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# Government Responses to the Recommendations of

## PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S

### Report on the 2018-19 Budget Estimates

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Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) Report on the 2018-19 Budget Estimates.

**Guide for readers** - Following is the explanation of the format of this paper.

<b>1</b> <b>Title</b>		
<b>2</b> <b>Chapter number and topic</b>		
<b>1</b> <b>PAEC recommendation</b>	<b>2</b> <b>Response</b>	<b>3</b> <b>Action taken to date and commitment to further action</b>

Row 1: Indicates the title of this paper.

Row 2: Indicates the number and topic of the response to the PAEC recommendations.

Column 1: Contains PAEC's recommendations as published in its Report on the 2018-19 Budget Estimates.

Column 2: Indicates the Government's response to each recommendation: 'Support', 'Support-in-Principle', 'Not Support', or 'Under Review'.

Column 3: Provides an explanation of the Government's position on the recommendation, indicates the actions that have been taken to date relevant to the implementation of the recommendation, and outlines commitment to further action relevant to the implementation of the recommendation.

PAEC recommendation	Response	Action taken to date and commitment to further action
<p>RECOMMENDATION 1: Where an infrastructure project is announced in a budget, the Government should fully disclose the total cost of the project across the budget year and forward estimates at the earliest opportunity, so the net debt impact can be understood by the community.</p>	<p>Support-in-Principle</p>	<p>Where project scope and costs have been finalised, and projects are funded, the budget papers include information on total estimated investment and impact over the forward estimates.</p> <p>Where development funding has been committed but full funding of the project has not, the specific impact of the full project over the forward estimates is not included.</p> <p>The current reporting structure in Budget Paper No. 3 includes the total estimated investment and impact over the forward estimates of committed projects. On occasion, cash flows over the forward estimates are unknown at publication and a 'tbd' is provided. In future, DTF will provide cash flows of committed investments over the forward estimates at the earliest opportunity with a footnote in subsequent budget papers.</p> <p>Any adjustments to total estimated investment between years is clearly footnoted.</p> <p>The 2018-19 State Budget for the first time outlined total estimated investment and estimated expenditure for completed and completing projects.</p>
<p>RECOMMENDATION 2: Departments begin collecting data on the proportion of their workforce who have a disability based on their own payroll and human resources systems, in order to establish baseline data and meet the recruitment targets set out in the Government's Every Opportunity: Victorian economic participation plan for people with disability 2018-2020.</p>	<p>Support</p>	<p>The Government supports this recommendation. Departments will enhance reporting systems to meet the recruitment targets set out in the Government's <i>Every Opportunity: Victorian economic participation plan for people with disability 2018-2020</i>.</p>

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<p>RECOMMENDATION 3: The Public Accounts and Estimates Committee consider undertaking an own motion inquiry into intergenerational reporting in the 59th Parliament.</p>		<p>PAEC will respond separately to this recommendation.</p>
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<p>RECOMMENDATION 4: The Department of Health and Human Services investigate the reasons for the under expenditure in the suite of programs and initiatives designed to alleviate homelessness. The findings be published on the department's website.</p>	<p>Support-in-Principle</p>	<p>At the time of the Report, the Committee identified apparent under-expenditure in the suite of programs and initiatives designed to alleviate homelessness. The apparent underspend was caused by project delay including land acquisition and planning, inability to rapidly relocate residents and was impacted by timing issues (for example payments lagging delivery, settlement periods, or committed rather than spent funds) including that the figures were prepared at March 2017 which excluded the three months during which traditionally there is significant spend. The delays have largely been remediated with significant delivery against the programs, for example, in relation to the:</p> <ul style="list-style-type: none"> <li>• <i>Family Violence Housing Blitz</i>, the report identified a potential \$61.29 million underspend on a program scheduled to conclude in 2018-19. However, core elements of the program are delivered with all \$16 million for the private rental assistance program committed, and the full \$50 million rapid housing assistance and community housing sector delivery expended. There will be an ongoing delay for the operational spend for the refuges component which will occur now in 2019-20.</li> <li>• <i>Private rental assistance program</i>, the report identified a potential \$25.3 million underspend on a program scheduled to conclude in 2018-19. This program was initially funded \$16 million in 2016-17 as part of the Family Violence Blitz followed by a \$33.2 million extension for 2017-18 and 2018-19. Following an invited procurement process, funding for 2016-17 was allocated to service providers from 1 November 2016. Funding for the 2017-18 and 2018-19 financial years has been released to providers. To date, the department has allocated \$31.2 million of the \$33.2 million extension to service providers. The remaining \$2 million has been identified for landlord incentives. The funding has been withheld as the landlord incentives are currently being trialled in three launch sites. The evaluation of landlord incentives will inform the approach to allocating this funding before the end of 2018-19.</li> <li>• <i>Family Violence initiative – Housing support for family violence victims</i>, the report identified a \$32.92 million underspend. However, by 31 March 2018, \$15.1 million had been spent, and by 30 June 2018, \$45.86 million was spent leaving only \$2.14 million to be spent in 2018-19 for the finalisation of commitments made in 2017-18. There is an unallocated fund of \$280,000 (0.5%) remaining.</li> </ul> <p>An issues report is not proposed given the delivery against program that has occurred and the alteration in position since the report.</p>

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<p>RECOMMENDATION 5: The Department of Treasury and Finance introduce guidelines to increase uniformity in defining and applying labour hire requirements clearly across all departments</p>	Support	<p>The Department of Treasury and Finance (DTF) notes that the labour hire (Staffing Services) State Purchasing Contract and its associated User Guide currently provides departments with instructions and guidance on the use of labour hire. Further work is being undertaken by the Department of Premier and Cabinet, with support from DTF, to increase uniformity of labour hire requirements for all departments.</p> <p>In addition, DTF is also investigating options to establish a standard methodology for collection of labour hire data across departments and is currently pursuing technology improvements to achieve this.</p>
<p>RECOMMENDATION 6: The planning data that underpins the demonstrated need for each new school be included and regularly updated on the interactive Victorian School Building Authority website.</p>	Support-in-Principle	<p>The Department of Education and Training (DET) currently publishes a range of statistics and data on Victorian schools and teaching, including student enrolments that supports its planning, at <a href="https://www.education.vic.gov.au/about/department/Pages/factsandfigures.aspx">https://www.education.vic.gov.au/about/department/Pages/factsandfigures.aspx</a>.</p> <p>Additionally, the Victorian School Building Authority (VSBA) website contains information regarding all capital investment in Victorian schools.</p>
<p>RECOMMENDATION 7: Investment priorities for the upgrade and maintenance of government schools be published on an annual basis.</p>	Support-in-Principle	<p>DET publishes funded school infrastructure priorities on the VSBA website. New infrastructure investments are updated annually upon release of the state budget, and individual school project progress is regularly updated.</p>

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<p>RECOMMENDATION 8: The Department of Education and Training give consideration to the publication of five-year asset management plans where appropriate.</p>	<p>Support-in-Principle</p>	<p>DET is committed to ensuring that students have the best facilities in which to learn and that teachers have the necessary classroom infrastructure with which to teach 21st century curriculum.</p> <p>This is being supported by a new process for the ongoing evaluation of the condition of school facilities. The 5-year Rolling Facilities Evaluation (2018–22) of all government schools will then result in School Maintenance Plans for each school. The first year of Evaluations has been completed and School Maintenance Plans are currently being developed through a pilot phase.</p> <p>Consideration will be given to publishing School Maintenance Plans once implementation enters the business-as-usual phase.</p>
<p>RECOMMENDATION 9: The status of the asbestos removal process be published on the Victorian School Building Authority website in addition to the prioritisation of removal works.</p>	<p>Support-in-Principle</p>	<p>The program for asbestos removal from government schools is included on the VSBA’s website: <a href="https://www.schoolbuildings.vic.gov.au/Pages/Asbestos-removal-from-schools.aspx">https://www.schoolbuildings.vic.gov.au/Pages/Asbestos-removal-from-schools.aspx</a>.</p> <p>As part of the removal process, DET is also replacing 100 older school buildings containing asbestos with new facilities under the Permanent Modular School Buildings Program. The website lists projects funded, and provides links to individual project information: <a href="https://www.schoolbuildings.vic.gov.au/Pages/Permanent-Modular-School-Buildings-Program.aspx">https://www.schoolbuildings.vic.gov.au/Pages/Permanent-Modular-School-Buildings-Program.aspx</a>.</p> <p>The timing of removal is negotiated with individual schools to ensure that their teaching and extra-curricular schedules can accommodate such works.</p>

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<p>RECOMMENDATION 10: The Department of Treasury and Finance develop reporting mechanisms to be published in Budget Paper No.4: State Capital Program for large asset initiatives that use cash flow information and/or actual expenditure, in addition to the existing estimates provided.</p>	Support-in-Principle	<p>The current reporting mechanism adopted in Budget Paper No. 4 reports on actual expenditure for large asset initiatives. Budget Paper No. 4 labels this as “Estimated Expenditure to 30.6.XX”. This is labelled as estimate, rather than actuals, due to the fact that the release of the budget paper is in May. The actual expenditure used in the publication will need to include estimated actual expenditure for the remaining months of the financial year.</p> <p>Variance analysis can be facilitated by comparing Estimated Expenditure from the previous year publication against Estimated Expenditure in the current year publication.</p>
<p>RECOMMENDATION 11: The performance measure identifying attendance at creative facilities be amended to allow for attendance at individual facilities to be identified.</p>	Support	<p>The Department of Jobs, Precincts and Regions supports this recommendation.</p>
<p>RECOMMENDATION 12: A performance measure be added to the budget papers that gauges the contribution of creative facilities to Victoria beyond attendance levels to reflect for instance visitor satisfaction or awareness of the arts in Victoria.</p>	Support-in-principle	<p>The Department of Jobs, Precincts and Regions already publishes visitor satisfaction at the major creative industries institutions separately in the Budget Papers as quality measures.</p> <p>The Department will continue to work with the Department of Treasury and Finance to identify suitable performance measures to ensure the department complies with the Performance Management Framework, including assessing the availability of suitable data to measure awareness of arts in Victoria.</p>

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<p>RECOMMENDATION 13: Departments should review their performance measures to ensure they give a balanced and complete performance picture of what the output is trying to achieve.</p>	<p>Support</p>	<p>Under the current Performance Management Framework, Ministers have responsibility for the quantum and scope of the output performance measures relevant to their portfolio, including the mix of quality, quantity, timeliness and cost performance measures.</p> <p>The Department of Treasury and Finance will continue to work with departments to support portfolio Ministers to comply with the Framework through the ongoing review, monitoring, and assessment of the relevance of all performance measures.</p>
<p>RECOMMENDATION 14: The Department of Treasury and Finance review all performance measures with a target of 100 per cent and, where appropriate, work with relevant departments to replace these in the 2019-20 Budget with more meaningful and challenging performance metrics that drive continuous improvement.</p>	<p>Support</p>	<p>The current Performance Management Framework provides guidance to departments that targets of 0 or 100 per cent should not be used in most cases as they have no capacity to demonstrate continuous improvement from year to year and may not be sufficiently challenging.</p> <p>The Department of Treasury and Finance, jointly with departments, undertakes annual reviews of departmental objectives, outputs and performance measures for continued relevance and robustness.</p> <p>The Department of Treasury and Finance will work with departments to review all performance measures with a target of 100 per cent and, where appropriate, make recommendations to the relevant portfolio to ensure that the performance measures are meaningful, relevant and robust.</p>
<p>RECOMMENDATION 15: The Department of Economic Development, Jobs, Transport and Resources include additional performance measures in the budget papers that more comprehensively capture the key elements of the latest myki contract and performance regime.</p>	<p>Support</p>	<p>The Department of Transport will consider new performance measures relating to the myki ticketing system to ensure key elements of myki operations are evaluated.</p>

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<p>RECOMMENDATION 16: The Department of Treasury and Finance work with departments to review and strengthen the comprehensiveness of performance measures in the budget papers to ensure they provide balanced insights into the performance of all material aspects of funded activities.</p>	<p>Support</p>	<p>Under the current Performance Management Framework, Ministers have responsibility for the quantum and scope of the output performance measures relevant to their portfolio, including the mix of quality, quantity, timeliness and cost performance measures.</p> <p>The Department of Treasury and Finance will continue to work with departments to support portfolio Ministers to comply with the Framework through the ongoing review, monitoring, and assessment of the relevance of all performance measures.</p>
<p>RECOMMENDATION 17: The Department of Treasury and Finance review the performance measures in the budget papers and consider establishing a system for certifying targets proposed by departments to assure they are sufficiently challenging, and that the basis for these decisions is documented in the budget papers.</p>	<p>Support</p>	<p>The Government remains committed to ensuring public money is spent in an accountable and transparent manner and is focused on improving the return Victorians receive from existing programs. A key mechanism to achieve this is through the departmental performance statement.</p> <p>The departmental performance statement is an agreement between Portfolio Ministers and the Assistant Treasurer (on Government's behalf). It certifies the goods and services the Government intends to deliver in the coming financial year.</p> <p>For new funding decisions made during the annual budget process, performance measures and targets are agreed between Portfolio Ministers and the Government. Improving the extent to which new funding impacts performance measures has been an area of focus for Government in recent budgets.</p> <p>For existing programs, performance measures and targets are reviewed and agreed (effectively certified) by Portfolio Ministers and the Assistant Treasurer through the development of the departmental performance statement, supported by advice from departments.</p> <p>To support improved accountability for performance, the Government will consider strengthening departmental requirements for setting output performance measures and targets, to ensure targets are realistic and achievable and better inform Government and the Parliament.</p>

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<p>RECOMMENDATION 18: That the Department of Treasury and Finance, in consultation with all other departments and the Victorian Auditor-General, establish arrangements for systematically reviewing and assuring the adequacy of controls in place within agencies for reporting relevant, appropriate and accurate performance information to Parliament against targets set in the budget papers.</p>	<p>Support</p>	<p>The Government has well established arrangements for the review and approval by Portfolio Ministers of performance measures and targets through the annual budget process. For example, departmental performance statements are prepared by departments on behalf of Portfolio Ministers, and in consultation with the Department of Treasury and Finance. The Assistant Treasurer endorses departmental performance statements and provides suggested improvements. Variations against the targets are reported in budget papers and departmental annual reports.</p> <p>The Model Report for Victorian Government Departments establishes minimum disclosure requirements for the reporting of performance measures in departmental annual reports. Supporting these disclosure requirements, the Standing Directions under the <i>Financial Management Act 1994</i>, specifically Direction 3.4, require the accountable officer (the Secretary) of a department to establish an effective internal control system to produce reliable internal and external reports, including of performance in the annual report of operations. This ensures performance information is accurate and free from error. Before its publication, the performance information contained within the annual report of operations is approved by the accountable officer of a department, with a formal declaration included in the report.</p> <p>The Government will continue to provide support to Portfolio Ministers and departments through these established processes.</p>
<p>RECOMMENDATION 19: The Department of Treasury and Finance, in consultation with the Department of Justice and Regulation and Department of Health and Human Services, introduce new measures in the budget papers that increase transparency of the performance of private prisons in line with the Auditor-General's recommendations, and of initiatives to reduce unmet demand for child protection services.</p>	<p>Support-in-Principle</p>	<p>The Department of Treasury and Finance will continue working with both departments to support portfolio Ministers to comply with the current Performance Management Framework through ongoing review, monitoring, and assessment of the relevance of performance measures. This will include working in consultation with:</p> <ul style="list-style-type: none"> <li>• the Department of Justice and Community Safety to explore opportunities to improve performance transparency of private prisons in line with the Auditor-General's recommendations; and</li> <li>• the Department of Health and Human Services to explore opportunities to improve performance transparency of initiatives to reduce unmet demand for child protection services.</li> </ul>

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<p>RECOMMENDATION 20: The Department of Treasury and Finance in conjunction with the Victorian Commission for Gambling and Liquor Regulation and Major Projects Victoria review and where necessary strengthen existing performance measures in the budget papers so that they provide transparent insights into the performance of all projects and/or funded activities.</p>	Support	<p>The Department of Treasury and Finance will work with the Department of Justice and Community Safety and the Department of Jobs, Precincts and Regions to review and where necessary strengthen existing performance measures to improve transparency of these measures, consistent with the current Performance Management Framework.</p>
<p>RECOMMENDATION 21: The Minister for Finance retain the seven proposed discontinued measures with suggested modifications where relevant as identified in this report.</p>	Under review	<p>The Government will consider the Committee's report ahead of the next budget publication and respond separately to the Committee's recommendation within the legislated timeline. All agreed changes to output performance measures will be reflected in the next budget publication.</p>