

**CHAPTER 7: DEPARTMENT OF HUMAN SERVICES****Key Findings of the Committee:**

- 7.1** The Department of Human Services' budget allocation for 2004-05 is \$9,888.3 million, an increase of \$774.1 million from the expected outcome for 2003-04. Around 60 per cent of the additional funding is allocated to meet a rise in demand for emergency, elective and non-elective patient services at public hospitals and to improve the viability of public hospitals.
- 7.2** The 2004-05 budget allocation for the Department of Human Services includes \$44.9 million of funding carried over from the previous year. This funding will be applied to meet commitments for specific Commonwealth and State programs.
- 7.3** The Department of Human Services' budgeted surplus of \$131 million in 2004-05 largely reflects an additional one-off appropriation received to repay an advance made by the Treasurer during 2002-03 to make up for a shortfall in gambling revenue.
- 7.4** The Department of Human Services received \$2,756.8 million from the Commonwealth Government in Specific Purpose Payment grants in 2004-05 under various agreements covering a range of services including health care, housing and disability services. This is an increase of \$144.3 million (5.5 per cent) compared to the expected outcome in 2003-04.
- 7.5** The Department of Human Services could not provide the Committee with an estimate for employee numbers in 2004-05 at the time the budget was released in May 2004.
- 7.6** In 1999, the Commonwealth Government contributed 48 per cent and the Victorian Government 52 per cent of public hospital funding. The Victorian Government contribution has now grown to 59 per cent.

- 7.7** Increasing numbers of patients, including primary care patients, presenting at emergency departments, have placed additional demand pressures on the state's emergency departments, which have experienced growth of about 30 per cent since September 2000. Since the introduction of the Hospital Demand Management Strategy in 2001-02, the deterioration in the proportion of emergency department patients treated within ideal times and in the level of hospital bypass has reversed or stabilised, but the gap between the level of demand and the numbers of patients admitted to Victorian hospitals, while initially declining over the first two years, has increased during 2003-04.<sup>1 2</sup>
- 7.8** The Government's \$1.6 billion four year package (\$333.2 million in 2004-05) aims to treat an additional 35,000 hospital patients and 50,000 emergency department patients in 2004-05, employ 900 extra nurses and health staff, and improve the financial sustainability of the hospital system.
- 7.9** There is considerable scope for expanding the quality performance measures contained in the Budget Papers that deal with patient care in the Victorian public hospital system, to enable an informed assessment of the quality of health services delivered, and to provide information that can be further used for budget deliberations,
- 7.10** Notwithstanding the additional funding provided to public hospitals in the 2004-05 Budget, the financial viability of the public hospital system needs to be kept under review.
- 7.11** Funding has been provided in the 2004-05 Budget to increase the number of general practitioners within the community health services system and improve access to primary medical care.

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<sup>1</sup> The Committee acknowledges that since 2001-02, approximately 16,000 additional elective surgery operations have been performed and all elective patients classified as urgent have continued to be treated within the ideal treatment time of 30 days. (Source: Information supplied by the Department of Human Services on 29 October 2004).

<sup>2</sup> Waiting list figures for 2003-04 included for the first time, lists from the Williamstown, Mercy and Werribee Hospitals. (Source: Information supplied by the Department of Human Services on 29 October 2004).

- 7.12** The expected waiting time outcomes for 2003-04 for restorative dental care and for dentures will again exceed targets, despite the introduction of the Dental Workforce Planning Project and the 2003-04 Budget provision of additional funding of \$21 million over four years. The 2004-05 Budget includes the provision of \$58 million over four years towards the Public Dental Health Program to increase the number of people treated and reduce waiting times.
- 7.13** The Committee supports the Minister's view that research is needed to develop better performance measures for evaluating obesity and diabetes prevention programs.
- 7.14** There were 1,161 members of the disabled community who were urgently awaiting accommodation in April 2004. Current measures employed by the department do not appear to sufficiently address the urgent needs of the growing number of people with a disability who are seeking shared supported accommodation.
- 7.15** The Department of Human Services needs to continue to monitor, and evaluate after 12 months of operation, the effectiveness of key initiatives dealing with child protection and placement.
- 7.16** The reduction in child abuse notifications of 7.5 per cent, on average across the Family Support Innovation Project areas is an encouraging development. Nevertheless, an expectation of 36,900 child abuse notifications in Victoria in 2004-05 highlights an ongoing, serious community problem, for which the child protection system has statutory responsibility.
- 7.17** Every effort needs to be made to address the recommendations contained in the *Victorian Child Death Review Committee's Annual Report of Inquiries into Child Deaths - Child Protection 2004*.
- 7.18** In the interests of those children in state care who, according to the Minister for Community Services, have suffered many years of abuse and neglect, the department needs to continue with its monitoring of standards and outcomes. This evaluative framework should measure the effectiveness of initiatives designed to assist and support those children with disturbing and very challenging behaviours.
- 7.19** The department's use of performance measures that incorporate a quantity measure of 'service units' may make year-to-year comparisons difficult, without the provision of additional information.

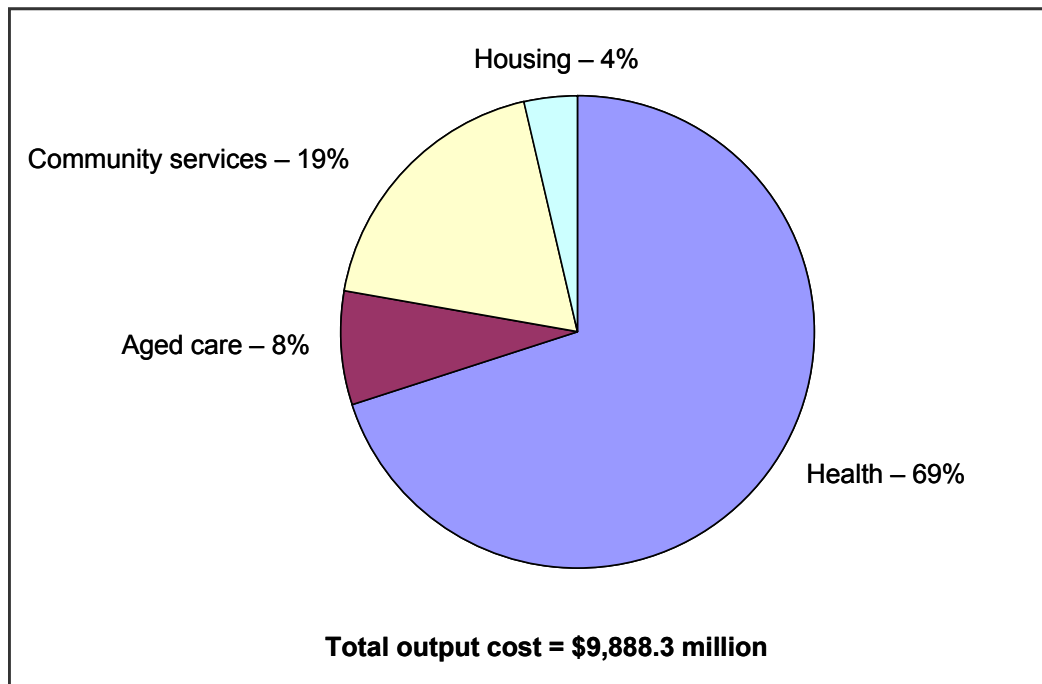
- 7.20** The Minister for Aged Care considers that the major factor restricting the provision of aged care beds are concerns over the financial viability of investing in nursing homes. Other factors highlighted by the Minister as contributing to the shortfall of operational aged care places in Victoria include accessing suitable land, raising capital, obtaining all relevant planning approvals and completing construction.
- 7.21** The Minister for Aged Care believes that the funding increase of 2.1 per cent provided by the Commonwealth Government in 2004-05 for the jointly funded Home and Community Care Program does not meet expected demand growth of 3.9 per cent for services funded under the agreement.
- 7.22** Additional funding of \$40 million in 2004-05 for capital expenditure in public housing has been made available by redirecting Office of Housing payments to the Consolidated Fund to repay debt.
- 7.23** Victoria is providing significant funding for public housing, above the matching requirements required under a funding agreement with the Commonwealth Government. In 2004-05, this additional State Government funding is expected to be \$96.1 million.
- 7.24** The cost of providing services under the jointly funded Supported Accommodation Assistance Program has increased in recent years and there is considerable unmet demand. A new agreement with the Commonwealth Government is currently being negotiated.

## **Departmental review**

### **7.1 Departmental overview**

The Department of Human Services supports the ministerial portfolios of Health; Community Services; Aged Care; and Housing. The Health portfolio outputs account for most of the Department of Human Services' budgeted expenditure in 2004-05 (see exhibit 7.1).

**Exhibit 7.1: Department of Human Services 2004-05  
Output cost — by portfolio**



Source: *Budget Paper No. 3, Service Delivery 2004-05, pp.70–110*

### 7.1.1 Key challenges for the department in 2004-05

The Department of Human Services' 2004-05 departmental plan identified three major challenges that are expected to influence the delivery of services in different ways:<sup>3</sup>

- managing demand for services – stemming mainly from population increase and its relative ageing as well as increased service use resulting from new treatment technologies;
- improving service viability and productivity – includes efforts to manage financial sustainability, developing a skilled and flexible workforce across Victoria and modernising ageing infrastructure; and
- acting sooner more effectively – addressing changing patterns and inequalities in health and wellbeing, shifting the service focus towards prevention and early intervention, alleviating social pressures, improving social support and examining how services are delivered.

The department is facing these challenges in an environment where the State Government considers that funding provided by the Commonwealth Government under funding agreements with Victoria (including agreements covering hospitals,

<sup>3</sup> Department of Human Services, *Departmental Plan 2004-05*, August 2004, pp.8–12

home and community care and public housing) has not kept pace with increases in the demand for services, or the cost of providing services.<sup>4</sup>

The Minister for Health stated that:<sup>5</sup>

*The Commonwealth continues to give us less hospital funding than it has in previous years.*

*The real impact of the lesser amount of indexation in this latest [Australian Health Care Agreement] will be in fact \$350 million less to Victoria than it would be had the current agreement continued with the level of indexation in the previous agreement.*

The Minister for Aged Care stated that:<sup>6</sup>

*Victoria is receiving the lowest allocation of Commonwealth money in relation to those important aged care programs of any state – well below the national average. Indeed that situation is not about to be corrected by the actions of the Commonwealth Government because one significant component, for instance, is home and community care funding, which is in fact subject to an equalisation formula. That effectively disadvantages the state of Victoria, which has always matched or more than matched its funding requirement for HACC.*

*..... What has happened from 1990 until now is that in about 2000 there was a crossover and the Commonwealth benchmark of 40 high-care beds per 1000 for older members over the age of 70 actually exceeded the supply of operational beds. That is the trend line that continues to this day and into the future, and we anticipate that we will continue to be short of high-care places.*

The Minister for Housing stated that:<sup>7</sup>

*The Commonwealth-State Housing Agreement sadly continues to be inadequate and has highlighted the very important contributions the state has made to affordable housing in Victoria, including \$50 million in new funds to the housing budget in 2004-05.*

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<sup>4</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.2; Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.2; Ms C. Broad, MLC, Minister for Housing, transcript of evidence, 18 June 2004, p.2

<sup>5</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.2

<sup>6</sup> Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.2

<sup>7</sup> Ms C. Broad, MLC, Minister for Housing, transcript of evidence, 18 June 2004, pp.2-3

*A meeting of Commonwealth, state and territory ministers responsible for [Supported Accommodation Assistance Program] agreements will be held in July of this year to consider an evaluation report of the current agreement. It is of concern to Victoria that that evaluation canvasses the option of discontinuing the SAAP arrangements. It would be a very heavy blow indeed to the provision of homelessness support and assistance in this state if Victoria were required to pick up the contribution which is currently being made by the Commonwealth.*

### **7.1.2 Key factors influencing the budget estimates**

The 2004-05 Budget includes a number of initiatives that were part of the Government's pre-election commitments contained in *Labor's Financial Statement 2002*. Output initiatives in the 2004-05 Budget arising from these commitments include additional funding for the Hospital Demand Management Strategy (\$132 million in 2004-05) and the recruitment of doctors as General Practitioners (\$2 million in 2004-05).<sup>8</sup>

Asset initiatives relating to the Government's 2002 pre-election commitments with a total estimated investment of \$447.7 million were also allocated funding in the 2004-05 Budget.<sup>9</sup> The largest single project is the redevelopment of the Royal Women's Hospital, which is expected to cost \$250 million, of which \$60 million will be provided from asset sales, comprising the sale of the former hospital site and a car park.<sup>10</sup>

## **7.2 Output management framework**

The Committee noted that there is a clear alignment of ministerial responsibility to individual outputs delivered by the Department of Human Services.<sup>11</sup>

A new output group – Small Rural Services – covers health services provided in small rural towns, for which funds were previously drawn from the output groups Acute Health Services; Aged and Home Care; and Primary Health.<sup>12</sup>

The Minister for Health has responsibility for two out of the four outputs in the Small Rural Services output group, while the remaining two outputs are the responsibility of the Minister for Aged Care.<sup>13</sup>

<sup>8</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.44

<sup>9</sup> *ibid.*, pp.46-47; Budget Information Paper No.1, 2003-04 Public sector asset Investment Program, p.40

<sup>10</sup> Hon. S. Bracks, MP, Premier of Victoria, media release, *Green light for new Royal Women's Hospital*, 6 October 2003

<sup>11</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.3

<sup>12</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.70-81

<sup>13</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.65-67

One output – Blood Services – was discontinued in the 2004-05 Budget. The Committee noted that this reflected the creation of the National Blood Authority in July 2003, which now purchases blood and blood products on behalf of all states and territories.<sup>14</sup> Under the previous arrangements, blood products were purchased directly from the Australian Red Cross Blood Service.<sup>15</sup> The cost of the former output group is now included in the Admitted Services output, although none of the three performance measures that were previously part of the Blood Services output have been carried over.<sup>16</sup>

### 7.3 Budget summary/financial analysis

The Department of Human Services' budget allocation for 2004-05 was \$9,888.3 million, which was \$774.1 million (8.5 per cent) higher than the expected outcome in 2003-04 (see exhibit 7.2).

The Committee noted that most of the additional expenditure in 2004-05 is directed to the Acute Health Services output group, which accounted for around \$465 million of the increase.<sup>17</sup> The Housing Assistance and Disability Services output groups also received significant additional funding.<sup>18</sup>

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<sup>14</sup> Budget Paper No. 3, *Service Delivery 2004-05*, p.69; National Blood Authority, *About the National Blood Authority*, [www.nba.gov.au](http://www.nba.gov.au), accessed 12 October 2004

<sup>15</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.4

<sup>16</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.336

<sup>17</sup> *ibid.*, pp.70–110; Department of Human Services, *Victorian Budget 2004-05 Information Kit*, 4 May 2005, p.2

<sup>18</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.70–110; Department of Human Services, *Victorian Budget 2004-05 Information Kit*, 4 May 2005, p.2



**Exhibit 7.2: Department of Human Services  
Output group costs**

	Column 1	Column 2	Column 3	Column (3-2)/2
<b>Output group</b>	<b>2003-04 Budget</b>	<b>2003-04 Estimated Actual</b>	<b>2004-05 Budget</b>	<b>Variation</b>
	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(%)</b>
Acute Health Services (a)	4694.5	4711.6	5177.0	9.9
Ambulance Services	287.8	298.3	318.9	6.9
Mental Health	616.4	624.9	651.7	4.3
Primary Health (a)	141.9	147.8	153.8	4.1
Small Rural Services	269.3	270.1	282.8	4.7
Dental Health	88.8	91.7	117.7	28.4
Public Health	190.9	194.4	203.1	4.5
Drugs Services (a)	97.7	101.4	104.4	3.0
Aged and Home Care (a)	622.4	645.0	683.5	6.0
Disability Services	844.4	854.3	910.4	6.6
Child Protection and Placement	269.8	269.8	294.7	9.2
Juvenile Justice Services	66.1	70.1	73.1	4.3
Early Childhood Services	184.6	183.1	194.8	6.4
Family and Community Support	91.3	(b) 127.7	(b) 132.0	3.4
Concessions to Pensioners and Beneficiaries	218.7	218.5	233.3	6.8
Housing Assistance	306.3	305.5	357.2	16.9
<b>Total (a), (c)</b>	<b>8,990.9</b>	<b>9,114.2</b>	<b>9,888.3</b>	<b>8.5</b>

- Notes:*
- (a) *Adjusted to reflect the creation of the Small Rural Services output group*
  - (b) *The 2003-04 expected outcome and the 2004-05 target include funds for problem gambling and financial counselling, funded from the Community Support Fund. These funds were previously included under the Department for Victorian Communities*
  - (c) *May not add due to rounding*

*Sources:* Budget Paper No. 3, 2004-05 Service Delivery, pp.70-110; Department of Human Services, Victorian Budget 2004-05 Information Kit, 4 May 2004, p.2

The department advised the Committee that higher funding of \$51.7 million for the Housing Assistance output group reflected initiatives to increase Victoria's social housing stock and funding approved in the 2003-04 Budget to support innovative social housing projects.<sup>19</sup> The Committee noted that greater funding of \$56.1 million for the Disability Services output group would support an increase in respite services, shared supported accommodation and individual support packages.<sup>20</sup>

<sup>19</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.50

<sup>20</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.94-95

### 7.3.1 *Operating performance*

In 2004-05, the Department of Human Services budgeted to receive \$10.7 billion in revenue for its controlled operations, largely in line with budgeted expenditure and 9.4 per cent higher than the expected outcome for 2003-04 (see exhibit 7.3).

The increase in revenue was largely due to:<sup>21</sup>

- funding provided to implement *Labor's Financial Statement 2002* pre-election commitments and other policy commitments including the Hospital Demand Management Strategy, Affordable Housing Growth Strategy and new budget initiatives (\$453.3 million);
- additional funding for wage related costs arising from award adjustments and enterprise bargaining agreements and price escalation (\$228 million) for anticipated cost increases in 2004-05; and
- funding for higher depreciation, amortisation and capital asset charge expenses (\$89 million) associated with the approved asset investment program for 2004-05 and the impact of revaluations on the capital asset charge.

The Committee noted that almost all of the increase in revenue in 2004-05 for the department is a result of a rise in output appropriations, with only a small increase in expected revenue from the sale of goods and services (\$20.4 million). These increases are partly offset by a decline in revenue expected from the treatment of interstate patients (\$37.4 million).<sup>22</sup>

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<sup>21</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.51

<sup>22</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.43 and 48

**Exhibit 7.3: Department of Human Services  
Statement of financial performance**

	Column 1	Column 2	Column 3	Column (3-2)/2
	<b>2003-04 Budget</b>	<b>2003-04 Estimated Actual</b>	<b>2004-05 Budget</b>	<b>Variation</b>
	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(%)</b>
<b>Controlled items</b>				
Operating revenue	9,495.8	9,741.9	10,661.1	9.4
Operating expenses	9,502.5	9,724.7	10,530.5	8.3
<b>Net result</b>	<b>-6.7</b>	<b>17.3</b>	<b>130.6</b>	<b>654.9</b>
<b>Administered items</b>				
Administered revenue	2,881.2	2,846.8	2,996.2	5.2
Administered expenses	2,881.2	2,846.8	2,996.2	5.2
<b>Surplus/Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>n/a</b>

Note: n/a not applicable

Source: Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.43-44

The Committee noted that the budgeted surplus of \$130.6 million in 2004-05 is primarily attributable to the inclusion in appropriation revenue in 2004-05 of a one-off amount that was received to repay an advance made to the department in 2002-03 of \$107 million.<sup>23</sup> This advance was made under s.37 of the *Financial Management Act* 1994 to compensate the department for a shortfall in gambling revenue paid into the Hospitals and Charities Fund.<sup>24</sup>

The department's administered revenue in 2004-05 includes funding of \$2,756.8 million (an increase of \$144.3 million from the expected outcome in 2003-04) from the Commonwealth Government as Specific Purpose Payment grants covering various programs including:<sup>25</sup>

- health care (\$1,903.4 million);
- home and community care (\$201.3 million);
- disability services (\$127.9 million);
- housing (\$115.7 million); and
- highly specialised drugs program (\$100 million).

<sup>23</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.52

<sup>24</sup> Public Accounts and Estimates Committee, *Report on the 2002-03 Budget Outcomes*, 56<sup>th</sup> Report, April 2004, p.122; Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.52

<sup>25</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.142

### 7.3.2 Balance sheet performance

At 30 June 2005, the Department of Human Services expects to control assets valued at \$7,032.3 million, an increase of \$630 million (9.8 per cent) from the anticipated result in 2003-04 (see exhibit 7.4). The department attributed the increase in assets to the construction of new and upgraded health and community facilities.<sup>26</sup>

The Committee noted that capital expenditure by the department on major capital projects (TEI greater than \$10 million) in 2004-05 was expected to be \$371.2 million, with further capital expenditure on public housing additions (\$162.2 million) and public housing improvements/redevelopment (\$170.8 million).<sup>27</sup>

**Exhibit 7.4: Department of Human Services  
Statement of financial position**

	Column 1	Column 2	Column 3	Column (3-2)/2
	<b>2003-04 Budget</b>	<b>2003-04 Estimated Actual</b>	<b>2004-05 Budget</b>	<b>Variation</b>
	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(%)</b>
<b>Controlled items</b>				
Controlled assets	6,311.8	6,402.3	7,032.3	9.8
Controlled liabilities	2,078.5	2,127.6	2,348.6	10.4
<b>Net assets</b>	<b>4,233.3</b>	<b>4,274.7</b>	<b>4,683.7</b>	<b>9.6</b>
<b>Administered items</b>				
Administered assets	119.7	119.7	119.7	0.0
Administered liabilities	110.7	110.7	110.7	0.0

Sources: *Budget Paper No. 4, 2004-05 Statement of Finances, p.55; Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.32*

The department advised the Committee that there were several items for which there were matching assets and liabilities including long service leave entitlements for staff employed in the human services sector (up to \$78 million) and the recognition of a finance lease relating to the Casey Community Hospital (\$74.8 million).<sup>28</sup>

The Committee noted that the department expected to receive capital Specific Purpose Payment grants from the Commonwealth Government of \$104.3 million in 2004-05, an increase of \$15.5 million compared to the expected outcome in 2003-04.<sup>29</sup>

<sup>26</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.52

<sup>27</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.54-58

<sup>28</sup> *ibid.*, pp.51-52

<sup>29</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.142

### 7.3.3 Carry over funding

At the time of preparation for the 2004-05 Budget, the Department of Human Services expected to carry forward \$31.3 million of unspent appropriations from the previous year comprising entirely of funds for the provision of outputs.<sup>30</sup>

In response to follow-up questions from the Committee the department advised that it expected to carry forward \$44.9 million for the provision of outputs to 2004-05, with funding required to complete commitments in 2004-05 for specific Commonwealth and state programs.<sup>31</sup> The Committee noted that the amounts carried forward included \$10 million for the Government's Affordable Housing Initiative, \$2.2 million for child placement and support services and \$2.1 million for the Home and Community Care Program due to delays in the Commonwealth Government providing approval for the 2003-04 funding allocations.<sup>32</sup>

## 7.4 Human resources issues

The Department of Human Services advised the Committee that it expected to employ 11,021 staff as at 30 June 2004.<sup>33</sup> In May 2004, the department was not able to provide the Committee with forecast staffing information for 2004-05 as it was still working through the implications of the budget on staffing requirements, and whether these requirements will relate to internal or externally delivered services.<sup>34</sup>

The Committee is surprised that a forecast for the number of departmental employees in 2004-05 was unavailable.

In its 2002-03 Budget Outcomes report the Committee noted that all agencies except the Department of Human Services provided information on the cost of WorkCover premiums and the number and cost of stress related claims for its major portfolio agencies.<sup>35</sup> In response to the Committee's request, the department advised that it may take the Victorian WorkCover Authority a few weeks to process this request.<sup>36</sup>

This information was not provided to the Committee subsequent to the release of the report on the Budget Outcomes. As a result, the Committee again requested this

<sup>30</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.170

<sup>31</sup> Minister for Health's response to the Committee's follow-up questions, p.7

<sup>32</sup> Minister for Housing's response to the Committee's follow-up questions, p.6; Minister for Community Services' response to the Committee's follow-up questions, p.10; Minister for Aged Care's response to the Committee's follow-up questions, p.6

<sup>33</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.41

<sup>34</sup> *ibid.*, p.42

<sup>35</sup> Public Accounts and Estimates Committee, *Report on the 2002-03 Budget Outcomes*, 56<sup>th</sup> Report, April 2004, pp.124-125

<sup>36</sup> *ibid.*, p.125

information from the department as part of its review of the 2004-05 Budget Estimates in early June 2004 and was advised that:<sup>37</sup>

*Questions of the WorkCover performance of specific hospitals and associated actions to manage issues such as stress should be addressed to the Minister responsible for Victorian WorkCover Authority.*

This information has now been provided and is shown in exhibit 7.5 and 7.6.

**Exhibit 7.5: Department of Human Services  
Major portfolio agencies WorkCover premium, 2002-03**

Department of Human Services portfolio agency	WorkCover premium 2002-03 (\$ million)	Premium per equivalent full-time employee (\$)
Southern Health	6.75	1,172
Melbourne Health	4.41	949
Bayside Health	3.34	820
Eastern Health	4.02	1,166
Austin Health	3.64	880
Women's and Children's Health	3.44	1,063
Western Health	3.06	1,213
Peninsula Health	3.94	1,707
Barwon Health	2.25	792
Northern Health	0.52	367
<b>Total</b>	<b>35.37</b>	<b>1,029</b>

Source: Department of Human Services response to the Committee's follow-up questions

As part of its initial request, the Committee also sought further information on the incidence and cost of stress related workers compensation claims for the department's major portfolio agencies (see exhibit 7.6). The department advised that the number of claims as a percentage of equivalent full-time employees had increased from 0.47 per cent in 2001-02 to 0.54 per cent for 2002-03.<sup>38</sup>

<sup>37</sup> Minister for Health's response to the Committee's follow-up questions, p.6

<sup>38</sup> Minister for Health's response to the Committee's follow-up questions

**Exhibit 7.6: Department of Human Services  
Major portfolio agencies  
Incidence and cost of stress related compensation claims**

	Column 1	Column 2	Column 3	Column 4	Column (1+2)/4	Column (3/4)
	Number of stress-related claims lodged in 2002-03	Number of stress-related claims carried over from 2001-02	Total cost of stress related claims in 2002-03 (\$)	EFT staff (as at 30 June 2003)	Number of claims as a percentage of EFT (%)	Cost of claims per EFT (\$)
Southern Health	18	16	543,706	5,761	0.59	94
Melbourne Health	21	18	678,896	4,647	0.84	146
Bayside Health	12	0	310,136	4,072	0.29	76
Eastern Health	17	6	712,317	3,448	0.67	207
Austin Health	9	10	563,176	4,138	0.46	136
Women's and Children's Health	5	11	166,716	3,237	0.49	52
Western Health	5	8	100,360	2,522	0.52	40
Peninsula Health	9	10	448,631	2,308	0.82	194
Barwon Health	n/a	n/a	n/a	2,840	n/a	n/a
Northern Health	6	4	247,486	1,415	0.71	175
<b>Total</b>	<b>102</b>	<b>83</b>	<b>3,771,424</b>	<b>34,389</b>	<b>0.54</b>	<b>110</b>

Notes: (a) *The department advised the Committee that the Victorian WorkCover Authority noted that the term 'Number of stress related claims carried over from 2001-02' is not a term normally used to measure WorkCover stress performance. Claims are listed as Open or Closed on the VWA database, but being denoted as Closed does not mean that the claim has been finalised. That is, a Closed claim can still have payments for medical and like expenses being made, and these can be quite substantial or, alternatively, the person has returned to work but then subsequently ceases - the claim is then re-opened. Therefore, the Victorian WorkCover Authority recommended that performance be assessed using all claims for the relevant financial years*

(b) *n/a Not available*

Source: *Department of Human Services response to the Committee's follow-up questions*

The department advised the Committee the Victorian WorkCover Authority has reported to the Senior OHS/WorkCover Round Table (consisting of key Victorian Government departments and public sector employee associations) that:<sup>39</sup>

- the incidence and cost of stress, particularly in the public sector, is of concern to Government, its departments, and the Victorian WorkCover Authority. Overseas studies show stress is a world-wide phenomenon and will continue due to increased pressures of the modern workplace;

<sup>39</sup> Minister for Health's response to the Committee's follow-up questions, p.6

- in the year 1997-98 stress claims represented 1.5 per cent only of total claims lodged. By 2001-02 the number of stress claims lodged had increased to represent 8.8 per cent of total claims lodged. According to the Victorian WorkCover Authority, stress claims are 50 per cent more costly than other claims. Stress claims have the highest average common law payment; and
- in 2003 ComCare (the equivalent to the Victorian WorkCover Authority for Commonwealth employees) reported its concern with a jump in the number of expensive compensation claims for psychological injuries suffered by public servants, with payments of almost \$220 million to Commonwealth employees.

The department advised the Committee that it is addressing concerns over workplace stress in three ways:<sup>40</sup>

- implementing a stress prevention pilot in its Loddon Mallee Region in consultation with the Victorian WorkCover Authority, other departments and unions. The results of the project should be known in early 2005;
- a pilot project aimed at assisting staff suffering distress commenced in two select regions during 2004. Given the positive reception of the pilot by involved staff and unions, this pilot was expanded to include another three regions. Results of a formal evaluation of the pilot are due by December 2004, but the Victorian WorkCover Authority has provided data that show much improved return to work rates for the department; and
- the Department of Human Services, Department of Education and Training and VicPolice will be working with the Victorian WorkCover Authority and its agents to identify suitable strategies to assist staff who have been off work due to stress for less than 52 weeks.

The Committee notes that current requirements relating to reporting on occupational health and safety (OHS) in annual reports are included in Financial Reporting Direction No.22 covering standard disclosures in the Report of Operations, which requires:<sup>41</sup>

*a statement on occupational health and safety matters, including appropriate performance indicators and how they affect outputs. ... An entity's statement on occupational health and safety matters should identify the performance indicators adopted to monitor such matters, and outline the entity's performance against those indicators.*

The Committee also noted current reporting of OHS outcomes by the department's major agencies was limited, with only three providing a general discussion about workers compensation claims and none specifically reporting outcomes for stress

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<sup>40</sup> ibid.

<sup>41</sup> Department of Treasury and Finance, Financial Reporting Direction No. 22, Standard Disclosures in the Report of Operations, pp. 1-2



related claims.<sup>42</sup> The Committee believes that efforts to improve occupational health and safety should be accompanied by a more comprehensive reporting regime than is currently used.

At a minimum, the Committee believes agencies should be reporting against the objectives of the Budget Sector OHS Improvement Strategy initiated in early 2001, which aim to achieve across all agencies a target 20 per cent improvement in the following WorkCover performance indicators:<sup>43</sup>

- number of reported standard claims;
- claims frequency rate;
- average cost of claims; and
- claims cost ratio.

The Committee is aware that the Department of Human Services and the Victorian WorkCover Authority are currently working on a number of strategies to improve OHS performance by public hospitals.<sup>44</sup> The Committee believes that OHS reporting by agencies should also include progress by agencies in implementing these strategies, including reporting of 'positive' OHS performance measures, such as those that relate to the development and assessment of OHS management systems.

The Committee recommends that:

**Recommendation 46:**                    **The Department of Treasury and Finance provide guidance to the Department of Human Services' major portfolio agencies with developing a more comprehensive reporting framework that allows for consistent reporting of occupational health and safety outcomes by each agency.**

The Committee intends to actively monitor the outcomes of strategies to improve OHS performance in the department's major portfolio agencies.

<sup>42</sup> 2002-03 Annual Reports of Southern Health; Melbourne Health, Bayside Health; Eastern Health, Austin Health; Women's and Children's Health; Western Health; Peninsula Health; Barwon Health and Northern Health

<sup>43</sup> Department of Human Services, *Rural Health: Workforce*, [www.health.vic.gov.au/ruralhealth/workforce/](http://www.health.vic.gov.au/ruralhealth/workforce/), accessed 13 September 2004

<sup>44</sup> Department of Human Services, *Public Hospital Sector Occupational Health and Safety Management Framework Model*, April 2003; Victorian WorkCover Authority, *Government Sector: Budget Sector Project*, [www.workcover.vic.gov.au/vwa/home.nsf/pages/so\\_government\\_budget](http://www.workcover.vic.gov.au/vwa/home.nsf/pages/so_government_budget), accessed 13 September 2004

## Review of Portfolios

### 7.5 Health portfolio

The Minister for Health has sole responsibility for seven output groups within the Department of Human Services. Of the four outputs in the Small Rural Services output group, the Minister for Health has responsibility for two outputs — Small Rural Services (Acute Health) and Small Rural Services (Primary Health). The remaining outputs in the Small Rural Services output group are the responsibility of the Minister for Aged Care.<sup>45</sup>

#### 7.5.1 2004-05 outlook for the portfolio

Services delivered in the Health portfolio by the Department of Human Services are facing significant demand and cost pressures. The Committee noted that these pressures arise through a combination of factors that include the ageing of Victoria's population, increasing demand on hospital emergency departments, new clinical practices which enable highly technical treatments for individuals, who would not have been actively treated in the past, and the higher cost of healthcare due to advances in technology.<sup>46</sup> The Committee also noted that the State Government considers that funding for the public hospital system has also come under pressure because Victoria faces a funding shortfall from the Commonwealth under the renegotiated Australian Health Care Agreement and aged care funding arrangements.<sup>47</sup>

The Department of Human Services identified several consistent themes that have emerged from its key service policy/strategy frameworks including increasing demand for services, increasing complexity of client/patient issues, the need to address ageing infrastructure and changing legislative and regulatory environments, the operational viability of service providers and demand management strategies to best address demand requirements.<sup>48</sup>

Several areas identified by the department that will affect the cost and quality of health services in the future include:<sup>49</sup>

- non-salary costs in hospitals are rising worldwide at rates significantly higher than the general rate of inflation. These costs are being driven by clinical practice improvements, price increases for medical and surgical supplies and

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<sup>45</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.65-67

<sup>46</sup> Department of Human Services, Directions for your health system: Metropolitan Health Strategy, 2003, pp.4-5

<sup>47</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, 54<sup>th</sup> Report, p.169

<sup>48</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.11-12

<sup>49</sup> *ibid.*, p.9

pharmaceuticals (reflecting supplier costs, particularly in research and development, and supplier markets), and more stringent clinical safety and infection control standards. The casemix hospital funding formula has not kept pace with these cost changes and requires an adjustment to include more adequate indexation of non-salary costs; and

- continuing growth in ambulance services caseload by pensioners and other concession card holders who are exempt from fees. This group represents more than 60 per cent of current patient transports, and is therefore a significant cost growth issue for ambulance services.

The Committee is aware that the public hospital system in Victoria has experienced a significant increase in demand. The number of admitted patients in Victorian public hospitals is expected to increase by 144,000 (14.3 per cent) between 2000-01 and 2003-04,<sup>50</sup> with an additional 35,000 patients treated in 2004-05.<sup>51</sup> The Department of Human Services is also expecting an additional 50,000 patients to be treated in emergency departments in 2004-05, an increase of 4.8 per cent.<sup>52</sup>

Output initiatives in the 2004-05 Budget relating to the Health portfolio will cost at least \$378.5 million in 2004-05 (\$1.8 billion over four years to 2007-08).<sup>53</sup> Several of these initiatives are shared between the Health portfolio and other areas including aged care and community services. The major initiatives include:<sup>54</sup>

- Hospital Sustainability and Demand Management Strategy (\$333.2 million in 2004-05, \$1.6 billion to 2007-08) – to establish a strong financial and governance base for Victoria’s public hospitals and to continue and extend the implementation of the Hospital Demand Management Strategy commenced in 2001-02;<sup>55</sup>
- loss of public benevolent institution (PBI) status for ambulance services (\$10.2 million in 2004-05, \$42.1 million to 2007-08) – to reimburse the ambulance services for state taxes payable, including payroll and land tax, from 1 April 2004 following the Australian Taxation Office’s revocation of the Victorian ambulance services’ PBI status;<sup>56</sup>
- caring for children (\$14 million in 2004-05, \$50 million to 2007-08) – health related initiatives include: expanding the school dental program to kindergarten children; additional funding for the Centres for Child and Adolescent Health and outpatient services at the Royal Children’s Hospital;<sup>57</sup> and

<sup>50</sup> Budget Paper No. 3, *2002-03 Budget Estimates*, p.62; Budget Paper No. 3, *2004-05 Service Delivery*, p.70

<sup>51</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.14

<sup>52</sup> *ibid.*, p.71

<sup>53</sup> *ibid.*, pp.265 and 275–278

<sup>54</sup> *ibid.*, p.275

<sup>55</sup> *ibid.*, p.276

<sup>56</sup> *ibid.*, p.277

<sup>57</sup> *ibid.*, p.278

- concessions reform package (\$17.5 million in 2004-05, \$84.9 million to 2007-08) – concessions relate to increasing the regularity of dental checks and services for children and implementing the dental health strategy to boost service capacity.<sup>58</sup>

The 2004-05 Budget included health related asset initiatives with a combined total estimated investment (TEI) of \$518.1 million, with around \$135.4 million expected to be spent in 2004-05.<sup>59</sup> These asset initiatives add to the Department of Human Services' existing asset investment program, which had a total estimated investment of more than \$1.4 billion in 2003-04.<sup>60</sup>

The major asset initiatives in the 2004-05 Budget for health services include:<sup>61</sup>

- \$250 million (TEI) for a new Royal Women's Hospital, which will be built on the Royal Melbourne Hospital site. It is intended that the hospital will be developed in partnership with the private sector under the Partnerships Victoria policy;<sup>62</sup>
- \$60 million (TEI) to establish a purpose built elective surgery centre at the Alfred Hospital for same-day and multi-day elective surgery and complementary services;<sup>63</sup>
- \$25 million in 2004-05 to replace, upgrade and add biomedical equipment;<sup>64</sup>
- \$20 million in 2004-05 to upgrade and replace key infrastructure facilities that have reached the end of their useful life;<sup>65</sup> and
- \$18 million (TEI) to expand radiotherapy services at Geelong Hospital, including an expansion and refurbishment of the existing Andrew Love Cancer Centre to increase service capacity.<sup>66</sup>

The 2004-05 Budget did not allocate specific budgeted expenditure to each financial year for the Royal Women's Hospital project, which is intended to be developed under the Partnerships Victoria policy.<sup>67</sup> According to the budget, project costing information will be finalised after the completion of the Partnerships Victoria tender process.<sup>68</sup> In a January 2004 press release, the Minister for Health announced that three groups were shortlisted to tender for the project.<sup>69</sup> Under the partnership, the

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<sup>58</sup> *ibid.*, pp.265–66

<sup>59</sup> *ibid.*, pp.279–84

<sup>60</sup> Department of Human Services response to the Committee's 2003-04 Budget Estimates questionnaire, pp.63–68

<sup>61</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.279–80

<sup>62</sup> *ibid.*, p.283

<sup>63</sup> *ibid.*, p.284

<sup>64</sup> *ibid.*, p.283

<sup>65</sup> *ibid.*, p.284

<sup>66</sup> *ibid.*, p.282

<sup>67</sup> *ibid.*, pp.280, 283

<sup>68</sup> *ibid.*, p.280

<sup>69</sup> *ibid.*

private sector will design, build, finance and maintain the facility, while the public health service would be responsible for the day-to-day health services that the public hospital will provide.<sup>70</sup>

The Committee noted that submissions for the Royal Women's Hospital project were due in July 2004. The preferred bidder is expected to be announced by the end of 2004 and the hospital completed by the end of 2007.<sup>71</sup>

### 7.5.2 Analysis of budget

There were several changes to the Health portfolio output group structure in the 2004-05 Budget:<sup>72</sup>

- the Blood Services output (formerly part of the Acute Services output group) will no longer be reported, as the National Blood Authority now purchases blood and blood products on behalf of all jurisdictions. Funding for these services (\$49 million expected outcome in 2003-04)<sup>73</sup> has been transferred to the Admitted Services output in the Acute Health Services output group; and
- a new output group — Small Rural Services — was introduced covering outputs for acute health, aged care, home and community care and primary health. The Department of Human Services advised that the Small Rural Services output group has been introduced to '*reflect the Government's commitment to simplified, flexible funding and accountability, and a focus on responding to the local needs of small rural towns to improve health outcomes*'.<sup>74</sup>

The 2004-05 Budget for the output group for which the Minister for Health has responsibility is \$6,911.7 million (see exhibit 7.7).<sup>75</sup>

The Committee noted that the overall cost of the Health portfolio outputs in 2004-05 was budgeted to be \$566.4 million higher than the expected outcome in 2003-04, with around 82.2 per cent of the increase relating to outputs in the Acute Health Services output group.<sup>76</sup> Five outputs – Mental Health Services System Capacity Development; Community Health Care; Primary Health Service System Development and Resourcing; Environmental Health and Safety; and Drug Prevention and Control – reported a decrease in funding, with the overall decrease for these outputs amounting to \$10.1 million.<sup>77</sup> The reductions in funding were largely attributed to a redistribution

<sup>70</sup> *ibid.*

<sup>71</sup> Hon. B. Pike, MP, Minister for Health, media release, *Shortlist for new Royal Women's Hospital*, 28 January 2004

<sup>72</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.69

<sup>73</sup> *ibid.*, p.336

<sup>74</sup> *ibid.*, p.69

<sup>75</sup> *ibid.*, pp.70–92

<sup>76</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.8; Department of Human Services, 2004-05 Victorian Budget Information Kit, 4 May 2004, p.2

<sup>77</sup> - Budget Paper No. 3, *2004-05 Service Delivery*, pp.70–92.

of funds from the introduction of the Small Rural Services output group and the cessation of one-off Commonwealth funding.<sup>78</sup>

The Department of Human Services advised the Committee that the funding for Health portfolio services now part of the Small Rural Services output group in 2004-05 was equivalent to an increase of \$9.9 million (5.7 per cent) from the expected outcome for these two outputs in 2003-04.<sup>79</sup>

**Exhibit 7.7: Health Portfolio Output costs**

Output group	Outputs under the responsibility of the Minister for Health	2004-05 Budget (\$ million)
Acute Health Services	Admitted Services	3,694.4
	Non-Admitted Services	577.1
	Emergency Services	235.0
	Sub-acute Care Services	493.8
	Acute Training and Development	176.7
<b>Sub total</b>		<b>5,177.0</b>
Ambulance Services	Ambulance Emergency Services	276.6
	Ambulance Non-emergency Services	37.5
	Ambulance Services Training and Development	2.0
	Basic Life Support	2.8
<b>Sub total</b>		<b>318.9</b>
Mental Health	Clinical Inpatient Care	271.4
	Clinical Community Care	284.2
	Psychiatric Disability Rehabilitation and Support Services	60.7
	Mental Health Services System Capacity Development	35.5
<b>Sub total</b>		<b>651.8</b>
Primary Health	Community Health Care	122.2
	School Nursing	14.8
	Primary Health Service System Development and Resourcing	16.8
<b>Sub total</b>		<b>153.8</b>
Small Rural Services	Small Rural Services - Acute Health	173.0
	Small Rural Services - Primary Health	12.0
<b>Sub total</b>		<b>185.0</b>

<sup>78</sup> *ibid.*

<sup>79</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.8

**Exhibit 7.7 – continued**

Dental Health	Dental Services	103.7
	Dental Service System Development and Resourcing	14.0
<b>Sub total</b>		<b>117.7</b>
Public Health	Communicable Disease Prevention and Control	87.3
	Non-Communicable Disease Prevention and Control	48.7
	Public Health Training	1.5
	Research and Ethics	7.9
	Health and Social Development	42.9
	Environmental Health and Safety	8.1
	Food Safety	3.3
	Koori Health and Multicultural Policy	3.4
<b>Sub total</b>		<b>203.1</b>
Drugs Services	Drug Prevention and Control	13.1
	Drug Treatment and Rehabilitation	79.3
	Drug Service System Development and Resourcing	12.0
<b>Sub total</b>		<b>104.4</b>
<b>Total</b>		<b>6,911.7</b>

Source: Budget Paper No. 3, 2004-05 Service Delivery, pp.70–92

**7.5.3 Performance measures**

The Department of Human Services made several changes to performance measures in the 2004-05 Budget relating to Health portfolio outputs. With the exception of measures that were included in the former Blood Services output, the department discontinued seven performance measures and introduced 18 measures relating to the Health portfolio. Of the new measures, nine were included in outputs for which the Minister for Health had responsibility in the new Small Rural Service output group.<sup>80</sup>

The Committee noted that several of the new performance measures replace discontinued measures. For example, in the Mental Health Services System Capacity Development output group, two new measures relating to assessments conducted according to national protocols replace measures relating to staff attendance and performance at training courses.<sup>81</sup> The Committee considers that the previous measures were more focused on process and the new measures are more suited to assessing the effectiveness of services delivered.

The Committee also noted that the titles of four performance measures were amended to more clearly define what was being measured. In two cases, the refinements related

<sup>80</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.69–92 and pp.336–337

<sup>81</sup> *ibid.*, pp.76, 337

to expanding the coverage of a performance measure. For example, in the Ambulance Non-Emergency Services output, the performance measure *Audited cases meeting clinical practice standards* was broadened to include the operations of the Rural Ambulance Service (rather than only the Metropolitan Ambulance Service) and renamed *Audited cases meeting clinical practice standards – state-wide*.<sup>82</sup>

The Committee welcomes efforts by the department to better define current performance measures, including broadening the coverage of existing measures.

#### **7.5.4 Key issues impacting on the portfolio**

The department's response to the Committee's questionnaire and the estimates hearing with the Minister for Health identified the following key issues that will impact on the portfolio and its budget estimates for 2004-05.

##### **(a) Commonwealth funding**

The Minister advised the Committee that the Commonwealth continues to provide Victoria with less funding for public hospitals than in previous years.<sup>83</sup>

As shown in exhibit 7.8, Victoria in 1999 was more closely aligned to a fifty-fifty funding arrangement.<sup>84</sup> However, in subsequent years the gap has widened with the Commonwealth now contributing 68 cents for every \$1 funded by Victoria.<sup>85</sup>

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<sup>82</sup> *ibid.*, p.73–74

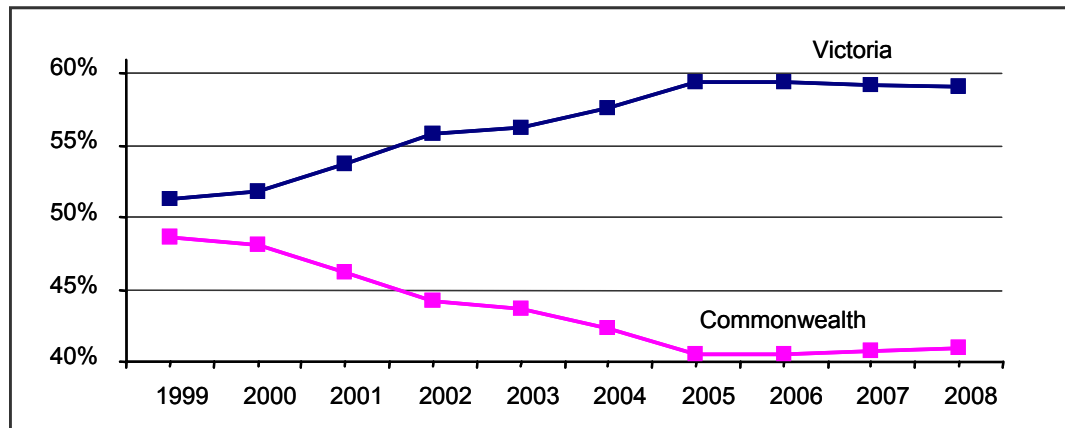
<sup>83</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.2

<sup>84</sup> *ibid.*

<sup>85</sup> *ibid.*



**Exhibit 7.8: Commonwealth Government and Victorian Government Funding arrangements for public hospitals**



Sources: 1998 to 2001-02 Price Waterhouse data submitted to Commonwealth as part of the AHCA signing precondition, 2002-03 onwards DHS Budget and forward estimates database as quoted by the Minister for Health at the budget estimates hearing held 19 May 2004 (slide No.4)

As indicated earlier, the Minister informed the Committee that the latest Australian Health Care Agreement for the period 2003-2008 will be \$350 million less to Victoria than it would have been if the current agreement continued with the level of indexation provided in the previous agreement.<sup>86</sup> According to the Minister, the level of indexation over the life of the former agreement was in the order of 28 per cent,<sup>87</sup> which has been reduced to around 16 per cent, despite the increase in demand for services at Victoria's hospitals.<sup>88</sup> The Minister also indicated that the Victorian Government provides the entire capital works program for Victoria's hospitals.<sup>89</sup>

The Minister told the Committee that in response to these funding constraints at the Commonwealth level, Victoria's contribution to the public hospital system has increased to 59 per cent, in order to ensure the provision of appropriate services to the community.<sup>90</sup>

**(b) Demand pressures**

In informing the Committee that health systems worldwide are facing continuing demand pressures arising from issues such as population growth, an aging population, rising expectations of consumers and the availability of new technologies, the Minister emphasised that an important demand pressure concerned the advancement of technological options for dealing with health, and that more people want to utilise that

<sup>86</sup> *ibid.*, p.2

<sup>87</sup> Information received from the Department of Human Services, 20 October 2004

<sup>88</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.6

<sup>89</sup> *ibid.*, p.2

<sup>90</sup> *ibid.*, p.7

technology.<sup>91</sup> The Minister stated to the Committee that the incidence of elderly people with chronic illness needing hospital care is also rising, while Victoria continues to have many frail aged people located within its public hospital system when they really need a longer-term care option,<sup>92</sup> such as nursing home care.

The Minister also argued that the public health system is absorbing greater responsibility for primary care, due to a decline in bulk-billing and after-hours services provided by general practitioners.<sup>93</sup> As a result many people who, according to the Minister, should be treated by a general practitioner, are now finding their way into the state's hospital emergency departments, which have experienced an increase in demand of about 30 per cent since September 2000.<sup>94</sup>

The Minister informed the Committee that in order to deal with demand pressures, the 2004-05 Budget provides for a combination of new resources and strategies, as well as continuation of the Hospital Demand Management Strategy.<sup>95</sup>

The Hospital Demand Management Strategy, implemented by the Department of Human Services in 2001-02, is a six year funding strategy to address the increasing demand on the acute health system.<sup>96</sup> The strategy has three major components which include:<sup>97</sup>

- increasing hospital capacity to accommodate rising demand at emergency departments;
- the diversion of patients to more appropriate care settings thereby alleviating the pressure on acute care beds; and
- the Hospital Admissions Risk Program, which seeks to prevent unnecessary readmissions amongst individuals who are at risk of hospitalisation on a regular basis.

According to the Minister, the intervention of these strategies, particularly the Hospital Demand Management Strategy, has already made a significant impact on performance e.g. as shown in exhibit 7.9, the strategy has had a direct impact on the level of hospital bypass, even though at the same time the volume of hospital admissions is increasing.

Similarly, the first three years of the strategy have, in the view of the Minister, improved the outcomes for emergency department patients and, as demonstrated in

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<sup>91</sup> *ibid.*, p.2

<sup>92</sup> *ibid.*

<sup>93</sup> *ibid.*

<sup>94</sup> *ibid.*

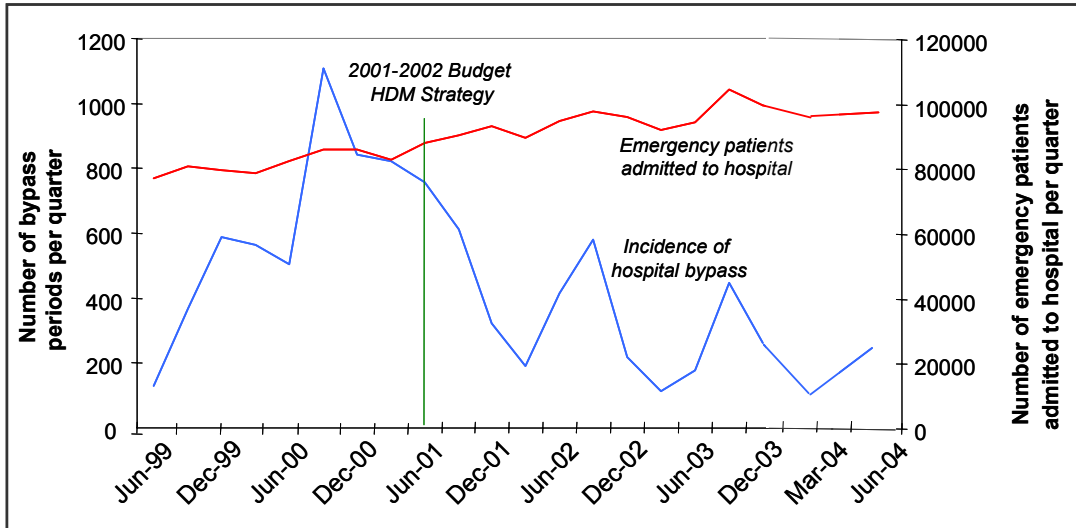
<sup>95</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 15 May 2003, p.2

<sup>96</sup> Victorian Auditor-General's Office, *Managing emergency demand in public hospitals*, May 2004, p.3

<sup>97</sup> *ibid.*

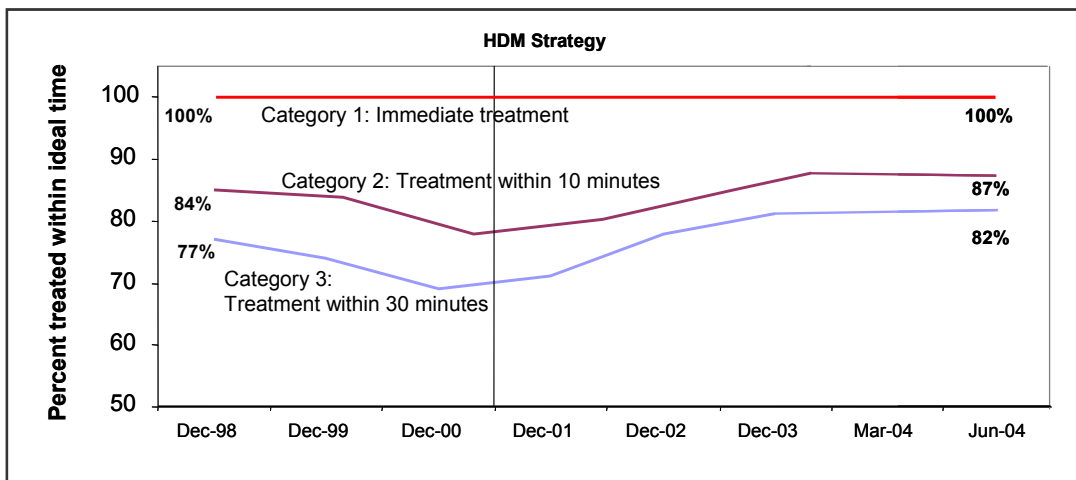
exhibit 7.10, more resuscitation (Category 1), emergency (Category 2) and urgent (Category 3) cases have been treated by emergency departments within ideal times.<sup>98</sup>

**Exhibit 7.9: Hospital Demand Management Strategy – Performance June 1999 to June 2004**



Sources: Information drawn from the DHS Hospital Services Reports and presented by the Minister for Health at the budget estimates hearing on 19 May 2004 (slide 6), and the DHS, Hospital Services Report for the June quarter 2004, pp.8, 14

**Exhibit 7.10: Public Hospitals Proportion of Emergency Department patients treated within ideal times – Dec 1998 to June 2004**

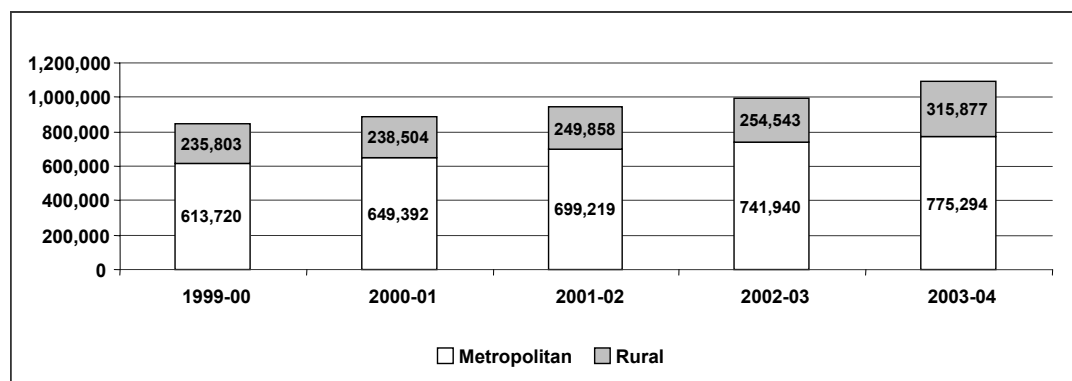


Sources: Information drawn from the Victorian Emergency Minimum Dataset and presented by the Minister for Health at the budget estimates hearing on 19 May 2004 (slide 7), and the DHS, Hospital Services Report for the March and June quarters 2004, pp.12–13

<sup>98</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, pp.2–3 and Hospitals Services Report March quarter 2004

The Committee was also interested in the workload of emergency departments in terms of the number of patients presenting in emergency departments for treatment. Information disclosed in exhibit 7.11 shows a steady increase over a five year period.

**Exhibit 7.11: Public Hospitals  
Emergency Department presentations  
1999-00 to 2003-04**



Source: Victorian Emergency Minimum Dataset (VEMD)

The Department of Human Services advised the Committee that indicators of improved hospital performance included:<sup>99</sup>

- a marked decline in ambulance bypass occurrences;
- a decline in waiting list numbers; and
- a continuing decline in the average length of stay, freeing up beds to enable more patients to be treated.

The Budget includes \$333.2 million in 2004-05 directed at providing additional demand management funding and ensuring the financial sustainability of the hospital system (a \$1.6 billion package over four years).<sup>100</sup> As part of this package, an additional 35,000 hospital patients (3 per cent)<sup>101</sup> and 50,000 emergency department patients (4.8 per cent)<sup>102</sup> are to be treated in 2004-05, including the employment of 900 extra nurses and health staff.<sup>103</sup>

In July 2004 the Government released information relating to the distribution of this funding to 85 health services and hospitals, which included the funding increases to the following key health services:<sup>104</sup>

<sup>99</sup> Department of Human Services, response to the Committee's 2004-05 Budget Estimates questionnaire, p.9

<sup>100</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.275

<sup>101</sup> *ibid.*, pp.70 and 82

<sup>102</sup> *ibid.*, p.71

<sup>103</sup> 2004-05 Victorian Budget Overview - Growing Victoria Together, Putting Families First, p.16

<sup>104</sup> Hon. B. Pike, MP, Minister for Health, media release, *Massive \$333 million boost for hospital bottom line*, 12 July 2004

- Eastern Health, \$33.5 million, a 11.9 per cent increase over 2003-04;
- Melbourne Health, \$15.7 million, 5.5 per cent increase;
- Southern Health, \$53.5 million, 13.3 per cent increase; and
- Barwon Health, \$14.6 million, 8.7 per cent increase.

The Committee noted the conclusion reached in a recent Auditor-General's Report of May 2004 titled *Managing emergency demand in public hospitals* that the work by the Department of Human Services and metropolitan hospitals to manage growing demand, prevent hospital bypass, enhance patient flow within the emergency department and to move patients out of the emergency department (either to an inpatient bed or home) is making a difference.<sup>105</sup> The report, however, identified a number of challenges that will need to be examined, which included the following:<sup>106</sup>

- the roles of the emergency department workforce and the physical environment of some emergency departments have not kept pace with changing models of clinical care provided;
- while the number of long staying patients in emergency departments has declined since 2000, a small number of patients still wait for excessively long periods in emergency departments; and
- as models of medical care change, the emergency department plays an increasing role in conducting assessments and complex care planning for patient care which is then delivered in the primary and community care sector. As a result, better linkages with the community health and GP sector need to be developed.

Figures released by the Government for the June 2004 quarter showed that there was a gap between the demand pressures placed on the public hospital system and the numbers of patients treated in the public hospital system that needs to be addressed. Examples of statistics for particular categories of patients are set out in exhibit 7.12.<sup>107</sup> The Committee notes that the waiting list figures for 2003-04 included for the first time, data from the Williamstown, Mercy and Werribee Hospitals.

<sup>105</sup> Victorian Auditor-General's Office, *Managing emergency demand in public hospitals*, May 2004, p.3

<sup>106</sup> *ibid.* p.4

<sup>107</sup> *Department of Human Services' Hospital Services Report - March 2004*

**Exhibit 7.12: Victorian Public Hospital System  
Hospital Services Report indicators**

Indicator	June 2004 Quarter (a)
Waiting list numbers for elective surgery	42,120 patients waiting for an operation at 30 June 2004, (40,638 at 31 March 2004, 38,634 at 30 June 2003 and 34,008 at 30 June 1999)
Waiting times for elective surgery	7,356 semi-urgent elective patients were on the waiting list for longer than the ideal time of 90 days at 30 June 2004 (7,015 at 31 March 2004, 5,769 at 30 June 2003 and 3,623 at 30 June 1999)
Waiting times of more than 12 hours for a hospital bed	6,547 people waited in an emergency department for more than 12 hours who were admitted to a ward for the June 2004 quarter (4,784 for the March 2004 quarter, 5,170 for the June 2003 quarter and 2,245 for the June 1999 quarter)

*Note (a) The waiting list figures for 2003-04 included for the first time data from the Williamstown, Mercy and Werribee hospitals. As at 30 June 2004, 1048 patients from these hospitals were on the waiting list for elective surgery*

*Source: DHS, Hospital Services Report June quarter 2004, pp.10, 19, 22, 25*

The Committee noted that 1,300 elective surgery beds were closed and 1,224 operations cancelled during 13 days of industrial action by nurses seeking pay rises in April and May 2004.<sup>108</sup> The Committee believes it is essential that workforce management issues need to be carefully examined to assess the numbers of staff being recruited in relation to the increased workload.

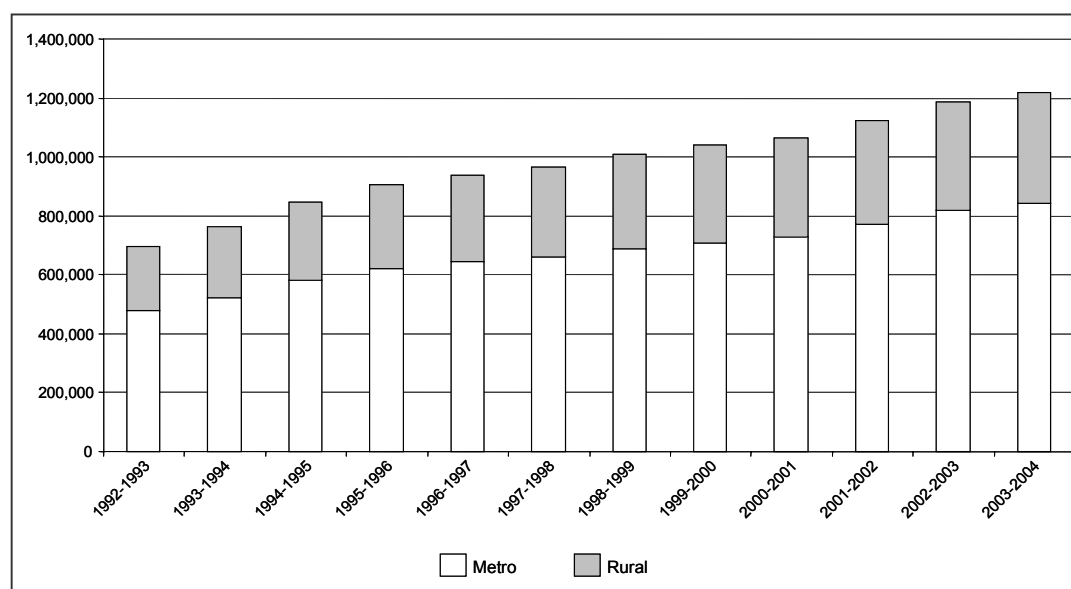
While the Committee acknowledges the measures announced in the budget to try to address the increasing demand pressures placed on Victoria's public hospitals, the Committee also believes that any discussion on elective waiting list figures needs to be considered in the context of how the public hospital system has performed in terms of the numbers of hospital separations, including patients admitted from the elective waiting lists. The information contained in exhibits 7.13 and 7.14 shows that between 1992-93 and 2003-04 there has been a continual increase in the number of hospital separations through the Victorian public hospital system. Information also shown in exhibit 7.15 reveals that, while waiting list admissions initially declined between 1999-2000 and 2000-01, there has been a subsequent increase in the admission of elective patients from the waiting list.

<sup>108</sup> Peter Mickelborough, Surgery crisis looms, *The Herald Sun*, 14 July 2004, p.15

**Exhibit 7.13:** **Public Hospitals**  
**Total separations (throughput)**  
**1992-93 to 2003-04**

	Metropolitan	Rural	Total
1992-93	447,009	220,653	<b>697,662</b>
1993-94	520,155	242,860	<b>763,015</b>
1994-95	579,950	264,970	<b>844,920</b>
1995-96	619,734	285,887	<b>905,621</b>
1996-97	643,102	293,398	<b>936,500</b>
1997-98	661,917	302,780	<b>964,697</b>
1998-99	688,568	319,009	<b>1,007,577</b>
1999-00	707,713	334,122	<b>1,041,835</b>
2000-01	726,542	339,030	<b>1,065,572</b>
2001-02	769,883	354,514	<b>1,124,397</b>
2002-03	817,964	366,773	<b>1,184,737</b>
2003-04	842,747	374,045	<b>1,216,792</b>

**Exhibit 7.14:** **Public Hospitals**  
**Total separations (throughput)**  
**1992-93 to 2003-04**



**Note:** *Repatriation General Hospital, Heidelberg integrated in 1994-95. Earlier years data not reported*

*Unqualified "healthy" newborns admitted from 1995-96 onwards*

**Source:** *Information supplied by the Department of Human Services*





appropriateness of care.<sup>112</sup> All Victorian public health services produced care reports on the quality of services within their hospitals.<sup>113</sup> The mandatory areas for reporting included: infection control; medication errors; falls and pressure wound prevention and management; and continuity of care.<sup>114</sup>

While the budget for 2004-05 focuses to a large extent on issues connected with access and the treatment of additional hospital and emergency department patients, the Committee believes there is considerable scope for expanding, on a statewide basis, aggregated performance information in the Budget Papers concerning the quality of patient care in the Victorian public hospital system.

Notwithstanding that \$3,694.4 million is the budgeted total output cost for the Admitted Services output of the department for 2004-05, no consolidated information is reported on an individual hospital or category of hospital basis to assess the extent of complications of hospital care that lead to patients requiring additional treatment throughout the public hospital system. These complications, known as adverse events, can include surgical misadventures, medical errors, serious falls and hospital acquired infections. The Committee appreciates that the different characteristics of public hospitals across the state make informed assessments of the advent of adverse events between hospitals difficult.

The Committee recommends that:

**Recommendation 49:**                    **To enable an informed assessment to be made of the quality of health services delivered by Victoria’s public hospital system that can also be further utilised for budget deliberations, the range of performance measures contained in the Budget Papers be expanded to include areas currently reported by individual public health services such as infection control, medication errors, falls and pressure wound prevention and management and continuity of care.**

**(d)            *Financial viability of public hospitals***

In its September 2003 *Report on the 2003-2004 Budget Estimates*, the Committee drew attention to the Auditor-General’s February 2003 *Report on Public Sector Agencies*, which disclosed that nine hospitals in 2001-02 exhibited financial difficulties.<sup>115</sup> The Committee recommended the effectiveness of funding

<sup>112</sup> *ibid.*

<sup>113</sup> *ibid.*

<sup>114</sup> *ibid.*

<sup>115</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, pp.175–177

arrangements for hospitals be reviewed and strategies be implemented to improve the short and long term financial viability of public hospitals.<sup>116</sup>

In re-examining the financial position of public hospitals at 30 June 2003, the Auditor-General reported that the financial position of public hospitals had further deteriorated, with 15 hospitals showing signs of financial difficulties and a further 22 hospitals having unfavourable results.<sup>117</sup> The Auditor-General recommended the Department of Human Services work closely with the hospitals identified to ascertain the reasons for the financial difficulties, review its current funding strategy and develop ongoing strategies to improve the financial performance of these hospitals in future.<sup>118</sup>

In order for a number of public hospitals to be assured that they could operate on a going-concern basis, these hospitals obtained a financial commitment from the Department of Human Services that adequate cash flow support would be provided to enable each hospital to meet its current and future obligations as and when they fell due for a period up to September 2004, should this be required.<sup>119</sup>

The Department of Human Services advised the Committee that non-salary costs in hospitals were rising worldwide at rates significantly higher than the general rate of inflation.<sup>120</sup> These costs were driven by clinical practice improvements, price increases for medical and surgical supplies and pharmaceuticals (reflecting supplier costs, particularly in research and development, and supplier markets), and more stringent clinical safety and infection control standards.<sup>121</sup> The department also brought to the attention of the Committee that the case-mix hospital funding formula had not kept pace with these cost changes and required an adjustment to include more adequate indexation of non-salary costs.<sup>122</sup>

Following an examination of hospital costs conducted as part of the budget process, the price review found the case-mix funding model had not kept pace with the rapid increases in the cost of delivering the latest technology and medical advances.<sup>123</sup> In describing the price review, the Minister indicated that a range of procedures were examined within public hospitals, together with various components of funding.<sup>124</sup> This included funding for staff and the price that was needed to be paid for items in non-wage areas such as pharmaceuticals and medical equipment.<sup>125</sup> The Committee was informed by the Minister that the outcome of the price review has been reflected in the \$1.6 billion increase in public hospital funding over the next four years.<sup>126</sup> The

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<sup>116</sup> *ibid.*

<sup>117</sup> Victorian Auditor-General's Office, *Report on public sector agencies*, November 2003, p.8

<sup>118</sup> *ibid.*, p.84

<sup>119</sup> For example, Bayside Health, *2002-03 Annual Report*, Note 1(x) to the Financial Statements

<sup>120</sup> Department of Human Services, response to the Committee's 2004-05 Budget Estimates questionnaire, p.9

<sup>121</sup> *ibid.*

<sup>122</sup> *ibid.*

<sup>123</sup> Minister for Health, media release, *More than \$2 Billion to Strengthen Health System*, 4 May 2004

<sup>124</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.27

<sup>125</sup> *ibid.*

<sup>126</sup> *ibid.*

department advised that the outcome of the price review has three elements, namely to:<sup>127</sup>

- increase the base price;
- change the non-salary indexation, recognising particularly that the prices of medical and surgical supplies and pharmaceuticals grow at a higher rate than the consumer price index; and
- abolish the productivity dividend.

The other initiative according to the Minister that will address the financial viability of hospitals involves the governance review, which relates to strengthening financial performance and accountability within hospitals.<sup>128</sup> The Committee intends keeping under review the financial viability of the public hospital system.

The Committee recommends that:

**Recommendation 50:                      The Department of Human Services:**

- (a)    **develop performance measures and targets to assess the effectiveness of the hospital sustainability initiatives. This performance information should be based on key financial indicators that relate to operating results, net cash flows and the working capital position of hospitals at year end.**
  
- (b)    **Undertake a sector-wide analysis of this information and include details in the department's annual report, along with a commentary on the measures taken to address emerging financial shortfalls**

**(e)            *Access to after hours medical care***

Evidence was given to the Committee regarding the presentation of patients to emergency departments. However, as the issue has been extensively canvassed in the

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<sup>127</sup> *ibid.*, pp. 27–28

<sup>128</sup> *ibid.*, p.27

recent report of the Family and Community Development Committee, it is not further addressed in this report.<sup>129</sup>

To provide additional bulk-billing and extended hours services to the Victorian communities the Government considers to be most in need, funding of \$2 million in 2004-05 (\$8 million over four years to 2007-08) has been provided in the budget to improve access to primary medical care by increasing by 100 the number of general practitioners working within the community health service system.<sup>130</sup> The intention of this strategy is to establish after-hours medical clinics within community health services to treat patients who would otherwise present at hospital emergency departments and who are not in need of acute hospital care.

**(f) Shortage of doctors**

The Family and Community Development Committee identified in its September 2004 *Report on the Impact on the Victorian Community and Public Hospitals of the Diminishing Access to After Hours and Bulk Billing General Practitioners* that the number of practising GPs in Victoria had declined from 6,064 in 1996-97 to 5,878 in 2002-03.<sup>131</sup>

The Committee was advised by the Minister that the health sector is facing a large number of workforce challenges and the number of places for trained nurses and doctors has not kept pace with demand.<sup>132</sup> The Minister stated that the Commonwealth Government in recent years had failed to recognise the need to create more tertiary training places for doctors and, as a result, there was a workforce squeeze that would take a decade to correct.<sup>133</sup>

The Committee noted that the Commonwealth announced in May 2004, new immigration arrangements to enhance medical services. Medical practitioners, who wish to migrate to Australia under the General Skilled Migration Program, will no longer require a sponsor to migrate to Australia, provided they satisfy state or territory medical board requirements for registration.<sup>134</sup> To ensure the arrival of these doctors is not delayed, applications for medical practitioner visas will receive priority processing.<sup>135</sup> Immigration changes have also involved extending the maximum period for the temporary resident medical practitioner's visa from two years to four to enable

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<sup>129</sup> Family and Community Development Committee, *Inquiry on the Impact on the Victorian Community and Public Hospitals of the Diminishing Access to After Hours and Bulk Billing General Practitioners*, September 2004

<sup>130</sup> Budget Paper No. 3, *2004-05 Service Delivery*, table A.8, pp.275 and 277

<sup>131</sup> Family and Community Development Committee, *Inquiry on the Impact on the Victorian Community and Public Hospitals of the Diminishing Access to After Hours and Bulk Billing General Practitioners*, September 2004., p.162

<sup>132</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.2

<sup>133</sup> Hon. B. Pike, MP, Minister for Health, media release, 2 July 2004

<sup>134</sup> Minister for Health and Ageing and Minister for Immigration and Multicultural and Indigenous Affairs, media release, *New Immigration Arrangements Enhance Medical Services*, 21 May 2004

<sup>135</sup> *ibid.*

temporary resident doctors to have additional time to undertake relevant examinations and training.<sup>136</sup>

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<sup>136</sup> *ibid.*

**(g) Children's health**

The 2004-05 Budget has set aside \$34.5 million (\$128.2 million over four years) to improve health services for children.<sup>137</sup> As part of this package, the Minister drew to the Committee's attention that the outcome of the paediatric services case-mix price review has resulted in an additional \$10 million to be built into the base of children's health funding each year.<sup>138</sup>

The Committee notes the additional funding allocated to children's health services.

The Committee recommends that:

**Recommendation 51:           The Department of Human Services monitor the ongoing adequacy of funding for paediatric services to ensure that funding provided under the case-mix formula remains equitable in comparison to the actual costs incurred.**

**(h) Dental health**

The Committee has had a long standing interest in the waiting times for restorative dental care and dentures.<sup>139</sup>

In responding to the matters raised by the Committee in its *Report on the 2003-04 Budget Estimates*, the Government advised that:<sup>140</sup>

*... Victoria is lobbying the Commonwealth Government through the National Advisory Committee on Oral Health (NACOH) to take up its shared responsibility for funding public dental care. NACOH was established by the Australian Health Ministers' Conference to develop a national oral health plan and is due to report by July 2004. The Government will continue to implement the Victorian Oral Health Promotion Strategy, Dental Workforce Project and Geriatric Dentistry Action Plan.*

The Committee was interested to learn about the achievements of the department's Dental Workforce Project. Two key achievements have been a 28 per cent decrease in the Community Dental Program workforce vacancy rate and a 14 per cent increase in

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<sup>137</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.3, and slide 12

<sup>138</sup> *ibid.*

<sup>139</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, September 2003, p.180

<sup>140</sup> Government Response to the Recommendations of the Public Accounts and Estimates Committee's 54<sup>th</sup> *Report on the 2003-04 Budget Estimates*, Recommendation 16(a)

clinicians employed over the last 15 months.<sup>141</sup> This includes public dental clinics in community health centres and rural health services.<sup>142</sup> Some of the project's activities have included:<sup>143</sup>

- Certified Agreements for specialists (22 August 2002) and dentists (14 January 2003) have improved remuneration and career structures;
- rural scholarships were awarded to six dental students in 2003;
- a 12 chair clinic has been funded in Shepparton to train undergraduate dental and oral health therapy students;
- a communication strategy has, in the opinion of the department, raised the profile of dental public health, emphasising the positive elements of working in the public sector and promoting oral health therapy to secondary students;
- the University of Melbourne has been funded to increase the intake of first year dental therapy students from 12 in 2003 to 23 in 2004;
- water fluoridation information resources have been produced to inform communities considering this important prevention intervention; and
- waiting list management strategies are under review to ensure people with greatest needs receive priority.

However, despite the introduction of the Dental Workforce Planning Project and the provision of additional funding of \$21 million over four years in last year's budget,<sup>144</sup> the Budget Papers for 2004-05 show that the expected waiting time outcomes for 2003-04 as outlined below will again exceed targets.<sup>145</sup>

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<sup>141</sup> Minister for Health's response to the Committee's follow-up questions, p.10

<sup>142</sup> *ibid.*

<sup>143</sup> *ibid.*

<sup>144</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, September 2003, p.181

<sup>145</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.84





**Recommendation 52:**                    **In terms of workforce planning, the Department of Human Services ensure that effective arrangements are in place for planning and managing the supply of, and demand for, public dentists and associated support staff in order that services are provided where they are most needed.**

**(i)            Counter terrorism measures**

At the Committee's budget estimates hearing, the Minister advised that \$3.17 million (\$10.5 million over four years) has been provided to the Department of Human Services in the 2004-05 Budget to deal with a potential bio-terrorism incident.<sup>152</sup> Of this amount:<sup>153</sup>

- \$2.2 million has been allocated in 2004-05 to enhance biological response capability; and
- \$970,000 in 2004-05 for capital expenditure to improve counter terrorism capability (with \$5.47 million over four years).

In response to a Committee question at the estimates hearing, the Minister outlined actions being taken by the department to address serious events such as bio-terrorism or pandemic outbreak.<sup>154</sup> In summary, the Minister indicated that the department's focus is particularly on chemical, biological and radiation threats and the development of plans to manage demand on the health sector.<sup>155</sup> This involves reviewing pharmaceutical stocks and developing and implementing disease surveillance systems.<sup>156</sup> The Minister also advised that the department works nationally on these issues within a range of strategies/guidelines covering areas connected with smallpox, anthrax and influenza pandemic planning.<sup>157</sup>

Information regarding the coordination of services involving the operation of the Medical Displan Victoria Program was also conveyed to the Committee and included, in part, the following:<sup>158</sup>

*... the Displan group effectively triages people and ensures they are distributed according to where resources are available ... so you are not having a large number of people arriving simply at one hospital rather than being distributed... There will be issues at hospitals as well, which will be coordinated by Displan through the hospital, because in any*

<sup>152</sup> Hon. B. Pike, MP, Minister for Health, powerpoint presentation at the budget estimates hearing on 19 May 2004, p.15

<sup>153</sup> *ibid.*

<sup>154</sup> *ibid.*, transcript of evidence, 19 May 2004, p.8

<sup>155</sup> *ibid.*

<sup>156</sup> *ibid.*

<sup>157</sup> *ibid.*

<sup>158</sup> *ibid.*, p.9

*large-scale disaster event around 60 per cent of people take themselves for treatment – actually being the walking wounded – so the Displan system is highly integrated and coordinated and it links in with other emergency services and with our hospital emergency departments and intensive care units and has the facilities, drugs and skills necessary to deal with almost anything. They have containment suits, self-contained breathing apparatus and a range of drugs and therapies, which they can administer on site or in conjunction with ambulance services and in transport.*

The Committee was pleased that funding has been provided in the 2004-05 Budget for security and counter terrorism measures and acknowledges the wide range of activities in progress within the department. Given the potential risk to the state, the Committee believes this is an area that warrants an independent assessment of Victoria's preparedness so that Parliament can be assured as to the adequacy of the state's overall response. In this regard, the Committee will view with interest the conclusions that the Auditor-General may reach from the proposed performance audit titled State Security - Coordination of Response.<sup>159</sup>

**(j) Obesity and diabetes prevention programs**

The Committee was interested to hear from the Minister that:

*Rising levels of obesity have the potential to cause, and are already causing, significant poor health outcomes for many people in the community. When we know that very young children can show signs of type 2 diabetes, which has always been associated with older adults, then this is just one indicator of what has been described by some as an epidemic of obesity. All governments need to take this very seriously.<sup>160</sup>*

As the causes of obesity are very complex, the Minister maintains a whole of government initiative is required to begin to address this issue and better understand the inter-relationship of varying responsibilities between other parts of the community.<sup>161</sup> The Minister for Health and the Minister for Sport and Recreation have endorsed a joint strategy to promote healthy and active living that is in the process of development.<sup>162</sup> The funding for this strategy, in excess of \$20 million over four years, will be predominantly drawn from the Department of Human Services (\$10 million available for obesity and diabetes prevention, together with some aged care funding) and the Department for Victorian Communities (\$10 million in relation to a physical activity program).<sup>163</sup> Other funding amounting to \$1.9 million directed at healthy and

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<sup>159</sup> Victorian Auditor-General's Office, *Annual Plan 2004-05*, pp.13 and 47

<sup>160</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.9

<sup>161</sup> *ibid.*

<sup>162</sup> *ibid.*

<sup>163</sup> *ibid.*, pp.9, 20 and Minister for Health's response to the Committee's follow-up questions, p.5

active living for seniors will be contributed by the Office of Senior Victorians.<sup>164</sup> The strategy will involve a range of communication activities and groups from across the community e.g. Bicycle Victoria, VicHealth and Diabetes Australia – Victoria, and be particularly targeted at children and families.<sup>165</sup>

The Committee was advised by the Minister that specific initiatives have not yet been finalised.<sup>166</sup> Some projects will be jointly funded while others will be supported by individual departments.<sup>167</sup>

In terms of measuring the effectiveness of obesity prevention strategies, the Department of Human Services advised the Committee that, notwithstanding the performance measure outlined in the Budget Papers relating to the *percentage of community agencies in targeted locations participating in community obesity prevention strategies*,<sup>168</sup> the department has accepted the need to develop better measures.<sup>169</sup>

While the Committee appreciates the complexities involved in defining measures that are meaningful and appropriate for evaluating obesity and diabetes prevention programs, the Committee supports the view expressed by the Minister of the need to conduct research to develop better performance measures.<sup>170</sup>

The Committee recommends that:

**Recommendation 53:**                    **The Department of Human Services, in conjunction with the Department for Victorian Communities, develop more appropriate performance measures to monitor the effectiveness of obesity and diabetes prevention strategies.**

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<sup>164</sup> Minister for Health's response to the Committee's follow-up questions, p.5

<sup>165</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, pp.9 and 19

<sup>166</sup> Minister for Health's response to the Committee's follow-up questions, p.5

<sup>167</sup> *ibid.*

<sup>168</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.87

<sup>169</sup> Hon. B. Pike, MP, Minister for Health, transcript of evidence, 19 May 2004, p.21

<sup>170</sup> *ibid.*

## 7.6 Community Services portfolio

The Minister for Community Services has responsibility for six output groups within the Department of Human Services.<sup>171</sup> These outputs account for around 19 per cent of the department's budget for 2004-05.<sup>172</sup>

### 7.6.1 2004-05 outlook for the portfolio

The Minister for Community Services informed the Committee that the priorities for the portfolio in 2004-05 included the following:

- Disability Services<sup>173</sup>
  - providing a greater investment in home and community-based living, which will reduce the emphasis on out-of-home care;
  - providing more support to people with a disability earlier in their lives and to their families so that problems like challenging behaviours do not become insurmountable later in life;
  - strengthening the support provided to carers in the form of expanded respite services and aids and equipment; and
  - increasing the range of accommodation and support options to meet more individual needs.
- Community Care<sup>174</sup>
  - continuing to roll out the integrated strategy on child protection with a range of new services to reform that system, in particular through new diversion and prevention services to be piloted in 12 selected rural and regional areas and in indigenous communities;
  - injecting new funds towards foster care with a focus on the most vulnerable children; and
  - strengthening early-year services through the implementation of the first stage of the Best Start initiative and the enhancement of preschool services in line with the recommendations of the Kirby report.

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<sup>171</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.65-67

<sup>172</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.70-110

<sup>173</sup> Hon. S. Garbutt, Minister for Community Service, transcript of evidence, 21 May 2004, pp.13-14

<sup>174</sup> *ibid.*, p.2

The 2004-05 Budget included output initiatives expected to cost \$79.9 million in 2004-05 (\$459.4 million to 2007-08).<sup>175</sup> The major initiatives included:<sup>176</sup>

- funding to support a price index and investment fund to support non-government agencies delivering a range of services under three year funding agreements (\$40.5 million in 2004-05 and \$263 million over four years to 2007-08, which also covers the Health and Housing portfolios);
- a range of measures to assist carers to allow people with a disability and older frail people to live more independently (\$10.8 million in 2004-05 and \$27.1 million to 2007-08);
- increasing the cap on the local government rates concession to pensioners (\$10.4 million in 2004-05 and \$42.8 million to 2007-08);
- increasing amounts reimbursed to foster carers for providing care (\$5 million in 2004-05 and \$20.6 million to 2007-08); and
- expansion of child protection projects focusing on early intervention and prevention of child abuse (\$4.9 million in 2004-05 and \$24.6 million to 2007-08).

Asset initiatives in the 2004-05 Budget that relate to the Community Services portfolio have a total estimated investment (TEI) of up to \$106.5 million over the four years to 2007-08.<sup>177</sup>

Almost all this capital funding (\$86.5 million) is allocated to the construction of new housing in the community for Kew residential services residents across Victoria. These capital funds are accompanied by output funding of \$42.3 million over four years to provide a greater level of support and community inclusion for residents.<sup>178</sup>

The Committee noted that the remaining capital funds allocated in the 2004-05 Budget (\$20 million) will allow for a program of works to improve the quality and standard residential facilities for children in care and upgrading shared supported accommodation for people with a disability.<sup>179</sup>

<sup>175</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.275–279

<sup>176</sup> *ibid.*

<sup>177</sup> *ibid.*, pp.279–284

<sup>178</sup> *ibid.*, pp.275–276

<sup>179</sup> *ibid.*, pp.279-284

### **7.6.2 Analysis of budget**

The 2004-05 Budget for the output group for which the Minister for Community Services has responsibility is \$1,838.2 million (see exhibit 7.17).<sup>180</sup>

The Committee noted that this is an increase of \$114.8 million (6.7 per cent) compared to the expected outcome for 2003-04, with most of the rise attributed to additional funding for the Individual Support output and the Shared Supported Accommodation output in the Disability Services output group (\$28.1 million); the Municipal Rates and Concessions output (\$13 million) and the Placement and Support Services output (\$16.3 million).<sup>181</sup>

Only one output reported a decrease in cost in 2004-05. The Committee noted that the \$5.2 million decline for the Community Support Services output was largely due to the cessation of the Problem Gambling Strategy and financial counselling (which were funded from the Community Support Fund) and the inclusion of non-recurrent funding in 2003-04 for the Drought Social Recovery Strategy.<sup>182</sup>

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<sup>180</sup> *ibid.*, pp.93–107

<sup>181</sup> *ibid.*

<sup>182</sup> *ibid.*, p.105

**Exhibit 7.17: Community Services Portfolio – Output costs**

<b>Output group</b>	<b>Outputs under the responsibility of the Minister for Community Services</b>	<b>2004-05 Budget (\$ million)</b>
Disability Services	Intake Assessment	15.9
	Planning and Coordination	24.6
	Primary Support	90.6
	Community Participation and Inclusion	172.1
	Individual Support	105.8
	Shared Supported Accommodation	380.9
	Specialist Services	14.1
	Congregate Care	79.8
	Quality	19.4
	Information and Advocacy Services	7.2
<b>Sub total</b>		<b>910.4</b>
Child Protection and Placement	Statutory Child Protection	102.4
	Child Protection Specialist Services	38.1
	Placement and Support Services	154.2
<b>Sub total</b>		<b>294.7</b>
Juvenile Justice Services	Juvenile Justice Custodial Services	46.9
	Juvenile Justice Community Based Services	26.2
<b>Sub total</b>		<b>73.1</b>
Early Childhood Services	Maternal and Child Health Services	32.3
	Preschool and Child Care Services	125.2
	Early Childhood Intervention Services	37.3
<b>Sub total</b>		<b>194.8</b>
Family and Community Support	Support Services for Families	56.5
	Community Support Services	55.1
	Personal Support Services	20.3
<b>Sub total</b>		<b>131.9</b>
Concessions to Pensioners and Beneficiaries	Energy Concessions	92.6
	Water and Sewerage Concessions	66.5
	Municipal Rates Concessions	64.7
	Trustee Services	9.5
<b>Sub total</b>		<b>233.3</b>
<b>Total</b>		<b>1,838.2</b>

Source: Budget Paper No. 3, 2004-05 Service Delivery, pp.93–107

### 7.6.3 Performance measures

The Committee noted that there were no changes to performance measures relating to the Community Services portfolio in 2004-05.<sup>183</sup>

The Committee is aware that a number of community services outputs include performance measures that are based on national benchmarks.<sup>184</sup> The Committee considers that the use of performance measures based on national benchmarks provides an important insight into the effectiveness of Government programs in Victoria compared to other jurisdictions. The use of such measures can assist policy makers and service providers to determine whether further improvements are achievable, based on the experiences of other jurisdictions and the availability of resources.

The department advised the Committee that it had adopted a continuous improvement approach to benchmarking and would continue its efforts to benchmark performance with other jurisdictions as reported in the *Report on Government Services* issued by the Steering Committee for the Review of Commonwealth-State Service Provision.<sup>185</sup>

The Committee noted that benchmarking efforts were progressing with other jurisdictions in the disability services area, where all states and territories are now collecting data on an annual basis rather than on a snapshot day basis, which would enable standardisation of the data collection process and provide meaningful comparisons for performance measures and benchmarks in the future.<sup>186</sup>

The department advised the Committee that a national report has been commissioned under the Commonwealth-State and Territory Disability Agreement that will contain comparative information from each jurisdiction, and was scheduled to be available by mid 2004.<sup>187</sup> The Committee was advised by the Australian Institute of Health and Welfare that the report on *Disability Support Services 2002-03: National data on services provided under the Commonwealth-State/Territory Disability Agreement* is scheduled for release in November 2004.<sup>188</sup>

The Committee encourages the department to continue to revise its performance measures to ensure that where appropriate, performance measures developed by these benchmarking exercises are included in the Budget Papers.

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<sup>183</sup> *ibid.*, pp.93–107

<sup>184</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.36–40

<sup>185</sup> *ibid.*, p.38

<sup>186</sup> *ibid.*

<sup>187</sup> *ibid.*

<sup>188</sup> Response provided by the Australian Institute of Health and Welfare's Media and Marketing Manager, 20 September 2004



#### 7.6.4 Key issues impacting on the portfolio

The department's response to the Committee's questionnaire and the estimates hearing with the Minister for Community Services identified the following key issues that will impact on the Community Services portfolio and its Budget Estimates for 2004-05:

##### (a) Disability services

The department informed the Committee that long-term sustainability of disability services requires greater investment in home and community based living options and family carers, to better match services to individual needs and prevent unnecessary dependence on out-of-home residential care.<sup>189</sup>

A key initiative in the 2004-05 Budget involves the provision of \$37 million over four years and \$10 million total estimated asset investment to plan for sustainable disability support services into the future, support people with a disability to live more independently in the community, and support carers.<sup>190</sup>

Other initiatives include:

- Kew residential services redevelopment - total estimated investment of \$86.5 million over three years for housing and redevelopment of the current site (\$51.2 million in 2004-05), and \$42.3 million over four years to provide support and promote community inclusion for ex-residents (\$900,000 in 2004-05);<sup>191</sup> and
- a price index for the non-government sector introduced as part of the three year service agreements (\$40.5 million in 2004-05, \$289.7 million over five years) to ensure certainty of funding and alleviate administrative requirements allowing organisations, including those providing disability and community care services, to focus on improving services).<sup>192</sup> Under the new package, the Government will increase funding to community sector organisations by 6.9 per cent over the next three years (2.4 per cent, 2003-04; 2.25 per cent, 2004-05; 2.25 per cent, 2005-06).<sup>193</sup> The Committee was advised by the Minister that in line with clauses that cover exceptional circumstances, the indexation rate for 2004-05 was varied to 2.6 per cent to meet the cost of a safety net outcome determined by the Australian Industrial Relations Commission.<sup>194</sup>

<sup>189</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.9

<sup>190</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.14, 19-20

<sup>191</sup> *ibid.*, pp.20, 275, 276, 279

<sup>192</sup> *ibid.*, pp.275, 277

<sup>193</sup> [www.dhs.vic.gov.au](http://www.dhs.vic.gov.au) (fact sheet) doc

<sup>194</sup> Minister for Community Services' response to the Committee's follow-up questions, p.7

**(i) Home and community based living options – unmet demand**

In its *Report on the 2003-04 Budget Estimates*, the Committee expressed concern that the unmet demand for shared supported accommodation and access to HomeFirst services continued to rise, despite ongoing budget increases for Victorian Disability Services.<sup>195</sup>

The Victorian Council of Social Service (VCOSS) claims that according to the department's Service Needs Register figures released in April 2004, there were 1,161 people urgently awaiting shared supported accommodation in Victoria, an increase of 16.4 per cent over the situation in April 2002.<sup>196</sup> VCOSS also stated that:<sup>197</sup>

- the average waiting time for a shared supported accommodation position to become available was 146 weeks or nearly three years; and
- there were 3,193 people on the waiting list for shared supported accommodation of which approximately 530, or one in six, were cared for by parents aged 75 or more.

The 2004-05 Budget provides that shared supported accommodation will be extended to an additional 30 clients in 2004-05 at a cost of \$17.1 million, with a corresponding decrease in clients in training centres (as shown in the Congregate Care output) due to the Kew redevelopment.<sup>198</sup> Given the size of the waiting list, the Committee asked the Minister to explain the reason why there was not a commensurate increase in shared supported accommodation places relative to the additional expenditure to be incurred in 2004-05.<sup>199</sup> The Minister explained that, only looking at the urgent waiting list will not assist in understanding the wider developments implemented across the board other than just the expansion of shared supported accommodation places.<sup>200</sup> Actions contributing to the cost of \$17.1 million for 30 extra shared supported accommodation places included:<sup>201</sup>

- the relocation of 30 people from the Kew Residential Services redevelopment is at a high cost; and
- a general price adjustment for indexation accounted for \$8.2 million of the \$17.1 million increase.

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<sup>195</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, p.188

<sup>196</sup> VCOSS, *State Budget 2004-05 Disability Analysis*, 5 May 2004, p.5

<sup>197</sup> *ibid.*

<sup>198</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.95-96

<sup>199</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.16

<sup>200</sup> *ibid.*

<sup>201</sup> *ibid.* p.17

The Minister also explained that:<sup>202</sup>

- the department is trying to shift to more options and flexibility concerning accommodation places as an alternative to the more narrowly confined forms of accommodation involving community residential units and shared supported accommodation; and
- as part of the HomeFirst package, 100 people, who elect to move out of shared supported accommodation, will be situated in alternative housing options over the next two years. In turn, this movement will impact favourably on waiting times.

The Committee acknowledges the concept of flexible funding as part of the department's support and choice package in order for people with disabilities to live independently in the community. The Committee also recognises that the advent of residents in community residential units taking up other housing options over the next two years could free up shared support accommodation for some of those urgent cases recorded on the Service Needs Register. Nevertheless, the Committee is concerned the current measures employed by the department do not appear to be sufficiently directed at addressing the urgent needs of the growing number of people with a disability seeking shared supported accommodation.

The Committee recommends that:

**Recommendation 54:**

**The Department of Human Services:**

- (a) **in relation to people with disabilities, develop a strategy to specifically address the increasing backlog of unmet critical need for home and community based living options; and**
- (b) **give consideration to:**
  - (i) **creating incentives for a greater involvement by the non-government sector in service provision;**
  - (ii) **investigating innovative home living options to provide alternative housing; and**
  - (iii) **actively seeking further funding from the Commonwealth Government for residential disability care in order to alleviate waiting times.**

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<sup>202</sup> *ibid.*, pp.16–17

**Recommendation 55: The Department of Human Services:**

- (a) expand the performance measures in the Budget Papers that relate to accommodation support services provided to groups of clients in community based settings to reflect, not only the quantity of clients in shared supported accommodation, but also the wider choices and support provided under the accommodation umbrella; and**
- (b) give consideration to developing a performance measure linked to waiting times for urgent supported accommodation of a critical nature.**

**(ii) Disability Housing Trust**

The 2004-05 Budget included an output initiative to establish a Disability Housing Trust.<sup>203</sup> The Government has allocated \$3 million in 2004-05 (\$10 million over three years) to provide more sustainable and cost effective accommodation options for people with a disability.<sup>204</sup> Involving partnerships between not-for-profit non-government housing providers, local government and private investors, the trust is expected to deliver at least 100 new housing opportunities to people with a disability.<sup>205</sup>

At the estimates hearing, the Committee was interested to determine:

- the exact nature of the housing opportunities to be provided to people with a disability from the trust;
- the amount of funding required to enable the trust to provide 100 housing opportunities;
- the specific contributions to the trust to be provided by the non-government and private sectors;
- the purpose of the state funding, as it is shown as an output rather than an asset initiative over three years;
- how the return will be generated for the particular private sector investors; and
- whether the Government will underwrite that return.

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<sup>203</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.275

<sup>204</sup> *ibid.*, pp.275-276

<sup>205</sup> *ibid.*, p.276

The Minister explained that there will be many options other than the provision of a standard building, and the process will involve a collaborative effort with the Minister for Housing and housing associations and groups.<sup>206</sup> Detailed feasibility work was about to commence and it was not expected that the trust would be fully operational until the end of the next financial year.<sup>207</sup> The Committee was also informed that, apart from establishment costs, some of the Government funding may be used for capital in this year's budget, and next year's budget will disclose the apportionment of funds to capital over the next three years.<sup>208</sup> As such, most of the detail required by the Committee was not yet available.

Accordingly, the Committee recommends that:

**Recommendation 56:**

- (a) **The 2005-06 Budget Papers disclose summary details of the operations of the Disability Housing Trust, the apportionment to capital over the next three years and financial details concerning partnership arrangements between Government and the non-government and private sectors outlining funding allocations, obligations and returns on investment; and**
- (b) **The Department of Human Services' 2004-05 annual report disclose full particulars of the Disability Housing Trust, including, when fully operational, the effectiveness of the Disability Housing Trust in reducing the number of people with a disability recorded in the Service Needs Register as in urgent need of supported accommodation.**

**(iii) Companion card**

The introduction of the Companion Card program in November 2003, the first of its type in Australia, is a good example of a Government initiative to encourage the inclusion of people with a disability in community activities.<sup>209</sup> Funded through the Community Support Fund, card holders are entitled to take a companion to an event or venue.<sup>210</sup>

<sup>206</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.20

<sup>207</sup> *ibid.*

<sup>208</sup> *ibid.*, p.21

<sup>209</sup> Minister for Community Services' response to the Committee's follow-up questions, p.5

<sup>210</sup> *ibid.*

The Companion Card is a tool to assist organisations that charge an admission or participation fee to comply with existing anti-discrimination legislation.<sup>211</sup> The card is issued to people with a significant, permanent disability who require a companion for attendant care support in order to participate at most community activities and venues.<sup>212</sup> Participating organisations will issue the cardholder with a second ticket for their companion at no charge.<sup>213</sup>

As of 20 June 2004, the Minister informed the Committee that 5,500 Victorians held a Companion Card and over 300 venues and activities had joined the program.<sup>214</sup> They ranged from all Victorian Public Transport Services; the Australian Football League (including the finals); the Victoria and Moonee Valley Racing Clubs; the Australian Open Tennis Tournament; the Melbourne Commonwealth Games in 2006; Village, Hoyts, Regency and Nova cinemas; Festival Hall; the Royal Botanic Gardens; and the Melbourne Fringe Festival through to over 30 Local Councils and Shires.<sup>215</sup>

The Committee recommends that:

**Recommendation 57:**                      **With regard to the implementation of the Companion Card program for people with a disability, the Department of Human Services:**

- (a) encourage more organisations to become involved in the program e.g. across local government bodies and tourism organisations; and**
- (b) acknowledge the participation of those bodies involved in the program in its annual report.**

**(iv) Community Services Investment Fund**

The Budget Papers disclose that a price index, designed to guarantee future funding increases, was introduced as part of new three year service agreements with the non-government sector (the indexation rate is explained in 7.6.4(a) of this report).<sup>216</sup> The new funding arrangements apply to non-government agencies providing disability, community care, preschool, palliative care, drug services and housing assistance.<sup>217</sup> As part of the 2004-05 allocation of \$40.5 million in relation to the price index for the non-government sector, funding has been provided to establish a Community Services

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<sup>211</sup> *ibid.*

<sup>212</sup> *ibid.*

<sup>213</sup> *ibid.*

<sup>214</sup> *ibid.*

<sup>215</sup> *ibid.*, pp.5-6

<sup>216</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.277

<sup>217</sup> *ibid.*

Investment Fund to improve the capacity of non-government organisations to deliver programs for Victoria's most vulnerable.<sup>218</sup>

The Minister advised \$7 million has been allocated to the Fund, which as previously stated extends beyond the Community Services portfolio.<sup>219</sup> Its terms of reference are to:<sup>220</sup>

- fund sector-specific improvements or innovations that can be applied across the sector;
- support initiatives that enhance a capacity and sustainability of the sector; and
- support workforce development, particularly in relation to recruitment and retention.

The Committee considers that the department needs to be accountable as to how this funding is spent.

The Committee recommends that:

**Recommendation 58:**                    **To enable effective monitoring of expenditure from the Community Services Investment Fund, information concerning the activities of the Fund be disclosed in the annual report of the Department of Human Services.**

**(b)            *Community care services***

**(i)            *Child protection and placement***

**Background**

In its review of the budget estimates for 2003-04, the Committee welcomed the Government's initiatives to strengthen early intervention and prevention programs.<sup>221</sup> The Committee stressed the importance for the department to closely monitor and evaluate the effectiveness and impact of these initiatives on meeting legislative requirements, as well as re-notification rates to child protection services.<sup>222</sup>

<sup>218</sup> *ibid.*, pp.275, 277

<sup>219</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.25

<sup>220</sup> *ibid.*

<sup>221</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, p.193

<sup>222</sup> *ibid.*, pp. 193-194

## 2004-05 funding initiatives

The Committee was informed by the Minister that the 2004-05 Budget continues to roll out the integrated strategy on child protection with a range of new services to reform that system, in particular through new diversion and prevention services, which are to be piloted in 12 rural and regional areas and in Indigenous communities.<sup>223</sup> With a focus on the most vulnerable children, the Minister advised that new funds have been provided in the 2004-05 Budget to boost foster care payments, together with a strengthening of early year services.<sup>224</sup> The Committee noted a key strategy in the 2004-05 Budget involves the provision of \$177 million over four years and \$20 million total estimated asset investment in protecting and caring for vulnerable children and boosting children's health.<sup>225</sup> This strategy is designed to build on achievements in the 2003-04 Children First Strategy.<sup>226</sup> The budget for this strategy supports various portfolios including: Community Services, Health, Education and Aboriginal Affairs.<sup>227</sup> Output initiatives, which relate primarily to the Community Services portfolio, account for approximately \$59.1 million, or one third, of the total budget for this strategy and include:

- child protection (\$24.6 million over four years, \$4.9 million in 2004-05);<sup>228</sup>
- supporting foster carers (\$20.7 million over four years, \$5 million in 2004-05);<sup>229</sup> and
- indigenous families (\$10.2 million over four years, \$1.8 million in 2004-05).<sup>230</sup>

Half of the asset initiative relates to the renewal of residential facilities that provide placement and support for children in care (total estimated investment of \$10 million over three years, \$3 million in 2004-05).<sup>231</sup>

The Committee recommends that:

**Recommendation 59:                    The Department of Human Services continue to monitor, and evaluate after 12 months operation, the effectiveness of key funding initiatives announced in the 2004-05 Budget dealing with child protection and placement.**

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<sup>223</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.2

<sup>224</sup> *ibid.*

<sup>225</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.13, 20-23

<sup>226</sup> *ibid.*, p.21

<sup>227</sup> *ibid.*, pp.275, 277-279

<sup>228</sup> *ibid.*, p.21, 275, 277

<sup>229</sup> *ibid.*, p.21, 275, 279

<sup>230</sup> *ibid.*, p.21, 275, 278

<sup>231</sup> *ibid.*, pp.280, 284



## Notifications of children at risk

In terms of analysing the trends in notifications of children at risk, the Committee was pleased to see that the situation in Victoria compares favourably to the rest of Australia. Information presented to the Committee by the Minister revealed that over the last five years from 1999 to 2003, notifications have risen for the rest of Australia by 128.5 per cent compared to only 2.3 per cent in Victoria.<sup>232</sup> For this same period, substantiations for the remainder of Australia rose by 90.7 per cent, whereas the situation in Victoria for this key indicator actually showed a reduction of one per cent.<sup>233</sup> The Committee was also reassured to learn that initial research conducted by the department shows that the Family Support Innovation Projects, funded in last year's budget as part of the Integrated Child Protection Strategy, were working effectively. The Minister advised the Committee that, on average, there has been a 7.5 per cent drop in child abuse notifications across the project areas.<sup>234</sup> Based on the apparent success of the Family Innovation Support Projects, the 2004-05 Budget Papers record a new target of 36,900 notifications in 2004-05, representing a reduction of 500 notifications from the expected outcome of 37,400 for 2003-04.<sup>235</sup>

The Committee acknowledges that the drop in child abuse notifications is an encouraging development. Nevertheless, an expectation of 36,900 child abuse notifications in Victoria in 2004-05 highlights an ongoing, very serious community problem, which continues to place Victoria's child protection system under pressure.

## Timeliness of investigations into notifications of suspected child abuse

The Minister advised that, in relation to 2003-04, 81.3 per cent of investigations commenced within 14 calendar days of notification,<sup>236</sup> compared to the target of 90 per cent.<sup>237</sup> Although the target was not achieved, the Committee notes that the 2003-04 result was a major improvement from 2002-03, whereby only 72.8 per cent of notifications were investigated within 14 days.<sup>238</sup>

In responding to the reasons why the target was not met, the Minister advised that over recent years there has been a significant increase in notifications concerning emotional abuse and neglect, many of which relate to clients that have been previously investigated.<sup>239</sup> As a result, the Minister indicated to the Committee that:<sup>240</sup>

<sup>232</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.2

<sup>233</sup> *ibid.*, slide number 5

<sup>234</sup> *ibid.*, slide number 4

<sup>235</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.98

<sup>236</sup> Minister for Community Services' response to the Committee's follow-up questions, p.10

<sup>237</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.98

<sup>238</sup> Minister for Community Services' response to the Committee's follow-up questions, p.10

<sup>239</sup> *ibid.*, p.9

<sup>240</sup> *ibid.*, pp.9-10

*Regional Child Protection intake teams now spend substantially more time on information gathering, prior to making a decision on whether a direct investigation is required. Information gathering involves contacting key organisations involved with the family such as schools and maternal and child health services. While this often assists in linking many families to other services such as family support, rather than a child protection response, it has also produced performance compliance issues with regard to the 14 day performance measure.*

To address this issue, the Committee acknowledges that a number of strategies have been established by the department. These strategies include the Breakthrough Collaborative Initiative that is specifically designed to address the 14 day performance measure.<sup>241</sup> This initiative involves the establishment of regional teams to examine performance, identification of factors influencing performance, implementation of appropriate strategies and review of performance on an ongoing basis.<sup>242</sup>

The Committee acknowledges the efforts of the department in relation to the 14 day performance measure and appreciates the benefits to be derived from the strategies employed by the department, prior to making the decision on whether a direct investigation is required. The Committee supports the efforts of the department to examine performance in this challenging area of its activities.

The Committee recommends that:

**Recommendation 60:**                    **The Department of Human Services keep under review the risk factors and outcomes of those cases where investigations into child protection services have not commenced within 14 calendar days of notification and were subsequently substantiated.**

***(ii) Deaths of children under protection***

Endorsing the Government's focus on early intervention and prevention and strengthening family and community support to minimise the number of deaths of children known to the child protection system, the Committee gave a commitment last year to review the effectiveness of new initiatives during the 2004-05 estimates hearing process.<sup>243</sup>

In discussing this issue with the Minister, the Committee noted that:<sup>244</sup>

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<sup>241</sup> *ibid.*, p.10

<sup>242</sup> *ibid.*

<sup>243</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, p.196

<sup>244</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, pp.5-6

- there was no apparent pattern in the number of child deaths, which fluctuated in each of the past four years (25 in the year 2000, 12 in 2001, 32 in 2002 and 12 in 2003);
- all cases are investigated by the department to assess its own case practice and, secondly, by a fully independent judicial inquiry undertaken by the Coroner's Court; and
- each case is reported publicly.

*The Victorian Child Death Review Committee's Annual Report of Inquiries into Child Deaths – Child Protection 2004*, in providing information on children known to the Child Protection Service who died in 2003, revealed that:

- there appears to be no way to explain the sharp increase in deaths in 2002 and the equally sharp decrease in 2003;<sup>245</sup>
- it is not possible to infer that had a different service response been made, the tragedy of a child's death would have been averted;<sup>246</sup>
- for some cases, there has been premature case closure and inadequate interagency communication, planning and collaboration;<sup>247</sup> and
- the Committee would have liked to see greater capacity within the service system to deal with complex and chronic problems exhibited by many adolescents (13-18 years) who have had a long-standing involvement with the department.<sup>248</sup>

Notwithstanding that the number of child deaths will fluctuate from one year to the next, every effort needs to be made to address the criticisms contained in the *Victorian Child Death Review Committee's Annual Report of Inquiries into Child Deaths Child Protection 2004*, particularly in relation to practice matters such as premature closure of cases. By doing so, and with the implementation of the Government's priorities that focus on early intervention and prevention as well as on strengthening family and community support services, the Committee believes that these measures could have a positive influence on minimising child deaths in future.

<sup>245</sup> Victorian Child Death Review Committee, *Annual Report of Inquiries into Child Deaths – Child Protection 2004*, May 2004, p.iii

<sup>246</sup> *ibid.*, p.iv

<sup>247</sup> *ibid.*, pp.iv, xviii, 47-48, 64

<sup>248</sup> *ibid.*, p.v

The Committee recommends that:

**Recommendation 61:**            **The Department of Human Services take steps to address the recommendations contained in the Victorian Child Death Review Committee's *Annual Report of Inquiries into Child Deaths, Child Protection 2004.***

**(iii) *Managing young people in care***

The Committee was interested to gain an understanding of the protocols to be followed when the Minister, the department or the carer becomes aware that teenagers in the care of the state are regularly engaged in antisocial or high risk taking behaviour. The Minister brought to the Committee's attention two recent initiatives directed at those children with disturbing and very challenging behaviours, namely:<sup>249</sup>

- the Take Two Intensive Therapeutic Intervention Service, established in January 2004, to provide children with support and treatment; and
- the extension of the Adolescent Mediation Service, which endeavours to work intensively with children and their families before their relationships break down.

The capacity to admit young people into a facility known as the department's secure welfare facility was also cited by the department as a means of managing those children at severe risk to themselves.<sup>250</sup> In describing the operation of this facility to the Committee, the following features were outlined at the estimates hearing:<sup>251</sup>

- judgements as to who should have access to the secure welfare system are made by either the child protection manager or the community care manager in the relevant region;
- it is a secure facility so children are not permitted to leave;
- many have experienced prior periods in secure welfare;
- while only permitted to be there for relatively short periods of time of up to six weeks, many are located there for at least three weeks; and
- during this period, children undergo an intensive work program involving drug treatment services and mental health services, which is continued when they return to the placement that is deemed most appropriate.

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<sup>249</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.9

<sup>250</sup> Ms. G. Callister, Executive Director, Community Care, Department of Human Services, transcript of evidence, p.10

<sup>251</sup> *ibid.*

The department has also developed a number of protocols for dealing with high risk situations.<sup>252</sup> Relevant standards and guidelines brought to the attention of the Committee comprised the following:<sup>253</sup>

- *DHS Management Response to Inhalant Use*, February 2003;
- *Residential Care Services – Substance Abuse Guidelines*, February 2003;
- *Minimum Standards and Outcome Objectives for Residential Care Services*, February 2002; and
- *Minimum Standards and Outcome Objectives for Home-Based Care Services*, November 2003.

According to the Minister, these documents are reviewed on an ongoing basis.<sup>254</sup>

The Committee recognises that these recent initiatives are in early stages of implementation. In the interests of those children in state care who, according to the Minister, have suffered many years of abuse and neglect,<sup>255</sup> it will be important that an ongoing monitoring regime is continued by the department. This evaluative framework should measure the effectiveness of initiatives designed to manage those children with disturbing and very challenging behaviours.

The Committee recommends that:

**Recommendation 62:**                    **The Department of Human Services continuously monitor the evaluative framework to measure the effectiveness of initiatives designed to support those children in care with disturbing and very challenging behaviours.**

#### **(iv) Measuring the impact of gambling**

The Committee notes that the Budget Papers indicate that the output group Family and Community Support contributes to one of the Government's key outcomes, namely: Building cohesive communities and reducing inequalities.<sup>256</sup>

The Committee noted that the Community Support Services output, which is part of this output group delivers problem gambling services to the community.<sup>257</sup>

<sup>252</sup> Minister for Community Services' response to the Committee's follow-up questions, p.4

<sup>253</sup> *ibid.*

<sup>254</sup> *ibid.*

<sup>255</sup> Hon. S. Garbutt, MP, Minister for Community Services, transcript of evidence, 21 May 2004, p.9

<sup>256</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.104

<sup>257</sup> *ibid.*

Despite this link, the Committee understands that there are no performance indicators to measure the effect of gaming on communities and to assess the extent of gambling problems across different socio-economic groups.

The Minister for Gaming acknowledged the importance of performance indicators to assess each department's performance in service delivery and to provide clear lines of accountability.<sup>258</sup> However, the Minister also highlighted the difficulty in obtaining detailed information on the impact of gambling on the community.<sup>259</sup> It was stressed that it is difficult to isolate the impact of gambling alone on people's behaviour as other factors can contribute to adverse outcomes.<sup>260</sup> The Minister also advised the Committee that it is equally difficult to measure the benefits received by the majority of gamblers, who enjoy their activity and gamble responsibly.<sup>261</sup>

While acknowledging the difficulties in assessing the affect of gaming on communities, the Committee believes that the development of performance indicators to measure these affects and to report changes over time is important. The Committee considers that developing such indicators could be a project for a research body, such as the Gambling Research Panel or the recently announced ministerial advisory committee on research into problem gambling.<sup>262</sup>

The Committee recommends that:

**Recommendation 63:**                      **The Department of Human Services develop performance indicators to measure the affect of problem gambling on communities and to assess the extent of the gambling burden across different socio-economic groups and include this information in its annual report.**

## 7.7      Aged Care portfolio

Funding allocated to aged care services in the 2004-05 Budget includes funding from the Commonwealth Government, which has primary responsibility for funding and regulation of residential aged care services. In 2004-05, almost \$212.9 million was provided for programs either wholly or partly funded by the Commonwealth Government.<sup>263</sup>

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<sup>258</sup> Hon. J. Pandazopoulos, MP, Minister for Gaming's response to the Committee's follow-up questions, p.9

<sup>259</sup> *ibid.*

<sup>260</sup> *ibid.*

<sup>261</sup> *ibid.*

<sup>262</sup> Hon. J. Pandazopoulos, MP, Minister for Gaming and Hon. S. Garbutt, MP, Minister for Community Services, media release, *\$26.7 million and a new focus for responsible gambling*, 14 October 2004

<sup>263</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.142

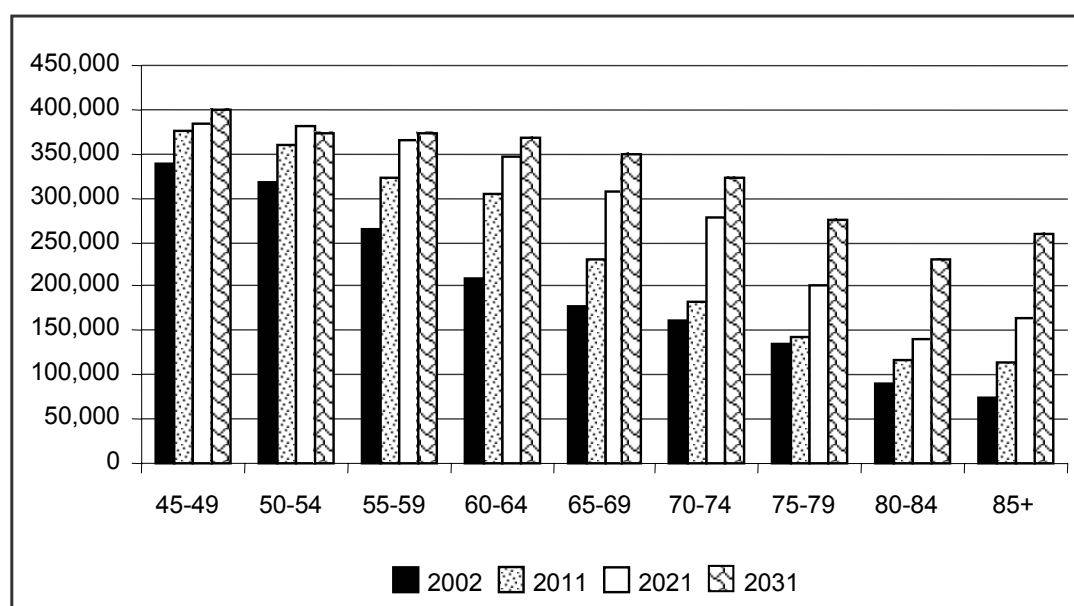
The State Government directly provides a significant share of residential aged care services in Victoria. A number of aged care services are delivered by a range of non-government agencies operating under service agreements with the Department of Human Services.

### 7.7.1 2004-05 outlook for the portfolio

At the estimates hearing the Minister outlined three significant factors influencing the Aged Care portfolio budget:<sup>264</sup>

- the changing age profile of the Victorian population, which will result in a sustained increase in the demand for aged care services (see exhibit 7.18);
- Commonwealth expenditure on aged care services per older person is lower in Victoria than other Australian jurisdictions; and
- the shortage of aged care beds in Victoria compared to Commonwealth benchmarks.

**Exhibit 7.18: Victoria's changing age profile, 2001-2031**



Source: Australian Bureau of Statistics, *Projections of population by age: Victoria*, ABS Cat. No. 3222.0, September 2003, Table B2

The Committee noted that two priority areas for the Aged Care portfolio in 2004-05 are the continuation of rebuilding and upgrading of residential aged care facilities and the development of a positive ageing strategy.<sup>265</sup>

<sup>264</sup> Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.2

<sup>265</sup> *ibid.*, p.3

The 2004-05 Budget included output initiatives relating to the Aged Care portfolio costing \$1 million in 2004-05 (\$5.1 million over four years), which is directed to the implementation of the Positive Ageing Strategy.<sup>266</sup> The strategy seeks to encourage positive ageing behaviour, change community and workplace attitudes and encourage community participation by older Victorians.<sup>267</sup>

Asset initiatives included in the 2004-05 Budget relating to the Aged Care portfolio were mainly directed to the redevelopment or upgrading of aged care facilities and had a total estimated investment (TEI) of around \$108.5 million.<sup>268</sup> The major asset initiatives include:

- redevelopment of aged care facilities at the Colac Hospital (\$500,000 in 2004-05, TEI \$14 million);
- completion of the remaining fire safety and associated upgrades on metropolitan acute, aged care and mental health services premises to meet fire safety requirements (\$5.5 million in 2004-05, TEI \$9 million);
- completion of the next stage of the 108 bed redevelopment of the Grace McKellar Centre (\$8 million in 2004-05, TEI \$50 million);
- establishment of a new 30 bed residential aged care facility at the Seymour District Memorial Hospital (\$1.5 million in 2004-05, TEI \$5 million);
- continuation of the ongoing investment towards upgrading and replacing key infrastructure facilities within hospitals and aged care facilities (\$20 million in 2004-05); and
- construction at Yarrawonga District Health Service of a new 30 bed high care, aged residential unit and commencement of a staged redevelopment of the acute services building (\$4 million in 2004-05, TEI \$10.5 million).

These aged care asset initiatives are in addition to projects currently underway that were initiated in previous budgets with a total estimated investment of more than \$114.5 million, with \$32.4 million of the remaining \$39 million expected to be spent in 2004-05.<sup>269</sup>

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<sup>266</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.275–280

<sup>267</sup> *ibid.*, p.275–280

<sup>268</sup> *ibid.*, p.280

<sup>269</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.54–56; Budget Paper No. 2, *2003-04 Budget Statement*, p.217; Budget Paper No. 2, *2002-03 Budget Statement*, pp.183–185, Budget Paper No. 2, *2001-02 Budget Statement*, pp.244–46



### 7.7.2 Analysis of the budget

The 2004-05 Budget for the output group for which the Minister for Aged Care has responsibility is \$781.4 million (see exhibit 7.19).<sup>270</sup>

#### Exhibit 7.19: Aged Care Portfolio — Output costs

Output group	Outputs under the responsibility of the Minister for Aged Care	2004-05 Budget (\$ million)
Aged and Home Care	Positive Ageing	4.9
	Aged Care Assessment	25.6
	Aged Support Services	66.6
	Aged Residential Care	198.2
	Aged Care Service System Development and Resourcing	10.0
	HACC Primary Health, Community Care and Support	350.0
	HACC Service System Development and Resourcing	28.2
<b>Sub total</b>		<b>683.5</b>
Small Rural Services	Small Rural Services - Aged Care	78.8
	Small Rural Services - Home and Community Care	19.1
<b>Sub total</b>		<b>97.9</b>
<b>Total</b>		<b>781.4</b>

Source: Budget Paper No. 3, 2004-05 Service Delivery, pp.77–83

Although the Budget Papers did not provide comparative information for 2003-04 because of the formation of the Small Rural Services output group, the Committee noted that the funding for services that are part of the Aged Care portfolio outputs in 2004-05 was equivalent to an increase of \$41.4 million (5.6 per cent) from the expected outcome for 2003-04.<sup>271</sup>

### 7.7.3 Performance measures

The most significant change to performance measures relating to Aged Care outputs in the 2004-05 Budget was the creation of a new Small Rural Services output group covering outputs for acute health, aged care, home and community care and primary health.<sup>272</sup> The Department of Human Services advised the Committee that the Small Rural Services output group was introduced to:

<sup>270</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.77–79, 82–83

<sup>271</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.8; Department of Human Services, *Victorian Budget 2004-05 Information Kit*, 4 May 2004, p.2

<sup>272</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.282–283

*reflect the Government's commitment to simplified, flexible funding and accountability, and a focus on responding to the local needs of small rural towns to improve health outcomes.*<sup>273</sup>

The two outputs for which the Minister for Aged Care has responsibility in the Small Rural Services output group – Small Rural Services (Aged Care) and Small Rural Services (Home and Community Care) – largely contain performance measures of a quantitative nature.<sup>274</sup>

The Committee is concerned that there are few performance measures relating to the quality or timeliness of aged care services in Small Rural Towns. The Committee believes that it is important that performance measures provide a balanced assessment of the effectiveness with which services are provided, to enable the Parliament and the community to determine whether the Government's desired outcomes for the new outputs in the Small Rural Services output group are being achieved.

The Committee recommends that:

**Recommendation 64:**                    **The Department of Human Services review the performance measures for the Small Rural Services output group to ensure that they provide a more balanced assessment of service delivery, including quality and timeliness of aged care services in small rural towns.**

The Small Rural Services output group includes a number of quantity measures that are defined as 'Rural service units'.<sup>275</sup> There are several other instances of performance measures for which the Department of Human Services has responsibility which are defined in terms of a 'service unit' (including the Aged Support Services, Dental Services and Community Health Care outputs).<sup>276</sup>

The Committee was interested to learn more about how service units (including 'rural service units' in the Small Rural Services output group) are defined and what the implications are for accountability. The Committee noted that the use of 'service units' as a quantity measure for Department of Human Services output measures in the Budget Papers commenced in 1999-2000,<sup>277</sup> although a similar concept (Weighted Inlier Equivalent Separations) was used earlier to measure patient stays in hospital.<sup>278</sup>

The department advised the Committee that the concept of units of service delivery is to give funded agencies and DHS the ability to move funding across different service

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<sup>273</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.69

<sup>274</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.82-83

<sup>275</sup> *ibid.*

<sup>276</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.69-110

<sup>277</sup> Budget Paper No. 3, *1999-00 Budget Estimates*, p.17

<sup>278</sup> *ibid.*; Budget Paper No. 3, *1998-99 Budget Estimates*, p.103

types while not compromising accountability.<sup>279</sup> The level of service delivery at a local or DHS level can be monitored across very different service types.<sup>280</sup> The Committee noted that the common unit of service delivery also gives the department a unit for comparison when comparing services that are vastly different (see exhibit 7.20). For example, an hour of physiotherapy cannot be compared to an hour of group health promotion unless both are converted to a common unit (in this example, one hour of health promotion is equivalent to four hours of physiotherapy).<sup>281</sup>

### Exhibit 7.20: Example of the calculation of service units

**Agency X** is funded to deliver 140 hours of allied health (home and centre based) to clients. An hour of this service is worth \$71.77. Therefore:

$$140 \text{ hours} \times \$71.77 = \$10,048 \text{ of funding}$$

The \$10,048 is divided by the value of a community service unit (CSU) (\$55.19) to get the equivalent number of CSUs to be delivered. Therefore:

$$\$10,048 / \$55.19 = 182 \text{ CSUs to be delivered}$$

**Agency Y** is funded to deliver 1012 hours of Planned Activity Group. An hour of this service is worth \$9.93 per person hour. Therefore:

$$1012 \text{ hours} \times \$9.93 = \$10,049 \text{ of funding}$$

The \$10,049 is divided by the value of a CSU (\$55.19) to get the equivalent number of CSUs to be delivered. Therefore:

$$\$10,049 / \$55.19 = 182 \text{ CSUs to be delivered}$$

In these two examples, agencies are delivering different services in different settings (individual versus group) and yet may be benchmarked according to the delivery of the same number of CSUs.

*Source: Minister for Health's response to the Committee's follow-up questions, p.8*

The above example records that the volume of service units applicable to a specific type of health service delivered is calculated by dividing the cost of providing an agreed number of hours of service delivery by the cost of a service unit. While the Committee accepts that the use of service units as a performance measure is a common practice in the health sector, their usage can provide potentially misleading results.

For example, if the cost of providing service delivery increases due to factors such as wage rises, and there is not an equivalent increase in the nominal value of service units, dividing the cost of delivery by the value of a service unit would indicate that an increased number of service units were delivered. In reality, the number of hours of service delivery/clients serviced may be stable or even declining.

<sup>279</sup> Minister for Health's response to the Committee's follow-up questions, pp.7–8

<sup>280</sup> *ibid.*

<sup>281</sup> *ibid.*

The Committee considers that if the Department of Human Services continues to use service units as a quantity measure in the Budget Papers, then this information needs to be supplemented by other information such as the hours of service provided, numbers of clients and the quantity of services provided in order to present a more balanced performance assessment.

Accordingly, the Committee recommends:

**Recommendation 65:**                    **The Department of Human Services include additional performance information alongside existing measures in the Budget Papers and in its annual report to supplement the use of ‘service units’ to allow for a more comprehensive assessment of the quantity and quality of service delivery.**

#### **7.7.4    Key issues impacting on the portfolio**

The department’s response to the Committee’s questionnaire and the estimates hearing identified three issues that will impact on the portfolio and its Budget Estimates for 2004-05.

##### **(a)            Home and Community Care funding arrangements**

The Home and Community Care (HACC) program is Victoria’s principal source of funding for services that support frail aged people and people with disabilities that live at home. The program is designed to support people whose capacity for independent living is at risk, or who are at risk of premature or inappropriate admission to long-term residential care.<sup>282</sup>

The Committee notes that funding for the HACC program is drawn from a number of sources including the Commonwealth Government, a State Government contribution that matches 40 per cent of the Commonwealth Government contribution, an additional State Government contribution that is in addition to the matching component, local government and user fees.<sup>283</sup>

The Budget Papers do not include contributions from local government and user fees, which were estimated by the Auditor-General to have added an additional \$48 million and \$30.4 million respectively to the overall funding of \$395.4 million for HACC

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<sup>282</sup> Minister for Aged Care’s response to the Committee’s follow-up questions, p.4

<sup>283</sup> *Auditor-General Victoria, Delivery of home and community care services by local government*, May 2004, p.18

services in 2002-03.<sup>284</sup> The following discussion does not include amounts provided by local governments and user fees for HACC services in Victoria.

The Committee noted that the Commonwealth Government's offer of funding for the Victorian HACC program in 2004-05 was \$201.242 million, with a required State Government matching component of \$134.384 million.<sup>285</sup> The unmatched State Government contribution to the HACC program in 2004-05 is expected to be \$61.674 million.<sup>286</sup> Overall, the total share of State Government funding is 49.3 per cent of the cost of HACC outputs in the budget of \$397.3 million. This compares to the State Government's 40 per cent share of total matched funding under the agreement with the Commonwealth in 2004-05.<sup>287</sup> Contributions for HACC services over the past few years are outlined in exhibit 7.21.

**Exhibit 7.21: Funding for home and community care services, by source 2000-01 to 2004-05 (\$ million)**

	2000-01	2001-02	2002-03	2003-04	2004-05
Commonwealth matched	158	167	179	190	201
State matched	97	104	111	127	134
State unmatched	19	26	27	42	62
<b>Sub total (a)</b>	<b>274</b>	<b>297</b>	<b>317</b>	<b>359</b>	<b>397</b>
Local government	39	43	48	n/a	n/a
User fees	26	29	30	n/a	n/a
<b>Total</b>	<b>339</b>	<b>369</b>	<b>395</b>	<b>n/a</b>	<b>n/a</b>

Notes: (a) Included as part of the State Budget. Contributions from local government and users are not included as part of the Budget

n/a Not available

Sources: Minister for Aged Care's response to the Committee's follow-up questions, p.3; Auditor-General Victoria, *Delivery of home and community care services by local government*, May 2004, p.18; Department of Human Services, *Home and Community Care: Funding of services*, [www.health.vic.gov.au/hacc/hacc\\_victoria/funding.htm](http://www.health.vic.gov.au/hacc/hacc_victoria/funding.htm), accessed 8 September 2004

The Minister believes the Commonwealth Government's offer does not meet the expected demand growth on HACC services, with the indexation rate implicit in the Commonwealth's offer being 2.1 per cent, as compared to a growth in demand for services of 3.9 per cent.<sup>288</sup>

The Committee notes the additional funding provided by the State Government on top of its matching commitment under the HACC program. The Committee also notes that the allocation of unmatched funds focuses on addressing inter and intra regional

<sup>284</sup> *ibid.*

<sup>285</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.3

<sup>286</sup> *ibid.*; Budget Paper No. 3, *2004-05 Service Delivery*, pp.77-79, 83

<sup>287</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.3

<sup>288</sup> *ibid.*

disadvantage and relative pockets of disadvantage as well as improving access to services for members of culturally and linguistically diverse communities.<sup>289</sup>

The Minister advised the Committee that there was ongoing uncertainty over future funding for the HACC program.<sup>290</sup>

*One of the pressures that the Victorian Government and the Victorian community have to endure at this point of time is that the commonwealth has an intention to equalise funding across the nation. So many states on many occasions over the last decade have not met their matching requirement with the commonwealth, but Victoria has consistently been a state that has at least matched and, during the life of the Bracks Government, more than matched its funding allocation, and because now the equalisation formula is being applied to the quantum in the state of Victoria we are experiencing reduced growth rates compared to other states. It is significantly lower than our counterparts in New South Wales and Queensland as an example.*

The Committee noted that a Commonwealth Government review of the current HACC agreement and negotiation of a new agreement is expected to take place during 2004-05, with a new agreement underpinned by the principle of common arrangements across community care programs and aligning the HACC program with other programs in the service continuum.<sup>291</sup> The Committee believes the department needs to engage in discussions with the Commonwealth Government in an endeavour to ensure that the renegotiated HACC agreement recognises the growth in demand in Victoria for HACC services and the additional funding above matching requirements made by the State Government in recent years.

The Committee recommends that:

**Recommendation 66:**                    **The Victorian Government bring to the attention of the Commonwealth Government the need for a renegotiated Home and Community Care Agreement to recognise the growth in demand for these services in Victoria and the additional funding above matching requirements, made by the State Government in recent years.**

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<sup>289</sup> Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.4

<sup>290</sup> *ibid.*, p.3

<sup>291</sup> Department of Health and Ageing (Commonwealth), *A new strategy for Community Care: The way forward*, August 2004, p.43

**(b) Positive ageing strategy**

The 2004-05 Budget included funding relating to the implementation of a Positive Ageing Strategy (\$1 million in 2004-05, \$5.1 million over four years).<sup>292</sup> The Minister advised the Committee that:<sup>293</sup>

*The underlying rationale for the government to support the positive ageing agenda is to create a better understanding of that fact within the community and that we do not reduce it to negative stereotypes about ageing but see people as active participants with quality of life.*

The development of the Positive Ageing Strategy will be undertaken by the Office of Senior Victorians.<sup>294</sup> From 1 July 2004, the Office of Senior Victorians became part of the Department for Victorian Communities.<sup>295</sup> The Minister informed the Committee that this was not reflected in the Budget Papers due to timing factors.<sup>296</sup>

The Positive Ageing output (which in effect comprises the Office of Senior Victorians) will transfer to the Department for Victorian Communities and be incorporated into the People, Community, Building and Information Services output group as a stand-alone output.<sup>297</sup> The transfer involves \$4.9 million and 14 staff, with the Minister for Aged Care retaining responsibility for the output.<sup>298</sup>

The Committee welcomes the development of the Positive Ageing Strategy as a means of providing greater understanding of the needs of all seniors and encouraging seniors to have a greater participation in community life. The extent to which the strategy is successful in achieving these aims will need to be evaluated after implementation. The Committee believes the Department for Victorian Communities should develop at an early stage clearly defined performance measures to track progress against the objectives of the strategy.

The Committee recommends that:

**Recommendation 67:                   The Department for Victorian Communities develop clearly defined performance measures to track progress against the objectives of the Positive Ageing Strategy and report against these performance measures in its annual report.**

<sup>292</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.275–277

<sup>293</sup> Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.6

<sup>294</sup> Office of Senior Victorians, Positive Ageing, [www.seniors.vic.gov.au](http://www.seniors.vic.gov.au), accessed 21 October 2004

<sup>295</sup> Department of Human Services, *2004-05 Victorian Budget Information Kit*, 4 May 2004, p.29

<sup>296</sup> Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.7

<sup>297</sup> *ibid.*

<sup>298</sup> *ibid.*

**(c) Funding arrangements for aged care beds in Victoria**

The Committee noted that the estimated number of bed days in public hospitals in 2003-04 that were occupied by people waiting for placement in an aged care facility was 192,000,<sup>299</sup> at an estimated cost of up to \$140 million.<sup>300</sup>

Private for-profit and religious organisations are the main providers of residential care services in Victoria, providing 37.1 per cent and 22.4 per cent of places respectively as at June 2003.<sup>301</sup>

The State Government is also a significant provider of services, accounting for 15 per cent of residential places,<sup>302</sup> with the public sector providing up to 39 per cent of all places in rural Victoria.<sup>303</sup>

The Committee noted that the Victorian Government provides more than double the nationwide average of 6.7 per cent of places provided directly by State Governments.<sup>304</sup> However, the higher share of places provided directly by the State Government also imposes additional costs to the budget compared to other Australian jurisdictions. This is demonstrated by the \$108.5 million in capital funding provided in the 2004-05 Budget to upgrade existing Government owned aged care facilities.<sup>305</sup>

One of the major challenges faced by the Government is that Victoria has the lowest number of operational aged care beds (except for the ACT) per thousand persons (as at 30 June 2003) aged 70 plus (81.3 places) compared to the national average of 84.2.<sup>306</sup> Funding per capita for residential and community care in 2002-03 was \$2,863 or approximately \$166 below the national average of \$3,029.<sup>307</sup>

Although the recent Commonwealth budget included measures that appear to lead to an increase in the number of aged care places in Victoria (including the allocation of an additional 6,555 new aged care places over three years),<sup>308</sup> the Minister indicated that there are ongoing concerns over the long-term sustainability of aged care funding in Victoria.<sup>309</sup> The Minister stated that:<sup>310</sup>

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<sup>299</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.9

<sup>300</sup> *ibid.*, p.5

<sup>301</sup> Steering Committee for the Review of Government Service Provision, *Report on Government Services 2004*, Productivity Commission, Canberra, January 2004, table12A.4

<sup>302</sup> *ibid.*

<sup>303</sup> Department of Human Services, Submission to the Commonwealth Review of Pricing Arrangements in Residential Aged Care, April 2003, p.8

<sup>304</sup> Steering Committee for the Review of Government Service Provision, *Report on Government Services 2004*, Productivity Commission, Canberra, January 2004, table12A.4

<sup>305</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.279-284

<sup>306</sup> Steering Committee for the Review of Government Service Provision, *Report on Government Services 2004*, Productivity Commission, Canberra, January 2004, table12A.4., table 12A.10

<sup>307</sup> *ibid.*, table 12A.50 and 12A.52

<sup>308</sup> Hon. J. Bishop, MP, Minister for Ageing (Commonwealth), media release, *6,555 more aged care places for Victoria*, 28 May 2004

<sup>309</sup> Mr G. Jennings, MLC, Minister for Aged Care, transcript of evidence, 24 June 2004, p.12

<sup>310</sup> *ibid.*



*The other difficulty we have is the chronic problem of making sure there is a matching of the allocation of bed licences and their take-up rate. The capital issue is one of the reasons that is not happening. The appropriate allocation for access to capital continues to be a problem. In fact we have spent a lot of time trying to get the Commonwealth Government into a constructive mind-set about sustainable access to capital as being a long-term answer. The benchmarks that were altered in the Commonwealth budget see a reduction in the low-care component in years to come. That is not something that the Victorian Government is necessarily opposed to, because in fact it thought there should have been a higher emphasis on the high-care allocation, but in fact the announcement did not include a change in the high-care allocation.*

The Committee noted the Minister considered that a combination of factors contributed to difficulties in operationalising allocated aged care places in Victoria including accessing suitable land, raising capital, obtaining all relevant planning approvals and completing construction.<sup>311</sup>

This situation occurs despite the Department of Human Services advising the Committee that all aged care bed licences recently offered in Victoria by the Commonwealth Government would be taken up in the next few years.<sup>312</sup> This expectation was based on an assessment of the Approvals-in-Principle made by the Commonwealth, after the last Aged Care Approvals Round (ACAR), and the Commonwealth's consistent statement that the ACAR is always fully subscribed.<sup>313</sup>

The Minister indicated that delays in providing new aged care facilities other than those provided by the state were attributed to a range of factors including:<sup>314</sup>

- concerns as to the viability of investing in nursing homes under the current structural and financial arrangements set by the Commonwealth, particularly in regional areas in Victoria;
- licences granted are expected by the Commonwealth Government to result in aged care beds becoming available within two years as prescribed under the *Aged Care Act 1997* (Cth). However, licence holders often experience difficulty in constructing nursing homes within the two year timeframe for a range of reasons including acquisition of suitable land and obtaining the relevant planning approvals; and
- access to low-cost capital for infrastructure. This aspect can also create difficulty in servicing debt under current funding arrangements.

<sup>311</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.7

<sup>312</sup> *ibid.*

<sup>313</sup> *ibid.*

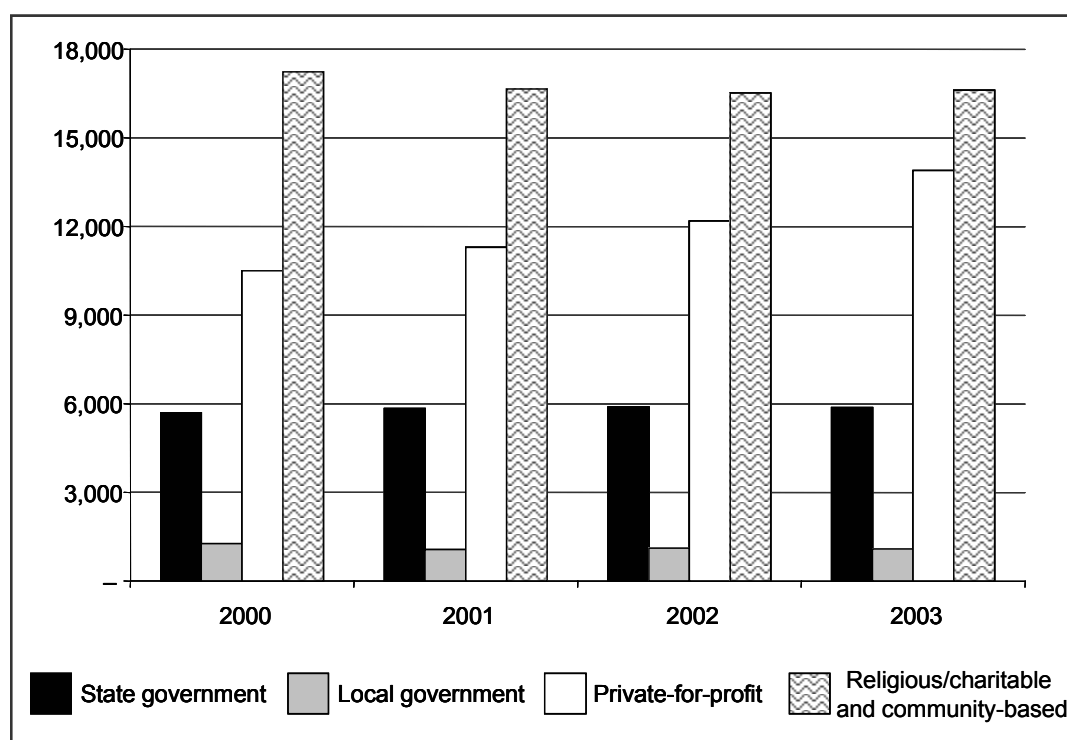
<sup>314</sup> *ibid.*

The Committee is aware that the two year period to operationalise licences can be extended if the applicant can justify an extension.<sup>315</sup> The Committee considers that where the construction of new nursing homes within the two year timeframe is delayed other than for legitimate reasons, action should be taken to revoke licences and provide opportunities for other parties to develop facilities.

The Minister advised the Committee that the most significant factor restricting the provision of aged care beds is the ability of nursing home operators to remain financially viable.<sup>316</sup>

Exhibit 7.22 illustrates changes in the numbers of aged care residential places provided by different sectors in Victoria over recent years.

**Exhibit 7.22: Total Victorian operational aged care places  
June 2000 to June 2003**



Sources: *Steering Committee for the Review of Government Service Provision, Report on Government Services 2004, Table 12A.4 and previous issues*

The Committee understands that a recent national review of pricing arrangements in residential aged care included a number of recommendations for the Commonwealth Government to strengthen financial viability of aged care service providers over the short and medium term. These included:<sup>317</sup>

<sup>315</sup> *Aged Care Act 1997 (Cth), Division 16*

<sup>316</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.7

<sup>317</sup> W. Hogan, *Review of pricing arrangements in residential aged care: Summary of the report*, February 2004, pp.31-58

- increasing the total amount available for the viability supplement for rural and remote services;
- a small targeted capital assistance program to assist those services experiencing exceptional circumstances be maintained; and
- consideration of increasing the concessional resident supplement (including annual indexation).

The Minister advised the Committee that the shortage of aged care beds in Victoria is not primarily due to insufficient licences being available, but to the environment which is required to encourage private investment in aged care facilities to address bed shortages, including funding arrangements by the Commonwealth.<sup>318</sup>

The Committee was pleased to learn that the Department of Human Services was working with RMIT University to undertake research into town planning processes which could result in earlier planning approvals and the availability of new aged care places, as well as the redevelopment of existing facilities.<sup>319</sup>

While recognising that future funding arrangements by the Commonwealth Government may not lead to improved financial viability for operators in the short to medium term, the Committee believes that the Department of Human Services should explore options to increase the number of places provided by the State Government or religious/charitable organisations. Assessment of these options should consider the annual cost of around \$140 million for nursing home type patients occupying acute care beds in public hospitals waiting for placement in an aged care facility.<sup>320</sup>

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<sup>318</sup> Minister for Aged Care's response to the Committee's follow-up questions, p.7

<sup>319</sup> *ibid.*

<sup>320</sup> *ibid.*, p.5

The Committee recommends that:

- Recommendation 68:**                    **Given the increased need and use of residential care for aged and frail people, the projected growth in that population and the considerable delay between approvals and building completion of aged care facilities, the Department of Human Services and the Victorian Property Group:**
- (a) assist with identifying and facilitating the sale of State Government sites that are suitable for residential aged care development;**
  - (b) encourage the building of aged care facilities that cater for high and lower levels of need and respite care for people with challenging behaviour;**
  - (c) collect data on the characteristics of the population choosing residential care, particularly related to choice of location, financial contribution and length of stay to assist with long-term planning for these facilities;**
  - (d) regularly review the status of licences allocated in Victoria and bring to the attention of the Commonwealth Department of Health and Ageing circumstances where there do not appear to be legitimate reasons for delays in the construction of new aged care facilities within the two year period; and**
  - (e) continue to make representations to the Commonwealth Government about the need for funding arrangements that will provide for on-going financial viability for existing and prospective aged care facility operators in Victoria.**

## 7.8 Housing portfolio

The principal agency delivering housing services is the Office of Housing, which is classified as a non budget sector entity. Only funds allocated to the Office of Housing from the budget sector are reported in the Budget Papers. In 2004-05, annual appropriation revenue from the Commonwealth and State Governments accounted for around 25.5 per cent and 22.5 per cent respectively of the Office of Housing's total revenue of \$816 million, with rent from tenants accounting for 52 per cent.<sup>321</sup> The State Government's contribution to public housing in 2004-05 over and above the matching requirements of the funding agreement with the Commonwealth, is estimated to be \$96.1 million.<sup>322</sup>

### 7.8.1 2004-05 outlook for the portfolio

The Minister advised the Committee that a key focus in 2004-05 continues to be major upgrades and improvements to the public housing stock, contributing not only to asset management objectives but also to the achievement of community building outcomes.<sup>323</sup>

The Committee noted that the Department of Human Services had developed an Asset Management Strategy to deal with reduced funding under the current Commonwealth State Housing Agreement which is based on the following five objectives:<sup>324</sup>

- ensure that all social housing stock is adequately maintained, at an appropriate level of amenity, and meeting proper standards of environmental sustainability;
- prioritise capital works to support place based improvement initiatives;
- maximise the levels of social housing stock, while re-profiling to better meet individual client needs in strategic locations;
- attract private sector funding to major capital works; and
- improve the quality of the asset management framework and business processes.

<sup>321</sup> Minister for Housing's response to the Committee's follow-up questionnaire, p.4

<sup>322</sup> Minister for Housing's response to the Committee's follow-up questionnaire, p.4; Ms C. Broad, MLC, Minister for Housing, Overheads presented to the Public Accounts and Estimates Committee, 18 June 2004, p.2

<sup>323</sup> Ms C. Broad, MLC, Minister for Housing, transcript of evidence, 18 June 2004, p.2

<sup>324</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.12

The 2004-05 Budget included output and asset initiatives relating to the Housing portfolio which will cost \$50 million in 2004-05.<sup>325</sup> The funding aims to allow further expansion and improvement to the stock of affordable long-term housing in Victoria through strategic partnerships with non-government housing providers and local government.<sup>326</sup>

The additional 2004-05 Budget allocation is over and above funding commitments in the Commonwealth State Housing Agreement and the \$70 million funding over four years announced in the 2003-04 Budget to expand the supply of affordable housing.<sup>327</sup>

The department advised the Committee that \$10 million allocated to the Affordable Housing Growth Strategy (part of an allocation of \$70 million over four years in the 2003-04 Budget)<sup>328</sup> will be carried forward to 2004-05.<sup>329</sup> The department expected a registration of intent process to identify potential non-government housing associations to be completed in July 2004.<sup>330</sup>

### 7.8.2 Analysis of the budget

The 2004-05 Budget for the output group for which the Minister for Housing has responsibility is \$357.2 million, an increase of \$51.7 million (16.9 per cent) from the expected outcome for 2003-04 (see exhibit 7.23).<sup>331</sup>

**Exhibit 7.23: Housing Portfolio Output costs**

Output group	Outputs under the responsibility of the Minister for Housing	2004-05 Budget (\$ million)
Housing Assistance	Homelessness Assistance	107.1
	Long Term Housing Assistance	250.1
	Home Ownership and Renovation Assistance	n/a
<b>Total</b>		<b>357.2</b>

Note: n/a not applicable. This output has been provided by the Office of Housing since 2002-03

Source: Budget Paper No. 3, 2004-05 Service Delivery, pp.108-110

<sup>325</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.275-280

<sup>326</sup> *ibid.*, p.275

<sup>327</sup> Department of Human Services, *Victorian Budget 2004-05 Information Kit*, 4 May 2004, p.32

<sup>328</sup> Budget Paper No. 2, 2003-04 Budget Statement, p. 209

<sup>329</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.24

<sup>330</sup> *ibid.*

<sup>331</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.108-110

The Department of Human Services advised the Committee that the rise in the cost of the Housing Assistance output group in 2004-05 was primarily due to new initiative funding for increasing Victoria's social housing stock and funding approved in last year's budget to support innovative social housing projects.<sup>332</sup>

The Home Ownership and Renovation Assistance output had been fully funded from Office of Housing internal revenue since 2002-03 and the cost had not been disclosed in the Budget Papers for subsequent years.<sup>333</sup> In its 2002-03 annual report, the Department of Human Services reported that the cost of the output was \$0, noting that the output was funded from the Office of Housing internal revenue.<sup>334</sup>

The Committee notes that while there are many outputs where funding is provided by a mix of appropriations and internally generated revenue, the Home Ownership and Renovation Assistance output is the only output included in the Budget Papers for which no cost is specified.<sup>335</sup>

The Department of Human Services advised the Committee that although the Home Ownership and Renovation Assistance output is fully funded from internal revenue, *'the output is shown in [the] Budget Papers in the interests of Budget accountability'*.<sup>336</sup>

The Committee questions how the department can differentiate between internally generated funds and appropriated funds in the case of the Home Ownership and Renovation Assistance output when, in a response to the Committee on how funds from different sources were applied to various purposes, the department stated that:<sup>337</sup>

*There is no direct link between the source of funds (appropriations and internal funds) and their application (ie where they are spent). Internal funds are applied to the operation of public and community housing.*

The Committee noted that the relatively small amounts appropriated to the output prior to 2002-03 exclude the vast majority of the funds involved, which were identified as coming from internal sources.<sup>338</sup> Costs provided by the department for 2002-03 onwards identify the entire operating costs (excluding loans granted) for the output (see exhibit 7.24).<sup>339</sup>

<sup>332</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.50

<sup>333</sup> Budget Paper No. 3, 2002-03 Budget Estimates, p.93; Budget Paper No. 3, 2003-04 Budget Estimates, p.102; Budget Paper No. 3, 2004-05 Service Delivery, p.110

<sup>334</sup> Department of Human Services, Annual Report 2002-03, p.62

<sup>335</sup> Budget Paper No. 3, 2004-05 Service Delivery, pp.54-258

<sup>336</sup> Minister for Housing's response to the Committee's follow-up questions, p.9

<sup>337</sup> *ibid.*, p.4

<sup>338</sup> *ibid.*, p.6

<sup>339</sup> *ibid.*

**Exhibit 7.24: Home Ownership and Renovation Assistance  
Output costs – 2000-01 to 2004-05**

	2000-01	2001-02	2002-03	2003-04	2004-05
Home Ownership and Renovation Assistance (\$ million)	(a) 0.4	(a) 0.2	10.7	10.5	10.6

Note: (a) Does not include internally generated revenue applied to the output

Sources: Budget Paper No. 3, 2003-04 Budget Estimates, p.102; Budget Paper No. 3, 2002-03 Budget Estimates, p.93; Minister for Housing's response to the Committee's follow-up questions, p.6

The Committee believes that the inclusion of the Home Ownership and Renovation Assistance output in the Budget Papers warrants more detailed disclosure of the costs associated with its delivery than is currently provided in both the Budget Papers and the Department of Human Services' annual report. The Committee believes that improved reporting can be achieved by including details relating to costs in notes provided to the output table in the Department of Human Services' annual report.

The Committee recommends that:

**Recommendation 69: The Department of Human Services disclose the costs associated with Home Ownership and Renovation Assistance output in its annual report.**

**7.8.3 Performance measures**

The Department of Human Services continued to refine performance measures in the 2004-05 Budget relating to the Housing portfolio output, with two quantity and one quality performance measures discontinued.<sup>340</sup> The expected outcome for each of the discontinued measures in 2003-04 was in line with expectations.<sup>341</sup>

The discontinued measure *Total SAAP periods during year* in the Homelessness Assistance output was replaced with two separate measures, *SAAP and Transitional Housing Management Information or referral occasions of service* and *SAAP support episodes*.<sup>342</sup> The department advised the Committee that the new measures provide an indication of the intensity of the assistance, as measured by the length of support.<sup>343</sup> The first measure counts the instances of 'one-off' assistance received by a client from a homelessness assistance agency, with duration of less than one day. The second measure counts the number of episodes of support where a client receives

<sup>340</sup> Budget Paper No. 3, 2004-05 Service Delivery, p.337

<sup>341</sup> *ibid.*

<sup>342</sup> *ibid.*, pp.108, 337; SAAP – Supported Accommodation Assistance Program

<sup>343</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.32



accommodation and/or associated support from a homelessness agency for a day or longer.<sup>344</sup>

The Minister informed the Committee that *'these amendments provide more transparency in the types of increases in homelessness services it wishes to monitor into the future'*.<sup>345</sup>

The new measure *Total crisis supported and transitional housing properties* in the Homelessness Assistance output replaced the discontinued measure *Additional crisis supported and transitional housing properties during year*.<sup>346</sup> The department advised the Committee that the new measure highlights the system's capacity and better reflects the policy position to expand long-term acquisitions while keeping the level of crisis/transitional properties relatively stable.<sup>347</sup> Although this is a new measure, the Committee noted that comparable data provided by the Department of Human Services revealed that the total crisis supported and transitional housing stock is expected to increase from 3,362 properties on 30 June 2003 to 3,740 in 2004-05.<sup>348</sup>

Two new quality measures in the Long Term Assistance output – *Number of dwellings with major upgrade during the year (excluding Neighbourhood Renewal upgrades)* and *Per cent of Neighbourhood Renewal projects that have achieved active resident participation in governance structures* – replace the measure *Number of dwellings with major upgrade during the year (including Neighbourhood Renewal Areas)*.<sup>349</sup> The department advised the Committee the inclusion of the first measure avoids double counting of major upgrades in Neighbourhood Renewal areas and the second measure reflects the emphasis on strengthening communities and consultation in Neighbourhood Renewal Areas.<sup>350</sup>

The Committee believes that the changes made to performance measures in the Housing Assistance output group are an improvement on the measures previously used. The Committee noted that performance targets for most of the performance measures in the output group remained largely unchanged compared to the previous year.<sup>351</sup>

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<sup>344</sup> *ibid.*, pp.32–33

<sup>345</sup> Ms C. Broad, MLC, Minister for Housing, transcript of evidence, 18 June 2004, p.2

<sup>346</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, p.33

<sup>347</sup> *ibid.*

<sup>348</sup> Minister for Housing's response to the Committee's follow-up questions, p.9; Budget Paper No. 3, *2004-05 Service Delivery*, p.108

<sup>349</sup> Department of Human Services response to the Committee's 2004-05 Budget Estimates questionnaire, pp.33–34

<sup>350</sup> *ibid.*

<sup>351</sup> Budget Paper No. 3, *2004-05 Service Delivery*, pp.108–110

#### **7.8.4 Key issues impacting on the portfolio**

The department's response to the Committee's questionnaire and the estimates hearing identified three issues that will impact on the portfolio and its Budget Estimates for 2004-05.

##### **(a) Office of Housing debt repayments**

In December 2003 the Premier announced that the Office of Housing would spend an additional \$40 million to buy and build 270 affordable homes for lower-income Victorians.<sup>352</sup> The funding was made available following a review of the Office of Housing's regular payments to Consolidated Revenue.<sup>353</sup>

The Department of Human Services advised the Committee that the Director of Housing is required to make payments to the Treasurer each year under a deed of assumption, whereby the Treasurer agreed to assume the borrowings of the Director of Housing. Payments are also made in respect of former Home Finance borrowings in the form of an interest free advance. Payment amounts are negotiated with the Treasurer each year.<sup>354</sup>

Payments to the Consolidated Fund by the Director of Housing arise from the transfer of debt from the Office of Housing to the Department of Treasury and Finance in 1997. The Auditor-General noted that at the time the department considered such action would enable the Director of Housing to concentrate wholly on its core business, that is, to maximise the availability of appropriate housing options for its clients and the management of its mortgage and rental assets in the most efficient manner.<sup>355</sup> In addition, the department considered that such action would remove the dual management of the state's debt by the Director of Housing and the Department of Treasury and Finance.<sup>356</sup>

The Committee noted that the debt subject to the proposed centralisation arrangements comprised borrowings associated with the Housing Rental Portfolio (\$1.1 billion of Commonwealth debt) and the Home Finance Portfolio (\$416 million of Commonwealth debt and \$457 million of indexed debt).<sup>357</sup>

The key features of the deed of assumption entered into between the Director of Housing, the Department of Treasury and Finance and the Treasury Corporation of

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<sup>352</sup> Hon. S. Bracks, Premier of Victoria, media release, *\$40M boost for affordable housing across Victoria*, 6 December 2003

<sup>353</sup> *ibid.*

<sup>354</sup> Minister for Housing's response to the Committee's follow-up questions, p.9

<sup>355</sup> Auditor-General Victoria, Auditor-General's *Report on the Victorian Government's Finances 1997-98*, November 1998, pp.139-140

<sup>356</sup> *ibid.*

<sup>357</sup> *ibid.*

Victoria in June 1998 (with an effective date of 1 July 1997) were noted by the Auditor-General as:<sup>358</sup>

- the Department of Treasury and Finance to assume the liabilities and obligations relating to payments previously made by the Director of Housing to the Treasury Corporation of Victoria in relation to the indexed debt, with this assumption to be treated by the Director of Housing as an interest free advance of \$457 million made by the Treasurer;
- the Department of Treasury and Finance to assume the liabilities and obligations associated with the repayment of debt under the Commonwealth State Housing Agreement and the Emerald Hill Agreement. Under the arrangements, the assumption of the Commonwealth debt which had a book value of \$1.1 billion was required to be treated by the Director of Housing as a capital grant made by the Treasurer, and the amount relating to the Housing Finance Portfolio was required to be regarded as an interest free advance by the Treasurer of \$416 million;
- the Director of Housing to make annual payments to the Treasurer, as determined by the Treasurer after consultation with the Director and Minister for Housing, with a value not exceeding amounts specified in the deed, representing the state's obligations to the Commonwealth associated with the parcel of the debt assumed by the Treasurer relating to the Commonwealth Agreements. These annual payments are to continue to the year 2042; and
- the Director of Housing to repay to the Treasurer the interest free advances totalling \$873 million from surpluses arising over future years from mortgage repayments within the Home Finance Portfolio.

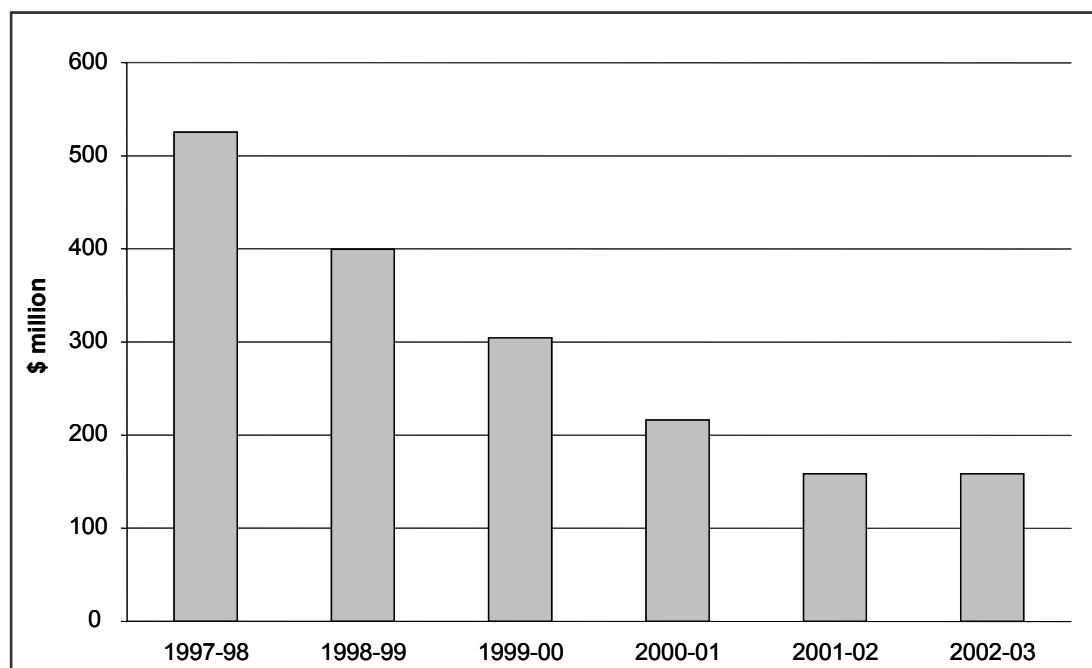
The Committee noted that several repayments made in 1997-98 left an outstanding balance of \$525 million of interest free advances owing to the Department of Treasury and Finance as at 30 June 1998.<sup>359</sup> The Office of Housing has made regular repayments to the Treasurer over the past few years, although the rate with which the advance is being repaid has slowed (see exhibit 7.25). The Committee noted that had payments continued at the same rate as over the period 1997-2001, the advance liabilities of the Office of Housing would have been largely extinguished by 2003-04.

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<sup>358</sup> *ibid.*

<sup>359</sup> *ibid.*, p.140

**Exhibit 7.25: Office of Housing outstanding debt liabilities, 1997-98 to 2002-03**



Source: Department of Human Services, *Summary of Housing Assistance Programs 2002-03, and previous years*

The Auditor-General indicated that the debt repayment arrangements had reduced the transparency associated with the net costs of providing housing rental and finance assistance.<sup>360</sup> Because the Office of Housing does not meet the interest cost of the debt, the current repayment arrangements can be likened to a dividend stream that is to be repaid to the Department of Treasury and Finance.

The Committee notes that while the advance to the Office of Housing is interest free, there is an overall cost to the State Budget to service the outstanding borrowings which are now held centrally by the Department of Treasury and Finance.

While the Committee welcomes additional funding of \$40 million over three years for public housing, it believes that the transparency of arrangements relating to the repayment of the advance by the Office of Housing can be strengthened. This improved transparency can be achieved by outlining a schedule of payments over future years, which would also have the benefit of improving the ability of the Office of Housing and community organisations to plan for longer-term public housing needs.

<sup>360</sup> *ibid.*, p.140

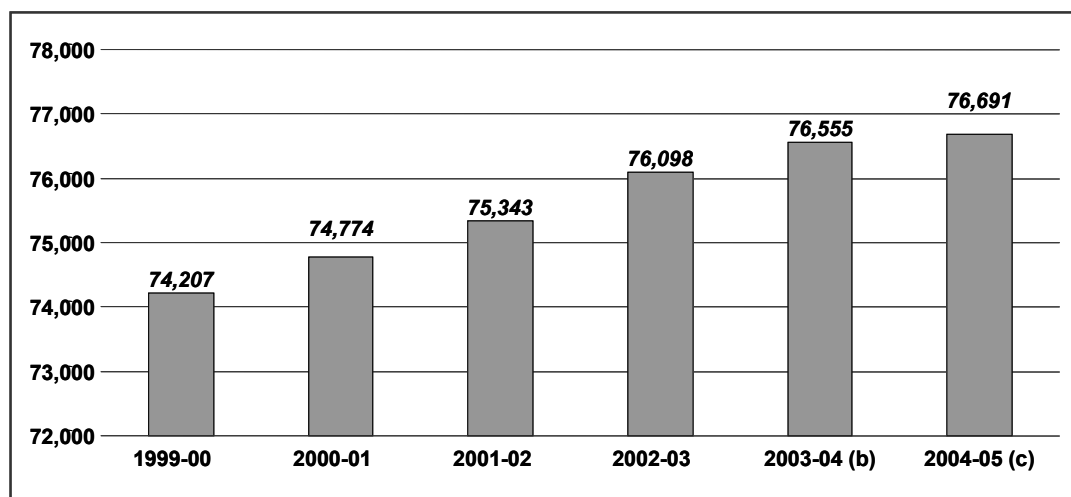
The Committee recommends that:

**Recommendation 70:**            **The Department of Treasury and Finance improve the transparency of arrangements relating to the repayment of advances by detailing a schedule of budgeted repayments by the Office of Housing over the period of the forward estimates.**

**(b)            *Capital expenditure on public housing***

The Committee noted that the Minister expected the total public housing stock (including community owned sector housing) to increase by 136 in 2004-05, representing a net increase of 2,484 dwellings since 1999-00 (see exhibit 7.26).

**Exhibit 7.26:    Office of Housing funded social housing stock (a)  
1999-00 to 2004-05**



Notes:    (a) *Total housing stock includes: Dwellings under the direct tenure public rental housing program; housing managed by the Aboriginal Housing Board of Victoria; community managed rental housing; leases under the general stock and transitional housing programs; and dwellings under the Community Owned Housing program*

(b) *Preliminary*

(c) *Estimate*

Source: *Minister for Housing's presentation to the Public Accounts and Estimates Committee, 18 June 2004, slide no. 7*

The Office of Housing receives funds from the Commonwealth and State Government and generates its own internal funds. These funds are allocated across operating, investing and financing activities. As previously stated, the department advised the

Committee that there is no direct link between the source of funds and their application.<sup>361</sup>

In 2003, the Minister stated that the Commonwealth Government had withdrawn funding of \$540 million from Victoria over the ten years to 2003.<sup>362</sup> The Committee noted that between June 1999 and June 2004 the list for early housing increased from 1,392 to 5,025<sup>363</sup> and over the same period Victoria received a total of \$121.46 million less in real terms than if funding had been maintained at 1999-2000 levels.<sup>364</sup>

In 2004-05, the Committee noted that the Office of Housing budgeted to receive \$816 million, up from an expected \$759.5 million in 2003-04. The share of the Office's funding contributed by the State Government was expected to increase from 15 per cent in 2003-04 to 22.5 per cent in 2004-05.<sup>365</sup>

The Committee noted that currently information about capital expenditure on public housing in the future is available from several sources. In the Budget Papers the number of units acquired each year is expressed in the performance measure *Properties acquired during year for long term housing, including leases and joint ventures*, although expenditure on acquisitions, being of a capital nature, is excluded from the cost of the Long Term Assistance output.<sup>366</sup>

Prior to the 2003-04 Budget, the value of capital expenditure provided through appropriations was included as a cost to the Long Term Housing Assistance output.<sup>367</sup> However, following a change in accounting treatment, the Government's contribution is now reported as contributed capital rather than output funding.<sup>368</sup>

Information relating to capital expenditure on multi-unit public housing developments is included in Budget Information Paper No. 1, which is released in September each year and details both capital expenditure and the number of units acquired.<sup>369</sup> At the estimates hearings the Committee was informed that this does not include individual houses purchased by the Office of Housing.<sup>370</sup>

Detailed information relating to the allocation of funds to different areas of capital expenditure (ie: excluding maintenance) by the Office of Housing is provided *ex-post* in the Department of Human Services' annual publication *Summary of Housing*

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<sup>361</sup> Minister for Housing's response to the Committee's follow-up questions, p.4

<sup>362</sup> Ms C. Broad, MLC, Minister for Housing, media release, *Victoria to sign new national housing agreement*, 23 May 2003

<sup>363</sup> Office of Housing, Waiting list information, June Quarter 2004 and previous issues

<sup>364</sup> Auditor-General Victoria, *Report of the Auditor-General on the Finances of the State of Victoria 2002-03*, November 2003, p.43

<sup>365</sup> Minister for Housing's response to the Committee's follow-up questions, p.4

<sup>366</sup> Budget Paper No. 3, *2004-05 Service Delivery*, p.109

<sup>367</sup> Budget Paper No. 3, *2003-04 Budget Estimates*, p.102

<sup>368</sup> *ibid.*

<sup>369</sup> Budget Information Paper No. 1, *2003-04 Public Sector Asset Investment Program*, pp.79-81

<sup>370</sup> Dr. O. Donald, Executive Director, Housing and community building, Department of Human Services, transcript of evidence, 18 June 2004, p.6

*Assistance Programs.*<sup>371</sup> Information for 2002-03 was published in March 2004 and revealed that expenditure on stock-related capital projects totalled around \$347 million, with around \$151 million directed to acquisitions and \$195 million directed to upgrades and improvements.<sup>372</sup>

In linking these various sources of information on capital expenditure on the public housing stock, the Committee noted that reconciliation between budgeted expenditure (as committed in the budget in May) is currently not available until 22 months later (in March of the year following the financial year covered by the budget period).

The Committee sought information at the estimates hearing on links between capital expenditure and the number of public housing units constructed or purchased. Information provided by the department revealed that the correlation between capital expenditure and the number of additions is not uniform over time and that movements in the total stock are also affected by the number of reductions from year-to-year (see exhibit 7.27).

The Committee noted that without making an adjustment for capital expenditure on upgrades and improvements included in the total capital spend on public housing, it is difficult to make a comparison over time on the average cost per acquisition. The department advised the Committee that annual expenditure on upgrades and improvements is in the order of \$150 million or more.<sup>373</sup>

Estimation of the average cost of acquisitions is also made difficult because of the different ways public housing is acquired (spot purchase, new construction, redevelopment, short-term leasing and community housing development) as well as changes in the mix of acquisitions from year to year (such as separate houses, medium density housing) and the geographical location of houses acquired.

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<sup>371</sup> Department of Human Services, *Summary of Housing Assistance Programs 2002-03*, March 2004, p.44

<sup>372</sup> *ibid.*

<sup>373</sup> Minister for Housing's response to the Committee's follow-up questions, p.5

**Exhibit 7.27: Capital expenditure and number of public housing stock additions 2000-01 to 2004-05**

Year	No. of additions (a)	Capital spend (\$ million) (b)
2000-01	1,605	340.9
2001-02	1,661	321.9
2002-03	1,613	348.1
2003-04	1,044	(c) 316.1
2004-05	709	(c) 332.8

Notes: (a) Additions includes public housing units acquired through spot purchases, new construction, redevelopment, short-term leases and properties acquired under joint ventures with community organisations

(b) Includes capital expenditure on purchases, upgrades and refurbishments

(c) Includes grant funding for capital purposes of \$32.8 million in 2003-04 and \$57.2 million in 2004-05

Source: Minister for Housing's response to the Committee's follow-up questions, p.5

The Committee intends to follow up the issue of the average cost of additions to the public housing stock as part of its *Report on the 2003-2004 Budget Outcomes*.

The Committee believes that the significant funding committed to public housing stock addition and upgrades in future years warrants a more consolidated reporting arrangement than is currently in place. Such a framework would more closely align intended and actual capital expenditure with additions to the public housing stock as well as separately detailing amounts directed towards improvements and upgrades.

The Committee believes that this could be achieved through more detailed reporting in the Department of Human Services' annual report (which is released up to six months before the annual summary of housing assistance programs) – outlining capital expenditure and acquisitions for the previous year as well as expected expenditure and acquisitions for future years over the forward estimates period.

The Committee recommends that:

**Recommendation 71:** **The Department of Human Services develop a detailed reporting framework for inclusion in its annual report that includes capital expenditure and public housing acquisitions for the previous financial year, as well as expected movements over the forward estimates period.**



**(c) Supported Accommodation Assistance Program**

At the estimates hearings the Committee noted concerns by the Minister that the Commonwealth Government was considering discontinuing funding to the states under the Supported Accommodation Assistance Program (SAAP).<sup>374</sup>

SAAP is a joint Commonwealth State funded program designed to provide assistance to people who are homeless, at risk of homelessness or escaping domestic violence. The current agreement with the Commonwealth expires on 30 June 2005.<sup>375</sup> At the estimates hearings, the Minister advised the Committee that:<sup>376</sup>

*With only a year to go before the agreement runs out, that is a major concern. I am certainly looking to the Commonwealth to not wait until the agreement runs out in June next year to indicate its stance but to clarify right now whether this option, which is canvassed, of discontinuing the SAAP arrangements is really on the table. If that can be clarified, that will be a great relief to the many community agencies out there who deliver these services on behalf of governments and all of the staff that they employ to provide these services to people.*

The Committee noted that demand and cost of providing SAAP services has increased in recent years and that there is also considerable unmet demand. For example, the number of SAAP support periods increased by 14.3 per cent between 1999-00 and 2002-03, with average funding per client rising by almost 25 per cent in real terms.<sup>377</sup> In terms of unmet demand, the Australian Institute of Health and Welfare found that during a two week period (one week in August 2001 and one week in May 2002), 72 per cent of people making requests for accommodation in Victoria were turned away without being accommodated.<sup>378</sup>

The Committee was pleased to hear that at a meeting of housing Ministers on 29 July 2004, the Commonwealth Government committed to the extension of the SAAP agreement, although the details of a new agreement are still to be negotiated.<sup>379</sup>

<sup>374</sup> Ms C. Broad, MLC, Minister for Housing, transcript of evidence, 18 June 2004, p.3

<sup>375</sup> *ibid.*, p.3

<sup>376</sup> *ibid.*

<sup>377</sup> Australian Institute of Health and Welfare, *Homeless people in SAAP: SAAP National Data Collection*, Annual Report 2002-03 Victoria supplementary tables, December 2003, pp.43-44

<sup>378</sup> Australian Institute of Health and Welfare, *Demand for SAAP Assistance by Homeless People 2001-02: A Report from the SAAP National Data Collection*, October 2003, pp.53

<sup>379</sup> Ms C Broad, MLC, Minister for Housing, media release, *Victoria wins commitment for homeless*, 29 July 2004

The Committee encourages the Department of Human Services to work closely with the Commonwealth Government to ensure that the re-negotiated SAAP agreement both recognises and provides adequate funding for current and future needs for people requiring short-term housing assistance.