

CHAPTER 9: REGIONAL VICTORIA INITIATIVES AND RELATED ISSUES

Key findings of the Committee:

- 9.1 Victoria had the third highest regional population growth rate (1.41 per cent) behind Queensland (2.15 per cent) and Western Australia (1.88 per cent) in Australia in 2006, and there is a significant gap to the next ranking states, New South Wales (0.9 per cent) and South Australia (0.7 per cent).
- 9.2 Eight departments have responsibility for managing the funding initiatives for regional and rural development in Victoria announced in the 2007-08 budget.
- 9.3 49 output initiatives and 24 asset initiatives involving aggregate funding of around \$1 billion to 2010-11 are wholly aimed at supporting regional and rural development. A further 27 initiatives with total funding of \$811.5 million have a mix of metropolitan and regional programs and services, and funding is not dissected in the budget papers according to the regional and non-regional components.
- 9.4 There is scope for enhancing presentation in the budget papers or associated materials of funding initiatives for regional and rural development through inclusion of tables identifying each department's budgetary responsibility for new programs and services in each of Victoria's designated regions.
- 9.5 There is also potential to incorporate in each year's budget papers a dedicated document on funding initiatives supporting regional and rural development, that is, rural Victoria as well as provincial cities, in Victoria.
- 9.6 Around 20 per cent (93 questions) of the 456 questions asked by the Committee during the 2007-08 Budget Estimates hearings related specifically to regional and rural Victoria. Portfolios with the highest percentage of questions were regional and rural development, agriculture, water, environment and climate change, and employment, which have responsibilities of direct significance to regional and rural development.

9.1 Background

For some years now, the government has directed attention, in the formulation of its strategic policies and budgetary priorities, on regional and rural development in Victoria.

The government's main policy document for regional and rural development in more recent years has been its *Moving Forward* statement issued in November 2005.¹⁴⁵ This statement is a \$502 million package of measures designed to build on the strength of regional economies and unlock the potential for future growth.¹⁴⁶

¹⁴⁵ Department of Innovation, Industry and Development, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*, November 2005

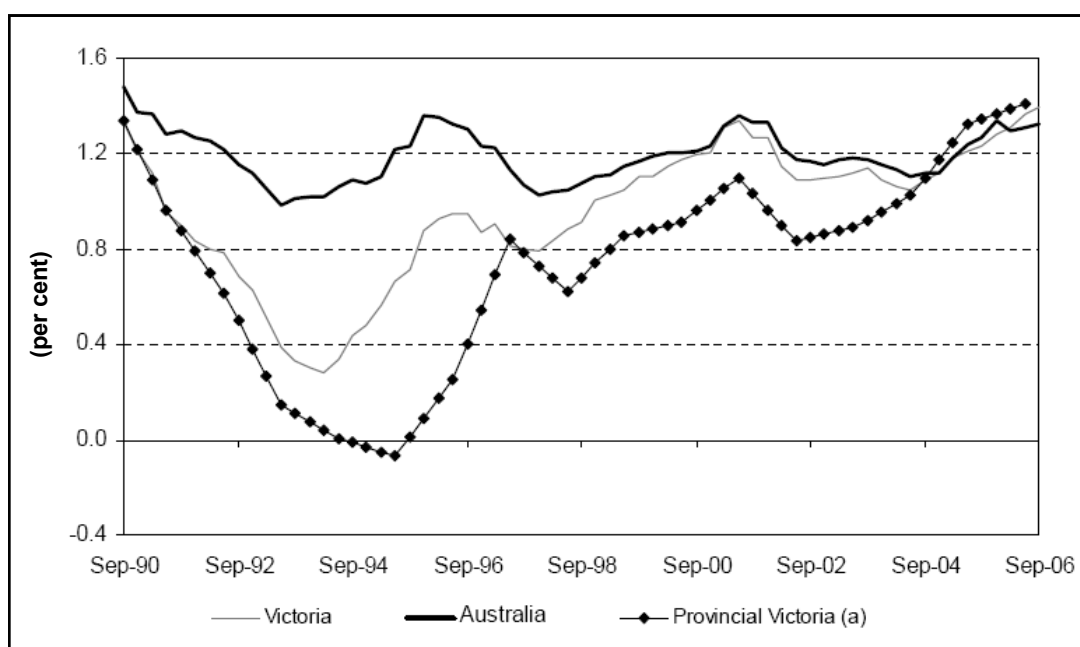
¹⁴⁶ Australian Labor Party, Policy for the 2006 Victorian Election, *Provincial Victoria: Moving Forward – Not Back*, p.6

Funding measures within the statement included provision of \$200 million to extend the Regional Infrastructure Development Fund to 2009-10 and of \$100 million to establish the Provincial Victoria Growth Fund. A range of regional infrastructure projects is financed through the former fund, which is administered by Regional Development Victoria, a statutory body established to facilitate economic and community development in regional and rural Victoria.¹⁴⁷ The latter fund assists in the promotion and growth of provincial Victoria, including identifying new business opportunities and addressing skills shortages.

The enabling legislation governing the role and functions of Regional Development Victoria established the Regional Development Advisory Committee to provide advice to the Minister on matters relating to economic and community development in regional and rural Victoria.

The strategy and outlook document within the 2007-08 Budget Papers states that population growth in regional Victoria has been strong, with growth in 2005-06 of 1.4 per cent, the highest regional growth behind Western Australia and Queensland.¹⁴⁸ Figure 9.1 compares the Victorian and Australian annual population growth as shown in the budget papers.

Figure 9.1: Victorian and Australian annual population growth



Note: (a) For provincial Victoria, annual population growth is interpolated to a quarterly basis

Source: Budget Paper No.2, 2007-08 Strategy and Outlook, p.25

The Committee's analysis of regional growth data published by the Australian Bureau of Statistics showed there is a significant gap between Victoria as having the third highest growth rate in 2005-06 (1.41 per cent) and the next ranking states (New South Wales, 0.9 per cent and South Australia, 0.7 per cent).¹⁴⁹

¹⁴⁷ Regional Development Victoria Act 2002, Section 1

¹⁴⁸ Budget Paper No.2, 2007-08 Strategy and Outlook, p.24

¹⁴⁹ www.abs.gov.au , accessed 27 August 2007

The budget papers also state that employment growth in regional Victoria ‘*was strong over the year [2005-06] to the March quarter, at over 5 per cent, and the country Victoria unemployment rate has fallen by over one percentage point over the past year to 5.2 per cent*’.¹⁵⁰

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

As mentioned in Chapter 2, the theme, *Provincial Victoria*, is identified as one of the 12 key themes underpinning the direction of the 2007-08 budget and its new funding initiatives.

Throughout the budget documents, there are numerous references to funding initiatives of relevance to rural and regional development. Because of the diverse nature of these initiatives, responsibility for their implementation is spread across several departments.

The government’s overview budget document lists a number of the more significant funding initiatives for the *Provincial Victoria* theme under the following four headings:¹⁵¹

- improving regional services;
- strengthening regional industry;
- helping provincial communities manage climate change and water; and
- combating bushfires.

Table 9.2 identifies the initiatives shown in the budget document or through subsequent announcements under these headings.

¹⁵⁰ Budget Paper No.2, *2007-08 Strategy and Outlook*, p.24

¹⁵¹ Victorian Budget Overview, *Delivering for Victorian Families*, May 2007, pp.30–31

Table 9.2: Provincial Victoria funding initiatives – 2007-08 budget

Improving regional services	Strengthening regional industry	Helping provincial communities manage climate change and water	Combating bushfires and flooding
\$25 million TEI for new hospital facilities at Warrnambool and Ballarat and planning at Geelong and Bendigo	\$180 million for a new biosciences research centre that will reinforce Victoria's leadership in agricultural biotechnology and protect the state's primary industries from plant and animal disease	\$600 million as the government's contribution to the \$1 billion Food Bowl Modernisation Project (a)	\$30 million over four years and \$12 million TEI to boost the capacity of the State Emergency Service to respond to calls for assistance, and replace and upgrade equipment
\$38 million to increase emergency on-call arrangements, create an additional 11 training posts for general practitioners, eight new rural GP obstetrics training positions and an additional 15 training posts for medical specialists in rural hospitals	\$5 million over three years for a Local Roads to Markets program to expand the eligibility of the Dairy Industry Local Roads program to include other selected agricultural and horticultural producers who do not currently have B-Double access to their properties	\$13 million in 2007-08 to refocus the Our Rural Landscape program to develop scientific solutions to the threats posed by climate change, including options that are commercially viable	\$11 million for the replacement of bridges and fences in parks and forests and restoration of built assets in affected parks in Gippsland and North East Victoria
\$48 million TEI for new or upgraded community health and aged care centres in Stawell, Nathalia and Leongatha	\$30 million over four years to protect farms and the natural environment from pests and weeds	\$10 million over four years to assist farmers to develop farm water management plans and more efficient on-farm irrigation systems through the Water Smart Farms program	\$14 million over four years to provide grants to emergency service units to assist with the purchase of equipment and the recruitment of more volunteers
\$22 million over four years to provide for additional elective surgery in rural Victorian hospitals	\$4 million over three years to help farmers to develop more efficient energy usage on their properties	\$10 million TEI to continue the Werribee Vision, increasing Melbourne's capacity to treat additional recycled water from the Werribee Irrigation District	\$9 million TEI for the replacement of rural fire stations to enhance the Country Fire Authority's ability to respond to and fight bushfires
\$123 million TEI to replace, modernise and rebuild regional schools	\$23 million over four years to promote regional tourism	\$20 million over four years to assist small towns to improve their water quality	\$70 million in funding packages in response to major flooding in the Gippsland region (a)
\$42 million TEI for five new or rebuilt police stations	\$2 million over four years to support Farmers' Markets	\$4 million over two years for a major recycled water project for Leongatha	
A \$30 million boost to regional bus services	\$5 million over three years to improve regional airports across Victoria	\$38 million TEI for the Shepparton Irrigation Area	
	\$4 million over three years to improve and upgrade rural showgrounds		

Note: (a) announced subsequent to the budget

Source: 2007-08 Victorian Budget Overview, *Delivering for Victorian Families*, pp.30–31

As stated in Chapter 2, the funding support provided for combating bushfires in regional areas announced in the budget was followed by a July/August 2007 funding package of \$70 million as a result of major flooding in the Gippsland region.

Chapter 2 also mentions the government's eight year Food Bowl Modernisation Project of up to \$2 billion announced in June 2007 which, inter alia, will address irrigation inefficiencies in Victoria's Food Bowl region and involve a government contribution of \$600 million to its first stage.

A number of the above 2007-08 initiatives are also presented in another section of the budget papers as supporting the visions set out in *Growing Victoria Together* through '*Building a stronger Victorian Industry and Strengthening Regional Development*'.¹⁵² In addition, the budget overview document shows a map of Victoria linking unquantified funding initiatives to areas of the state encompassing regional as well as Melbourne and outer suburban areas.¹⁵³

The 2007-08 funding allocations for regional and rural development follow allocations announced by the government in previous budgets such as funding for the Wimmera Mallee pipeline – the 2006-07 budget states that funding announced in that budget took the total state contribution to the project to \$175 million. Other programs benefiting rural and regional Victoria are the Victorian Schools Plan with \$13 million allocated to replace relocatable buildings in rural schools, and a regional roads upgrade program to the value of \$91 million, encompassing Stage four of the Geelong Ring Road.

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

The current presentation in the budget papers of the main funding initiatives falling under the *Provincial Victoria* theme, as described above, is very helpful to readers with an interest in this subject. Nevertheless, the Committee considers there is scope to further enhance the presentation of material, particularly in terms of assisting readers to more readily determine each department's responsibility for the management of budgeted funds aimed at supporting regional and rural development.

The Committee has identified, from its analysis of the information presented in the main service delivery budget document, that:

- eight departments have been assigned responsibility for managing asset and output funding initiatives associated with regional and rural development;
- 49 output initiatives with funding totalling \$317.3 million and 24 asset initiatives with funding amounting to \$628.4 million are wholly aimed at supporting regional and rural development in the state; and
- a further 12 output initiatives and 15 asset initiatives are of a composite nature in that they involve both metropolitan and regional programs or services, with aggregate funding allocations of \$811.5 million not dissected according to their regional and non-regional components.

The Committee is aware from its analysis that it would be an onerous task for members of Parliament and other readers of the budget papers to determine the extent of service delivery responsibility assigned to individual departments for new output and asset funding initiatives relating to regional and rural development. This task is made more difficult by the fact that, as shown above, several

¹⁵² Budget Paper No.3, *2007-08 Service Delivery*, pp.31–33

¹⁵³ Victorian Budget Overview, *Delivering for Victorian Families*, May 2007, pp.16–17

funding initiatives cover both regional and non-regional areas and it is not standard practice to show a dissection of the funding allocation across regions in the budget papers.

In Chapter 2, the Committee has suggested that the government give consideration to categorising and sub-totalling in future budget papers new funding initiatives for each department according to the applicable budgetary theme. For the *Provincial Victoria* theme, such presentation would assist members of Parliament and other readers of the budget papers to identify each department's responsibility for new programs and services supporting regional and rural development.

The Committee also suggests that the government assess the potential for insertion within the budget papers or in accompanying material in the budget reports a table identifying the quantum of funds allocated by department to support regional and rural development, with funding dissected according to the various designated regions of the state. The government's provincial Victoria website identifies the following eleven regions of the state outside Melbourne:¹⁵⁴

- Geelong, Otway and Hinterland;
- Gippsland;
- Goulburn Murray;
- Goulburn River and Ranges;
- Grampians Pyrenees;
- Great South Coast;
- Loddon Murray;
- Mildura Swan Hill;
- North East Victoria;
- Victoria's Goldfields; and
- Wimmera Mallee.

The Committee considers this form of disclosure would facilitate trend analysis by members of Parliament of whole of government funding for regional and rural development purposes. It would add to the existing disclosure practices and complement current ex-post reporting of the management of funds in regional areas by the Department of Innovation, Industry and Regional Development and by Regional Development Victoria. It would be a worthwhile step in further enhancing the presentation of material in each year's budget papers.

The Committee recommends that:

Recommendation 29:

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

¹⁵⁴ www.provincialvictoria.vic.gov.au , accessed 27 August 2007

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

In addition to the widened presentation of material advocated in section 9.2.1, the Committee considers that the magnitude of budget funding earmarked each year for regional and rural development warrants inclusion in the budget documents of a dedicated section for new output and asset funding initiatives supporting regional and rural development. A dedicated section could bring together the various sections of the budget papers currently devoted to regional and rural development and incorporate additional material in the form of:

- identification of aggregate new output and asset funding allocated within the budget for regional and rural development;
- dissection of the aggregate funding across the state's designated regions;
- disclosure of intended outcomes in terms of the desired effects of funding in each region such as population and employment growth targets, establishment of new industries or businesses, results of actions to address skills shortages and tourism related objectives;
- identification of the various departments and portfolios assigned responsibility for the management of programs and services associated with new funding announced in the budget;
- description of the structure and processes established for ensuring maximum effectiveness in the coordination of planning and decision making across several departments and portfolios for regional programs and services;
- identification of an entity with prime responsibility for overseeing the coordination of across-entity funding for regional investment initiatives and for year-end whole of government reporting to Parliament on the management of allocated funds; and
- specification of the principal accountability document and supporting online information sources that are available to members of Parliament and the community to enable an assessment of year-end performance in each region against intended outcomes.

In identifying the need for disclosure each year of the entity responsible for overseeing coordination of funding for regional and rural Victoria across government, the Committee recognises the role of Regional Development Victoria in administering expenditure from the Regional Infrastructure Development Fund and of the Department of Innovation, Industry and Regional Development in coordinating expenditure from the Provincial Victoria Growth Fund.

The Committee considers that disclosure of the above information as a standard feature of each year's budget papers would reinforce the government's ongoing policy commitment to promoting and developing regional and rural Victoria. This could be done by issuing an associated budget document on regional Victoria encompassing both rural Victoria and provincial cities.

The Committee recommends that:

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

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

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

During its 2007-08 Budget Estimates hearings, the Committee expressed significant interest in the government’s strategies and programs relating to regional and rural Victoria.

Table 9.3 identifies the number of questions asked by the Committee relating specifically to regional and rural Victoria at the estimates hearings for the various portfolios.

Table 9.3: Questions asked by the Committee at the estimates hearings relating specifically to regional and rural Victoria

Portfolio	Questions by the Committee		
	Total number (a)	Number relating to regional and rural Victoria (b)	Percentage of (b) to (a)
Department of Education			
Education	43	4	9
Department of Human Services			
Children	12	1	8
Community Services	16	1	6
Health	35	7	20
Housing	10	1	10
Mental Health	9	1	11
Department of Infrastructure			
Public Transport	21	3	14
Roads and Ports	16	3	19
Department of Innovation, Industry and Regional Development			
Industrial Relations	12	1	8
Regional and Rural Development	11	8	73
Skills	10	2	20
Department of Justice			
Corrections	15	1	7
Police and Emergency Services	31	3	10
Department of Premier and Cabinet			
Arts	10	2	20
Premier's	35	8	23
Department of Primary Industries			
Agriculture	28	19	68
Energy and Resources	13	3	24

Table 9.3: Questions asked by the Committee at the estimates hearings relating specifically to regional and rural Victoria (*continued*)

Portfolio	Questions by the Committee		
	Total number (a)	Number relating to regional and rural Victoria (b)	Percentage of (b) to (a)
Department of Sustainability and Environment			
Planning	26	2	8
Water, Environment and Climate Change	29	10	34
Department of Treasury and Finance			
Treasury	20	3	15
Department for Victorian Communities			
Aged Care	19	4	21
Employment	10	3	30
Local Government	12	2	17
Victorian Communities	13	1	8
Total	456	93	20

Source: Information compiled by Committee based on questions raised at the budget estimates hearings

As identified in table 9.3, Ministers responded to 93 questions (20 per cent of all questions asked by the Committee) directly relating to regional and rural Victoria at the 2007-08 Budget Estimates hearings. Those portfolios with the highest percentage of questions were regional and rural development, agriculture, water, environment and climate change, and employment. These portfolios have many responsibilities that are of direct significance to regional and rural Victoria.

The Committee intends to further pursue during its future outcomes inquiries a number of the matters relating to regional and rural development that were raised during the 2007-08 estimates hearings.