

CHAPTER 15: DEPARTMENT FOR VICTORIAN COMMUNITIES

Key Findings of the Committee:

- 15.1** The Department for Victorian Communities' budget allocation for 2004-05 is \$441.2 million, an increase of \$109.3 million from the 2003-04 estimated actual outcome. This increase is largely due to higher expenditure on Commonwealth Games Projects.
- 15.2** The 2004-05 Budget for the Department for Victorian Communities includes \$29.6 million for Commonwealth Games projects carried over from last year. This funding relates to the Melbourne Sports and Aquatic Centre redevelopment (\$21.3 million) and the Athletes' Village (\$8.3 million).
- 15.3** The timing of payments to local government has resulted in an underspend of \$2.5 million in the Jobs for Young People Program in 2003-04 because the program's implementation did not match the budget cycle of local government. This has now been addressed.
- 15.4** While the Office of Youth issued a whole of government report which was intended to demonstrate progress in achieving milestones established in 2002, the report did not show progress on most milestones.
- 15.5** Although the Victorian Office of Multicultural Affairs published a whole of government report purporting to show achievements in multicultural affairs in 2002-03, the report actually only lists activities that occurred and shows few outcomes.
- 15.6** The performance measures relating to the Work and Family Balance Initiative should allow for an assessment of the outcomes.
- 15.7** The department did not meet its target in 2003-04 in tabling a whole of government report on Aboriginal Affairs.
- 15.8** A new funding model developed by the department to allocate grant funding to public libraries, along with additional funds allocated in the 2004-05 Budget, should assist public libraries to maintain the quality of services, despite rising costs and higher demand for services in areas experiencing population growth.

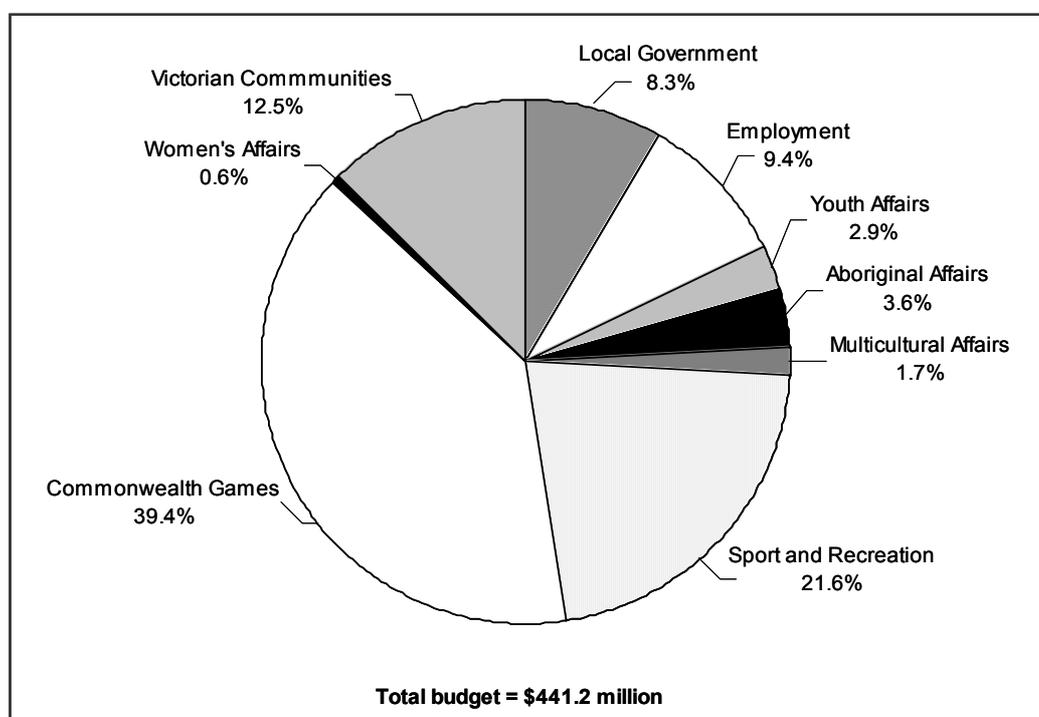
Departmental review

15.1 Departmental overview

The Department for Victorian Communities supports nine ministerial portfolios: Local Government; Employment; Youth Affairs; Aboriginal Affairs; Sport and Recreation; Commonwealth Games; Multicultural Affairs; Victorian Communities; and Women's Affairs.¹

The Commonwealth Games portfolio outputs accounted for the largest share of the department's budget in 2004-05 (see exhibit 15.1).

Exhibit 15.1: Department for Victorian Communities portfolio budget



Sources: *Budget Paper No. 3, 2004-05 Service Delivery, pp.237-249; Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, pp.1-2*

¹ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, pp.1-2

15.1.1 Key challenges for the department in 2004-05

The Department for Victorian Communities was established in December 2002.² The department faced significant challenges in establishing corporate systems and structures for its diverse range of portfolios, with \$25.5 million allocated in the 2003-04 Budget to support the policy and risk management activities of the new department.³

Progress made to date included consolidating departmental accommodation at a central CBD location and developing shared services agreements with several other departments to support its information technology, human resources and financial systems.⁴

The department advised it was in the process of developing a wide ranging strategy to fully catalogue the current and emerging risks and develop preventative and mitigatory strategies to address these risks.⁵ The department anticipated that the Risk Management Strategy will identify a potential risk in the administration and management of grants.⁶ Accordingly, the department had already taken preventative steps by implementing a whole of department Grants Management Unit to centralise the administration and financial management functions and through the trial of an interim grants management system.⁷

15.1.2 Key factors influencing the budget estimates

The department advised the Committee that new initiatives funded within the 2004-05 Budget have been developed to support the department's focus on 'people and place' – supporting communities across Victoria to increase their capacity to create new opportunities, secure jobs and investments and have healthy, safe and attractive places to live and work.⁸

The department advised that another major influence on the budget estimates for 2004-05 is the changed timing of payments in relation to Commonwealth Games funding.⁹ The Committee noted that in relation to the Commonwealth Games Athletes' Village, the Project Development Agreement was finalised and signed with Village Park Consortium on 22 December 2003.¹⁰ The department advised that

² Department for Victorian Communities, *Annual Report 2002-03*, p.4

³ Budget Paper No. 2, *2003-04 Budget Statement*, pp.252–258

⁴ Department for Victorian Communities, *Annual Report 2002-03*, pp.13–14

⁵ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.4

⁶ *ibid.*

⁷ *ibid.*

⁸ *ibid.*, p.3

⁹ *ibid.*

¹⁰ *ibid.*

following extensive public consultation and negotiation of the Agreement, the cash flow for the social housing component of the village development has been substantially amended from that anticipated when the Whole of Games Budget was announced in March 2003.¹¹ The department indicated that cash flows for some of the other Commonwealth Games asset initiatives have also been changed to reflect additional planning undertaken, and the operating budget has been increased in line with the anticipated Whole of Games Budget.¹²

15.2 Output management framework

The Department for Victorian Communities advised the Committee that there was no shared responsibility for all of the department's outputs except for the Multicultural Affairs portfolio.¹³ In this portfolio, the Premier (who also acts as the Minister for Multicultural Affairs) is supported by the Minister assisting the Premier on Multicultural Affairs.¹⁴

15.3 Budget summary/financial analysis

The department for Victorian Communities' budget allocation for 2004-05 was \$441.2 million, representing an increase of \$109.3 million compared to the expected result for 2003-04 (see exhibit 15.2). The Committee noted that most of the increase was related to higher expenditure on Commonwealth Games projects.¹⁵

**Exhibit 15.2: Department for Victorian Communities
Output group costs**

	Column 1	Column 2	Column 3	Column (3-2)/2
Output group	2003-04 Budget	2003-04 Estimated Actual	2004-05 Budget	Variation
	(\$ million)	(\$ million)	(\$ million)	(%)
Supporting Local Government	33.0	33.0	36.6	10.9
People, Community Building and Information Services	166.5	134.1	135.3	0.9
Sport, Recreation and the Commonwealth Games	158.1	164.8	269.3	63.4
Total	357.6	331.9	441.2	32.9

Source: Budget Paper No. 3, 2004-05 Service Delivery, pp.238-249

¹¹ *ibid.*

¹² *ibid.*

¹³ *ibid.*, pp.1-2

¹⁴ *ibid.*, pp.1-2

¹⁵ Budget Paper No. 3, 2004-05 Service Delivery, pp.238-249

15.3.1 Operating performance

In 2004-05, the Department for Victorian Communities budgeted to receive \$540.6 million in revenue for its controlled operations, \$104.1 million (23.8 per cent) higher than the estimated actual outcome in 2003-04 (see exhibit 15.3). The Committee noted that the projected increase in operating revenues and expenses is largely due to an increase in estimated expenses associated with the Commonwealth Games as well as other new budget initiatives.¹⁶

The department advised the projected deficit for 2003-04 of \$38.4 million results from the drawdown of accumulated balances in the Community Support Fund (CSF) to fund community projects.¹⁷ The Committee noted that the difference between expenditures and revenues for 2003-04 will be met from the accumulated CSF reserves and will not put the Fund into deficit at 30 June 2004.¹⁸ The estimated deficit in 2004-05 of \$17.9 million will be financed in a similar manner.¹⁹

In its review of the 2002-03 Budget Outcomes, the Committee noted that the balance of Community Support Fund (a trust fund controlled by the department) as at 30 June 2003 was \$121.7 million, with outflows from the Fund of \$131.2 million exceeding revenues of \$111.6 million.²⁰ The department has advised the Committee that expected revenues and expenses for the Fund in 2004-05 are \$113.2 million and \$131.2 million respectively.²¹

The method applied to determine the cost of the Community Building output (discussed in section 15.5.4(b)) and the accounting treatment of moneys allocated to the CSF (in particular the recognition of 'administered' and 'controlled' revenue) contribute to the large differences between the output costs and the revenue and expenses recorded by the department.

The Committee intends to examine in detail some of the issues relating to financial reporting for the CSF as part of its review of the 2003-04 Budget Outcomes. Some of the issues the Committee intends to examine include:

- the flow of funds into and out of the Fund and how surpluses and deficits for the Fund and the department are reconciled;
- the method for determining the cost of the Community Building output; and

¹⁶ Budget Paper No. 4, *2004-05 Statement of Finances*, p.106

¹⁷ Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, p.13

¹⁸ *ibid.*

¹⁹ *ibid.*

²⁰ Department for Victorian Communities' response to the Committee's 2002-03 Budget Outcomes questionnaire, p.16

²¹ Minister for Victorian Communities' response to the Committee's follow-up questions, p.10

- the reporting of funds applied from the CSF to outputs within the Department for Victorian Communities and other departments. For example, the department advised the Committee that \$69.5 million had been applied from the CSF to a range of outputs in the Department of Human Services, the Department of Justice and the Department of Education and Training for gambling and drug services and education programs.²²

**Exhibit 15.3: Department for Victorian Communities
Statement of financial performance**

	Column 1	Column 2	Column 3	Column (3-2)/2
	2003-04 Budget	2003-04 Estimated Actual	2004-05 Budget	Variation (a)
	(\$ million)	(\$ million)	(\$ million)	(%)
Controlled items				
Operating revenue	416.3	436.5	540.6	23.8
Operating expenses	479.7	474.9	558.6	17.6
Net result	-63.4	-38.4	-17.9	-53.4
Administered items				
Administered revenue	493.2	487.6	554.2	13.7
Administered expenses	493.2	487.6	554.2	13.7
Surplus/Deficit	0.0	0.0	0.0	n/a

Note: (a) A negative variance indicates that the 2004-05 budget has decreased compared with the 2003-04 estimated actual budget

Source: Budget Paper No. 4, 2004-05 Statement of Finances, p.107

15.3.2 Balance sheet performance

At 30 June 2005, the Department for Victorian Communities expects to control assets valued at \$369.3 million, an increase of 10.6 per cent from the anticipated result in 2003-04 (see exhibit 15.4).

²² Minister for Victorian Communities' response to the Committee's follow-up questions

**Exhibit 15.4: Department for Victorian Communities
Statement of financial position**

	Column 1	Column 2	Column 3	Column (3-2)/2
	2003-04 Budget	2003-04 Estimated Actual	2004-05 Budget	Variation
	(\$ million)	(\$ million)	(\$ million)	(%)
Controlled items				
Controlled assets	295.8	333.8	369.3	10.6
Controlled liabilities	15.9	15.9	15.9	0.0
Net assets	279.9	317.8	353.3	11.2
Administered items				
Administered assets	1.5	1.5	1.5	0.0
Administered liabilities	0.3	0.3	0.3	0.0

Source: Budget Paper No. 4, 2004-05 Statement of Finances, pp.109–110

The reason for the increase in assets of \$35.5 million in 2004-05 was due to an increase of \$49.7 million in the value of property, plant and equipment.²³ This increase was partly offset by a decrease of \$12.5 million in the department's holdings of cash and other financial assets.²⁴

15.3.3 Carry over funding

At the time the 2004-05 Budget was prepared, the Department for Victorian Communities expected to carry forward funding of \$30.1 million of unspent appropriations from the previous year, comprising \$7 million for the provision of outputs and \$23.1 million for additions to the net asset base.²⁵

The Committee was advised that more recent estimates of carry over funding included:

- Victorian Communities – \$1.9 million relating mainly to capital funding for a digital archive project at the Public Record Office;²⁶
- Youth Affairs and Employment – \$2.9 million of unspent grants (including FReeZA Central);²⁷
- Aboriginal Affairs – \$3.8 million relating mainly to unexpended grants;²⁸

²³ Budget Paper No. 4, 2004-05 Statement of Finances, p.109

²⁴ *ibid.*

²⁵ *ibid.*, p.172

²⁶ Minister for Victorian Communities' response to the Committee's follow-up questions, p.4

²⁷ Minister for Employment and Youth Affairs' response to the Committee's follow-up questions, p.2

²⁸ Minister for Aboriginal Affairs' response to the Committee's follow-up questions, p.8

- Sport and Recreation – \$5.3 million relating mainly to sports programs and grants;²⁹ and
- Commonwealth Games – \$29.6 million involving construction of the Melbourne Sports and Aquatic Centre (\$21.3 million) and the Athletes' Village (\$8.3 million). The department advised that the carry forward funding is in line with the negotiated construction plans and cash flows for each project.³⁰

15.4 Human resources issues

The Department for Victorian Communities advised that as at 30 June 2005 it expected to have 625 equivalent full-time staff, an increase of 36 employees (6.1 per cent) compared to the expected outcome at 30 June 2004 (see exhibit 15.5). Although the number of executive officers increased by five in 2003-04, the department did not expect any further increases at these levels during 2004-05.³¹

²⁹ Minister for Sport and Recreation's response to the Committee's follow-up questions, p.3

³⁰ Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.8

³¹ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.18

**Exhibit 15.5: Department for Victorian Communities
Equivalent Full Time Staff**

	June 2003 Actual	June 2004 Estimate	June 2005 Estimate
Ongoing staff			
Non-Executive departmental staff	347	454	480
Sub total	347	454	480
Fixed term staff			
Non-Executive departmental staff	178	97	111
Executive Officers	23	28	28
Sub total	201	125	139
Casual staff			
Non-Executive departmental staff	10	11	6
Sub total	10	11	6
All staff			
Non-Executive departmental staff	536	561	597
Executive Officers	23	28	28
Total (a)	559	589	625

Note: (a) Totals may not add due to rounding

Source: Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, pp.10-11

The Committee noted that of the additional 36 staff expected to be employed in 2004-05, 26 were departmental staff employed in an ongoing capacity at a classification level between grade 3 and 6.³² At the same time, the department expected to reduce the number of casual staff employed from 11 to 6.

³² *ibid.*

Review of Portfolios

15.5 Victorian Communities portfolio

The Minister for Victorian Communities is responsible for implementing a range of activities which are aimed at strengthening the capacity of communities, delivered through the following business units:³³

- government and community information (includes Information Victoria);
- the Public Record Office of Victoria;
- the Registry of Births, Deaths and Marriages;
- the Community Support Fund;
- the Office of Community Building; and
- the Rural Women's Network.

15.5.1 2004-05 outlook for the portfolio

The Minister informed the Committee that the portfolio will be focused on the following activities in 2004-05:³⁴

- developing links between Government agencies and Indigenous community organisations;
- streamlining grants administration procedures to create a single entry point for people seeking grants information and to make an application;
- developing local hubs to better connect volunteers with organisations seeking support and creating a statewide reward and recognition system for volunteers; and
- ensuring the Commonwealth Games deliver lasting economic, social and environmental benefits for Victorians.

In relation to the Victorian Communities portfolio, the 2004-05 Budget provided funding of:³⁵

- \$1 million over three years towards the Indigenous community capacity building program;

³³ Department for Victorian Communities, *Annual Report 2002-03*, pp.53, 57

³⁴ Hon. J. Thwaites, MP, Minister for Victorian Communities, Presentation at the 2004-05 Budget Estimates hearing, 17 June 2004; Department for Victorian Communities, Corporate Plan, 2003-2006 (released 2003), pp.6-7

³⁵ Budget Paper No. 3, *2004-05 Service Delivery*, pp.303-305

- \$10 million over four years to implement shared services arrangements with other departments and other providers. Further details of this arrangement are provided below;
- \$4.1 million over four years to continue the development and implementation of the Victorian Electronic Records Strategy (VERS) across Government;
- \$5.2 million over two years (asset initiative funding) for the development of an electronic grant management system; and
- \$8.8 million over four years (asset initiative funding) to the Public Record Office of Victoria for the purchase of new plant and equipment, additional shelving and IT infrastructure.

15.5.2 Analysis of the budget

The Minister for Victorian Communities has sole responsibility for the Information Services and Community Building outputs of the People, Community Building and Information Services output group.³⁶ As shown in exhibit 15.6, expenditure in 2004-05 is expected to be \$55.1 million, which is 12.5 per cent of the department's budget. Expenditure in 2004-05 is \$2.5 million (or 4.3 per cent) less than the expected outcome in 2003-04 of \$57.6 million.³⁷

Exhibit 15.6: Victorian Communities portfolio Output costs

Output group	Output	2004-05 Budget (\$ million)
People, Community Building and Information Services	Information services	34.6
	Community building	20.5
Total		55.1

Source: Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, p.2

15.5.3 Performance measures

The Committee notes that there are 19 performance measures for the Victorian Communities portfolio in the 2004-05 Budget, covering quantity (nine indicators), quality (three), timeliness (five) and cost (two).³⁸

³⁶ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.2

³⁷ Budget Paper No. 3, 2004-05 Service Delivery, pp.245-246

³⁸ *ibid.*, pp.244-246

There are three new performance measures in the 2004-05 Budget. These are quantity measures in the Information Services output relating to the Victorian Electronic Records Strategy and the number of records stored or preserved in the Public Record Office of Victoria.³⁹

Two performance indicators were discontinued in 2004-05. These were both quality measures:⁴⁰

- *electronic records maintained in accordance with Public Record Office of Victoria standards; and*
- *projects delivered against performance benchmarks.*

The Committee is concerned that these indicators were dropped and believes that there are insufficient measures to adequately assess the portfolio's outcomes. In particular, given the funding commitment in the 2004-05 Budget, the Committee would like to see indicators to measure progress on initiatives.

Accordingly, the Committee recommends that:

- Recommendation 158:** **The Department for Victorian Communities develop and report performance indicators to measure progress on the following initiatives:**
- (a) Indigenous Community Capacity Building Program;**
 - (b) implementation of shared services arrangements with other departments and other providers; and**
 - (c) development of an electronic grant management system.**

15.5.4 Key issues impacting on the portfolio

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

³⁹ *ibid.*, pp.244–245

⁴⁰ Budget Paper No. 3, *2003-04 Budget Estimates*, pp.409–410; Budget Paper No. 3, *2004-05 Service Delivery*, pp.244–246

(a) Arrangements for shared services with other departments

The Committee was aware that when the Department for Victorian Communities was established in December 2002 it did not have core corporate systems in place, in that the department operated from ‘*six separate financial management systems, IT networks and payroll systems*’.⁴¹ The Minister indicated that the most efficient way in which to establish a new department was to leverage off networks and systems already established by existing departments, rather than for the department to create its own systems.⁴²

The 2004-05 Budget provides funding of \$10 million over four years for the implementation of shared services.⁴³ The Department for Victorian Communities has outsourced:⁴⁴

- IT services from the Department of Infrastructure; and
- financial services from the Department of Primary Industries.

The Minister advised the Committee that setting up shared services gave the department the opportunity to establish itself quickly on a proven IT network and finance system. The shared services arrangements have been established as a possible model that can be applied across Government and therefore minimise the cost of service delivery.⁴⁵

In relation to accountability arrangements, the Minister advised there are committees of management for both services, and service level agreements between departments have been developed.⁴⁶

The Committee notes that the linking with other departments to provide shared services seems promising and the Committee intends to watch with interest the outcomes of this approach.

(b) Community Support Fund – funding arrangements

The Committee notes that expenditure in the Community Building output for 2003-04 is expected to be 61.3 per cent below the figure published in the 2003-04 Budget Papers (see exhibit 15.7). The department informed the Committee that this reflects the impact of timing changes for grant payments on the drawdown of funding from the Community Support Fund.⁴⁷

⁴¹ Department for Victorian Communities, *Annual Report 2002-03*, p.13

⁴² Minister for Victorian Communities’ response to the Committee’s follow-up questions, p.12

⁴³ Budget Paper No. 3, *2004-05 Service Delivery*, p.303

⁴⁴ Minister for Victorian Communities’ response to the Committee’s follow-up questions, p.12

⁴⁵ *ibid.*, p.13

⁴⁶ *ibid.*

⁴⁷ Department for Victorian Communities response to the Committee’s *Budget Estimates Questionnaire*, p.16

**Exhibit 15.7: Community building output
Output costs**

	Column 1	Column 2	Column 3	Column (2-1)/1
Output	2003-04 Budget	2003-04 Estimated Actual	2004-05 Budget	Variation
	(\$ million)	(\$ million)	(\$ million)	(%)
Community building	65.2	25.2	20.5	-61.3

Source: Budget Paper No. 3, 2004-05 Service Delivery, p.246

The Minister further advised that the output cost disclosed in the Community Building output is, apart from a small level of appropriation, the net result of the expected expenditure from the Community Support Fund (CSF) less the revenue paid into the trust fund.⁴⁸ For example, the revised output cost in 2003-04 of \$25.2 million comprises revenue of \$104.6 million less expenditure of \$127.9 million and an appropriation of \$1.9 million.

The Committee has provided a reconciliation between the revenue and expenses of the CSF and the cost of the Community Building output in exhibit 15.8.

The Committee is concerned that the netting off of revenue and expenditure for this output to disclose a net cost distorts the real cost of providing this output and prevents meaningful comparisons between years. For example, expenditure from the CSF will actually increase in 2004-05, yet the output cost records a reduction (see exhibit 15.8).

**Exhibit 15.8: Community building output
Components of the Output costs**

Revenue	2003-04 Budget	2003-04 Estimated Actual	2004-05 Budget
	(\$ million)	(\$ million)	(\$ million)
Revenue	119.6	104.6	113.2
Expenditure	182.9	127.9	131.2
Net result	63.3	23.3	17.9
Appropriation	1.9	1.9	2.6
Output cost (as disclosed in the Budget Papers)	65.2	25.2	20.5

Source: Minister for Victorian Communities' response to follow-up questions, p.10

⁴⁸ Minister for Victorian Communities' response to the Committee's follow-up questions, p.9

The Minister explained to the Committee that the variances in costs between years are driven by the estimates of revenue and likely expenditure from the CSF.⁴⁹ At the time of preparing the 2003-04 Budget, it was envisaged that there would be a substantial rundown in CSF balances as additional funds were applied to new grant commitments. While additional approvals were made in 2003-04, this was not reflected in payments made from the Fund in response to claims from grant recipients.⁵⁰

The Committee sought an explanation about why the number of grant applications received by the CSF was expected to decrease from 235 in 2002-03 to 90 in 2003-04.⁵¹ The Minister advised that a large number of applications were deferred pending the release of revised guidelines in April 2004.⁵² The number of grant applications is expected to increase from a target of 90 in 2003-04 to 200 in 2004-05 because of an anticipated larger number of smaller value grants, particularly for feasibility studies for projects with multiple partners.⁵³

At last year's estimates hearing, the Minister reassured the Committee that an expected fall in the number of applications in 2003-04 would not result in a reduction in expenditure.⁵⁴ The Committee is concerned that a departmental review of funding guidelines can significantly delay the approval of grant applications and result in a significant revision of expenditure for an output.

The Committee was advised that the department has taken steps to improve the quality of forecasting and monitoring expenditure of grants, including:⁵⁵

- establishing a central Grants Administration Unit to standardise procedures and improve existing processes; and
- developing an electronic grants management system to improve accountability and assist grant applicants.

The Committee intends to monitor the timeliness of the grant application process and the payment of grants from the CSF. As discussed earlier, the Committee will examine as part of its 2003-04 Budget Outcomes report some of the issues relating to the accounting treatment applied to the CSF and the method for determining the output cost for the Community Building output.

⁴⁹ Ibid.

⁵⁰ *ibid.*

⁵¹ Budget Paper No. 3, *2004-05 Service Delivery*, p.245

⁵² Minister for Victorian Communities' response to the Committee's follow-up questions, p.1

⁵³ *ibid.*, pp.1-2

⁵⁴ Hon. J. Thwaites, MP, Minister for Victorian Communities, transcript of evidence, 27 May 2003, p.298

⁵⁵ Minister for Victorian Communities' response to the Committee's follow-up questions, pp.8-9

(c) Electronic Grants Management System

The Committee notes that the 2004-05 Budget provided asset initiative funding of \$5.2 million for the development of an electronic grants management system (EGMS) over two years. It is intended that the system will support and streamline grants making activities in the department and provide a single information gateway for the community to access grant information.⁵⁶

The Minister indicated that a productivity improvement of 5 per cent can be achieved by implementing this new system.⁵⁷ It is expected that the initiative may provide the opportunity to reorganise resources.⁵⁸

The Committee welcomes the department's efforts to streamline grants administration both from a departmental and end user perspective. As with any IT project, the Committee is aware of a number of risks that are associated with the development and implementation of the project. The department needs to ensure that these risks are identified and managed and the projected productivity savings are realised.⁵⁹

15.6 Employment portfolio

The core activities of the Employment portfolio are the:⁶⁰

- delivery of the *Jobs for Victoria* suite of employment and training initiatives; and
- management of the Overseas Qualifications Unit and the Overseas Qualified Professionals Program to assist with the transition of recently arrived migrants into the Australian workplace.

These activities are delivered by the Employment Programs Division of the Department for Victorian Communities, the Department of Education and Training, and the Department of Innovation, Industry and Regional Development (Regional Development Victoria).

The Government's key employment initiative - *Jobs for Victoria* - provides employment programs that target disadvantaged job seekers, young people not in education and training, people from culturally and linguistically diverse backgrounds, mature age and Indigenous people.⁶¹ *Jobs for Victoria* has three aims:⁶²

⁵⁶ Budget Paper No. 3, *2004-05 Service Delivery*, p.304

⁵⁷ Minister for Victorian Communities' response to the Committee's follow-up questions, p.12

⁵⁸ *ibid.*

⁵⁹ Based on the approach outlined in: Victorian Auditor-General's Office, *Electronic procurement in Victorian Government*, June 2003, pp.47-48

⁶⁰ Department for Victorian Communities, Employment programs website: www.dvc.vic.gov.au/employment

⁶¹ Department for Victorian Communities, *Annual Report 2002-03*, p.33

- to increase the engagement and participation of people in their communities and in the workforce – this aim is delivered through the Community Jobs Program (CJP) initiative;
- to assist young people to gain paid work experience, training and qualifications that lead to sustainable employment – delivered through the following initiatives:
 - Youth Employment Scheme (YES);
 - Jobs for Young People (JYP); and
 - Youth Employment Link (YEL); and
- to assist communities to meet future skills and employment needs, and support the growth of sustainable industries and jobs – delivered through the following initiatives:
 - Community Regional Industry Skills Program (CRISP) – the Department of Innovation, Industry and Regional Development is responsible for the delivery of one component of this initiative;
 - Skilled Migration;
 - Parents Returning to Work (delivered by the Department of Education and Training); and
 - Skill Up (delivered by the Department of Education and Training).

15.6.1 2004-05 outlook for the portfolio

The Minister informed the Committee of the following priorities for the *Jobs for Victoria* employment and training initiative in 2004-05:⁶³

- focus on supporting the most disadvantaged in the community to access employment building stronger and more resilient communities;
- contribute to whole of government initiatives such as Neighbourhood Renewal and the Indigenous Community Capacity Building Initiative;
- address skill shortages in local labour markets creating sustainable jobs; and
- develop innovative strategies to ensure that Victoria has a highly skilled and adaptive labour supply that meets the needs of business and industry.

⁶² Department for Victorian Communities, *Jobs for Victoria 2003-2007* diagram, from website www.employment.vic.gov.au

⁶³ Ms J. Allan, MP, Minister for Employment and Youth Affairs, Presentation at the 2004-05 Budget Estimates hearing, 18 June 2004, p.12

No new initiatives are listed in the 2004-05 Budget Papers or the April 2004 Economic Statement for the Employment portfolio. However, the Committee was informed of the following funding allocation in 2004-05 for major labour market and training programs:⁶⁴

- Community Jobs Program, \$12.4 million;
- Youth Employment Scheme, \$7.5 million;
- Jobs for Young People, \$5.1 million;
- Community Regional Industry Skills Program, \$2.9 million;
- Skilled and Business Migration Program, \$3.2 million; and
- Private Sector Skills Development Program, \$4.1 million.⁶⁵

In addition, the Parents Returning to Work Program (\$2.8 million in 2004-05) and the Skill Up Program (\$1.4 million) are funded from the budget of the Department of Education and Training.⁶⁶

15.6.2 Analysis of the budget

The Minister for Employment is responsible for the Employment Programs output of the People, Community Building and Information Services output group.⁶⁷ Expenditure in 2004-05 is expected to be \$41.4 million, which is 9.4 per cent of the department's budget. Expenditure in 2004-05 is 11.6 per cent greater than the expected outcome in 2003-04.⁶⁸

15.6.3 Performance measures

The Committee notes that there are 15 performance measures for the Employment portfolio in the 2004-05 Budget, covering quantity (seven indicators), quality (six), timeliness (one) and cost (one).⁶⁹ There are a further two performance measures for the Skill Up and Parents Returning to Work Programs.⁷⁰

⁶⁴ Includes funds carried forward into 2004-05. Sources: Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, pp.6-7; Acting Minister for Employment and Youth Affairs' response to the Committee's follow-up questions, p.2

⁶⁵ The Private Sector Skills Development Program provides incentives to employers for each year an apprentice or trainee is employed. The target for the number of apprenticeship and traineeship commencements was met in January 2002. However, payments will still be made to employers up until June 2006. Source: Minister for Employment's response to the Committee's request for additional information

⁶⁶ Department of Employment and Training's response to the Committee's 2004-05 Budget Estimates questionnaire, p.5

⁶⁷ *ibid.*, p.1

⁶⁸ Budget Paper No. 3, *2004-05 Service Delivery*, p.241

⁶⁹ *ibid.*, pp.240-241

⁷⁰ *ibid.*, p.60

Four Employment portfolio performance indicators were discontinued in 2004-05.⁷¹ Three of these relate to labour market programs that have been completed. The other discontinued indicator measured the timeliness of the preparation and distribution of labour market information reports within three working days. A more general measure replaces this indicator.

There are no new performance measures in the 2004-05 Budget for the Employment portfolio.

The Committee believes that the performance measures for four of the department's main labour market programs provide sufficient information to adequately assess the outcomes achieved. However, in relation to the Jobs for Young People Program and the CRISP initiative, the performance indicators relate only to the number of training positions or number of projects commenced. There are no measures to indicate whether the intended outcomes of the two programs have been realised.

The Committee recommends that:

Recommendation 159: **The Department for Victorian Communities develop and report performance measures for the Jobs for Young People Program and Community Regional Industry Skills Program that will provide sufficient information to adequately assess outcomes.**

The Committee notes that three of the priorities for *Jobs for Victoria* relate to addressing issues of skilled labour supply or assisting disadvantaged people find employment.⁷² However, none of the department's performance indicators measure the incidence of labour market shortage nor the labour force situation of disadvantaged groups. The Committee is aware of statistics on skill shortages, such as the *National Skills Shortage List* produced annually by the Commonwealth Department of Employment and Workplace Relations, and of data on labour force status for disadvantaged groups, such as the Australian Bureau of Statistics Labour Force survey monthly statistics.

While recognising that several labour market and training programs are funded by other departments, the Committee notes that the Employment portfolio is the lead agency on employment matters. For this reason, the Committee believes that it is appropriate for the Department for Victorian Communities' annual report to provide indicators to demonstrate the success of the Government's employment and training initiatives in addressing skill shortages and assisting disadvantaged groups find work.

⁷¹ Budget Paper No. 3, *2003-04 Budget Estimates*, pp.403–404; Budget Paper No. 3, *2004-05 Service Delivery*, pp.240–241

⁷² Ms J. Allan, MP, Minister for Employment and Youth Affairs, Presentation at the 2004-05 Budget Estimates hearing (Employment portfolio), 18 June 2004, p.12

Accordingly, the Committee recommends that:

Recommendation 160: **The Department for Victorian Communities develop and report performance measures in its annual report that demonstrate the outcomes of the Government's employment and training initiatives in addressing skill shortages and assisting disadvantaged groups find work in metropolitan and regional areas.**

15.6.4 Key issues impacting on the portfolio

The department's response to the Committee's 2004-05 Budget Estimates questionnaire and the estimates hearing identified two issues that will affect the Employment portfolio and its budget estimates for 2004-05.

(a) Jobs for Young People Program

The Committee acknowledges the department's commitment to increasing employment and training outcomes for young people. However, the Committee is concerned that only \$100,000 of the \$2.6 million allocated for this program in 2003-04 was expended in that period.⁷³ As a result, the target for this initiative, 275 young people commencing apprenticeships or traineeships in 2003-04, was not met (only 175 were expected to commence in 2003-04).⁷⁴

The department informed the Committee that the timing of payments to local government has resulted in an underspend of \$2.5 million.⁷⁵ The Minister advised that the timing of the implementation of the program in 2003-04 did not match the budget cycle of local government.⁷⁶ This problem was being addressed for the roll out of the program in 2004-05, with the Minister expecting that the four year target of 1,100 apprenticeship or traineeship commencements would be met through higher than targeted commencements in future years.⁷⁷

⁷³ Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, p.5

⁷⁴ Budget Paper No. 3, *2004-05 Service Delivery*, p.240

⁷⁵ Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, p.5

⁷⁶ Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.12

⁷⁷ *ibid.*

(b) Administration of programs across agencies

Jobs for Victoria is a package of 11 employment and training initiatives. Five employment initiatives are administered through the Department for Victorian Communities, with the Department of Innovation, Industry and Regional Development responsible for implementing the Community Regional Industry Skills Program. Six training initiatives are administered through the Department of Education and Training.⁷⁸

The Minister advised the Committee that oversight of these initiatives is shared, with the Minister for Employment, the Minister for Education and Training and the Minister for State and Regional Development each responsible for implementing the initiatives within their respective portfolios.⁷⁹

The Committee notes that nine initiatives are funded from the Employment Programs output, while the Skill Up and Parents Returning to Work Programs are funded from the Training and Further Education output in the Department of Education and Training.⁸⁰

The Minister for Employment indicated that the Department for Victorian Communities works closely with the Department of Education and Training and the Department of Innovation, Industry and Regional Development to ensure consistent and complementary delivery of employment and training programs. For example, Regional Development Victoria has input into the assessment of Community Regional Industry Skills Program applications through their participation on the Employment Advisory Panel. The panel assesses all grant applications and provides recommendations for funding.⁸¹

The Committee believes that these arrangements are appropriate and an example of departments working in cooperation to deliver key programs.

The Committee is aware that performance measures for some of the *Jobs for Victoria* initiatives are reported in the Budget Papers under the appropriate portfolio (for example, number of individuals assisted through the Skill Up program is reported in the Post-compulsory Years output group in the Department of Education and Training).⁸² However, for most employment and training initiatives there are no performance indicators reported in the Budget Papers. Given that the Employment portfolio is the lead agency on employment issues, the Committee believes that the Department for Victorian Communities should report performance indicators in its annual report that measure the effectiveness of employment and training initiatives.

⁷⁸ Minister for Employment and Youth Affairs' response to the Committee's follow-up questions (additional information), p.4

⁷⁹ *ibid.*

⁸⁰ Budget Paper No. 3, *2004-05 Service Delivery*, pp.60, 240

⁸¹ *ibid.*

⁸² Budget Paper No. 3, *2004-05 Service Delivery*, p.60

Accordingly, the Committee recommends that:

Recommendation 161: **The Department for Victorian Communities develop and include in its annual report performance measures that demonstrate the outcomes from the *Jobs for Victoria* initiatives.**

15.7 Youth Affairs portfolio

The main activities for the Office of Youth are:⁸³

- development and coordination of whole of government information and advice on issues of youth policy; and
- development and management of targeted programs and services for young people aged between 12 and 25 years.

The Department for Victorian Communities also funds the key peak youth bodies, Youth Affairs Council of Victoria and the Centre for Multicultural Youth Issues, which provide advice to the Minister and the Government on issues affecting young people.⁸⁴

15.7.1 2004-05 outlook for the portfolio

The Minister for Employment and Youth Affairs informed the Committee of the following priorities for the Youth Affairs portfolio for 2004-05:⁸⁵

- further exploring programs where young people support each other, such as the mentoring demonstration projects;
- implementing the Office for Youth's consultation strategy and providing more opportunities for a diverse range of young people to have their views heard by Government;
- developing a new youth website;
- supporting young parents; and
- developing a strategic framework for mentoring.

⁸³ Budget Paper No. 3, *2004-05 Service Delivery*, p.242

⁸⁴ Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.1

⁸⁵ Ms J. Allan, MP, Minister for Employment and Youth Affairs, Presentation at the 2004-05 Budget Estimates hearing, 18 June 2004, p.9; Email from Department for Victorian Communities, 24 August 2004, which clarified the department's priorities

No new initiatives are listed in the 2004-05 Budget Papers or the April 2004 Economic Statement for the Youth Affairs portfolio. The main youth programs, together with their funding allocations in 2004-05 are:⁸⁶

- Advance Youth Development Program (\$3 million recurrent funding plus \$1.2 million from the Community Support Fund);
- Youth Services Program (\$4.1 million);
- FReeZA (Drug and alcohol free zone) (\$2 million); and
- FReeZA Central (\$500,000).

15.7.2 Analysis of the budget

The Minister for Employment and Youth Affairs has sole responsibility for the Youth Affairs output of the People, Community Building and Information Services output group.⁸⁷ Expenditure on this output in 2004-05 is budgeted to be \$12.8 million, which is 2.9 per cent of the department's budget. This is 2.4 per cent greater than the expected outcome for 2003-04 of \$12.5 million.⁸⁸

In addition, \$1.2 million is allocated in 2004-05 from the Community Support Fund for the Advance Youth Development Program.⁸⁹

15.7.3 Performance measures

There are 14 performance measures for the Youth Affairs portfolio in the 2004-05 Budget Papers, covering quantity (nine indicators), quality (three), timeliness (one) and cost (one).⁹⁰

The performance indicator relating to Ministerial Youth Round Tables was discontinued in 2004-05⁹¹ as the conferences no longer take place.⁹²

There are no new performance measures in the 2004-05 Budget for the Youth Affairs portfolio.⁹³

⁸⁶ Acting Minister for Employment and Youth Affairs' response to the Committee's follow-up questions, p.3

⁸⁷ Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, p.1

⁸⁸ Budget Paper No. 3, *2004-05 Service Delivery*, p.243

⁸⁹ Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.3; Ms J. Allan, MP, Minister for Employment and Youth Affairs, Presentation at the 2004-05 Budget Estimates hearing, 18 June 2004, p.6

⁹⁰ Budget Paper No. 3, *2004-05 Service Delivery*, pp.242-243

⁹¹ Budget Paper No. 3, *2003-04 Budget Estimates*, pp.406-407; Budget Paper No. 3, *2004-05 Service Delivery*, pp.242-243

⁹² Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.6

⁹³ Budget Paper No. 3, *2003-04 Budget Estimates*, pp.406-407; Budget Paper No. 3, *2004-05 Service Delivery*, pp.242-243

The Committee is of the view that the performance measures are predominantly process orientated (for example, that an agency was funded or that an event took place) and do not provide sufficient information to adequately assess the outcomes.

Accordingly, the Committee recommends that:

Recommendation 162: **The Department for Victorian Communities and the Office for Youth develop and report performance measures for youth programs that provide sufficient information to adequately assess the outcomes.**

15.7.4 Key issues impacting on the portfolio

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

(a) Whole of government reporting

The Committee is aware of a directive from the Premier which mandates a whole of government reporting approach in relation to cultural diversity, women, youth and Indigenous affairs.⁹⁴ Under this arrangement, each department is required to report on its responsiveness to the four community areas over the preceding financial year. The directive advises that reports should include, among other things, a performance assessment based on quantitative and qualitative performance measures. In the case of young people, reporting requirements are required to be based around the themes contained in *Respect: The Government's Vision for Young People*.⁹⁵

Consistent with this directive, the Minister informed the Committee that the Office for Youth has focused on a whole of government approach in measuring the progress of the Government's efforts to assist young people.⁹⁶ These achievements are measured against the milestones identified in *Respect*, which was released in August 2002.

Respect is organised around the four themes of Involvement; Learning and Working; Support and Celebrate.⁹⁷

⁹⁴ Department of Premier and Cabinet, Premier's circular 2003/3, *Whole of Government Reporting on Responsiveness to Cultural Diversity, Women, Youth and Indigenous Affairs*, downloaded from the Victorian Government intranet

⁹⁵ *ibid.*

⁹⁶ Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.1

⁹⁷ Department of Education and Training, *Respect: The Government's Vision for Young People*, August 2002, p.6

In June 2004, the Office of Youth issued a report, *Young Victorians @ the Centre*, outlining the progress in implementing *Respect*. The Minister for Employment and Youth Affairs advised that the report marks the first year of reporting on progress against the themes and goals established in *Respect*.⁹⁸ The Committee notes that the department expects that the report for the 2003-04 period will be finalised in December 2004.⁹⁹

In its analysis of the progress measures in *Young Victorians @ the Centre*, the Committee expected to see measures (or milestones) that were similar to those that appeared in *Respect*. Exhibit 15.9 shows a summary of the Committee's assessment of milestones against the progress indicators.

While the milestones and progress indicators are arranged around similar themes, the Committee was disappointed that progress on 19 of the 28 milestones was not reported in *Young Victorians @ the Centre*. In the case of one theme, *Supporting positive health and wellbeing*, no progress towards any of the milestones in *Respect* is reported in *Young Victorians @ the Centre*.

**Exhibit 15.9: Reporting on achievements in *Respect*
Summary assessment of milestones
and progress indicators**

Theme (a)	No. of milestones in <i>Respect</i>	No. of progress measures in <i>Young Victorians@ the Centre</i>	PAEC assessment of relevance of progress measure to milestone		
			Relevant	Partly relevant	Not relevant
Involvement (Expanding opportunities for young people's real and active participation in communities)	6	4	2	2	2
Learning and working (Developing sustainable pathways in education and employment)	7	8	2	2	3
Support (Supporting positive health and wellbeing outcomes)	11	5	0	0	11
Celebrate (Celebrating and promoting young people's involvement in decision making and community building)	4	4	0	1	3
Total	28	21	4	5	19

Note: (a) Theme in *Respect* is shown first; theme in *Young Victorians @ the Centre* is in brackets

Sources: Department of Education and Training, *Respect: The Government's Vision for Young People*, August 2002; Department for Victorian Communities, Office for Youth, *Young Victorians @ the Centre*, June 2004

⁹⁸ Department for Victorian Communities, Office for Youth, *Young Victorians @ the Centre*, p.1

⁹⁹ Acting Minister for Employment and Youth Affairs' response to the Committee's follow-up questions, p.7

For example, one milestone in *Respect* is: ‘A decrease in waiting times for services to assist young people with drug problems’.¹⁰⁰ Two progress indicators shown in *Young Victorians @ the Centre* that could be related to this milestone are:¹⁰¹

- During the previous 12 months, over 95 per cent of young people leaving drug treatment services have successful outcomes from their treatment; and
- During the previous 12 months, 90 per cent of young people were satisfied to very satisfied with services provided by community health centres and with their access to medical care.

However, neither of these progress indicators shows whether the milestone (of decreased waiting times for drug services) has been achieved.

As the *Young Victorians @ the Centre* document is subtitled: ‘Reporting on achievements in 2003 ...’, the Committee expected that the period of review for each measure would be 2001-02 compared with 2002-03 (or 2002 compared with 2003 for data available on a calendar year basis). These periods roughly coincide with the first year of implementation of the *Respect* framework. However, the Committee was disappointed that over half the progress measures relate to one point in time (or the time period is not specified) making an assessment of the change since the *Respect* framework was implemented impossible. For example:¹⁰²

During the previous 12 months, 83% of young Victorians reported feeling safe in their daily lives.

The Committee is concerned that this information does not demonstrate whether young people feel more safe or less safe since the *Respect* framework was implemented. Further, it is not clear what period ‘the previous 12 months’ is referring to.

The Committee also notes that four of the progress indicators shown in *Young Victorians @ the Centre* do not quantify the changes that have occurred. For example:¹⁰³

Young people’s access to information about education, training and employment pathways improving through ‘one-stop-shops’ and website information provided by Local Learning and Employment Networks.

The Committee believes that all indicators need to be measurable so the degree of change can be demonstrated.

¹⁰⁰ Department of Education and Training, *Respect: The Government’s Vision for Young People*, August 2002, p.18

¹⁰¹ Department for Victorian Communities, Office for Youth, *Young Victorians @ the Centre*, p.8

¹⁰² *ibid.*

¹⁰³ *ibid.*, p.6

The Committee recommends that:

Recommendation 163: **The Department for Victorian Communities and the Office for Youth ensure that reports that measure the milestones specified in the *Respect: The Government's Vision for Young People* document contain indicators that are:**

- (a) comprehensive, such that progress against all milestones is reported or an explanation provided (for example, the milestone is no longer relevant due to a change in policy direction);**
- (b) reported over a consistent time period, with the base period corresponding to the implementation date; and**
- (c) quantifiable.**

(b) Office of Youth website

The Minister for Employment and Youth Affairs advised the Committee at the 2003-04 estimates hearings that the Office for Youth has been requested to revamp the youth website.¹⁰⁴ The Committee notes that this upgrade did not occur in 2003-04 and that it remains a priority for the Office for Youth in 2004-05.¹⁰⁵ The Minister further advised that the website is under development and will be made more interactive.¹⁰⁶ The Committee observed that the number of hits on the youth website is expected to fall from recorded hits of 247,953 in 2002-03 to a target of 230,000 in 2004-05, which indicates the diminishing value of the site since it has not been updated.¹⁰⁷ Given that the internet is an important medium for young people, the Committee is anxious to see the youth website revamped as soon as possible.

¹⁰⁴ Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 16 May 2003, p.215

¹⁰⁵ Ms J. Allan, MP, Minister for Employment and Youth Affairs, Presentation at the 2004-05 Budget Estimates hearing, 18 June 2004, p.9; Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.7

¹⁰⁶ Ms J. Allan, MP, Minister for Employment and Youth Affairs, transcript of evidence, 18 June 2004, p.7

¹⁰⁷ Budget Paper No. 3, *2004-05 Service Delivery*, p.243

The Committee recommends that:

Recommendation 164: **As a matter of priority, the Department for Victorian Communities and the Office for Youth upgrade the Youth website to make it more interactive, informative and user friendly to the target audience.**

15.8 Multicultural Affairs portfolio

The Premier, as Minister for Multicultural Affairs, is responsible for the Multicultural Affairs output which is delivered through:¹⁰⁸

- the Victorian Office of Multicultural Affairs (VOMA), a unit within the Department for Victorian Communities. The VOMA coordinates policy advice and the whole of government approach to multicultural affairs and monitors departments' responsiveness to non-English speaking communities; and
- the Victorian Multicultural Commission. The Commission provides independent advice to Government on multicultural affairs and grants to community organisations.

15.8.1 2004-05 outlook for the portfolio

The Minister informed the Committee of the following priorities for the Multicultural Affairs portfolio in 2004-05:¹⁰⁹

- develop a whole of government performance reporting framework;
- continue with the implementation of the language services strategy; and
- develop Multicultural Victoria legislation.

There was one new initiative listed in the 2004-05 Budget Papers for the Multicultural Affairs portfolio. Funding is provided for the Victorian Multicultural Commission's Community Grants Program to continue to support ethnic and community-based organisations to more adequately resource the ethnic community (\$700,000 in both 2004-05 and 2005-06).¹¹⁰

¹⁰⁸ Budget Paper No. 3, *2004-05 Service Delivery*, pp.243–244

¹⁰⁹ Hon. S. Bracks, MP, Minister for Multicultural Affairs, Presentation at the 2004-05 Budget Estimates hearing, 18 May 2004, p.4

¹¹⁰ Budget Paper No. 3, *2004-05 Service Delivery*, pp.303–304

Other output initiatives announced in the 2003-04 Budget to be delivered in 2004-05 are:¹¹¹

- language services strategy - \$500,000 is allocated in 2004-05 to improve the level of supply and quality of interpreters;¹¹² and
- skilled migration program - \$1.5 million is provided in 2004-05 to increase Victoria's share of Australia's skilled and business migrants by 2006-07 and attract skilled migrants to regional Victoria.¹¹³

15.8.2 Analysis of the budget

The Minister for Multicultural Affairs has sole responsibility for the Multicultural Affairs output of the People, Community Building and Information Services output group.¹¹⁴ Expenditure in 2004-05 is expected to be \$7.7 million, which is less than two per cent of the department's budget. This is fractionally more than the expected outcome for 2003-04 of \$7.6 million.¹¹⁵

15.8.3 Performance measures

The Committee notes that there are 11 performance measures for the Multicultural Affairs portfolio in the 2004-05 Budget, covering quantity (four indicators), quality (four), timeliness (two) and cost (one).¹¹⁶ There are no new performance measures and none have been discontinued from the previous Budget.

The Committee notes that the performance measures are predominantly process orientated (for example, number of language services projects implemented) and do not provide sufficient information to adequately assess the outcomes achieved.

The Committee has previously recommended that the department expand and enhance its performance measures for this portfolio.¹¹⁷ However, the department advised that, as the outputs of the portfolio are directly delivered by other departments and agencies (whose performances and outcomes are separately measured and assessed), the performance information for this output is focused on measuring processes.¹¹⁸ Nevertheless, the Committee remains of the view that more outcome focused

¹¹¹ Hon. S. Bracks, MP, Premier of Victoria, and Hon. J. Pandazopoulos, MP, Minister assisting on Multicultural Affairs, media release, *Supporting Victoria's Multicultural Communities*, 4 May 2004

¹¹² Budget Paper No. 2, *2002-03 Budget Statement*, pp.207-208

¹¹³ Budget Paper No. 2, *2003-04 Budget Statement*, pp.252-254

¹¹⁴ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.1

¹¹⁵ Budget Paper No. 3, *2004-05 Service Delivery*, p.244

¹¹⁶ *ibid.*, pp.243-244

¹¹⁷ Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, April 2004, p.473

¹¹⁸ Government response to the recommendations of the Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Estimates*, 52nd Report, tabled in the Legislative Assembly on 31 March 2004, p.76

performance measures are essential for those activities that are funded out of the Multicultural Affairs output.

Accordingly, the Committee recommends that:

- Recommendation 165:** **The Department for Victorian Communities and the Victorian Office of Multicultural Affairs develop and report performance measures that provide sufficient information to adequately assess the outcomes achieved of programs such as:**
- (a) Victorian Multicultural Commission Community Grants Program;**
 - (b) Skilled Migration Strategy;**
 - (c) Language Services Projects; and**
 - (d) other programs funded out of the Multicultural Affairs output.**

In response to a previous recommendation by the Committee's that the Victorian Multicultural Commission develop an evaluation strategy around the Commission's Community Grants Program, the Committee noted that the Commission had:

... committed to undertaking an evaluation process of its core activities, assessing those activities against community and stakeholder expectations.¹¹⁹

The evaluation process was part of the Commission's forward planning activities and expected to be completed by the end of August 2004.¹²⁰

The Committee welcomes the department's commitment to evaluate its core activities and expects this process to lead to the development of appropriate performance indicators for the Community Grants Program. These indicators should be used as a basis for on-going reporting.

¹¹⁹ Government response to the recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, tabled in the Legislative Assembly on 31 March 2004, p.54

¹²⁰ *ibid*

15.8.4 Key issues impacting on the portfolio

The department's response to the Committee's 2004-05 Budget Estimates questionnaire and the estimates hearing identified two issues that will affect the Multicultural Affairs portfolio and its Budget Estimates for 2004-05.

(a) Whole of government reporting

The Committee is aware of whole of government reporting arrangements in relation to cultural diversity, women, youth and Indigenous affairs.¹²¹ Under these arrangements, each government department is required to report on its responsiveness to the four community areas over the preceding financial year. The Premier has advised departments that reports should include, among other things, a performance assessment based on quantitative and qualitative performance measures.¹²²

The *Whole of Government Report, Victorian Office of Multicultural Affairs*, outlines government activities (described as 'achievements') to improve opportunities and services for ethnic communities in 2002-03. The report consolidates information provided by departments in their annual reports.¹²³

The Committee welcomes the whole of government approach to reporting achievements for various groups in the community. The Committee notes that the *Whole of Government Report* lists activities in 2002-03 under each of the four principles. Exhibit 15.10 gives examples of these activities.

¹²¹ Department of Premier and Cabinet, Premier's circular 2003/3, *Whole of government reporting on responsiveness to cultural diversity, women, youth and Indigenous affairs*, downloaded from the Victorian Government intranet

¹²² *ibid.*

¹²³ Department for Victorian Communities, *Whole of Government Report*, Victorian Office of Multicultural Affairs, June 2004, p.5

Exhibit 15.10: Multicultural Affairs Activities outlined in the *Whole of Government Report*

Principle	Example of activities
Valuing diversity	<p>Since enacting the <i>Racial and Religious Tolerance Act</i> (2001) we have implemented a comprehensive community action campaign, including:</p> <ul style="list-style-type: none"> launched the <i>Valuing Cultural Diversity</i> policy outlining achievements for 2002 and future priorities for all nine government departments; consulted with young people on the special challenges faced by culturally and linguistically diverse youth.
Reducing inequality	<p>Supported interpreting and translating services: Funded interpreter awareness training programs in Victorian hospitals.</p> <p>Supported through information: Released the 2002-03 Victorian Multicultural Resources Directory.</p>
Encouraging participation	<p>Piloted three language-specific neighbourhood watch programs.</p> <p>Increased funding for multicultural arts activities.</p>
Promoting the social, cultural and economic benefits of cultural diversity for all Victorians	<p>Supported international cultural partnerships and exchanges.</p> <p>Celebrated and supported Cultural Diversity Week.</p>

Source: *Whole of Government Report, Victorian Office of Multicultural Affairs, pp.8–14*

In its analysis of the *Whole of Government Report*, the Committee expected to see a range of key performance measures and an indication of the degree of change in those measures over 2002-03. The Committee was disappointed that almost none of the activities in the *Whole of Government Report* are quantifiable measures. As a result, the report does not allow the reader to make an assessment of whether the principles (which are similar to outcomes) have been achieved.

The Committee believes the *Whole of Government Report* should include additional information so an assessment of the Government's achievements in Multicultural Affairs can be made. For example, information in the *Whole of Government Report* should show whether, as a result of the Government's efforts in 2002-03, the multicultural community:

- feels more respected than they did in 2001-02 (Valuing diversity);
- has greater access to Government programs and services without impediment due to language or other barriers compared to 2001-02 (Reducing inequality); and
- engages in public and civic life to the same extent as Victorians in general (Encouraging participation).

Accordingly, the Committee recommends that:

Recommendation 166: **The Department for Victorian Communities and Victorian Office of Multicultural Affairs consider revising the *Whole of Government Report*, by:**

- (a) developing outcomes based on the four ‘principles’ as well as establishing appropriate and quantifiable performance indicators; and**
- (b) ensuring that other departments provide information that supports the new performance management framework.**

(b) *Multicultural Victoria Act*

The Minister for Multicultural Affairs indicated that a major strategic project in 2004-05 is a review of the *Victorian Multicultural Commission Act 1996*. The Minister informed the Committee that the proposed Multicultural Victoria Act would foster a common understanding of the importance of cultural diversity and how it enriches Victoria.¹²⁴ As part of this process, the Victorian Office of Multicultural Affairs released a discussion paper in May 2004, *Multicultural Victoria Act, Many cultures - One future*, to seek community input. Submissions closed 16 July 2004. It is the Government’s intention to have a Bill before the Victorian Parliament in its current term of office.¹²⁵

15.9 Women’s Affairs portfolio

The Minister for Women’s Affairs is responsible, through the Office of Women’s Policy, for the Women’s policy output. The Office of Women’s Policy provides strategic policy advice to the Victorian Government on issues of concern to women. By working collaboratively across departments, the Office coordinates and monitors Government policies and programs that affect women and their families.¹²⁶

¹²⁴ Hon. S. Bracks, MP, Minister for Multicultural Affairs, transcript of evidence, 18 May 2004, p.3

¹²⁵ Department for Victorian Communities, Victorian Office of Multicultural Affairs, *Multicultural Victoria Act, Many cultures - One future*, A discussion paper, May 2004, p.21

¹²⁶ Department for Victorian Communities, Office of Women’s Policy, About us, www.women.vic.gov.au

The Office of Women's Policy provides information to Victorian women, and consults with women and women's organisations. The Office also conducts research and identifies emerging trends and issues on the needs of women and effective methods to address those needs.¹²⁷

15.9.1 2004-05 outlook for the portfolio

The Minister informed the Committee of the following priorities for the Women's Affairs portfolio in 2004-05:¹²⁸

- progressing the Women Safety Strategy;
- supporting women's leadership through Women's community leadership grants, appointments on Government boards and committees, and *Our Community* training forums;
- implementing the action agenda for work and family balance;
- supporting Indigenous women;
- developing a forward plan for women, 2004-2007; and
- progressing works relating to the Queen Victoria Women's Centre.

There were no new initiatives included in the 2004-05 Budget relating to the Women's Affairs portfolio.

15.9.2 Analysis of the budget

The Minister for Women's Affairs has sole responsibility for the Women's Policy output of the People, Community Building and Information Services output group.¹²⁹ Expenditure in 2004-05 is expected to be \$2.6 million. This represents an increase of 8.3 per cent on the expected outcome for 2003-04.¹³⁰

15.9.3 Performance measures

The Committee notes that there are eight performance measures for the Women's Affairs portfolio in the 2004-05 Budget, covering quantity (two indicators), quality (two), timeliness (three) and cost (one).¹³¹ There are two new performance measures in 2004-05, both relating to timeliness:

¹²⁷ *ibid.*

¹²⁸ Hon. M. Delahunty, MP, Minister for Women's Affairs, Presentation at the 2004-05 Budget Estimates hearing, 16 June 2004, pp.7-8

¹²⁹ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.1

¹³⁰ Budget Paper No. 3, *2004-05 Service Delivery*, p.244

¹³¹ *ibid.*

- *action agenda for Work and family balance report card* (jointly with Industrial Relations Victoria) which has a target delivery date of March quarter 2005; and
- *women's safety strategy delivered against performance targets*, a target of 80 per cent.¹³²

One performance measure has been discontinued from the previous budget which relates to an aspect of a program which has been completed.¹³³

The Committee notes that the performance measures are predominantly process orientated (for example, number of women attending consultation forums and summits) and do not provide sufficient information to adequately assess the outcomes achieved.

15.9.4 Key issues impacting on the portfolio

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

(a) Whole of government reporting

The whole of government report on women is required to be based around the themes contained in *Valuing Victoria's Women: Forward Plan 2000-03*.¹³⁴

The Minister advised the Committee that the report *Gaining Ground for Victoria's Women*, sets out the achievements of the Government against the first three years of the forward plan.¹³⁵ The *Gaining Ground* report provides both an account of the developments in regard to the Government's commitments outlined in the forward plan, new initiatives that have arisen since the forward plan was prepared and performance measures.¹³⁶

The Committee welcomes the approach of reporting progress on a range of performance measures under main themes.

In its analysis of the performance measures in *Gaining Ground*, the Committee expected to see measures that were similar to those that appeared in *Valuing Victoria's Women: Forward Plan 2000-03*. The Committee was pleased that for three of the four themes, most of the performance measures that appeared in the Forward

¹³² *ibid.*

¹³³ *ibid.*, p.355

¹³⁴ Department of Premier and Cabinet, Premier's circular 2003/3, *Whole of Government Reporting on Responsiveness to Cultural Diversity, Women, Youth and Indigenous Affairs*, downloaded from the Victorian Government intranet

¹³⁵ Hon. M. Delahunty, MP, Minister for Women's Affairs, transcript of evidence, 16 June 2004, p.3

¹³⁶ Department for Victorian Communities, Office of Women's Policy, *Gaining Ground for Victoria's Women*, p.5

Plan are reported in the *Gaining Ground* report. In several cases, additional performance measures have been developed and are reported. Therefore, with respect to most of the key issues, the performance measures allow an adequate assessment of the outcomes achieved.

However, the Committee believes that the Office of Women's Policy needs to develop performance measures relating to:

- consultation with women, media portrayal of women, and information and awareness (under the representation and equity theme); and
- work and family responsibilities and economic independence (under the education, work and economic independence theme).

Performance measures concerning work and family responsibilities are discussed as a separate issue in section 15.9.4(c).

The Committee notes that the time periods shown for some performance measures are quite dated and relate to a period prior to the Forward Plan (2000). For example, the performance measure for support for carers is based on a 1998 survey. While acknowledging that this may be the latest survey on the subject, the Committee believes that the Office of Women's Policy should work with the responsible agency (in this case, the Department of Human Services) to develop more recent performance information.

Accordingly, the Committee recommends that:

Recommendation 167: **The Department for Victorian Communities and the Office of Women's Policy work collaboratively with other agencies to:**

- (a) develop performance measures for:**
 - (i) consultation with women, media portrayal of women, and information and awareness; and**
 - (ii) work and family responsibilities and economic independence.**
- (b) ensure the performance information allows for meaningful comparisons over time.**

(b) Implementation of the Women's Safety Strategy

The five year Women's Safety Strategy was announced in October 2002.¹³⁷ The aim of the strategy is to reduce the level and fear of violence against women in all its forms.¹³⁸ The strategy has three parts:¹³⁹

- a policy framework setting out the principles and policy directions for addressing violence against women;
- specific initiatives to reduce violence against women; and
- personal experiences of violence in women's own words.

The Minister informed the Committee that 53 initiatives are being implemented under the Women's Safety Strategy, 44 in the first year and 9 in the second year of the strategy.¹⁴⁰ The Minister advised, as part of the \$5.6 million devoted to the Women's Safety Strategy:¹⁴¹

- \$1.8 million has been provided to the Department of Human Services to increase housing options for women and children. The program has been offered in six locations across Victoria, and is assisting 340 women per year;
- \$1.6 million has been allocated to the Department of Justice for an innovative pilot program under which men on family violence orders can be directed by a Magistrate to undertake a behavioural change program; and
- \$1.5 million has been directed to the Department of Human Services to support family violence networkers in the community.

The Committee notes that \$5.6 million was earmarked for the strategy in October 2002 and \$5 million of this amount was to be allocated over three years.¹⁴²

¹³⁷ Hon. M. Delahunty, MP, Minister for Women's Affairs, media release, *Bracks Government's plan to protect women*, 21 October 2002

¹³⁸ Hon. M. Delahunty, MP, Minister for Women's Affairs, speech notes, Annual Women's safety strategy, *Stop the violence* forum, 11 December 2003, p.3

¹³⁹ Government of Victoria, *Women's safety strategy: a policy framework*, October 2002, p.1

¹⁴⁰ Minister for Women's Affairs' response to the Committee's follow-up questions, p.4

¹⁴¹ Hon. M. Delahunty, MP, Minister for Women's Affairs, transcript of evidence, 16 June 2004, p.6; Minister for Victorian Communities' response to the Committee's follow-up questions, p.6

¹⁴² Hon. M. Delahunty, MP, Minister for Women's Affairs, media release, *Bracks Government's plan to protect women*, 21 October 2002

The Minister informed the Committee that the key implementation mechanisms of the strategy are three statewide steering committees that are co-chaired by the Office of Women's Policy and Victoria Police.¹⁴³ These are statewide steering committees to:¹⁴⁴

- reduce family violence;
- reduce sexual assault; and
- reduce violence against women in the workplace.

The Minister advised that these committees bring together Government, the police, courts, services for women and children, offending programs and non-government organisations. A Women's Safety Executive Co-ordinating group supports the work of the committees within Government.¹⁴⁵

The Committee understands that the Office of Women's Policy chairs an annual forum on women's safety. The first forum was held on 11 December 2003. At the forum, the Minister identified one of the main priorities for 2004 as the '*development of a framework that will measure the outcomes of the Women's Safety Strategy*'.¹⁴⁶

The following key performance measures will assess outcomes under the strategy:¹⁴⁷

- a new performance measure relating to the *percentage of Women's Safety Strategy projects delivered against performance targets* has been included in the 2004-05 Budget (referred to above under 'Performance Measures');
- *Women's Safety Strategy Progress Reports are submitted to Ministers at the annual meeting of Ministers responsible for the implementation of the strategy*. The first meeting took place on 10 December 2003;
- *an interim report to be publicly released in Year 2 of the strategy (2004)*;
- *a final report to be released in the final year of the strategy (2007)*; and
- *a whole of government evaluation framework to be developed to assess the overall impact and outcomes of the strategy*.

¹⁴³ Minister for Women's Affairs' response to the Committee's follow-up questions, p.4

¹⁴⁴ Department for Victorian Communities, Corporate Plan 2003-2006, p.14

¹⁴⁵ Minister for Women's Affairs' response to the Committee's follow-up questions, p.4

¹⁴⁶ Hon. M. Delahunty, MP, Minister for Women's Affairs, speech notes, Annual Women's safety strategy, *Stop the violence* forum, 11 December 2003, p.6

¹⁴⁷ Minister for Women's Affairs' response to the Committee's follow-up questions, p.4

At the time of preparation of this report, the interim report on progress of the strategy (Year 2) had not been released. The next public report is scheduled to be prepared at the conclusion of the strategy (after Year 5).¹⁴⁸ The Committee is concerned at the limited public information available on these initiatives and believes key information should be reported annually in order to determine whether the Women's Safety Strategy is achieving its objectives.

Accordingly, the Committee recommends that:

Recommendation 168: **The Department for Victorian Communities and Office of Women's Policy publish in the department's annual report a list of individual programs within the Women's Safety Strategy, showing the:**

- (a) agency responsible for implementation;**
- (b) funding allocation in each year;**
- (c) progress of the strategy and main achievements; and**
- (d) output measures to assess the outcomes.**

(c) *Action agenda for work and family balance*

On 21 November 2003, the Premier launched the Action Agenda for Work and Family Balance at the Annual Women's Summit in Bendigo.¹⁴⁹

The Action Agenda outlines proposals over a two year period to raise greater awareness of work and family balance issues; promote the adoption of family friendly work policies and practices in Victorian workplaces; and to work with business, employees, unions and the community to encourage innovative policies and practices that help employees reconcile work and family commitments.¹⁵⁰

In response to a previous Committee recommendation that the Office of Women's Policy develop appropriate performance measures around the work and family balance strategy, the department gave a commitment to release a report card after 12 months to demonstrate progress made in implementing initiatives and the major outcomes that have been achieved.¹⁵¹

¹⁴⁸ Government of Victoria, *Women's Safety Strategy: A policy framework*, October 2002, p.57

¹⁴⁹ Hon. S. Bracks, MP, Premier of Victoria, media release, *Premier puts Victorian families on the agenda*, 21 November 2003

¹⁵⁰ Industrial Relations Victoria, *Work and Family in Victoria*, from website: www.irv.vic.gov.au

¹⁵¹ Government response to the recommendations of the Public Accounts and Estimates Committee's 54th *Report on the 2003-04 Budget Estimates*. p.54

The Committee notes that the performance measures relating to work and family balance in the *Gaining Ground for Victoria's Women* report are inadequate. These measures relate to employment and unemployment of women and the participation of children in preschool (kindergarten) programs.¹⁵² The Committee considers that the report card should include relevant and appropriate performance measures and targets to assess the achievement of stated outcomes.

For example, measures could be developed to assess the following matters and track changes over time:

- satisfaction with cost and availability of child care or before/after school care;
- female average earnings compared with male average earnings;
- flexibility of working arrangements, including flexible hours and ability to work from home;
- access to training, promotion and other opportunities for part-time workers (compared with full-time employees); and
- job opportunities for women from culturally diverse backgrounds.

These performance indicators should be used as a basis for on-going reporting.

Accordingly, the Committee recommends that:

Recommendation 169: **The Department for Victorian Communities and the Office of Women's Policy ensure that the report card on the Work and Family Balance Strategy:**

- (a) include relevant and appropriate performance measures and targets to assess the achievement of stated outcomes; and**
- (b) is used as a basis for on-going reporting.**

15.10 Aboriginal Affairs portfolio

Aboriginal Affairs Victoria – a business division of the Department for Victorian Communities – is responsible for coordinating policies and programs benefiting Victoria's Indigenous communities. Whole of government policy and planning accounts for around 7 per cent of the portfolio budget.¹⁵³

¹⁵² Department for Victorian Communities, Office of Women's Policy, *Gaining Ground for Victoria's Women*, pp.14–15

¹⁵³ Mr G. Jennings, MLC, Minister for Aboriginal Affairs, transcript of evidence, 24 June 2004, p.4

15.10.1 2004-05 outlook for the portfolio

The Minister advised the Committee that the priorities in the Aboriginal Affairs portfolio in 2004-05 include:¹⁵⁴

- develop new Victorian cultural heritage legislation and an associated strategy;
- negotiate land and natural resource management outcomes with Indigenous communities;
- support the Stolen Generations organisation;
- implement an Indigenous family violence strategy and partnership agreement;
- strengthen the Victorian Koori leadership projects; and
- community resource models for strengthening Aboriginal organisations.

The Committee noted that the 2004-05 Budget included funding for the Department for Victorian Communities for three initiatives relating to the Aboriginal Affairs portfolio:¹⁵⁵

- \$300,000 in 2004-05 to further negotiate land and resources management outcomes with Indigenous communities in Victoria;
- \$1 million in 2004-05 (\$3 million to 2006-07) to increase the reliability, standards and functioning of Victoria's 26 Indigenous community organisations through the provision of training, support and grant funding for local initiatives and the delivery of community-based services; and
- \$500,000 over two years to 2005-06 to construct a significant public site to acknowledge Victoria's Aboriginal culture and history and celebrate Indigenous reconciliation.

15.10.2 Analysis of the budget

The 2004-05 Budget for the output for which the Minister for Aboriginal Affairs has responsibility is \$15.7 million, a decrease of \$1.2 million from the expected outcome for 2003-04.¹⁵⁶ It consists of one output and accounts for 3.6 per cent of the Department for Victorian Communities budget in 2004-05.

The Minister advised the Committee that the decrease in 2004-05 largely reflects funds carried over from the previous year which were fully expended in 2003-04, relating to the Indigenous Community Capacity Building Program (\$900,000), the

¹⁵⁴ Mr G. Jennings, MLC, Minister for Aboriginal Affairs, Presentation at the 2004-05 Budget Estimates hearing, 24 June 2004, pp.7-8

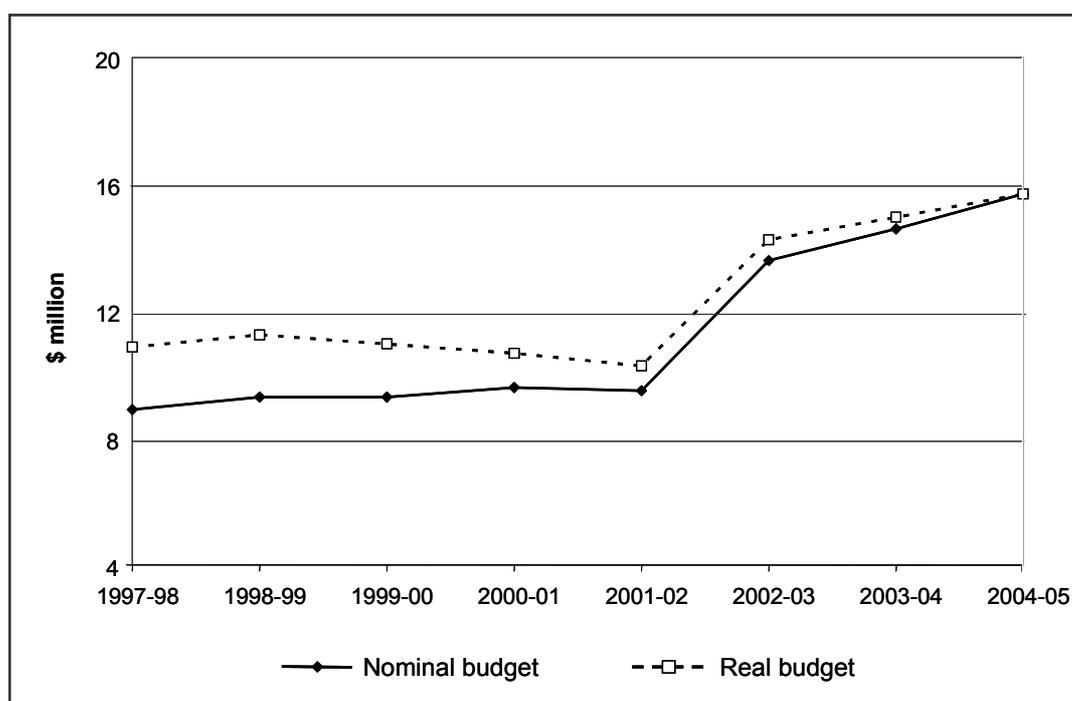
¹⁵⁵ Budget Paper No. 3, *2004-05 Service Delivery*, pp.303-304

¹⁵⁶ *ibid.*, pp.241-242

Indigenous Family Violence Strategy (\$700,000) and the response to the Bringing them Home Report (\$600,000).¹⁵⁷

The Committee was informed that there had been a significant growth in funding allocated to Aboriginal Affairs Victoria in recent years (see exhibit 15.11).¹⁵⁸

**Exhibit 15.11: Aboriginal Affairs portfolio
Output costs – 1997-98 to 2004-05**



Note: Real budget values expressed in 2004-05 dollars. Nominal values for previous years were inflated using the average annual change in the Melbourne-All Groups consumer price index

Sources: Mr G. Jennings, MLC, Minister for Aboriginal Affairs, presentation to the Public Accounts and Estimates Committee, 24 June 2004, p.6; Australian Bureau of Statistics, Consumer Price Index, Australia, ABS Cat. No. 6401.0, July 2004

15.10.3 Performance measures

The Committee noted that the 2004-05 Budget Papers indicate that two performance measures were discontinued.¹⁵⁹ One of these measures – *Proportion of Indigenous Family Violence Community Initiatives Fund grants endorsed by Indigenous Family Violence Taskforce* – is no longer relevant because the Family Violence Taskforce has ceased operation.¹⁶⁰

¹⁵⁷ Mr G. Jennings, MLC, Minister for Aboriginal Affairs, transcript of evidence, 24 June 2004, pp.4–5

¹⁵⁸ Mr G. Jennings, MLC, Minister for Aboriginal Affairs, presentation to the Public Accounts and Estimates Committee, 24 June 2004, p.6

¹⁵⁹ Budget Paper No. 3, *2004-05 Service Delivery*, p.355

¹⁶⁰ Minister for Aboriginal Affairs' response to the Committee's follow-up questions, p.2

The Committee noted the Budget Papers indicated that the outcome for one measure in 2003-04 was not expected to be met.¹⁶¹ The Minister advised the Committee that the target for the measure *Meetings of the Premier's Aboriginal Advisory Council supported* was incorrectly stated as '10' in the 2003-04 Budget Papers, whereas the target for the measure should have been '3' to reflect only the planned meetings of the Premier's Aboriginal Advisory Council.¹⁶²

While this mistake was recognised by the department and disclosed to the Committee during the 2003-04 estimates process, the Committee was surprised that there was nothing in the 2004-05 Budget Papers to indicate that the target for 2003-04 was incorrectly stated. The Committee believes that where errors are detected in the Budget Papers these should be disclosed by the inclusion of an appropriate footnote to each output group.

The Committee recommends that:

Recommendation 170: **The Department for Victorian Communities ensure that where adjustments are made to targets set in previous years, appropriate notes are included in the Budget Papers to inform readers that this has occurred.**

15.10.4 Key issues impacting on the portfolio

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

(a) Whole of government reporting on Indigenous affairs

It is widely acknowledged that Indigenous Australians may experience significant disadvantage. A recent summary on the extent of relative disadvantage experienced by Indigenous Australians noted that in Victoria:

- in 2001 64.3 per cent of Indigenous students in year 3 achieved the reading benchmark compared to 89 per cent of all year 3 students;¹⁶³
- in 2002-03 the imprisonment rate for Indigenous prisoners per 100,000 population was 1,108.2 compared to a rate of 95.6 for all prisoners;¹⁶⁴

¹⁶¹ Budget Paper No. 3, *2004-05 Service Delivery*, pp.241–242, 355

¹⁶² Mr G. Jennings, MLC, Minister for Aboriginal Affairs, transcript of evidence, 24 June 2004, p.6

¹⁶³ Steering Committee for the Review of Government Service Provision, *Report on Government Services 2004: Indigenous Compendium*, April 2004, p.23

¹⁶⁴ *ibid.*, Table 7A.11

- over the period 1999-2001 the mortality rate per 1,000 people (age standardised for all causes) was 14.9 for Indigenous people compared to 6.7 per cent for the total population,¹⁶⁵ and
- in 2002-03 the rate of notifications to child protection authorities per 1,000 children aged 0-16 years was 136.6 for Indigenous children compared to a rate of 26 for all children.¹⁶⁶

At the estimates hearings the Committee was interested to learn about the development of the whole of government policy framework for Aboriginal Affairs Victoria. The Minister advised that:¹⁶⁷

We have spent a lot of time within government in the last year trying to give some sense and meaning to this whole of government talk, because it has been around for a long time. In fact members of the community have seen trickles of it in the past, and we want to see it come out as being the major method that can be understood by members of the Victorian community. In fact that goes to the heart of the establishment of the Department for Victorian Communities and why Aboriginal Affairs Victoria is part of the Department for Victorian Communities. We see it as one of our core objectives and our core rationale for living to make sure we make those lateral connections across whole of government, joining up programs from disparate parts of government to make it a reality. We have made sure that we work this through senior management within the public sector, through the appropriate processes with my cabinet colleagues, to actually have an agreed view on how we will get our act together to achieve those responsive, integrated outcomes.

In October 2002, the former Minister for Aboriginal Affairs tabled a whole of government report in Parliament that intended to report on the status of the Victorian Indigenous community and the Government's commitment to acknowledging Indigenous culture and addressing disadvantage.¹⁶⁸ The Committee noted that this report is not required to be tabled in Parliament.

The whole of government report summarised the policy initiatives implemented by the Government, the challenges ahead and some of the key outcomes experienced by Indigenous communities relative to their non-Indigenous counterparts.¹⁶⁹ Although further work was being undertaken to develop an effective methodology for estimating total departmental expenditure on Indigenous programs which is inclusive of internal departmental and program based costs, the Committee noted that estimated

¹⁶⁵ *ibid.*, p.62

¹⁶⁶ *ibid.*, Table 15A.1

¹⁶⁷ Mr G. Jennings, MLC, Minister for Aboriginal Affairs, transcript of evidence, 24 June 2004, p.8

¹⁶⁸ Department for Victorian Communities, *The Victorian Government Indigenous Affairs Report: November 1999-October 2002*, p.5

¹⁶⁹ *ibid.*, p.4

expenditure in 2001-02 on Indigenous programs across departments totalled almost \$84 million, most of which was incurred by the Department of Human Services and the Department of Education and Training.¹⁷⁰

The 2003-04 and 2004-05 Budget Papers indicated that whole of government reporting on the Government's Indigenous programs was intended to occur annually, as evidenced by the inclusion of a performance measure *Annual Aboriginal Affairs report tabled in Parliament*.¹⁷¹ The Committee noted that despite the expectation that a whole of government report would be tabled in 2003-04, as outlined in the Budget Papers, this did not occur.

While there is no legislative requirement to table the report in Parliament and hence no deadline for the report to be made publicly available, the Committee believes that the regular annual release of this report provides an important basis for reporting to Parliament and the community on the Government's progress in improving outcomes for Indigenous communities.

The Committee recommends that:

Recommendation 171: **The Department for Victorian Communities finalise its Annual Aboriginal Affairs Report as soon as possible and publicly release the document.**

The Committee notes that whole of government reporting is also carried out across departments in accordance with a circular issued by the Department of Premier and Cabinet. Under this arrangement, each department is required to report on its responsiveness to four community areas – cultural diversity, women, youth and Indigenous affairs – over the preceding financial year.¹⁷²

The reporting template involves two requirements from departments. Each department is required to report annually to the Department for Victorian Communities on items specified in a standard reporting template, which broadly covers the following categories:¹⁷³

- key departmental commitments;
- links to *Growing Victoria Together*;
- community consultation/engagement;
- specific key projects/initiatives;

¹⁷⁰ *ibid.*

¹⁷¹ Budget Paper No. 3, *2004-05 Service Delivery*, p.241

¹⁷² Department of Premier and Cabinet, Premier's circular 2003/3, *Whole of government reporting on responsiveness to cultural diversity, women, youth and Indigenous affairs*, downloaded from the Victorian Government intranet

¹⁷³ *ibid.*

- performance assessment; and
- forward priorities.

The second reporting requirement specified for departments for external reporting is their annual report. The circular states that, in broad terms, the annual report must contain:¹⁷⁴

- a statement on responding to cultural diversity, women, youth and Indigenous affairs and strategies proposed for the following year; and
- the provision of appropriate performance measures regarding responses to cultural diversity, women, youth and Indigenous affairs.

Guidelines prepared for departments by Aboriginal Affairs Victoria require them to report against specific strategies. The guidelines also state that:¹⁷⁵

Departmental Reports should reflect those Performance Indicators as previously reported on within the 'Victorian Government Indigenous Affairs Report 1999-2002', particularly within Chapter Two - 'Indigenous Community Profile'. If Departments have developed further Indigenous performance indicators relating to specific departmental policies over the past twelve months these should be added to the report.

In a review of the annual reports of the Department of Justice; the Department of Human Services; and the Department of Education and Training, the Committee noted that none of these departments reported on the key outcome measures for Indigenous communities relating to health, community care, education and justice that were included in the *Indigenous Affairs Report November 1999-October 2002*. Where information was disclosed, this tended to be a summary of activities conducted rather than an analysis of their effectiveness.

The Committee believes that the quality of reporting by departments relating to their responsiveness to, and strategic relationships for, Aboriginal affairs needs to be significantly improved.

The Committee recommends that:

Recommendation 172: **Aboriginal Affairs Victoria review the whole of government reporting guidelines for Indigenous affairs with a view to ensuring that departments report on their progress against the key outcomes identified in the Victorian Government's Indigenous Affairs Report November 1999-October 2002.**

¹⁷⁴ ibid.

¹⁷⁵ ibid.

(b) War-cum barra – Victorian Public Sector Indigenous Employment Strategy

War-cum barra, the Victorian Public Sector Indigenous employment strategy was launched by the Premier in July 2002 with the target of employing an additional 230 Indigenous staff in the Victorian Public Sector by July 2005.¹⁷⁶ The strategy establishes a whole of government framework for coordinating and sustaining government efforts to achieve greater representation for Indigenous people within all areas and all levels of the Victorian Public Sector.¹⁷⁷ Achievement of the public service-wide target is the primary responsibility of the Premier.¹⁷⁸

The Committee noted that the strategy would be phased in over two years:¹⁷⁹

- the first phase (May 2002 to July 2003) was to involve the implementation of the strategy within departments and agencies; and
- the second phase (July 2003 onwards) was to involve implementation of the strategy with other Victorian Public Sector organisations (public authorities).

The Committee also noted that Aboriginal Affairs Victoria would provide secretariat services to the strategy coordination committee to undertake regular meetings and progress work on key data, monitoring and government wide projects.¹⁸⁰ The intention was to review and re-develop the strategy for a further three years by July 2005.¹⁸¹

The Committee's review indicated that there was limited information included on the implementation of the strategy in the 2002-03 annual reports of key agencies such as the Office of Public Employment, Department for Victorian Communities and the Department of Premier and Cabinet.

The Committee was informed that up to March 2004, 59 Indigenous staff had been employed on a fixed term basis and 33 Indigenous full-time positions had been created.¹⁸² The Minister also advised that:¹⁸³

Beyond that we have provided opportunities where we want to create full-time jobs. There have been 14 traineeships and the bushfires, which we described as a spontaneous event, created opportunities for 8 people to be employed and we are hoping to use their expertise. So we have identified a total of another 22 positions that we hope will lead to ongoing positions.

¹⁷⁶ Hon. S. Bracks, MP, Premier of Victoria, media release, *Major initiative to create 230 jobs for Kooris*, 8 July 2002

¹⁷⁷ Department of Natural Resources and Environment, *Wur-cum barra: Creating employment opportunities in the Victorian Public Sector for Indigenous people*, July 2002, pp.7–9

¹⁷⁸ *ibid.*, p.33

¹⁷⁹ *ibid.*, p.9

¹⁸⁰ *ibid.*, p.31

¹⁸¹ *ibid.*, p.9

¹⁸² Mr G. Jennings, MLC, Minister for Aboriginal Affairs, transcript of evidence, 24 June 2004, p.13

¹⁸³ *ibid.*

While the Committee notes that progress has been made in implementing the Indigenous employment strategy, another 138 staff will need to be employed in ongoing full-time positions to reach the Government's target of an additional 230 staff by July 2005.

While the release of the Annual Aboriginal Affairs report discussed in the previous section may address the current shortcomings of progress reporting against the strategy's objectives, the Committee believes that the previous recommendation relating to enhancing whole of government reporting guidelines should also be inclusive of reporting against the Indigenous employment strategy at a departmental level.

The Committee recommends that:

Recommendation 173: **Aboriginal Affairs Victoria review the whole of government reporting guidelines for Indigenous affairs with a view to ensuring that departments report on their progress in implementing the Victorian public sector Indigenous employment strategy, since its commencement in July 2002.**

(c) *Indigenous Community Capacity Building Program*

The Indigenous Community Capacity Building Program aims to develop whole of government policy to strengthen the operational effectiveness of Victoria's locally based Aboriginal community organisations.¹⁸⁴ The program has four key components:¹⁸⁵

- Chief Executive Officer Network – that will focus on building awareness amongst Aboriginal community organisation managers of Victorian Government policy, programs and services and developing best practice approaches in community development and organisational management.
- Training and Support – to provide a range of management support programs including a CEO Mentor Program, an Aboriginal Community Organisation - Officer Exchange Program, an on-line management resource data base and training services.

¹⁸⁴ Department for Victorian Communities, Indigenous Community Capacity Building Program, <http://intranet.vic.gov.au/aav/planning/capacity/>, accessed 24 August 2004

¹⁸⁵ *ibid.*

- Internet Portal – a dedicated Internet site for Victorian Aboriginal community organisation managers. The site will consolidate Victorian Government sites, directories, reports, policies, planning data and related on-line resources through a new portal. The site will include all training and support materials for the program, host on-line forums and play a key role in the provision of direct support to staff in the community organisation sector.
- Local Community Capacity Building Fund – to provide flexible operating grants to Aboriginal community based organisations. The grants will be available to assist organisations undertake local initiatives that enhance their capacity to work in partnership with Government and deliver community based services.

The Minister advised the Committee that the budget for the program in 2004-05 was \$1.48 million.¹⁸⁶

The Committee was interested to learn about the activities carried out in each component of the program. The Minister advised that the 2003-04 grants round (\$523,000) is in the final stages of processing and successful applicants are about to be notified and grants will be disbursed shortly thereafter.¹⁸⁷ The budget for the grants program in 2004-05 was \$600,000.¹⁸⁸

The Committee noted that the CEO Network services were delivered by the Victorian Aboriginal Community Controlled Health Organisation and funded for 18 months (April 2003-September 2004) at a cost of \$240,000.¹⁸⁹ The budget for these services in 2004-05 is \$200,000.¹⁹⁰

The training and support component of the Internet Portal Program was included in the CEO Network for 2002-04.¹⁹¹ The Minister advised the Committee that the creation of the Department for Victorian Communities in December 2002 meant that the demand for an Internet Portal was satisfied through a different process.¹⁹² As a result, the focus has been directed towards developing a funding program to meet the IT needs of the community, with possible infrastructure funding. To date three pilot projects were funded in 2003-04 on enhancing the effectiveness of IT infrastructure within the Victorian Indigenous community:¹⁹³

- Aboriginal Community Elders' Service – \$70,069 for the installation of an IT network server, optical network, work stations and customer support agreement;

¹⁸⁶ Mr G. Jennings, MLC, Minister for Aboriginal Affairs, transcript of evidence, 24 June 2004, p.4

¹⁸⁷ Minister for Aboriginal Affairs' response to the Committee's follow-up questions, p.4

¹⁸⁸ *ibid.*, p.5

¹⁸⁹ *ibid.*, p.4

¹⁹⁰ *ibid.*, p.5

¹⁹¹ *ibid.*

¹⁹² *ibid.*

¹⁹³ *ibid.*

- Koorie Diabetes Service Victoria – \$18,000 for the development of a website providing information about diabetes to Aboriginal community members, home and community care workers and health care agencies; and
- Aborigines Advancement League – \$32,155 for the installation of a touch screen and the development of a website.

The Committee welcomes the department's efforts to strengthen the operational effectiveness of Victoria's locally based Aboriginal community organisations. The Committee encourages the department to continue to regularly evaluate the effectiveness of these efforts.

15.11 Local Government Portfolio

Local Government Victoria – a business division of the Department for Victorian Communities – is responsible for the administration of the Local Government Act. In undertaking this function, Local Government Victoria's role is:¹⁹⁴

Through Local Government Victoria, the Department for Victorian Communities aims to achieve a whole of government approach from the State in relation to the local government sector. Within State Government the Department acts as an advocate for local government issues and roles.

The Committee notes that Victorian Government funding to Local Government Victoria is relatively minor in comparison to grants from the Commonwealth Government to local government of \$367 million for operating purposes and National Competition policy payments of \$17.8 million, which are passed on to local government by the Department for Victorian Communities.¹⁹⁵

15.11.1 2004-05 outlook for the portfolio

The Minister advised the Committee that priorities for the Local Government portfolio in 2004-05 include:¹⁹⁶

- implementing new funding arrangements and allocating grants for capital projects to public libraries;
- implementing the *Local Government (Democratic Reform) Act 2003* including oversighting the model code of conduct for councillors, revising local government election regulations and general regulations;

¹⁹⁴ Department for Victorian Communities, About local government, <http://www.doi.vic.gov.au/doi/internet/localgov.nsf/>, accessed 25 August 2004

¹⁹⁵ Minister for Local Government's response to the Committee's follow-up questions, p. 1

¹⁹⁶ Ms C. Broad, MLC, Minister for Local Government, presentation to the Public Accounts and Estimates Committee, 18 June 2004

- carrying out activities to support restoring municipal responsibility for the Docklands precinct to the City of Melbourne; and
- considering mechanisms for integrated planning and management of Fishermens Bend and the dock, rail and market precincts.

The Committee noted that the 2004-05 Budget included one initiative relating to the Local Government portfolio, which provided additional funding of \$8.5 million over four years to upgrade library facilities to address future population growth and higher operating costs (see section 15.11.4(a)).¹⁹⁷

15.11.2 Analysis of the budget

The 2004-05 Budget for the output for which the Minister for Local Government has responsibility is \$36.6 million, an increase of \$3.6 million from the expected outcome for 2003-04.¹⁹⁸ It consists of one output and accounts for 8.3 per cent of the Department for Victorian Communities' budget in 2004-05.

The department advised that the increase in the Local Government Sector Development output in 2004-05 is due to indexation, the transfer of funding for local libraries to the Department for Victorian Communities from the Department of Premier and Cabinet (\$1.5 million) and the Government's *Living Libraries* initiative (\$1 million).¹⁹⁹

The Minister advised the Committee that grants to libraries were expected to be \$28.8 million in 2004-05, accounting for 78.7 per cent of the cost of the Local Government Sector Development output.²⁰⁰ Grants to libraries by Local Government Victoria in 2004-05 are expected to be approximately four per cent higher than 2002-03.²⁰¹ The remaining funds for the output mainly comprised payments to employees (\$3.3 million), operating expenses (\$2.2 million) and corporate overheads (\$2.2 million).²⁰²

¹⁹⁷ Budget Paper No. 3, *2004-05 Service Delivery*, p.303

¹⁹⁸ *ibid.*, pp.238–239

¹⁹⁹ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.15

²⁰⁰ Minister for Local Government's response to the Committee's follow-up questions, p.1

²⁰¹ *ibid.*; Department for Victorian Communities, *Annual Survey of Victorian Public Libraries 2002-03*, July 2004, pp.56–57

²⁰² Minister for Local Government's response to the Committee's follow-up questions, p.1

15.11.3 Performance measures

There were no changes made to performance measures in the Local Government Sector Development output in 2004-05.²⁰³ The Committee noted that only two of the 12 measures included in the output related to public library services, despite grant funding to libraries accounting for almost 80 per cent of the output's costs.²⁰⁴

15.11.4 Key issues impacting on the portfolio

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

(a) Library funding

The Committee noted that the 2004-05 Budget included additional funding of \$8.5 million over four years (\$900,000 in 2004-05) to build on funding announced in 2003-04 to assist in the building and upgrading of libraries in outer metropolitan growth corridors and rural Victoria, with contributions from recipient councils where appropriate.²⁰⁵

The Committee noted that this funding was split into two components, with \$4.5 million allocated to the *Living Libraries* initiative to build and upgrade libraries and \$4 million contributing towards expected increases in costs and population growth.²⁰⁶

The Committee understands that additional library funding in 2004-05 builds on a \$12 million three year public library infrastructure program ('Living libraries') launched in 2000.²⁰⁷ Under the library infrastructure program, councils wishing to improve their existing public library building infrastructure could apply for a grant of up to \$500,000. Funds were directed towards the construction of replacement library buildings and the extension, renovation or refurbishment of existing library buildings.²⁰⁸

²⁰³ Budget Paper No. 3, *2004-05 Service Delivery*, pp.238–239

²⁰⁴ *ibid.*

²⁰⁵ *ibid.*, p.303

²⁰⁶ Department for Victorian Communities, Funding for local government partnerships, 2004-05 Victorian Budget Factsheet, 4 May 2004

²⁰⁷ Hon. B. Cameron, MP, Minister for Local Government, media release, *Public libraries for the 21st century*, 2 June 2000

²⁰⁸ Department of Infrastructure, Living Libraries, www.doi.vic.gov.au/DOI/Internet/localgov.nsf/AllDocs/, accessed 1 June 2004

As at 30 August 2003, grants valued at \$12.2 million had been approved for 45 projects under the library infrastructure program. The total value of library infrastructure projects supported by the grants (i.e.: including contributions from councils) was valued at almost \$50 million.²⁰⁹

The Minister advised the Committee that under the program new libraries have been built in a number of locations including Ararat, Maryborough, Kerang, Lakes Entrance and Dingley, and there have been very substantial upgrades to libraries in a range of locations, including Box Hill, Portland, Wodonga and Watsonia.²¹⁰

The Committee was interested to learn how additional funding for libraries would be allocated to take into account inflation and population growth. The Committee noted that although Victoria's 14 regional library corporations reported an aggregate operating surplus of \$2.66 million in 2002-03, three individual corporations recorded operating deficits, which were attributed to unanticipated increases in superannuation liabilities.²¹¹ It is important that libraries are able to generate surpluses in order to provide for capital improvements and increase their collections.

The Minister advised that recurrent funding for public library grants for 2004-05 increased by 3.76 per cent, covering both the inflation and population growth movement.²¹² The Committee noted that of this increase, 1.3 percentage points was attributed to population growth, with the remaining increase due to inflation.²¹³

The Committee noted that this new initiative would allow all library services to receive an annual increase in recurrent funding of at least the rate of inflation, even if the population they are serving is falling.²¹⁴ The Minister indicated that, as a result of the new formula, recurrent funding to a number of library services in country Victoria increased significantly in 2003-04, for example to the Wimmera Regional Library Corporation (11.6 per cent), West Gippsland Regional Library (5.71 per cent) and East Gippsland Shire Council (4.76 per cent).²¹⁵

The Committee notes the department's approach to allocating additional funding to libraries and believes that this funding is important to maintain the quality of library facilities and services delivered by regional library corporations. The Committee encourages the department to continue to monitor the effect of this additional funding on the financial sustainability of regional library corporations.

²⁰⁹ *ibid.*

²¹⁰ Ms C. Broad, MLC, Minister for Local Government, transcript of evidence, 18 June 2004, p.10

²¹¹ Minister for Local Government's response to the Committee's follow-up questions, p.3

²¹² *ibid.*, p.2

²¹³ *ibid.*

²¹⁴ *ibid.*

²¹⁵ *ibid.*, p.3

(b) Improving local government accountability

A key change resulting from amendments to the Local Government Act in 2003 was the introduction of a number of reporting requirements that seek to improve the accountability of local government.²¹⁶

At the estimates hearings, the Committee was interested in how advanced councils were in preparing Council Plans, which were due by 30 June 2004.²¹⁷ The Minister advised the Committee that as at 30 June 2004, 68 of Victoria's 79 councils had adopted and submitted their 2004–2008 Council Plans to the Minister.²¹⁸

The Committee noted that four councils were granted an extension to submit their Council Plan, with the reasons provided by councils in support of their requests generally relating to the adoption of the Council Plan either concurrently with the annual budget or at the next scheduled council meeting.²¹⁹

The councils are also now required to include a standard set of statements in their annual reports.²²⁰ These standard statements cover financial performance, financial position, cash flow and capital works and are required to use the same accounting bases in the strategic resource plan, budget, revised budget and annual report.²²¹ The Committee noted that two of these statements covering financial position and capital works were not required to be prepared for the financial year ending 30 June 2004.²²²

The Minister informed the Committee that the Auditor-General would report annually on the standard statements of each council and the Department for Victorian Communities would follow up on any recommendations from the Auditor-General.²²³

While the implementation of the new arrangements present challenges for the Department for Victorian Communities to ensure that they are adopted by all of Victoria's 79 local government authorities in a consistent and timely manner, the Committee encourages the department to continue to monitor the introduction of the new arrangements to identify areas in which councils require further assistance.

²¹⁶ Department for Victorian Communities, *The Local Government (Democratic Reform) Bill: A Guide*, October 2003

²¹⁷ Hon. B. Baxter, MLC, transcript of evidence, 18 June 2004, p.11

²¹⁸ Minister for Local Government's response to the Committee's follow-up questions, p.2

²¹⁹ *ibid.*

²²⁰ *Local Government Act 1989*, s.131

²²¹ *Local Government (Finance and Reporting) Regulations 2004*, ss.5-6

²²² *ibid.*

²²³ Minister for Local Government's response to the Committee's follow-up questions, p.5

15.12 Sport and Recreation portfolio

Sport and Recreation Victoria – a business unit of the Department for Victorian Communities – is responsible for the administration of most of the funding appropriated to the Sport and Recreation portfolio. Some of this funding is passed on to two entities involved in the promotion of major sporting events in Victoria for which the Minister for Sport and Recreation has responsibility – the Australian Grand Prix Corporation and the Victorian Major Events Company Limited.

15.12.1 2004-05 outlook for the portfolio

The Minister advised the Committee that the priorities for 2004-05 included:²²⁴

- working in partnership with other agencies and external stakeholders to shape new initiatives under the physical activity strategy;
- delivering major events including the Deaflympics [sic] and World Artistic Gymnastic Championships;
- setting the strategic directions strategy for the next five years for the sport and recreation sector in Victoria;
- overseeing the planning and development of several Commonwealth Games related capital projects, the National Ice Sports Centre and Kardinia Park; and
- working with the Office of Commonwealth Games Coordination to develop strategies to maximise the legacy of hosting the Games.

The only output initiative announced in the 2004-05 Budget relating to the Sport and Recreation portfolio is funding of \$4.5 million in 2004-05 (\$9.6 million over three years to 2006-07), which represents the Government's contribution to the construction of an international standard ice sports centre.²²⁵ The Centre will comprise two international standard rinks, recreational ice areas and associated amenities and infrastructure to support ice hockey, figure skating, and curling.²²⁶

The Department for Victorian Communities is managing a number of capital projects relating to the Sport and Recreation portfolio. Several of these projects will be venues for the 2006 Commonwealth Games. The most significant is the Melbourne Sports and Aquatic Centre redevelopment (total estimated investment (TEI) \$51.5 million).²²⁷ Expected expenditure on the project in 2003-04 was \$18 million, 33.1 per cent lower than budget due to changes to the facilities and design following extensive public

²²⁴ Hon. J. Madden, MLC, Minister for Sport and Recreation, presentation to the Public Accounts and Estimates Committee, 23 June 2004, pp.12–13

²²⁵ Budget Paper No. 3, *2004-05 Service Delivery*, pp.303–304

²²⁶ *ibid.*

²²⁷ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.19

consultation.²²⁸ The department is also managing a range of recreation camp upgrades (TEI \$4.1 million) at Anglesea, Rowsley, Falls Creek, Mt Eliza and Mt Evelyn.²²⁹

15.12.2 Analysis of the budget

The 2004-05 Budget for the output for which the Minister for Sport and Recreation has responsibility is \$95.5 million, an increase of \$10.6 million from the expected outcome for 2003-04.²³⁰

The Department for Victorian Communities advised that the increase in 2004-05 is a result of indexation and an increase in the allocation of funding for major events, offset by the reversal of the previous year's carry overs.²³¹

Information requested by the Committee revealed that funding for the Major Events Program increased by \$10.8 million, employment costs increased by \$500,000 and new funding for the national ice sports centre contributed \$4.1 million.²³² These increases were offset by reduced funding of \$2.8 million for the Access all Abilities Program (for which a new three year funding agreement is being negotiated) and approved carry overs of \$1.8 million that were included in 2003-04.²³³

The Committee noted that the cost of the Sport and Recreation Development output in 2004-05 would be partly met by funds from the Community Support Fund (CSF). The department advised that CSF funding to the output's cost was estimated to be \$31.9 million in 2004-05, with the major contributions allocated towards the Better Pools Program (\$8 million), the Kardinia Park development (\$6.3 million) and grants to suburban sporting facilities (\$5 million) and regional sporting facilities (\$3.5 million).²³⁴

15.12.3 Performance measures

The Department for Victorian Communities continued to refine performance measures in the 2004-05 Budget relating to Sport and Recreation portfolio outputs, with nine measures discontinued and two new measures added.²³⁵

Of the nine measures discontinued, six were timeliness measures that related to projects that were completed.²³⁶ Of the six new measures, four relate to the

²²⁸ *ibid.*

²²⁹ Budget Information Paper No. 1, *2003-04 Public Sector Asset Investment Program*, p.65

²³⁰ Budget Paper No. 3, *2004-05 Service Delivery*, pp.247-248

²³¹ Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, p.15

²³² Minister for Sport and Recreation's response to the Committee's follow-up questions, p.1

²³³ *ibid.*

²³⁴ *ibid.*, p.2

²³⁵ Department for Victorian Communities' response to the Committee's 2004-05 Budget Estimates questionnaire, pp.8-9

²³⁶ Budget Paper No. 3, *2004-05 Service Delivery*, pp.355-356

achievement of milestones for four specific projects (Kardinia Park, Melbourne and Olympic Park, National Ice Sports Centre and the State Volleyball Centre).²³⁷ The department advised the Committee that the new performance measures were introduced to *'better assess new budget initiatives and core business activities, as well as track the progression of existing projects'*.²³⁸

The remaining three discontinued measures are quantity measures relating to the funding of sporting facilities.²³⁹ These discontinued measures were replaced by two new measures that provide a regional focus for grant funding.

The Committee considers that the performance measures for the Sport and Recreation Sector Development output in 2004-05 are appropriate. However, the Committee believes that the Department for Victorian Communities should include additional measures that reflect efforts to build cohesive communities (see section 15.12.4(c)).

15.12.4 Key issues impacting on the portfolio

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

(a) National Ice Sports Centre

As discussed earlier, the 2004-05 Budget included funding of \$9.6 million over three years to 2006-07 as the Government's contribution to the construction of an international standard ice sports centre.²⁴⁰

At the estimates hearings, the Committee noted that the business plan for the centre had been developed over several years, with reviews undertaken during the project planning phase in September 2003 recommending that the project continue to procurement stage.²⁴¹ The Minister advised the Committee that early in 2004 a consultant undertook a detailed premarket analysis to review a range of issues including patronage, demand and commercial viability issues; the depth of investor developer market interests in the project; the risk landscape; the potential commercial arrangements option between the developer, the builder, financier, operator and the Government; and the recommended transaction process.²⁴² The Minister advised the Committee that:²⁴³

²³⁷ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, pp.8-9

²³⁸ *ibid.*

²³⁹ Budget Paper No. 3, *2004-05 Service Delivery*, p.355-356

²⁴⁰ *ibid.*, pp.303-304

²⁴¹ Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.4

²⁴² *ibid.*

²⁴³ *ibid.*

On the strength of the advice, we as a government decided we would conduct a tender process over the next 12 months with the aim of securing a consortia that would build, own and operate the centre.

The Minister advised the development could be part of a broader development such as a shopping centre, a retail precinct or other recreational-commercial facility.²⁴⁴

The following timelines had been established for the project:²⁴⁵

- expressions of interest – closed 19 August 2004;
- call for tenders as soon as possible, subject to the nature of submissions to the expression of interest;
- close tender period prior to Christmas 2004; and
- project completion some time in 2006.

The Minister indicated a small part of the \$4.5 million allocated in 2004-05 will be used to cover the costs of the project team that will prepare the tender, review the submissions and prepare the commercial and legal documentation, with the remaining funds to be allocated towards the cost of the project.²⁴⁶ The Committee noted the commercial arrangements could take any number of forms, from an up-front capital investment or a capital contribution over the life of the project to an availability payment each year the service is provided.²⁴⁷

The Minister emphasised to the Committee that irrespective of the final form of the arrangements, the private sector is to be responsible for the development, construction and operational risks of the proposed centre.²⁴⁸ The Committee considers that particular attention must be given in the final contract to ensuring that all risks with the project are appropriately allocated.

(b) Management of the major events funding cap

The Committee understands that the annual major events funding cap is \$40 million, which applies to all major events, including sport and recreation, entertainment, arts and business event facilitation.²⁴⁹

The Committee noted that the 2004-05 Budget included an additional \$35 million over the period 2004-05 to 2006-07 to provide flexibility for the Government in supporting

²⁴⁴ *ibid.*

²⁴⁵ Department for Victorian Communities, *National Ice Sports Centre: Invitation for Expressions of Interest*, 16 July 2004; Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.5

²⁴⁶ Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.5

²⁴⁷ *ibid.*

²⁴⁸ *ibid.*, pp.4–5

²⁴⁹ Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, pp.9–10

events of significant economic benefit to Victoria.²⁵⁰ This additional funding brings the total allocation for the major events cap announced in the Budget Papers since May 2001 to \$151.7 million.²⁵¹

The Committee was interested to learn how funding was allocated to new events within the existing cap. The Minister advised that Cabinet approved new events and then funding is provided by the Department of Treasury and Finance from the overall cap and allocated to the relevant output.²⁵²

In the Sport and Recreation portfolio, the estimated allocation to major events in 2004-05 is \$28.6 million, an increase of \$10.8 million from 2003-04.²⁵³ The Minister advised the Committee that:²⁵⁴

The estimate included in the sport and recreation output provided each year in the Budget Papers represents the precommitments approved by the Government for the following year at the time the state budget is delivered. The estimate also does not include the final approved budget for the Australian Grand Prix Corporation, which is not settled until July in each year, and as a result the estimate is generally below the agreed cap. The final expenditure depends on what events are approved during the course of the year as well as the final approved budget for the Australian Grand Prix Corporation.

The Minister informed the Committee that the major events to be held in 2004-05 included:²⁵⁵

- Commonwealth Youth Games;
- IDSF 10 Dance World Championships;
- Women's World Cup Cycling;
- FIG World Artistic Gymnastics Championships;
- FINA Swimming World Cup; and
- Australian Formula One Grand Prix.

The Minister estimated the economic impact of major events to Victoria to be over \$1.08 billion for 2003-04.²⁵⁶ This included an estimated benefit of \$168.9 million to Victoria from hosting seven matches in the recent rugby union world cup.²⁵⁷

²⁵⁰ Budget Paper No. 3, *2004-05 Service Delivery*, p.289

²⁵¹ Budget Paper No. 2, *2001-02 Budget Statement*, pp.263–264; Budget Paper No. 2, *2003-04 Budget Statement*, p.227; Budget Paper No. 3, *2004-05 Service Delivery*, p.289

²⁵² Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.9

²⁵³ Minister for Sport and Recreation's response to the Committee's follow-up questions, p.1

²⁵⁴ Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.9

²⁵⁵ *ibid.*, p.6

²⁵⁶ *ibid.*

The Minister for Sport and Recreation advised the Committee, during its review of the 2003-04 Budget Estimates, how the Government determines estimated economic impacts:²⁵⁸

To determine expected economic impact of major events (pre-event), historical data is collected from previous editions of the event and/or from the event owner. An assessment is then made regarding likely visitation, length of stay and expected expenditure for the event in question.

A determination of the economic impact of an event (post-event) is conducted using similar information as for the pre-event assessment, however a professional survey company (usually at the event venue) collects data directly from event patrons and utilises information such as ticket sales and event budget expenditure. This data is analysed and assessed using a recognised methodology.

Professional firms, such as Ernst and Young, the National Institute of Economic and Industry Research or Victoria University, undertake all estimated and actual assessments of economic impact from major high-profile events. The Victorian Major Events Company or the State Government undertakes the estimate and actual assessment of smaller events using a recognised methodology.

The Committee noted that the estimated economic benefits of \$168.8 million on the Victorian economy for the Rugby World Cup were based on a study commissioned by the Department for Victorian Communities and the Victorian Major Events Company based primarily on spectator surveys.²⁵⁹ The economic benefits highlighted by this study included:²⁶⁰

- increase in direct expenditure of \$92.7 million;
- increase in GDP of \$168.8 million;
- increase in state taxes \$10.8 million; and
- an estimated 32,117 interstate visitors and 53,021 international visitors providing an estimated total of 85,138 visitors to Victoria.

This economic impact estimate of \$168.9 million for the rugby world cup from the study commissioned by the Department for Victorian Communities contrasts with the estimate of \$40 million in a study undertaken by economic consultants URS Finance

²⁵⁷ *ibid.*, p.2

²⁵⁸ Minister for Sport and Recreation's response to the Committee's 2003-04 Budget Estimates follow-up questions, p.1

²⁵⁹ URS Finance and Economics, *Economic Impact of the Rugby World Cup 2003 on the Australian Economy, Post Analysis*, Report prepared for the Department of Industry, Tourism and Resources, June 2004, p.C.3

²⁶⁰ *ibid.*

and Economics commissioned by the Commonwealth Department of Industry Tourism and Resources.²⁶¹ This latter estimate was made using a general equilibrium economic model of the Australian economy developed by the Centre for Policy Studies at Monash University.²⁶²

Although the URS Finance and Economics study included data that was also used to calculate the benefits in the study commissioned by the Department for Victorian Communities, the Committee noted instances where adjustments had been made. For example, in the view of URS, the estimates of the number of international visitors to Victoria used for the department's study may be inflated given that some international travellers could already have been in Australia with or without the rugby world cup or would have come to Australia anyway.²⁶³

The Committee is aware that there is considerable academic debate over the methodology and assumptions used to calculate the economic benefits associated with hosting major events. While the Committee is not in a position to comment on the merits of these arguments, it believes that the public release of economic impact studies would make transparent the range of assumptions and methodologies used and their potential affect on estimates of the economic benefits of major events.

The Committee notes that studies examining the economic benefits of major events in Victoria are not usually publicly available. Where these studies are available, they are usually released in a summary form, without a full discussion of the assumptions and methodology used to estimate economic benefits.²⁶⁴ This situation contrasts with the public release of the URS study commissioned by the Commonwealth Department of Industry, Tourism and Resources into the rugby world cup.²⁶⁵

The Committee believes it is important that the Department for Victorian Communities continue to evaluate the economic and social impact of contributions made to hosting major events to ensure that the benefits of hosting these events match expectations. However, the Committee believes that an important element of conducting these evaluations is publicly releasing the evaluation reports, including the underlying assumptions.

²⁶¹ *ibid.*, p.4.4

²⁶² *ibid.*, p.ES.2

²⁶³ *ibid.*, p.C.18

²⁶⁴ See for example, Racing Victoria, *Spring Racing Carnival 2003: Economic benefit*, available at www.racingvictoria.net.au; Department for Victorian Communities, *The Contribution of Major Events and Elite Sports*, www.sport.vic.gov.au/web/srv/srvsite.nsf/pages/research_bussport3?OpenDocument, accessed 24 August 2004

²⁶⁵ URS Finance and Economics, *Economic Impact of the Rugby World Cup 2003 on the Australian Economy – Post Analysis, Report prepared for the Department of Industry, Tourism and Resources*, June 2004

The Committee recommends that:

Recommendation 174: The Department for Victorian Communities:

- (a) continue to measure the economic benefits associated with hosting major events; and**
- (b) publicly release all studies commissioned to determine the economic impact of major events in Victoria.**

(c) *Sport and recreation facilities for the community*

Sport and Recreation Victoria is responsible for the administration of several grant programs including the Better Pools program, Community Facilities Planning program and the Community Facilities programs.²⁶⁶ In 2004-05, 165 grants from the major grants programs totalling almost \$17 million will be funded.²⁶⁷

The Minister informed the Committee that in the previous five years the value of grant funding distributed to regional and rural areas had averaged just under 60 per cent and was 57 per cent in 2003-04.²⁶⁸ The Minister stated that:²⁶⁹

A key reason for the high percentage being allocated to regional and rural Victoria, and this is also worth reinforcing, is the changed funding ratios that we introduced when we came into government. Those funding ratios have made funding more accessible to rural and regional Victoria. For instance, in the minor facilities rural councils are funded on a \$2 from the State Government to \$1 local arrangement, whereas in metropolitan councils it is \$1 State Government to \$1 local on average. There are slightly different ratios for the other metropolitan areas. In the Better Pools programs rural councils receive \$1 for \$1, whereas metropolitan councils receive \$1 per \$3.

The Committee noted that although a major element of these grant programs was the upgrade or construction of sporting facilities, the process of involving communities in applying for grants was also an important aspect of building cohesive communities, which is regarded as a key Government outcome for the portfolio.²⁷⁰ The Minister informed the Committee that:²⁷¹

²⁶⁶ Department for Victorian Communities, Sport and Recreation Victoria funding, www.sport.vic.gov.au, accessed 20 August 2004.

²⁶⁷ *ibid.*

²⁶⁸ Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.3

²⁶⁹ *ibid.*

²⁷⁰ Budget Paper No. 3, *2004-05 Service Delivery*, p.247

²⁷¹ Hon. J. Madden, MLC, Minister for Sport and Recreation, transcript of evidence, 23 June 2004, p.3

We bring funds to the projects but it is certainly the project funds that come from within the community that validate what the community does. While that is part of the process and part of the funding model it is also particularly important to appreciate that that partnership also builds upon and reflects the capacity of those respective communities, so it is worth appreciating that the formula in itself and the process of delivering on that formula are as much part of the outcome as is the actual facility.

The Committee welcomes the Government's commitment to improving community sporting facilities throughout Victoria.

The Committee notes that the promotion of physical activity and community participation and engagement directly links to one of the key Government outcomes for the Sport, Recreation and the Commonwealth Games output group, which is to build cohesive communities and reduce inequalities.²⁷² However, the Committee notes that there are no performance measures included in the Sport and Recreation Sector Development output that measure the output's contribution to building cohesive communities.²⁷³ The Committee acknowledges the difficulty in developing performance measures that measure this aspect, but considering the amount of funding directed towards achieving this key Government outcome, the department should develop performance information to assess the benefits to the communities.

The Committee recommends that:

Recommendation 175: **The Department for Victorian Communities develop appropriate performance measures for the Sport and Recreation Sector Development output to assess the contribution of the output towards building cohesive communities.**

15.13 Commonwealth Games portfolio

Administrative responsibility for the organisation of the Commonwealth Games rests with the Office of Commonwealth Games Coordination – a division of the Department for Victorian Communities – and the Melbourne 2006 Commonwealth Games Corporation.

The Melbourne 2006 Commonwealth Games Corporation was established as a statutory authority by the *Commonwealth Games Arrangements Act* 2001 in October 2003, to take over the functions of the Melbourne 2006 Commonwealth Games Pty Ltd. The Corporation reports to the Minister for Commonwealth Games, who makes

²⁷² Budget Paper No. 3, 2004-05 Service Delivery, p.247

²⁷³ *ibid.*, pp.247–248

recommendations on board appointments and may, with the approval of the Treasurer, give directions to the Corporation's board.²⁷⁴

15.13.1 2004-05 outlook for the portfolio

The Committee noted that planning for the Commonwealth Games had progressed to the detailed planning phase (see exhibit 15.12).

Exhibit 15.12: Planning stages for the Commonwealth Games

April 02	Dec 03	Dec 04	Nov 05	Mar 06	Dec 06
Phase 1 Set up					
	Phase 2 Strategy and Planning				
		Phase 3 Detailed planning			
			Phase 4 Testing and operational readiness		
				Phase 5 Operational	
					Phase 6 Wind up

Source: Hon. J. Madden, MLC, presentation to the Public Accounts and Estimates Committee, 23 June 2004

The Minister advised the Committee that the priorities for the Melbourne 2006 Games Corporation, the Office of Commonwealth Games Coordination and other government agencies over the forthcoming year include:²⁷⁵

- program launches – schools education program, community involvement;
- strategy launches – Respecting Indigenous Communities Strategy; Industry Strategy; Regional Strategy; Communities Strategy; Employment, Training and Volunteering Strategy;
- progressing capital projects (see section 15.13.4(a)); and
- planning activities – public domain operational planning, master security orders and competition schedule.

²⁷⁴ Commonwealth Games Arrangements Act 2001, s.4M, s.4J

²⁷⁵ Hon. J. Madden, MLC, Minister for Commonwealth Games, transcript of evidence, 23 June 2004, pp.2–3

15.13.2 Analysis of the budget

The 2004-05 Budget for the output for which the Minister for the Commonwealth Games has responsibility is \$173.8 million, an increase of \$93.9 million from the expected outcome for 2003-04.²⁷⁶ The output accounts for 39.4 per cent of the Department for Victorian Communities budget in 2004-05.

The Department for Victorian Communities advised the Committee that the increase in 2004-05 is due to the phase up of expenses relating to the 2006 Commonwealth Games.²⁷⁷ The \$93.9 million increase in 2004-05 is allocated to the Melbourne 2006 Corporation (\$41.9 million), the Athletes' Village (\$12.1 million), and payments to the Office of Commonwealth Games Coordination and other departments and organisations (\$39.9 million).²⁷⁸

15.13.3 Performance measures

Performance measures for the Commonwealth Games output were substantially revised in 2004-05, with two of the four performance measures from the 2003-04 Budget discontinued and 15 new measures introduced.²⁷⁹ The department advised the Committee that the introduction of the new performance measures reflects the shift from conceptual to operational planning for the Games.²⁸⁰

Included among the 15 new performance measures are 11 timeliness measures. Most of these measures relate to specific activities that are associated with the planning for the Games, although some relate to the staging of events. Almost all of these timeliness targets are expressed as a date – although the target specified is expressed as a particular quarter of the 2004-05 financial year.²⁸¹

The Committee welcomes the additional performance measures for the Commonwealth Games output, which is reflective of the increased efforts and resources that are now dedicated to planning for this event. The Committee believes that the Department for Victorian Communities should continue to review the appropriateness of existing measures and as planning for the Games progresses develop new measures, particularly those that relate to the quality of services, for inclusion in future Budget Papers.

²⁷⁶ Budget Paper No. 3, *2004-05 Service Delivery*, pp.248–249

²⁷⁷ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.16

²⁷⁸ Hon. J. Madden, MLC, Minister for the Commonwealth Games, presentation at the 2004-05 Budget Estimates hearing, 23 June 2004, p.13

²⁷⁹ Budget Paper No. 3, *2004-05 Service Delivery*, pp.248–249, p.356

²⁸⁰ Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.8

²⁸¹ Budget Paper No. 3, *2004-05 Service Delivery*, pp.248–249

15.13.4 Key issues affecting the portfolio

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

(a) Progress on Commonwealth Games capital projects

The Committee noted that the Commonwealth Games capital works program is being funded by the Department for Victorian Communities and the Department of Infrastructure as well as a number of other sources, with budget allocations of \$121.1 million in 2004-05 (see exhibit 15.13).²⁸²

Exhibit 15.13: Capital projects for the Commonwealth Games Budget allocations

Capital projects	2003-04 Budget (\$ million)	2003-04 Expected Expenditure (\$ million)	2004-05 Budget (\$ million) (a)	Total estimated investment (\$ million)
Athletes' Village social housing	9.0	(b) 2.0	18.1	35.1
Melbourne Sports and Aquatic Centre	27.0	(b) 18.0	30.0	51.5
Yarra Precinct pedestrian link	6.2	6.2	18.0	27.8
MCG athletics track	2.0	0.5	11.0	18.5
MCG redevelopment contribution	38.5	38.5	38.5	77.0
Other capital works	1.8	n/a	7.0	n/a
Total	84.5	n/a	121.1	n/a

Notes: (a) Includes carry forward estimates

(b) Details of the amount of carry over funding is identified in section 15.3.3

n/a not available

Sources: Hon. J. Madden, MLC, Minister for the Commonwealth Games' presentation to the Public Accounts and Estimates Committee, 23 June 2004, p.14; Department for Victorian Communities response to the Committee's 2004-05 Budget Estimates questionnaire, p.19; Department of Infrastructure response to the Committee's 2004-05 Budget Estimates questionnaire, p.42; Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.9; Budget Information Paper No. 1, 2003-04 Public Sector Asset Investment Program, p.45

As noted earlier, budgeted expenditure in 2004-05 on these capital projects includes \$29.6 million carried forward from 2003-04.²⁸³

²⁸² Minister for Commonwealth Games' response to the Committee's follow-up questions, p.3; Hon. J. Madden, MLC, Minister for the Commonwealth Games, presentation to the Public Accounts and Estimates Committee, 23 June 2004, p.14

²⁸³ Minister for Commonwealth Games' response to the Committee's follow-up questions, p.8

The department advised the Committee that performance measures for a number of these projects are included in the Budget Papers and that progress of all construction projects is reviewed quarterly by the Government against anticipated timelines.²⁸⁴ The current status of projects is set out in exhibit 15.14.

The Committee noted that the planned completion dates for several projects was scheduled for the third quarter of 2005-06 (i.e.: between January and March 2006), which is very close to the commencement of the Games on 15 March 2006. The department will need to closely monitor progress on these capital projects to ensure they are completed on time and within budget, without compromising the quality of the facilities.

²⁸⁴ *ibid.*, p.3

**Exhibit 15.14: Capital projects for the Commonwealth Games
Construction progress status as at 23 July 2004**

Capital project	Start date	Finish date	Current status
Athletes' village	Qtr 2 2003-04	Qtr 2 2005-06	Civil works and services infrastructure commenced. Display houses to frame stage.
MCG redevelopment	Qtr 2 2002-03	Qtr 3 2005-06	Stages 1 and 2 – operational Stage 3 – Basement level 1 and level 2 slabs progressing Stage 4 – Demolished
MCG athletics track	Qtr 2 2004-05	Qtr 3 2005-06	
MSAC stage 2 development	Qtr 2 2003-04	Qtr 2 2005-06	Bulk excavation completed. Piling commenced
State lawn bowls centre	Qtr 2 2002-03	Qtr 1 2004-05	3 greens released for club use. 4 th green re-sown due to poor germination
Mountain bike course	Qtr 3 2004-05	Qtr 2 2005-06	Lysterfield site announced. Completion course alignment approved, detailed planning commenced
Olympic Park athletics track	Qtr 2 2004-05	Qtr 2 2004-05	Project manager appointed. Installation for Deaflympics (January 2005)
State netball and hockey centre	Qtr 2 2004-05	Qtr 3 2004-05	
Melbourne International Shooting Club	Qtr 1 2004-05	Qtr 2 2005-06	Confirmed as Games venue. Negotiations for upgrade with club underway
Yarra precinct pedestrian link	Qtr 1 2004-05	Qtr 2 2004-05	Design finalised. Project being tendered
Jolimont Station	Qtr 2 2004-05	Qtr 4 2004-05	Tenders being assessed
Yarra precinct lighting	Qtr 2 2004-05	Qtr 3 2005-06	Development report and implementation plan submitted to the City of Melbourne

Source: Minister for the Commonwealth Games' response to the Committee's follow-up questions, pp.3-4

(b) Commonwealth Games contingency funding

The Minister informed the Committee that the budgeted cost for the Commonwealth Games output of \$173.8 million in 2004-05 included \$21.8 million for contingencies.²⁸⁵ The Minister stated that:²⁸⁶

In terms of the delivery of the games, the contingency is quite a significant component of the overall budget, given that while there is a budget allocation for many of the issues around the games, some of these matters are fluid and require substantial negotiation, either external from government or internal with government; and that just provides for a significant degree of contingency in the overall games budget. Each of the elements is capped, and that also relates to the ability to manage cash flows in any given year; so the contingency is predominantly for cash flows to be relied upon in certain financial years but it is also built into the overall games budget.

At the estimates hearing, the Minister undertook to provide the Committee with a detailed breakdown of the contingency funding. The Minister's response indicated that:²⁸⁷

All anticipated costs associated with delivering the Games have been explicitly budgeted for. The \$21.8 million Whole of Games contingency allocated in the 2004-05 financial year ensures adequate cashflow coverage in a critical year for the Games from an operational planning point of view. If it is not required in 2004-05 to manage revenue and expense cashflow variations which may arise, the \$21.8 million will be carried forward to 2005-06.

The Minister also indicated that adequate amounts have been provided for contingencies in the Whole of Games budget, but given that these issues are the subject of commercial negotiations it would be inappropriate to release details of the budgeted amounts at this stage.²⁸⁸

While the Committee adopts a general position that withholding information from the Parliament on the grounds of commercial confidentiality is undesirable, the Committee acknowledges that in this circumstance, the provision of information on contingency funds may compromise commercial negotiations for the specific Commonwealth Games projects.

²⁸⁵ Hon. J. Madden, MLC, Minister for the Commonwealth Games, transcript of evidence, 23 June 2004, p.4

²⁸⁶ *ibid.*

²⁸⁷ Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.1

²⁸⁸ *ibid.*, p.5

The Committee notes that the Budget Papers currently recognise a contingent liability relating to an obligation by the state to underwrite any shortfall between revenue and expenditure for the organisation of the Games.²⁸⁹ While the Committee acknowledges that part of the contingency funding for Commonwealth Games projects relates to managing cash flow issues, the Committee believes that the Department for Victorian Communities needs to carefully monitor the outcomes of negotiations on Games related projects to ensure that any further quantifiable and non-quantifiable contingent liabilities are recognised.

The Committee recommends that:

Recommendation 176: The Government include in the Budget Papers details of any further quantifiable and non-quantifiable liabilities associated with Commonwealth Games related projects, in particular the nature of the types of potential liabilities that the Government faces such as further guarantees made and legal action pending.

(c) *Ticket allocation and distribution*

The Committee was interested in learning what steps were being taken to avoid the ticket allocation and distribution problems that arose with the Olympic Games in Sydney.

The Minister advised the Committee that the Sydney ticketing problems primarily revolved around a lack of transparency relating to what tickets were available, the manner in which they could be purchased, and the manner in which tranches of tickets were released to the market.²⁹⁰

The Committee was advised that Melbourne 2006 Corporation has analysed the process that occurred in Sydney and the key lessons from that process are forming the foundation for planning activities for the Commonwealth Games ticketing program.²⁹¹ Planning is focused upon delivering a ticket delivery model which places an emphasis on affordability and accessibility and maximising spectator attendances at all sessions whilst meeting the financial objectives of the Corporation and fulfilling obligations under agreements with key parties.²⁹² The Minister also advised the Committee that ticket prices will include free public transport for Games spectators.²⁹³

²⁸⁹ Budget Paper No. 2, *2004-05 Strategy and Outlook*, pp.102–103

²⁹⁰ Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.6

²⁹¹ *ibid.*

²⁹² *ibid.*

²⁹³ *ibid.*

(d) Cost of Athletes' Village costing

The Committee noted that the contractual arrangements for the development of the athletes' village are complex, involving the state making the Parkville site available for development, including the Games Village, together with a state contribution towards:²⁹⁴

- the Village Park Consortium (VPC) acting as the developer with the responsibility to plan, design, finance, construct, market and sell the development;
- provision of the athletes' village during the Games period;
- estate management during the Games period; and
- land payments for individual dwellings.

The state will also receive a share of any project surplus, subject to certain performance hurdles being met.²⁹⁵

At the estimates hearing, the Committee sought details of the financial costings and arrangements for the athletes' village and how these compared to the original tender bid submitted by the successful tenderer VPC (see exhibit 15.15).²⁹⁶

²⁹⁴ Department for Victorian Communities, Summary Athletes' Village Project Delivery Agreement, http://www.dvc.vic.gov.au/ocgc/village/Summary_PDA.pdf, accessed 17 August 2004

²⁹⁵ *ibid.*

²⁹⁶ Hon. G. Rich Phillips, MLC, transcript of evidence, pp.12–14

Exhibit 15.15: Costings for the Athletes' village

	VPC tender bid (\$ million)	Heads of Agreement (\$ million)	Variance (\$ million)
State contribution	41.6	50.6	9.0
Environmental initiatives	-	15.6	15.6
Social Housing	16.0	35.1	19.1
Less revenue	15.0	59.0	44.0
Net cost to Government	42.6	42.3	0.3
Land		33.0	
Project costs		10.0	
Total cost including land and enduring assets		85.3	
Total cost including land and excluding enduring assets		34.6	

Source: Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.1

The department advised the Committee that during the tender bid assessment phase, adjustments were necessary to ensure that proponent's bids could be analysed on a comparable basis and that they met the requirements specified in the request for proposals.²⁹⁷ The Committee noted that the state's contribution had been adjusted to include the Government's environmental initiatives for the athletes' village and changes to the proposed development negotiated during the parallel negotiation phase.²⁹⁸ This involved removing the cost allowance for environmental initiatives from each proponent's bid and adding the Government's budget for village environmental initiatives to facilitate a like for like comparison.²⁹⁹

The Committee noted that during the parallel negotiation phase, both developers bidding for the project prepared changes to their proposals to provide refinements. Changes made by VPC included a greater number of houses and a smaller number of apartments.³⁰⁰ The department advised the Committee that it was always anticipated that changes to proposals would be made during this phase and the changes made by VPC improved deliverability.³⁰¹

The department advised the Committee that as a consequence of the increase in the number of houses being developed, VPC's original bid of an 80 bed hostel and 32 social housing units costing \$16 million needed to be increased to comply with the minimum 20 per cent social housing component specified in the expression of

²⁹⁷ Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.2

²⁹⁸ *ibid.*

²⁹⁹ *ibid.*

³⁰⁰ *ibid.*

³⁰¹ *ibid.*

interest.³⁰² The Committee noted that the social housing component had been increased to a 100 bed hostel and 100 social housing units at a cost of \$35.1 million.³⁰³

Revenue from the project is based on a sliding scale percentage of the sales price for each dwelling sold.³⁰⁴ The Committee noted that the revenue estimate of \$59 million provided to the Committee on 23 July 2004 is lower than the \$62 million identified by the department in a recent summary for the project.³⁰⁵

While the Committee is pleased that the net cost to Government has not increased despite considerable enhancements to the project, it is incumbent on the department to closely monitor the contractor's progress in meeting construction milestones and review assumptions used to estimate project revenues.

(e) Economic impact of the Commonwealth Games

At the estimates hearings the Minister advised the Committee an economic impact study for the Games will be conducted and measured.³⁰⁶ The Minister explained that:³⁰⁷

The New South Wales government estimated the economic benefit of the 2000 Sydney Olympics to be 2.5 times the total cost of the games, and Cambridge Policy Consultants estimated the economic benefits from the 2002 Manchester Commonwealth Games to be 2.4 times the total cost of the games. Bearing that in mind, with a total budget in the order of \$1.1 billion for our Commonwealth Games, the economic impact has been conservatively estimated at \$2 billion. That was an appropriate way to estimate the likely economic benefits when the games budget was announced in advance of the detailed economic assessment which we have undertaken to conduct.

The Committee noted that the Department for Victorian Communities had commissioned an economic impact study for the Melbourne 2006 Commonwealth Games, with the objectives of evaluating the direct and indirect economic impact of Melbourne hosting the Commonwealth Games for both Victoria and Australia.³⁰⁸ The tender brief specified that a final report for the consultancy would be required no later than 20 June 2004.³⁰⁹

³⁰² *ibid.*

³⁰³ *ibid.*

³⁰⁴ Department for Victorian Communities, Summary Athletes' Village Project Delivery Agreement, <http://www.dvc.vic.gov.au/ocgc/village/Summary>, accessed 17 August 2004

³⁰⁵ *ibid.*

³⁰⁶ Hon. J. Madden, MLC, Minister for Commonwealth Games, transcript of evidence, 23 June 2004, p.17

³⁰⁷ *ibid.*

³⁰⁸ Department for Victorian Communities, *Request for quote: Melbourne 2006*, April 2004, p.2

³⁰⁹ *ibid.*

The Committee welcomes the commissioning of the study, which will provide for a better assessment of the economic benefits associated with hosting the Games. In line with the Committee's recommendation regarding studies evaluating the economic benefits of hosting major events (see section 15.12.4(b)), the Committee believes that the study should be publicly released.

(f) Whole of games reporting and budget

As discussed in the Committee's 2003-04 Budget Estimates report, the Government's financial commitment to hosting the Commonwealth Games is capped at \$474 million for operating expenses and \$223 million for capital projects.³¹⁰ The Minister advised the Committee that these commitments were unchanged, with the overall cost of hosting the Games still expected to be \$1.1 billion (see exhibit 15.16).³¹¹

**Exhibit 15.16: Commonwealth Games
Whole of Government Budget update 2004-05**

Budget item	Original Budget (\$ million)	Estimated Budget (\$ million)
Operating	474	474
Capital projects	223	223
MCC redevelopment	77	77
Games Village	35	35
MSAC	52	52
Yarra precinct improvements	31	31
Other projects	28	28
Sub total costs	697	697
Revenue		
Television	TBA	TBA
Sponsorships	TBA	TBA
Commonwealth Grant	100	(a) 100
Other revenues	TBA	TBA
Sub total revenues	TBA	TBA
Cost plus revenue (cost of Games)	1,100	1,100

Note: (a) Net direct financial contribution after deducting the allowance for Commonwealth Government services being provided for the Games

TBA To be announced

Source: Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.9

³¹⁰ Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, September 2003, pp.527-528

³¹¹ Minister for the Commonwealth Games' response to the Committee's follow-up questions, p.9

The Committee noted that the \$1.1 billion cost included a Commonwealth grant of \$100 million announced on 11 May 2000, which means that revenue from television, sponsorships, ticketing and other sources will need to be at least \$303 million to avoid any further Government contribution.³¹²

The Committee is aware the first whole of Games special purpose financial report for 2002-03 was included in the annual report of the Department for Victorian Communities.³¹³ Information in the special purpose report is extracted from audited financial reports of the various departments and agencies involved in the Games. The definition for the Commonwealth Games costs used to identify expenses is:³¹⁴

the net costs directly related to the Commonwealth Games event and include only additional costs incurred by the Government in hosting the event over and above expenditure to which Government would have otherwise been committed. Costs in relation to the bid process are not included.

A separate definition for capital contributions has also been adopted for the purposes of the special purpose statement:³¹⁵

Capital contributions to facilities and infrastructure comprises the funding provided by the Government to develop infrastructure and facilities related to the Games. In most cases, this will be in the form of non-reciprocal capital grants to the entities developing the relevant facility or infrastructure. These contributions are disclosed in the Statement of Capital Contributions and are not recognised as costs from ordinary activities of the Games.

The Committee welcomes the efforts of the Government to compile the whole of Games special purpose statement as it will enable a better understanding of the resources consumed and benefits derived from hosting the Games. The Committee acknowledges that compiling the special purpose statement is not straightforward due to complex contractual arrangements and the different methods with which venues and services are being delivered.

The Committee understands that while the concepts used in the preparation of the whole of Games special purpose statement are similar to those used to develop the Government's contribution cap of \$697 million (which are based on appropriations by Parliament), it is difficult to compare whole of Games reporting in the special purpose financial report with the whole of government Games budget.

³¹² *ibid.*, p.6

³¹³ Department for Victorian Communities, *Annual Report 2002-03*, pp.150–158

³¹⁴ *ibid.*, p.153

³¹⁵ *ibid.*, p.154

The Committee believes that whole of Games reporting can be improved by providing a comparison of funds expended to date on preparing for the Games against the Government's commitment to cap its contribution at \$697 million.

The Committee recommends that:

Recommendation 177: **The Department for Victorian Communities include in its annual report for 2004-05, 2005-06 and 2006-07, a reconciliation of expenditure and revenue for that year in a format consistent with the Government's whole of Games funding commitments.**

This report was adopted by the Committee at its meeting on 27 October 2004 in Meeting Room 4 at Parliament House.

