum data set' items in client data collection that measure Cultural and Linguistic Diversity:[1177]

- country of birth;
- main language other than English (LOTE) spoken at home or 'first language' or 'preferred language' are all alternatives to 'Main LOTE spoken at home';
- proficiency in spoken English or 'does the service user need an interpreter' is the alternative to 'Proficiency in spoken English'.

[1174] Department for Victorian Communities, *Victorian Government Achievements in Multicultural Affairs 2004-05*, p.5
[1175] ibid., p.3
[1176] Hon. S Bracks, MP, Minister for Multicultural Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 5 June 2006, p.8
[1177] Disability Services Division, DHS, *Cultural and linguistic diversity strategy*, p.27

The ABS has recommended that the indicators be used as a 'set' because they can be analysed together in different ways to enhance understanding of multicultural client groups.[1178] The first two items are the most commonly used.[1179]

Using indicative information from 982 bodies, the Committee found that 646 of the 8,063 members (8 per cent) were from culturally and linguistically diverse backgrounds at 30 June 2005 (7.8 per cent at 30 June 2004).[1180] While there was no change in the overall representation of people from culturally and linguistically diverse backgrounds on boards and committees at 30 June 2005 compared with the previous year, the Committee noted that departmental performance in some cases varied considerably between the two years (exhibit 16.8).[1181]

Exhibit 16.8: Variations in the representation of people on boards and committees from culturally and linguistically diverse backgrounds 2003-04 and 2004-05

Department	2003-04 (%)	2004-05 (%)
Department of Premier and Cabinet	16.0	24.2
Department of Human Services	nil	7.3
Department of Justice	3.8	0.7
Department of Education and Training	2.0	0.5
Department for Victorian Communities	4.8	12.7

Note: (a) cultural diversity background figures are indicative because details in these categories were not available for all appointees. Information on culturally and linguistically diverse background is provided voluntarily so the data may under-represent culturally and linguistically diverse participation

Source: Department for Victorian Communities, Victorian Government achievements in multicultural affairs 2004-05, p.30

It was encouraging to find that overall the percentage of new part-time non-executive appointees and re-appointments to government boards and committees from culturally diverse backgrounds in 2004-05 (15 per cent, or 368) was higher than for 2003-04 (12.9 per cent).[1182]

In aggregate terms, the very small and declining representation of people from culturally and linguistically diverse backgrounds on boards and committees associated with the Department of Justice and the Department of Education and Training was of particular interest to the Committee. The Committee expected to find a significantly larger representation across boards and committees in most departments.

[1178] ibid.
[1179] ibid.
[1180] Department for Victorian Communities, *Victorian Government Achievements in Multicultural Affairs 2004-05*, p.30
[1181] ibid.
[1182] ibid.

16.9 Sport and Recreation portfolio

16.9.1 Key issues affecting the portfolio

(a) Rectangular Sports Stadium

In addition to the $6 million funding provided in the 2005-06 budget,[1183] the 2006-07 budget committed further funding of $143 million over three years to the construction of a new 20,000 seat soccer and rugby stadium in the Olympic Park precinct.[1184] The government's media release in June 2006 indicates:[1185]

> *The estimated cost of the stadium will be around $190 million. The Victorian Government will make a contribution of $149 million towards this cost, with the balance funded by Melbourne and Olympic Parks Trust, tenants and suppliers. The final costs will be determined after the builder is selected and detailed arrangements with all potential tenants, sponsors and suppliers is negotiated.*

The Committee received clarification from the Minister for Sport and Recreation of the funding required from the Melbourne and Olympic Parks Trust (MOPT):[1186]

- *At this stage planning for the Rectangular Sports Stadium is proceeding on the basis that the MOPT will raise approximately $41 million for the construction of the Rectangular Sports Stadium.*

The Committee sought clarification of funding secured by the MOPT and was advised:[1187]

- *MOPT borrowings will be secured through the Treasury Corporation of Victoria.*
- *The finalisation of the borrowing arrangements involves an iterative process of firming up the extent of borrowing against the overall construction cash flow for the project which is based on a business plan developed by the Trust and independently reviewed by [external consultants].*

1183 Department for Victorian Communities, 2006-07 Victorian Budget fact sheet, *New Home for Rectangular Sports*

1184 Budget Paper No.3, *2006-07 Service Delivery*, p.340; Department for Victorian Communities, 2006-07 Victorian Budget fact sheet, *New Home for Rectangular Sports*

1185 Hon. J Madden, MLC, Minister for Sport and Recreation and Acting Minister for Major Projects, *Builders called for new soccer and rugby stadium*, media release, 23 June 2006

1186 Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 2 August 2006, p.2

1187 ibid.

- *MOPT's capacity to service borrowings is achieved through the additional revenue streams from tenants, sponsors, naming rights and suppliers.*

- *This process is well underway but will not be concluded until construction cash flows and detailed design for the development are finalised later this year.*

- *MOPT is working with the Department of Treasury and Finance to establish these borrowing arrangements.*

On the MOPT's capacity to service the borrowings, the Minister advised that:[1188]

- *MOPT has very strong cash flows across its entire business and as such has a large capacity to service borrowings without impacting on its overall viability.*

- *MOPT's capacity to service new borrowings increases with the incremental increase in revenue streams derived from the new Stadium.*

- *MOPT has undertaken extensive modelling which has been independently reviewed by [external consultants] regarding its capacity to borrow, and is comfortable with its capacity to service the level of borrowings being contemplated for the stadium.*

The Committee noted the extensive work undertaken to assess the MOPT's capacity to provide funding for the construction of the new stadium.

As indicated in the government's media release, the final project cost will only be determined after the builder is selected and arrangements with potential tenants, sponsors and suppliers are negotiated. There may be variations to project costs and additional demands on the MOPT to increase its borrowings.

The Committee also requested details of the project's timeframes and was advised:[1189]

- *The schematic design for the Stadium is now well underway, and will be completed following consultation with key stakeholders.*

- *Site preparation will begin within the next few months which will include the relocation of services and site preparation works.*

- *The current timeline for the redevelopment would have the stadium ready for use in 2009, with the early completion expected of some*

[1188] ibid., pp.2–3
[1189] ibid., p.3

> *elements. The completion timetable will be confirmed once a contractor has been selected later this year.*

Expressions of interest for the construction of the stadium were sought on 23 June 2006 and closed on 19 July 2006.[1190]

As arrangements are still at the interim/planning stage, the Committee recommends that:

Recommendation 93: **The Department for Victorian Communities announce:**

(a) the final costs of the Rectangular Sports Stadium Project;

(b) any revisions to existing funding arrangements; and

(c) changes to construction/completion timelines.

(i) Future of the Olympic Park precinct

On the future of the Olympic Park precinct, the Premier's April 2006 media release indicated that:[1191]

> *... a master-plan for the Olympic Park Precinct would be developed this year to determine the longer term location of the training grounds and future development options for the precinct.*
>
> *... a decision on the long term future of athletics in the precinct would follow the completion of a feasibility study currently being conducted by the government in consultation with relevant stakeholders, including Athletics Australia and Athletics Victoria. This study will explore options both within the Olympic Park precinct and outside the precinct.*

The Committee requested an update on the status of this study and was advised:[1192]

- *The feasibility study is reviewing options for the long term future of athletics in Victoria.*
- *The consultant undertaking the study is still completing consultation with the various stakeholders to ensure that the government*

[1190] Hon. J Madden, MLC, Minister for Sport and Recreation and Acting Minister for Major Projects, *Builders called for new soccer and rugby stadium*, media release, 23 June 2006

[1191] Hon. S Bracks, MP, Premier of Victoria, *Premier unveils spectacular design for new stadium*, media release, 6 April 2006

[1192] Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 2 August 2006, p.3

understands their current and future needs and what opportunities a State Athletics Centre can present to assist in the development of the sport and the improvement of the community's access to quality sport and recreation facilities.

- *A draft report from the contractor should be available in the next few months.*

- *The Department for Victorian Communities will then prepare advice on the report before the government makes a final decision on how to move forward on this important new facility for Victoria.*

The Committee welcomes the study on the future of the Olympic Parks precinct.

(b) National Ice Sports Centre

The 2004-05 budget announced funding of $9.6 million as the government's contribution to the construction of an international standard ice sports centre.[1193] In the 2004-05 Budget Estimates inquiry, the Committee was advised of the project timelines which has the project scheduled to be completed *'... some time in 2006.'*[1194] The actual timelines of this project is summarised below:

- expressions of interest – opened 16 July 2004;[1195]
- expressions of interest – closed 19 August 2004;[1196]
- evaluation of expressions of interest – completed October 2004;[1197]
- selection of preferred developer – announced 22 February 2006.[1198]

For the 2006-07 Budget Estimates inquiry, the Committee requested an update on progress with the development of the ice sports centre. The Minister advised that:[1199]

- *The state government confirmed its $10 million commitment to a National Ice Sports Centre (the Centre) in the 2004-05 budget.*

1193 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.703

1194 ibid., p.704

1195 Hon. J Madden, MLC, Minister for Sport and Recreation, and Minister for Commonwealth Games, *Madden signals start for national ice sports centre*, media release, 16 July 2004; Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.650

1196 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.704

1197 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.650

1198 Hon. J Madden, MLC, Minister for Sport and Recreation, *Melbourne ice-sports centre consortium announced*, media release, 22 February 2006

1199 Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 2 August 2006, p.4

- *A consortium including ING Real Estate Development Australia (ING REDA), Ice Sports Australia and the Australian Olympic Committee's Olympic Winter Institute has been given the opportunity to develop the project in the Docklands' Waterfront City precinct.*

- *The announcement of the consortium followed a call for Expressions of Interest from the private sector in relation to the development of the Centre, from which a preferred applicant was identified.*

- *The Centre will establish Victoria as the national leader in winter sports such as ice hockey, ice skating, curling and speed skating, whilst also catering for recreational skaters.*

- *The bulk of this $10 million will go towards supplementing the cost of providing a two rink National Ice Sports Centre in partnership with the private sector. The total cost of the Centre is estimated at between $30 million to $40 million.*

- *Execution of the project agreement will be subject to the developer securing finance and meeting the government's requirements for the Centre.*

The Committee noted the development of the centre is dependent on the developer securing investment finance. The Committee also noted the consortium's expectation that construction will commence in late 2006.[1200]

In response to the Committee's request for the revised project timelines, the Minister advised:[1201]

- *The development of the National Ice Sports Centre is part of the next stage of the broader Waterfront City precinct development.*

- *These timelines are currently being worked through with the preferred proponents.*

In the government's May 2006 response to the Committee's recommendations in the *Report on the 2005-06 Budget Estimates*, the Committee was advised that:[1202]

> *Following confirmation of their investment finance, the developer will be able to confirm their construction timelines and the risk allocation and financial contribution can be confirmed.*

[1200] Hon. J Madden, MLC, Minister for Sport and Recreation, *Melbourne ice-sports centre consortium announced*, media release, 22 February 2006

[1201] Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 2 August 2006, p.4

[1202] Victorian Government, response to the Committee's *Report on the 2005-06 Budget Estimates*, tabled 30 May 2006, p.98

Accordingly, the Committee again reiterates its previous recommendation in the *Report on the 2005-06 Budget Estimates* that:

Recommendation 94: **In future announcements on the national ice sports centre, the Department for Victorian Communities outline:**

(a) construction timelines;

(b) the allocation of risks; and

(c) the state's financial commitment to the project.

(c) World Swimming Championships

The 12th FINA World Championships which takes place from 17 March to 1 April 2007 will be held in three venues: the Melbourne Sports and Aquatic Centre; St. Kilda Beach; and the Rod Laver Arena.[1203]

In a media release in 2005, the Minister indicated a temporary pool will be installed in the Rod Laver Arena (RLA) for swimming and synchronised swimming events.[1204] During the 2006-07 budget estimates hearing, the Committee requested information on the installation and decommission costs of the temporary pool at the arena. The Minister advised:[1205]

- *The temporary pools used for the FINA World Swimming Championships are supplied by AstralPools who are a sponsor to FINA.*
- *The main competition pool at Rod Laver Arena is supplied free of charge as a part of this sponsorship arrangement.*
- *There will be some minor costs associated with the pool concourse around the pool and other temporary works, to be borne by the Championships, which are within the 2007 World Swimming Championships Corporation budget.*

[1203] The 12th FINA World Championships, Fact sheet 1, www.melbourne2007.com.au, accessed 9 September 2006

[1204] Hon. J Madden, MLC, Minister for Sport and Recreation, *FINA world championship attention turns to Melbourne*, media release, 1 August 2005

[1205] Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 2 August 2006, p.1

The Minister also made the following comments regarding the funding arrangements for the Championships:[1206]

> *Currently the business plan for the world swimming championships is being finalised, and we would expect to be able to make further detailed announcements in relation to that in the not-too-distant future. With the majority of these sorts of mega-events there is an event cost and then we supplement that cost, so we do not pay for the overall event but we provide for a ratio of funds to that which is in the order of about two-thirds. We provide about two-thirds of the funding for the event overall. That comes out of government appropriation, but the overall cost of the event is much greater, of course, because you have revenues which are spent on the event itself, particularly from television, marketing and licensing rights. That was the sort of ratio with the Commonwealth Games – about two-thirds – and there is potential from other revenue sources. We expect that to be very similar for the 2007 world swimming championships.*

In responding to the Committee's request for details of the budget for the Championships, the Minister clarified that:[1207]

- *The budget for the Championships includes government support for the event provided by the Major Events Cap and funding announced in the recent budget to increase the capacity of the diving venue at Melbourne Sports and Aquatic Centre.*

- *The Championships' budget also includes additional revenue from ticket sales, merchandise, sponsorship and licensing.*

- *The final budget for the Championships has not been established as it is necessary that the World Swimming Championships take into account opportunities and lessons that can be learnt from the successful Commonwealth Games.*

- *Over the next few months I will announce the final overall government support for the Championships.*

The Committee was interested to know of funding was allocated in the 2006-07 budget for the Championships and was informed that:[1208]

- *The Major Events Cap is providing an allocation to the event over three years.*

[1206] Hon. J Madden, MLC, Minister for Sport and Recreation, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, pp.5–6

[1207] Hon. J Madden, MLC, Minister for Sport and Recreation, response to the Committee's follow-up questions, received 2 August 2006, pp.4–5

[1208] ibid., p.5

- *Within the 2006-07 state budget a government allocation of $2 million was announced to improve diving and water polo infrastructure at MSAC [Melbourne Sports and Aquatic Centre] for the staging of the championships to ensure increased numbers of Victorians would be able to see these events.*

The Committee understands the Championships business plan has yet to be finalised and with less than 12 months to the Championships, there is an urgent need for the government to finalise its budget for the Championships and to release, as early as possible, details of the funding arrangements, including funding to be provided from the major events cap.

(i) Economic benefits

The Premier's media release in 2003 states the Championships *'... is expected to generate up to $100 million in economic benefits and provide about 2,000 jobs.'*[1209]

In the 2006-07 Budget Estimates hearing, the Minister advised that:[1210]

> *We would anticipate at this stage an economic benefit of over $80 million, but I expect that would be reassessed going into the championships.*

In the *Report on the 2004-05 Budget Estimates* the Committee recommended that the Department for Victorian Communities publicly release all studies commissioned to determine the economic impact of major events in Victoria.[1211] In its response, the government advised that:[1212]

> *Generally all economic benefit studies of major events are publicly available on request. There are occasions where the study or a component of the study is not released, if the study includes confidential information which may breach contractual agreements with promoters.*

The Committee was further advised that *'DVC will maintain its current approach regarding the public release of studies as outlined.'*[1213]

In line with the Committee's previous recommendation, the Committee strongly believes details of the economic benefit study for the Championships should be released to the public. Accordingly, the Committee recommends that:

[1209] Hon. S Bracks, MP, Premier of Victoria, *Melbourne wins 2007 swimming world championships*, media release, 13 July 2003

[1210] Hon. J Madden, MLC, Minister for Sport and Recreation, 2006-07 Budget Estimates hearing, transcript of evidence, 21 June 2006, p.5

[1211] Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.708

[1212] Victorian Government, response to the Committee's *Report on the 2004-05 Budget Estimates*, tabled 17 May 2005, p.94

[1213] ibid.

Recommendation 95: **The Department for Victorian Communities publicly release the revised economic benefits study of the 12th FINA World Championships.**

16.10 Veterans' Affairs portfolio

16.10.1 Key issues affecting the portfolio

(a) Victorian Veterans Council

At the estimates hearing, the Premier advised of the appointment of the chair and deputy chair of the Victorian Veterans Council and that:[1214]

> *The selection of the balance of the council members is taking place through a merit-based selection process based on the skills requirement which was specified in the Act itself, ... I expect the council to be fully operational by about July this year ...*

Established under the *Veterans Act* 2005, the Victorian Veterans Council is an independent statutory body with responsibility for the distribution of funds from the ANZAC Day Proceeds Fund and the new Victorian Veterans Fund.[1215]

Under section 17 of the *Veterans Act* 2005:[1216]

> *The Victorian Veterans Council must include –*
>
> *(a) information about the uses of the ANZAC Day Proceeds Fund and the Victorian Veterans Fund; and*
>
> *(b) any information specifically requested in writing by the Minister –*
>
> *during the financial year in the relevant annual report of operations under Part 7 of the Financial Management Act 1994.*

On further clarification, the Committee was advised the Victorian Veterans Council will be producing its own annual report as required under the Act.[1217]

On the ANZAC Day Proceeds Fund which is currently reported as an administered trust account by the Department for Victorian Communities in its annual report,[1218] the Committee was advised:[1219]

[1214] Hon. S Bracks, MP, Minister responsible for Veterans' Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 5 June 2006, p.5

[1215] Victorian Veterans Council, www.dvc.vic.gov.au, accessed 2 August 2006

[1216] *Veterans Act* 2005, Act No.98/2005, s.17

[1217] Hon. S Bracks, MP, Minister responsible for Veterans' Affairs, response to the Committee's follow-up questions, received 20 July 2006, p.1

The present arrangements relating to the ANZAC Day Proceeds Fund will continue until such time as the Veterans Council is established and the matter considered by them. The arrangements that apply to the Victorian Veterans Fund are detailed in s.20 of the Veterans Act 2005. The Veterans Council will be required to submit an annual report that details the uses of both the ANZAC Day Proceeds Fund and the Veterans Fund.

The Committee urge for an early resolution of the arrangements for the administration of the ANZAC Day Proceeds Fund.

(i) Victorian Veterans Fund

In the 2005-06 Budget Estimates inquiry, the Committee was advised of the establishment of the Victorian Veterans Fund, with revenue of the Fund to come from gaming activities on Anzac Day.[1220]

The Committee was advised that the monies hypothecated from the Community Support Fund from gaming activities on Anzac Day to the Victorian Veterans Fund in 2005-06 were $235,934.[1221]

(b) Output cost

Included in the seniors and veterans output cost of $11.1 million for 2006-07 is the budget funding for veterans' affairs.[1222] On the funding allocated to veterans' affairs, the Committee was advised:[1223]

The veterans affairs budget allocation includes an amount of $2 million for Veterans initiatives in 2006-07. This amount comprises:

- *$250,000 for the Spirit of ANZAC initiative;*
- *$250,000 for the Commemoration and Education Program;*
- *$300,000 for the Shrine of Remembrance operating costs;*
- *$200,000 for the Veterans Council Secretariat support;*

[1218] Department for Victorian Communities, *2004-05 Annual Report*, p.95

[1219] Hon. S Bracks, MP, Minister responsible for Veterans' Affairs, response to the Committee's follow-up questions, received 20 July 2006, p.1

[1220] Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.652

[1221] Hon. S Bracks, MP, Minister responsible for Veterans' Affairs, response to the Committee's follow-up questions, received 20 July 2006, p.1

[1222] Budget Paper No.3, *2006-07 Service Delivery*, p.267–268

[1223] Hon. S Bracks, MP, Minister responsible for Veterans' Affairs, response to the Committee's follow-up questions, received 20 July 2006, p.2

- *$650,000 for the Restoring Community War Memorials Program;*
- *$50,000 for the ANZAC Day Commemoration; and*
- *$300,000 for corporate administration.*

(c) Redevelopment of the Shrine of Remembrance

The 2005-06 budget allocated asset funding of $600,000 to construct an education centre at the Shrine of Remembrance and the development of a business case for a proposed major redevelopment of the Shrine of Remembrance.[1224]

On the status of the proposed redevelopment of the Shrine and actions planned for 2006-07, the Committee was advised that:[1225]

> *As at 30 June 2006 the Shrine of Remembrance had completed a business case relating to the proposed $62.3 million 'Galleries of Remembrance' proposal. The government has determined that the proposal is beyond the capacity of Victoria to fund on its own and has sought support from the Commonwealth to jointly fund it which has subsequently been declined by the Prime Minister.*
>
> *Any future consideration of the project can only occur following agreement from the Commonwealth to jointly fund the project with Victoria.*

The Committee urges the government to review the funding arrangements for this proposal in future budgets.

16.11 Victorian Communities portfolio

16.11.1 Key issues affecting the portfolio

(a) Community Support Fund

The *Gaming Machine Control Act* 1991 (repealed in 2003) established the Community Support Fund, and the new *Gambling Regulation Act* 2003 continues the operation of the Fund.

The *Gambling Regulation Act* 2003 requires the government to credit the Fund with *'all money required or authorised to be paid into the Fund by this or any other*

[1224] Budget Paper No.3, *2005-06 Service Delivery*, p.316
[1225] Hon. S Bracks, MP, Minister responsible for Veterans' Affairs, response to the Committee's follow-up questions, received 20 July 2006, p.3

Act'.[1226] This equates to an amount equal to the money from gambling paid into the consolidated fund (8.33 per cent of the total daily net cash balances),[1227] less $45 million.[1228]

The Fund had estimated revenue of $103.2 million in 2005-06, and expenditure of $119 million, with a balance of $69.5 million in unallocated funds at 30 June 2006. Revenue in 2006-07 is expected to increase by $7.3 million (7 per cent) to $110.5 million, while expenditure is expected to decrease by $11 million (-9.2 per cent) to $108 million. In 2005-06, expenditure exceeded revenue by $15.8 million. The Department for Victorian Communities attributes this to a timing difference between funding commitments and Fund expenditure.[1229]

Exhibit 16.9 highlights Fund revenue and expenditure for 2005-06 and 2006-07.

Exhibit 16.9: Community Support Fund Revenue and expenditure 2005-06 and 2006-07

	2005-06 target ($ million)	2006-07 target ($ million)
Balance brought forward	81.7	69.5
Revenue	(a) 103.2	(b)110.5
Expenditure	119.0	108.0
Closing balance	69.5	72.0

Notes: *(a) this figure includes $99.1 million in gambling revenue, and $4.1 million in interest revenue*

(b) it is unknown whether this information contains interest revenue

Sources: *Department for Victorian Communities, response to the Committee's 2006-07 Budget Estimates questionnaire, received 1 June 2006, p.27; Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 21 July 2006, p.3*

(i) Community Support Fund revenue

Community Support Fund revenue consists of both gambling revenue and interest earned. The Minister did not provide the Committee with detailed advice on how the government determines how much gambling revenue to credit into the Fund, but rather that gambling revenue estimates are based on recent trends and changes in

[1226] *Gambling Regulation Act* 2003 (Vic), s10.3.2(1)
[1227] *Gambling Regulation Act* 2003 (Vic), s3.6.6(2)(c)
[1228] *Gambling Regulation Act* 2003 (Vic), s3.6.12(1A)
[1229] Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 21 July 2006, p.3

disposable income. The government calculated interest revenue based on the estimated balance of the fund.[1230]

Analysis of trends in gambling revenue and Fund revenue indicates that the government credits approximately 11 per cent of electronic gaming machine taxes into the Fund each year. Exhibit 16.10 demonstrates the estimated credited revenue from 2005-06 to 2006-07.

Exhibit 16.10: Gambling taxes from electronic gaming machines (EGM)

	2005-06 ($ million)	2006-07 ($ million)
EGM gambling taxes	961.0	1006.4
CSF estimated revenue	(a)103.2	(b)110.5
% of CSF revenue to EGM taxes	10.7	10.9

Notes: *(a) this figure contains interest revenue of $4.1 million*

(b) it is unknown whether this information contains interest revenue

Sources: *Department for Victorian Communities, response to the Committee's 2006-07 Budget Estimates questionnaire, p.27; Department for Victorian Communities, response to the Committee's 2005-06 Budget Estimates questionnaire, p.21; Budget Paper No.4, Statement of Finances 2006-07, p.39*

(ii) Community Support Fund expenditure

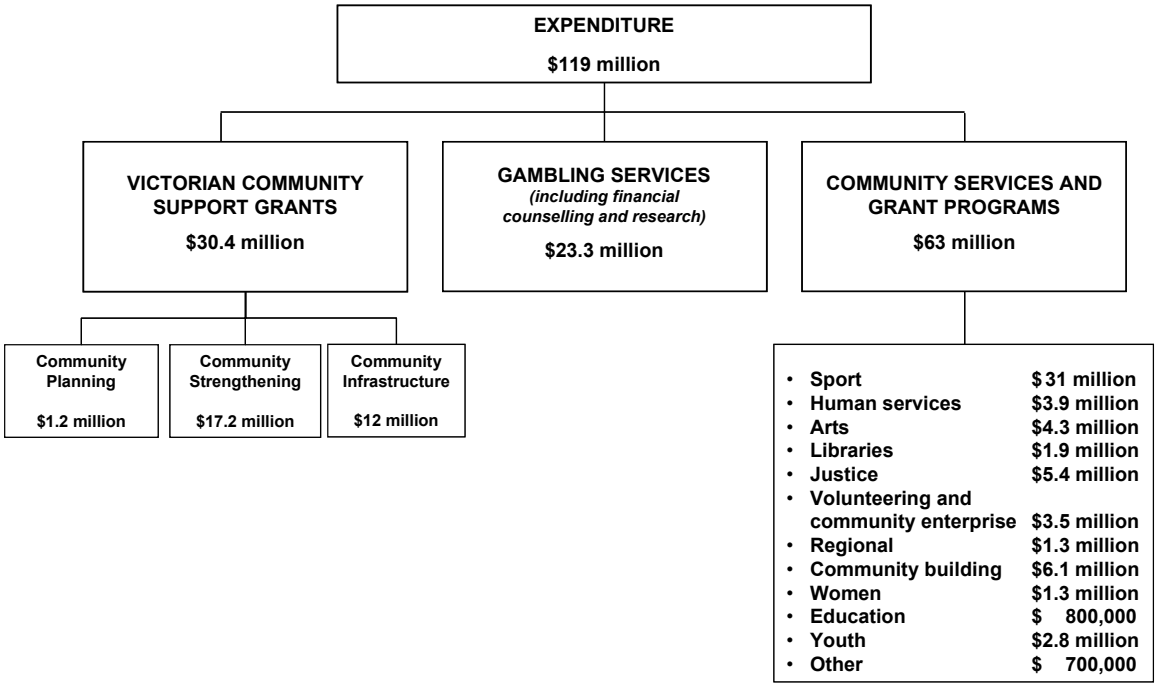
The government spent $119 million on a range of programs and grants in 2005-06. Section 10.3.3 of the *Gambling Regulation Act* 2003 determines what activities the government can fund using the Community Support Fund, and include:

- research relating to the impacts of gambling, the causes of problem gambling and minimising harm from gambling;
- preventative programs for excessive gambling and treatment/rehabilitation for problem gamblers;
- treatment, rehabilitation and educational programs for drug addiction and drug misuse;
- youth, community advancement, sport and recreation, and the arts;
- tourism; and
- community advancement, at the Minister's discretion.

Exhibit 16.11 highlights the program and grant areas that received funding in 2005-06.

[1230] ibid.

Exhibit 16.11: Community Support Fund Estimated Expenditure for 2005-06



Source: Hon. J Thwaites, MP, Minister for Victorian Communities, 2006-07 Budget Estimates hearing, 4 July 2006, slide 5

The department approved and administered 143 grants worth $52 million in 2005-06,[1231] and 118 grants worth $74.6 million were approved and administered in 2004-05.[1232]

(iii) Accountability of the Community Support Fund

The 2006-07 budget papers contain information on Fund revenue and expenditure. Departmental output summaries contain some references to outputs funded by the Fund (only two departments included this information), although this tends to be descriptive and does not always include an associated cost. The Department of Justice, for example, noted in relation to its Emergency Prevention and Response output, that '*key initiatives funded by the Community Support Fund contained within this output include the Community Safety Emergency Support Program and the Valuing Volunteer Emergency Services Workers initiative',* but does not attach a value to this funding.

The Department for Victorian Communities publishes a list of all approved grants in its annual report, including community support grants and grants made for gambling services and community services. This list details the name of the recipient, the name

[1231] Hon. J Thwaites, MP, Minister for Victorian Communities, response to the Committee's follow-up questions, received 21 July 2006, p.4

[1232] Department for Victorian Communities *2004-05 Annual Report*, pp.134–137

of the project and the value of the grant, but provides no information on the purpose of the grant and how it meets the requirements of the *Gambling Regulation Act* 2003.

The Committee recommends that:

Recommendation 96: **The Department for Victorian Communities increase the amount of publicly available information relating to the Community Support Fund, by including in its annual report information on the purpose of grants from the fund, and how they relate to section 10.3.3 of the *Gambling Regulation Act* 2003;**

Recommendation 97: **The Department for Victorian Communities publish evaluation criteria for the grants provided from the Community Support Fund.**

16.12 Women's Affairs portfolio

16.12.1 Key issues affecting the portfolio

(a) Queen Victoria Women's Centre

(i) Financial viability

During the 2000-01 Budget Estimates inquiry, the Committee was advised that the financial viability of the Queen Victoria Women's Centre was a concern.[1233] In a subsequent budget estimates inquiry, the Committee was advised that '*The Queen Victoria Women's Centre has never received on-going funding from government. During its history, funding to the Centre has been allocated on a one-off basis*'.[1234]

The Minister advised that in 2004-05, an independent financial analysis of the Centre identified that:[1235]

> *... the [Centre] could not be financially viable if it were to rely solely on revenues derived from leasing office space in the building. Furthermore, due to the heritage nature of the building, the [Centre] would require*

[1233] Public Accounts and Estimates Committee, *Report on the 2000-01 Budget Estimates*, November 2000, p.459

[1234] Hon. M Delahunty, MP, Minister for Women's Affairs, 2004-05 Budget Estimates, response to the Committee's follow-up questions, received 20 July 2004, p.1

[1235] Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, pp.5–6

financial support to maintain the building and restore it to contemporary standards.

The 2006-07 budget committed $1.9 million to the Centre.[1236] This funding comprises output funding of $1.2 million over four years ($300,000 each year) and one-off asset funding of $700,000.[1237] The output funding will provide support for the Centre's long term financial viability while the asset funding is for the upgrade and refurbishment of the Centre during 2006-07.[1238]

The Minister advised that a service agreement was signed with the trustees of the Centre for the ongoing funding component.[1239] The Committee noted the Office of Women's Policy will administer the service agreement and the Director of the Office of Women's Policy will monitor the Centre's performance against key performance indicators and targets on a quarterly basis.[1240] The key performance indicators include measures such as: satisfaction; participation; occupancy and financial management.[1241] Under the service agreement, the Centre is required to report quarterly on its performance.[1242]

The Committee noted the change in the government's policy to provide ongoing funding to sustain the operations of the Centre.

(ii) Occupancy

The issue of occupancy of the Queen Victoria Women's Centre was commented on in the Committee's *Report on the 2000-01 Budget Estimates*.[1243] Revenue from rental of office space at the Centre is its main source of revenue, after state government grants.[1244]

A key performance indicator in the service agreement requires the Centre to achieve and maintain 85 per cent occupancy rates for lettable floor space.[1245] The Committee was advised that during 2005-06 the Centre attracted new tenants and that at the end of April 2006, the Centre was fully tenanted.[1246] The Minister further advised that it is

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1236 Department for Victorian Communities, 2006-07 Victorian Budget Fact sheet, 'Upgrade for historic Queen Victoria Women's Centre', 30 May 2006
1237 Budget Paper No.3, *2006-07 Service Delivery*, pp.337, 340
1238 ibid., p.339
1239 Hon. M Delahunty, MP, Minister for Women's Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 8 June 2006, p.6
1240 Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, p.7
1241 ibid., p.5
1242 ibid.
1243 Public Accounts and Estimates Committee, *Report on the 2000-01 Budget Estimates*, November 2000, p.459
1244 Queen Victoria Women's Centre Trust, *Annual Report 2004-05*, p.26
1245 Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, p.5
1246 ibid., p.6

not anticipated there will be any rental occupancy shortfalls in 2006-07 because the leases do not expire before November 2007.[1247]

(b) Women's Safety Strategy

(i) Role of the Office of Women's Policy

Launched in October 2002, the five year Women's Safety Strategy concludes in 2007.[1248] The performance measure for this strategy had an annual target of 80 per cent delivery against performance targets.[1249] The Minister advised that this performance measure consists of the following tasks for which the Office of Women's Policy is directly responsible:[1250]

- monthly meetings of statewide steering committees (Family Violence, Sexual Assault and Workplace Violence Against Women);
- annual report to annual meeting of Ministers;
- year 2 public report;
- year 5 public report; and
- establishment of senior executive group to oversee the Women's Safety Strategy.

Responding to the Committee's query as to whether the Women's Safety Strategy would be fully delivered by 2007, the Minister explained that:[1251]

- *OWP [Office of Women's Policy] is the coordinator of the Women's Safety Strategy. The delivery of almost 60 other initiatives across government is characteristic of whole of government collaboration.*
- *'full delivery' of the Women's Safety Strategy is dependent on a number of factors beyond the authority of OWP.*
- *in addition, new initiatives are being added to the Strategy across government each year. This means that the commencement and conclusion timelines of all initiatives in the Strategy will vary from year to year. Some initiatives will in fact, be delivered after the conclusion of the Strategy in 2007. For instance: a number of*

1247 ibid.
1248 Public Accounts and Estimates Committee, *Report on the 2004-05 Budget Estimates*, November 2004, p.683; Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, p.4
1249 Budget Paper No.3, *2006-07 Service Delivery*, p.267
1250 Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, p.3
1251 Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, pp.3–4

initiatives under key strategies such as The Justice Statement and Better Pathways (reducing women's offending) will not be fully delivered by 2007.

During the 2006-07 Budget Estimates hearing the Committee was advised about the role of the Office of Women's Policy:[1252]

But what you see in our government, particularly around women's safety and, indeed, the Women's Safety Strategy explicitly, is that you have an agreement from across government departments and leadership by a collective of government ministers to try and improve the safety of women in this state. That is the challenge for us in the women's policy area. We are not a service provider. We advocate for the funds with my colleagues, and then the funds are provided to the department, quite appropriately, to deliver.

Nevertheless the Committee believes there is scope for the Office of Women's Policy to have a greater involvement in significant whole of government collaborative efforts.

(ii) Evaluation framework

During the 2005-06 Budget Estimates inquiry, the Committee was advised that the Women's Safety Strategy evaluation framework would be developed in the latter half of 2005.[1253]

During the current inquiry, the Committee inquired about the progress of the development of the framework and the Minister indicated that:[1254]

- *a draft evaluation framework for the Strategy has been developed. It proposes indicators to measure achievement against the objectives of the Strategy in the key areas of sexual assault and family violence.*
- *evaluation of the more than 60 individual projects and programs implemented across government as part of the Women's Safety Strategy will be possible within this framework and will involve cross-government collaboration. This process will commence in late 2006.*
- *the evaluation findings will be available in 2007 and will inform the development of the next iteration of the Women's Safety Strategy.*

1252 Hon. M Delahunty, MP, Minister for Women's Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 8 June 2006, p.5

1253 Public Accounts and Estimates Committee, *Report on the 2005-06 Budget Estimates*, November 2005, p.661

1254 Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, p.4

The Committee is pleased about this development and looks forward to the release of the Women's Safety Strategy evaluation results.

(c) Output cost

Budget Paper No.3, *2006-07 Service Delivery* shows the women's policy output cost for 2006-07 as $3.1 million.[1255] Exhibit 16.12 provides the output cost components for 2006-07 and 2005-06 and shows a reduction in operating and overhead costs in 2006-07 ($250,000). In addition, there was new grant funding to the Queen Victoria Women's Centre ($300,000) as announced in the 2006-07 budget.

Exhibit 16.12: Women's Policy Output cost 2006-07 and 2005-06

Cost components	Column 1 **2006-07 Budget ($ million)**	Column 2 **2005-06 Budget ($ million)**	Column – 1 - 2 **Variation (a) ($ million)**
Employee related expenses (salaries, on-costs)	1.2	1.2	0
Operating expenses, including: • consultation events • publications, reports and website • sitting fees • office materials	0.3	0.35	-0.05
Family Violence Co-ordination Unit	0.2	0.2	0
Grants to external organisations: • Women's Information Referral Exchange (WIRE) • Queen Victoria Women's Centre	 0.2 0.3	 0.2 0	 0 0.3
Overheads (including rent and IT costs)	0.9	1.1	-0.2
Total	**3.1**	**3.05**	**0.05**

Note: (a) a negative figure indicates the 2005-06 budget is higher than the 2006-07 budget

Source: Hon. M Delahunty, MP, Minister for Women's Affairs, response to the Committee's follow-up questions, received 5 June 2006, pp.1–2

[1255] Budget Paper No.3, *2006-07 Service Delivery*, p.267

16.13 Youth Affairs portfolio

16.13.1 Key issues affecting the portfolio

(a) Whole of government management and reporting of issues impacting on youth

The purpose of the Youth Affairs output, as stated in the 2006-07 budget papers, is to:[1256]

> *Develop and coordinate whole of government information and advice on issues of youth policy.*
>
> *Develop and manage targeted programs and services for young people between 12 and 25 years.*

The department's Office for Youth is the key agency for driving a whole of government agenda for young Victorians. The Office's responsibilities include policy advice, research and strategic planning in relation to government policies and programs and service delivery for young Victorians.[1257]

(i) Programs across government involving services for youth

The Committee believes that strong coordination and sharing of information across participating portfolios is necessary to achieve optimal outcomes for youth and for effective whole of government reporting to Parliament.

The Committee was interested in assessing the nature of the role of the Office for Youth in providing input into the management of across government funding initiatives that have a direct impact on youth.

Of the $14 million announced in the 2006-07 budget for support projects and to help keep Victoria's young people on the right track, only about $1.6 million for continuation of the *youthcentral* website falls within the direct responsibility of the Youth Affairs portfolio. [1258] The remaining funding relates to:

- $10 million over four years for a program to support disengaged young people who need help in getting their lives back on the right path to further education

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[1256] Budget Paper No.3*, 2006-07 Service Delivery*, p. 265

[1257] Website of the Office for Youth, Department for Victorian Communities, www.youth.vic.gov.au accessed 19 July 2006

[1258] Ms J Allan, MP, Minister for Youth Affairs, *$14 million boost to support young Victorians*, 2006-07 Victorian Budget media release, 30 May 2006

or a career, described in the budget papers as the Youth Transition Support initiative under the Department of Education and Training; and

- $2.6 million over three years to extend a scheme that helps young people being interviewed by police. The scheme that currently operates in 14 police stations will be extended to 101 police stations, described in the budget papers as the Protecting Victorian Youth initiative under the Department of Justice.

The Minister made several references to activities across government that aim to improve outcomes for young people and to the role of the Office for Youth in helping to progress these activities. The matters cited by the Minister included:[1259]

- the Office for Youth's involvement in the release of the Youth Focus in Victoria 2004-05 report, which consolidates the government's achievements in 2004-05 in implementing its *Respect: The government's vision for young people*, released in 2002, and including commentary on a range of youth programs and strategies managed across government;
- operation of 15 regional youth affairs networks, which the Minister described as providing *'valuable input not just in terms of what I am directly working on with my portfolio but as great input for the government as a whole because the issues they [young people] are interested in, whether it is transport, health or housing, go across a number of Ministers portfolios so they are really great input into policy and programs right across government'*; and
- on issues surrounding youth suicide, depression and mental health, the Minister indicated that *'the role that the Office for Youth has to play through this is taking the information we get through policy consultations or through the regional youth affairs networks and others, and then we work collaboratively with the big departments like DHS to provide both the intelligence, if you like, in terms of what young people are telling us and then helping them to shape their responses with a focus on young people'*.

Subsequent to the estimates hearing, the Minister provided further details to the Committee about the across-government work of the Office for Youth.[1260]

> *The Office for Youth convenes a number of across government co-ordinating mechanisms, such as the Youth Affairs Taskforce and the Whole of Government Reporting Committee.*
>
> *The Youth Affairs Taskforce provides a forum for high level discussion to inform a whole of government perspective on the future of youth focused policy and program development.*

[1259] Ms J Allan, MP, Minister for Youth Affairs, 2006-07 Budget Estimates hearing, transcript of evidence, 5 July 2006, pp. 2–3,7–9

[1260] ibid., pp.1–2

The Office for Youth also facilitates co-ordination of information and effective cross flow of experience between government portfolios through other government structures such as:

- *Public Transport Enforcement Forum – the challenges faced by young people from culturally and linguistically diverse backgrounds on the public transport system have been highlighted through the Public Transport Enforcement Forum, supported by the Public Transport Legal Division and the Office for Youth.*

- *Young Driver Safety Interdepartmental Committee – the Young Driver safety and Graduated Licensing System changes have been informed by youth consultations facilitated by the Office for Youth in partnership with the Youth Affairs Council of Victoria. The results of these consultations were raised at the Young Driver safety IDC and have informed recently announced changes to the P-Plater licensing system.*

- *Premier's Drug Prevention Council – a range of strategies was developed to support young people attending Schoolies Week in partnership with the Premier's Drug prevention Council.*

The Committee welcomes the information provided by the Minister on the consultative and advocacy functions undertaken by the Office for Youth to support delivery of services across government to young Victorians.

(ii) Whole of government reporting requirements for specific community areas, including young people

The Premier issued a directive in 2003 setting out the responsibilities of departments for a whole of government reporting approach in four community areas, namely, cultural diversity, women, youth, and Indigenous affairs. Under this directive, departments were required to report annually to the Department for Victorian Communities on each area and include a summary of achievements in their annual report.[1261]

The directive's reporting requirements for youth centred on annual achievements under the four themes of Involvement, Learning and Working, Support, and Celebrate contained in *Respect,* the government's visionary document, which, as mentioned earlier, was released in 2002.

[1261] Department of Premier and Cabinet, Premier's circular 2003/3, *Whole of Government Reporting on Responsiveness to Cultural Diversity, Women, Youth and Indigenous Affairs*, downloaded from the Victorian Government intranet

On 10 May 2006, the Premier issued a new whole of government reporting directive for the four community areas, effective from the 2005-06 reporting cycle. The directive indicates that the changed requirements reflect, *'new policy frameworks and a greater focus on program outcomes and reporting on milestones over time'*. [1262]

Under the revised directive, the reporting requirements of departments will be based on the following principles:

- inclusion – improving outcomes for all young people, while narrowing the gap between those who do well and those who do not;
- diversity – recognising and responding to the full diversity of young people and making services more responsive to who young people are and what they want; and
- collaboration – involving a wide range of organisations from the public, voluntary, community and private sectors to increase choice and secure the best outcomes, for and with young people.

In its previous estimates reports, the Committee advocated improvements to Victoria's public accountability framework, including more transparent reporting to Parliament by government agencies on the achievement of program outcomes. The Committee therefore supports the government's greater focus on outcomes and tracking of performance against milestones in its revised whole of government reporting regime. The Committee also considers the new principles of inclusion, diversity and collaboration underpinning reporting of across-government issues affecting young people provide the basis for enhanced performance reporting in this key area of government.

The Minister announced in May 2006 that the government was developing a new future directions statement for young people.[1263] The new directions statement was released recently.[1264] The Committee considers that the government should use implementation of its new policy statement to further strengthen the coordination of activity and decision making across portfolios on youth issues. Such action could include:

- measures that reinforce the responsibility and accountability of government agencies for achieving optimum whole of government results for young people;
- avenues for adding emphasis to the authority and expertise of the Office for Youth in its collaborative work with other portfolios on youth issues;

[1262] Department of Premier and Cabinet, Premier's circular 2006/01, Whole of Government Reporting on Responsiveness to Cultural Diversity, Women, Young People and Indigenous Affairs, downloaded from the Victorian Government intranet

[1263] Ms J Allan, MP, Minister for Youth Affairs, *$14 million boost to support young Victorians*, 2006-07 Victorian Budget media release, 30 May 2006

[1264] Hon. S Bracks, MP, Premier, *$4.5 million gives Gen 'Y' power to make decisions*, media release, 11 August 2006

- options for building on structural arrangements currently in place for strategic coordination of delivery of across-agency services for young people, for example, consideration of the benefits of establishing a secretaries' group for youth affairs or similar type forum; and
- presentation of an annual special purpose report to Parliament on the implementation of whole of government youth policy and the achievement of outcomes.

The Committee considers action that raises the standard of whole of government reporting to Parliament on youth outcomes would complement the government's revised reporting responsibilities of departments. It would also further reinforce the importance placed by the government on optimising outcomes for Victoria's young people. The Committee considers that the department's Office for Youth, having the lead role for youth affairs, would best manage this important external reporting task.

The Committee recommends that:

Recommendation 98: **The Victorian Government further strengthen the framework for whole of government decision making and reporting to Parliament on youth issues in conjunction with the implementation of its *New Future Directions* statement for young people.**

This report was adopted by the Public Accounts and Estimates Committee at its meeting held on 11 September 2006 in Meeting Room 4 at Parliament House, Melbourne.

APPENDIX 1: ACRONYMS AND ABBREVIATIONS

ABARE	Australian Bureau of Agricultural and Resource Economics
A-IFRS	Australian equivalents to International Financial Reporting Standards
APEC	Asia-Pacific Economic Cooperation
BEST	Bureau of Emergency Services Telecommunications
CAC	Capital asset charge
CALD	Culturally and Linguistically Diverse
CAV	Consumer Affairs Victoria
CBD	Central Business District
CCG	Climate Change Group
CLTMS	Corrections Long Term Management Strategy
CO2	Carbon Dioxide
COAG	Council of Australian Governments
CPI	Consumer Price Index
CRWG	Competition and Regulation Working Group
CSIRO	Commonwealth Scientific and Industrial Research Organisation
Cu	Symbol for copper
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 Industries
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
DVC	Department for Victorian Communities
DVD	Digital Versatile Disk
EAS	Emergency Alerting System
EBA	Enterprise Bargaining Agreement
EES	Environment Effects Statement
EFT	Equivalent Full-Time
ERC	Expenditure Review Committee

ETIS	Energy Technology Innovation Strategy
EWR	Environmental Water Reserve
FGF	Financial Governance Framework
FMCF	Financial Management Compliance Framework
FOI	Freedom of Information
FTA	Free trade agreement
GBE	Government business enterprise
GCRG	Government Communications Review Group
GP	General Practitioner
HACC	Home and Community Care
HARP	Hospital Admission Risk Program
HiiP	Housing Integrated Information Program
ICT	Information and Communication Technology
IT	Information technology
KPI	Key performance indicator
KWR	Kulwin, Woornack and Rownack - separate mineral sands deposits
LAN	Local area network
LEAP	Law Enforcement Assistance Program
LOTE	Language Other Than English
M2006	Melbourne 2006 Commonwealth Games Corporation
MAMS	Master Agency Media Services
MCCS	Melbourne Central City Studios Pty Ltd
MCG	Melbourne Cricket Ground
MOPT	Melbourne and Olympic Parks Trust
Moz	Million ounces
MPV	Major Projects Victoria
MSAC	Melbourne Sports and Aquatic Centre
Mt	Million tonnes
NRA	National Reform Agenda
NRMIC	National Resources Management Ministerial Council
OCGC	Office of Commonwealth Games Coordination
OCIO	Office of the Chief Information Officer
OoH	Office of Housing
OPI	Office of Police Integrity
OWOF	Our Water Our Future

OWP	Office of Women's Policy
PAM	People Allocation Model
Pb	Symbol for lead
Pj	Peta joules, being a measure of energy the gas industry uses
PVGF	Provincial Victoria Growth Fund
RBA	Reserve Bank of Australia
RIDF	Regional Infrastructure Development Fund
RLA	Rod Laver Arena
SCAG	Standing Committee of Attorney's-General
SEITA	Southern and Eastern Integrated Transport Authority
SSA	State Services Authority
STI	Science, Technology and Innovation
SWS	Sustainable Water Strategy
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TCV	Treasury Corporation of Victoria
TEI	Total Estimated Investment
TPAMS	Telecommunications Purchasing and Management Strategy
VCAL	Victorian Certificate of Applied Learning
VCAT	Victorian Civil and Administrative Tribunal
VCDRC	Victorian Child Death Review Committee
VET	Vocational Education and Training
VGPB	Victorian Government Purchasing Board
VPS	Victorian Public Service
VTD	Victorian Taxi Directorate
YES	Youth Employment Scheme
Zn	Symbol for zinc

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

Evidence

5 June 2006

Portfolios: Multicultural Affairs; Veterans' Affairs; Premier

Department for Victorian Communities; Department of Premier and Cabinet

Hon. S Bracks, MP, Minister for Multicultural Affairs and Minister for Veterans' Affairs
Mr Y Blacher, Secretary, Department for Victorian Communities
Ms B Mountjouris, Director, Victorian Office of Multicultural Affairs
Mr J MacIsaac, Director, Office of Senior Victorians and Veterans, Department for Victorian Communities

Hon. S Bracks, MP, Premier
Mr T Moran, Secretary, Department of Premier and Cabinet
Ms P Hutchinson, Deputy Secretary, Sector Improvement, Department of Premier and Cabinet
Mr C Barrett, Deputy Secretary, Policy and Cabinet, Department of Premier and Cabinet
Mr J Denton, State Government Architect, Department of Premier and Cabinet

7 June 2006

Portfolios: Education and Training; Education Services

Department of Education and Training

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 Rosewarne, Deputy Secretary, Office of Resources, Management and Strategy, Department of Education and Training
Ms K Henderson, Deputy Secretary, Office of Strategy and Review, Department of Education and Training

8 June 2006

Portfolios: Arts; Women's Affairs

Department of Premier and Cabinet; Department for Victorian Communities

Hon. M Delahunty, MP, Minister for Arts
Ms A Schwirtlich, Acting Director, Arts Victoria, Department of Premier and Cabinet
Mr G Andrews, Deputy Director, Arts Victoria, Department of Premier and Cabinet
Dr D Carmody, Deputy Director, Arts Victoria, Department of Premier and Cabinet

Hon. M Delahunty, MP, Minister for Women's Affairs
Mr T Healy, Deputy Secretary, Department for Victorian Communities
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities
Ms F Sharkie, Director, Office of Women's Policy, Department for Victorian Communities

9 June 2006

Portfolios: Health; Transport

Department of Human Services; Department of Infrastructure

Hon. B Pike, MP, Minister for Health
Ms P Faulkner, Secretary, Department of Human Services
Mr L Wallace, Executive Director, Metropolitan Health and Aged Care Services, Department of Human Services
Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services
Mr A Hall, Executive Director, Financial and Corporate Services, Department of Human Services

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
Mr J Rogan, Executive Director, Freight, Logistics & Marine, Department of Infrastructure
Mr J Betts, Director of Public Transport, Department of Infrastructure
Mr D Anderson, Chief Executive Officer, VicRoads

13 June 2006

Portfolios: State and Regional Development; Innovation; Treasury

Department of Innovation, Industry and Regional Development, Department of Treasury and Finance

Hon. J Brumby, MP, Minister for State and Regional Development, 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
Mr L Bruce, Executive Director, Strategy and Policy, Department of Innovation, Industry and Regional Development
Ms P Anders, Chief of Staff to the Minister for State and Regional Development

Hon. J Brumby, MP, Treasurer
Mr P Dawkins, Acting Secretary, Department of Treasury and Finance
Mr J Bryne, Acting Deputy Secretary, Department of Treasury and Finance
Mr J Monforte, Acting Deputy Secretary, Department of Treasury and Finance
Mr J Fitzgerald, Acting Deputy Secretary, Department of Treasury and Finance

14 June 2006

Portfolios: Community Services; Children

Department of Human Services

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
Mr A Hall, Acting 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, The Office for Children, Department of Human Services
Mr A Hall, Acting Executive Director, Financial and Corporate Services, Department of Human Services

15 June 2006

Portfolio: Agriculture

Department of Primary Industries

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, Department of Primary Industries
Mr S Condron, Chief Financial Officer, Department of Primary Industries
Dr P Appleford, Executive Director, Fisheries Victoria
Dr C Noble, Executive Director, Research and Development, Department of Primary Industries

16 June 2006

Portfolios: Tourism; Gaming; Racing; Major Projects; WorkCover/TAC; Finance

Department of Innovation, Industry and Regional Development; Department of Justice; Department of Infrastructure; Department of Treasury and Finance

Hon. J Pandazopoulos, MP, Minister for Tourism
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development
Mr G Hywood, Chief Executive, Tourism Victoria
Mr J Claven, Chief of Staff to the Minister for Tourism

Hon. J Pandazopoulos, MP, Minister for Gaming and Minister for Racing
Ms P Armytage, Secretary, Department of Justice
Mr R Kennedy, Executive Director Office of Gaming and Racing, Department of Justice

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
Ms P Sanderson, Chief Executive Officer, VicUrban
Mr S Sweeney, Acting Executive Director, Major Projects Victoria
Mr M Hynes, Chief Operating Officer, Docklands and Major Inner Urban, Department of Infrastructure

Mr J Lenders, MLC, Minister for WorkCover and TAC
Mr A Fronsko, Director, Financial Risk Management and Policy, Department of Treasury and Finance
Mr P O'Connor, Chief Executive Officer, Transport Accident Commission
Mr G Tweedly, Chief Executive Officer, Victorian WorkCover Authority

Mr J Lenders, MLC, Minister for Finance
Mr J Fitzgerald, Acting Deputy Secretary, Department of Treasury and Finance
Mr J Monforte, Acting Deputy Secretary, Department of Treasury and Finance
Mr P Carroll, Director, Department of Treasury and Finance
Mr M Jones, Director, Department of Treasury and Finance
Mr S Schinck, Director, Department of Treasury and Finance
Mr R Kluske, Manager of Sustainability, Victorian Government Property Group, Department of Treasury and Finance

19 June 2006

Portfolios: Financial Services; Manufacturing and Export; Small Business

Department of Innovation, Industry and Regional Development

Hon. A Haermeyer, MP, Minister for Financial Services; Minister for Manufacturing and Export and 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
Mr L Bruce, Executive Director, Strategy and Policy, Department of Innovation, Industry and Regional Development

20 June 2006

Portfolios: Industrial Relations; Attorney-General; Planning; Presiding Officers of Parliament;

Department of Innovation, Industry and Regional Development; Department of Justice; Department of Sustainability and Environment; Parliamentary departments

Hon. R Hulls, MP, Minister for Industrial Relations
Ms F Thorn, Secretary, Department of Innovation, Industry and Regional Development
Mr T Lee, Deputy Secretary, Industrial Relations Victoria, Department of Innovation, Industry and Regional Development
Mr T Lawerence, Workplace Rights Advocate

Hon. R Hulls, MP, Minister for Planning
Ms G Overall, Deputy Secretary, Department of Sustainability and Environment
Mr A McDonald, Chief Financial Officer, Department of Sustainability and Environment
Mr P Reed, Under Secretary, Portfolio Performance, Department of Sustainability and Environment

Hon. R Hulls, MP, Attorney-General
Ms P Armytage, Secretary, Department of Justice
Mr J Griffin, Executive Director, Courts, Department of Justice
Ms J Griffith, Executive Director, Community Operations and Strategy, Department of Justice
Ms E Eldridge, Executive Director, Legal and Equity, Department of Justice

Mrs J Maddigan, MP, Speaker of the Legislative Assembly
Hon. M Gould, MLC, President of the Legislative Council
Mr R Purdey, Clerk of the Legislative Assembly
Mr W Tunnecliffe, Clerk of the Legislative Council
Dr S O'Kane, Secretary, Department of Parliamentary Services

21 June 2006

Portfolios: Aboriginal Affairs; Aged Care; Sport and Recreation; Commonwealth Games

Department for Victorian Communities; Department of Human Services

Mr G Jennings, MLC, Minister for Aboriginal Affairs
Mr Y Blacher, Secretary, Department for Victorian Communities
Ms A Jurjevic, Executive Director - Aboriginal Affairs Victoria, Department for Victorian Communities
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities

Mr G Jennings, MLC, Minister for Aged Care
Ms P Faulkner, Secretary, Department of Human Services
Mr J MacIsaac, Director, Office of Senior Victorians and Veterans, Department for Victorian Communities
Ms J Herington, Director Aged Care, Department of Human Services
Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services
Mr A Hall, Acting Executive Director, Financial and Corporate Services, Department of Human Services

Hon. J Madden, MLC, Minister for Sport and Recreation
Mr Y Blacher, Secretary, Department for Victorian Communities
Mr P Hertan, Executive Director, Sport and Recreation Victoria, Department for Victorian Communities
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities

Hon. J Madden, MLC, Minister for Commonwealth Games
Mr Y Blacher, Secretary, Department for Victorian Communities
Ms J Samms, Director, Office of Commonwealth Games Coordination, Department for Victorian Communities
Ms M Sussex, Executive Director, Office of Commonwealth Games Coordination, Department for Victorian Communities
Ms B Glyn, Chief Financial Officer, Office of Commonwealth Games Coordination, Department for Victorian Communities

3 July 2006

Portfolios: Corrections; Police and Emergency Services

Department of Justice

Hon. T Holding, MP, Minister for Corrections
Ms P Armytage, Secretary, Department of Justice
Mr A Clayton, Executive Director, Police, Emergency Services and Corrections, Department of Justice

Hon. T Holding, MP, Minister for Police and Emergency Services
Ms P Armytage, Secretary, Department of Justice
Ms C Nixon, Chief Commissioner of Police, Victoria Police
Mr A Clayton, Executive Director, Police, Emergency Services and Corrections, Department of Justice

4 July 2006

Portfolios: Victorian Communities; Environment; Water; Resources; Energy Industries

Department for Victorian Communities; Department of Sustainability and Environment; Department of Primary Industries; Department of Infrastrucure

Hon. J Thwaites, MP, Minister for Victorian Communities
Mr Y Blacher, Secretary, Department for Victorian Communities
Mr D Ferrie, Acting Executive Director, Community Strengthening and Volunteering, Department for Victorian Communities
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities

Hon. J Thwaites, MP, Minister for Environment and Minister for Water
Mr P Reed, Under Secretary, Portfolio Performance, Department of Sustainability and Environment
Mr D Downie, Deputy Secretary, Water Sector Group, Department of Sustainability and Environment
Mr K Love, Deputy Secretary, Land Stewardship and Biodiversity, Department of Sustainability and Environment
Mr A McDonald, Chief Financial Officer, Department of Sustainability and Environment

Hon. T Theophanous, MLC, Minister for Resources
Mr P Harris, Secretary, Department of Primary Industries
Mr D Seymour, Deputy Secretary, Department of Primary Industries
Dr R Aldous, Executive Director, Minerals and Petroleum Division, Department of Primary Industries
Mr S Condron, Chief Financial 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
Mr R Bolt, Executive Director, Energy and Security, Department of Infrastructure

5 July 2006

Portfolios: Information and Communication Technology; Consumer Affairs; Employment; Youth Affairs

Department of Infrastructure; Department of Justice; Department for Victorian Communities

Hon. M Thomson, MLC, Minister for Information and Communication Technology
Mr H Ronaldson, Secretary, Department of Infrastructure
Mr T Moran, Secretary, Department of Premier and Cabinet
Mr B McDonald, Executive Director, Corporate Resources, Department of Infrastructure
Mr R Straw, Executive Director, Multimedia Victoria, Department of Infrastructure
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
Dr D Cousins, Executive Director, Consumer Affairs Victoria, Department of Justice

Ms J Allan, MP, Minister for Employment
Mr T Healy, Deputy Secretary, Department for Victorian Communities
Mr S Ward, Director, Employment Programs, Department for Victorian Communities
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities

Ms J Allan, MP, Minister for Youth Affairs
Mr Y Blacher, Secretary, Department for Victorian Communities
Ms P Digby, Acting Deputy Secretary, Department for Victorian Communities
Ms L Healy, Director, Office for Youth, Department for Victorian Communities
Mr S Gregory, Chief Financial Officer, Department for Victorian Communities

6 July 2006

Portfolios: Local Government; Housing

Department for Victorian Communities; Department of Human Services

Ms C Broad, MLC, Minister for Local Government
Mr Y Blacher, Secretary, Department for Victorian Communities
Ms P Digby, Executive Director, Local Government and Community Information, Department for Victorian Communities
Mr S Gregory, Chief Finance Officer, Department for Victorian Communities

Ms C Broad, MLC, Minister for Housing
Mr P Allen, Acting Secretary, Department of Human Services
Dr O Donald, Executive Director, Housing and Community Building, Department of Human Services
Mr S Hall, Acting Executive Director, Financial and Corporate Services, Department of Human Services
Mr K Downie, Director, Policy, Strategy and Communications, Department of Human Services

Responses received to the Committee's 2006-07 Budget 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

MINORITY REPORT

Minority Report by Opposition Members

Hon. B Forwood, MLC

Mr R Clark, MP

Hon. G Rich-Phillips, MLC

Hon. B Baxter, MLC

Pursuant to Section 34 (2) of the Parliamentary Committees Act 2003

We:

Hon. B Forwood, MLC

Mr R Clark, MP

Hon. G Rich-Phillips, MLC

Hon. B Baxter, MLC

Submit this minority report:

This minority report details concerns over the handling of issues to do with the long term use of a MP's office by an outside third party, and the handling of funds paid by the outside party.

This matter first came to public attention on 1 February 2006, when the Herald Sun, under the headline Group paid MP for use of office reported that the Member for Ivanhoe had '... accepted thousands of dollars in donations ...', and that the money had been paid to '… Mr Langdon's election account ...'

It was further examined during the course of the Estimates Hearings.

This Minority Report is supported by 12 Attachments, mainly copies of correspondence, which detail the sequence of events and the actions taken by the Parliament and others.

Background

There is no dispute that the Co-ordinator of the Mall Street Traders Association had a dedicated office in the Member for Ivanhoe's Electorate office in the Mall for many years. Nor is there any dispute that she possessed both a key to her own exclusive internal office, a key to the whole complex, and knowledge of the Security Alarm Code so that she could come and go as she pleased.

Despite the fact that the office is the property of the Parliament, no funds were ever received by the Parliament, nor was there ever a formal sub lease arrangement entered into by any of the parties involved: the Parliament, the Traders, the Member for Ivanhoe or the ALP which was the recipient of the funds paid.

Attachment 1 is a schedule prepared for the Banyule City Council, which details a series of payments to the Member for Ivanhoe's ALP campaign account (the Ivanhoe State Electorate Campaign Committee (SECC), mostly for $335, over a long period from 1997 to 2005.

Attachment 2 is an example of an ALP Invoice sent to the Mall Traders for 'Quarterly Campaign Contribution'. Other similar invoices exist. The address of the sender, the Ivanhoe SECC, is identical to the address of the recipient, the Mall Traders Association. It is the address of the Parliament funded electorate office occupied by the Member for Ivanhoe. At various times, the Member for Ivanhoe has held official positions, including that of Treasurer, with the Mall Trader's Association.

There is no dispute that the amounts shown in Attachment 1 as 'rent' are the same as those invoiced by the ALP Ivanhoe SECC as 'Campaign Contributions'.

Attachment 3 is a Mall Traders Association Cheque Requisition form, raised by the Member for Ivanhoe for $700, for 'Hire of Office Space/ Storage etc at Fort Knox included'.

The Member for Ivanhoe subsequently signed a Mall Traders cheque payable to the ALP Ivanhoe SECC in payment of this amount. **Attachment 4** is the relevant invoice.

In essence, in at least this instance, the ALP invoiced the Traders for use of the Member for Ivanhoe's Parliament provided electorate office, and the Member, as an officer bearer of the Mall Traders, both requested a cheque to pay the ALP and subsequently himself signed the Mall Trader's cheque.

The Conduct of the Parliament

On 1 February, the Shadow Attorney General wrote to the Speaker seeking an investigation into this matter. This letter is **Attachment 5**. **Attachment 6** is the Speaker's response, dated 8 February which states:

> *I refer to your letter of 1 February requesting that an investigation be undertaken into allegations reported in the Herald Sun newspaper relating to Mr Craig Langdon, MP, and the inappropriate use of his electorate office.*
>
> *I can advise that I have arranged for those allegations to be investigated and as a result of that investigation I am satisfied that the Member for Ivanhoe has not been involved in any arrangement to sublet his electorate office to the Mall Traders Association.*

In this response, written a week after the Shadow's request, the Speaker focuses on the use by the Shadow Attorney of the phrase ... 'sub-lease'. No effort appears to have been made to investigate the substantive issue of the use of the office and the payment for it over a long period.

Since that time a number of efforts have been made to seek information from the Speaker on:

- Who undertook the investigations on her behalf
- What steps were taken in the investigation
- Whether the Parliament would seek reimbursement of the funds paid to the ALP

The following attachments detail much of that correspondence:

Attachment 7: Letter of 9 February, 2006, from the Shadow Attorney General requesting clarification of the Parliament's investigation, and asking whether the Parliament would seek reimbursement of the funds from the ALP.

Attachment 8: Letter of 14 March 2006, from the Shadow Minister for Scrutiny of Government containing a detailed analysis of the issue and requesting a review of the Speaker's original finding. It says, in part,

> *It is obvious to any fair-minded observer that for many years the Mall Traders Association has made regular payments to the ALP's Ivanhoe campaign account in return for regular and exclusive use of space in the taxpayer provided and funded office space.*

No response was received from the Speaker.

Attachment 9: Letter of 22 March, 2006, from the Shadow Minister for Scrutiny of Government requesting another review of the investigation and details of the investigations conducted. It says, in part:

> *…. the Liberal Party holds the office of Speaker in high regard, and is most concerned about any actions or omissions which can cause the office to fall in public esteem or confidence.*
>
> *The Liberal Party is of the view that your decisions to date, in relation to this matter, are perilously close to bringing the office in to disrepute.*
>
> *You stated in your letter of 8 February that you were satisfied that Mr Langdon had not been involved in any arrangement to sub-let his electorate office to the Mall Traders Association. You made this statement without explaining what investigations you had caused to be made, who made them, or what evidence was received that led you to such a conclusion.*
>
> *On 14 March I provided you with plausible, tangible and readily available evidence that Mr Langdon had in fact been involved in a sub-let arrangement which involved Parliament space being provided to an "independent" organisation for which it paid thousand of dollars, which then found its way, not to the Parliament, but into an ALP campaign bank account.*

> *No matter what the Victoria Police may or may not do, it is your responsibility to handle matters concerned with the use of the Parliament's assets, especially in circumstances where you have been requested to review an earlier decision.*

No reply to this letter was received.

The matter was dealt with extensively at the Estimates Public Hearings with the Parliamentary Officers, held on 20 June, 2006. Evidence given in relation to this specific matter has been collated and is contained in **Attachment 12.**

During the Hearings the Speaker asserted that correspondence between her and MPs was 'privileged' ...

The following exchange deals with this issue.

Attachment 10: Letter of 10 July, 2006, from Bill Forwood, Deputy Chair of PAEC to the Speaker seeking clarification of the Speaker's 'privilege' comments in her appearance at the PAEC hearings.

Attachment 11: Reply letter of 13 July, 2006, from the Speaker stating any further information regarding the Speaker's appearance at PAEC hearings should be made through the Committee.

Later in the Hearings the following exchange took place:

Mr FORWOOD — Speaker, I have some general questions on the use of electorate offices. Is it permitted for members of Parliament to allocate dedicated space in their electorate offices for use by outside, independent parties for extended periods of time — that is, matters of years? If so, should permission be sought by the MP and if so who from? If an MP does enter into such an arrangement and should receive funds in return, do the funds belong to the Parliament or to the Member of Parliament? And finally, what action would you take if such a matter were brought to your attention?

Mrs MADDIGAN — In relation to member's electorate offices, there is no capacity in the lease that they have to sublease it. There is a capacity in the lease for the Parliament to sublease it. That is put in there in case for some reason we change the position of the electorate office, but there is certainly no provision in the lease agreement we have for members to sublease it. If a member did sublease it and charged money for it, those funds would be funds belonging to the Parliament. But they are not allowed to do it; there is no provision in the lease to allow members to sublease offices.

Mr FORWOOD — I did not mention the word 'sublease'. What I said was, 'Is it permitted for members of Parliament to allocate dedicated space — that is, a room — in their electorate offices to an outside, independent party?

Mrs MADDIGAN — I am not aware of any rules of the Parliament that prevent that. Are you, Stephen?

Dr O'KANE — No.

Mr FORWOOD — There are no rules that prevent it; is permission required before you do it?

Mrs MADDIGAN — Not that I am aware of.

Mr FORWOOD — Right. And if MPs receive funds for doing so, are the funds theirs?

Mrs MADDIGAN — If they receive any funds that relate to an electorate office, those funds would belong to the Parliament of Victoria.

And later:

Mr FORWOOD —…..you said in your previous answer that in the circumstances I outlined, if a member received funds for doing so, those funds rightly belonged to the Parliament. If, for example, a member received some sort of donation towards printing, phone calls and office supplies, would you seek for those funds to be reimbursed to the Parliament?

Mrs MADDIGAN — If there were evidence that that occurred, yes.

Conclusion

Two matters require particular comment. The Speaker indicated that while Members cannot sublease parts of their offices, no permission is required from the Parliament for them to '...allocate dedicated space — that is, a room — in their electorate offices to an outside, independent party'.

This position appears completely inconsistent with both general principle and the clear prohibition against subleasing especially when, as in this case, payment or donations were being received by the Member or his political party in return for the allocation of such space.

Second, the Speaker indicated:

> *If they receive any funds that relate to an electorate office, those funds would belong to the Parliament of Victoria.*

The authors of this Minority Report are deeply concerned that no effective action has been taken by the Parliament to deal with either of these particular matters.

Hon. Bill Forwood, MLC

Mr Robert Clark, MP

Hon. Gordon Rich-Phillips, MLC

Hon. Bill Baxter, MLC

Cheque Remittances from the Mall Traders Association 1996 – 2005

this column will be revised

Cheque	Date	To:	For:	Balance
123	20 – 05 – 1996	Pastoral + Rural Wholesalers	(Rent – Manager's Office) 1/5/96 – 1/8/96 13 weeks @ $25	325.00
142	03 – 10 – 1996	Pastoral + Rural Wholesalers	Rent – QTR 1/8/96 – 1/11/96 13 weeks @ $25	325.00
148	23 – 10 – 1996	Pastoral + Rural Wholesalers	Rent – QTR 1//11/96 – 1/2/97 13 weeks @ $25	325.00
171	07 – 02 – 1997	Pastoral + Rural Wholesalers	Office Rent 1/2/97 to 1/5/97 13 weeks @ $25	325.00
211	28 – 08 – 1997	Nexus/Ivanhoe S.E.C.C.	Rent +Telephone in Craig Langdon Office 1/5/97 – 1/8/97 13 weeks @ $25 plus $10 Telephone contribution	335.00
245 Cancelled	06 – 01 – 1998	Ivanhoe S.E.C.C.	Rent +Telephone in Craig Langdon Office 1/8/97 – 1/2/98 26 weeks @ $25 plus 2x $10 Telephone contribution	670.00 Cancelled
405	28 – 10 – 1999	Ivanhoe S.E.C.C.	Office Rent 1/11/99 – 1/2/00 13 weeks @ $25 plus $10 Telephone	335.00
424	16 – 03 – 2000	Ivanhoe S.E.C.C.	Office Rent 1/2/00 – 30/4/00 13 weeks @ $25 plus $10 Telephone	335.00
428	03 – 05 – 2000	Ivanhoe S.E.C.C.	Office Rent 1/5/00 – 1/8/00 13 weeks @ $25 plus $10 Telephone	335.00

Attachment 1 – page 2

447	20 – 11 - 2000	Ivanhoe S.E.C.C.	Office Rent 1/8/00 – 1/11/00	335.00
450	24 – 11 – 2000	Ivanhoe S.E.C.C.	Office Rent 1/11/00 – 1/2/01	335.00
473	05 – 03 – 2001	Ivanhoe S.E.C.C.	Office Rent 1/2/01 – 30/5/01 plus $10 Telephone	335.00
510	31 – 05 – 2001	Ivanhoe S.E.C.C.	Three months Rent + Phone 1/5/01 – 1/8/01	335.00
511	01 – 06 – 2001	Ivanhoe S.E.C.C.	Rent/Phone 1/8/01 – 1/11/01	335.00
555	14 – 11 – 2001	Ivanhoe S.E.C.C.	Rent QTR 1/11/01 – 1/2/02	335.00
589	11 – 02 – 2002	Ivanhoe S.E.C.C.	Rent QTR 1/2/02 – 1/5/02	335.00
600	20 – 03 – 2002	Ivanhoe S.E.C.C.	Dinner for two	300.00
642	04 – 09 – 2002	Ivanhoe S.E.C.C.	Office Rent QTR 1/5/02 – 1/8/02	335.00
649	07 – 10 – 2002.	Ivanhoe S.E.C.C.	Office Rent 13 weeks @ $25 1/8/02 – 1/11/02.	335.00
657	08 – 11 – 2002	Ivanhoe S.E.C.C.	Not specified (Easter Competition?)	500.00
658	08 – 11 – 2002	Ivanhoe S.E.C.C.	Not specified (Easter Competition?)	50.00
696	28 – 03 – 2003	Ivanhoe S.E.C.C.	Rent October – December 2002	335.00
697	28 – 03 – 2003	Ivanhoe S.E.C.C.	Rent Jan – March 2003	335.00
698	28 – 03 – 2003	Ivanhoe S.E.C.C.	Rent April – June 2003	335.00
807	07 – 06 - 2004	Ivanhoe S.E.C.C.	22 Vouchers	335.00
810	07 – 06 – 2004	Ivanhoe S.E.C.C.	Breakfast 10 people @ $60 per head	600.00
825	?? – 09 – 2004	Ivanhoe S.E.C.C.	Easter Competition	550.00
833	07 – 09 – 2004			50.00
891	13 – 03 – 2005	Craig Langdon	Easter Colouring Camp	500.00
892	13 – 05 – 2005	Ivanhoe S.E.C.C.	Donation Hire of Storage Office Space	700.00

Attachment 2

Ivanhoe SECC

Tax Invoice

Ivanhoe SECC
Shop 14, The Mall, Bell Street
Heidelberg West VIC 3081

Phone: (03) 9455-3017
Fax: (03) 9455-3027

BILL TO:

The Mall Traders Association
ABN: 57 505 521 939
Shop 14, The Mall, Bell Street
Heidelberg West VIC 3081

Bill: 0003
Date: 07/05/2004
Amount Requested: $350.00
For: Campaign Contribution

Item	Quantity	Amount Requested
Quarterly Campaign Contribution (October-December)	1	$350.00
	Sub-total	$350.00
	Discount	$0.00
	GST	$0.00
	Total	$350.00

Regards

Nicholas Brain
Secretary
Ivanhoe SECC

PAID
DATE 16/1/04 CHQ. NO.

Attachment 3

The Mall Traders Association Inc

Cheque Requisition

Cheque Payable To	
	Wannee Secc
	Campaign Donation
	State Postcode

Details For Which Cheque Required	Amount
Hire of office space/	
storage rate at Fort Knox included.	
Total Cheque	$ 700-00

Cheque Requested By	CRAIG CANCDON	
	Print Name	Signature

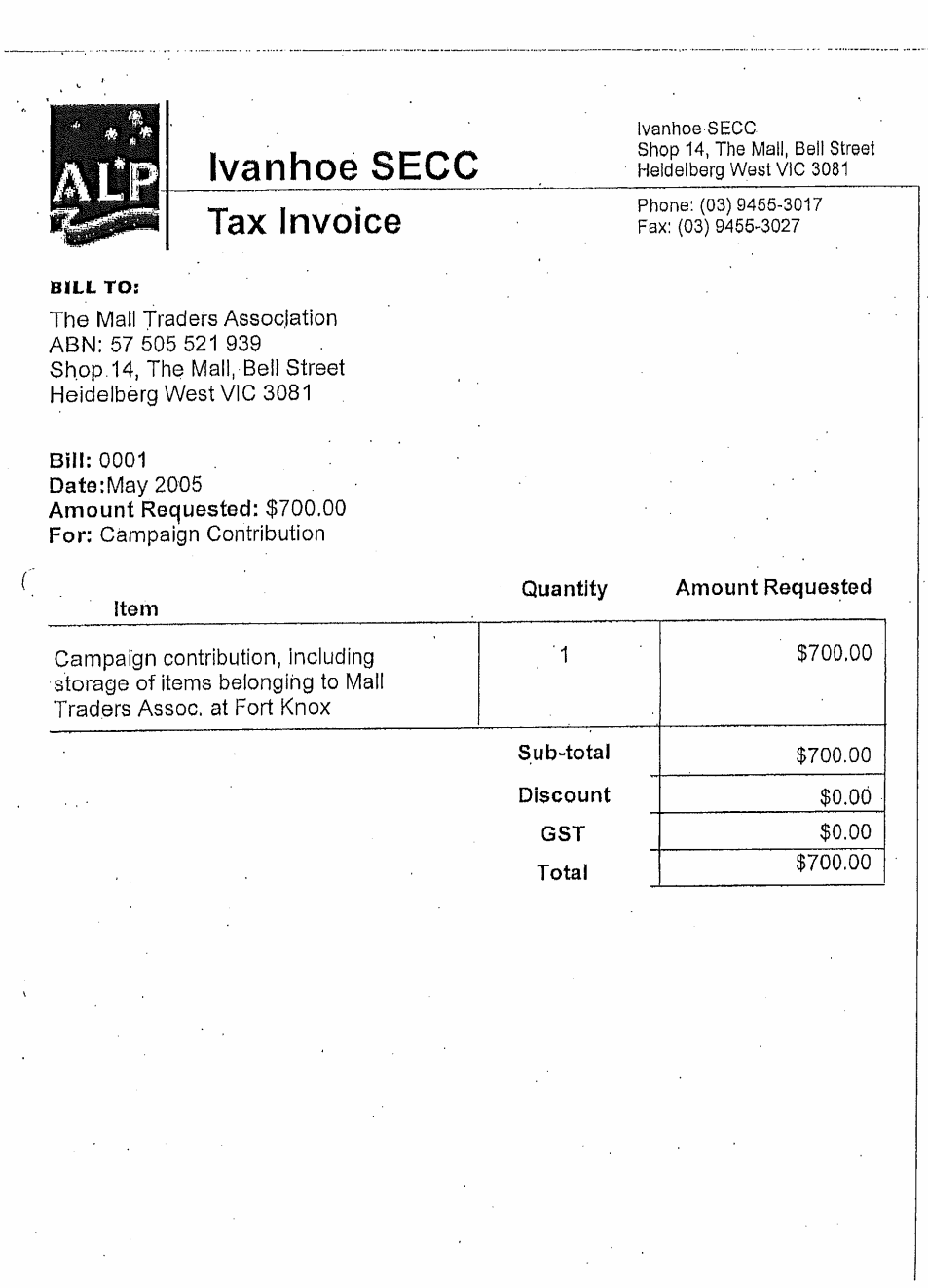
Staple all relevant documents supporting the payment

Accounts Payable Action

000892		
Cheque Number	First Signatory	Second Signatory

File all cheque requisition and support documents in cheque number order.

Attachment 4



Ivanhoe SECC
Shop 14, The Mall, Bell Street
Heidelberg West VIC 3081

Phone: (03) 9455-3017
Fax: (03) 9455-3027

Ivanhoe SECC

Tax Invoice

BILL TO:

The Mall Traders Association
ABN: 57 505 521 939
Shop 14, The Mall, Bell Street
Heidelberg West VIC 3081

Bill: 0001
Date: May 2005
Amount Requested: $700.00
For: Campaign Contribution

Item	Quantity	Amount Requested
Campaign contribution, including storage of items belonging to Mall Traders Assoc. at Fort Knox	1	$700.00
	Sub-total	$700.00
	Discount	$0.00
	GST	$0.00
	Total	$700.00

Attachment 5

13. FEB. 2006 13:07 NO. 862 P. 1

LIBMEDIA (VIC)

ANDREW McINTOSH M.P.
MEMBER FOR KEW

ELECTORATE OFFICE:
SUITE 1
400 HIGH STREET
KEW VIC, 3101

TELEPHONE: 9853 2999
FACSIMILE: 9853 1299
Email:
andrew.mcintosh@parliament.vic.gov.au
www.andrewmcintoshmp.com

1 February, 2006

Hon Judy Maddigan MP
Speaker
Legislative Assembly
Parliament of Victoria
Parliament House
MELBOURNE VIC 3002

Dear Speaker

I refer to reports in today's *Herald Sun* newspaper alleging that the Member for Ivanhoe, Mr Craig Langdon MP, has sub-leased his electorate office to the Mall Traders Association in exchange for "donations" to the Australian Labor Party's State Electorate Campaign Committee.

The Liberal Party requests that you immediately investigate these allegations and, if any wrongdoing is found to have occurred, that they be referred to the Victoria Police.

I would be grateful to receive your response at the earliest opportunity.

Yours sincerely

ANDREW McINTOSH MP
Shadow Attorney General

Attachment 6

LEGISLATIVE ASSEMBLY
PARLIAMENT HOUSE
MELBOURNE, VIC. 3002
TELEPHONE: 9651 3911
FACSIMILE: (61 3) 9651 8444
Email: speaker@parliament.vic.gov.au

8 February 2006

Mr Andrew McIntosh MP
Suite 1
400 High Street
KEW 3101

Dear Mr McIntosh,

I refer to your letter of 1 February 2006 requesting that an investigation be undertaken into allegations reported in the *Herald Sun* newspaper relating to Mr Craig Langdon MP and the inappropriate use of his electorate office.

I can advise that I have arranged for those allegations to be investigated and as a result of that investigation I am satisfied that Mr Langdon has not been involved in any arrangement to sub-let his electorate office to the Mall Traders Association.

Yours sincerely

Judy Maddigan

Judy Maddigan MP
Speaker

Attachment 7

13. FEB. 2006 13:27 LIBMEDIA (VIC) NO. 863 P. 1

ANDREW McINTOSH M.P.
MEMBER FOR KEW

ELECTORATE OFFICE:
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KEW VIC, 3101

TELEPHONE: 9853 2999
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Email:
andrew.mcintosh@parliament.vic.gov.au
www.andrewmcintoshmp.com

9 February, 2006

Hon Judy Maddigan MP
Speaker
Legislative Assembly
Parliament House
MELBOURNE VIC 3002

Dear Speaker

I refer to my letter to you regarding the Member for Ivanhoe, Mr Craig Langdon MP, and your response dated 8 February, 2006. I remain unconvinced that an adequate investigation has occurred. I further advise that the Opposition has referred this matter, including your investigations, to the Victoria Police.

I also refer to the attached article from the *Heidelberg Weekly* which raises further concerns about the use of Mr Langdon's electorate office by the Bell Street Mall Traders Association Inc. and payments or "donations" made by the Association in return for that use.

In the article, Mr Langdon states that the Association, of which he is former Treasurer and current President, "...made donations to cover costs, including printing, phone calls and office supplies."

It is my understanding that the Parliament – through Members' electorate allowances — meets costs such as these.

In these circumstances, one would assume that such "donations" should flow to the Parliament, rather than to ALP campaign funds.

I seek your urgent advice on this matter, especially whether the Parliament will seek reimbursement of these amounts from the ALP.

Yours sincerely

ANDREW McINTOSH MP
Shadow Attorney General

Attachment 8 – page 1

14 March, 2006

Hon. Judy Maddigan MP
Speaker
Legislative Assembly
Parliament of Victoria
MELBOURNE VIC 3002

Dear Speaker

On 8 February 2006, you informed the Liberal Party that, as a result of the investigation you arranged into the use of the electorate office of the Member for Ivanhoe, Mr Craig Langdon MP, by the Mall Traders Association, you were "...satisfied that Mr Langdon has not been involved in any arrangement to sub-let his electorate office to the Mall Traders Association". I also refer to the letter to you by my colleague, the Member for Kew, dated 9 February 2006.

The Liberal Party has always held the office of the Speaker in high regard. It is for that reason that I now request that you review your original finding.

In the attached newspaper article from the Heidelberg Weekly, you will note that Mr Langdon said "...the arrangement with the association was that it would pay donations to the Ivanhoe SECC to cover the cost of office supplies and telephone calls."

I draw to your specific attention Mr Langdon's admission that the association would "pay" him, and to his further admission that there was an "agreement" between the Traders and himself which involved the payment of these monies.

I further draw to your attention the fact that the Association has always shown these payments in its accounts as "rent". It is also shown as "rent" in formal reports to the Banyule City Council, the primary source of funds to the Mall Traders Association.

Attachment 8 – page 2

I submit, therefore, that no matter what Mr Langdon now says, it was always the belief of the Mall Traders Association that it was "renting" office space in Mr Langdon's electorate office.

I am not sure whether your original investigation involved scrutiny of the accounts of the Mall Traders. I am, however, certain that a cursory inspection of the Mall Traders books will show that a number of these "rent" payments were for an identical amount: the amount of $335. In other words, it is also certain that the Mall Traders were, over a number of years, making regular payments of $335 to the ALP Ivanhoe SECC.

It also certain, on his own admission, that despite his claim that he was only being paid to "...cover the cost of office supplies and telephone calls," he had a formal "agreement" (his word) that yielded these regular payments to him.

This information needs to be added to the already known facts that Ms Kemp has had exclusive use of a room in Mr Langdon's electorate office for many years; she has had her own key to his electorate office; and, she knew the combination of the alarm.

Under the law, if a person receives payment for providing a service a contract is said to exist.

It is obvious to any fair minded observer that for many years the Mall Traders Association has made regular payments to the ALP's Ivanhoe campaign account in return for regular and exclusive use of space in the taxpayer provided and funded office space.

In light of this situation I request you to review your original finding of 8 February, 2006.

Yours sincerely

HON PHIL HONEYWOOD MP
Deputy Leader of the Liberal Party
Shadow Minister for Scrutiny of Government

Attachment 9 – page 1

22 March, 2006

Hon Judy Maddigan MP
Speaker
Legislative Assembly
Parliament of Victoria
Spring Street
MELBOURNE VIC 3002

Dear Speaker

I refer to previous correspondence regarding the scandal surrounding the Member for Ivanhoe, Mr Craig Langdon MP.

I also refer to the report in the *Heidelberg Weekly* (March 21) which reports you as saying *that "…as the matter has been referred to Victoria Police for investigation, she* (the Speaker) *would leave it in their hands."*

The Liberal Party is disappointed at this response and it is also disappointed that you have neglected to respond to my letter of 14 March, 2006.

As I said previously, the Liberal Party holds the office of Speaker in high regard, and is most concerned about any actions or omissions which can cause the office to fall in public esteem or confidence.

The Liberal Party is of the view that your decisions to date, in relation to this matter, are perilously close to bringing the office into disrepute.

You stated in your letter of 8 February 2006 that you were satisfied that Mr Langdon had not been involved in any arrangement to sub-let his electorate office to the Mall Traders Association. You made this statement without explaining what investigations you had caused to be made, who made them, or what evidence was received that led you to such a conclusion.

On 14 March 2006, I provided you with plausible, tangible and readily available evidence that Mr Langdon had in fact been involved in a sub-let arrangement which involved Parliament space being provided to an "independent" organisation for which it paid thousand of dollars, which then found its way, not to the Parliament, but into an ALP campaign bank account.

Attachment 9 – page 2

No matter what the Victoria Police may or may not do, it is your responsibility to handle matters concerned with the use of the Parliament's assets, especially in circumstances where you have been requested to review an earlier decision.

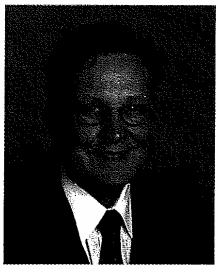
I therefore again ask for you to review your decision and provide the Liberal Party and the Parliament with all details of your investigation and deliberations.

Yours sincerely

HON PHILLIP HONEYWOOD MP
Deputy Leader of the Liberal Party
Shadow Minister, Scrutiny of Government

Encl.

Attachment 10



Bill Forwood M.P.

MEMBER FOR TEMPLESTOWE PROVINCE

10 July, 2006

Mrs Judy Maddigan MP
Speaker of the Legislative Assembly
Parliament House
Spring Street
MELBOURNE VIC 3002

Dear Speaker,

I refer to your appearance at the Public Accounts and Estimates Committee on 20 June, 2006. At the Hearing, I referred to a letter from Andrew McIntosh dated 1 February and your reply of 8 February, 2006.

In refusing to respond you said " Those letters are privileged..."

I would appreciate your detailed advice on why you regard this correspondence as "privileged".

I look forward to hearing from you.

Kind regards.

Yours sincerely,

BILL FORWOOD

5/101 Burgundy Street, Heidelberg, Victoria, 3084
Tel: (03) 9456 9244 Fax: (03) 9456 9877
Email: bill.forwood@parliament.vic.gov.au

Attachment 11

LEGISLATIVE ASSEMBLY
PARLIAMENT HOUSE
MELBOURNE, VIC, 3002
TELEPHONE: 9651 8911
FACSIMILE: (61 3) 9651 8444
Email: speaker@parliament.vic.gov.au

13 July 2006

The Hon Bill Forwood MLC
Member for Templestowe Province
5/101 Burgundy Street
Heidelberg 3084

Dear Mr Forwood, Bill,

I refer to your letter of 10 July 2006 relating to a matter that you raised at the Public Accounts and Estimates Committee hearing on 20 June 2006.

I have already received a letter from the Committee seeking follow-up information in relation to matters raised at that hearing and I was somewhat surprised to receive your personal letter seeking additional information to that desired by the Committee. Any requests for additional information should be formally submitted through the Committee and it is inappropriate for an individual member to personally seek information.

I will respond to those matters that have been referred to me by the Committee in due course.

Yours sincerely,

Judy Maddigan

Judy Maddigan MP
Speaker

Attachment 12 – page 1

VERIFIED TRANSCRIPT EXTRACTS

PAEC- ESTIMATES HEARING WITH THE PRESIDING OFFICERS

20 JUNE 2006

(p.4) **Mr FORWOOD** — On 1 February Andrew McIntosh wrote to you concerning the allegation that Craig Langdon had subleased part of his electorate office in exchange for donations. On 8 February you wrote back to say, 'I can advise that I have arranged for those — —

The CHAIR — Excuse me just a minute, is this privileged?

Mr FORWOOD — Why?

The CHAIR — I do not know, I am just checking.

Mr FORWOOD — Of course it is not.

The CHAIR — I am checking whether correspondence between the Speaker and an MP is privileged. I am just asking, Mr Forwood.

Mrs MADDIGAN — Well, certainly — —

Mr FORWOOD — He has given it to me.

Mrs MADDIGAN — Those letters are privileged, as discussions are between parties in the Speaker's office. I am surprised you have them. Certainly no-one has ever asked me if they are all right to be published or repeated.

Mr FORWOOD — Are you frightened of what you put here?

The CHAIR — That is not the point, Mr Forwood.

(p.5) **Mrs MADDIGAN** — That is not the question, Bill. You know what privilege is as well as I do — —

Mr FORWOOD — I do, and we will get to some issues of privilege before we are through today.

Mrs MADDIGAN — You are just being mischievous, Bill.

The CHAIR — I am just checking with the Clerk in terms of parliamentary privilege. I am just seeking clarification, because I know in the Legislative Assembly we are not to divulge communications.

Mr FORWOOD — What are you hiding?

The CHAIR — I am just checking that my understanding is correct.

Mr PURDEY — That is right. Matters that are raised with the Presiding Officer are seen to be confidential between the Presiding Officer and the member that raised the issues. Our practice is that neither party would seek to divulge that information.

Mr FORWOOD — Let me rephrase the question. You are aware, Speaker, I know, of allegations that Mr Langdon has subleased his office for thousands of dollars which has gone to the ALP. You were invited, I know, to investigate those matters. What actions did you take when the matter was drawn to your attention?

Attachment 12 – page 2

Mrs MADDIGAN — I am quite happy to talk generally in terms of principle and policy about electorate office budgets and electorate offices and how the Parliament manages them. It is not appropriate for you to ask me questions — —

Mr FORWOOD — Don't you tell me what is appropriate!

The CHAIR — Excuse me. The Speaker is allowed to speak and you are not to behave that way, Mr Forwood.

Mrs MADDIGAN — I am not prepared to breach what I and the Clerk consider to be matters of privilege in the Legislative Assembly. As I said, I am more than happy to answer questions broadly. These matters are a matter of privilege. I also understand from newspaper reports that these matters have been referred to the police for investigation. I am not aware that that police investigation has concluded and therefore it would be quite inappropriate for me to make any further statement on those matters at this stage.

(p.8) **BAXTER** — I would like to return to Mr Forwood's first question because I have some concerns about those issues. What is the situation if a citizen believes that an electorate office is being utilised inappropriately? If upon making a complaint the action is private correspondence between the Presiding Officer and the respective member, that does not seem to me to provide any opportunity for the citizen to be satisfied that his or her complaint has been addressed.

Mrs MADDIGAN — In relation to the citizen, I have thought that in the case of writing to the Parliament, which is perhaps different to the privilege that exists between members of Parliament and the Speaker, I would refer it to the staff for investigation.

Mr BAXTER — So you are drawing a distinction in this particular case because the originating complaint came from an MP rather than a citizen?

Mrs MADDIGAN — The situation between MPs and the way that the Parliament Speaker's office operates is different between MPs and the Speaker and is based on a number of previous decisions which can be seen in *May* and other documents on which Parliament exists. It has certainly never been — and I'm surprised Mr Forwood has letters — —

Mr FORWOOD — Take me to privileges. Feel free.

Mrs MADDIGAN — I am not quite sure if you can take in upper house member to privileges in the lower house. It is an interesting procedural matter. We will have to investigate it.

The CHAIR — Can we get back to Mr Baxter's point, please, Speaker? That would be helpful.

Mrs MADDIGAN — I am not quite sure if you can do that. But certainly the discussions I have had with Liberal Party and the Labor Party whenever they speak to me are never made public, nor were they made by previous speakers. It is only following a situation that has always been in this Parliament.

(p.10) **Mr FORWOOD** — Speaker, I have some general questions on the use of electorate offices. Is it permitted for members of Parliament to allocate dedicated space in their electorate offices for use by outside, independent parties for extended periods of time — that is, matters of years? If so, should permission be sought by the MP and if so who from? If an MP does enter into such an arrangement and should receive funds in return, do the funds belong to the Parliament or to the member of Parliament? And finally, what action would you take if such a matter were brought to your attention?

Mrs MADDIGAN — In relation to members electorate offices, there is no capacity in the lease that they have to sublease it. There is a capacity in the lease for the Parliament to

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sublease it. That is put in there in case for some reason we change the position of the electorate office, but there is certainly no provision in the lease agreement we have for members to sublease it. If a member did sublease it and charged money for it, those funds would be funds belonging to the Parliament. But they are not allowed to do it; there is no provision in the lease to allow members to sublease offices.

Mr FORWOOD — I did not mention the word 'sublease'. What I said was, 'Is it permitted for members of Parliament to allocate dedicated space — that is, a room — in their electorate offices to an outside, independent party?

Mrs MADDIGAN — I am not aware of any rules of the Parliament that prevent that. Are you, Stephen?

Dr O'KANE — No.

Mr FORWOOD — There are no rules that prevent it; is permission required before you do it?

Mrs MADDIGAN — Not that I am aware of.

(p.11) **Mr FORWOOD** — Right. And if MPs receive funds for doing so, are the funds theirs?

Mrs MADDIGAN — If they receive any funds that relate to an electorate office, those funds would belong to the Parliament of Victoria.

Mr FORWOOD — Hang on.

The CHAIR — That is quite clear.

Mrs MADDIGAN — But there is no provision in the leases for anyone to be able to lease or receive funds for that sort of activity.

Mr FORWOOD — Finally, if somebody brought to your attention the sort of circumstances I have outlined where a dedicated space was used for some years and money was received for it, some thousands and thousands of dollars, what action would you take if it was brought to your attention?

Mrs MADDIGAN — If it was brought to my attention I would ask the parliamentary staff to investigate it and then would respond to the individual, depending on what those investigations were.

Mr FORWOOD — Would make a public ruling about whether that is appropriate or not?

Mrs MADDIGAN — I do not know, you are in a hypothetical area. It would depend on the circumstances.

Mr FORWOOD — No, I am not; I am in an actual area.

Mrs MADDIGAN — No you are not. I have understood we were discussing it generally. If you are insisting you are doing something else, then you are being less than honest with the committee.

Mr FORWOOD — Don't you talk about being less than honest!

The CHAIR — Excuse me. Mr Forwood, would you care to withdraw that kind of comment?

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Mr FORWOOD — Well, I would if you asked me to, but I cannot see why you would.

The CHAIR — Would you withdraw that comment, please?

Mr FORWOOD — Certainly.

The CHAIR — Good, very good.

(p.12) **Mr FORWOOD** — I just want to return briefly to the matter I raised previously.

The CHAIR — Surprise, surprise!

Mr FORWOOD — Yes, surprise, surprise! You said in your previous answer that in the circumstances I outlined, if a member received funds for doing so, those funds rightly belonged to the Parliament. If, for example, a member received some sort of donation towards printing, phone calls and office supplies, would you seek for those funds to be reimbursed to the Parliament?

Mrs MADDIGAN — If there were evidence that that occurred, yes.