



**PUBLIC ACCOUNTS AND
ESTIMATES COMMITTEE
FIFTY FIRST REPORT TO PARLIAMENT
REPORT ON THE 2000-01
BUDGET OUTCOMES**

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Report on 2000-01 Budget Outcomes

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**PUBLIC ACCOUNTS AND ESTIMATES
COMMITTEE
MEMBERSHIP – 55th PARLIAMENT**

Hon. C Campbell, MP (Chair) *

Hon. B Forwood, MLC (Deputy Chair) *

Hon. B Baxter, MLC *

Mr R Clark, MP

Mr L Donnellan, MP *

Ms D Green, MP *

Mr J Merlino, MP *

Hon. G Rich-Phillips, MLC

Ms G Romanes, MLC *

* These Members were appointed to the Public Accounts and Estimates Committee on 27 March 2003 and took no active part in the Inquiry, which was conducted during the 54th Parliament.

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Report on 2000-01 Budget Outcomes

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP – 54th PARLIAMENT

The Members of the Public Accounts and Estimates Committee during the term of this Inquiry were:

Mr P Loney, MP (Chairman)

Hon. R Hallam, MLC (Deputy Chairman)

Ms A Barker, MP

Mr R Clark, MP

Ms S Davies, MP

Hon. D Davis, MLC

Mr T Holding, MP

Mrs J Maddigan, MP

Hon. G Rich-Phillips, MLC

Hon. T Theophanous, MLC

For this Inquiry the Committee was supported by a secretariat comprising:

Executive Officer: Ms M Cornwell

Assistant Executive Officer: Ms F Essaber

Research Officers: Mr M Holloway; and
Mr C Theodoratos

Office Manager Mrs J Bayley

Specialist Advisers: Mr T Wood
Mr J Chan-Sew

Report on 2000-01 Budget Outcomes

DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the *Parliamentary Committees Act 1968*, as amended.

As a result of recent amendments to the *Parliamentary Committees Act*, the Committee now comprises nine Members of Parliament drawn from both Houses of Parliament and all political parties¹.

The Committee carries out investigations and reports to Parliament on matters associated with State financial management. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- (a) any proposal, matter or thing connected with public administration or public sector finances; and
- (b) the annual estimates or receipts and payments and other budget papers and supplementary estimates of receipts and payments presented to the Assembly and the Council.

The Committee also has a consultative role in determining the objectives of performance audits and identifying any particular issues that need to be addressed during these audits.

¹ During the 54th Parliament the committee comprised ten Members of Parliament drawn from both houses and all political parties and included an independent member.

Report on 2000-01 Budget Outcomes

GLOSSARY

Annual Financial Statement	Comprises operating statement, statement of financial position and statement of cash flow for a given financial year.
Assets	<p>Service potential or future economic benefits controlled by an entity (eg. a Department) as a result of past transactions or other past events.</p> <p>Assets may be physical (eg. plant, equipment or buildings) or non-physical (eg. financial investments). Assets may also be current (having a store of service potential which is consumed in one year or less) or non-current (having a store of service potential that is consumed over a period of more than one year).</p>
Budget sector	Comprises agencies within the general Government sector that each obtain 50 per cent or more of funding through appropriations and that are directly accountable, through Ministers, to Parliament.
Capital asset charge	A charge generally on the written down value of non-current, physical assets controlled by agencies within the budget sector. The cost is designed to reflect the full cost of service provision and to encourage the management of surplus or under performing assets.

Commonwealth grants	<p>Includes general revenue from the Commonwealth Government for the purpose of aiding in the financing of the current operations of the recipient; in addition to monies received for specific purposes (when the Commonwealth wishes to have some involvement in the direction of the expenditure).</p> <p>Grants are also received for onpassing to third parties (eg. to non-government schools), where the State has no discretion as to their allocation.</p>
Consolidated fund	<p>The Government's primary account that receives all consolidated revenue and from which payments appropriated by Parliament for Government purposes are made.</p>
Depreciation	<p>The allocation of the cost of an asset over the years of its useful life.</p>
Employee entitlements	<p>Benefit entitlements which employees accumulate as a result of the rendering of their services to an employer up to the reporting date. They include wages and salaries, annual leave, sick leave, long service leave, superannuation benefits, and other post-employment benefits.</p>
Franchising	<p>The sale to an external party (usually on the basis of a competitive bidding process) of the right to distribute a particular good or service to a particular market for a defined period. Franchising is often seen as a way of introducing competition into an industry that may otherwise be seen as a monopoly.</p>
Government Business Enterprise	<p>A publicly-owned entity providing goods or services on commercial terms with the objective of recovering its costs of production and, in most cases, of providing some financial return to its owner.</p>

Liabilities	Liabilities comprise future payments that an entity is currently obliged to make to other entities as a result of past transactions or other past events. Liabilities are thus a broader concept than debt. They also include obligations which do not have a predetermined repayment schedule, and those which do not require payments of interest – such as unfunded liabilities of superannuation funds, liabilities in respect of other employee entitlements (long-service and annual leave), trade creditors, and provisions for deferred maintenance.
Materiality	The concept of establishing the importance of the information in accordance with Australian Accounting Standard AAS 5. In general, an item of information is material if its omission, non-disclosure or mis-statement from the financial statements would adversely affect a user's decisions about the allocation of scarce resources.
Non-current liabilities	All liabilities other than current liabilities. They are usually obligations that do not require payment within one year of the reporting date.
Outcomes	The Government's intended impact on the community as a result of the funding of services. Outcomes establish both the rationale and foundation for the budget.
Output costing	The process of determining on a full accrual basis all direct and indirect costs of producing an output in a period.
Output group	For purposes of budgeting and reporting, a grouping of individual outputs that contribute to a common outcome.
Outputs	Measurable direct results of activities provided to external consumers, such as products or services.

Performance measures	Quantity, quality and timeliness indicators used to describe how many, how well, when, or how frequently Government funded outputs will be delivered.
Performance targets	Intended output delivery levels expressed in terms of each of the performance measures. Targets are used as a benchmark to assess performance in delivered budgeted outputs.
Public account	The consolidated fund and the trust fund combined.
Public authority dividend	A payment made by Government business enterprises to the Victorian Government under the provisions of the <i>State Owned Enterprises Act 1992</i> or other industry specific legislation. Conceptually, public authority dividends are intended to represent a return to the Government on its investment in those enterprises. The Treasurer determines the amount and timing of the payments after consultation with the relevant Minister and board of each enterprise.
Public sector	Non-financial public enterprises and public financial institutions that have Government ownership and control.
Sale of goods and services	This represents revenue earned from the sale of goods or provision of services to external parties in the current period, whether received or receivable (eg. supply of water, gas distribution, and public transport services).
Service obligation	The non-commercial programs and activities of Government business enterprises designed to meet community and social objectives determined by Government.

Special appropriation	A standing authority (that remains in force until amended or repealed by Parliament) for ongoing payments to be made independently of the Government's annual budget priorities.
Specific purpose payments	Grants made by the Commonwealth to State and Territory governments subject to terms and conditions specified by the Commonwealth, generally to ensure that Commonwealth policy objectives (or national objectives agreed between the Commonwealth and the States) are met.
Supplies and consumables	<p>This encompasses the day-to-day running costs incurred in the normal operations of Government entities, but specifically excluding costs specified under separate headings included in the Statement of Financial Performance, viz. employee entitlements, superannuation, depreciation, amortisation, interest and other finance costs, grants and transfer payments and 'other expenses'.</p> <p>This expense category includes any cost of sales expense. Cost of sales includes the costs of purchase (purchase price, duties, taxes, inwards transportation costs etc.), costs of conversion (direct labour and other production costs including maintenance of assets) and other costs incurred in the normal course of operations in bringing inventory to the point of sale.</p>
Unfunded superannuation liabilities	The present value of future benefits, determined by actuarial assessment, that a superannuation scheme's members have accrued during past service which are not covered by fund assets. Unfunded superannuation liabilities arise when superannuation costs are not contributed as the members' benefits accrue.

Report on 2000-01 Budget Outcomes

CHAIR'S INTRODUCTION

Information in this report is based on a review of the budget outcomes for 2000-01 which was undertaken by the Public Accounts and Estimates Committee of the 54th Parliament.

The delay in presenting the report is due to the State election in November 2002 and the new Committee not being appointed until 27 March 2003. While some of the material in this report has been overtaken by policy developments, the incoming Committee believes that there are still a number of significant issues raised in the report that warrant consideration by the Government.

The new Committee believes this budget outcomes report is an important extension of the accountability framework as it provides a detailed analysis of the intended results and actual results achieved by Departments and Agencies in 2000-01.



Hon. Christine Campbell, MP

Chair

Report on 2000-01 Budget Outcomes

EXECUTIVE SUMMARY

Chapter 1 - Review of Budget outcomes

In January 2002 the Public Accounts and Estimates Committee wrote to the Victorian Premier, the senior Ministers for each Department and the Presiding Officers of the Parliament seeking a response to questions about the outcomes of departmental activities during 2000-01. The Committee has expressed concerns regarding the Departments' timeliness in responding to these questions.

Following its review of the 1999-2000 Budget outcomes, the Committee made a total of 43 recommendations on annual reporting, financial performance, governance processes and the monitoring of some key activities. The Government accepted 30 recommendations, accepted ten in part, accepted two in principle and rejected two.

The Committee has summarised in Chapter 1 the Government's response to its key recommendations relating to the Budget outcomes for 1999-2000.

Chapter 2 - 2000-01 Budget overview

The 2000-01 Budget was prepared on the basis of five identified long-term financial objectives of the State Government and five initiatives to achieve those objectives.

The Budget outcome for 2000-01 was stronger than expected, resulting in a significant Budget sector operating surplus that was higher than the budget estimate and higher than the mid-year revised Budget. The better than expected outcome reflected higher revenue from the continued strength of the Victorian economy, property markets and employment, partly offset by an increase in operating expenses.

The significant increase in operating revenue (5.4 per cent) was derived mainly from growth in taxation revenue, investment revenue, grants and other revenue.

Specific details are:

- taxation revenue was \$8,387 million — \$542 million (or 6.9 per cent) above the Budget estimate. Total property tax and payroll tax revenues recorded the largest increases, at \$372 million and \$84 million respectively above the budget estimates;
- investment revenue was \$1,426 million — \$240 million (or 20.2 per cent) above the Budget estimate. Total interest and investment revenue was \$226 million above the Budget estimate, reflecting earlier investments of higher than expected cash surpluses;
- grant revenue was \$10,309 million — \$111 million (or 1.1 per cent) above the Budget estimate. Specific-purpose and other grants exceeded the budget estimate by \$99 million; and
- other revenue was \$408 million — \$177 million (or 76.7 per cent) above the Budget estimate. The increase was mainly due to \$69 million in miscellaneous revenue and \$39 million from the operating transactions of the Victorian Government Solicitors Trust.

The moderate increase in operating expenses (2.6 per cent) was mainly due to growth in employee entitlements, the impact of the goods and services tax (GST) on borrowing costs and the costs of administering the changes to the national taxation system, and the costs of implementing the Government's initiatives to improve services in priority areas. Details include:

- employee entitlement expenses were \$7,913 million — \$192 million (or 2.5 per cent) above the Budget estimate. The increase was mainly due to changes in the enterprise agreements, including a 3 per cent salary increase for Victorian public servants and the full-year impact on employee entitlement payments;
- additional funding of \$195 million was provided for implementing new policy initiatives to improve services in education, health and community safety;
- expenses of \$120 million were incurred for the correction of previously overstated outstanding fines, general write-offs of bad debts and an increase in the provision of

doubtful debts following the Department of Justice's and the State Revenue Office's reviews of outstanding amounts; and

- borrowing costs were \$597 million — \$87 million (or 17 per cent) above the Budget estimate. The increase was due to higher vehicle finance lease costs resulting from a reassessment of motor vehicle valuations when the GST was introduced.

Notwithstanding this result, the Committee believes that the presentation of the Budget Sector operating expenses in the Annual Financial Report for the State of Victoria could be improved if the variations between Budget and actual operating expenses were presented under the expenditure classifications, rather than in the unstructured list of variations that is currently provided.

The net asset position of the Budget Sector improved in 2000-01 by \$3,038 million (or 22.4 per cent) in excess of the Budget estimate. A major reason for the improvement relates to the significant increase of \$2,818 million in the total assets of the Budget Sector.

The Committee also noted that the unfunded superannuation liability at 30 June 2001 for the Budget Sector was \$11,818 million compared with the budgeted balance of \$12,098 million — a decrease of \$280 million. The decrease was mainly a result of the early payment of the 2001-02 annual cash payment to the State Superannuation Fund in June 2001.

Chapter 3 - Review of 2000-01 departmental annual reports

Department of Premier and Cabinet

The Department of Premier and Cabinet's annual report is a comprehensive document that contains a large amount of descriptive details. Much of the details are not strictly concerned with service and financial outcomes, so are not essential for the Department's accountability to Parliament and the community regarding the use of taxpayers' money. Otherwise, the information on performance achievements is generally useful.

The Committee has recommended that the Department include a section in its annual report that comprehensively comments on: significant issues and developments for the current year; future directions and outlook; major projects/initiatives completed and planned; key performance targets and the results achieved; and the financial results for the year.

Department of Treasury and Finance

The Department of Treasury and Finance's annual report is a succinct, reader-friendly document. The report provides a useful overview of what the Department aimed to achieve and what it did achieve. The report also explains all significant performance variations for each of the output groups. Despite the report being well structured and containing detailed explanations of performance variations, the Committee has suggested areas for improvement.

Department of Human Services

The Department of Human Services' annual report presents a substantial amount of detailed information on achievements, projects, initiatives, performance information and activities undertaken during the year. The Committee has recommended a less descriptive approach and the inclusion of more qualitative and quantitative details. It has raised concerns that the report does not contain information required by the Directions issued by the Minister for Finance.

Victoria Police

The Victoria Police annual report is comprehensive and well structured, providing much valuable information on performance and major achievements. The Committee has highlighted positive features of the report and other areas that need attention. It has also raised concerns that the report does not provide some information required by the Directions issued by the Minister for Finance.

Department of State and Regional Development

The Department of State and Regional Development's annual report provides a significant amount of information on activities, initiatives and new developments relating to the various output groups. The Committee has highlighted that the report does not clearly articulate the Government's key policy priorities for State and Regional Development, and does not provide information on the Department's mission, objectives and values. Other concerns are the information on performance outcomes and the scope of performance measures and initiative outcomes.

Department of Justice

The Department of Justice's annual report provides a significant amount of information on activities undertaken during the year. The Committee has identified matters for attention, including a recommendation that the Department explain significant performance variations from Budget targets.

Environment Protection Authority

The Environment Protection Authority's annual report highlights that the Authority was very active during the year. It provides much detail on activities, projects and initiatives. It does not, however, clearly outline the key priorities and strategies, or the extent of the Authority's success in achieving its goals. The Committee has highlighted a particular concern with the performance reporting and the absence of a comparison of performance against the targets shown in the Budget Papers, as required by the Directions issued by the Minister for Finance.

Department of Infrastructure

The Department of Infrastructure's annual report clearly sets out the Department's vision, mission and values, as well as the year's major achievements linked to seven key outcomes. The Committee has recommended, however, that the Department analyse many of the reported achievements, discuss the results against the key performance indicators, discuss the indicator trends, and benchmark the performance results against those of similar agencies in other jurisdictions.

Department of Natural Resources and Environment

The Department of Natural Resources and Environment's annual report is well structured and provides a brief overview of the Department's aims and objectives, and the results achieved. The Committee has identified, however, concerns with the report content, including the absence of information on key performance measures, the Department's progress towards the achievement of objectives, and the Department's outlook.

Department of Education, Employment and Training

The Department of Education, Employment and Training's annual report has positive features, but the Committee has highlighted the need for potential improvement through the benchmarking of key education and training outcomes and including information on trend and variance analysis of performance indicators.

Parliamentary Departments

The Committee reviewed the annual reports of the Joint Services Department, the Department of the Legislative Assembly, the Department of the Legislative Council, the Victorian Parliamentary Library and the Department of Parliamentary Debates. To varying degrees, all the Parliamentary Departments overviewed their initiatives, projects and activities, and provided other information that is not essential for accountability for performance. None of the Parliamentary Departments except the Victorian Parliamentary Library provided any information on output performance. The Committee has highlighted annual report information requirements that the Parliamentary Departments could undertake to improve accountability.

Victorian Auditor-General's Office

The Victorian Auditor-General's Office annual report is a succinct and reader-friendly document that focuses on reporting performance in the discharge of the office's statutory responsibilities. The Committee has suggested the structure and approach of the report be enhanced and include the establishment of a link between the financial statements and the review of operations.

Chapter 4 - Department of Education, Employment and Training

In 2000-01, the Department's output group structure comprised three output groups with total actual expenditure of around \$6.1 million, or 0.1 per cent below the budget estimate.

The School Education output group's cost was \$4,592.9 million — \$15.5 million (or 0.3 per cent) below the Budget of \$4,608.4 million. The cost of the Tertiary Education, Employment and Training output group was \$986 million — \$8.4 million (or 0.9 per cent) above the Budget of \$977.6 million. The cost of the Policy, Strategy and Information Services output group was \$29.9 million — \$1 million (or 3.5 per cent) above the Budget of \$28.9 million.

While the total cost of the School Education output group did not significantly vary from the Budget, there were various output cost variations within this output group. The primary school, junior secondary and senior secondary education output cost \$3,560.4 million — \$57.6 million (or 1.6 per cent) below the Budget of \$3,618.0 million. The new learning technologies, multimedia and open learning output cost \$120.2 million — \$31.2 million (or 35.1 per cent) above the Budget of \$89 million. Services to students with disabilities and impairments cost \$248.7 million — \$11.9 million (or 5 per cent) above the Budget of \$236.8 million.

Similarly, while the total cost of the Tertiary Education, Employment and Training output group did not significantly vary from the Budget, there were output cost variations within this output group. The TAFE places output cost \$856 million, which was 3 per cent above the Budget of \$831.4 million. The employment services output cost \$43.6 million, which was 32.8 per cent below the Budget of \$64.9 million.

The main cost variance in the outputs of the Policy, Strategy and Information Services output group occurred in the policy strategy and executive services output, which cost \$17.1 million — \$3.2 million above the budget estimate of \$13.9 million.

The Committee's review also highlighted the following issues:

- the Committee is concerned that the performance measure for the secondary education output was subject to sampling error. It has noted that the Department should ensure performance measures are not subject to sampling error and that the measures must provide a basis on which to assess the Department's output performance;
- the Committee is concerned that the Department achieved significantly below the target of the performance measure for the early literacy and numeracy services output — that is, the lower than projected number of parent education programs provided by schools — and that the Department provided no information that explains the under-performance;
- a further concern is that the Department achieved significantly below the target of the performance measure for the new learning technologies, multimedia and open learning output — that is, the number of schools with a 1:5 computer-to-student ratio. The Committee has urged the Department to take steps to improve the proportion of schools achieving the desired ratio of computers to students;
- the Committee also notes that the Department indicated that the incidence of students with disabilities is now in excess of the incidence reported in the international literature. The Committee has recommended that the Department ensure students with disabilities and impairments are identified at an early stage of their schooling and receive appropriate tuition and support;
- the Department continued to achieve significantly higher than the target of the performance measure for the adult and community education places and community support output — that is, the number of contact hours over 2000–01. The Committee has recommended that the Department resolve this matter as soon as possible, given the Department's explanations that the variance in 1999-2000 was due to over-delivery and the variance in 2000-01 was due to statistical reporting that led to apparent over-delivery;

- the Committee has emphasised that the Department's performance measures need to provide an accurate reflection of the extent of the service and that the Department needs to ensure the method of formulating performance measures is appropriate;
- the International Education Services Survey had a particularly low rate of response. The Committee has noted that a response rate of around 70 per cent is required before any valid conclusions can be drawn from surveys that support performance measures;
- the Department progressed the initiative to reduce Prep-Year 2 class sizes by recruiting 800 additional teachers over four years and constructing 444 new classroom facilities. The average Prep-Year 2 class size was reduced significantly from 24.3 in 1999 to 22.4 in 2001, and is expected to be 21.8 in 2002. Design and budget issues led to a slower roll-out of the permanent classroom component in 2000-01, but that was expected to be reversed in 2001-02. The Department advised that 165 permanent rooms and 279 relocatable rooms would be provided before the end of the 2002 school year to complete this program;
- funding for Schools with Special Learning Needs and the Shared Specialist Teacher Program was \$32.6 million in 2000-01. The proportion of students attracting funding in regular schools was 60.34 per cent, consistent with the Government's target of 60 per cent;
- funding of \$248.7 million was provided in 2000-01 for the Disability and Impairment Program, which assisted 16,367 students. The additional \$5 million under this initiative provided funding for an additional 729 Government school students;
- additional funding was allocated in 2000-01 to secondary schools to employ student welfare coordinators to support students at risk, address behavioural and learning problems, and support school responses to problems such as truancy, drug use and suicide risk. Funding of \$13.1 million was allocated directly to schools. The Committee has noted that the Department's performance

measures should reflect the issues/risks that are being addressed and the number of school students that benefit as a result; and

- actual expenditure on the Community Infrastructure Jobs Program in 2000-01 was \$4.8 million, which resulted in 2516 job commencements being approved. The Department advised that \$13 million of the 2000-01 funding was uncommitted. The Committee has noted that the number of commencements exceeded the target, but that the effectiveness of the program is actually measured by the proportion of participants who are in employment, education or training three months after leaving the program.

Chapter 5 - Department of Human Services

The Department of Human Services' output group structure in 2000-01 comprised nine output groups with actual expenditure of \$415.9 million, or 5.7 per cent above the budget estimate.

The cost variance of the Acute Health Services output group was the main cause of the Department's Budget variance. The Committee has noted that its comments on the 1999-2000 Budget outcomes are relevant to its 2000-01 review, and also that demand for emergency care continued to place pressure on the hospital system.

The workload of the Ambulance Services output group continued to increase, with the number of metropolitan emergency and non-emergency road cases increasing by 5.2 per cent and 27.9 per cent respectively above those estimated in the Budget. In country Victoria, the increases were 5.5 per cent and 6.8 per cent respectively. Despite the increases in demand, the Committee has noted that emergency response times for critical incidents met targets, with more than 50 per cent of time-critical cases in the metropolitan area attended within eight minutes.

The Committee has recommended that ambulance bypass figures form part of the Department's official performance measures and that the Department include these figures in the reporting on the Admitted Services output group.

Under the Aged Care and Primary Health output group, the performance of a number of service delivery outputs — the provision of dental treatment, community dental care and school dental care— fell below the 2000-01 target. The Department advised that these outputs were below Budget targets as a result of the allocation of resources to high-need, complex clients who received more costly treatment. The Committee has recommended that the Department ensure, in formulating target performance measures, that comparisons to actual outcome provide meaningful information.

For a performance measure under the Mental Health Services output group — the number of residential rehabilitation clients placed — the 2000-01 result was 279 compared with the target of 303. The Committee has raised concerns about this performance and has noted that young people requiring such placements could be at particular risk if this situation continues.

Assessment of performance against a number of the performance measures under the Licit and Illicit Drug Programs output was based on preliminary data. The Committee was disappointed that this performance information was not final and therefore precluded any meaningful analysis of service delivery under this output group.

The performance reporting on the DisAbility Services output group was limited, with little substance to explain variations from Budget targets.

The Committee has highlighted an unexplained variance between the 2000-01 and 1999-2000 performance of the outputs under the Parenting and Child Development output. The performance of the protection and placement output continued in 2000-01 to be significantly below the Budget target. The Committee is concerned that the number of cases requiring finalisation could become too numerous for the Department to manage effectively.

Under the Concessions to Pensioners and Beneficiaries output group, an estimated 96.5 per cent of eligible households received their concession entitlements in 2000-01. The Committee has noted, however, that this result was based on preliminary data.

The Committee's review also highlighted the following issues:

- the Committee has noted that the Housing Assistance Survey of tenants indicated a customer satisfaction rating of 89 per cent in 2000-01, which was a significant reduction from the 1999-2000 rating of 98.6 per cent;
- for the performance measure of the private rental assistance output — the number of bonds and housing emergency grants issued during the year — the result was 41 202 compared with the target of 26 000 (an increase of 58.5 per cent). The result reflected better reporting and a Budget increase that enabled more households to be assisted;
- the Winter Emergency/Long-term Integrated Elective and Emergency Strategy for Hospitals was successfully implemented, but emergency demand pressure overwhelmed the initiative. The general directions of the strategy have supported the subsequent development of the Hospital Demand Management Strategy, and the 2000-01 Budget allocated \$195 million to the strategy over the period of 2001-02 to 2003-04;
- the Metropolitan Health Services was established, with a one-off \$35 million injection of funds, to replace the Metropolitan Health Care Networks;
- the 2000-01 Budget allocated \$6.3 million to nursing education and training initiatives, and this amount was increased during the year in recognition of the impact of nursing shortages on the health system. Total expenditure for 2000-01 therefore reached \$14 million. The Committee has noted the necessity of retaining nurses in the Victorian hospital system;
- the Government allocated \$7.2 million in 2000-01 for the employment of additional infection control practitioners, and also established performance measures and targets to ensure cleaner hospitals and better infection control. The Department has advised that the aim of the infection control program is to improve surveillance and intervention measures in the context of broader

continuous quality improvement and clinical risk management approaches; and

- the Department advised that \$5.4 million was expended on the High-risk Adolescent Initiative in 2000-01. An evaluation indicated that that the initiative had been broadly successful in improving outcomes for high-risk young people, leading to increased community connectedness, improved relationships, fewer substance abuse-related issues, a significant reduction in offending, and improved personal functioning and physical wellbeing.

Chapter 6 - Department of Infrastructure

The 2000-01 Budget Papers allocated \$2,399 million to the Department of Infrastructure, which had actual expenditure of \$2,412.9 million for the year. This variance represented overspending of \$13.9 million compared with the original Budget. The Budget was subsequently revised upwards during the year to \$2,497.6 million.

There were several major variances between output groups' funding allocations and actual expenditure. The two largest variances (by dollar value) related to the Balanced Planning and Environmental Systems output group and the Metropolitan Transport Infrastructure output group.

The Committee's review also highlighted the following issues:

- the development of a regional land use and transport strategy for the Bendigo area was delayed until July 2001, reflecting an alternative focus on the development of three integrated transport strategies (the North West Strategy, the Portland Access Study and the Geelong Transport Strategy);
- around 4 per cent of councils in 2000-01 failed to implement the Department-issued guidelines on audit committees;
- the Department attributed its failure to achieve 2000-01 targets relating to the rural and metropolitan modal interchange upgrade programs to a time lag in completing

designs, stakeholder input and the council approval process. It advanced similar reasons for its failure to complete 50 per cent of projects in the Passenger Interchange Development output group against agreed plans and timeframes;

- the Department did not meet its 2000-01 target relating to the punctuality of V/Line passenger services, given bad weather and poor pathing in the metropolitan rail network;
- the Department did not meet its target of having 30 new air-conditioned buses put into service by private bus operators in 2000-01. Only ten new buses came into service. The customer satisfaction level with metropolitan bus services was only 70 per cent in 2000-01;
- the Government has attempted to improve passenger safety by establishing a Safe Travel Taskforce and introducing 100 roving safety officers on Melbourne's train network. The Committee has recommended that the Department ensure performance information in its annual report measure the extent to which these actions have been effective and whether alternative strategies are required;
- the Committee requested that the Department provide details of the overall costs of vandalism to the automated ticketing system for the three years to 30 June 2001, but was advised that this level of financial detail was not available. The Committee understands, however, that vandalism repairs by OneLink cost almost \$5 million in 1999-2000;
- the contractual arrangements of OneLink and the Public Transport Corporation in 1993 were deficient, in that OneLink had no incentive to maximise its performance in providing automatic ticketing facilities. The contract provided for only a single performance measure (the number of ticketing machines that were operational), thereby excluding any vandalised or malfunctioning machines; and
- the Committee is pleased that the long-running dispute between the Government and OneLink has been settled and that there is now a strong incentive for OneLink to

effectively manage vandalism and maximise the availability of fully operational ticketing machines to public transport users.

Chapter 7 - Department of Justice

The Department of Justice's output structure in 2000-01 comprised 11 output groups, with a total Budget of \$1,649.1 million. The Department, including the Victoria Police, expended \$1,728.4 million in 2000-01, representing a variance of 4.8 per cent from the original budget.

Actual expenditure for the Department in 2000-01 was 12.7 per cent above the Budget estimate. The major variance of \$35.8 million was attributed to the Community Safety output group, including the increase in fire services expenditure. The Victoria Police's expenditure in 2000-01 was similar to the budget estimates.

The Department did not substantially achieve the performance targets for the Legal Services output group in 2000-01. A 9 per cent variation occurred in the legal policy and advisory services output, for example, because the Department's legislative program involved fewer but more complex projects than anticipated.

All of the performance targets under the Courts and Tribunal Services output group were achieved and, in some cases, substantially exceeded in 2000-01. The Department exceeded the targets of all of the performance measures relating to the community safety and crime prevention output.

Under the Consumer and Equity Services output group, outputs exhibited substantial variation from the 2000-01 performance target. The Department experienced difficulties, for example, in recruiting volunteers to the Office of the Public Advocate.

The Department advised of material variation from the target of two performance measures under the Correctional Services output group. Its reasons for this result included persistent service failures by Corrections Corporation of Australia Pty Ltd and the increase in proportion of high-risk offenders on intensive orders relative to high-volume, low-risk offenders on community work orders.

The Committee's review also highlighted the following issues:

- the reduction in the total number of Victoria Police patrol hours was the result of resources being diverted to manage an increased number of events during the year. The 2000-01 outcome continued the previous year's trend and represented a further decline below the target number of patrol hours;
- the actual proportion of the community who agree the Victoria Police are timely in responding to calls for assistance and manage emergency situations was well below target in 2000-01. The Victoria Police managed a significantly higher number of events (up 62 per cent) in 2000-01;
- the Victoria Police performed well against targets of the performance measures under the Crime Investigations output group;
- the Committee has recommended that the Department develop more formal performance measures regarding the overall aims, objectives and key outcomes of the Koori mediation program;
- the average number of persons detained in police cells dropped from 291 in February 2001 to 194 during the first half of February 2002. The Committee has recommended that the Department disclose its performance in reducing the number of detainees in police cells by reporting against a measure that constitutes a nationally accepted benchmark for prisoners housed in police cells;
- the women's prison population experienced greater growth than the male prison population, rising by 94 per cent from 30 June 1996 to 30 June 2001. However, the Department's 10-year facilities master plan does not make recommendations on an increase in future capacity;
- a review of the Victorian Prison Drug Strategy resulted in the release of a new strategy for 2001-04. New programs include peer education, support networks and prison-specific harm reduction plans; and
- improving transitional support for prisoners is a key element of the Government's strategy to reduce re-

offending. The Committee has recommended that the Department develop performance measures to monitor and assess the effectiveness of the measures undertaken to prevent recidivism.

Chapter 8 - Department of Natural Resources and Environment

The budget estimate for the Department of Natural Resources and Environment was \$871.3 million in 2000-01. The Budget was subsequently revised to \$961.5 million and actual expenditure for the year was \$905.9 million.

The expenditure of the Forest and Fire Management output group and the Conservation and Recreation output group accounted for the greatest variance from the original budget. Additional funds of \$24.7 million were provided to meet additional fire preparedness costs.

The Department met or exceeded most performance targets for the Minerals and Petroleum output group. It did not, however, meet the target of conducting 200 audits of high-risk or critical sites.

Under the Land Information Services output group, the Department disclosed no ratings of customer satisfaction with the provision of geospatial information because the survey to gauge satisfaction was sent to participants in early July 2001. The Committee considers that such an explanation is unsatisfactory.

The Committee's review also highlighted the following issues:

- the lower than targeted level of saw logs production reflected a downturn in the market. The Department did not achieve the target for area of regrowth forest thinned because the mild winter reduced demand for firewood;
- the Department did not achieve two significant outputs relating to fire preparedness. Three fire protection plans were scheduled for completion in 2000-01, yet none was completed. Further, there was a significant shortfall (of almost 50 per cent) in fuel reduction burning in 2000-01;
- none of the four management plans under the sustainable fisheries utilisation services output were completed in 2000-01;

- the 2000-01 budget allocated \$12.9 million to offset the abolition of the Catchment Management Authority levy. The Department reviewed all Catchment Management Authority annual reports for 2000-01 and was satisfied with the level of reporting and progress;
- the Department aims to establish interstate and international agreements for emergency response support to facilitate the effective and rapid deployment of resources as required in extreme emergency situations; and
- the 2000-01 Budget Papers did not contain any performance measures relating to the restoration of the environmental flows to the Snowy River, although the Government committed a total of \$77 million to the project over the period 2001-02 to 2004-05.

Chapter 9 - Department of Premier and Cabinet

In the 2000-01 Budget Papers, the Department of Premier and Cabinet's output structure comprised eleven output groups with a total allocation of \$360.7 million. The Department spent \$346.2 million in 2000-01, representing under-expenditure of \$14.5 million (or 4.2 per cent). A key reason for the variation related to under-expenditure in the capital assets charge.

Material variation occurred in seven of the fourteen performance measures of outputs under the Policy Analysis and Development output group. The capacity to provide support in long-term policy development and research was significantly below the 2000-01 target, reflecting recruitment decisions that limited the Department's ability to provide the planned level of support.

For the Protocol and Events Management Services output group and the Government Information and Communications output group, the Department met or exceeded the majority of performance targets for 2000-01.

The Committee's review also highlighted the following issues:

- the introduction of new guidelines for the operation and management of the Community Support Fund had an impact on the operations of the grants program in 2000-01.

In particular, the proportion of applications meeting funding criteria was well below that expected by the Department;

- the significant shortfall in the allocation of Language Allowance funds (55 per cent below target) resulted from delays in receiving and processing appropriate applications;
- the Department consulted the Office of Women's policy for only 58 per cent of board or committee appointments — a proportion that was significantly below the 100 per cent target for 2000-01. The Committee has noted that the 2001-02 Budget Papers do not include this performance measure;
- community demand for the Ombudsman's resources was far greater in 2000-01 than anticipated. The Ombudsman conducted, for example, 184 inspections of police compliance with the *Melbourne City Link Act 1994* compared with the target of 50, representing a 268 per cent variation;
- the quality of the Department's response to the Committee's questionnaire has been disappointing and has not allowed a comprehensive analysis of the variations from performance targets for 2000-01;
- the Department spent \$771,000 in 2000-01 to implement the initial phase of the Problem Gambling Communication Strategy; and
- the Government committed to provide financial assistance for establishing the School of Government. The Committee has noted that the Department will need to ensure appropriate governance processes are adopted for the school's management.

Chapter 10 - Department of State and Regional Development

The Department of State and Regional Development's allocation for 2000-01 was \$328.2 million, but actual expenditure was \$265.5 million, or 19.1 per cent below the budget estimate. The Department did not provide reasons for material variations.

Actual expenditure by the Regional Development output group of \$15.9 million was significantly below the budget figure of \$75.9 million. Under this output group, the output with the most significant variance was the Regional Infrastructure Development Fund, for which actual expenditure was \$6.9 million compared with the original allocation of \$58.2 million.

The Department exceeded most performance measures of outputs under the Science, Technology and Innovation output group in 2000-01.

Key outputs under the Industry Development output group generally exceeded the projected levels of performance for 2000-01. However, the quality of the performance information provided was superficial and needed improvement.

The lack of detail provided about the Regional Development output group was disappointing, particularly in terms of the number of projects funded under the Regional Infrastructure Development Fund and the Rural Community Development Program.

The Committee's review also highlighted the following issues:

- the Committee has noted that there is scope for the Department to develop performance measures for the operations of the Rural Commerce Unit and the Food and Related Industries Group, and for the growth opportunities that are generated in those sectors;
- the number of strategic audits of Victorian Industry Sectoral Analyses fell below the 2000-01 target, as did the number of industry-sector reviews;
- the 2000-01 target performance outcomes for the International Lawn Bowls Centre were to have the project funded, the design completed and construction commenced. The Department stated that the project was funded and the design was completed to concept stage, but that construction did not commence in 2000-01. The delay was caused by a longer than anticipated process for selecting an appropriate development partner and site;

- the processing of 500 racing and betting licences, appeals and registrations is the only reported performance measure relating to the racing industry. Given the size and significance of the Victorian racing industry, the Committee has recommended that the Department develop additional performance measures; and
- the Department's 2000-01 annual report contained a substantial amount of valuable information relevant to the promotion of the economic growth of Victoria. Nevertheless, the Committee has recommended that the Department make significant improvements to the presentation of the annual report.

Chapter 11 - Department of Treasury and Finance

The budget for the Department of Treasury and Finance in 2000-01 was initially \$275.2 million, which was later revised to \$355.5 million. Actual expenditure for 2000-01 was \$452.4 million, or around \$96.9 million above the revised estimate.

A substantial variance (\$132.1 million) occurred between the revised budget figure and the actual expenditure for the Financial Management Services output group. The main reason for this variance was the \$129.3 million adjustment arising from the write-back of the book value of an investment realised during the year.

Substantial variances also occurred within the Resource Management Services output group. The original allocation for the management of motor vehicle leases was \$27.8 million, compared with actual expenditure of \$117.4 million. In contrast, the original allocation for the management of building finance leases was \$50.5 million, compared with actual expenditure of \$9.9 million.

The Department met or exceeded most targets within the Strategic Policy Advice output group. However, the Department advised the Committee that the performance target for ministerial satisfaction with the policy advice received by the Minister for Gaming was not achieved for 2000-01.

The Department did not develop objectives for each output group or its outputs; instead, it used generic terms for each output group.

The Department advised that it delivered most of its outputs according to the performance measures identified in Budget Paper No. 3 (*2000-01 Budget Estimates*) for 2000-01. Where it did not deliver some outputs in full or did not meet all performance targets, the Department advised that the primary reason was the re-direction of resources to high priority issues that arose during the year (such as the collapse of HIH Insurance).

The Committee's review also highlighted the following issues:

- the Department did not produce a planned report outlining the Victorian public service's level of compliance with taxation obligations;
- the Department set a target of 50 per cent improvement in all stakeholders' level of knowledge and understanding of the Management Reform Program framework. The actual improvement was assessed at 25 per cent. The Department has subsequently developed a *Budget and Financial Management Guide* and published it on the Government's intranet site;
- the Department anticipated that all departments would have commenced implementation of the Electronic Commerce for Procurement project by 30 June 2002;
- for the management of motor vehicle leases, the target was to have 75 per cent of chief finance officers in departments satisfied with vehicle fleet services. The satisfaction level achieved was only 25 per cent;
- the Department did not complete all of the initiatives to educate departments on the Partnerships Victoria policy framework;
- the WorkCover Authority advised that the positive results of its management approach to common law claims were already emerging, as reflected in June 2001 actuarial valuations of the outstanding claims liability; and
- the Government took prompt action to provide a rescue package to assist builders and homeowners after the collapse of HIH Insurance. The *Home Contracts Guarantee (HIH) Act 2001* provides a State indemnity to homeowners identical to that provided by HIH. The Department engaged actuaries who estimated that the total cost of

these indemnities and associated administrative expenses would be \$35.2 million in nominal terms over the next seven to ten years.

Chapter 12 - Parliamentary Departments

The Parliamentary Departments underspent their budget of \$77.1 million in 2000-01 by \$6.5 million (or 8.4 per cent). The primary reason given for the under-expenditure was a reduction in Member's superannuation payments from the original budget estimates.

The Departments gave no explanation for the variations between the budget allocated and actual expenditure, or for variations relating to performance measures.

Funding for the installation of air-conditioning in Parliament House and the upgrade and replacement of the PABX system was carried over to 2001-02.

Chapter 13 - Victorian Auditor-General's Office

For the first time, the Committee's report on the budget outcomes includes a chapter on the Victorian Auditor-General's Office. The Office was allocated \$22.2 million in 2000-01, but underspent by \$1.9 million (or 8.6 per cent) as a result of organisational restructuring.

The Victorian Auditor-General's Office was able to achieve most of its performance targets for 2000-01, while also finalising its new organisation structure and filling all senior positions. But until the Victorian Auditor-General's Office completes a detailed follow-up of the audited agencies to determine the extent to which its recommendations have been accepted and implemented, it will not be in a position to determine the impact of its performance audit reports.

The Office obtains feedback from audited agencies on the quality of its outputs through a survey conducted at the completion of each audit. However, the Committee considers that the Victorian Auditor-General's Office practice of averaging the ratings obtained collectively for the quality of the audit process and the quality of

the audit report diminishes the value of the performance information that the client surveys provide.

Given that the key objective of the Victorian Auditor-General's Office is to deliver value-adding reports to its primary client, the Parliament, the Committee considers that the performance measures and targets are deficient because they are too general, lack timelines for their application and do not provide objective targets against which value can be assessed.

Four of the five performance measures for the Financial Audits output group were met or surpassed in 2000-01. The number of opinions issued within statutory deadlines was below target, partly as a result of delays in the financial statement audits of entities within the local government sector.

The Committee has recommended that the Victorian Auditor-General's Office develop more relevant performance information in respect of its major outputs and include such information in Budget Paper No. 3 and the Auditor-General's annual report.

RECOMMENDATIONS

The Committee recommends that:

Recommendation 2.1:

The explanations for the variations between budget and actual operating expenses contained in the Annual Financial Report for the State of Victoria be presented under the various classifications of operating expenditure.

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Recommendation 3.1:

The ‘Our Year in Summary’ section contained in the annual report of the Department of Premier and Cabinet be replaced by an ‘Overview’ section that briefly comments on:

- (a) significant issues and developments for the current year and future directions and outlook for the following year (including both positive and negative factors);**
- (b) major projects/initiatives completed against plans, as well as projects/initiatives planned for the following year;**
- (c) key performance targets and results achieved; and**
- (d) the financial results for the year.**

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Recommendation 3.2:

The Department of State and Regional Development improve the quality of its annual report by:

- (a) presenting information on key outputs within output groups in a manner that is consistent with the Department's output group presentation in Budget Paper No. 3;**
- (b) for each output group, the key objectives, key issues, key results and future directions should be presented in a clear and concise manner and clearly linked to each key objective;**
- (c) the linkage of each output group to the major departmental objective(s) to which they relate;**
- (d) the linkage of output performance measures and their actual outcomes for the year in the relevant sections of the annual report where output group performance is reviewed; and**
- (e) detailed output group commentary and notes accompanying the presentation of output group data to explain the variances between established performance targets and actual measures and the performance of the Department in service delivery generally.**

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Recommendation 3.3:

- (a) A new ‘Financial Commentary’ section be added to the annual report of the Department of Joint Services incorporating:**
 - (i) a brief financial summary together with explanations;**
 - (ii) key financial ratios and aggregates with an explanation of the significance of each; and**
 - (iii) a narrative preface to the audited annual financial statements in the form of an explanatory discussion and analysis.**
- (b) A ‘Future Directions and Developments’ section be included at the end of the Department of Joint Services’ annual report providing pertinent forward-looking information and comments such as:**
 - (i) a discussion of the major issues and events that are likely to have a significant impact on the Department; and**
 - (ii) an outline of what the Department aims to achieve in the future, particularly in the next year and objective measures of performance.**

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Recommendation 3.4:

Future annual reports of the Victorian Parliamentary Library include:

- (a) details of the Department's vision, mission, roles and responsibilities; and**
- (b) an Output Group schedule showing the revenue, expenses, assets and liabilities for the current and previous year.**

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Recommendation 3.5:

The commentaries on performance contained in the annual report of the Department of Parliamentary Debates be linked to each of the seven goals and that a clear comparison be provided between the major initiatives that the Department set out to achieve according to the Business Plan and what it did in fact achieve.

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Recommendation 4.1:

The Department of Education and Training resolve issues relating to sampling methods and error to ensure that its performance measures are reliable and produce output based information that facilitates the assessment of the Department's performance in service delivery.

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Recommendation 4.2:

The Department of Education and Training ensure that students with disabilities and impairments are identified at an early stage of their schooling and receive appropriate tuition and support.

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Recommendation 4.3:

The Department of Education and Training resolve with the provider organisations a method of reporting provider hours that gives an accurate reflection of the delivery of student contact hours of education and training activity provided through the Adult and Community Education output.

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Recommendation 4.4:

The Government review the method for formulating the performance measures for the Employer Incentive Program (Youth), Youth Employment Scheme (Government) and the Skilled Migration Unit outputs to ensure that targets established during the budget process more closely approximate the actual outcomes that have been realised over recent reporting periods.

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Recommendation 4.5:

The Department of Education and Training provide information in its annual report of the average school class sizes for Prep-Year 2 by region.

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Recommendation 4.6:

The Department of Education and Training develop performance measures that assess the effectiveness of student welfare strategies that are implemented to mitigate risks to students.

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Recommendation 5.1:

The Department of Human Services establish performance measures related to ambulance bypass frequency and report outcomes in Budget Paper No. 3 and in the Department's annual report.

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Recommendation 5.2:

The Department of Human Services develop accurate target performance measures to ensure that more realistic assessments can be made about the actual performance of service delivery under the various output groups.

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Recommendation 5.3:

The Department of Human Services give greater priority to developing and implementing strategies to ensure that individuals requiring residential rehabilitation, are able to have access to such facilities within an acceptable timeframe.

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Recommendation 5.4:

The Department of Human Services ensure that information provided to the Public Accounts and Estimates Committee in relation to its performance is based on final data, is accurate and facilitates the analysis of departmental service delivery performance.

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Recommendation 5.5:

The Department of Human Services needs to provide explanations in its annual report for major output variances between years, for example the substantial reduction in the number of clients under the Parenting and Child Development output for 2000-01 as compared to the previous year.

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Recommendation 5.6:

The Department of Human Services implement strategies to ensure that the proportion of child protection cases requiring finalisation within the benchmark figure of 90 days improves and that unmanageable backlogs of cases requiring investigation are avoided.

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Recommendation 5.7:

The Department of Human Services determine reasons for the major decline in customer satisfaction ratings for the provision of long-term housing assistance in order to address the concerns of tenants.

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Recommendation 6.1:

The Director of Public Transport be responsible for monitoring the availability of automatic ticketing machines managed by OneLink Transit Systems Pty Ltd. The performance data collected should be published as public information.

page 202

Recommendation 7.1:

The Department of Justice assess the impact that the redirection of resources from the provision of public education activities to other activities is having on the level of public knowledge about the availability of legal services.

page 210

Recommendation 7.2:

The Department of Justice and Victoria Police assess the impact of the reduction in the total number of patrol hours, including whether the incidence of crime both reported and unreported is increasing, as a result of the ongoing diversion of police resources to the management of events.

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Recommendation 7.3:

Targets and strategies established under the Victoria Police Incident and Event Management output group be reviewed to ensure they more realistically reflect the operational demands and police resource requirements in relation to the incident and event management activities undertaken by Victoria Police.

page 218

Recommendation 7.4:

The Department of Justice incorporate as performance measures in its annual report and Budget Paper No. 3, the following road related statistics:

- (a) the road toll;**
- (b) traffic camera program infringement notices issued;**
- (c) traffic camera program infringement notices that resulted in loss of license offences; and**
- (d) incidence of breath testing at booze buses and number of persons found to be exceeding alcohol limits.**

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Recommendation 7.5:

Formal performance measures relating to the key outcomes expected of the Koori mediation program be developed and reported in the annual report of the relevant Department.

page 227

Recommendation 7.6:

Consumer and Business Affairs Victoria develop performance measures for the annual report of the Department of Justice that show the effectiveness of its consumer awareness publications in reaching key and targeted audiences and achieving desired consumer outcomes.

page 228

Recommendation 7.7:

The Department of Justice, Victoria Police and the Office of Correctional Services continue to pursue strategies that reduce the numbers of prisoners housed in police cells in order to ensure that:

- (a) the rights of prisoners are not compromised by inappropriate housing facilities and supervision that could result from detention in police cells;**
- (b) the occupational health and safety of police force members is not compromised through the increased need to supervise prison detainees; and**
- (c) operational requirements and procedures of Victoria Police are not compromised because of the added responsibility placed on members of the force to supervise additional numbers of prison detainees.**

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Recommendation 7.8:

The Department of Justice and the Office of Correctional Services develop key performance measures related to the effectiveness of the new Victorian Prison Drug Strategy and report on this information in the annual report of the Department.

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Recommendation 7.9:

The Department of Justice and the Office of Correctional Services develop key performance measures related to the initiatives implemented under the ‘transition from custody to community framework’ and report on the effectiveness of these initiatives in preventing re-offending and recidivism by prisoners released into the community, in the annual report of the Department.

page 235

Recommendation 8.1:

The Department of Natural Resources and Environment allocate sufficient resources to ensure that the performance targets relating to the audits of high-risk or critical sites are achieved in future.

page 243

Recommendation 8.2:

The Department of Natural Resources and Environment ensure that adequate resources are directed towards meeting targets for fuel reduction burning.

page 245

Recommendation 8.3:

The Department of Natural Resources and Environment ensure that management plans for all of Victoria’s major fisheries are completed by 2003-04.

page 247

Recommendation 8.4:

The annual report of the Department of Natural Resources and Environment contain detailed information regarding program achievements under the Water for Growth initiative.

page 251

Recommendation 8.5:

The Department of Natural Resources and Environment develop specific performance measures related to the restoration of environmental flows to the Snowy River, for inclusion in its annual report and Budget Paper No. 3.

page 254

Recommendation 9.1:

The Department of Premier and Cabinet determine the reasons for the continued under-expenditure of the capital asset charge on output groups, and liaise with the Department of Treasury and Finance to ensure in future years that the capital assets charge accurately reflects the cost of capital invested in departmental assets.

page 258

Recommendation 9.2:

The effectiveness of the Problem Gambling Communication Strategy be addressed in the annual report of the Department of Justice by providing details of actual performance against performance targets, an explanation for any variations and a comprehensive commentary on the overall performance of the strategy accompanied by key objectives and targets for the following year.

page 273

Recommendation 10.1:

The Department of Innovation, Industry and Regional Development improve the level of performance measures and general commentary provided in the Budget Papers regarding output performance for the Industry Development output group by developing:

- (a) performance measures for financial and facilitated assistance provided by the Department to respective industry sectors; and**
- (b) performance measures for the level of investment and economic benefits, including employment, export growth and import replacement by industry sectors as a direct result of the involvement of the Department.**

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Recommendation 10.2:

The Department of Innovation, Industry and Regional Development develop quantitative and qualitative performance measures in relation to the activities of the Rural Commerce Unit and the Food and Related Industries Group and report against these measures in its annual report. The performance measures should include information on the level of assistance/programs provided by the Department and the generation of additional sales and export earnings by the assisted firms and businesses.

page 295

Recommendation 10.3:

The Department of Innovation, Industry and Regional Development ensure that its annual report and Budget Paper No. 3 include detailed information about the performance of both the Domestic Tourism Marketing initiative and agreed targets relating to the Melbourne Convention and Visitors Bureau.

page 297

Recommendation 10.4:

The Department of Justice include in its annual report and Budget Paper No. 3 additional performance measures related to the Victorian racing industry.

page 299

Recommendation 11.1:

The detailed expenditure for each output as recorded in the financial performance section of the annual report of Department of Treasury and Finance should reconcile with the audited financial expenditure for each output group as recorded in the notes to the Department's financial statements. Where variances occur, as is the situation with expenditure incurred by the Victorian Casino and Gaming Authority, a detailed explanation should be provided.

page 304

Recommendation 11.2:

The Department of Treasury and Finance monitor the operations of VicFleet to ensure that the highest standards of client service are being maintained, and report on this matter in their annual report.

page 310

Recommendation 12.1:

Where targets set by the Parliamentary Departments have not been met, the Departments should provide detailed information for the variations in their annual reports.

page 318

Recommendation 12.2:

The Department of Joint Services, as a matter of urgency, develop a business plan for each year in accordance with accepted practice throughout the Victorian Public Sector.

page 320

Recommendation 12.3:

The Presiding Officers of the Parliament undertake a follow-up review to ensure that the operational changes implemented to the Department of Joint Services, are operating satisfactorily.

page 321

Recommendation 13.1:

The Victorian Auditor-General's Office report on the outcomes of follow-up audits in its annual report.

page 327

Recommendation 13.2:

That the Victorian Auditor-General's Office utilise survey information obtained from audited agencies to expand the quality performance measure regarding the conduct of performance audits as presented in Budget Paper No. 3 and the Auditor-General's annual report. This should include separate performance measures that demonstrate the:

- (a) value of audit reports to the agency;**
- (b) quality of the audit report;**
- (c) relevance of the selected audit topic;
and**
- (d) quality of the audit process.**

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Recommendation 13.3:

The Victorian Auditor-General's Office develop additional performance measures and targets to accurately measure the value-adding component of performance audit reports to Parliament, and include this information in its annual report.

page 331

Recommendation 13.4:

The Victorian Auditor-General's Office develop additional performance measures and targets regarding the outputs of the Strategic Planning and Sector Liaison Group in order to measure its contribution to the overall objectives of the office. These performance measures should be reported in Budget Paper No. 3 and the Auditor-General's annual report.

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Report on 2000-01 Budget Outcomes

CHAPTER 1: REVIEW OF BUDGET OUTCOMES

1.1 Introduction

The Committee's review of the budget outcomes is intended to enhance the accountability of Government Departments and Agencies and provide the Parliament with more meaningful information about results achieved compared with the results intended.

This process involves a review of the annual reports of Departments for 2000-01, the Government's Statement of Budget Outcomes, the Report of the Auditor-General on the finances of the State of Victoria 2000-01 and responses to a Committee prepared questionnaire sent to all Departments.

1.2 Process Followed by the Committee

On 11 January 2002, the Committee wrote to the Premier, senior Ministers for each Department and the Presiding Officers of the Parliament seeking a response to a number of questions relating to the outcomes of various departmental activities undertaken during 2000-01.

Departments were asked to respond to the Committee's questions by 28 February 2002. All departmental responses to the Committee's questionnaire, with the exception of the Victorian Auditor-General's Office, were late. In particular, the response from the Department of Infrastructure was not received until the end of May 2002. As a consequence, finalising this report clashed with the preparation for the estimates hearings and was delayed for several months. Although the draft report was completed in August 2002, the adoption of the report was further delayed as a result of the election in November 2002 and the new Committee not being appointed until 27 March 2003.

The recently appointed Public Accounts and Estimates Committee of the 55th Parliament has considered the draft report and notes

that the Government has made a number of policy decisions that impact on some of the information contained in this report. As the report is an analysis of the budget outcomes for 2000-01 and reflects the evidence presented to the former Public Accounts and Estimates Committee during the period January to July 2002, this Committee has not made substantial changes to the report.

The Committee believes that the Budget Outcomes Report is an important extension of the accountability framework. Fundamental to the accountability framework is the provision of timely and appropriate information to the Parliament and the Committee trusts, that as the budget outcomes review process develops, all Governments will take steps to ensure that Departments meet the Committee's deadlines.

The Committee, in seeking supplementary information to the budget estimates for this Report, is conscious of the need to avoid requiring Departments to produce costly information solely for the purposes of discharging external accountability requirements. However, the Committee believes the information requested is appropriate and relevant. The Committee is of the opinion that the information which it requires for accountability purposes is the same information that the Government and its Departments require for good governance and effective management.

1.3 Legislative Requirement to Respond to the Committee's Recommendations

Section 40(2) of the *Parliamentary Committees Act* 1968, as amended, provides that:

Where a report to the Parliament of a Joint Investigatory Committee ... recommends that a particular action be taken by the Government with respect to a matter, the appropriate responsible Minister of the Crown shall, within six months of the report of the Committee being laid before both Houses of Parliament, report to the Parliament as to the action (if any) proposed to be taken by the Government with respect to the recommendations of the Committee.

Consequently, there is a legislative requirement that the responsible Ministers provide a response within six months to the recommendations contained in this report.

1.4 Previous Recommendations

The Committee made 43 recommendations in its first Budget Outcomes Report relating to the 1999-2000 budget, of which Government accepted 30 (70 per cent), ten (23 per cent) recommendations were accepted in part, two recommendations were accepted in principle and two recommendations were not accepted.² The Government's response is at Appendix 1.

A detailed break-down of the Government's response to the recommendations relating to individual Departments is provided in the exhibit below.

Exhibit 1.1: Government response to the recommendations contained in the Committee's Report on the 1999-2000 Budget Outcomes

Department	Agree	Agree in part	Agree in principle	Not agree
Employment, Education and Training	7	1	-	-
Human Services ³	3	6	-	-
Infrastructure	1	1	-	-
Justice	7	-	-	-
Natural Resources and Environment	2	-	-	-
Premier and Cabinet	2	1	1	-
State and Regional Development	6	-	1	2
Treasury and Finance	-	1	-	-
Parliamentary Departments	2	-	-	-
Total	30	10	2	2

² The Department of Human Services gave two responses to recommendation 4.6 (accept and accept in part), so total Government responses as shown in exhibit 1.1 equal 44, despite the Committee making only 43 recommendations

³ Ibid

The Committee's report made a series of recommendations for improvements in departmental:

- annual reporting;
- financial and performance information;
- governance processes; and
- monitoring of some key activities.

The Committee was particularly interested in the response from the Government relating to the following recommendations:

Accepted in part - Recommendation 4.1, 1999-2000 Budget Outcomes

Strategies be developed by the Department of Human Services to address the delays which eligible people are experiencing in receiving public dental services and these strategies be reported on in the Department's annual report.

The Department of Human Services advised the Committee that the following measures/strategies in regard to public dental services have been implemented since 1999 and include:

- a funding commitment of \$32.6 million over four years;
- an additional 32 chairs have been provided or are financially committed;
- using private providers in areas with limited access to public clinics;
- services are limited to concession cardholders; and
- access policies specify that emergency needs must be addressed within 24 hours and priority dentures are provided within three months.

The Department also advised the Committee that it will continue to work with the other States and the Commonwealth to achieve a shared approach to the funding of public dental services.

The Committee acknowledges the efforts of the Department in improving the delivery of public dental health services. In order to gauge the impact of the measures taken by the Department since 1999, the Committee suggests that the Department maintain and report performance information on:

- waiting lists for public dental health services by region; and
- the delivery of emergency services within specified time periods.

Accepted in part - Recommendation 4.3, 1999-2000 Budget Outcomes

The Department of Human Services implement performance measures reflecting the time taken in determining the eligibility of disabled people for services. In addition, performance information should also be provided on the number of eligible people on waiting lists for supported accommodation and specialist services, along with average waiting times. Consideration could also be given to providing data on an end to end basis, reflecting the average time from date of request for services to the date services were finally provided.

The Government indicated that it had instituted new measures to monitor the timeliness of:

- eligibility assessments undertaken;
- the review of general service plans; and
- the provision of case management services with respect to the *Intellectually Disabled Persons' Act*.

The Department has included these measures in the suite of 37 performance measures for 2001-02 included in the Budget Papers, and it will give consideration to a further expansion of performance measures in 2002-03.

The Committee welcomes the Government's new performance measures and will review them as part of the 2002-03 estimates process.

Accepted in part Recommendation 4.4, 1999-2000 Budget Outcomes:

- (a) develop and publish performance information on the number of residents in State-owned nursing home care and people on waiting lists for State-owned nursing home care; and***

(b) use this performance information to determine future strategies for meeting the need for State-owned nursing accommodation.

The Committee was advised that the Department of Human Services collects data on the number of residents in State-owned nursing homes, but data are not collected on the waiting lists of public sector residential aged care facilities. The Department advised that new aged care clients would be trying to access both private and public facilities and may be on a number of waiting lists at any one time, and that accessing meaningful waiting list information in these circumstances would be difficult. The Department indicated that it expects to identify, by developing performance indicators for 2002-03, options to better measure performance of State owned nursing homes.

The Department also stated that surveys of the existing data sources have identified key issues for resolution, such as the use of data from waiting lists as one indicator of demand/need for public sector residential aged care facilities. The Department advised that data from sources such as the Aged Care Assessment Service and the Home and Community Care Program may be useful in developing an understanding of the demand for aged care services, including public sector residential aged care. The Department proposes to undertake a comprehensive analysis of data from the aged care service system to support informed strategic planning of services to meet the needs of older Victorians.

The Committee is concerned about the lack of comprehensive data regarding waiting lists for public sector residential aged care facilities because this information would be valuable as an indicator of the demand for aged care facilities. The Committee is aware of the issues faced by the Department in the provision of residential aged care facilities, given the Committee's recent analysis of the Commonwealth's aged care funding to Victoria.⁴

Notwithstanding that the aggregation of public and private sector waiting lists could lead to double counting and therefore exaggerate estimates of demand for aged care facilities, the

⁴ Public Accounts and Estimates Committee, *Report on the 2001-02 Budget Estimates*, 43rd Report, November 2001, pp. 271-275

Committee believes that the Department should initially, in determining demand for aged care facilities, ascertain waiting lists and the level of supply of public sector residential aged care facilities.

The Committee looks forward to reviewing the Department's performance indicators for 2002-03 to better measure performance of State owned nursing homes.

Accepted in part Recommendation 4.6, 1999-2000 Budget Outcomes

The annual report of the Department of Human Services include information on the extent of compliance by Victorian public hospitals with minimum cleaning standards, along with information on any public hospitals where infection control standards have been breached and subsequent action taken.

The Department of Human Services advised that the reporting of infection control breaches depends on the outcomes of infection control audits, and hospitals routinely report significant and minor infection control breaches to the Public Health Division of the Department which advises on action to be taken.

The Department also advised that an infection control survey had been developed, enabling the audit of hospital compliance with infection control standards. The audit of all hospital and multi-purpose centres was scheduled to commence in the second half of 2001 and was expected to take nine months to complete. The Department expects that the results of the survey will assist in the development of meaningful indicators of performance.

Accepted in part Recommendation 4.7, 1999-2000 Budget Outcomes

The Department of Human Services obtain financial and performance information reports on a monthly basis from those bush nursing hospitals identified as being in severe financial difficulties, with a view to early intervention and assistance from the Department should the quality of care offered and long-term viability of these hospitals, become a major concern.

The Department of Human Services advised that the State Government has already committed \$2 million over four years to assist with the viability of bush nursing homes. The Department currently obtains annual reports, financial returns and quarterly statistics indicating activity levels for contracted services and performance data, however bush nursing homes are not required to report on their overall viability. Where viability funding has been provided by the State Government, those bush nursing homes are being asked to report against that funding.

The Department indicated to the Committee that it will explore ways of addressing the issue of the long-term viability of bush nursing homes. The Department will also consider implementing a regular financial reporting system for those bush nursing homes identified as being financially vulnerable.

Accepted in part - Recommendation 5.2, 1999-2000 Budget Outcomes

A cost benefit analysis be undertaken as to the bridges which should be repaired or replaced in the immediate future in order that priorities can be taken into account when formulating future State Budgets.

The Department of Infrastructure advised the Committee that priorities for bridge replacement are dependent on the nature and significance of structural or safety deficiencies, freight routes and load capacity.

The Department advised that local councils are responsible for the maintenance and replacement of local road bridges, and it is actively working with local Government to improve Councils' skills and capacity to manage their infrastructure assets.

In its 41st Report on the 1999-2000 Budget Outcomes the Committee acknowledged that part of the solution to addressing this problem was dependent on the availability of additional funding from all levels of Government.⁵ The Committee also noted in its 43rd Report that road funding was cited as a key area contributing to Victoria's reducing share of specific purpose

⁵ Public Accounts and Estimates Committee, , *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, p.139

payments from the Commonwealth.⁶ The Committee reported that the Department of Treasury and Finance argued that the Commonwealth Government's failure to recognise the comparative share of Victoria's roads in the declared '*Roads of National Importance*', (of which Victoria's share of national road funding was 12 per cent in 2000-01) had a consequential negative impact on road funding for Victoria.

If this trend continues it could inhibit the capacity of the Department of Infrastructure to assist Local Government effectively in the management of its infrastructure assets. Under these circumstances it is essential that priority road bridges are identified for maintenance and replacement works.

Accepted in principle - Recommendation 8.1, 1999-2000 Budget Outcomes

Performance measures of a qualitative nature be developed by the Department of Premier and Cabinet in order to provide some indication whether Community Support funded projects and programs met identified outcomes and outputs.

In its 41st Report the Committee reported that it was of some concern that the performance measures identified by the Department of Premier and Cabinet only related to numbers and percentages of outcomes achieved compared to targets. The Committee understands that the Department is preparing an evaluation framework to provide qualitative feedback on the impact of the Community Building component of the Community Support Fund.

The Committee has examined the selection criteria for projects under the Community Building component of the Community Support Fund and while they are broad in nature they do articulate specific selection criteria that eligible projects would be expected to achieve. Examples of such criteria are that eligible projects must demonstrate that they will address issues in disadvantaged communities including:

- high levels of problem gambling;

⁶ Public Accounts and Estimates Committee, 43rd Report, *op.cit.*, p.152

- isolation, loneliness and alienation; and
- individuals and groups who might not otherwise be involved, particularly people with disabilities, indigenous people and culturally and linguistically diverse communities.

In addition, eligible projects need to demonstrate the capacity to maximise financial support from non-government sources and utilise and maintain support from the broader local community.

The Committee believes that the Department should be in a position to develop qualitative performance measures for the Community Development Fund, irrespective of the status of the proposed evaluation framework.

The same rationale applies to the projects funded under the Broader Community Benefit component of the Fund as they have identifiable youth, arts, tourism, sport and recreation orientation, as well as expected strong local support and the provision of benefits to a broad cross-section of the community.

Accepted in principle Recommendation 9.1 (a), 1999-2000 Budget Outcomes

Review performance targets to ensure those targets are realistic and challenging.

The Department of State and Regional Development informed the Committee that the performance targets for the Technology Commercialisation Program are currently under review and that some of the targets for 1999-2000 were not official targets but estimated achievables.

The Committee looks forward to the development of more realistic targets and qualitative performance measures that indicate the success of the program in achieving its objectives.

Not accepted - Recommendation 9.4 (d), 1999-2000 Budget Outcomes

The Department of State and Regional Development improve its annual report by the inclusion of information on human resource issues including occupational health and safety, the industrial climate etc.

The Department of State and Regional Development advised the Committee that its annual report indicates that information on occupational health and safety is available from the Department on request and it intends to continue to make this information available to the public in this manner.

The Committee is disappointed that the Department has not accepted its recommendation and would urge it to adopt the practice in most other departmental annual reports that include publicly available information on measures taken to promote healthy and safe work places.

Not accepted - Recommendation 9.4 (e), 1999-2000 Budget Outcomes

The Department of State and Regional Development improve its annual report by the inclusion of a section on the future outlook of the Department.

The Department of State and Regional Development indicated that it regards its annual report as an accountability document, which reports on its activities for the year to Parliament and the public. The Department believes that there is no need to include a section on the future outlook in its annual report as its objectives, strategies and activities for future periods are documented in its corporate and business plans.

The Committee is disappointed that the Department has not accepted this recommendation and believes the inclusion of a section on the future outlook would aid readers by providing a snapshot of the broad contextual framework in which the Department operates.

Accepted in part - Recommendation 10.1, 1999-2000 Budget Outcomes

Given the potential benefits available to the Victorian Public Sector from the successful implementation of the Management Reform Program, the program should be assigned a higher priority and provided appropriate resources.

The Department of Treasury and Finance advised that the successful implementation and achievement of benefits from the Management Reform Program is a high priority. Although the reform program is driven by a small unit within the Department, the entire Department, particularly the Budget and Financial Management Division, is assigned accountability for its successful implementation. In this way, the Department believes that it has assigned both priority and resourcing to the implementation of the Management Reform Program.

The Committee believes that the level of performance information provided by Government does not provide assurance to the Parliament or the public that the expected benefits from the Program are being realised. The Committee will continue to closely monitor developments in this area.

Accepted - Recommendation 3.1 (a), 1999-2000 Budget Outcomes

The Department of Education, Employment and Training review the performance measures used in the Budget Papers to ensure performance targets are calculated on the same basis as actual performance to allow an appropriate assessment of performance.

The Government accepted this recommendation and stated that the Department of Education, Employment and Training will continue to monitor performance and targets to ensure it is continuously improving the specification of targets, data collection and monitoring performance against these targets.

The Department stated there would be some changes to performance measures and targets as internal processes change but it would endeavour to keep these to a minimum whilst ensuring consistency with the Government's goals and targets for

education and training. The Department also advised that while results and the nature of targets may differ, this should not occur in the same budget cycle and correlation will be provided.

Accepted - Recommendation 3.2, 1999-2000 Budget Outcomes

The Department of Education, Employment and Training take steps to ensure that all school annual reports are forwarded on a timely basis to the Department.

The Department reported that 96.8 per cent of schools submitted their 2000 annual reports by the end of June 2001. This improvement was due to the implementation of strategies at the regional level to increase compliance with the legislative timeline and the Department's accountability compliance monitoring system. In addition, the Department has linked the timely submission of school annual reports to the Principal Performance and Development process, which is an outcome of the Victorian Government Schools Agreement 2001.

The Committee welcomes this development.

Accepted - Recommendation 3.3 (a), 1999-2000 Budget Outcomes

The Department of Education, Employment and Training assess the outcomes of increased contract compliance audit activity in 1999-2000 and plan future activity based on the outcomes.

The Department of Education, Employment and Training reported that 483 registered training organisations were audited in 2000 against a target of 480. In 2001, the number of registered training organisations targeted for audit was reduced to 350 to ensure that the focus of the audit process was on high-risk providers.

Accepted - Recommendation 4.2, 1999-2000 Budget Outcomes

The Department of Human Services give consideration to developing and publishing performance measures in the Department's annual report on the outcomes achieved from the Family and Individual Support programs, such as success in rehabilitation and client satisfaction.

The Department of Human Services advised the Committee that new data collection processes for family support services were developed and trialled during 2000-01. Agencies providing services were asked to record client issues, actions taken to address issues and the outcomes. The Department plans to further refine the family support data collection system, as this system will be used in the development of other data collection systems for other community care services. The Department intends to introduce new performance measures once sufficient, reliable and timely data becomes available.

In 2001-02, these agencies will be required, as part of the service agreements with the Department, to measure client satisfaction. The Committee was particularly pleased to learn that the level of client satisfaction will in future be reported.

Accepted Recommendation 5.1, 1999-2000 Budget Outcomes

The Department of Infrastructure should continue to monitor performance of the franchised public transport operators, and if benchmarks have not been met by the end of the 2000-01 financial year, then the Department undertake a review of the underlying reasons.

The Department of Infrastructure advised that it has continued to monitor the performance of franchised public transport operators during 2000-01. Where there are instances of under performance by operators an explanation is sought by the Director of Transport and a range of remedial measures are agreed between the Director and the operator.

Accepted Recommendation 6.1, 1999-2000 Budget Outcomes

- (a) Targets established under the Incident and Event Management output group be reviewed to ensure they more adequately reflect the operational environment in relation to the incident and event management activities undertaken by Victoria Police; and***
- (b) Victoria Police undertake a survey to determine the reasons community perceptions of Victoria Police managing emergency situations are diminishing and take appropriate actions to address these issues.***

The Department of Justice advised the Committee that Victoria Police has reviewed its internal processes for linking operational contingency planning to corporate target setting, and targets for the Incident and Event Management output group were reviewed during 2000-01. Victoria Police indicated that given the re-structure of the output group in 2001-02, all quantity performance measures were to be reviewed to develop measures that were more precise and reliable to forecast.

Victoria Police reported to the Committee that the decline in community confidence related to 1999-2000, and that the results for 2000-01 showed an improvement. Victoria Police proposed to review all performance indicators which utilised community survey results in 2001-02 and address disparities between the results produced by different survey instruments.

The Committee will monitor developments in this matter.

Accepted Recommendation 6.3, 1999-2000 Budget Outcomes

More attention be directed towards ensuring that data collection processes used by Department of Justice are capable of collecting information relevant to set targets.

The Department of Justice advised the Committee that both output specification measures and asset performance measures are reviewed annually in a process of continuous improvement to meet the criteria of relevance, robustness, clarity, measurability and auditability. The Department also stated that as part of the 2001-02 Budget, outputs have been redefined and regrouped to improve the focus on a distinction between prevention and response services.

The Committee welcomes this development.

Report on 2000-01 Budget Outcomes

CHAPTER 2: 2000-01 BUDGET OVERVIEW

Key Findings:

- 2.1 The budget outcome for 2000-01 resulted in a budget sector operating surplus of \$1,217 million. This outcome was \$625 million higher than the 2000-01 budget estimate (\$592 million) and \$264 million higher than the Government's estimated surplus in its 2000-01 mid-year budget review.**
- 2.2 The main reason for the large operating surplus in 2000-01 was a 5.4 per cent or \$1,187 million increase in operating revenue, which was partly offset by a 2.6 per cent or \$561 million increase in operating expenses.**
- 2.3 The net asset position of the budget sector improved in 2000-01 by \$3,038 million or 22.4 per cent in excess of the budget estimate, and by \$1,951 million or 13.3 per cent over the position in 30 June 2000.**

The 2000-01 Budget was prepared on the basis of a number of long-term financial objectives of Government.⁷ These were:

- maintain a substantial budget sector operating surplus;
- provide capital works to enhance social and economic infrastructure throughout Victoria;
- provide improved service delivery to all Victorians;
- ensure competitive and fair taxes and charges to Victorian businesses and households; and
- maintain State Government net financial liabilities at prudent levels.

The 2000-01 Budget announced a range of initiatives to achieve these priorities, and included:

⁷ Budget Paper No. 2, *2000-01 Budget Statement*, p.12

- the implementation of output election commitments with a net budget impact of \$426 million in 2000-01 in the areas of education, employment and training, human services and state and regional development;
- additional funding of \$211 million to address a range of other high priority service delivery needs across the public sector;
- a reduction in business taxes of \$100 million from July 2001;
- the commencement in 2000-01 of new infrastructure projects with a total estimated cost of \$987 million to promote economic and social development across the whole of the State, including first-year funding of \$392 million in 2000-01; and
- a \$592 million budget sector operating surplus.⁸

In order to analyse the outcomes of the 2000-01 financial year, the Committee has concentrated on the activities of the budget sector to ensure consistency with information contained in the Budget Papers.

2.1 Budget Sector Outcomes for 2000-01

The broad strategic priority underlying the Government's budget strategy was to provide a sound and stable financial basis to promote growth across the whole State. The Government believed that a sound financial position was also essential to ensure that improved services can be provided to all Victorians.⁹

The budget outcome for 2000-01 resulted in a budget sector operating surplus of \$1,217 million.¹⁰ This outcome was \$625 million higher than the 2000-01 budget estimate (\$592 million) and \$264 million higher than the Government's estimated surplus in its 2000-01 mid-year budget review.

This outcome reflects stronger than expected revenue growth, partly offset by an increase in operating expenses. The increase in revenue was in significant part attributable to the continued

⁸ Ibid, pp.54-59

⁹ Ibid, p.14

¹⁰ 2000-01 Financial Report for the State of Victoria, p.2

strength of the Victorian economy, property markets (conveyancing stamp duties) and employment (payroll tax). There was also higher than budgeted income from investment revenue, attributable mainly to interest revenue and investment gains, regulatory fees and fines. Higher than budgeted revenue from grants and a range of other revenue items also contributed to the increase.¹¹

The net asset position of the budget sector at 30 June 2001 was \$16,570 million, which represented a \$1,950 million or 13.3 per cent increase from 1999-2000.¹²

In order to analyse the performance of the Government in 2000-01 from an overall perspective, and in terms of achieving key budget targets, the Committee reviewed the budget sector summary operating statement and the statement of financial position for the 12 months ending 30 June 2001. The results of the review are outlined in the following sections.

2.2 2000-01 Operating Result

As previously stated, the budget sector operating surplus for 2000-01 was \$1,217 million. Exhibit 2.1 provides details of the 2000-01 budget sector operating statement including information about variances between the budget estimate and the actual result.

¹¹ Ibid, p.7

¹² Ibid, p.17

Exhibit 2.1 Budget Sector Operating Statement, 2000-01

	Budget (\$ million)	Actual (\$ million)	Variance (\$ million)	Variance (%)
Revenue				
Taxation	7,845.3	8,387.2	541.9	6.9
Fines and regulatory fees	273.3	368.2	94.9	34.7
Investment revenue	1,186.0	1,425.7	239.8	20.2
Grants	10,198.1	10,309.3	111.2	1.1
Sale of goods and services	1,939.8	1,902.6	(37.3)	(1.9)
Gain /(loss) from disposal of physical assets	29.6	18.8	(10.8)	(36.5)
Fair value of assets received free of charge or for nominal consideration	—	70.0	70.0	
Inter-sector capital assets charge	477.0	477.0	—	—
Other revenue	230.9	408.0	177.1	76.7
Total revenue	22,180.0	23,366.8	1,186.8	5.4
Expenses				
Employee entitlements	7,721.3	7,913.0	191.7	2.5
Superannuation	1,380.3	1,417.8	37.5	2.7
Depreciation and amortisation	797.8	797.0	(0.8)	0.1
Borrowing costs	510.4	597.1	86.7	17.0
Grants and transfer payments	4,150.3	4060.0	(90.3)	(2.2)
Supplies and services	7,020.6	7,116.7	96.1	1.4
Other expenses	7.8	248.1	240.3	3,088.1
Total expenses	21,588.5	22,149.6	561.3	2.6
Operating surplus	591.5	1,217.2	625.7	105.8

Source: 2000-01 Financial Report for the State of Victoria, p.8

Notes: Some totals may not add up due to rounding.

Where brackets appear in the variance columns, this means there is a budget surplus for this particular item.

The above Exhibit highlights that the main reason for the large operating surplus in 2000-01 was a 5.4 per cent or \$1,187 million increase in operating revenue, which was partly offset by a 2.6 per cent or \$561 million increase in operating expenses.

2.2.1 Operating Revenue

The Committee was particularly interested in the significant increase in the level of operating revenue from the 2000-01 budget estimate. The major contributing factors were growth in taxation revenue, investment revenue, grants and other revenue.

(a) Taxation Revenue

The level of taxation revenue received in 2000-01 was \$8,387 million, which was \$542 million or 6.9 per cent above the budget estimate. The main factors contributing to this growth in taxation revenue were¹³:

- payroll tax revenue of \$2,553 million (\$84 million or 3.4 per cent higher than the estimate), which was primarily due to stronger than expected employment growth in the Victorian economy;
- total property tax revenue of \$3,000 million (\$372 million or 14.2 per cent higher than the budget estimate), which included:
 - conveyancing duty of \$1,284 million, which was \$244 million or 23.5 per cent above the budget estimate. The variance was due to the unexpected continued strength in Victorian property market activity, lower interest rates and the First Home Owner's Grant;
 - land tax assessments for 2000-01 which amounted to \$525 million (\$36 million or 7.3 per cent above the budget estimate) and reflected the impact of higher than forecast land values; and
 - stamp duty on marketable securities and financial institutions duty, which exceeded budget estimates by \$51 million and \$24 million respectively.

¹³ Ibid, pp.9-11

- gambling tax revenue which amounted to \$1,276 million (\$41 million or 3.3 per cent higher than the budget estimate) and reflected higher than expected revenue from casino gaming and stronger than anticipated receipts from electronic gaming machines; and
- motor vehicle taxation revenue of \$968 million (\$37 million or 3.9 per cent above the budget estimate) which broadly reflected general price and demand driven growth in stamp duty revenue on motor vehicle transfers, and growth in motor vehicle registrations reflecting overall population growth.

(b) Investment Revenue

Aggregate investment revenue of \$1,426 million was \$240 million or 20.2 per cent higher than the budget estimate. Major factors contributing to the variation included¹⁴:

- interest and investment revenue from all sources in 2000-01, was \$226 million higher than forecast reflecting earlier investments of higher than expected cash surpluses during 1999-2000. The returns from financial investments were also higher than forecast in 2000-01. This increase was partially offset by lower than budgeted property and other investment income of \$24 million; and
- dividends, income tax equivalents and local Government rate equivalents from public authorities exceeded the 2000-01 budget estimate by \$37 million (3.9 per cent).

(c) Grants

Receipts from grants revenue in 2000-01 amounted to \$10,309 million, \$111 million or 1.1 per cent above the budget estimate. This variation was due to¹⁵:

- general purpose grants which totalled \$5,869 million (\$12 million or 0.2 per cent above the budget estimate), reflected GST grants and transitional payments and national competition policy payment variations due to

¹⁴ Ibid, pp.12-13

¹⁵ Ibid, pp.13-14

differences between actual and forecast population and CPI growth for the period; and

- specific purpose and other grants exceeding the budget estimate by \$99 million or 2.3 per cent, with major contributing factors being:
 - the introduction of a transitional allowance for fringe benefits tax of which \$49 million was paid to public hospitals to offset the impact of the introduction of a ceiling on the fringe benefits tax exempt amount for medical staff;
 - the receipt of \$39 million from the Commonwealth towards the development of the Australian Centre for Moving Image at Federation Square;
 - Australian Health Care Agreement grants to Victoria exceeding the budget estimate by \$25 million (1.6 per cent) primarily reflecting population growth; and
 - the receipt of \$15 million for the Commonwealth Additional Grant Scheme.

(d) Other Revenue

The Committee notes that ‘other revenue’ comprises a combination of values including the capital assets charge, proceeds from the sale of fixed assets and other miscellaneous revenue. In 2000-01, other revenue amounted to \$408 million, which was \$177 million or 76.7 per cent above the budget estimate. Factors contributing to the variance included¹⁶:

- an additional \$69 million in miscellaneous revenue previously budgeted as revenue from sale of goods and services in the Department of Education, Employment and Training; and
- the operating transactions of the Victorian Government Solicitors Trust were recognised for the first time in 2000-01 and this contributed an additional \$39 million to

¹⁶ Ibid, pp.14-15

revenue which was offset by a similar increase in expenses.

2.2.2 Operating Expenses

The Committee noted with interest that the level of operating expenses for 2000-01 was \$22,150 million, an increase of \$561 million or 2.6 per cent above the 2000-01 budget estimate. The major contributing factors were¹⁷:

- increase in employee entitlements of \$192 million, which was attributable to changes in enterprise agreements, including a 3 per cent salary increase for Victorian public servants, and the full year impact on employee entitlement payments relating to the implementation of election commitments introduced in 1999-2000 for education and human services programs;
- increase in superannuation expenses of \$38 million, which was mainly attributable to lower than expected investment returns;
- increase of \$87 million or 17 per cent in borrowing costs due to higher vehicle finance lease costs resulting from a reassessment of motor vehicle valuations with the introduction of the GST;
- additional funding of \$195 million provided for implementation of a range of new policy initiatives to improve service delivery in the key areas of education, health and community safety;
- \$120 million bad and doubtful debts expense due to the correction of previously overstated outstanding fines, general write offs of bad debts (\$73 million) and an increase in the provision for doubtful debts (\$47 million) following reviews of outstanding amounts by the Department of Justice and the State Revenue Office;
- \$60 million increase in expenses funded by higher than budgeted Commonwealth Specific Purpose grants;
- write down of Melbourne City Link Authority concession fees receivable (\$63 million); and

¹⁷ Ibid, pp.15-16, 36

- higher than budgeted costs (\$46 million) associated with changes to the national taxation system.

The significant increase in operating revenue has been derived mainly from increased economic activity, particularly employment growth and the continuing strength in the housing sector, and the subsequent increases in taxation and investment revenues that are generated from this activity. The moderate increase in operating expenses was mainly due to growth in employee entitlements resulting from changes in enterprise agreements, the impact of the GST on borrowing costs and the costs of administering the changes to the national tax system and the costs associated with the implementation of the Government's initiatives to improve services in priority areas.

Notwithstanding this result, the Committee believes that the presentation of budget sector operating expenses in the '*Annual Financial Report for the State of Victoria*', could be improved if the variations between budget and actual operating expenses were presented under the various classifications of expenditure rather than the unstructured list of variations that is currently provided.

Accordingly, the Committee recommends that:

Recommendation 2.1

The explanations for the variations between budget and actual operating expenses contained in the Annual Financial Report for the State of Victoria be presented under the various classifications of operating expenditure.

2.3 Budget Sector Financial Position

The Committee noted the financial position of the Victorian Budget Sector improved during the 2000-01 financial year. Exhibit 2.2 provides details of financial changes in the key components including the level of net assets held at 30 June 2001.¹⁸

¹⁸ Actual is based on opening balances as at 1 July 2000 plus 2000-01 budget movements

Exhibit 2.2 Budget Sector Financial Position - 2000-01

	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance (%)
Current assets			
Cash and deposits	626.1	741.2	18.4
Investments	838.9	1,007.1	20.1
Receivables	600.5	945.3	57.4
Prepayments	82.3	33.7	(59.1)
Inventories	129.6	130.4	0.6
Other	2.5	0.1	(96.0)
Total current assets	2,279.9	2,857.8	25.3
Non-current assets			
Investments	2,035.9	2,035.1	(0.04)
Receivables	462.2	256.3	(44.5)
Inventories	4.1	37.2	807.3
Land and buildings	13,407.1	14,515.6	8.3
Plant, equipment and infrastructure systems	4,492.7	5,168.1	15.0
Roads	11,454.8	12,028.0	5.0
Other	1,673.7	1,730.1	3.4
Total non-current assets	33,530.5	35,770.4	6.7
Total assets	35,810.4	38,628.2	7.9

Exhibit 2.2 (continued)

	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance (%)
Current liabilities			
Payables	846.1	1081.3	27.8
Borrowings	568.1	112.2	(80.2)
Employee entitlements	612.3	727.2	18.8
Superannuation	699.4	63.6	(90.9)
Other	141.2	334.9	137.2
Total current liabilities	2,867.1	2,319.2	(19.1)
Non-current liabilities			
Payables	87.4	8.7	(90.0)
Borrowings	5,981.5	6,114.6	2.2
Employee entitlements	1,685.0	1,529.9	(9.2)
Superannuation	11,398.2	11,753.9	3.1
Other	258.5	331.7	28.3
Total non-current liabilities	19,410.6	19,738.8	1.7
Total liabilities	22,277.7	22,058.0	(1.0)
Net assets	13,532.7	16,570.2	22.4

Source: Budget Paper No. 2, *2000-01 Budget Statement*, p.198
2000-01 Financial Report for the State of Victoria, p.50

Note: Where brackets appear in the variance column, this means that there is a budget surplus for this particular item.

As shown in the above Exhibit, the net asset position of the budget sector improved in 2000-01 by \$3,038 million or 22.4 per cent in excess of the budget estimate (and by \$1,951 million or 13.3 per cent over the position in 30 June 2000). The major reason for the improved position over 2000-01 relates to a significant increase in the value of total assets held by the budget sector with an increase of \$2,818 million over the 2000-01 budget estimate. This was accompanied by a fall in total liabilities of \$220 million.

The Committee's analysis of the major changes in assets and liabilities revealed the following information:¹⁹

¹⁹ 2000-01 Financial Report for the State of Victoria, pp.17-18

- the increase in net assets included the operating result of \$1,217 million and movements in reserves associated with asset revaluations of \$593 million and equity adjustments of \$140 million;
- an increase of \$730 million in fixed assets mostly from asset revaluations and adjustments which were not included in the estimates. Adjustments included recognition of certain assets for the first time and the transfer of Melbourne City Council's share of Federation Square to the State. Total non-current physical assets increased by \$1,187 million during 2000-01;
- additional financial investments and other assets of \$303 million, including an extra \$175 million being allocated to the Growing Victoria Infrastructure Reserve;
- the unfunded superannuation liability at 30 June 2001 was \$11,818 million compared to the budgeted balance of \$12,098 million, a decrease of \$280 million, which was mainly the result of the early payment of the 2001-02 annual cash payment to the State Superannuation Fund in June 2001; and
- other liabilities were above budget due to increases in prepayments and a rise in insurance claim provisions in the Department of Human Services.

The Committee's analysis of the budget sector financial position has found an improved position in 2000-01.

CHAPTER 3: REVIEW OF 2000-01 DEPARTMENTAL ANNUAL REPORTS

Key findings:

- 3.1 From the perspective of accountability to the Parliament, the quality of departmental annual reports vary significantly.**
- 3.2 Overall the Department of Treasury and Finance's annual report was particularly well-structured and has explanations of performance variations, however there are a number of areas where the report could substantially be improved.**
- 3.3 Most other annual reports provided a large amount of descriptive detail without sufficient information to enable the Parliament or the community to assess overall Department performance against performance targets.**
- 3.4 A significant number of annual reports do not appear to have complied with the Directions of the Minister for Finance.**

3.1 Department of Premier and Cabinet

The Committee's analysis of the Department of Premier and Cabinet's annual report showed this comprehensive document contains many descriptive details relating to activities and events undertaken during the year. A significant number of the details are not strictly concerned with service and financial outcomes so they are not essential for accountability to Parliament and the community for the use of taxpayers' money. Overall, the information on performance achievements generally is useful.

Specifically, the Committee noted the following points from its review:

- page 1 of the report sets out the Department's mission and 'Aims in 2000-01' (that is objectives) and key results (that is major completed initiatives/projects). More details on planned initiatives/projects, actual achievements and future plans are provided in 'Our Year in Summary'. As a result, there is a degree of unnecessary duplication in reporting;
- each output group, has a separate section called 'Plans for 2001-02' which only outlines the initiatives/projects for next year. However, the report does not contain a section on 'Future Directions' to cover major issues at the departmental level. The requirement to include this section is noted in the 'Introduction' to Part 9 of the Directions issued by the Minister for Finance on annual reporting under the Financial Management Act. The 'Future Directions' section is expected to provide pertinent forward-looking information such as:
 - a discussion of the outlook for the Department including issues and events that are likely to have a significant impact on the following year's performance or position;
 - expected future changes and trends within the Department's operating environment; and
 - what the Department aims to achieve in future years (particularly in the next year) and objective measures of performance.
- the 'Key Financial Results 1996-97 to 2000-01' table is not supported by any analysis and commentary on the significant variations and trends. Further, the comments in the 'Financial Management' section are confined to the financial statements and there are no references to other internal financial management and accountability issues;
- Appendix IV of the report provides details on the key Government outcomes and the eleven output groups (including performance targets and results achieved). However, in some instances, it does not adequately

explain the under performance or over performance reported against the outputs. The explanations should include the main reasons for the under performance or over performance, as well as details of the action taken by the Department to address deficiencies in performance; and

- the report does not include a Compliance Statement on the ‘Disclosure of Major Contracts’ as required by Clause 9.6 of the Directions issued by the Minister for Finance.

Accordingly, the Committee recommends that:

Recommendation 3.1:

The ‘Our Year in Summary’ section contained in the annual report of the Department of Premier and Cabinet be replaced by an ‘Overview’ section that briefly comments on:

- (a) significant issues and developments for the current year and future directions and outlook for the following year (including both positive and negative factors);**
- (b) major projects/initiatives completed against plans, as well as projects/initiatives planned for the following year;**
- (c) key performance targets and results achieved; and**
- (d) the financial results for the year.**

3.2 Department of Treasury and Finance

The Department of Treasury and Finance’s annual report is a focused document that is succinct and reader-friendly. It provides a useful overview of what the Department set out to achieve and what it did achieve. The report contains comprehensive information on key performance targets and actual results. Further, the Department is one of the few Departments that

provided well-structured, detailed explanations of all significant under performance and over performance for each of its output groups.

The Committee believes the Department should build on some positive features of the report including:

- a 'Year in Review' section which incorporates an 'Economic and Financial Report Card' on Victoria; and
- a brief summary of major projects and initiatives undertaken or completed during the year by each output group as well as a separate section on key initiatives.

The Committee's analysis found the following ways in which the report could be improved:

- the 'Economic and Financial Report Card' referred to above is useful, given the Department's key role in managing the State's finances. The annual report should, however, contain more comments on the major 'drivers' that contributed to the State's performance as well as expected future trends. Additional data and comments on past trends relating to the State's budgetary position, capital asset investment and net financial liabilities also would be helpful;
- the explanations of under performance should include more details on how the Department acted to address the problems and issues identified;
- the 'Financial Performance' section provides a Five Year Financial Summary together with explanations of the changes in financial position and the operating results. The Department should expand the scope of the discussion and analysis to cover major internal financial management and accountability issues;
- the 'Outlook for 2001-02' section only lists major Government policy initiatives and the Department's internal initiatives for next year. The Department should widen the focus of this section to incorporate comments on the future operating environment and developments (including expected future changes and trends) as well as issues and events that are likely to have a major impact on

- the Department and on the Government's budgetary performance and financial/economic position; and
- the report contains staff photographs but the captions refer only to their names. The photographs are useful in portraying the 'people' aspect of the Department but their relevance would be enhanced if the work context was explained.

3.3 Department of Human Services

The annual report of the Department of Human Services presents a substantial amount of detailed information on achievements as well as projects, initiatives and activities undertaken during the year. The Committee would like the Department to adopt a less descriptive approach by reducing the amount of low level details. Otherwise, the report sets out some useful performance information. It is well-organised and visually appealing, with photographs of clients and staff featured throughout the report.

The Committee's analysis found the following ways in which the report could be improved:

- the 'Profile' of the Department at the beginning of the report is useful but should be expanded to provide brief details on other key aspects of the organisation such as staff composition and numbers, financial position and operating results;
- the 'Year at a Glance' section mainly just lists achievements, (mostly completed projects and initiatives);
- performance measures are reported, but the section contains no information on the targets for the year. An overview should replace this section to comment briefly on:
 - significant issues and developments for the current year along with future directions and the outlook for the following year (including both positive and negative factors);
 - major projects/initiatives undertaken or completed, as well as plans for the following year;

- key performance targets and the results achieved; and
 - summary financial results for the year.
- the 'Highlights' section provides only a brief outline of major achievements. During the year, the Department (given its diverse responsibilities) would have encountered many challenges and difficulties in seeking to achieve its planned goals. The 'Secretary's Foreword' mentions a number of those challenges. To ensure a balanced presentation, the Committee considers that the report needs to analyse and discuss both successes and setbacks. This approach is consistent with Clause 9.1.3 (ii) (d) of the Directions issued by the Minister for Finance, which requires disclosure of 'a summary of major changes and factors which have affected the achievement of operational objectives for the year'. In addition, the report should also indicate how the Department acted or intends to act to address the problems and issues identified;
- the performance reporting structure could be enhanced if the report included:
 - detailed analyses and explanations of the trend information relating to key performance results; and
 - a benchmarking comparison with the performance results achieved by similar agencies in other Australian jurisdictions.
- the report does not include a separate section dealing with the future operating environment and developments as well as future plans and projects (including those designed to improve performance). Such a section should include:
 - a discussion of the Department's outlook including issues and events that are likely to have a significant impact on the following year's performance;
 - details of expected future changes and trends within the Department's operating environment; and

- what the Department aims to achieve in coming years, particularly in the next year, and objective measures of performance.

The report gives little or no explanations of each of the many graphs and charts set out in the report.

The Committee notes that the report does not appear to have complied with the following Directions issued by the Minister for Finance:

- the report does not include a statement indicating that the information listed in Clause 9.1.3. (iv) of the Directions has been prepared and is available to the relevant Minister, Members of Parliament and the public on request (Clause 9.1.3 (ii) (i));
- for consultancies undertaken during the year that cost less than \$100,000, the report does not provide the total cost of all the engagements (Clause 9.1.3 (ii) (g));
- the report contains no statement by the Accountable Officer regarding 'material contracts' (Clause 9.6);
- the report does not provide appropriate performance measures relating to occupational health and safety matters, or the number of significant incidents and the status of their resolution (Clause 9.8); and
- the 'Statement on Workforce Data' does not contain figures for the previous financial year (Clause 9.1.3 (i) (e)).

3.4 Victoria Police

The Victoria Police annual report is comprehensive and well-structured, providing a significant amount of valuable information on performance and major achievements. A positive feature of the report is the inclusion of a 'Key Management Areas' section which identifies the five strategic priority areas together with a brief outline of the major initiatives and projects undertaken during the year. Also useful is the provision of information on funding allocated to the components of each output group, thus broadly indicating their strategic priorities.

A major area requiring attention is where under performance is explained. The Committee noted instances where, for example, Victoria Police did not meet performance targets relating to service quality. Instead of identifying the major reasons for not achieving the targets and detailing actions taken to improve performance, the report provides only, a single statement: — ‘While the target was not met, Victoria Police continued to perform above the national average’ — (see pages 18, 21, 23 and 27 for example).

Another issue with performance reporting occurs where the Victoria Police exceeded targets by a large margin mainly because only limited data were available when the original targets were set. In these cases, the report does not provide the revised targets for future years. Further, the Committee noted that where the Victoria Police exceeded or did not meet a particular performance target as a result of a strategy change, the report does not indicate whether the new strategy will be maintained and, if so, what the revised target will be (see page 23 for example).

The ‘Financial Management Summary’ is useful but should be expanded to provide:

- a commentary on the financial results for the year and past trends;
- a summary of significant changes in financial position (that is balance sheet changes) during the year (as required by the Minister for Finance’s Direction 9.1.3 (ii) (b)); and
- a discussion and analysis of major internal financial management issues.

The Committee believes that the Victoria Police could improve the report by including:

- an ‘Overview’ section at the beginning of the report that comments on:
 - progress towards achievement of Victoria Police corporate objectives;
 - significant issues and developments in the current year along with the plans and outlook for the following year (including both positive and negative factors);

- performance indicators relating to the key features of Victoria Police operations; and
- summary financial results for the year;
- trend information on key performance targets and results accompanied by detailed analyses and explanations;
- a benchmarking comparison of Victoria Police performance results with the results achieved by police in other Australian jurisdictions;
- a 'Future Directions and Developments section' providing:
 - a discussion of the outlook for the Victoria Police, including issues and events that are likely to have a significant impact on the following year's performance;
 - details of expected future changes and trends within the Victoria Police operating environment; and
 - details of what Victoria Police aims to achieve in coming periods (particularly in the next year) and objective measures of performance.
- a revised profile of Victoria Police covering additional aspects of the organisation such as employee mix, geographical spread of police stations and other facilities, budgetary allocations, financial position and operating results; and
- captions for all the photographs shown in the report, explaining their significance.

The Committee also noted that the report does not appear to have included the following disclosures required in the Directions issued by the Minister for Finance:

- information on 'material contracts' (clause 9.6); and
- appropriate performance measures relating to occupational health and safety matters, as well as the number of significant incidents and the status of their resolution (clause 9.8.3).

3.5 Department of State and Regional Development

The annual report of the Department of State and Regional Development provides a significant amount of information on activities, initiatives and new developments relating to the various Output Groups. However, it does not clearly articulate the Government's key policy priorities in relation to state and regional development. Further, it does not provide any information on the mission, objectives and values of the Department.

Another major deficiency is the lack of reference, in the main body of the report, to the performance targets in the Budget Papers and the actual results achieved. Although an appendix discloses the performance targets and results, the Committee noted that the report does not explain the major variances from targets.

The Committee also found that a significant majority of the performance measures relate to quantity, timeliness or cost with few performance measures developed to assess the quality of the outputs produced. As a result, the impact of objectives and strategies implemented remains largely unmeasured.

The 'Highlights section' contains many details on major events, policy initiatives and new developments, but it does not clearly explain what the Department planned to achieve and what it did achieve. The report contains only limited comments on the significant problems and setbacks encountered by the Department during the year. The Committee considers that the report needs to analyse and discuss both successes and setbacks to ensure a balanced presentation.

The 'Review of Operations' section merely lists activities and projects described in minor detail instead of focusing on outcome-oriented information presented at the strategic level.

The report quotes a large number of statistics, yet these are not related to the Department's performance. If these statistics are to be reported, then the Department should explain the extent of the Department's contributions to the statistical outcomes.

The 'Financial Review of Operations and Financial Conditions' section should be located immediately before the audited annual

financial statements. It should be expanded to discuss and analyse the changes to financial position and the performance results, as well as other financial management and accountability issues.

The report does not include the following disclosures required by the Directions issued by the Minister for Finance:

- reporting on occupational health and safety reporting (clause 9.8); and
- budget portfolio outcomes statements (clause 9.10).

The Committee believes that significant improvements need to be made to the presentation of the annual report in order to facilitate clearer understanding and analysis by interested readers.

Accordingly, the Committee recommends that:

Recommendation 3.2:

The Department of State and Regional Development improve the quality of its annual report by:

- (a) presenting information on key outputs within output groups in a manner that is consistent with the Department's output group presentation in Budget Paper No. 3;**
- (b) for each output group, the key objectives, key issues, key results and future directions should be presented in a clear and concise manner and clearly linked to each key objective;**
- (c) the linkage of each output group to the major departmental objective(s) to which they relate;**
- (d) the linkage of output performance measures and their actual outcomes for the year in the relevant sections of the annual report where output group performance is reviewed; and**

- (e) detailed output group commentary and notes accompanying the presentation of output group data to explain the variances between established performance targets and actual measures and the performance of the Department in service delivery generally.**

3.6 Department of Justice

The annual report of the Department of Justice provides a significant amount of information on activities, projects and initiatives undertaken during the year. To further improve the contents of the report, the Committee recommends that the Department attend to the following matters:

- apart from the objectives, details relating to the mission and values of the Department should be clearly stated in the report;
- all cases of significant over performance against the targets should be adequately explained, as should the remedial actions taken to address the issues identified by under performance;
- as part of the performance discussion, the report provide a trend analysis and also benchmark the Department's performance results against those of similar agencies in other Australian jurisdictions;
- the 'Significant Results – a Snapshot' section is useful because it provides an overview of activities, events and projects for the year. However, it has two notable deficiencies in not referring to the major performance indicators and not commenting on significant problems and setbacks encountered during the year;
- some useful correctional services statistics are included in the report but are not accompanied by adequate commentaries on the significance of the data and trends; and

- the report does not fully comply with the Minister for Finance's Directions regarding occupational health and safety reporting, particularly the disclosure of performance indicators (clause 9.8).

3.7 Environment Protection Authority

The annual report of the Environment Protection Authority contains many details on activities, projects and initiatives. However, it does not clearly indicate the Authority's key priorities and strategies, or its success in achieving the set goals.

The biggest deficiency of the report in terms of performance reporting is that it does not compare the output targets (as specified in the Budget Papers) with the actual performance against those targets. This particular reporting requirement is stipulated in clause 9.1.2 of the Directions issued by the Minister for Finance. In addition, the report does not compare the portfolio financial statements published in the Budget Papers with the actual results for the portfolio as required by clause 9.10.2 of the Directions. The absence of such important performance and financial information makes it difficult for readers to properly assess the outcomes of the Authority's operations.

The report discloses only a limited number of quantitative performance indicators. The 'Emergency Response and Pollution Control' section, for example shows only one performance indicator (the number of emergency response incidents) which is a workload indicator. It does not refer to indicators on timeliness (such as response times) or quality of service (such as client satisfaction indexes). Further, the Committee noted that the report includes no quantitative performance indicators for three programs 'Protecting Groundwater and Land Environment', 'Noise Control' and 'Reduction and Management of Waste'.

In discussing and analysing the Authority's performance, the report also should provide trend information on performance indicators, together with a benchmarking comparison of the performance results with those of similar agencies in other Australian jurisdictions.

In addition, the Committee recommends that the Authority attend to the following matters in preparing future reports:

- the 'Year in Review' section is a positive feature of the Report but it focuses on only major initiatives undertaken and the rationales for those initiatives. An 'Overview' should replace this section, commenting on:
 - progress towards achievement of the Authority's goals, including major initiatives implemented against plans;
 - significant issues and developments in the current year and the plans and outlook for the following year (including both positive and negative factors);
 - performance targets and results relating to the key features of the Authority's operations; and
 - summary financial results for the year.
- the 'Key Achievements' section sets out the established goals of the Authority, details of initiatives/projects undertaken or completed and plans for the following year. A major deficiency of this section is that it does not refer to quantifiable performance indicators;
- the statistical information on air and water quality represents an important set of performance indicators for the Authority and, therefore, it needs to be explained in a reader-friendly and non-technical way (where possible);
- the 'Financial Summary' is not accompanied by any explanations. The Authority could improve this section by widening the coverage to include:
 - a brief financial summary together with explanations;
 - key financial ratios and aggregates with an explanation of their significance; and
 - a narrative preface to the audited annual financial statements in the form of an explanatory discussion and analysis by

management. The discussion and analysis should deal with both financial management and accountability issues, as well as commenting on the changes to financial position and the performance results. This section should appear immediately before the audited annual financial statements.

- the report does not contain a section on 'Future Directions' to comment on the Authority's future operating environment and developments and future plans and major projects (including those designed to improve performance). Such a section would contain pertinent forward-looking information such as:
 - outlook for the Authority including issues and events that are likely to have a significant impact on the following year's performance or position;
 - details of expected future changes and trends within the Authority's operating environment; and
 - what the Authority aims to achieve in coming periods, particularly in the next year, and objective measures of performance.
- the report does not appear to comply with the full requirements of the following Directions issued by the Minister for Finance:
 - summary of significant changes in financial position (clause 9.1.3 (ii) (b));
 - any individual consultancies exceeding \$100,000 (clause 9.1.3 (ii) (f));
 - a statement on compliance with the building and maintenance provisions of the *Building Act* (clause 9.1.3 (ii) (h)); and
 - occupational health and safety reporting (clause 9.8).

3.8 Department of Infrastructure

The annual report for the Department of Infrastructure clearly sets out at the beginning the Department's vision, mission and values as well as major achievements for the year which are linked to the seven key outcomes. This information is useful in providing readers with a brief overview of operations.

However, the Committee noted that the many achievements reported throughout the report are related (with a few minor exceptions) to only projects, initiatives and activities undertaken or completed during the year. This is not adequate as the main body of the report also should:

- analyse and discuss the results achieved against the targets set for the key performance indicators;
- analyse the trend information on key performance indicators; and
- benchmark the performance of the Department against the results achieved by similar agencies in the other Australian jurisdictions.

The Committee's review of the report found that the Department attempted, in a few sections, to report on performance indicators although the information provided is generally limited. Two examples are the sections on train and train services (pages 20-21) and the registration and licensing activities of VicRoads (page 32).

Apart from the above issues with performance reporting, the Committee believes there are a number of other areas where the Department could improve the report:

- the report should highlight the objectives for the seven key outcome areas and disclose the expected outcomes for each output;
- the report should include an Executive Summary at the beginning covering:
 - the Department's vision, mission, values and objectives;
 - major initiatives and projects undertaken or completed during the year;

- performance indicators relating to the key features of the Department's operations;
 - significant issues and developments in the current year and the plans and outlook for the following year, including both positive and negative factors; and
 - summary financial results for the year.
- the report should also include a section at the end to cover future directions, providing forward-looking information such as:
 - outlook for the Department including issues and events that are likely to have a significant impact on the following year's performance or position;
 - details of expected future changes and trends within the Department's operating environment; and
 - what the Department aims to achieve in coming periods, particularly in the next year, and objective measures of performance.
 - the 'Statement on Workforce Data' (page 171) is deficient because it provides only data for the current year and details of variations from the previous year. The Directions issued by the Minister for Finance (clause 9.1.3 (i) (e)) specifically require the provision of data for the 'current and previous financial year'.

3.9 Department of Natural Resources and Environment

The annual report of the Department of Natural Resources and Environment has a well-structured and useful introductory section which provides readers with a brief overview of the Department's aims and objectives and the results achieved. This section covers planned outcomes, strategic priorities, major achievements, challenges, corporate profile, stakeholders and financial results.

In relation to performance reporting in the 'Review of Operations' section of the report, however the Committee identified a number of major issues:

- the key performance indicators presented under each of the output groups generally are not sufficiently outcome-oriented. Further few indicators reflect the quality of the services provided;
- the report contains only limited discussion and analysis of the key performance indicators disclosed in the report;
- the report does not adequately explain all cases in which the target greatly varied from the result achieved (see pages 22, 27, 30, 37 and 51 for examples);
- although the report provides many details on completed projects, initiatives and activities in the various 'Key Achievements' sections, readers would find it difficult to determine whether the Department was successful in completing the priority projects as planned. The main reason for this difficulty is that the report does not indicate the details of what the Department set out to achieve.

The 'Our Year in Brief' section has a narrow focus as it only contains details of completed projects and initiatives and those planned for the next year. The Committee believes that this section should be replaced by an 'Overview' section commenting briefly on:

- progress towards achievement of the Department's objectives;
- significant issues and developments in the current year and the plans and outlook for the following year, including both positive and negative factors;
- performance indicators relating to the key features of the Department's operations; and
- summary financial results for the year.

In reporting on each of the output groups, a separate 'Future Directions' section has been included. These sections provide only a list of projects and initiatives planned for next year. Apart from these details, the report also needs to incorporate a new section at the end with a focus on discussing the future directions and

developments of the Department at the strategic level. The information and comments should cover:

- a discussion of the future outlook for the Department including issues and events that are likely to have a significant impact on the following year's performance or position;
- details of expected future changes and trends within the Department's operating environment; and
- an outline of what the Department aims to achieve in coming periods, particularly in the next year, and objective measures of performance.

3.10 Department of Education, Employment and Training

The annual report of the Department of Education, Employment and Training has a number of positive features including:

- a brief explanation of the structure and main theme of the report;
- details of key stakeholders and their expectations provided in the 'Overview' section;
- a 'Monthly Highlights' section with cross references to more detailed information in the 'Review of Operations' section; and
- a separate section on 'New Directions in Education and Training'.

The Committee's analysis of the report indicates that further improvements could be made by the inclusion of:

- a comparison (i.e. benchmarking) of the key education and training outcomes of the Department with those of similar agencies in other Australian jurisdictions;
- a trend analysis of the key performance indicators so that an assessment can be made of the progress in achieving the corporate objectives;
- explanations for the significant variances between the performance targets and the results achieved as shown in the 'Overview' section;

- less detail relating to events and projects in the 'Key Achievements' sections, concentrating instead on the major performance outcomes; and
- more information on the future environment and developments as well as strategies in the 'Outlook' section which, at present, only contains basically a long list of projects planned to be undertaken next year.

3.11 Parliamentary Departments

The Committee undertook a review of the 2000-01 annual reports of the five Parliamentary Departments. The focus of the review was on the general approach to performance reporting as, under the Financial Management Act, those Departments are not required to follow the legislative provisions and the Ministerial Directions in relation to annual reporting.

To ensure full accountability to all stakeholders, the Committee is of the view that the Parliamentary Departments should not be treated any differently from other Government Departments and public bodies. Therefore, the detailed disclosures as prescribed under the *Financial Management Act* should be voluntarily adopted as the reporting framework for the Parliamentary Departments. Also, in the future, a consistent format should be followed in preparing the five departmental annual reports.

In the case of the Joint Services Department in particular, apart from the performance reporting requirements, a number of the other disclosures specified in the Ministerial Directions would appear to be appropriate for adoption and set out below are some examples:

- a chart setting out the organisational structure of the Department (clause 9.1.3 (i) (d) (iii));
- a statement on workforce data and a general statement on the application of the merit and equity principles (clause 9.1.3 (i) (e));
- use of consultants (clause 9.1.3 (ii) (f) and (g));

- a statement on compliance with the building and maintenance provisions of the *Building Act* (clause 9.1.3 (ii) (h)); and
- occupational health and safety reporting (clause 9.8).

3.11.1 Joint Services Department

The annual report of the Joint Services Department of the Parliament is informative and provides an overview of the initiatives, projects and activities undertaken during the year by the various operational units. The primary role of the Department, as stated in the report, is ‘to provide high quality support services and resources to the Members of Parliament, their electorate staff and the Parliamentary Departments’. To enhance the accountability focus of future reports in terms of service delivery, the Committee believes that the following two additional matters need to be incorporated in the future annual reports:

- targets and results relating to the key performance indicators as shown in the Budget Papers together with a detailed analysis of the major variances; and
- a summary of the key priorities and initiatives planned for the current year and the results achieved. Where an initiative was not able to be implemented, an explanation should be given as well as an estimated completion date.

Accordingly, the Committee recommends that:

Recommendation 3.3:

- (a) A new ‘Financial Commentary’ section be added to the annual report of the Department of Joint Services incorporating:**
 - (i) a brief financial summary together with explanations;**
 - (ii) key financial ratios and aggregates with an explanation of the significance of each; and**

- (iii) a narrative preface to the audited annual financial statements in the form of an explanatory discussion and analysis.**
- (b) A 'Future Directions and Developments' section be included at the end of the Department of Joint Services' annual report providing pertinent forward-looking information and comments such as:**
 - (i) a discussion of the major issues and events that are likely to have a significant impact on the Department; and**
 - (ii) an outline of what the Department aims to achieve in the future, particularly in the next year and objective measures of performance.**

3.11.2 Department of the Legislative Assembly

The main focus of the annual report of the Department of the Legislative Assembly is on providing detailed information on projects, initiatives and activities undertaken or completed during the year. Readers would have difficulty in assessing the performance of the Department because:

- the document does not contain any quantitative key performance indicators, particularly those relating to the measurement of the timeliness and quality of the services provided; and
- there is no systematic comparison between the significant projects completed and those that are set out in the Business Plan for the year.

In addition, the Committee is of the view that the report could be further improved with the provision of the following additional information:

- commentaries on the significant variances between the 'Major Outputs and Deliverables' of the current year and those of the previous year;
- an Output Group Schedule showing the revenue, expenses, assets and liabilities for the current and previous year;
- a separate section on 'Highlights and Challenges' to be located at the beginning of the report; and
- a brief overview of the roles and responsibilities of the Department as well as details of key customers and stakeholders.

3.11.3 Department of the Legislative Council

The annual report of the Department of the Legislative Council contains a large amount of detailed information on activities and projects which, in the Committee's view, is not essential for the purpose of accountability for performance.

In addition, there are two further issues with respect to performance reporting. First, the report has not presented a comprehensive set of key performance indicators, based on the details included in the Budget Papers, that is accompanied by an analysis of the success in meeting the targets set. Secondly, there is also an absence of commentaries on the achievement of the strategic priorities as identified in the Business Plan.

The Committee has noted that two of the appendices could be deleted from future reports as the information provided is of a minor nature (i.e. Appendix G – Supplementary Information on General Stores and Creditors and Appendix H – Non-Current Physical Assets).

Further improvement of the report could be achieved by the inclusion of:

- an Output Group Schedule showing the revenue, expenses, assets and liabilities of the Department of the Legislative Council for both the current and previous year; and

- explanatory comments on the charts and statistics included in the report.

3.11.4 Department of the Parliamentary Library

Generally, the annual report of the Parliamentary Library has presented, in a succinct manner, some useful information on performance results. In fact, the whole 'Review of Operations' section is focused on output performance. This particular section has a number of positive features including:

- details of quantitative performance targets and results for each of the objectives;
- explanations for all significant under and over performance in relation to the targets set;
- particulars of changes to targets for next year and the reasons for the adjustments; and
- identification of the major deliverables achieved during the year as well as explanations for those key initiatives which were not able to be delivered.

However, the Committee also recommends that:

Recommendation 3.4:

Future annual reports of the Victorian Parliamentary Library include:

- (a) details of the Department's vision, mission, roles and responsibilities; and**
- (b) an Output Group schedule showing the revenue, expenses, assets and liabilities for the current and previous year.**

3.11.5 Department of Parliamentary Debates

The Committee's examination of the annual report of the Department of Parliamentary Debates led to the view that a restructuring of the format of the 'Year in Review' section is necessary to enable a more focused reporting on the performance outcomes of the Department.

The Committee recommends that:

Recommendation 3.5:

The commentaries on performance contained in the annual report of the Department of Parliamentary Debates be linked to each of the seven goals and that a clear comparison be provided between the major initiatives that the Department set out to achieve according to the Business Plan and what it did in fact achieve.

The following additional matters should also be addressed in the preparation of future reports:

- provision of commentaries on the Committee statistics;
- inclusion of an Output Group Schedule showing the revenue, expenses, assets and liabilities for the current and previous year; and
- all photographs to be accompanied by a caption explaining the work context.

3.12 Victorian Auditor-General's Office

The annual report is a succinct and reader-friendly document that is focused on reporting the performance of the Auditor-General's Office in discharging its statutory responsibilities. Aspects of the report that have contributed to its overall usefulness include:

- the 'A Snapshot of our Performance for the Year' section which reports on performance targets and results achieved (covering the quantity, quality and timeliness aspects) together with cross-references to the relevant parts of the report for detailed discussions and analyses;
- planned and actual key deliverables for organisational development enhancements; and
- separate sections on the client satisfaction surveys for each major operational area of the Auditor-General's Office (together with an indication of where targets were adjusted upwards as a result of over performance).

The Committee believes that the Auditor-General's Office should undertake the following changes to enhance the sound structure and approach of the report:

- the 'Highlights' section should be accompanied by a section addressing the major problems and setbacks encountered during the year to provide a more balanced presentation of the performance outcomes;
- the reporting on client satisfaction surveys could be expanded to include areas for improvement (as identified by the surveys) and actions taken to affect the changes. To provide readers with a better insight into the operations of the Auditor-General's Office, the report should contain similar details for any internal or external reviews of the Office conducted during the year;
- the 'Corporate Governance' section does not provide an outline of the corporate governance framework (which the report specifically mentions). Instead, the section concentrates on the operation of the audit committee which is only one element of the framework;
- the 'Future Direction' section deals with only the corporate and annual plans of the Office. It should adopt a wider focus providing pertinent forward-looking information on the future operating environment and developments such as:
 - the future outlook for the Auditor-General's Office, including issues and events that are likely to have a significant impact on the following year's performance;
 - details of expected future changes and trends within the operating environment; and
 - what the Auditor-General's Office aims to achieve in coming periods, particularly in the next year and objective measures of performance;
- the 'Financial Management' section refers to only the operating results and net assets of the Auditor-General's Office. It should be expanded to provide:

- a brief financial summary together with explanations;
- key financial ratios and aggregates with an explanation of their significance; and
- a narrative preface to the audited annual financial statements in the form of an explanatory discussion and analysis by management. The discussion and analysis needs to deal with both financial management and accountability issues, as well as commenting on the changes to financial position and the performance results. The narrative preface is important in establishing a link between the financial statements and the Review of Operations section of the report.

The report does not appear to have complied with clause 9.1.3(ii)(i) of the Directions issued by the Minister for Finance which requires a Statement indicating that the information listed in clause 9.1.3 (iv) has been prepared and is available to Members of Parliament and the public on request.

Report on 2000-01 Budget Outcomes

CHAPTER 4: DEPARTMENT OF EDUCATION, EMPLOYMENT AND TRAINING

Key Findings:

- 4.1 In 2000-01, the Department of Education, Employment and Training's total budget was \$5,614.9 million. Actual expenditure for the year was \$5,608.8 million, \$6.1 million or 0.1 per cent below the budget estimate.**
- 4.2 The Department of Education, Employment and Training's desired ratio of computers to students of 1:5, was not achieved in either of the 1999-2000 or 2000-01 years. The proportion of schools achieving the ratio reduced during 2000-01 to 69 per cent compared to 75 per cent in 1999-2000.**
- 4.3 The Department of Education, Employment and Training should provide information on the geographic distribution of average school class sizes for Prep-Year 2, to determine how equitably this overall general improvement is being distributed across the State.**
- 4.4 The Department of Education, Employment and Training should develop more specific performance indicators to assess the effectiveness of the strategy to employ student welfare co-ordinators to support students at risk.**

The Department of Education, Employment and Training provides support and advisory services to the Minister for Education; the Minister for Post Compulsory Education Training and Employment; and the Minister for Youth Affairs and is responsible for the management and administration of their respective portfolios. The Department also provides support for a number of statutory bodies which report to the Minister for Education and

the Minister for Post Compulsory Education, Training and Employment.²⁰

The Output Group structure and financial information for the Department of Education, Employment and Training includes the following portfolio entities:

- Department of Education, Employment and Training;
- Board of Studies;
- Institute of Teaching (to be established);
- Merit Protection Boards;
- Registered Schools Board;
- State Training Board;
- Adult, Community and Further Education Board;
- Council of Adult Education;
- 14 TAFE institutes and five universities with TAFE Divisions; and
- Adult Multicultural Education Services.²¹

4.1 Financial Performance

The Department's output group structure, as contained in the 2000-01 Budget Paper No. 3, comprised three output groups with a total budget of \$5,614.9 **million**.²² Actual expenditure for the year was \$5,608.8 **million**²³, some \$6.1 million or 0.1 per cent below the budget estimate.

²⁰ Budget Paper No. 3, *2000-01 Budget Estimates*, pp.17-18

²¹ *Ibid*, p.18

²² *Ibid*, p.20

²³ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, pp.18-19

Exhibit 4.1: Department of Education, Employment and Training — Financial Performance 2000-01

Departmental Output Group	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance Actual to Budget (\$ million)	Variance Actual to Budget (%)
School Education	4,608.4	4,592.9	(15.5)	(0.3)
Tertiary Education, Employment and Training	977.6	986.0	8.4	0.9
Policy, Strategy and Information Services	28.9	29.9	1.0	3.5
Total	5,614.9	5,608.8	(6.1)	(0.1)

Note: Where brackets appear in the variance columns, this means that there is a budget surplus for this particular item.

A detailed analysis, by output group, of the major reasons for the variation between the level of actual expenditure and the budget estimate for 2000-01 follows.

4.1.1 School Education

Actual expenditure for this output group was \$4,592.9 million compared to the budgeted allocation of \$4,608.4 representing a surplus of \$15.5 million. While the total variances for the output group were negligible, some of the more significant variances within the groups outputs follows.²⁴

Actual expenditure on Primary, Junior Secondary and Senior Secondary education outputs was \$3,560.4 million compared with the budget estimate of \$3,618.0 million, that is \$57.6 million or 1.6 per cent below the budget estimate.

²⁴ Ibid, p.18-20

The Department advised that actual expenditure for these outputs increased during 2000-01 due to the impact of the teachers' industrial agreement, however this was more than offset by purchases of assets, such as computers, by schools from locally raised funds. The 2000-01 budget estimate treated these purchases as operating expenditure, but they are now treated as capital expenditure and hence do not appear in the output costs.

Further offsetting expenditure on these outputs was the allocation in 2000-01 of expenses associated with school IT initiatives to the New Learning Technologies, Multimedia and Open Learning output.

The Department also stated that after the Budget was tabled in May 2000, the Government provided additional funding to employ extra teachers from early 2000 as part of its Middle Years of Schooling initiative. This increased expenditure is in the Junior Secondary Education output.

(a) *New Learning Technologies, Multimedia and Open Learning Output*

Actual expenditure on the New Learning Technologies, Multimedia and Open Learning output was \$120.2 million compared with the budget estimate of \$89 million, that is \$31.2 million or 35.1 per cent above the budget estimate.

The Department advised that actual expenditure for this output increased during 2000-01 due to approximately \$30 million of IT costs that directly supported IT learning in schools being transferred from the Primary, Junior Secondary and Senior Secondary outputs to this output.

(b) *Services to Students with Disabilities and Impairments*

Actual expenditure on services to students with disabilities and impairments output was \$248.7 million compared with the budget estimate of \$236.8 million, that is \$11.9 million or 5 per cent greater than the budget estimate.

This output involved the provision of educational services to Victorian students with disabilities and impairments in Government Schools including provision of services in both regular schools and specialist schools. The Department advised that actual expenditure for this output increased during 2000-01 because of strong growth in the area with more students qualifying.

4.1.2 Tertiary Education, Employment and Training

Overall, the actual expenditure for this output group in 2000-01 was \$986 million, which was \$8.4 million or 0.9 per cent above the budget allocation of \$977.6 million. Again, the total variance for the output group was negligible, however two of the more significant variances within the output group were:²⁵

(a) TAFE Places

Actual expenditure on the TAFE Places output was \$856 million, or 3 per cent above the budget estimate of \$831.4 million. The Department advised that actual expenditure for this output resulted from additional funding being provided for enterprise bargaining agreements finalised after the 2000-01 Budget.

(b) Employment Services

The Department advised the Committee that actual expenditure on the Employment Services output was \$43.6 million, or 32.8 per cent below the budget estimate of \$64.9 million. The Department advised that this outcome occurred because a number of programs were delayed in their initial take-up in 2000-01.

4.1.3 Policy, Strategy and Information Services

The level of actual expenditure for the Policy, Strategy and Information Services output group for 2000-01 was \$29.9 million or \$1 million (3.5 per cent) above the budgeted amount of \$28.9 million. This variance was made up of a number of minor variations between outputs that overall tended to negate each other.²⁶

²⁵ Ibid, p.19-20

²⁶ Ibid, p.19

However the main variance was in the Policy Strategy and Executive Services output where actual expenditure was \$17.1 million, or \$3.2 million above the budget estimate of \$13.9 million. In response to the Committee's questionnaire the Department advised that this additional expenditure related to work undertaken on the development of the Broader VCE program as well as Post Compulsory Pathways initiatives and policies.

4.2 Achievement of Performance Targets

The Department provided information relating to instances where actual performance varied from targets established in the 2000-01 Budget Papers.

4.2.1 School Education

This output group covers the policy development, regulation and management of the Victorian Government school system, including financial support to, and regulation of, non-government schooling.²⁷

Exhibit 4.2 shows selected performance measures for the School Education output group where there was substantial variance in performance measures from the established targets.

²⁷ Budget Paper No. 3, 2000-01 Budget Estimates, p.21

Exhibit 4.2: School Education Output Group-Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Primary Education	Year three students reaching national benchmarks in reading	%	87	93
Senior Secondary Education (years 11-12)	School leavers progressing to further education, training or work	%	84	89
Non-government School Education	Non-government teachers registered annually	number	2,000	2,310
Early Literacy and Numeracy Services	Parent education programs provided by schools	number	5,000	2,014
	Student attainment at text level one at end Prep in reading	%	80	94.3
	Year three students reaching national benchmarks in reading	%	87	93.04
	Schools implementing the Early Years Literacy Program (P-2)	number	1,282	1,321
New Learning Technologies, Multimedia and Open Learning	Schools with a 1:5 computer to student ratio	%	90	69
	Principals reporting intermediate or advanced learning technology skill	%	75	85.3

Exhibit 4.2: (continued)

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
	Teachers reporting using learning technologies in class routinely throughout the week	%	60	97.2
Vocational Education and Training in Schools	Students participating in VET in Schools programs	number	18,000	21,171
	VET in VCE schools students completing a qualification	number	5,500	6,642
	VET in VCE units completed successfully	number	24,000	19,380
Student Welfare and Support Services	Level of participant satisfaction with drug-education-related professional development and parent education programs	%	85	99.7
Services to Students from Language Backgrounds Other Than English	New arrival students receiving intensive or targeted ESL support	number	1,700	1,487
Students with Disabilities and Impairments	Students classified as having disabilities and impairments in regular schools	number	10,130	10,960
Student Transport Services	Eligible special school students provided with appropriate travel	number	5,400	5,600

In response to the Committee's questionnaire, the Department provided the following reasons for the variation in actual performance from the established targets for 2000-01:²⁸

(a) Primary Education

In regard to the Primary Education output group the percentage of Year three students reaching national benchmarks in reading was 93 per cent compared to the target of 87 per cent. The Department stated that this improved performance was calculated using the new method of calculation, which is being used for all data from 2000 onwards.

(b) Secondary Education (years 11-12)

Under the Secondary Education (years 11-12) the percentage of school leavers progressing to further education, training or work was 89 per cent, which was above the target of 84 per cent. The Department advised that the result was based on survey data and was subject to sampling error.

If performance measures are to produce reliable information on which output performance delivery can be assessed, then the Department should resolve problems relating to its sampling methods and errors.

Accordingly, the Committee recommends that:

Recommendation 4.1:

The Department of Education and Training resolve issues relating to sampling methods and error to ensure that its performance measures are reliable and produce output based information that facilitates the assessment of the Department's performance in service delivery.

(c) Non-government School Education

In 2000-01, 2,310 non-government teachers registered for teaching in non-government school education compared to the target of 2,000. The Department advised that a larger number of

²⁸ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, pp.2-9

applications were received and processed in 2000 and that this reflects a trend that has continued in 2001.

(d) Early Literacy and Numeracy Services

The following variations were identified by the Committee in regard to the Early Literacy and Numeracy Services output group:

- parent education programs provided by schools in 2000-01 were 2,014, significantly below the target of 5,000. The Department stated that data on occurrences was not available. The Committee is concerned that this information provides no explanation of the Department's performance under this output and the Committee reiterates its earlier advice that the Department should ensure that all of its targets can be reliably measured;
- student attainment at text level one at end Prep in reading was 94.3 per cent, well in advance of the target of 80 per cent. The Department advised that through state-wide training and support, schools have achieved better than expected results;
- improved methods of calculation, which are being used for all data from 2000 onwards revealed that Year three students reaching national benchmarks in reading was 93 per cent compared to the target of 87 per cent; and
- the number of schools implementing the Early Years Literacy Program (P-2) was 1,321 compared to the target of 1,282.

(e) New Learning Technologies, Multimedia and Open Learning

In respect of the New Learning Technologies, Multimedia and Open Learning output group, the following main variations were noted:

- the proportion of schools with a 1:5 computer to student ratio was 69 per cent, considerably below the target of 90 per cent. This significant shortfall of the projection resulted because grants to schools from the new Technology Grants scheme were not provided until December 2000, resulting in purchasing computers after the data collection time. The Department advised that

21,500 new computers were purchased by schools in 2000 and the estimate that 9,000 of these would be used to attain the target was not realised;

- principals reporting intermediate or advanced learning technology skills was 85.3 per cent compared to the target of 75 per cent. The Department stated that an improved definition of skills resulted in the change in performance. Notwithstanding this, the Department stated that the results were better than expected; and
- teachers reporting the use of learning technologies in class routinely throughout the week was 97.2 per cent, well above the projection of 60 per cent. The Department explained that this result was achieved through improved access to computers and an improved checklist led to better identification of routine use by teachers. The Department advised that the results were higher than expected.

The Committee notes that the Department's desired ratio of computers to students of 1:5, was not achieved in either of the 1999-2000 or 2000-01 years. In fact the proportion of schools achieving the ratio has reduced during 2000-01 to 69 per cent compared to 75 per cent in 1999-2000.

(f) Vocational Education and Training in Schools

Under the Vocational Education and Training in Schools output group, the Committee noted the following main variations:

- the number of students participating in Vocational Education and Training (VET) in schools programs was 21,171 compared to the target of 18,000. The Department stated that demand was higher than expected;
- the number of VET in Victorian Certificate of Education (VCE) Schools students completing a qualification was 6,642 compared to the target of 5,500;
- the Department advised that there was a 22 per cent increase in the number of VET in the VCE students in 2000, with an associated increase in the number completing a qualification; and

- the number of VET in VCE units completed successfully was 19,380 compared to the projection of 24,000. The Department advised that the Victorian Curriculum and Assessment Authority results reflect one-year completions of what are typically two-year programs and that the completion of units is a cumulative process.

(g) *Student Welfare and Support Services*

The level of participant satisfaction with drug-education-related professional development and parent education programs was 99.7 per cent, well above the projected target of 85 per cent. The Department stated that the professional development was more effective than anticipated.

(h) *Services to Students from Language Backgrounds other than English*

The number of new arrival students receiving intensive or targeted ESL support was 1,487 or 12.5 per cent below the target of 1,700. The Department's response stated that there was a 10.5 per cent reduction in the number of new arrivals from 3,363 in 1999 to 3,010 in 2000, contributing to the shortfall in reaching the target. Services to primary schools were maintained while secondary coverage was reduced.

(i) *Students with Disabilities and Impairments*

The Students with Disabilities and Impairments output had an increase in the number of students classified as having disabilities and impairments in regular schools from the target of 10,130 to 10,960, an increase of 8.2 per cent. The Department provided no explanation for this variation. The Committee notes that not only was the actual number of students with disabilities and impairments significantly above the target for 2000-01, it was also above the actual for 1999-2000 of 8,262, which represented an increase of 32.7 per cent.

The Committee notes that the Department's 2000-01 annual report states that an increased number of students with disabilities and impairments were supported in regular schools. Approximately 93 per cent of all regular schools now have between one and forty-five students with disabilities attending regular classes each day.

The annual report also stated that significant concerns are being raised about the identification of students with a disability or impairment in Victorian Government schools. The incidence of students with disabilities is now in excess of the incidence reported in the international literature. As an outcome of the PENG Review, a working party was established to review the program.

Accordingly, the Committee recommends that:

Recommendation 4.2:

The Department of Education and Training ensure that students with disabilities and impairments are identified at an early stage of their schooling and receive appropriate tuition and support.

4.2.2 Tertiary Education, Employment and Training

The Tertiary Education, Employment and Training output group covers the provision of tertiary education, training and employment services to the Victorian community. These services are provided through a number of programs and service providers. The role of the Department varies from direct service provision to accreditation and monitoring.²⁹

Exhibit 4.3 shows selected performance measures for the Tertiary Education, Employment and Training output group where there was substantial variance in performance measures for 2000-01 from the established targets.

²⁹ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.33

Exhibit 4.3 Tertiary Education, Employment and Training Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Training and Further Education Places	Increase in apprenticeships and traineeships	%	25	7
Adult and Community Education (ACE) Places and Community Support	Student contact hours of education and training activity provided through ACE providers via Government funds	number (million)	3.42	4.4
	Student satisfaction with ACE courses meeting their overall needs	%	75	93
Employment Services	Employer Incentive Program (Youth) – apprenticeship and traineeship commencements	number	2,500	3,290
	Youth Employment Scheme (Government) – number of long-term unemployed young people assisted	number	171	575
	Skilled Migration Unit services provided to employers	number	1,000	309
	Skilled Migration Unit services provided to migrants	number	1,000	6,030

Exhibit 4.3 (continued)

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Higher Education Accreditation and Monitoring	Teacher scholarships taken up in 2001	number	250	43
	Accredited higher education courses approved for delivery through providers	number	75	66
Higher Education Quality Systems	Application assessment process completed within six months	%	85	55.5

In response to the Committee's questionnaire, the Department provided the following reasons for the variation of actual performance from the established 2000-01 targets:³⁰

(a) Training and Further Education Places

The increase in apprenticeships and traineeships was 7.2 per cent, significantly below the target of 25 per cent. The Department advised that there were 49,122 commencements in 2000, compared to 45,817 in 1999. Although less than the target, the increase is a good result following a 46 per cent increase in 1999.

(b) Adult and Community Education (ACE) Places and Community Support

In respect of the Adult and Community Education (ACE) Places and Community Support output group, the Committee found:

- student contact hours of education and training activity was 4.4 million hours compared with the target of 3.42 million hours. The Department advised that the high proportion of language and literacy courses, which have

³⁰ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, pp.10-15

significant student movement, the nature of the Adult and Community Education sector, and the way in which statistics are reported all contributed to the apparent over-delivery; and

- student satisfaction with Adult and Community Education courses meeting their overall needs was 93 per cent, compared to the target of 75 per cent. The Department stated that the target was exceeded due to increased resources being allocated.

In view of the continuing significant variance between the target and actual outcome for the number of student contact hours (33.9 per cent in 1999-2000 and 28.7 per cent in 2000-01) the Committee believes that the Department should resolve with the provider organisations a method of reporting on this performance measure that gives a true reflection of the extent of the service delivered in order that resource requirements can be more accurately determined in advance. The Committee suggests that this matter be resolved as soon as possible given the Department's divergent explanations of the cause of the variance from over-delivery in 1999-2000 to statistical reporting that leads to apparent over delivery in 2000-01.

Accordingly, the Committee recommends that:

Recommendation 4.3:

The Department of Education and Training resolve with the provider organisations a method of reporting provider hours that gives an accurate reflection of the delivery of student contact hours of education and training activity provided through the Adult and Community Education output.

(c) *Employment Services*

The Department provided the following explanations for the variation in the following outputs:

- the number of apprenticeship and traineeship commencements under the Employer Incentive Program (Youth) output was 3,290, compared to the target of 2,500. Uptake was higher than anticipated, and the Department

is investigating the eligibility requirement that participants remain in employment for more than six months, as this influences the number of commencements;

- the number of long-term unemployed young people assisted by the Youth Employment Scheme (Government) output was 575, which was over 330 per cent above the target of 171. The Department explained that a higher than expected proportion (90 per cent) of recruits were long-term unemployed or disadvantaged in the labour market. What is of concern to the Committee is that given the variance between the actual result and target, the real number of long-term unemployed or disadvantaged in need of assistance may be greater than the Department has anticipated; and
- under the Skilled Migration Unit output, services provided to employers numbered 309, compared to the target of 1,000. The Department stated that its electronic communications strategy improved the ability to deliver services to migrants to greater levels than expected (reaching 6,030 people compared to the target of 1,000), however delivery to employers was significantly below target and no explanation for this was provided.

The three performance measures reviewed by the Committee under the Employment Services output group all showed large variations in actual performance to the targets that were established as part of the budget process.

Accordingly, the Committee recommends that:

Recommendation 4.4:

The Government review the method for formulating the performance measures for the Employer Incentive Program (Youth), Youth Employment Scheme (Government) and the Skilled Migration Unit outputs to ensure that targets established during the budget process more closely approximate the actual outcomes that have been realised over recent reporting periods.

(d) Higher Education Accreditation and Monitoring

The Committee found the following variations under the Higher Education Accreditation and Monitoring output group:

- the number of teacher scholarships taken up in 2001 was 43, significantly below the target of 250. The Department advised that the Government's 1999 election commitment was to offer up to 250 scholarships for three years each for high achieving graduates to undertake teacher training. This initial commitment included a \$3,000 payment linked to HECS plus a guarantee of employment for five years and \$2.3 million was committed to the scheme in 2000-01. When implementing this initiative, the scholarship grant was increased to \$3,500 with an offer of ongoing employment rather than five years employment and this equated to approximately 220 scholarships annually. The Department acknowledged that only 43 of these successful applicants had been awarded a scholarship by 30 June 2001, however over 165 scholarships were ultimately awarded by the end of the 2001 academic year;
- the Department advised the Committee that the impact of the teaching scholarship scheme was limited because school principals were primarily focused on the implementation of the Victorian Government Schools Agreement and the introduction of the new classification of 'experienced teacher with responsibility'. In addition to this, changes to the school global budget model created a

tendency for principals to adopt a conservative approach to workforce planning in 2001 and not commit school funding for 2002;³¹

- accredited higher education courses approved for delivery through private providers was 66 compared to the target of 75. The Department advised that the indicator is demand driven and that fewer applications were received than anticipated; and
- application assessment process completed within six months was 55.5 per cent compared with the target of 85 per cent. Those applications that exceeded this timeframe required further information. The Department is reviewing the current support and advice documents to simplify the requirements.

The Committee notes that the teacher scholarships target for 2001-02 is again set at 220, however this applies to the 2002 calendar year, therefore the actual figure achieved at 30 June 2002 will not represent the final total.

4.2.3 Policy, Strategy and Information Services

The Policy, Strategy and Information Services output group includes the provision of policy and strategy advice to the Ministers, and ministerial and support services for the various statutory authorities and advisory bodies in the portfolio. Included also are services relating to public information, international education and young people.³²

Exhibit 4.4 shows selected performance measures for the Policy, Strategy and Information Services output group where there was substantial variance in performance measures for 2000-01 from the established targets.

³¹ Ibid, pp.47-48

³² Budget Paper No. 3, 2000-01 *Budget Estimates*, p.40

Exhibit 4.4 Policy, Strategy and Information Services Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Policy Strategy and Executive Services	Briefings prepared for Ministers' and Executive group's signature	number	5,700	4,675
International Education Services	Overseas full-fee-paying students studying at Victorian Government schools	number	1,050	1,378
	Overseas students studying at Victorian universities	number	35,000	40,064
	Overseas students recruited to study at Victorian Government schools in the year	number	650	776
	Satisfaction of students on exit from the full fee-paying overseas students program	%	80	100
	Satisfaction of clients with programs/ services offered	%	80	100
Youth Affairs	Participation in FReeZa events	number	130,000	86,000

The Department provided the following reasons for the variation of actual performance against the established 2000-01 targets:³³

(a) Policy Strategy and Executive Services

Under this output group the number of briefings prepared for Ministers' and Executive Group's signature was 4,675 compared to the target of 5,700. The Department stated that a review of the briefings process resulted in a reduction in the number of briefings

³³ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, pp.15-17

provided 'For Information Only' and subsequently reduced the total number of briefings submitted.

(b) *International Education Services*

The main variations within the International Education Services output group included:

- an unanticipated increase in student enrolments of overseas full-fee-paying students studying at Government schools, which was 1,378 or 31.2 per cent above the target of 1,050;
- overseas students studying at Victorian universities numbered 40,064, or 14.5 per cent above the target of 35,000. The Committee was advised that IDP Education Australia data is consistent with other data obtained by the Department and indicates a genuine increase in international students in Victorian universities;
- the number of overseas students recruited to study at Government schools in the year was 776, compared to the total of 650. The Department stated that the changed calculation method to account for visa-processing differences between countries had contributed to over achievement;
- satisfaction of students on exit from the full fee-paying overseas students program was 100 per cent compared to the target of 80 per cent. The Committee notes that 100 per cent of respondents rated services as satisfactory or better, however only 10 per cent of students responded to the survey; and
- satisfaction of clients with programs/services offered was 100 per cent compared to the target of 80 per cent. The Department found that 100 per cent of the principals who responded to the client satisfaction survey (75 per cent response rate) indicated they were satisfied or more than satisfied with the International Education and Student Placement program.

The Committee noted that student enrolments of overseas full-fee-paying students studying at Victorian Government schools and overseas students studying at Victorian universities were new measures for 2000-01, which could in part explain the significant variance of actual results to target measures. Accordingly, with a years actual data received the Department should be in a position to develop more accurate performance targets for future periods.

(c) Youth Affairs

In regard to the Youth Affairs output group, participation in FReeZa events numbered 86,000, or 33.8 per cent below the target of 130,000. The Department advised the Committee that data for 2000-01, related to around 25 per cent of FReeZa providers who were new. The Department also argued that insufficient allowance was made for the induction of new providers, nor was sufficient consideration given to the impact on attendance figures of extending programs further into rural and regional Victoria, as the target was based on participation in metropolitan events.

The Committee notes that participation in FReeZa was a new measure for 2000-01, which could in part explain the significant variance of the actual result to the established target. The Committee also notes that in 2000-01 there were 11 new metropolitan providers and eight new non-metropolitan providers to the FReeZa program, which may also have impacted on the actual participation result. Accordingly, with a year's actual data received the Department should be in a position to develop more accurate performance targets for participation in FReeZa events in future periods.

The following exhibit summarises the overall performance of the outputs within the Policy, Strategy and Information Services output group, excluding the total cost for each output.

Exhibit 4.5 Policy, Strategy and Information Services Output Group - Overall Performance for 2000-01

Output	Above Target	Below Target	Equal to Target
Policy Strategy and Executive Services	.	2	3
International Education Services	6	.	1
Public Information and Promotion Services	4	1	.
Youth Affairs	1	3	2
Total	11	6	6

The Committee notes that while some performance measures require refinement and adjustment, around 50 per cent of performance measures were above the established target for 2000-01.

4.3 Major Initiatives

The Committee's review of 2000-01 Budget Outcomes included analysis of major initiatives undertaken by the Department throughout the year. The Committee's analysis is based on the Department's response to the Committee's questionnaire and on information contained in the Department's 2000-01 annual report.

4.3.1 Reduce Class Sizes (Prep-Year 2) – Recruitment of Teachers

The Government has allocated over \$170 million over five years, \$36.4 million in 2000-01, for the employment of up to 800 teachers to reduce class sizes to an average of 21 in Prep-Year 2 by 2003. The Committee was interested to learn details of the actual results regarding the change in class sizes against planned targets.

The Department advised the Committee that the Government provided \$136.8 million in recurrent funding over four financial years (from 1999-2000) for additional teachers and \$32m over three years toward building new classrooms (totalling almost \$170m) towards this initiative. Funding for this initiative was fully allocated (\$36.4m) in 2000-01 as part of the School Global Budget, however the Department stated that it was not possible to separate the teachers specifically employed under this program from other teachers.³⁴

The Department also indicated that the first two years of the initiative involved a large increase in recurrent funding and resulted in a substantial reduction in the average Prep-Year 2 class size from 24.3 in 1999 to 23.3 in 2000 and to 22.4 in 2001, a reduction of 1.9 in two years.³⁵ The Premier stated that based on principals' estimates for 2002, the expected average class size was 21.8 in Prep – Year 2.³⁶ The Department confirmed that the Government's interim targets were met.⁷

The Committee notes the reduction in average class sizes that have resulted from this initiative. However, the Committee believes that the Department should provide information on the geographic distribution of average school class sizes for Prep-Year 2, so the community will be able to determine how equitably this overall general improvement is being distributed across the State.

Accordingly, the Committee recommends that:

Recommendation 4.5:

The Department of Education and Training provide information in its annual report of the average school class sizes for Prep-Year 2 by region.

4.3.2 Reduce Class Sizes – Capital Funds for Classrooms

As part of the initiative to reduce class sizes the Government allocated \$32 million over three years (\$24.5 million in 2000-01) in

³⁴ Ibid, p.20

³⁵ Ibid, p.20-21

³⁶ Media release, Office of the Premier, *Labor on track for class sizes target*, 30 January 2002

capital expenditure for the provision of 444 new classroom facilities. Funding will be provided to purchase 126 new relocatable classrooms and construct 318 permanent classrooms.³⁷

The Department advised the Committee that:

- it was necessary to adjust cashflows across 2000-01 and 2001-02 as a result of design and budget issues which have caused a slower than anticipated roll-out of the permanent classroom component of the program;
- actual expenditure in 2000-01 on this program totalled \$12.8 million against a proposed cash flow of \$24.5 million. Approval was obtained to carry forward unexpended funds of \$6.7 million from this program into 2001-02. The balance of the cash flow was redirected to bring forward the replacement program for relocatable classrooms. This arrangement will be reversed in 2001-02;
- at 15 January 2002, 165 permanent classrooms are planned or under construction for completion in 2002;
- 194 classrooms have been purchased and sited in 97 new five-module relocatable buildings and will provide a further 54 rooms, or 27 buildings, early in the 2002-03 financial year; and
- transfers of existing stock have provided 31 rooms for the program to date.³⁸

In summary, the Department advised that 165 permanent rooms and 279 relocatable rooms would be provided prior to the end of the 2002 school year to complete this program.

4.3.3 Education for Children with Disabilities and Impairments

The Government has identified the provision of education for children with disabilities and impairments as a priority. In 2000-01 \$17.5 million under the Special Learning Needs initiative was allocated for the employment of additional teachers and professional staff to boost current programs, and funding for

³⁷ Budget Paper No. 2, *2000-01 Budget Statement*, pp.245 and 251

³⁸ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, p.21

disabilities and impairment programs and for shared specialist teachers in rural schools.³⁹

The Department's response to the Committee's questionnaire stated that \$17.5 million was allocated to a broadband initiative called 'Special Learning Needs', which was delivered to schools through three programs and included:

- an additional \$10 million to the Special Learning Needs (SLN) Program;
- \$2.5 million to Shared Specialist Teacher Program; and
- an additional \$5 million to the Disability and Impairment Program.⁴⁰

In another initiative, a further \$17 million was provided to fund the unfunded growth in the Disability and Impairment Program from previous years. This total resulted in an additional \$22 million being allocated to the Disability and Impairment program.

The Department provided the following information relating to the outcomes of the abovementioned programs.⁴¹

(a) *Schools with Special Learning Needs and Shared Specialist Teacher Program*

Based on the 2001 August school census data, 1,301 regular schools employed 521.1 EFT teachers using Schools with Special Learning Needs (SLN) Index and Shared Specialist Teacher Program funding and a further 294 regular schools have also employed 223.7 EFT teacher aides using this funding.

In 2000-01, total funding for this initiative was \$32.6 million, and the number of students attracting funding in regular schools was 60.4 per cent, which met the Government's target that the proportion of students should increase to approximately 60 per cent.

Additional funding of \$2.5 million was made available in 2000-01, for the introduction of shared specialist teachers to primary

³⁹ Budget Paper No. 2, *2000-01 Budget Statement*, p.244 –p.246

⁴⁰ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, p.33

⁴¹ *Ibid*, p.33-34

schools and in rural areas with enrolments of 100 or less. Each eligible school received funding according to a base amount and per capita student rate.

(b) Disability and Impairment Program

In 2000 the number of students in Government schools identified with disabilities was 15,553. As a result of the additional \$5 million provided under this initiative, an additional 729 students were assisted in Government schools, bringing the total number of students assisted under this program to 16,367. Total expenditure for the provision of educational services to students with disabilities and impairments in 2000-01 was \$248.7 million.

The Department advised the outcomes resulting from this initiative are:

- continued analysis and response to the growth in numbers of students identified with disabilities and impairments;
- actual growth in the proportion of regular schools integrating students with disabilities was 85.2 per cent, compared to the target rate of 87 per cent of total schools;
- parent satisfaction with special education increased by 5 per cent to 91 per cent compared to the target of 86 per cent.

4.3.5 Students at Risk

The Committee noted that additional funding was allocated in 2000-01 to secondary schools to employ student welfare coordinators to support students at risk, address behavioural and learning problems and support school responses to problems such as truancy, drug use and suicide risk.⁴²

The Department informed the Committee that one of the key objectives of the funding was to provide additional resources for schools so they could appoint student welfare coordinators to ensure that a leadership position is nominated within each

⁴² Budget Paper No. 2, 2000-01 Budget Statement, p.247

secondary school to facilitate a whole school approach to student welfare.⁴³

In terms of outcomes, the target performance measure was 70 per cent of all schools showing the minimum requirements for meeting the Department's framework for Student Support Services in Government schools, which was achieved in 80 per cent of schools. Although a specific target for secondary schools was not developed, the Department advised that an analysis from the August 2001 school census indicates that 99 per cent of secondary schools achieved the target.

In 2000-01, funding of \$13.1 million was allocated directly to schools through the schools global budget. The Department advised that schools self-manage these funds.

The Committee is pleased to note that 99 per cent of secondary schools achieved the minimum requirements for meeting the Department's framework for Student Support Services. However, the Committee believes that the Department should develop more specific performance indicators regarding the effectiveness of the strategy so that the real outcomes of the strategy are demonstrated.

Performance measures should reflect the issues/risks that are being addressed and the number of school students that are benefiting as a result.

Accordingly, the Committee recommends that:

Recommendation 4.6:

The Department of Education and Training develop performance measures that assess the effectiveness of student welfare strategies that are implemented to mitigate risks to students.

⁴³ Response by the Department of Education, Employment and Training to the Committee's 2000-01 Budget Outcomes questionnaire, p.38

4.3.6 Community Infrastructure Jobs Program

Under the Community Infrastructure Jobs Program, \$20 million was allocated in the 2000-01 budget, to fund a range of community infrastructure projects. The Committee was interested in the outcomes and effectiveness of this program and the actual level of expenditure on the program for 2000-01.

The Department informed the Committee that the first Community Jobs Program (CJP) funded 138 projects which resulted in a total of 2,516 commencements being approved in 2000-01.

A second target of 60 per cent of CJP participants who are in employment, education or training three months after leaving the program was established, however the Department advised that actual data relating to this measure was not yet available. The Department also advised that post-program monitoring of participant outcomes has commenced, with a contractor appointed to measure progress.

The Department advised that actual expenditure on the program in 2000-01 was \$4.8 million, against an annual allocation of \$17.8 million, leaving a balance of \$13 million which was committed in 2000-01 but not expended in that year. This under expenditure was due to a time-lag between the approval of projects and their commencement, and the provision of project funding in staged instalments.⁴⁴

The Committee notes that the number of commencements exceeded the target established by the Department but believes the effectiveness of the program will really be measured in the proportion of participants who are sustaining employment, education or training three months after leaving the program.

⁴⁴ Ibid, pp.44-45

Report on 2000-01 Budget Outcomes

CHAPTER 5: DEPARTMENT OF HUMAN SERVICES

Key Findings:

- 5.1 In 2000-01, the Department of Human Services' actual expenditure for 2000-01 was \$7,669.3 million, some \$415.9 million or 5.7 per cent above the budget estimate.**
- 5.2 Acute Health Services Output Group exceeding the budget estimate by \$589.7 million was the main cause of the overall variation in the Department of Human Services' actual to budget expenditure for 2000-01.**
- 5.3 The metropolitan area demand for emergency ambulance transport increased by 5.8 per cent in 2000-01, while non-emergency demand increased by 11.6 per cent.**
- 5.4 A number of the performance measures under the Department of Human Services' various output groups, as disclosed in the 2000-01 annual report, are based on preliminary data and subject to revision. In addition, the notes contained in the annual report provided little substance to explain the variance in output performance measures.**

The Department of Human Services (DHS) covers the responsibilities of the Ministers for Health, Housing and Aged Care and Community Services. The Department funds or directly delivers a diverse range of services within these broad portfolios.

Most services are provided by agencies under funding and service agreements with the Department. These include agencies such as public hospitals, metropolitan health services, public nursing homes, local government, community health centres, ambulance services and a range of non-government organisations providing mainly welfare services. The Department also provides some

services directly. These include public rental housing, intellectual disability accommodation, child protection and juvenile justice services.

For the purposes of the Budget, the financial information for the Department includes appropriations for the Office of Housing as well as consolidated financial information for the following portfolio entities:

- public hospitals;
- metropolitan health services;
- ambulance services;
- Victorian Health Promotion Foundation; and
- public nursing homes.⁴⁵

5.1 Financial Performance

The Department's output group structure, as contained in 2000-01 Budget Paper No. 3, comprised nine output groups with a total budget of \$7,253.4 million.⁴⁶ Actual expenditure for the year was \$7,669.3 million⁴⁷, some \$415.9 million or 5.7 per cent above the budget estimate.

⁴⁵ Budget Paper No. 3, *2000-01 Budget Estimates*, p.55

⁴⁶ Ibid, p.61

⁴⁷ Department of Human Services, *Annual Report 2000-01*, pp.26-81

Exhibit 5.1 Expenditure of the Department of Human Services – Financial Performance 2000-01

Departmental Output Group	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance actual to budget (\$ million)	Variance actual to budget (%)
Acute Health Services	3,621.9	4,011.6	389.7	10.8
Ambulance Services	220.6	219.2	(1.4)	(0.6)
Aged Care and Primary Health	855.6	855.7	0.1	.
Mental Health Services	493.5	541.9	48.4	9.8
Public Health Services	214.1	232.3	18.2	8.5
DisAbility Services	668.5	679.1	10.6	1.6
Community Care	491.1	518.0	26.9	5.5
Concessions to Pensioners and Beneficiaries	280.7	200.9	(79.8)	(28.4)
Housing Assistance	407.4	410.6	3.2	0.8
Total	7,253.4	7,669.3	415.9	5.7

Note: Where brackets appear in the variance columns, this means there is a budget surplus for the particular line item

The major reasons for the variation between the level of actual expenditure and the budget estimate for 2000-01 were as follows.

The budget estimates of Acute Health Services being exceeded by \$389.7 million was the main cause of the overall variation in the Department's actual to budget expenditure for 2000-01. Within the Acute Health Services output group the following categories of expenditure varied significantly from budget:⁴⁸

- actual expenditure for the Admitted Services output was \$2,898.5 million or \$257.9 million above the budget estimate of \$2,640.6. The increased output cost reflects

⁴⁸ Ibid, pp.26-28

- budget adjustments made during the year to accommodate wage award movements and other funding initiatives including Commonwealth funded programs;
- actual expenditure for the Hospital Emergency Services output was \$58.6 million above the budget estimate, reflecting increased resources in Hospital Emergency Services to manage increasing demands;
 - actual expenditure for the Sub-acute Service was \$24.8 million above the budget estimate, mainly due to wage award movements;
 - the under spending of \$1.4 million for Ambulance Services was attributed to a lower than anticipated usage of fixed wing ambulance cases for emergency services;
 - Mental Health Services exceeded the budget estimate by \$48.4 million, with the main area of variation being the Acute and Sub-Acute Services output. The Department's annual report indicated that the increased cost mainly reflects wage award movements and other funding initiatives including Commonwealth funded programs, as well as the treatment of more clients;⁴⁹
 - in relation to the Public Health Services output group, the variance of \$18.2 million resulted from the additional funds received from the Commonwealth under the Disease Control and Support programs output, the carry-over of programs from 1999-2000 and the transfer of funds from the Aged Care and Primary Health Output Group to the Health Development and Research programs output;⁵⁰
 - in relation to the DisAbility Service output group, the variance of \$10.6 million resulted from:
 - the Community Access output receiving new policy funding resulting from the consultation process with the disability sector and the transfer of therapy activities to the Specialist Behavioural Services Output;⁵¹

⁴⁹ Ibid, p.42

⁵⁰ Ibid, pp.80-81

⁵¹ Ibid, p.62

- the Equipment Services output receiving new policy funding for incontinence aids and additional non-recurrent funding to reduce the outstanding waiting lists;⁵²
 - the Respite Services and Case Management and Brokerage Services receiving new policy funding resulting from the consultation process with the disability sector;⁵³ and
 - the Specialist Behavioural Services output receiving new policy funding resulting from the consultation process with the disability sector transferring therapy activities from the Community Access Output.⁵⁴
- the variance of \$26.9 million for the Community Care output group, primarily related to increased costs as a result of wage award movements for the Children's Services and Parenting and Child Development outputs. In addition to this, under the Juvenile Justice Services output the original budget target excluded the Capital Assets Charge and other corporate attributions. Increased costs also resulted due to an increase in the number of males held in custody at the Senior Youth Training Centres.⁵⁵
 - actual expenditure in the Concessions to Pensioners and Beneficiaries output group was \$200.9 million or \$79.8 million below the budget estimate, reflecting the value of transport concessions transferred to the Department of Infrastructure.
 - the variance of \$3.2 million in the Housing Assistance output group mainly related to higher costs under the Homelessness Support Services output.

⁵² Ibid

⁵³ Ibid

⁵⁴ Ibid

⁵⁵ Ibid, p.51-52

5.2 Achievement of Performance Targets

The Committee sought information from the Department on its performance against targets and objectives for each output group in 2000-01. Specific reference to the achievement of performance targets for the output groups is outlined in the Department's 2000-01 annual report.

5.2.1 Acute Health Services

The Acute Health Division is responsible for funding the delivery of high quality acute, sub-acute and ambulance services, and ensures the provision of adequate and safe supplies of blood and blood products.⁵⁶

Exhibit 5.2 shows selected performance measures for the Acute Health Services output group where there was substantial variance in performance measures for 2000-01 from the established targets.

Exhibit 5.2 Acute Health Services Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Admitted Services	Separations	number	970,400	1,006,000
	Multi and same day services	number	798,800	806,100
	Beds accredited	%	100	98.2
	Semi-urgent (Category 2) patients admitted within 90 days	%	80	78
	Emergency patients admitted within the recommended period (<12 hrs)	%	94.5	84
Hospital Emergency Services	Emergency Category three patients treated in 30 minutes	%	72	70

⁵⁶ Ibid, p.26

The following explanations have been provided in the Department's annual report for the variations in the Acute Health Services output group:⁵⁷

- elective and emergency admitted patients throughput during the year exceeded targets due to ongoing high demand, with 1,006,000 patients admitted, some 3.7 per cent above the target of 970,400 patients;
- patients admitted for multi-day and same day services were 806,100 and exceeded the target of 798,800 admissions;
- the variance in the percentage of beds accredited reflects the fact that a high percentage of Victoria's public hospitals are accredited. The annual report stated that there were seven primarily small rural hospitals working to achieve accreditation;
- ongoing demand pressure, together with hospitals focusing on treating emergency patients and Category one patients in time, have resulted in a lower proportion of Category two patients admitted within 90 days;
- emergency patients being admitted within the recommended period of less than 12 hours was significantly below the target measure and reflected the continuing difficulties with admission block, which were being addressed in the Department's Demand Management Strategy and include individual improvement targets for hospitals;
- under-performance in the treatment of emergency category three patients within the target of 30 minutes was due to ongoing demand pressure. The Department's annual report indicated that strategies to improve performance are in place for 2001-02.

The Committee notes that many of the features relating to the performance of the Acute Health Services output group for 2000-01 closely reflect the results identified by the Committee for the 1999-2000 year.⁵⁸

⁵⁷ Ibid, p.28

⁵⁸ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, p.5

The Committee also notes the Department's concerns that the demand for emergency care continues to place pressure on the hospital system, with key issues identified as:⁵⁹

- a severe shortfall of 5,000 Commonwealth-funded nursing home beds, leading to difficulties in discharging patients to residential care;
- a shortage of nursing staff limiting capacity to increase acute bed numbers;
- underlying limits to physical capacity, due to years of under-investment in capital and recurrent resources;
- a 7.6 per cent increase in patients aged 70 plus in public hospitals with more complex health care needs and requiring longer hospital admissions; and
- rising community expectations in the face of new and better technologies and treatments.

The Committee will, through the budget outcomes and budget estimates processes, continue to monitor the performance of the public hospital system in the provision of acute health services. The Committee will take particular interest in the impact of the Department's policies to improve the provision of acute health services through the provision of additional nursing home beds, the recruitment of nurses and patient demand management strategies.

5.2.2 Ambulance Services

The Metropolitan Ambulance Service provides emergency and non-emergency ambulance services to the greater Melbourne metropolitan area. In rural areas Rural Ambulance Victoria provides these services except in the limited areas covered by the Alexandra and District Ambulance Service.⁶⁰

Exhibit 5.3 shows selected performance measures for the Ambulance Services output group where there was substantial variance in performance measures for 2000-01 from the established targets.

⁵⁹ Department of Human Services, *Annual Report 2000-01*, p.30

⁶⁰ Ibid, p.26

Exhibit 5.3 Ambulance Services Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Ambulance Emergency Services	Metropolitan road cases	number	210,800	221,859
	Country road cases	number	72,000	75,984
	Emergency response time (code 1) in 90 per cent of cases—metropolitan	minutes	13	14
Ambulance Non-Emergency Services	Metropolitan road cases	number	111,200	142,263
	Country road cases	number	36,600	39,103
	Fixed wing cases	number	2,625	3,638
	Audited cases meeting clinical practice standards	%	90	80

The following explanations have been given for the variations in the Ambulance Services output group:⁶¹

In regard to the Ambulance Emergency Services output group:

- the demand for emergency ambulance services in metropolitan road cases was 221,859, some 5.2 per cent greater than the target measure of 210,800;
- the demand for emergency ambulance services in country road cases was 75,984, or 5.5 per cent greater than the target measure of 72,000; and
- emergency response time (code 1) in 90 per cent of cases in metropolitan areas was 14 minutes compared to the target of 13 minutes. The Department's annual report stated that performance was affected by high workload growth. However, overall, 89 per cent of code one cases were

⁶¹ Ibid, pp.28-29

attended within 13 minutes with 90 per cent attended within 13 minutes in the third quarter of the year.

In regard to the Ambulance Non-Emergency Services output group:

- the demand for ambulance services in metropolitan road cases was 142,263, some 27.9 per cent greater than the target measure of 111,200;
- the demand for ambulance services in country road cases was 39,103, or 6.8 per cent greater than the target measure of 36,600;
- demand for fixed wing cases was 3,638, or 38.6 per cent greater than the target measure of 2,625 and reflected a greater usage for non-emergency services, offsetting the lower usage for emergency cases; and
- audited cases meeting clinical practice standards were 80 per cent, below the established target of 90 per cent. The Department's annual report stated that strategies addressing compliance issues have been implemented.

The Committee notes that the metropolitan area demand for emergency ambulance transport increased by 5.8 per cent in 2000-01 (221,859 trips to 209,741 trips in 1999-2000), while non-emergency demand increased by 11.6 per cent (142,263 trips to 127,455 trips in 1999-2000). The Department's annual report states that the Metropolitan Ambulance Service (MAS) has undertaken an analysis of increasing demand and is piloting arrangements to improve linkages with general practitioners and hospitals. The MAS has also commenced working closely with hospitals to establish hospital clusters to help reduce ambulance bypass, and the MAS is also more actively managing its fleet deployment to improve cover to outer urban areas.⁶²

Despite this increased level of demand, the Committee is pleased to note that emergency response times for critical incidents met targets, with more than 50 per cent of time-critical cases in the metropolitan area attended within eight minutes.

The Committee also notes that the Department's annual report stated that ambulance bypass figures for 2000-01 were higher than

⁶² Ibid, p.30

for the previous year, but there was a steady quarterly improvement from August 2000, reflecting capacity growth through the Winter Emergency Demand Strategy and improved patient management in hospitals.⁶³

The Committee considers that a performance measure related to ambulance bypass should be included in the Admitted Services output group.

Accordingly, the Committee recommends, that:

Recommendation 5.1:

The Department of Human Services establish performance measures related to ambulance bypass frequency and report outcomes in Budget Paper No. 3 and in the Department's annual report.

5.2.3 Aged Care and Primary Health

The Aged Care and Primary Health output group provides a range of in-home, community-based, in-patient, specialist geriatric, palliative care services and community health services, dental services for aged care persons and other eligible Victorians.⁶⁴

Exhibit 5.4 shows selected performance measures for the Aged Care and Primary Health output group where there was substantial variance in performance measures from the established targets for 2000-01.

⁶³ Ibid, p.24

⁶⁴ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.68

Exhibit 5.4 Aged Care and Primary Health Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Sub-Acute and Specialist Services	Specialist dental treatment	number		
	People treated		13,200	12,533
	Number of visits		34,000	33,739
Primary Health Care	Community health care	service hours	501,188	579,714
	Community dental care	number		
	People treated		184,400	178,536
	Number of visits		461,000	431,169
	Ratio of emergency to general courses of dental care	ratio	44:56	52:48
	Waiting time for restorative dental care	months	18	20
Prevention and Promotion	Waiting time for dentures	months	24	21
	Community health prevention and promotion	hours of service	55,883	210,826
Training, Research and Development	School dental care	courses of care	130,500	119,171
	Community health training and development	hours	21,000	48,367
	Dental interns supported	no.	16	9

The following explanations have been provided in the Department's annual report for the variations in Aged Care and Primary Health output group.⁶⁵

⁶⁵ Department of Human Services, *Annual Report 2000-01*, pp.40-41

In regard to the Sub-Acute and Specialist Services output the number of people receiving specialist dental treatment was 12,533, or 5.1 per cent below the target of 13,200 and the number of visits was 33,739 compared to the target of 34,000. The Department's annual report states that the variance was due to resources allocated to high-need and complex clients who received more costly treatment.

Under the Primary Health Care output:

- the hours of service provided under community health care were 579,714 compared to the target of 501,188. This large variance was a result of inaccuracies in target setting;
- the number of people treated through community dental care was 178,536, or 3.2 per cent below the target of 184,400 and the number of visits was 431,169 compared to the target of 461,000, a reduction of 6.5 per cent. Again, the Department's annual report indicates that the variance was due to resources allocated to high-need and complex clients who received more costly treatment;
- the ratio of emergency to general courses of dental care showed that emergency courses rose significantly while general courses fell;
- the waiting time for restorative dental care was 20 months compared to the target of 18 months. In its 41st Report, the Committee commented that the average waiting time for restorative dental care was reduced from a peak of 22 months in March 2000 to 17 months at June 2000⁶⁶, therefore compared to the waiting time as at June 2000 the situation has deteriorated; and
- the waiting time for dentures was 21 months, an improvement on the target time of 24 months.

The Prevention and Promotion output had the following variations:

- the hours of service delivered under community health prevention and promotion was 210,826, a staggering 377 per cent above the target of 55,883 hours. The

⁶⁶ Public Accounts and Estimates Committee, *Report on the 1999–2000 Budget Outcomes*, 41st Report, May 2001, p.99

Department's annual report stated that the original target was grossly under estimated and the target has been adjusted for 2001-02; and

- the courses of care provided under school dental care was 119,171, or 8.7 per cent below the target measure of 130,500. The Department's annual report stated that this variance resulted from the targeting of resources to high-need, complex and costly treatments.

The Committee noted the following variations under the Training, Research and Development output:

- actual hours of community health training and development were 48,367, more than double the target of 21,000 hours. Again the annual report stated that this significant variation was the result of inaccuracies in target setting; and
- dental interns supported in 2000-01 were nine compared to the target of 16. The Department explained that the variance reflected a restructure of the program to provide more intensive, mentored experience for fewer interns.

The Committee observed that a number of the performance measures under the Aged Care and Primary Health output group were subject to large variances of almost 400 per cent — as identified for the estimate of hours of service under community health prevention and promotion. The Committee suggests the Department needs to ensure that in formulating target performance measures, a comparison to actual outcomes previously achieved can provide meaningful information.

Accordingly, the Committee recommends that:

Recommendation 5.2:

The Department of Human Services develop accurate target performance measures to ensure that more realistic assessments can be made about the actual performance of service delivery under the various output groups.

5.2.4 Mental Health Services

The key outcomes of the Mental Health Services output group are to provide access to high quality services at the community level which are accessible and responsive to the needs of people with a mental illness. The main features of the Mental Health Services output group are the purchase of services for people with a mental illness and provision of residential rehabilitation and community support to people with a serious mental illness.⁶⁷

Exhibit 5.5 shows selected performance measures for the Mental Health Services output group where there were substantial variances in performance measures from the established targets for 2000-01.

**Exhibit 5.5 Mental Health Services Output Group
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Community Care and Support	Residential rehabilitation	clients	303	279
	Home-based outreach support	clients	2,538	3,616
Prevention and Promotion	Mental Health Week events	number	75	117
	Primary Mental Health Response contacts (including individual contacts consultation liaison, early intervention, crisis response)	number	72,000	

⁶⁷ Budget Paper No. 3, 2000-01 Budget Estimates, p.72

The following explanations have been provided in the Department's annual report for the variations in Mental Health Services output group.⁶⁸

Under the Community Care and Support output:

- the number of residential rehabilitation clients for 2000-01 was 279, compared to the target of 303. This variance was due to resources allocated to high-need, complex clients who received more costly treatment; and
- the number of clients receiving home-based outreach support was 3,616, or 42.5 per cent above the target of 2,538. The annual report stated that this variance reflected high demand for this component of the Psychiatric Disability Support Services program.

The Committee's review of the Prevention and Promotion output indicated that:

- the number of mental health week events was 117, compared to the target of 75, which reflected strong participation of local Government and community organisations in the activities; and
- service delivery for primary mental health contacts did not commence during 2000-01, due to extended planning and negotiation. However, substantial costs were incurred for the development and establishment of the primary mental health teams. Some funds were reallocated to other priorities, including other services within this output.

The Committee was concerned to learn that in 2000-01 the number of residential rehabilitation clients placed was 279, compared to the target of 303. Like a number of other services described above in the Aged Care and Primary Health output group, this lower level of placements was due to resources being allocated to high-need, complex clients who received more costly treatment.

As part of the Committee's 1999-2000 Budget Outcomes review, the Department advised that a review of the young persons Residential Rehabilitation Program was in progress and it was

⁶⁸ Department of Human Services, *Annual Report 2000-01*, p.42

intended to identify strategies to address the above problems, however it appears that the situation has not yet improved.

The Committee is concerned that if this situation continues, individuals – particularly young people requiring but failing to secure placement in residential rehabilitation facilities-could be at continued risk to their health and safety.

Accordingly, the Committee recommends that:

Recommendation 5.3:

The Department of Human Services give greater priority to developing and implementing strategies to ensure that individuals requiring residential rehabilitation, are able to have access to such facilities within an acceptable timeframe.

5.2.5 Public Health Services

The Public Health Services output group facilitates the provision of purchased and direct population and client health services aimed at promoting good health, researching and informing the underlying causes of ill-health, detecting and responding to major health threats, controlling health hazards by licensing regulation and codes of practice and providing advice on policy matters.⁶⁹

Exhibit 5.6 shows selected performance measures for the Public Health Services output group where there were substantial variances in performance measures from the established targets for 2000-01.

⁶⁹ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.74

**Exhibit 5.6 Public Health Services Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Disease Control and Support Programs	Needles provided under the Needle and Syringe Exchange Program (NESP)	number	6,600,000	6,445,500
	Target population screened within specified timeframe for cervical cancer	%	70	67
Licit and Illicit Drug Programs	Residential-based drug treatment services	episodes	5,000	4,965
	Community-based drug treatment services	episodes	35,500	30,288
	Number of clients on the methadone program	number	8,800	8,026
	Average number of working days between screening of client and commencement of residential-based drug treatment	working days	15	8
	Average number of working days between screening of client and commencement of community-based drug treatment	working days	6	4

The following explanations have been provided in the Department's annual report for the variations in performance measures from the established targets in 2000-01.⁷⁰

Under the Disease Control and Support Programs output:

- the number of needles provided under the Needle and Syringe Exchange Program was 6,445,500, below the target of 6,600,000. The annual report stated that this measure decreased as a result of the shortage of heroin. The decrease in supply of heroin is uncharacteristic of the trend since 1995; and
- the target population screened within the specified timeframe for cervical cancer was 67 per cent, compared to the target of 70 per cent. The Department explained that this result is within the general variation for this service.

Under the Licit and Illicit Drug Programs output:

- residential-based drug treatment services were 4,965 or 0.7 per cent below the target of 5,000. The Department's annual report explained that this was preliminary data as at July 2001 and subject to revision;
- community-based drug treatment services were 30,288, 14.7 per cent below the target of 35,500. The Department's annual report states that the actual figure for 2000-01 represents a 5.1 per cent increase over the 1999-2000 result, the figure disclosed in the annual report remains based on preliminary data as at July 2001 and is subject to revision;
- the number of clients on the Department's methadone program was 8,026, or 8.8 per cent below the target of 8,800. The annual report states that the actual figure is based on a census of consumers and pharmacies as at 1 April 2001. This figure represents a 9.3 per cent increase over the 1999-2000 actual. The program fully met demand for requests for methadone permits and the ultimate number of clients is dependent on factors beyond the control of the Department;
- the average number of working days between the screening of clients and commencement of residential

⁷⁰ Department of Human Services, *Annual Report 2000-01*, p.81

based drug treatment was eight working days, nearly half the target of 15 working days. This better-than-expected outcome has been achieved due to an expansion of community support, which allowed improvement in throughput. This result was based on preliminary data as at July 2001 and is subject to revision; and

- the average number of working days between the screening of clients and commencement of community-based drug treatment was four working days, compared to the target of six working days. The explanation for the improvement was that a better-than-expected outcome has been achieved due to an expansion of service and improvement in the operation of the service system and improved reporting by agencies. This result was based on preliminary data as at July 2001 and is subject to revision.

The Committee was surprised to learn that a number of the performance measures under the Licit and Illicit Drug Programs output group as disclosed in the Department's 2000-01 annual report are based on preliminary data as at July 2001 and subject to revision. These performance measures are related to:

- residential-based drug treatment services;
- community-based drug treatment services;
- the average number of working days between the screening of clients and commencement of residential-based drug treatment; and
- the average number of working days between the screening of clients and commencement of community-based drug treatment.

The Committee is disappointed that final performance information was not available given that the Committee's budget outcomes questionnaire to the Department was sent in December 2001. In response to this request, the Department stated that:

the performance information requested by PAEC has been previously published in the Annual Report, detailed by Output Group, with significant variances (generally greater than 5 per cent from target) explained in footnotes to the tables'⁷¹

⁷¹ Response by the Department of Human Services to the Committee's 2000-01 Budget Outcomes questionnaire, p.2

The Department should ensure that in future, the information provided to the Committee is final and accurate and facilitates the meaningful analysis of service delivery performance.

Accordingly, the Committee recommends that:

Recommendation 5.4:

The Department of Human Services ensure that information provided to the Public Accounts and Estimates Committee in relation to its performance is based on final data, is accurate and facilitates the analysis of departmental service delivery performance.

5.2.6 DisAbility Services

The DisAbility Services output group purchases and provides continuing care for people with intellectual, physical, sensory or neurological disabilities, and acquired brain injury.⁷²

Exhibit 5.7 shows selected performance measures for the DisAbility Services output group where there were substantial variances in performance measures from the established targets for 2000-01.

⁷² Department of Human Services, *Annual Report 2000-01*, p.60

**Exhibit 5.7 Disability Services Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Community-Based Accommodation and Support Services	Clients in community-based accommodation support services	number	6,700	6,344
Respite Services	Carer households provided with a respite service	number	9,600	10,634
	Carer households satisfied with quality of services provided	%	80	85
Case Management and Brokerage Services	Clients receiving flexible care packages	number	1,910	2,945
Specialist Behavioural Services	Clients waiting less than three months for specialist services	%	90	83

The following explanations have been provided in the Department's annual report for the variations in the DisAbility Services output group.⁷³

Under the Community-Based Accommodation and Support Services output the number of clients in community-based accommodation support services was 6,344, compared to the target of 6,700. This result represented a 5.3 per cent variance. The annual report states that the target was revised from 6,700 to 6,300 during the first quarter of the 2000-01 year to enable an increase in the provision of respite services and flexible care.

⁷³ Ibid, pp.60-62

In regard to the Respite Services output:

- carer households provided with respite services were 10,634, or 10.8 per cent above the target of 9,600. This target was revised and increased to 10,000 households during the first quarter of the financial year, however no explanation is provided for the increase; and
- 85 per cent of carer households were satisfied with quality of services provided. This was a positive outcome as the satisfaction level exceeded the target of 80 per cent.

Under the Case Management and Brokerage Services output the number of clients receiving flexible care packages was 2,945 or some 54 per cent in excess of the target of 1,910. The Department's annual report states that this target was revised and increased to 2,200 clients during the first quarter of the financial year. No explanation is provided for the increase in the Annual Report.

The number of clients waiting less than three months for specialist services under the Specialist Behavioural Services output was 83 per cent compared to the target of 90 per cent. The annual report stated that while there are improvements in waiting times (compared to the 1999-2000 result of 74 per cent), the effects of new initiatives in service delivery are yet to be fully realised. The reason for the variance is not contained in the Department's annual report.

The Committee is concerned about the quality of the Department's output performance reporting as disclosed in its annual report. The Committee has found that for this output group and in those that have preceded it, the Department's notes contained in the annual report state the obvious variance from the performance target but provide little substance to explain the reason for the variance.

5.2.7 Community Care

The Community Care output group involves the purchase or provision of preschool and child care services, a range of primary and secondary services which support the role of families as primary carers, early intervention services for individuals and

families facing personal or financial crisis, protective services for children at risk, and juvenile justice services.⁷⁴

Exhibit 5.8 shows selected performance measures for the Community Care output group where there were substantial variances in performance measures from the established targets for 2000-01.

Exhibit 5.8 Community Care Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Children's Services	Funded preschool places	number	59,700	60,380
	Licensees rectifying non-compliance with statutory requirements within Department of Human Services timelines	%	65	47
Parenting and Child Development	Total number of clients	number	66,200	66,000
Family, Youth and Individual Support	Total number of clients	number	103,000	86,250
	Total number of calls/contacts	number	204,800	236,000
Juvenile Justice Services	Male Senior Youth Training Centre custodial capacity	number	90	124
	Juvenile Justice clients receiving post-release support devices	%	40	90.7
Protection and Placement	Protective intervention cases closed within 90 days	%	80	68

⁷⁴ Budget Paper No. 3, 2000-01 Budget Estimates, p.82

The following explanations have been provided in the Department's annual report for the variations in the Community Care output group.⁷⁵

Under the Children's Services output:

- actual funded preschool places were 60,380 compared to the projection of 59,700 and represents enrolments as at 30 April 2001. This higher-than-expected result reflects strong participation in preschool activities in the community; and
- the number of licensees rectifying non-compliance with statutory requirements within Department of Human Services timelines was only 47 per cent, well below the projected 65 per cent of licensees.

Under the Parenting and Child Development output, the total number of clients was estimated at 66,000 compared to the target of 66,200. In its Report on the 1999-2000 Budget Outcomes, the Committee reported that during 1999-2000, the service had 180,006 clients compared to a projection of 174,315 clients. The Department advised that the increase from the 1999-2000 target was achieved through additional funding provided to the Regional Parenting Resource Services Program, which forms part of this service. As a result, an additional 13,861 clients were able to access this program.⁷⁶ Reasons for the very substantial drop in the number of clients being serviced from an actual of 180,006 clients in 1999-2000 to an estimated target of only 66,200 clients in 2000-01 were not provided by the Department.

The Committee is unable to reconcile how this estimate of the total number of clients could vary so significantly from the previous year.

⁷⁵ Department of Human Services, *Annual Report 2000-01*, pp.51-52

⁷⁶ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, p.105

Accordingly, the Committee recommends that:

Recommendation 5.5:

The Department of Human Services needs to provide explanations in its annual report for major output variances between years, for example the substantial reduction in the number of clients under the Parenting and Child Development output for 2000-01 as compared to the previous year.

In respect of the Family, Youth and Individual Support output:

- the total number of clients in receipt of family, youth and individual support services was 86,250 or 16.3 per cent below the projection of 103,000. The Department's annual report states that the target was an estimate and was formally revised to 86,250; and
- the total number of calls/contacts made to clients was 236,000, or 15.2 per cent in excess of the target of 204,800. The annual report again states that the 2000-01 actual performance outcome of 236,000 client calls/contacts is again an estimate. It also states that the higher than expected performance recorded by Sexual Assault Services during the 2000-01 year indicates that the actual will significantly exceed the target. Furthermore, implementation of a revised data collection system in 2000-01 more accurately reflects performance of this program.

The Committee found, in respect of the Juvenile Justice Services output:

- the custodial capacity of the Male Senior Youth Training Centre was 124, compared to the target of 90. The Department's annual report stated that changes in sentencing have prevented the closure of 30 Male Senior Youth Training Centre beds. The actual outcome for 2000-01 also includes five newly established beds in the pilot community houses program; and
- juvenile justice clients receiving post-release support services were 90.7 per cent, more than doubling the

projection of 40 per cent. The annual report explained that this was a new measure in 2000-01 and estimated targets were originally set in the absence of data. The 2001-02 targets have been adjusted to reflect actual performance.

In 2000-01, the proportion of protective intervention cases closed within 90 days under the Protection and Placement output was 68 per cent, well below the target of 80 per cent. The annual report stated that the performance reflects increasing complexity of client needs.

As part of its review of the Budget Outcomes for 1999-2000, the Committee noted that child protection cases finalised within 90 days were recorded at 70.1 per cent compared to a target of 80 per cent.⁷⁷ The Department advised the Committee that achievement of this target is influenced by a range of factors, including increasing case complexity, service availability, staffing levels and increasing notifications.

Given the actual performance under this output for 1999-2000 and 2000-01 the Committee is concerned that the number of cases requiring finalisation is not meeting targets.

Accordingly, the Committee recommends that:

Recommendation 5.6:

The Department of Human Services implement strategies to ensure that the proportion of child protection cases requiring finalisation within the benchmark figure of 90 days improves and that unmanageable backlogs of cases requiring investigation are avoided.

5.2.8 Concessions to Pensioners and Beneficiaries

The Concessions to Pensioners and Beneficiaries output group aims to develop and coordinate the delivery of concessions and relief grants to eligible consumers and concession card holders.⁷⁸

⁷⁷ Ibid, p.104

⁷⁸ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.86

Exhibit 5.9 shows selected performance measures for the Concessions to Pensioners and Beneficiaries output group where there was substantial variance in performance measures from the established targets for 2000-01.

Exhibit 5.9 Concessions to Pensioners and Beneficiaries Output Group- Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Energy Concessions	Households receiving mains gas concessions	number	530,400	512,893
Water and Sewerage Concessions	Households receiving water and sewerage concessions	number	581,900	512,000

The following explanations have been provided in the Department's annual report for the variations in Concessions to Pensioners and Beneficiaries output group.⁷⁹

The Department's annual report stated that 2000-01 actual outcomes for households receiving mains gas and water and sewerage concessions were estimates based on preliminary results. The annual report also stated that of the 1.8 million households in Victoria, 720,000 households received concessions and it was estimated that 96.5 per cent of eligible households received their concession entitlement.⁸⁰

5.2.9 Housing Assistance

The Housing Assistance output group aims to provide services to the homeless as well as adequate, affordable and accessible short term emergency and transitional housing, and longer-term needs-based housing assistance, targeted to greatest need, delivered cost-effectively and coordinated with support services where required.⁸¹

⁷⁹ Department of Human Services, *Annual Report 2000-01*, p.53

⁸⁰ Ibid, p.54

⁸¹ Budget Paper No. 3, *2000-01 Budget Estimates*, p.88

Exhibit 5.10 shows selected performance measures for the Housing Assistance output group where there were substantial variances in performance measures from the established targets for 2000-01.

Exhibit 5.10 Housing Assistance Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Long-Term Housing Assistance	Households assisted at end of year	number	68,800	68,032
	Total allocations during year to priority segments	%	50	55
	Tenants satisfied or very satisfied (measured by national customer satisfaction surveys)	%	95	89
	Average waiting time to allocation for priority segments	months	4	2.7
Private Rental Assistance	Bonds and Housing Emergency grants issued during year	number	26,000	41,202
Home Ownership and Renovation Assistance	Home renovation inspection reports during year	number	3,500	4,252
	Group self-build projects commenced within target timeline of 12 months	number	58	46
	Loans in arrears by more than 30 days	%	<4	6

In respect of the Long-Term Housing Assistance output:⁸²

- the number of households assisted at end of year was 68,032, or some 98.9 per cent of the target of 68,800. The

⁸² Department of Human Services, *Annual Report 2000-01*, pp.74-75

slight variance of 1.1 per cent resulted from housing stock taken off-line for upgrades and redevelopment;

- the percentage of total housing allocations made during the year to priority segments was 55 per cent compared to the target of 50 per cent of allocations. The annual report stated that due to tight private rental market conditions, there were fewer than expected total allocations, and the proportion of priority allocations to total allocations was therefore above target;
- the proportion of tenants satisfied or very satisfied (as measured by national customer satisfaction surveys) with the provision of housing assistance was 89 per cent, against the target of 95 per cent. The Department's annual report stated that the most recent survey saw an increase in the Australian average of responses for satisfied/very satisfied and a decrease in the Victorian response. It is believed that Victoria's higher proportion of high-rise estates has impacted negatively on the Victorian results in this survey.

The Committee notes that the customer satisfaction rating referred to above of 89 per cent fell significantly from the actual result for 1999-2000, which was 98.6 per cent. In view of the improved performance of housing allocation made to priority segments and the consistent performance in average waiting times, compared to the 1999-2000 results, the Committee suggests that the Department determine reasons for any major decline in customer satisfaction levels, in order to address the concerns of tenants.

Accordingly, the Committee recommends that:

Recommendation 5.7:

The Department of Human Services determine reasons for the major decline in customer satisfaction ratings for the provision of long-term housing assistance in order to address the concerns of tenants.

Under the Private Rental Assistance output, bonds and housing emergency grants issued during year were 41,202 compared to the

target of 26,000, an increase of 58.5 per cent. This result was due to better reporting, which revealed that the figures were significantly higher than estimated. In addition, a budget increase enabled significantly more households to be assisted. Bond assistance remained at target levels.

The Home Ownership and Renovation Assistance output showed that:

- the number of home renovation inspection reports during the year was 4,252 compared to the projection of 3,500. This result reflected a much higher level of demand for this service than was expected;
- the number of group self-build projects commenced within target timeline of 12 months was 46, fewer than the target of 58. The annual report stated that several factors have affected the take up rate for this program, including the introduction of the GST, falling interest rates and the increase in the Commonwealth Government's first home owner's grant; and
- the percentage of loans in arrears by more than 30 days was 6 per cent compared to the target rate of less than 4 per cent. The annual report stated that this result reflected the fact that, while the number of loans in arrears has fallen, the total home loan portfolio has declined, and this has led to the proportion of loans in arrears being above the target.

5.3 Major Initiatives

The Committee's review of 2000-01 outcomes included an analysis of a selection of major initiatives undertaken by the Department throughout the year. The analysis was based on the Department's response to the Committee's questionnaire in conjunction with information contained in the Department's 2000-01 annual report.

5.3.1 Winter Emergency/Longer-term Integrated Elective and Emergency Demand Strategy for Hospitals

The 2000-01 Budget Paper No. 2 states that funding of \$60.2 million would be provided to supply 27,000 emergency bed

days in hospitals between April and June 2000 to meet the emergency demand pressures expected to be placed on hospitals during Winter 2000. This initiative provides a mix of acute, emergency and sub and post-acute services and flows into a long-term integrated elective and emergency strategy commencing in July 2000. It was also intended that this funding would enable 360 hospital beds (including 20 beds which are to be funded by reallocating existing DHS funds) to be reopened.⁸³

In their response to the Committee's questionnaire, the Department advised that beds funded under the Winter Emergency Demand Strategy were opened progressively from 1 April 2000. As at the end of August 2000, 337 of the 360 funded beds had been opened at targeted sites. The Department also advised the Committee that state-wide industrial activity in August 2000 resulted in a significant number of bed closures across the State. Under achievement of targets by the hospitals listed below is attributable to the general shortage of nursing staff and the impact of significant industrial action during that month.⁸⁴

While a total of 328 beds were funded for reopening in the Melbourne metropolitan area, a total of only 305 beds were opened and all 32 beds funded for reopening in rural areas were opened. The most notable performances in planned bed openings are summarised below.

⁸³ 2000-01 Budget Paper No. 2, Budget Statement, pp.256-257

⁸⁴ Response by the Department of Health to the Committee's 2000-01 Budget Outcomes questionnaire, p.3

**Exhibit 5.11 Shortfall in Bed Openings under the Winter
Emergency/Longer-term Integrated Elective and Emergency
Demand Strategy, 2000-01**

Hospital/Campus	Funded bed openings	Actual bed openings	Shortfall
Austin Repatriation Medical Centre	60	54	6
Northern – Broadmeadows	8	6	2
Royal Melbourne	45	34	9
St. Vincent's	45	41	4
Total shortfall	158	137	21

The Department's 2000-01 annual report stated that demand for emergency care continued to place pressure on the system, and a major response to address this issue in 2000-01 was the implementation of the Integrated Elective and Emergency Demand Strategy. The report goes on to state that despite successful implementation of each of the elements of this strategy (particularly the opening of 105 sub-acute beds to provide more appropriate alternative care for older Victorians who would otherwise occupy a hospital bed), emergency demand pressure overwhelmed this response. The general directions of the strategy, however, remain appropriate and have informed subsequent development of the Hospital Demand Management Strategy, which is the major Government demand management strategy for the Victorian public hospital system. The Committee notes that the 2000-01 Budget allocated a further \$195 million under this strategy over the period 2000-02 to 2003-04.⁸⁵

The Committee also noted that the Department's annual report stated that in March 2001 emergency demand was identified as one of three top priority flagship projects for the Department. As part of the 2000-01 Budget, individually tailored hospital demand strategies were negotiated with Metropolitan Health Services with major emergency Departments.

⁸⁵ Department of Human Services, *Annual Report 2000-01*, p.30

Given this substantial financial commitment by Government, and the likelihood of continuing patient demand pressure on the capacity of the public hospital system, the Department should ensure that all possible measures are taken to control the demand for emergency care, including ensuring that where funding has been approved for targeted bed openings at particular hospitals or regions, these are achieved where nursing staff are available.

5.3.2 Establishment of Metropolitan Health Services

In 2000-01, the Government abolished the Metropolitan Health Care Networks and replaced them with smaller Metropolitan Health Services (MHS). The Government provided a \$35 million one-off injection of funds to ensure sufficient operating liquidity for the MHS.

The Department advised the Committee that the Government's objectives in establishing the Metropolitan Health Services stemmed from the Ministerial Review of Health Care Networks, which was undertaken in May 2000. The objectives included:

- improving the financial viability of public hospitals;
- breaking down the larger networks into more reasonably sized entities and bringing them closer to the people that they serve;
- integrating services across acute health, aged care and mental health to achieve continuity of care;
- breaking down large network bureaucracy and redirecting savings from administration to patient care;
- establishing a new system to achieve economies of scale through joint purchasing across public hospitals;
- appointing at least one person to hospital boards to represent consumers and to establish consumer advisory committees in each metropolitan health service; and
- improving the focus on quality in care through measures such as the publication of an annual quality report for each health service.⁸⁶

⁸⁶ Response by the Department of Health to the Committee's 2000-01 Budget Outcomes questionnaire, p.6

The Government agreed with the vast majority of the review's 84 recommendations.

The Department advised that some of the major achievements of the new MHS for 2000-01 included the following.⁸⁷

- the Government provided a cash injection of \$34 million to ensure that the newly constituted MHS commenced operation with adequate liquidity levels. By year's end, the financial results from all hospitals significantly improved. Savings were made from the reduction of administrative staff and other network bureaucracy. The new health services focused attention on their particular communities and on providing quality services. The operation of the new health services has also seen co-operation between health services and Government, for example, the Patient Management Task Force whereby key hospital sector staff cooperated to address issues of emergency demand and to better manage patient flows;
- Health Purchasing Victoria was created in 2001 to generate savings from centralised purchasing of a number of items and to improve supply arrangements to hospitals. Health Purchasing Victoria was established with the power to mandate some contracts to all hospitals, for certain supply items where there were demonstrated savings from a central tender; and
- to date management reviews have been undertaken at a number of hospitals, with an expectation that all health services will be reviewed over a three to four year period. These reviews are designed to provide an expert independent analysis, which is undertaken with the co-operation of the management and Board of the health service, but separate from the day-to-day management of hospital activities. These reviews have a broad brief to review engineering, supply and non-direct care costs, operating theatre practices and utilisation, bed management and organisation issues. Following the review the health services have adopted detailed action and implementation plans.

⁸⁷ Ibid, pp.5-6

5.3.3 Nursing Staff Recruitment

In its review of the 1999-2000 Budget Outcomes the Committee reported that the Government allocated \$1.2 million for the purpose of retaining and recruiting nurses in the public sector.⁸⁸ This was in response to serious shortfalls in nursing staff and other health professionals for public hospitals and other health services.

To attract nurses a range of educational initiatives were provided, and the Department advised that since 20 September 2000 there had been over 5,000 responses to the Department's nurses recruitment call centre and 617 nurses had been encouraged back into the public health system through refresher and re-entry programs. The Committee, in its review of the Budget Outcomes for 1999-2000, acknowledged the success the program has had to date in recruiting nurses and stated that the challenge for the Department would be the retention of these nurses as well as offering inducements for more people to enter the nursing profession and work in the public sector.⁸⁹

During the 2000-01 estimates hearing with the Minister for Health, the Committee was advised that a critical staffing issue related to shortages in nursing staff and that the Government had allocated \$21.7 million over four years to address nursing workforce issues. The Committee was interested to find out what initiatives were implemented, and what level of funding was expended, in 2000-01 to address the shortage of nurses.

The Department provided the following summary of nursing workforce initiatives and their associated budgets and expenditure for 2000-01.

⁸⁸ Department of Treasury and Finance, 1999-2000 Mid-Year Budget Review, pp.50-51

⁸⁹ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, pp.118-119

Exhibit 5.12 Nursing Recruitment Initiatives for 2000-01

Initiative	Budget (\$m)	Expenditure (\$m)
HECS scholarships	0.52	0.52
Nurse specialist postgraduate paid study	1.56	1.56
Postgraduate qualification allowance	2.86	2.86
Refresher and re-entry courses	0.74	3.55
Assistance to Division two nurses to upgrade	0.4	0.12
Rural clinical placements for undergraduate nurses	0.2	0.2
Division two nurse student places in TAFE colleges	0	5.23
Total	6.28	14.04

The Department's response to the Committee's questionnaire stated that the 2000-01 Budget initially allocated \$6.3 million to nurse education and training initiatives. However, in recognition of the impact nurse shortages were having on the health system, this amount was increased during the year. The refresher and re-entry course budget was increased from \$740,000 to \$3.55 million to allow additional nurses to re-enter the workforce, and additional funds of \$5.2 million were redirected to enable an extra 923 division two nurse training places in TAFE institutes.

Assistance to division two nurses to upgrade qualifications was underspent as a result of a delay in implementation and by 30 June 2001, \$120,000 was spent with an additional \$121,000 committed. Total remaining funds were expended on the initiative early in the 2001-02 financial year.

Overall achievements from the initiatives in 2000-01 included:

- 201 HECS scholarships funded;
- 1,100 nurses completed refresher and re-entry courses;
- 270 nurses assisted to upgrade their division two qualification;
- 400 rural clinical undergraduate nurse placements; and

- 923 additional division two nurse training places.⁹⁰

It will be crucial for the Department to continue to recruit and retain nurses for the Victorian hospital system as the Department's 2000-01 annual report states that the shortage of nursing staff is limiting the capacity to increase acute bed numbers and is one of the major issues facing the Victorian health care system.

5.3.4 Infection Control and Cleaning Standards in Victorian Public Hospitals

As part of the 1999-2000 review into the budget outcomes, the Department informed the Committee that in January 2000 it introduced minimum cleaning standards, referred to as 'Cleaning Standards for Victorian Public Hospitals'. Prior to this date there were no minimum standards or data maintained in relation to hospital cleaning outcomes.

The Department further advised that an audit was in progress of the external cleaning standards applied to a range of metropolitan and rural public hospitals. The audit will enable the establishment of baseline data in relation to hospital cleanliness and enable comparisons of standards of cleanliness between hospitals over time.⁹¹

In 2000-01, the Government allocated \$7.2 million for additional infection control practitioners and established various performance measures and targets to ensure cleaner hospitals and better infection control.

The Committee followed-up this issue during the review to determine what outcome performance measures and targets had been established and to ascertain what analysis of actual performance of hospitals against these benchmarks was undertaken in 2000-01.

The Department stated that the Government has identified infection control in public hospitals as a priority issue over the next four years. The first year of this program, 2000-01, focused

⁹⁰ Response by the Department of Health to the Committee's 2000-01 Budget Outcomes questionnaire, pp.6-7

⁹¹ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, pp.119-120

primarily on development and implementation of infection control processes that were aimed at improving surveillance and intervention measures in the context of broader continuous quality improvement and clinical risk management approaches.

While many hospitals are collecting hospital-wide infection rate data as part of the Australian Council on Health Care Standards (ACHS) accreditation requirements, there is increasing recognition that a more developed approach is required that focuses more clearly on prevention. An Expert Working Group on Nosocomial Infection Surveillance was established to identify a standardised surveillance system for Victorian public hospitals. As a result of the groups recommendations, the Victorian Nosocomial Surveillance System, supported by an independent coordination centre, has been established and piloting of the system will commence 2002.

A phased three-year plan has been developed for the system that will see benchmarked data (for all hospitals with more than 100 beds) available by 2004 and will provide the first reliable and meaningful information about Victorian hospital infection rates. Piloting, data monitoring and review, and roll out of the system is planned over a three- year period at which time data will be publicly available. A surveillance system for smaller hospitals (with less than 100 beds) will also be developed and piloted by 2004.

The Department also advised that the 2000-01 infection control program budget included:

- \$6.05 million, which was allocated for hospital infection control, and included the state-wide survey of infection control practices and protocols and the recruitment and training of 32 additional infection control practitioners and infrastructure to support infection control strategic plans;
- \$860,000 to be allocated annually over the next three years for the establishment of the Victorian Nosocomial Infection Surveillance Centre;
- \$46,000, which was allocated for the Victorian Hospital Pathogens Surveillance Program (VPSP); and

- \$240,000 allocated to the Victorian Advisory Committee on Infection Control (VACIC).⁹²

The Committee acknowledges the commitment of the Department to improving infection control in public hospitals, and will monitor developments in this area.

5.3.5 High-risk Adolescent Initiative

Under this initiative the aim of intensive case management services is to provide a multi-disciplinary intensive case management and youth outreach service to young people who are at a high level of risk, and for whom less specialist services would be ineffective in ameliorating their circumstances and managing the level of risk.⁹³

The Department advised the Committee that \$5.37 million was expended on the High-Risk Adolescent Initiative. An evaluation indicated that the initiative had been broadly successful in improving outcomes for high-risk young people. Young people who accessed the programs showed increased community connectedness, improved relationships, less issues related to substance abuse, a significant reduction in the rate of offending and improved personal functioning and physical wellbeing.

During 2000-01, \$924,000 was expended on the Intensive Case Management initiative.

The main quantitative performance measure for this service is the daily average number of clients/families receiving the service. The state-wide aggregate target for 2000-01 was 170 clients/families to receive the Intensive Case Management Service (ICMS) and the average number of clients/families who received ICMS in 2000-01 was 133. The Department advised that due to higher than anticipated demand in 2000-01 for home-based and residential child protection placements (target daily average number was 3,500 and the actual average was 3,894), funds were reallocated from the ICMS program by regions to meet this demand.

⁹² Response by the Department of Health to the Committee's 2000-01 Budget Outcomes questionnaire, p.14

⁹³ Department of Human Services, High-risk Adolescent Service Quality Improvement Initiative Guidelines, p.23

One-to-One Home-Based Care is an intensive, individualised home-based care placement for high-risk adolescents aged 12-18 years who are, or have been, listed on the Department's high-risk schedule. The primary objective of One-to-One Care is to provide a safe, stable, supportive and secure placement for high-risk young people aged 12-18 years who have been identified as highly vulnerable as a result of their highly challenging, risk-taking behaviour and multiple, complex needs. During 2000-01, \$1.92 million was expended on this initiative.

The main quantitative performance measure for this service is the daily average number of placements. The state-wide target for this measure in 2000-01 was 67 placements and the average daily number of placements in One-to-One Home-Based Care in 2000-01 was 50. Performance was below target due to higher than anticipated demand in 2000-01 for home-based and residential child protection placements.

Brokerage Funds are provided to ensure access to individually tailored services such as education, day programs, or involvement in structured activities which give young people life skills and meet individual specific needs. Brokerage funding for 200 high-risk adolescents has been allocated to regions and agencies at a cost of \$1.92 million in 2000-01. Actual performance for this program will be available at the end of March 2002.

Staffing arrangements were also strengthened to provide better support for young people with high-risk, challenging behaviour in secure welfare. In 2000-01, \$441,000 was expended on this initiative.

The Committee acknowledges the ongoing efforts of the Department to address the challenges involved with dealing with high-risk adolescents in need of protection and support.

Report on 2000-01 Budget Outcomes

CHAPTER 6: DEPARTMENT OF INFRASTRUCTURE

Key Findings

- 6.1 The Department of Infrastructure had expenditure of \$2,412.9 million in 2000-01 compared to the budget estimates of \$2,399 million, representing a variance of \$13.9 million or less than one per cent.**
- 6.2 There is a public perception that travel on public transport late at night is unsafe, a factor which impacts upon fare revenue. Whether the Government's recent safety initiatives have altered this perception is unclear.**
- 6.2 The contractual arrangements entered into by OneLink and the Public Transport Corporation in 1993 were deficient, as there were no incentives for OneLink to maximise its performance in providing automatic ticketing facilities. The contract only provided a single performance measure relating to the number of ticketing machines that were not operational, thereby excluding any machines that were operational, vandalised or were malfunctioning.**

6.1 Financial Performance

The 2000-01 Budget Paper No. 3 recorded the initial budget for the Department of Infrastructure as \$2,399 million.⁹⁴ That was subsequently revised during the year to \$2,497.6 million.⁹⁵ Actual expenditure for the year was \$2,412.9 million reflecting a variance of \$13.9 million as compared to the original budget.⁹⁶

⁹⁴ Budget Paper No. 3, *2000-01 Budget Estimates*, p.106

⁹⁵ Budget Paper No. 3, *2001-02 Budget Estimates*, p.108

⁹⁶ Response by the Department of Infrastructure to the Committee's 2000-01 Budget Outcomes questionnaire

Detailed below in Exhibit 6.1 is the original budget, actual expenditure and variances for each output group.

Exhibit 6.1 Department of Infrastructure – Financial Performance for 2000-01

Output Group	2000-01 Budget (\$ million)	2000-01 Actual Expenditure (\$ million)	Variance Actual to Budget (\$ million)	Variance Actual to Budget (%)
Strategic Land Use and Infrastructure Planning	7.0	10.43	3.43	49.0
Balanced Planning and Environmental Systems	50.2	90.42	40.22	80.1
Supporting Local Government	40.4	37.88	(2.52)	(6.2)
Ports and Intermodal Gateways	12.8	16.77	3.97	31.0
Regional and Rural Transport Services	281.8	272.76	(9.04)	(3.0)
Regional and Rural Transport Infrastructure	311.6	283.37	(28.23)	(9.0)
Metropolitan Transport Services	1,057.6	1,042.83	(14.77)	(1.0)
Metropolitan Transport Infrastructure	369.2	417.90	48.7	13.2
Transport Safety and Accessibility	268.5	240.56	(27.94)	(1.0)
Total	2,399	2,412.92	13.92	(1.0)

Note: Where brackets appear in the dollar or percentage variance column, this means there is a budget surplus for the particular line item.

Reasons advanced by the Department for major variances between output group budgets and actual expenditure were:⁹⁷

⁹⁷ Ibid

- the additional expenditure of \$3.43 million for the Strategic Land Use and Infrastructure Planning output group was mainly attributed to additional resources directed to the development of integrated regional transport strategies for the Northern Central City Corridor;
- of the additional expenditure of \$40.22 million incurred by the Balanced Planning and Environmental Systems output group, around \$30 million represented accounting transactions involved with the transfer during the year of the Office of Major Projects to the Department of Infrastructure from the Department of State and Regional Development and the transfer of the assets of the Building Services Agency to the Department of Treasury and Finance. Other expenditure variances were largely attributed to the capital assets charges and depreciation charges being higher than originally estimated;
- the expenditure variance of 31 per cent within the Ports and Intermodal Gateways output group was due to the transfer of costs associated with intermodal projects to this output group from the metropolitan and rural transport infrastructure output. In addition, there were extra costs associated with the management and ownership of Station Pier; and
- additional expenditure of \$48.7 million incurred by the Metropolitan Transport Infrastructure output group was mainly attributed to an improved costing methodology which more accurately represented the cost of delivery of services, including the capital assets charge, superannuation liability and depreciation charges. Initial budget estimates also excluded \$7.8 million which was the final cost of the Docklands North/South road.

6.2 Achievement of Performance Targets

As outlined in the Committee's Report on the 1999-2000 Budget Outcomes the Department had not developed objectives for each of its output groups. Therefore it was difficult for the Committee to establish whether the targets set for 1999-2000 reflected accurately the expectations of the Government for the output

performance. A similar situation also existed in respect of 2000-01. However, the Committee is pleased to note that in the budget estimates for 2001-02 objectives and indicators have been developed for each defined output group.

Despite the absence of objectives for each output group in 2000-01 extensive work had been undertaken by the Department in the development of over 200 performance measures which were designed to better reflect whether identified outputs and targets for each output group in 2000-01 were being met.

Based on the information contained in the Department's annual report for 2000-01 and the Department's response to the Committee's questionnaire, most of the output targets were either met or exceeded. Where performance measures indicated that output targets were not met and the variances were of a material nature, the Department provided the explanations, that follow to the Committee.⁹⁸

6.2.1 Strategic Land Use and Infrastructure Planning

(a) Regional and Rural Strategies

The Department intended to develop a regional land use and transport strategy for the Bendigo area. The Committee was advised that this was delayed until July 2001 due to an alternative focus on the development of three integrated transport strategies (North West Freight, Portland Access Study and Geelong Transport Strategies)

(b) Research and Forecasting Information

The Department planned to produce nine demographic analysis reports on population changes and projections but actually produced seven reports. However, the Department considered that although fewer reports were completed during the financial year, the reports prepared provided a greater level of detailed analysis than originally planned.

⁹⁸ Ibid, p.22-31

6.2.2 *Balanced Planning and Environmental System*

The following targets were not met by the Balanced Planning and Environmental System output group:

**Exhibit 6.2 Balanced Planning and Environmental System Output Group
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Planning Operations and Environmental Assessment	Planning certificates issued	number	70,000	55,348
	Environment effects assessments	number	6	3

Reasons advanced by the Department for the above variations were as follows:

- the substantial reduction in planning certificates issued compared to the target was a reflection on the post-GST downturn in the property market during 2000-01; and
- fewer environment effects assessments were issued owing to the complexity of the issues involved in the assessment process.

6.2.3 *Supporting Local Government*

The Supporting Local Government output group is concerned with ensuring that there is an effective and accountable system of local government, which is based on good governance, quality services, effective infrastructure, management and community accountability.

With respect to the Governance Support output under this output group it was projected that all councils in Victoria would implement properly structured and functioning audit committees. However, around 4 per cent of councils failed to implement the guidelines on audit committees issued by the Department in 2000-01.

The Department established a target of 100 per cent for all councils to lodge their annual reports within statutory deadlines. This was not achieved, with a non-compliance rate of 96 per cent, attributed to delays in completion of audits by the Auditor-General. All outstanding annual reports have since been lodged.

6.2.4 Ports and Intermodal Gateways

The Ports and Intermodal Gateways output group is responsible for initiatives to improve the efficiency of transport by addressing the interfaces of different components of a multi-faceted system covering the connections between ports, rail and road transport and airports in metropolitan, regional and rural Victoria. The following targets were not met by this group:

Exhibit 6.3 Ports and Intermodal Gateways Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Passenger Interchange Development	Rural modal interchange upgrade program implementation	%	40	25
	Metropolitan modal interchange upgrade program implementation	%	35	25
	Projects completed against agreed plans and timeframes	%	100	50

The Department advised that the failure to achieve targets in respect of both the rural and metropolitan modal interchange upgrade program could be attributed to a time lag in designs, stakeholder input and the council approval process. Similar reasons were advanced for the failure of the Department to complete 50 per cent of its projects in this output group against agreed plans and timeframes. The Committee was advised that

action was taken during 2001-02 to bring progress on all modal interchange programs in line with targets.⁹⁹

6.2.5 Regional and Rural Transport Services

The Regional and Rural Transport Services output group focuses on the delivery of public transport services to regional and rural areas of Victoria through contractual arrangements with private operators. These services include intrastate and interstate rail services, route and school bus services. Contracts with private operators are managed to ensure that service provision is in accordance with contractually agreed standards and that committed investment levels for rolling stock and new buses are delivered.

(a) Country/Interstate Rail Services

The Department set a target for V-line Passenger services of 95 per cent of its services to arrive at destination no more than 0.59 minutes before and no less than 5.59 minutes after timetable. Actual performance was below target with 92.7 per cent of services arriving on time. Reasons given for the lower performance were bad weather and poor pathing in the metropolitan rail network.

The Department advised that a range of remedial measures, including better scheduling of trains, infrastructure improvements and improving human resource management, have been put in place by National Express Group Australia to address these issues.

Further, in February 2000 the Government announced as part of the Linking Victoria initiative, a plan to provide fast rail links to Ballarat, Bendigo, Geelong and the Latrobe Valley. The Government committed \$550 million to the project in September 2000.

(b) Country Bus Services

The Department established a target of 30 new air-conditioned buses to be put into service by private bus operators in 2000-01. However this target was not met with only 10 new buses coming into service. The Department advised that the shortfall was due to

⁹⁹ Ibid, p.26

delays in signing contracts with bus operators and a lack of availability of build slots with bus manufacturers.¹⁰⁰ The Department further advised that this program has since been brought back on schedule.

6.2.6 Metropolitan Transport Infrastructure

The Metropolitan Transport Infrastructure output group is responsible for the development and maintenance of metropolitan road networks and implementation of major civic and road projects, as well as the development of metropolitan rail and tram infrastructure as set out in the contracts with private operators.

(a) Metropolitan Public Transport Development

In 2000-01 an amount of \$5 million was allocated for the Smart Bus program, but only \$3.7 million of expenditure was actually incurred on a Smart Bus trial corridor, after delays following an extensive community consultation process on the planned works to improve road conditions for buses.

The Smart Bus program is part of a number of initiatives to upgrade bus services in Melbourne, and comprises improvements in service frequency, reliability, service information, accessibility (compliance with the Disability Discrimination Act) and service coverage. The Committee notes that in 2000-01 the customer satisfaction level with metropolitan bus services was only 70 per cent and that 93.6 per of services were delivered within five minutes of timetable, compared to a target of 95 per cent.¹⁰¹

The Committee considers that based on the performance information provided, there is considerable scope for improvements in metropolitan bus services. It is therefore important that projects such as the Smart Bus program designed to improve bus services, proceed with a minimum of delay.

6.3 Major Initiatives

The Committee's review of the 2000-01 budget outcomes included analysis of major initiatives undertaken by the Department

¹⁰⁰ Ibid, p.26

¹⁰¹ Department of Infrastructure, *Annual Report 2000-01*, p.150

throughout the year. This analysis is based on the Department's responses to the Committee's questionnaire and on information contained in the Department's 2000-01 annual report.

6.3.1 Safer Public Transport

In November 2000 the Government announced the establishment of a Safe Travel taskforce to provide advice to the Minister for Transport about public safety on metropolitan and regional public transport.¹⁰² The taskforce included representatives from the Transit Division of Victoria Police, the Rail, Tram and Bus Union, the Bus Association of Victoria, transport operating companies and representatives from Government. The role of the taskforce was to improve safety and public confidence in the public transport system through the exchange of information between involved parties, reviewing of security programs and resources and co-ordinating new safety and security initiatives.

In conjunction with this announcement, \$4.7 million was allocated for the introduction of 100 roving safety officers on Melbourne's train network from December 2000. Their functions involved being located at outer-suburban stations checking tickets, patrolling car parks and patrolling platforms with a view to meeting the safety needs of passengers arriving at stations after dark. The additional staff were also deployed onboard trains on the outer sections of the rail network to provide improved safety and customer assistance.

A further \$5.5 million per annum was allocated for three years to introduce 100 roving conductors onto Melbourne's tram network, effective from May 2001.

The Committee acknowledges the potential benefits of the new public transport safety initiatives introduced by the Government. However, there is a public perception that travel on public transport late at night is unsafe, a factor which impacts upon fare revenue. Whether the Government's recent safety initiatives have altered this perception is unclear and probably could only be determined from customer surveys. The Department's annual report, including performance indicators, does not provide any information on public perceptions of passenger safety at night.

¹⁰² Media release from the Minister for Transport – 20 November 2000

A potential indicator of passenger satisfaction is the performance measure referred to in the Department's 2000-01 annual report as the Customer Satisfaction Index.¹⁰³ In 2000-01 the output group relating to metropolitan train services set a target of 68 per cent for customer satisfaction and a level of 69.4 per cent was achieved. Personal safety is rated by passengers as a very important factor in train travel after frequency and reliability considerations.

The Committee acknowledges the actions of the Government in attempting to improve passenger safety. However, the extent to which these actions have proven to be effective or whether alternative strategies are required, should be measured through performance information recorded in the Department's annual report.

6.3.2 Spencer Street Station Redevelopment

In February 2000 the Victorian Government announced plans for the redevelopment of Spencer Street Station as part of the 'Linking Victoria' strategy, which is a plan designed to generate over \$1.5 billion of investment in transport infrastructure over three years.

At the time of the announcement the redevelopment was seen as an opportunity to replace the existing Spencer Street Station building, which needed considerable maintenance works, to be replaced with a state-of-the-art multi-model interchange providing country and metropolitan rail services, an airport rail link, trams and regional buses. A new Government authority – the Spencer Street Station Authority, was established on 1 July 2000 to manage the station precinct and the development, or redevelopment, of the precinct for transport, commercial and public purposes.

It is projected that the redevelopment, which will be carried out under the Government's 'Partnerships Victoria' policy will cost between \$200 million and \$300 million and will be completed in 2005. In 2000-01 the Government allocated \$3 million, mainly to fund the operations of the new Spencer Street Station Authority and to carry out urgent maintenance works. Actual expenditure was \$5.7 million.

¹⁰³ Department of Infrastructure, *Annual Report 2000-01*, p.149

The project as intended in 2000-01 was to make provision for an Airport Transit Link and a very fast train service between Melbourne and Sydney. Expenditure of \$1.2 million was incurred in 2000-01 on the Airport Transit Link Study. However a decision was made in January 2002 that the project was not commercially viable for at least ten years given that 89 per cent of airline passengers used either private cars or taxis and a Government subsidy of up to \$450 million over ten years was not justified to establish a rail link. The development of a very fast train service between Melbourne and Sydney is also not intended in the immediate future.

6.3.3 Automated Ticketing System Performance

The Automated Ticketing System (ATS) contract was entered into in 1994 with the endorsement of the previous Government. The contract was between the Public Transport Corporation (PTC) and One Link Transit Systems Pty Ltd (OneLink). The estimated cost of implementing the system was \$332 million. In 1999, four franchises were established with private sector transport operators for the operation of rail and tram services throughout the metropolitan area and country Victoria. At the same time a new entity known as the Revenue Clearing House (RCH) was established by the franchisees and the Department of Infrastructure, acting on behalf of private bus operators, to distribute revenue from the transport system. The PTC assigned responsibility for managing the contract with OneLink to the RCH. The contract is complex and has many constraints.

Under the original contract arrangements, where the annual cost of ATM vandalism repairs was greater than \$2 million, the excess cost was met by the PTC and was intended to be on-charged to the transport operators. To date this has not occurred as this issue has been part of a broader dispute with OneLink in relation to the PTC verifying 'billable' maintenance. The Committee requested the Department of Infrastructure provide details of the overall costs of vandalism to the ATM for the three years to 30 June 2001 but was advised that this level of financial detail was not available. However the Committee notes that vandalism repairs by OneLink in 1999-2000 cost \$4.97 million.

To assess the quality of services delivered by OneLink the contract with the PTC contained a range of performance standards. The only standard specifically relating to ATM was that the machines had to be available to the public and fully operational 99.76 per cent of the time. If machine availability, due to actions of OneLink, dropped below 99.76 per cent, then compensation was payable to the PTC. If availability fell below 95 per cent then the essential service obligation (ESO) was breached, leading to a potential breach of the contract. The maximum compensation for the failure of OneLink to achieve performance standards, but less than the ESO, was capped at \$6.7 million per annum.

Under the contract, OneLink is responsible for reporting its own performance to the RCH and the Department, if required, through the use of information generated through a management information system known as the performance reporting system (PRS). The integrity of the PRS has been reviewed by the Commission and the Revenue Clearing House.

Following adverse media publicity and growing community concerns about the effectiveness of the automated ticketing system, particularly in relation to ATM breakdowns, the Transport Minister commissioned in March 2001 an independent audit of the system. The audit (the Miller Report) was publicly released in May 2001. The report identified a range of ongoing problems with the automated ticketing system, many of which related back to the original contract conditions. As a result of the audit, a partnership approach involving the Government, OneLink and the private transport operators led to an agreement with the parties to work together to build a better system.

The Committee requested the Department of Infrastructure provide information on the performance of the Automated Ticketing system in 2000-01 in comparison to the benchmarks contained in the contract. Although performance standards are meant to assess the extent to which the contractor's service obligations are met, the only performance standard set in relation to the automatic dispensing of tickets to the public was that ATM's were to be available to the public at least 99.76 per cent of the time. This performance measure only reflected the availability of ATM's

across the transport system, as distinct from individual stations or lines, or peak periods by comparison with non-peak periods.

The information provided to the Committee recorded that OneLink's performance during 2000-01 was generally in line with contractual obligations, although performance during the latter part of 2001 dropped marginally below performance standards.¹⁰⁴ As a result OneLink was penalised \$178,563 in respect of availability of ATM's, \$3,750 for not answering at least 75 per cent of calls from the public within 20 seconds, and a further \$3,750 for allowing the phone call abandonment rate to exceed 6.5 per cent of all calls.

Prima facie, OneLink's performance was satisfactory in terms of making ATM's available at least 99.76 per cent of the time. However, the contractual definition of availability excluded all machines subjected to preventative maintenance, vandalism, and non relevant failure. Non-relevant failure is defined under the contract as the failure of any equipment or software arising from any unreasonable or negligent act or omission or operation outside specification or from vandalism. The cost of rectifying non-relevant failures is met by the PTC and passed on to transport operators.

The implications of excluding ATM's for the above reasons were highlighted in the Miller Report, which identified from a field survey in March 2001 that only 72.8 per cent of ATM's on railway stations were fully operational. In addition, the survey also found that only 88.5 per cent of ATM's on trams, and 87.6 per cent of ATM's on buses could be classified as fully operational. Most faults related to incorrect change, blockages in coin and note slots, failure of ATM's to give change and rejection of coins. Across the transport system, on average 95.6 per cent of validating machines were fully operational. The Miller Report also established that some machine malfunctions were not automatically reported to OneLink via the computer system as was originally envisaged. As such, repairs were often delayed unless manual notifications were made to OneLink.

¹⁰⁴ Further correspondence from the Department of Infrastructure, dated 29 April 2002.

The contractual arrangements entered into by OneLink and the Public Transport Corporation in 1993 were deficient, in that there were no incentives for OneLink to maximise its performance in providing automatic ticketing facilities. The contract only provided for a single performance measure relating to the number of ticketing machines that were operational, thereby excluding any machines that had been vandalised or were malfunctioning.

At the time of the Miller Group survey, 27.2 per cent of ATM's at all stations were not fully operational and this had serious implications for the Government in terms of loss of revenue through fare evasion and lack of public confidence in the ticketing system.

The Committee also noted that while not reflecting on the clear commitment of OneLink to improve the system, contractual arrangements for the automated ticketing system:

- provided no incentive for OneLink beyond \$2 million to manage vandalism, as all vandalism costs were to be eventually met by the respective transport operators, adding considerably to their cost structures;
- encouraged the classification of all machine malfunctions as either vandalism or non-relevant failures, given that expenses incurred in repairs were either fully or partially recouped by OneLink from the PTC; and
- allowed for all machines that were not operational on account of vandalism or non-relevant failure to be excluded from the calculation of the machine availability performance measure under the contract. This provision provided a further incentive for OneLink to classify as many faults as possible as either vandalism or non-relevant failures. Conversely, there was an incentive for OneLink to not report any faults that could not be classified as either vandalism or non-relevant failure so as to not impact upon the 99.76 per cent performance measure.

Since the Miller Report a concerted effort by Victoria Police, OneLink, public transport operators and the Government to overhaul security over ticketing machines has taken place, with the

result that vandalism has been reduced and more machines are now operational. The ticketing machines have also been upgraded and made more secure against vandalism.

The most significant development which has occurred was announced by the Minister for Transport on 30 May 2002.¹⁰⁵ Agreement was reached between the Government and OneLink that in return for a progressive payment of \$65 million in a conditional settlement of outstanding legal claims against the State of Victoria, the contract terms will be amended.

The amendments provide for:

- OneLink assuming full responsibility for the management of vandalism of machines, an arrangement which will also significantly limit OneLink's capacity to claim compensation from the Government for vandalism related costs as previously occurred;
- a new performance measure related to a minimum level of availability of ticketing machines across the transport system. Where availability of machines falls below a minimum level, irrespective of vandalism and malfunctioning, penalty provisions of up to \$2 million per annum will apply to OneLink;
- the availability to OneLink of performance payments of up to \$17.5 million over five years if performance measures incorporating the management of vandalism are met and real revenue growth of 3 per cent is achieved; and
- the payment of \$65 million in three stages, conditional on performance milestones being met.

The Committee is pleased that the long running dispute between the Government and OneLink has been settled and there is now a strong incentive for OneLink to manage vandalism effectively and maximise the availability of fully operational ticketing machines to public transport users.

¹⁰⁵ Media release from the Minister for Transport, 30 May 2002

The Committee recommends that:

Recommendation 6.1:

The Director of Public Transport be responsible for monitoring the availability of automatic ticketing machines managed by OneLink Transit Systems Pty Ltd. The performance data collected should be published as public information.

CHAPTER 7: DEPARTMENT OF JUSTICE

Key Findings:

- 7.1 The Department of Justice and Victoria Police had expenditure of \$1,728.4 million in 2000-01 compared to the budget estimate of \$1,649.1 million, representing a variance of \$79.3 million or 4.8 per cent.**
- 7.2 As knowledge of the victims referral assistance service increased, calls for assistance and counselling services continued to rise in 2000-01. As a result, funds were redirected from the Department's public education activities.**
- 7.3 The 2000-01 outcome shows a further decline below the target number of police patrol hours as police resources are redirected to incident and event management activities.**
- 7.4 Vital statistics on road toll and drink and drug impaired driving should be incorporated as official performance measures in Budget Paper No. 3 and included in annual reports of the Department of Justice and Victoria Police.**

The Department of Justice is the central coordination agency for the Justice Portfolio, as well as for a number of statutory agencies and offices, and judicial and quasi-judicial bodies. Overall responsibility for the Justice Department is shared by the three Ministers responsible for four portfolios: Attorney-General; Police and Emergency Services; Corrections; and Consumer Affairs.¹⁰⁶

The output group and financial information for the Department of Justice includes consolidated information for the following agencies: Victoria Police; the Equal Opportunity Commission; the Office of Public Prosecutions; the Victorian Electoral Commission;

¹⁰⁶ Department of Justice, *Annual Report 2000-01*, p.1

the Office of the Public Advocate; the Director of Public Prosecutions; the Country Fire Authority; the Metropolitan Fire and Emergency Services Board and Victoria's State Emergency Services.¹⁰⁷

7.1 Financial Performance

The Department's output group structure, as contained in the 2000-01 Budget Paper No. 3, comprised 11 output groups with a total budget of \$1,649.1 million.¹⁰⁸ The Committee notes that the Department's output group structure is divided into two distinct sections, namely five output groups associated with the Department and six for Victoria Police.

The Department's financial performance for 2000-01 is shown in Exhibit 7.1 below.

¹⁰⁷ Budget Paper No. 3, *2000-01 Budget Estimates*, p.153

¹⁰⁸ *Ibid*, p.158

Exhibit 7.1 Department of Justice – Financial Performance for 2000-01

Departmental Output Group	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance actual to budget (\$ million)	Variance actual to budget (%)
Legal Services*	136.1	149.4	13.3	9.8
Court and Tribunal Services*	168.4	185.5	17.1	10.2
Consumer and Equity Services*	48.8	50.1	1.3	2.7
Community Safety*	70.1	105.9	35.8	51.1
Correctional Services*	210.0	223.2	13.2	6.3
Crime Prevention and Community Support	374.5	374.3	(0.2)	(0.1)
Incident and Event Management	92.2	92.3	0.1	0.1
Crime Investigations	220.3	220.1	(0.2)	(0.1)
Road Safety and Road Trauma Reduction	98.7	98.4	(0.3)	(0.3)
Supporting the Judicial Process	192.2	191.7	(0.5)	(0.3)
Information and Licensing Services	37.7	37.5	(0.2)	(0.5)
Total	1,649.1	1,728.4	79.3	4.8

Note: *Output groups associated with the Department of Justice

Note: Where brackets appear in the dollar or percentage variance column, this means there is a budget surplus for the particular line item.

Exhibit 7.1 shows the Department of Justice and Victoria Police had expenditure of \$1,728.4 million in 2000-01 compared to the budget of \$1,649.1 million, representing a variance of \$79.3 million or 4.8 per cent. The Committee was also interested to note that the variance in relation to the 2000-01 revised budget (\$1,693.3 million) was \$35.1 million, or 2.1 per cent.

7.1.1 Department of Justice

Actual expenditure for the Department of Justice for 2000-01 was \$714.1 million, \$80.7 million or 12.7 per cent above the budget

estimate of \$633.4 million. The Department provided the following explanations for the variations. The Legal Services output group varied by \$13.3 million, or 9.8 per cent due to:¹⁰⁹

- supplementation of \$2.2 million for wage and salary increases plus internal re-prioritisation to meet additional workloads under the criminal prosecutions output;
- additional funding of \$4.5 million provided by way of a Treasurer's Advance in respect of increased fines processing volumes (CityLink) under the enforcement management output;
- Treasurer's Advance of \$4.1 million provided, plus an internal prioritisation, for the Victims Referral Assistance Service counselling scheme for increased demand under the Support for Victims of Crime output; and
- additional Special Appropriation of \$2.3 million approved to support development of a new roll management system at the Victorian Electoral Commission.

The Court and Tribunal Services output group varied by \$17.1 million, or 10.2 per cent due to:¹¹⁰

- additional capital asset charge expense of \$4.2 million due to revaluation of land, with the balance due to wage and salary increases and increased revenue retained from court fees;
- additional funding of \$5 million for increase in judicial salaries, wage and salary increases and increased revenue retention from court fees; and
- increased wage and salary supplementation of \$4.8 million to meet increased demand.

The Community Safety output group varied by \$35.8 million, as a result of the \$27.6 million increase in fire services expenditure associated with the Country Fire Authority Reform Package. Funds were also reprioritised to this output for the development of the Department's Mobile Data Network, with the balance resulting from unanticipated State Emergency Service trust revenue.¹¹¹

¹⁰⁹ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.13

¹¹⁰ Ibid

¹¹¹ Ibid, p.14

The Correctional Services output group varied by \$13.2 million, or 6.3 per cent, which was mainly due to:¹¹²

- Treasury Advances for \$3.5 million, which were related to the settlement between the State and the private operator of the Metropolitan Women’s Correctional Centre to terminate the contractual arrangements for the prison;
- \$5.5 million supplementary funding for wage and salary increases; and
- \$1 million Treasury Advance allocated for health services within public prisons and the residual relating to the increase in the capital asset charge caused through the revaluation of land and buildings within the public prison system.¹¹³

7.1.2 Victoria Police

Actual expenditure for Victoria Police for 2000-01 was \$1,014.3 million, compared to the budget estimate of \$1,015.6 million, with very little material variance between all police outputs as disclosed in the Department’s response to the Committee’s questionnaire.¹¹⁴

7.2 Achievement of Performance Targets

The Committee’s analysis of the Department’s 2000-01 annual report by output group and output groups as disclosed in Budget Paper No. 3, showed the following major variations from performance targets.

7.2.1 Legal Services

The intended outcomes from the Legal Service output group are that people’s rights and freedoms are protected and community expectations are met through a fair and equitable justice system that is accessible to all Victorians.

¹¹² Ibid

¹¹³ Ibid

¹¹⁴ Ibid, p.14 -15

Exhibit 7.2 shows selected performance measures for the Legal Services output group where performance targets for 2000-01 were not substantially achieved.

**Exhibit 7.2 Legal Services Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Legal Policy & Advisory Services	Legislative program matters including responses to parliamentary inquiries	number	35	32
Support for Legal Aid Services	Duty lawyer services	hours	37,000	32,205
Enforcement Management	Infringements, Court orders and warrants cleared	number	1,360,000	1,268,500
	Percentage of debt clearance performance criteria satisfied	%	80	60
Asset Confiscation Office	Confiscation orders obtained	number	4,000	3,087
Support for Victims of Crime	Clients completing course of counselling	number	8,000	17,250
	Public education activities conducted	number	1,000	400
Native Title	Number of indigenous Land Use Agreements completed	number	10	3

The following explanations for the variations have been provided by the Department for the Legal Services output group:¹¹⁵

- the 9 per cent variation occurred in the Legal Policy and Advisory Services output because the Department's legislative program involved fewer but more complex projects than anticipated in the initial estimate;
- the target hours for Duty Lawyer Services output was based on the 1999-2000 reported actual (1,227,000 hours), however during the course of 2000-01 it was identified that there was an error in the previous year's actual total, which influenced the 2000-01 target. Therefore actual service provided in 2000-01 was not reduced, compared with 1999-2000, but the target for 2000-01 was overestimated;
- the 7 per cent variation in the target for the clearance of infringements, court orders and warrants and the lower than expected percentage of debt clearance performance criteria satisfied, was due primarily to delays arising from difficulties in implementing an information technology system;
- the target of confiscation orders obtained was not achieved, as this output measure is reliant upon the number of cases identified by police where charges are laid that have confiscation potential as well as with the number of cases processed by the Courts. The target number for such cases was overestimated;
- under the Support for Victims of Crime output, the number of clients completing counselling courses more than doubled the target for 2000-01 as a result of continuing strong demand for the service;
- public education activities conducted were 60 per cent below target as a result of unprecedented demand for services in other areas, resources were re-prioritised away from public education activities; and
- the number of indigenous Land Use Agreements completed was significantly less than the 2000-01 target. The process for negotiations over indigenous Land Use

¹¹⁵ Ibid, pp.7 and 8

Agreements proved substantially more complex than originally estimated. According to the Department, the process also showed that the measure of indigenous Land Use Agreements completed was not an appropriate measure for the complex processes involved.

The Committee notes the trend of a redirection of funds from public education activities to other departmental activities has continued again in 2000-01, with only 400 public education activities conducted as compared to the target of 1000. The Committee urges the Department to ensure that the objective of delivering public education activities is not overly compromised by the redirection of resources towards other departmental activities.

Accordingly, the Committee recommends that:

Recommendation 7.1:

The Department of Justice assess the impact that the redirection of resources from the provision of public education activities to other activities is having on the level of public knowledge about the availability of legal services.

7.2.2 Courts and Tribunal Services

The Courts and Tribunal Services output group aims to provide administrative support for case processing in the jurisdictions of the various State courts, statutory tribunals and alternative civil dispute resolution processes.¹¹⁶

The Department's 2000-01 annual report showed that all performance targets under this output were achieved, and in some cases substantially exceeded.¹¹⁷ However, under the Case Processing in the County Court output, in 2000-01, 78 criminal cases were disposed of within 12 months of commencement compared with the target of 85. The Department advised that this measure was affected by the disposition of a large number of old

¹¹⁶ Budget Paper No. 3, 2000-01 Budget Estimates, p.166

¹¹⁷ Ibid, p.26

cases, which created a significant backlog that is being progressively reduced.¹¹⁸

7.2.3 Consumer and Equity Services

The outputs of the Consumer and Equity Services group give people information about their rights and responsibilities and educate the community to promote equality of opportunity, prevent discrimination, protect consumers and promote responsible business conduct.¹¹⁹

Exhibit 7.3 shows selected performance measures for the Consumer and Equity Services output group where there were substantial variations from target measures for 2000-01.

Exhibit 7.3 Consumer and Equity Services Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Consumer Protection	Legislative reviews, effectiveness reviews, policy briefs and correspondence responses provided	number	378 – 435	615
	Successful outcome to enforcement activities	%	90	98
Office of the Public Advocate	Volunteers supported and trained	number	770	655
	Advocacy interventions and investigations	number	1,740	1,613

¹¹⁸ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.9

¹¹⁹ Budget Paper No. 3, *2000-01 Budget Estimates*, p.170

The following explanations have been provided by the Department for the variations:¹²⁰

- the target for legislative reviews, effectiveness reviews, policy briefs and correspondence responses was substantially exceeded because of an increase in ministerial correspondence;
- the Department experienced problems in recruiting volunteers to the Office of the Public Advocate. On-going recruiting has sustained numbers but has failed to achieve the projected increase; and
- the number of advocacy interventions and investigations failed to reach the target for 2000-01 as it included an estimated 150 investigations into applications to the Victorian Civil and Administrative Tribunal to conduct medical research involving people who cannot consent to their involvement. This target was set in March 1999 when the law had been in force for less than three months. The Department advised that it was a speculative estimate and the predicted applications did not eventuate.

7.2.4 Community Safety

The outputs of the Community Safety group have been designed to develop and deliver the Minister for Police and Emergency services' portfolio commitments and associated legislative reform and program implementation initiatives, provide operational funding support to the state's fire and emergency services agencies and purchase community safety and crime prevention services from community organisations.¹²¹

Review of the Department's annual report shows that all of the performance measures relating to the Community Safety and Crime Prevention output exceeded their targets for 2000-01, with the more notable variations including:

- the number of policy briefs and ministerial correspondence concerning emergency management arrangements was 9 per cent higher than target (930

¹²⁰ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.9

¹²¹ Budget Paper No. 3, *2000-01 Budget Estimates*, p.174

compared to 850), due to a higher number of funding rounds; and

- grant applications received were 20 per cent higher than target (180 compared to 150) due to the higher number of funding rounds held over the course of 2000-01.

7.2.5 Correctional Services

The outputs of the Correctional Services group aim to ensure that correctional dispositions of the courts and orders of the Adult Parole Board are implemented through the management of the state's system of correctional facilities and programs for the containment and rehabilitation of prisoners and the community based supervision of offenders.¹²²

In its response to the Committee's questionnaire, the Department states there were two performance measures in the Correctional Services output group with a material variation from target.¹²³

¹²² Ibid, p.176

¹²³ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.10

These performance measures are as described in Exhibit 7.4.

Exhibit 7.4 Correctional Services Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Correctional Services	Proportion of benchmark measures in prison services agreements achieved	number	90	83.70
Community Correctional Service	Community supervision orders registered	number	22,000	17,466
	Average daily offenders under community based supervision	number	7,000	6,422
	Community supervision orders successfully completed	number	75	70

The Department provided the following explanations for the variations in performance measures:¹²⁴

- the 6 per cent variation in this proportion of benchmark measures in prison service agreements achieved was a result of persistent service failures by Corrections Corporation of Australia Pty Ltd;
- the number of community supervision orders registered in 2000-01 was almost 21 per cent below the established target. The proportion of high-risk offenders on intensive orders has increased relative to the high volume, low risk offenders on community work (only) orders. This trend for 2000-01 is consistent with that observed by the Committee during 1999-2000 when the number of community supervision orders registered was 17,959 compared to the target of 22,000;

¹²⁴ Ibid

- the average number of daily offenders under community based supervision was also significantly below target (8 per cent), because like those on community supervision orders, the proportion of high-risk offenders on intensive orders has increased relative to the high volume, low risk offenders on community work (only) orders; and
- community supervision orders successfully completed was 5 per cent below target because, as the proportion of high-risk offenders increases, so have community expectations in relation to the enforcement of compliance. Completion rates therefore reflect the stringency with which orders are managed.

7.2.6 Crime Prevention and Community Support Programs

The Crime Prevention and Community Support Programs output group provides a visible police presence aimed at preventing and detecting crime and enhancing the community's perceptions of personal safety and security. The output group is also focused on supporting Government policies on crime prevention, developing partnerships with the community and ensuring rapid response to emergency situations.¹²⁵

The Department's response to the Committee's questionnaire indicated that under the Visible and Accessible Police Presence in the Community output, the total number of patrol hours in 2000-01 was 2,223,000 hours, 11 per cent below the target of 2,500,000 hours. The Department explained that the reduction in this activity represents the diversion of resources into managing an increased number of events during the year.¹²⁶

Not only does the 2000-01 outcome continue the previous years trend¹²⁷ but in fact represents a further decline below the target number of patrol hours. While the Committee recognises the importance of effective event management, it is concerned that this

¹²⁵ Budget Paper No. 3, *2000-01 Budget Estimates*, p.178

¹²⁶ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.10

¹²⁷ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report May 2001, p.156

continuing trend of diminishing police patrol hours is not in the interests of maintaining community safety.

Accordingly, the Committee urges the Department and Victoria Police to review this situation with a view towards determining whether the desired outcomes of the Visible and Accessible Police Presence in the Community output are being compromised by the diversion of resources into managing an increased number of events.

The Committee recommends that:

Recommendation 7.2:

The Department of Justice and Victoria Police assess the impact of the reduction in the total number of patrol hours, including whether the incidence of crime both reported and unreported is increasing, as a result of the ongoing diversion of police resources to the management of events.

7.2.7 Incident and Event Management

Services provided within the Incident and Event Management output group include routine call and offence attendance, serious incident attendance, including incidents of family violence, responding to emergencies including hostage and siege situations and search and rescue, management and policing of public events and demonstrations, and provision of VIP and protective security.¹²⁸

¹²⁸ Budget Paper No. 3, 2000-01 Budget Estimates, p.181

**Exhibit 7.5 Incident and Event Management Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Response to Incidents	Proportion of the community who agree Victoria Police are timely in responding to calls for assistance	%	69	62
	Proportion of the community who agree Victoria Police manage emergency situations well	%	>90	86
Event Management	Number of managed events	number	1,400	2,266

The Department provided the following explanations for the variations in performance for 2000-01:¹²⁹

- the proportion of the community who agreed that Victoria Police were timely in responding to calls for assistance was 62 per cent, 7 per cent below the target measure of 69 per cent. The Department advised the Committee that the impact of negative media reporting is likely to have had an impact on this result. However, the Department also advised that while performance has declined against the benchmark, Victoria still exceeded the national average for this output which was 59 per cent;
- the proportion of the community who believe Victoria Police manages emergency situations well was 86 per cent, below the target of 90 per cent. No explanation was provided for this variation, however the Victoria Police annual report stated that the Victorian rating equalled the national average for this measure; and
- the number of managed events 2,266 was almost 62 per cent greater than the target of 1,400. This reflected the Committee's observations in respect of the 1999-2000

¹²⁹ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.11

performance where the number of managed events were 1,683 compared to the target of 1,400.¹³⁰ The Department advised the Committee that there has been a significant one-off increase in demand for Victoria Police services in this area of service delivery. This demand has been met from the budget by diverting police resources from patrol hours.

The Committee reiterates the comments made in its 1999-2000 Report on Budget Outcomes that the operations of the Incident and Event Management Group are critical, not only in respect of responding to incidents but also in terms of public perceptions of their personal safety at home and in the community.

However, the Committee is concerned that the number of events requiring police management continues to grow, and as indicated in section 6.3.6, Crime Prevention and Community Support Programs, this is resulting in the diversion of police resources from the Visible and Accessible Police Presence in the Community output and consequently reducing the actual number of police patrol hours.

The Committee recommends that:

Recommendation 7.3:

Targets and strategies established under the Victoria Police Incident and Event Management output group be reviewed to ensure they more realistically reflect the operational demands and police resource requirements in relation to the incident and event management activities undertaken by Victoria Police.

¹³⁰ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, p.159

7.2.8 Crime Investigations

Services delivered in the Crime Investigations output group include the investigation of reported and detected crimes against persons and property and those involving illegal drug activity.¹³¹

Material variations in performance measures for 2000-01 are highlighted in Exhibit 7.6.

Exhibit 7.6 Crime Investigation Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Investigation of Crimes against the Person	Total hours of investigation	hours	>730,000	834,000
	Crimes against the person investigated by crime squads and percentage cleared	number	720	853
		and %	65-70	69.6
Investigation of Crimes against Property	Proactive targeted operations by crime squads and percentage resulting in arrests	number	75	92
		and %	60	74.8
Investigation of Crimes against Property	Total hours of investigation	hours	>1,050,000	1,196,000
	Crimes investigated by crime squads and percentage cleared	number	1,600	3,133
		and %	78-80	83.1

¹³¹ Budget Paper No. 3, 2000-01 Budget Estimates, p.183

Exhibit 7.6 (continued)

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Investigation of Illegal Drug Activity	Total hours of investigation	hours	>600,000	557,555
	Drug offences investigated by crime squads and percentage cleared	number	480	718
		and %	95-98	99.2
	Proactive investigations being conducted and percentage resulting in detection of offences	number	120	96
and %		55-60	84	
	Community rating of Victoria Police performance in investigating drug dealing	%	52-54	48

The following explanations for the variations were provided:¹³²

- the total hours of investigation of 834,000 significantly exceeded the target of 730,000 by over 14 per cent. The Victoria Police explained that this is a demand-driven measure and the result reflects an increase in certain types of crime, such as armed robberies on convenience stores and fast food outlets;
- the crimes against the person investigated by crime squads were 853, 18.5 per cent above the target of 720, which reflected an increased focus on the more serious and complex crimes requiring specialist investigative resources. The percentage of these investigations that were cleared, fell within the target performance range; and
- the proactive targeted operations by crime squads were 92—23 per cent above the target of 75, and the percentage

¹³² Victoria Police, *Annual Report 2000-01*, p.23

of resulting arrests was almost 75 per cent compared to the target measure of 60 per cent. Victoria Police advised that this is a new measure for 2000-01 and limited data was available for target setting. In view of this, the Committee will, at a later stage, again review this performance measure to assess the consistency of performance in future years.

The Committee's analysis of the Investigation of Crimes Against Property output for 2000-01, indicated:¹³³

- the total hours of investigation was 1,196,000, almost 14 per cent greater than the target of 1,050,000. Victoria Police explained that this is a demand-driven measure and the result reflects an increase in certain types of crime within the category; and
- crimes investigated by crime squads were 3,133 some 96 per cent above the target of 1600 and the percentage of crimes cleared was also greater than the target. The Department advised that this performance represents increased focus on the more serious and complex crimes requiring specialist investigative resources, with a significant proportion of the higher than forecast result related to investigations of a series of credit card frauds.¹³⁴

The Committee's review of the Investigation of Illegal Drug Activity output for 2000-01, highlighted:¹³⁵

- the total hours of investigation was 557,555, around 7 per cent below the target of 600,000. The Department advised that this variation could be largely attributed to the impact of drug diversion programs, which aim to keep persons who may previously have been charged with drug possession and use offences, out of the criminal justice system. The Department also advised that a high proportion of crimes against the person and property crimes are drug related but they do not result in drug charges, so are not counted under this measure;

¹³³ Ibid

¹³⁴ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.11

¹³⁵ Victoria Police, *Annual Report 2000-01*, p.23

- drug offences investigated by crime squads were 718 compared to the target of 480. Victoria Police stated that this result reflected an increased focus on the more serious and complex crimes requiring specialist investigative resources;
- proactive investigations being conducted by crime squads was 96 compared to the target of 120, reflecting a reduction of 20 per cent. Victoria Police stated that this reflected a focus on a smaller number of complex and protracted investigations. It should be noted that the percentage of operations resulting in detection of offences was 84 per cent compared with the target of 55-60 per cent; and
- the community rating of Victoria Police performance in investigating drug dealing was 48 per cent, below the target rating of 52-54 per cent. The Victoria Police advised that this rating was consistent with the national average for this area of investigation.

The Committee also notes that some new performance measures were introduced by Victoria Police regarding the proactive targeted operations under the Investigation of Crimes Against the Person and the Investigation of Crimes Against Property output groups, which were based on limited data.

7.2.9 Road Safety and Road Trauma Reduction

Services delivered within the Road Safety and Road Trauma Reduction output group include targeting the incidence of impaired driving, including booze bus operations; targeting other road traffic offences such as excessive speed; checking roadworthiness and issuing penalty notices; and attending and investigating major collisions.¹³⁶

The Committee's review revealed a number of performance measures that varied from the 2000-01 target.¹³⁷ These variations are summarised in exhibit 7.7.

¹³⁶ Budget Paper No. 3, *2000-01 Budget Estimates*, p.186

¹³⁷ Victoria Police, *Annual Report 2000-01*, p.27

Exhibit 7.7 Road Safety and Road Trauma Reduction Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Targeted Road Traffic Law Enforcement	Total hours of operation	hours	>850,000	829,617
	Community rating of Victoria Police performance in making the roads safe to use	%	78-81	75.5
	Proportion of community who think they are likely to be pulled over for a Random Breath Test during the next three months	%	68	66

In regard to the targeted road traffic law enforcement output, the Committee noted that:

- the total hours of operation for 2000-01 was 829,617, or around 2 per cent below the target of 850,000. While this is an improvement on the total hours of operation for 1999-2000 of 736,516 (compared to the target of over 800,000 hours), it continues the decline in actual hours of operation;
- the community rating of Victoria Police performance in making the roads safe to use was 75.5 per cent, below the target range of 78-81 per cent; and
- the proportion of the community who thought they were likely to be pulled over for a random breath test during the next three months declined from the target of 68 per cent to 66 per cent.

The Victoria Police annual report also highlighted:¹³⁸

- the road toll for the 2000-01 financial year was 418, which represented an increase of 4.8 per cent over the 1999-2000 toll of 399;
- in regard to the traffic camera program, a total of 42,936 infringement notices were issued of which 625 were for loss of license offences;
- as part of the booze bus program Victoria Police conducted a total of 1,168,535 tests state-wide, with 3,889 drink drivers being detected state-wide. Specialist police units in covert cars also supported the booze bus program and conducted 2,155 alcohol screening tests in the metropolitan area and detected 171 drink drivers; and
- the Victorian Government's new drug impaired driver legislation came into effect on 1 December 2000 and resulted in 127 suspects being detected.

While these statistics are reported in the annual report of the Victoria Police, the Committee believes this information should also be incorporated as performance measures in Budget Paper No. 3 and in the annual report of the Department of Justice. The results of booze bus operations, drug impairment operations and traffic camera operations are a direct result of policing activities aimed at reducing the road toll and road accident injuries. Accordingly, the Committee considers that a substantial increase in road traffic law enforcement by Victoria Police should have a direct correlation with a reduction in the road toll over time.

¹³⁸

Ibid

Accordingly, the Committee recommends that:

Recommendation 7.4:

The Department of Justice incorporate as performance measures in its annual report and Budget Paper No. 3, the following road related statistics:

- (a) the road toll;**
- (b) traffic camera program infringement notices issued;**
- (c) traffic camera program infringement notices that resulted in loss of license offences; and**
- (d) incidence of breath testing at booze buses and number of persons found to be exceeding alcohol limits.**

7.2.10 Information and Licensing Services

The Information and Licensing Services output group includes processing Freedom of Information applications, the provision of ministerial briefs and advice, the provision of police statistical information, police records checks, firearms and private agents control and regulatory compliance for the gaming and vice industries.¹³⁹

The Department advised that under the Provision of Licensing and Vetting Services output, the number of probity checks regarding employment in the gaming and vice industries was 6,035—more than 7 per cent below the target of 6,500 for 2000-01. The Department advised the Committee that this measure has shown significant fluctuations in demand over the past three years and had been discontinued in 2001-02.

7.3 Major initiatives

The Committee's review of 2000-01 outcomes included analysis of major initiatives undertaken by the Department throughout the

¹³⁹ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.190

year. This analysis is based on the Department's response to the Committee's questionnaire and on information contained in the 2000-01 annual report.

7.3.1 Dispute Settlement Centre of Victoria Koori mediation program

The Department's annual report described the Dispute Settlement Centre of Victoria Koori mediation program, which commenced in February 2001, as part of the Victorian Aboriginal Justice Agreement. Over the next two years, the program will aim to raise awareness of alternative dispute resolution strategies within the Koori community, increase the conflict management skills of Koori community members and train a number of Koori mediators for the Centre's panel.¹⁴⁰

In response to the Committee's questionnaire, the Department provided the following key statistics related to the operation of the Koori mediation program for the period February 2001 to June 2001.¹⁴¹

Exhibit 7.8 Koori Mediation Program 2001 – Statistics for February to June

Inquiries received	31
Dispute Resolution Advisory Service	9
Files opened/disputes referred	4
Mediations arranged for the month	2
Cases Pending – 2nd session scheduled	0
Mediations held	1
Agreement reached at mediation	1
Percentage of agreements reached for mediations complete	100
Community consultations conducted	5
Strategic partnerships	0
Conflict management workshops conducted	2
Mediation training workshops conducted	1

¹⁴⁰ Department of Justice, *Annual Report 2000-01*, p.25

¹⁴¹ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.23

The Committee recognises that the mediation program is in its relatively early stages of operation.

Maintaining operational statistics represents an initial accountability mechanism for the program but the Committee believes that more formal performance measures should be developed regarding the key outcomes expected of the Koori mediation program.

Accordingly, the Committee recommends that:

Recommendation 7.5:

Formal performance measures relating to the key outcomes expected of the Koori mediation program be developed and reported in the annual report of the relevant Department.

7.3.2 Consumer and Business Affairs Victoria

Under its Consumer and Equity Services output group, a record 2.4 million publications were distributed to Victorians during 2000-01 by Consumer and Business Affairs Victoria (CBAV) to heighten consumer awareness. These publications aim to inform Victorians of their rights and responsibilities in the marketplace and were produced for a range of consumers, including young people, renters, ethnic groups, senior citizens and car owners.¹⁴²

The Department advised that the total cost of publications distributed by CBAV during 2000-01 was \$1.6 million. Of this amount, 93.1 per cent was derived from sources other than the Department's appropriation, therefore the amount funded from the appropriation was \$113,386 or 6.9 per cent of total expenditure.¹⁴³

¹⁴² Department of Justice, *Annual Report 2000-01*, p.28

¹⁴³ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.24

The Department advised that it assesses the effectiveness of its publications in a variety of ways, including a combination of quantitative and qualitative methodologies, such as:

- a survey of renters and estate agents to assess whether the needs of the target audience are being achieved;
- independent evaluations using focus groups; and
- evaluations using a telephone sample of 2000 and randomly selected Victorian households to determine whether those purchasing and building homes were aware of their rights.¹⁴⁴

Given the important role played by the CBAV in promoting consumer awareness, the Committee believes that the CBAV's performance measures should be published in the Department's annual report to indicate the effectiveness of its publications in reaching key and targeted audiences and achieving desired consumer outcomes. At the very least, the Department has a valuable cost indicator of the efficiency of the program in that only 6.9 per cent of the total cost of consumer publications is attributable to the Department's appropriation.

Accordingly, the Committee recommends that:

Recommendation 7.6:

Consumer and Business Affairs Victoria develop performance measures for the annual report of the Department of Justice that show the effectiveness of its consumer awareness publications in reaching key and targeted audiences and achieving desired consumer outcomes.

7.3.3 Prison Population in Victoria

In its 41st Report to the Parliament, the Committee noted that capacity problems experienced by the State's prison system are a major logistical problem facing the Government.

¹⁴⁴ Ibid, pp.24-25

The Department's annual report for 2000-01 indicated that the increase in the prison population had resulted in some prisoners being held in police cells longer than is appropriate, and in crowded conditions.

In its response to the Committee's questionnaire, the Department advised that during the five years from 30 June 1995 to 30 June 2000 the number of prisoners in Victoria increased by almost 30 per cent, and in the 12 months to 30 June 2001 prisoner numbers increased a further 8 per cent.

The Police Cells Review Project, undertaken in 2000-01, has considered a range of options to reduce numbers of persons detained in police cells, and to alleviate the conditions under which they are held. The Office of Correctional Services and Victoria Police have already implemented the following strategies:

- a temporary bed strategy, which resulted in the construction of 640 temporary beds across the prison system, with a further 300 (in 50-bed Relocatable Cellular Accommodation units) to be constructed during 2001-02; and
- a major redevelopment of Victoria's prison infrastructure including the construction of three new prisons, to provide an additional 1,073 permanent prison beds by the end of 2004.

The Department also advised that the increase in prison capacity has been complemented by vacancy management strategies to maximise the use of existing prison facilities, which have resulted in the prison system operating at 121 per cent of its design capacity. Administrative arrangements between Corrections and Victoria Police have also been streamlined to facilitate the transfer of prisoners into prison.

The Department stated that as a result of these strategies, the average number of persons detained in police cells dropped from 291 during February 2001 to 194 during the first half of February 2002. The Department anticipates that these strategies, together with the additional capacity to be provided, will enable corrections

to accommodate additional prisoners and reduce the number of persons held in police cells.¹⁴⁵

The Committee is pleased that the average number of persons detained in police cells has declined, however the Committee suggests that the Department needs to publicly disclose its performance in reducing the number of detainees in police cells against a measure that constitutes a nationally accepted benchmark for prisoners housed in police cells. In addition, the Committee urges the Department to ensure that the conditions and rights of prisoners housed in prison cells are maintained to nationally accepted standards and those prisoners housed for inappropriately longer periods receive educational and recreational facilities as prescribed.

The Committee also has concerns about the impact that this situation may be having on police force morale and the capacity of police officers to undertake their expected policing duties. The Committee urges the Department and Victoria Police to ensure that Police Force members health and safety is not compromised by the larger than desired numbers of prisoners housed in police cells and that the conduct of normal policing operations is not adversely affected by the need for police officers to supervise prison detainees.

Accordingly, the Committee recommends that:

Recommendation 7.7:

The Department of Justice, Victoria Police and the Office of Correctional Services continue to pursue strategies that reduce the numbers of prisoners housed in police cells in order to ensure that:

- (a) the rights of prisoners are not compromised by inappropriate housing facilities and supervision that could result from detention in police cells;**

¹⁴⁵ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.26

- (b) the occupational health and safety of police force members is not compromised through the increased need to supervise prison detainees; and**
- (c) operational requirements and procedures of Victoria Police are not compromised because of the added responsibility placed on members of the force to supervise additional numbers of prison detainees.**

7.3.4 Victoria's Women's Prison Services

Victoria's women's prison services are delivered through two prisons, the Dame Phyllis Frost Centre and Tarrengower Prison. While the demand on women's prisons has grown to a greater extent than the original prison design capacity, based on projections, the ten year facilities master plan makes no recommendation for an increase in future capacity.¹⁴⁶

In view of this situation, the Committee was interested to learn what action the Department proposed to take to ensure that future capacity in women's correctional facilities meets demand.

In its response to the Committee's questionnaire, the Department acknowledged that the Master Plan did not recommend an increase in capacity in the women's prison system based on the projections provided. However, it did note that there were signs that the forecasts may be understated and that as the numbers involved are small, accurate forecasting would be difficult. The Master Plan stressed the importance of careful monitoring of the situation through annual and triennial reviews.¹⁴⁷

As part of the 2001 Expenditure Review Committee process it was agreed that the demountable units at the Dame Phyllis Frost Centre (52 + 16 beds) and Tarrengower (12 beds) would be used to

¹⁴⁶ Department of Justice, *Annual Report 2000-01*, p.35

¹⁴⁷ Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.27

provide buffer capacity in the women's prison system as part of a risk management approach for future contingencies.

The Department advised that the women's prison population has experienced a greater rate of growth than the male population, increasing 94 per cent from 30 June 1996 to 30 June 2001. The Master Plan was based on a 'high trend' projection of 238 women prisoners as at 30 June 2001. In fact numbers have been tracking above the high trend level with 247 women in prison on that date, and a further 24 women in police cells.

The Department further advised that the number of female prisoners will be closely monitored and the impact of diversion and rehabilitation initiatives funded as part of the Corrections Long-term Management Strategy will continue to be reviewed. Options to be considered will include retention of temporary prison capacity.

7.3.5 Victorian Prison Drug Strategy

The outcome of the review of the Victorian Prison Drug Strategy resulted in a redevelopment of five separate projects including the Prison Drug Treatment Framework, Review of Barrier Control and Detection, Review of the Identified Drug User System, Expansion of Methadone in Prisons and Post Release Programs. The findings and recommendations of these reports have resulted in the Draft Victorian Prison Drug Strategy 2001-2004.¹⁴⁸

This strategy includes upgrading barrier control measures to prevent drugs being smuggled into prisons and improved efforts to deter subsequent trafficking and use inside the prison. New programs include peer education, support networks and prison-specific harm reduction plans and a pilot program encouraging voluntary drug-free testing will be introduced for identified drug users.

The Department's annual report for 2000-01¹⁴⁹ also stated that prisoners at high-risk of drug offending behaviour would soon be able to access an expanded methadone program in prison. This

¹⁴⁸ Public Accounts and Estimates Committee, *Report on the 1999-2000 Budget Outcomes*, 41st Report, May 2001, pp.173-175

¹⁴⁹ Department of Justice, *Annual Report 2000-01*, p.36

will not only include increased access to a methadone maintenance program, but the trialling of an alternative drug substitution therapy, Bupremorphine, which may be more suitable in a prison setting. While educating prisoners to cease using drugs in preparation for their release, health and safety issues are paramount – promotion of safer drug use will be offered to those continuing to use drugs.

The Committee is aware that drug abuse is a major contributing factor in the imprisonment of many prisoners, as well as ongoing drug abuse while in prison and again on release. The Committee again stresses the importance for the Government to monitor the implementation of the updated Victorian Prison Drug Strategy to ensure that past deficiencies are rectified and do not re-occur.

Accordingly, the Committee recommends that:

Recommendation 7.8:

The Department of Justice and the Office of Correctional Services develop key performance measures related to the effectiveness of the new Victorian Prison Drug Strategy and report on this information in the annual report of the Department.

7.3.6 Strategies to reduce re-offending

The Department's annual report stated that improving transitional support for prisoners is a key element of the Government's strategy to reduce re-offending. The Victorian Institute of Forensic Medicine reported that in the ten-year period between 1990–2000, approximately 122 prisoners died of drug overdose within one week of their release from prison.¹⁵⁰

¹⁵⁰ Ibid

During 2000-01, the Office of the Correctional Services Commissioner developed a framework for conceptualising and developing Victorian transitional support services for people leaving prison. The report of this work entitled 'Transition from Custody to Community' was released in June 2001.¹⁵¹

The Department advised the Committee that a number of measures have been taken in 2000-01 to improve transitional support through pre and post release services including:¹⁵²

- capital funding of \$13.5 million and recurrent funding of \$1.9 million was allocated in 2000-01 for pre and post release support. An improved level of pre and post release support is crucial to improving a prisoner's chances of successfully returning to the community on release;
- the funding of three community transition units to act as a step down facility for prisoners close to their release date; and
- the launching of the Bridging the Gap program in 2000-01. A major component of this program is community organisations providing tailored case management to prisoners prior to release and follow through with support and case-management on release. The project began in April 2001 with five community agencies to case-manage 1000 prisoners before and after release. The program aims to ease the reintegration process for prisoners with identified drug and/or alcohol issues, in particular those at high-risk of post-release mortality, thereby reducing their risk of re-offending and their return to drug abuse. The agencies involved received approximately \$860,000 for their services in 2000-01 year. This expenditure forms part of the total \$3.5 million to be spent on the program from its commencement to 2002-03.

The Committee acknowledges the efforts of the Department in trying to curb the extent of re-offending by recently released prisoners. The Committee also notes the parallel between these initiatives described above and the aims of modifying prisoner

¹⁵¹ Ibid

¹⁵² Response by the Department of Justice to the Committee's 2000-01 Budget Outcomes questionnaire, p.29

behaviour as described in the preceding section on the implementation of the new Victorian Prison Drug Strategy. The Committee believes it is appropriate that the Department should develop performance measures to monitor and assess the effectiveness of the initiatives undertaken under the transition from custody to community framework in preventing recidivism.

Accordingly, the Committee recommends that:

Recommendation 7.9:

The Department of Justice and the Office of Correctional Services develop key performance measures related to the initiatives implemented under the ‘transition from custody to community framework’ and report on the effectiveness of these initiatives in preventing re-offending and recidivism by prisoners released into the community, in the annual report of the Department.

Report on 2000-01 Budget Outcomes

CHAPTER 8: DEPARTMENT OF NATURAL RESOURCES AND ENVIRONMENT

Key Findings:

- 8.1 The Department of Natural Resources and Environment had expenditure of \$905.9 million in 2000-01 compared to the budget of \$871.3 million. The major reason for the increase were costs involved for fire preparedness.**
- 8.2 Two significant outputs relating to fire preparedness were not achieved in 2000-01.**
- 8.3 Under the Sustainable Fisheries Utilisation output group, none of the four management plans were completed in 2000-01. This is in addition to the target of five plans for 1999-2000 remaining incomplete. Given the strategic importance of these management plans, the Committee is concerned at this situation.**
- 8.4 Although a total of \$77 million has been committed to the restoration of environmental flows to the Snowy River, there are no performance indicators relating to this project.**

The Department of Natural Resources and Environment (DNRE) encompasses the ministerial portfolios of Environment and Conservation; Agriculture; and Energy and Resources. From 1 July 2000 the Aboriginal Affairs portfolio was included in the Department.

8.1 Financial Performance

The 2000-01 Budget Paper No. 3 showed the budget estimates for the Department as \$871.3 million (excluding the Environment Protection Authority, which is recorded as an output group for budget purposes only), and was subsequently revised during the year to \$961.5 million.¹⁵³ Actual expenditure for the year was \$905.9 million, reflecting a variation of \$55.6 million in relation to the revised budget and \$34.6 million to the original budget estimate.

Exhibit 8.1 below shows a comparison between the original budget, the revised budget and the actual expenditure for 2000-01.

Exhibit 8.1 Department of Natural Resources And Environment – Financial Performance for 2000-01

Output Group	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance Actual to Budget (\$ million)	Variance Actual to Budget (%)
Minerals and Petroleum	22.9	14.1	(8.8)	(38.4)
Forest and Fire Management	184.3	205.0	20.7	11.2
Fisheries	29.0	27.0	(2.0)	(6.9)
Land Management and Information	101.1	108.4	7.3	7.2
Conservation and Recreation	167.5	182.7	15.2	9.1
Agriculture	171.1	180.0	8.9	5.2
Catchment and Water	185.8	180.1	(5.7)	(3.1)
Aboriginal Reconciliation and Respect	9.6	8.6	(1.0)	(10.4)
Total	871.3	905.9	34.6	3.4

Note: Where brackets appear in the variance columns, this means there is a budget surplus for the particular line item

¹⁵³ Budget Paper No. 3, 2000-01 Budget Estimates, p.204

The following explanations of the variations to the output groups were provided by the Department to the Committee:¹⁵⁴

- the variation of \$8.8 million in the minerals and Petroleum output group was mainly due to the transfer of allocations for the Sustainable Energy Authority of Victoria to Greenhouse Policy Development during 2000-01.¹⁵⁵
- the variation of \$5.6 million in the Forest Management output group was due to:
 - the allocation of unspent funding to 2001-02 under the Forest Plans and Prescriptions sub-output group for the continuation of the Forest Industry Structural Adjustment Package processes;
 - an increase in revenue related activity under the Forest production sub-output group; and
 - a redistribution of costs between outputs in the recreational, cultural and community forest services sub-output group following a review of the provisional allocations published in the 2000-01 Budget.
- the overall expenditure for the Fire Management output group was \$15.1 million, which was determined by the following movements:¹⁵⁶
 - an accounting reclassification of \$9.6 million from Fire Planning and Prevention output group to Fire Operations; and
 - additional funds of \$24.7 million were provided to meet additional fire preparedness costs and certain expenses reclassified to Fire Planning and Prevention output.
- the minor variation of \$1.9 million resulted for the Fisheries output and was mainly due to a redistribution of costs between outputs for the Sustainable Fisheries

¹⁵⁴ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, p.2

¹⁵⁵ Ibid, p.1

¹⁵⁶ Ibid, p.4

Utilisation Services output and the Aquaculture and Fishing Industry Development output.¹⁵⁷

- the overall variation for the Land Management and Information output group was \$7.3 million, which resulted from:¹⁵⁸
 - the accounting reclassification of (\$3.1) million expenses relating to the Titles Automation Project and Land Registry to the Land Definition Output;
 - an increase in the Land Information Services output of \$2.4 million, which included the part transfer of funding to the Melbourne Zoo and the Royal Botanical Gardens; and
 - an increase in the Land Definition output of \$8 million, which included a reclassification of costs from the Public Land Management output.
- the overall variation for the Conservation and Recreation output group was \$15.2 million, which includes:¹⁵⁹
 - a reclassification of \$11.3 million from the Asset Investment Program to outputs under the Coastal Planning and Management Services output;
 - carry forward from 1999-2000 of \$8.6 million under the Biodiversity Conservation Management Services output; and
 - a reduction of \$4.7 million under the Park Management Services output, which reflects a redistribution of costs between Conservation and Recreation outputs following a review of expenses.
- the Agriculture output variation of \$8.9 million includes a carry over of funding from 1999-2000 and a redistribution of costs between outputs following a review of the provisional allocations published in the 2000-01 Budget.¹⁶⁰

¹⁵⁷ Ibid, p.5

¹⁵⁸ Ibid, p.7

¹⁵⁹ Ibid, p.8

¹⁶⁰ Ibid, p.10

- the Catchment and Water output variation representing under spending of \$5.7 million includes:¹⁶¹
 - a reduction in the Catchment Information Services output of \$15.4 million, which reflects an accounting reclassification of costs between Catchment and Water outputs following a review of expenses;
 - a reduction in the Community Land and Water Management output of \$15.9 million, which reflects the transfer of responsibility for the Stormwater Upgrade Initiative to the Environment Protection Authority during the year; and
 - an increase in the Catchment and Water Resource Allocation and Access output of \$25.6 million, which reflects an accounting reclassification of expenses from the Asset Investment Program and payments on behalf of the State to outputs.
- Aboriginal Reconciliation and Respect output group under spending of \$1 million was mainly due to a reclassification of expenses between outputs.¹⁶²

8.2 Achievement of Performance Targets

Based on the information contained in the Department's 2000-01 annual report, Budget Paper No. 3 for 2000-01 and the response to the Committee's questionnaire, the Committee reviewed the Department's achievement of performance targets. Where performance varied from target, the following information was provided in respect of each relevant output group.

8.2.1 Minerals and Petroleum

The Minerals and Petroleum output group is responsible for the sustainable development of Victoria's earth resources by facilitating increased investment in exploration for minerals and petroleum leading to the establishment of new producing operations, competitive sources of gas supply and extractive

¹⁶¹ Ibid, p.11-12

¹⁶² Ibid, p.13-14

industry production, while ensuring that community expectations for health, safety and environmental management are met.¹⁶³

While most performance targets for this output group were met or exceeded, exhibit 8.2 shows where performance targets were not achieved.

Exhibit 8.2 Minerals and Petroleum Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Industry Regulation Services	Audits of high-risk or critical sites completed	number	200	188
	Exploration and mining licences which were not active	%	20	31

The Department advised that the published target of 200 audits was not achieved because staff were reassigned to investigate two mine accidents, while other technical staff were assigned to advanced training to meet the Department's obligations with the Victorian WorkCover Authority.

Secondly, the number of inactive exploration and mining licences exceeded the target because of inactivity in the industry, which was caused by low gold prices and the difficulty in raising equity for investment and development.¹⁶⁴

The Committee considers that audits of high-risk or critical sites is an important output and urges the Department to devote adequate resourcing to ensure that performance relating to this output is achieved in future periods.

¹⁶³ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.17

¹⁶⁴ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, p.1

Accordingly the Committee recommends that:

Recommendation 8.1:

The Department of Natural Resources and Environment allocate sufficient resources to ensure that the performance targets relating to the audits of high-risk or critical sites are achieved in future.

8.2.2 Forest Management

The Forest Management output group aims to achieve sustainable management of State forests for a range of productive, conservation and recreation uses.¹⁶⁵

While most performance targets for this output group were met or exceeded, exhibit 8.3 shows where performance targets were not achieved.

Exhibit 8.3 Forest Management Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Forest production	Production volume - Sawlogs	m3	920,000	742,400
	Area of regrowth forest thinned	hectares	5,250	4,300
Forest Resource Assessment and Analysis	Reviews of sustainable yield or resource availability estimates completed	number	2	1
	Sustainable yield reviews and timber resource availability estimates based on Statewide Forest Resource Inventory data	number	2	0

¹⁶⁵ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.20

The Department advised the Committee that the lower than targeted level of sawlogs production reflected a downturn in the market, which was in line with industry forecasts. The target area of regrowth forest was not achieved because the mild winter reduced demand for firewood resulting in less hectares being thinned. The sustainable yields reviews were not achieved as they were rescheduled for completion in 2001-02.¹⁶⁶

8.2.3 Fire Management

The Fire Management output group is responsible for protecting the State's natural resources by ensuring integrated management of fire and fire-related activities on public land for the purpose of protecting human life, property, assets and environmental values, and for sustaining biological diversity.¹⁶⁷

Exhibit 8.4 shows where performance targets were not achieved.

Exhibit 8.4 Fire Management Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Fire Planning and Prevention	Fire protection plans completed	number	3	0
	Compliance with key audit recommendations in each region	%	90	87.5
Fire Operations	Fuel reduction burning completed	hectares	120,000	65,800

The Department advised that one fire protection plan has been prepared for public comment, with two more in final preparation to be completed in 2001-02. The target for fuel reduction burning was severely restricted to slightly more than 50 per cent of the original target, by the rapid transition from very dry conditions

¹⁶⁶ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, pp.2-3

¹⁶⁷ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.25

where burning would be unsafe, to very wet conditions in the autumn of 2001.¹⁶⁸

The Committee is concerned that two significant outputs relating to the fire preparedness of the Department were not achieved in 2000-01. The Committee recognises that the preparation of timely and thorough fire protection plans are important components in the overall framework for fire management, as is the fuel reduction burning. The Committee urges the Department to ensure that all outstanding fire protection plans are completed by the end of 2002. In addition, and given Victoria's continuing dry weather conditions, the need to achieve fire reduction targets becomes even more critical.

Accordingly the Committee recommends that:

Recommendation 8.2:

The Department of Natural Resources and Environment ensure that adequate resources are directed towards meeting targets for fuel reduction burning.

8.2.4 Fisheries

The Fisheries output is designed to facilitate the sustainable development of Victoria's regional, commercial and recreational fishing industries and aquaculture, and provide for the management of Victoria's marine and freshwater fish resources for the optimal benefit of the community, with appropriate stakeholder participation.¹⁶⁹ The following targets were not met in 2000-01.

¹⁶⁸ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, p.4

¹⁶⁹ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.28

**Exhibit 8.5 Fisheries Output Group –
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Sustainable Fisheries Utilisation Services	Management plans completed	number	4	0
Industry and Community Compliance Services	Community volunteers participating in fisheries education through the Fishcare Action program	number	250	176
Aquaculture and Fishing Industry Development	Proportion of aquaculture licences approved within specified period - Crown licences	%	75	72.8
	Proportion of aquaculture licences approved within specified period - Private licences	%	75	56.3

The Committee was provided with the following reasons for targets not being met.¹⁷⁰

None of the four management plans under the Sustainable Fisheries Utilisation Services output were completed during 2000-01 because increased public consultation was undertaken during the year, resulting in the deferral of their completion until 2001-02. The Committee reported in its Report on Budget Outcomes for 1999-2000, that in 1999-2000 the target of five management plans under this output group was also deferred due to a review of key fishery management plans by the Government. The Committee notes that the performance target for the completion of management plans under this output group for

¹⁷⁰ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, pp.5-6

2001-02 is three, however the nine targeted management plans for completion during 1999-2000 and 2000-01 remain incomplete.

The development of management plans provide the framework for future management decisions. In view of the strategic importance of these management plans, the Committee is concerned that there has been no output from this source for the last two financial years, while the target output for the current year has diminished. The Committee notes that the Department aims to develop management plans for all of Victoria's major fisheries by 2003-04.¹⁷¹ The Committee will continue to closely monitor the performance of the Department under this output. In the meantime, the Committee urges the Department to expedite the development of fisheries management plans in order to meet their ultimate target of plans being developed for all of Victoria's major fisheries by 2003-04.

Accordingly the Committee recommends that:

Recommendation 8.3:

The Department of Natural Resources and Environment ensure that management plans for all of Victoria's major fisheries are completed by 2003-04.

Under the Industry and Community Compliance Services output, the number of community volunteers participating in fisheries education through the Fishcare Action program was below target for 2000-01 because inactive volunteers were removed from the program and resulted in a revised estimate.¹⁷²

Under the Aquaculture and Fishing Industry Development output group, the proportion of private aquaculture licences approved within the specified period was below target because the Department's more extensive consultation process resulted in a number of applicants being notified outside of the 14 day approval process timeframe.¹⁷³

¹⁷¹ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.29

¹⁷² Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, p.5

¹⁷³ Ibid

8.2.5 Land Management and Information

The Land Management and Information output group aims to provide authoritative, comprehensive and easily accessible land information and management systems to underpin effective decision making and appropriate use of land.¹⁷⁴

The following targets were not met in 2000-01.

Exhibit 8.6 Land Management and Information Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Public Land Management	Land administration transactions per year	number	385,000	355,000
	Number of client complaints as a ratio of land administration transactions	ratio	1:92	1:80
	Client inquiries responded as per statute or by service agreements	%	96	92
Land Information Services	Customer satisfaction level for geospatial information	%	>90	na
	Geospatial information delivered within timelines negotiated with customers	%	95	na
Land Definition	Land units (parcels/properties) defined per annum	number	1,073,000	874,000
	Audited map base update transactions found to be correct	%	95	92.5

¹⁷⁴ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.32

The Department provided the following information to the Committee to explain the above variations.

Under the Public Land Management output group, the reduction in the number of land administration transactions was due to an unanticipated decrease in the range of Crown land transactions, while the ratio of complaints to land administration transactions increased due to the impact of the goods and services tax. The below target response rate to client inquiries resulted from the re-engineering of current work practices, that are designed to improve productivity in the future.¹⁷⁵

The Department explained that no customer satisfaction ratings were disclosed for the provision of geospatial information under the Land Information Services output group, as the survey to gauge satisfaction over the year was sent to participants in early July 2001. The Committee finds the Department's explanation regarding its non-disclosure of customer satisfaction ratings as inadequate. The Committee believes that the Department should have been in a position to disclose customer satisfaction ratings, as eight months have elapsed between the issue of the surveys and the Department's budget outcomes response to the Committee.¹⁷⁶

8.3 Major Initiatives

The Committee's review of 2000-01 outcomes included analysis of major initiatives undertaken by the Department throughout the year. The Committee's analysis is based on the Department's response to the Committee's questionnaire and on information contained in the Department's 2000-01 annual report.

8.3.1 Abolition of the Catchment Management Authority Levy

A key commitment of the Government was the provision of funding to offset the abolition of the Catchment Management Authority levy, which was levied on households in regional Victoria to finance catchment works. This funding is designed to

¹⁷⁵ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, Attachment A, p.7

¹⁷⁶ Ibid

ensure that the level of works to be undertaken in future years can be supplied at no additional cost to rural Victorians. The 2000-01 Budget provided \$12.9 million for this purpose.¹⁷⁷

The Department advised the Committee that this allocation was provided to and spent by the Catchment Management Authorities (CMAs). The Department also advised that the CMAs set out their annual work programs and performance measures in the annual Regional Management Plans that they provide to the Department for ministerial endorsement.

At the conclusion of each year, the Authorities submit their annual reports to Parliament detailing their achievements for the year and their strategic activities in addressing the priorities in their five year Regional Catchment Strategies. The Department advised they had reviewed all CMA annual reports for 2000-01 and was satisfied with the level of reporting and progress to date.¹⁷⁸

8.3.2 Water Savings in Irrigation Distribution Systems

Under the Department's irrigation upgrade initiative, \$10 million was provided in 2000-01 to fund the Water for Growth Initiative. The Water for Growth Initiative provides new funds to facilitate key water infrastructure and efficiency projects that aim to maximise the use of water resources, to identify environmental flow requirements for priority catchments and accelerate the regional water resource planning framework for the State.¹⁷⁹

In 2000-01 \$8.7 million was committed under the initiative, with the remaining funds carried over to the 2001-02 financial year. The following exhibit shows the number of projects funded under each program.

¹⁷⁷ Budget Paper No. 2, *2000-01 Budget Statement*, p.278-279

¹⁷⁸ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, p.2-3

¹⁷⁹ *Ibid*, pp.14-15

Exhibit 8.7 Projects funded under the Water for Growth Initiative for 2000-01¹⁸⁰

Program	Number of projects	Funding \$m
Regional Water Resource Planning Program	23	3.1
Farm Irrigation Efficiency and Development Program	17	4.5
Water Infrastructure Efficiency Program	8	1.1
Total	48	8.7

The Committee notes that the Department's 2000-01 annual report discloses under the future directions of the community land and water management output that there will be further implementation of the Water for Growth initiative, however no further information was provided.¹⁸¹ Given that this initiative extends to 2002-03, with a total of \$30 million in funding committed,¹⁸² the Committee believes the Department's annual report should provide more detail regarding program achievements under this very important initiative which is designed to conserve scarce water resources.

Accordingly the Committee recommends that:

Recommendation 8.4:

The annual report of the Department of Natural Resources and Environment contain detailed information regarding program achievements under the Water for Growth initiative.

8.3.3 Fire Preparedness

A review of funding for fire management undertaken during 1999-2000 resulted in the provision of additional funding to support training, maintenance and additional aircraft. This additional

¹⁸⁰ Ibid, pp.16-20

¹⁸¹ Department of Natural Resources and Environment, *Annual Report 2000-01*, p.49

¹⁸² 2000-01 Budget Paper No. 2, Budget Statement, p.278

funding is designed to enable the continued use of technologies such as aircraft and remote sensing together with a well-trained and flexible professional fire fighting force in preventing and suppressing wildfires on public land.¹⁸³

The Government allocated an additional \$7.6 million to fire management in 2000-01. Expenditure for 2000-01 was \$8.1 million as detailed below:

Exhibit 8.8 Fire Management Expenditure for 2000-01¹⁸⁴

Activity	Expenditure \$ m
Fire Information Systems	0.6
Firefighter Health and Fitness	0.7
Road and Track Maintenance	1.5
Fuel Reduction Works	1.3
Aircraft (total NRE contract price for all 23 aircraft – does not include their use in suppression)	4.0
Total	8.1

The Committee was advised that the Department has aimed to establish interstate and international agreements for emergency response support to facilitate effective and rapid deployment of resources as required in extreme emergency situations.¹⁸⁵ The Committee commends this initiative, particularly in view of the recent experience of the New South Wales bush fires during the 2001-02 summer in which significant national and international cooperation was required.

8.3.4 Restoration of Environmental Flows to the Snowy River

The restoration of adequate environmental flows to the Snowy River is a major project that will be spread over seven years. As part of the joint project with the Department of Treasury and Finance, \$12.3 million was provided to the Department in 2000-01 to enable the trial of the Snowy River Rehabilitation Concept Plan

¹⁸³ Ibid, p.283

¹⁸⁴ Response by the Department of Natural Resources and Environment to the Committee's 2000-01 Budget Outcomes questionnaire, p.21

¹⁸⁵ Ibid

(\$1.3 million) and work on water efficiency savings projects including the Woorinen pipeline (\$9 million) and the investigation and development of other projects (\$2 million).¹⁸⁶

The Department advised the Committee that the following initiatives and studies had commenced in 2000-01:

- the commitment of \$25 million over four years to the Normanville and Tungamah pipeline projects and to the Domestic and Stock Metering project;
- a memorandum of understanding was agreed between the Department and Goulburn-Murray Water for the development and delivery of a Snowy water savings program;
- the Woorinen pipeline project (\$3.5 million provided in 2000-01 and \$5.5 million carried forward for 2001-02 due to the time required to complete detailed design and agree on irrigator contributions); and
- detailed investigations of water savings projects previously identified.¹⁸⁷

Actual expenditure on the project for 2000-01 was \$9.2 million, the details of which are contained in Exhibit 8.9.

Exhibit 8.9 Expenditure on the Restoration of Environmental Flows to the Snowy River for 2000-01188

Activity	Expenditure \$ m
NRE operating (salaries, operating costs)	0.5
Woorinen pipeline project	3.5
Snowy rehabilitation trial project	1.3
Water savings investigations and studies	1.5
Expenditure of Treasurer’s Advance on investigations phase for Normanville, Tungamah and Domestic and Stock Metering projects	2.4
Total	9.2

¹⁸⁶ Budget Paper No. 2, 2000-01 Budget Statement, p.284

¹⁸⁷ Response by the Department of Natural Resources and Environment to the Committee’s 2000-01 Budget Outcomes questionnaire, p.22

¹⁸⁸ Ibid, pp.22-23

The Department also advised the Committee that there were no predetermined performance indicators within the 2000-01 Budget Papers relating to this project, however the project does contribute to the Catchment and Water Resource Allocation and Access Output, in which all published targets for 2000-01 were met.

The Committee notes that the 2001-02 Budget Papers disclose that over the period 2001-02 to 2004-05, a total of \$77 million has been committed to this project.¹⁸⁹ In view of the size of the public investment in this project and the implications of the project for future environmental strategies, the Committee believes that the Department should develop specific performance measures related to the restoration of environmental flows to the Snowy River, which should be disclosed in the Department's annual report and Budget Paper No. 3.

- Accordingly the Committee recommends that:

Recommendation 8.5:

The Department of Natural Resources and Environment develop specific performance measures related to the restoration of environmental flows to the Snowy River, for inclusion in its annual report and Budget Paper No. 3.

¹⁸⁹ 2000-02 Budget Paper No. 2, Budget Statement, p.259

CHAPTER 9: DEPARTMENT OF PREMIER AND CABINET

Key Findings

- 9.1 The Department spent \$346.2 million in 2000-01 compared to the budget allocation of \$360.7 million, this represents an under-expenditure of \$14.5 million or 4.2 per cent.**
- 9.2 In 2000-01, the Department's actual performance was within 5 per cent of target in 63 per cent of performance measures used in the 2000-01 Budget Papers. This does not compare favourably with the Department's performance in 1999-2000 where the actual performance was 75 per cent.**
- 9.3 The ability of the Department to provide long-term policy development and research support has been limited due to recruitment difficulties.**
- 9.4 Appropriate governance processes should be incorporated into the School of Government management framework and services delivered by the school periodically reviewed for effectiveness and relevance.**

In 2000-01, the mission of the Department of Premier and Cabinet is to help the Government achieve its vision for Victoria through leadership in policy advice and partnerships, and by implementing key policies, projects and activities.

9.1 Financial Performance

The Department's output group structure, as contained in the 2000-01 Budget Paper No. 3,¹⁹⁰ comprised 11 output groups with a total budget of \$360.8 million.

¹⁹⁰ Budget Paper No.3, 2000-01 Budget Estimates, p.254

The financial performance of the Department for 2000-01 is shown in Exhibit 9.1:

**Exhibit 9.1 Department of Premier and Cabinet –
Financial Performance for 2000-01**

Departmental Output Group	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance actual to budget (\$ million)	Variance actual to budget (%)
Policy Advice and Development	43.80	43.05	(0.75)	(1.0)
Protocol and Events Management Services	3.00	2.04	(0.96)	(46.0)
Community Support Fund	0.90	1.11	0.21	22.0
Government Information and Communications	7.20	6.86	(0.34)	(5.0)
Multicultural Affairs	4.90	4.34	(0.56)	(12.9)
Arts and Cultural Environment	283.50	270.31	(13.19)	(4.9)
Women's Policy	1.70	1.58	(0.12)	(7.6)
Advice and Support to the Governor	6.00	6.96	0.96	16.0
Legislative, Drafting and Publishing Services	3.20	3.47	0.27	12.0
Ombudsman	3.20	2.99	(0.21)	(6.9)
Public Sector Employment and Conduct Principles	3.40	3.46	0.06	1.9
Total	360.8	346.2	(14.6)	(4.2)

Note: Where brackets appear in the variance columns, this means there is a budget surplus for the particular line item.

Exhibit 9.1 shows the Department spent \$346.2 million in 2000-01 compared to the budgeted allocation of \$360.8 million, this represents an under-expenditure of \$14.6 million or 4.2 per cent. In response to the Committee's questionnaire, the Department provided the following reasons for material variations:¹⁹¹

- under expenditure in the Protocol and Events Management (\$960,000 or 46 per cent) and Multicultural Affairs (\$560,000 or 12.9 per cent) output groups resulted from an under expenditure of the capital assets charge and a re-prioritisation of budgets and budget overheads during the year;
- the Community Support Fund (CSF) output group overspent by approximately \$210,000 or 22 per cent due to the additional staffing required for the review, implementation and processing of the CSF grants program;
- an over expenditure of \$960,000 or 16 per cent in the Advice and Support to the Governor output group resulted from the provision of additional services to the new Governor, and the impact of a revised asset maintenance program; and
- the Legislative Drafting and Publishing Services output group overspent by \$370,000 or 12 per cent due to the impact of the Government's legislative program on demand for drafting and publishing services.

The Committee notes that a key reason for under expenditure in output groups in 1999-2000 also related to an under expenditure in the capital assets charge. Accordingly, the Committee believes the Department should review the appropriateness of the capital asset charge on its asset base with a view to providing a more accurate calculation in future years.

¹⁹¹ Response by the Department of Premier and Cabinet to the Committee's 2000-01 Budget Outcomes questionnaire, p.5

The Committee recommends that:

Recommendation 9.1:

The Department of Premier and Cabinet determine the reasons for the continued under-expenditure of the capital asset charge on output groups, and liaise with the Department of Treasury and Finance to ensure in future years that the capital assets charge accurately reflects the cost of capital invested in departmental assets.

9.2 Achievement of Performance Targets

In 2000-01, the Department was responsible for the delivery of 29 outputs across its output group structure. These outputs were underpinned by 166 performance measures within these outputs.

The Department's response to the Committee's questionnaire showed that in 106 (63.3 per cent) of the 166 performance measures, actual performance was within 5 per cent of the target. The Committee notes that this does not compare favourably with the Department's performance in 1999-2000 where actual performance was within 5 per cent of target for 75 per cent of the Department's performance measures.

9.2.1 Policy Analysis and Development

The Policy Analysis and Development output group provides advice to the Premier and the Cabinet on issues as they arise, co-ordinates and analyses policy, consults with key internal and external stakeholders and provides leadership in long-term policy development and research.

The Committee's analysis of actual results against 2000-01 targets contained in the 2000-01 Budget Paper No. 3 shows that material variation occurred in seven of the 14 performance measures.

Exhibit 9.2 Policy Analysis and Development Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Advice	Capacity to provide advice	staff hours	111,848	119,377
Support to Premier, Ministers and Cabinet	Capacity to provide administrative support services	staff hours	19,334	23,064
Long-term policy development and research	Capacity to provide support	staff hours	14,592	6,082
Freedom of Information Services	Applications processed	number	100	108
	Decisions upheld by internal reviews	%	90	99
	Decisions upheld by Tribunals and Courts	%	90	75
	Statutory time limits met	%	90	96

In response to the Committee's 2000-01 outcomes questionnaire, the Department provided the following reasons for variations:¹⁹²

- the actual number of staff hours used in the Advice output was 6.7 per cent above the 2000-01 target due to the need to provide a higher level of advice than planned;
- the capacity to provide administrative support to the Premier, Ministers and Cabinet was 19.3 per cent above the 2000-01 target due to additional unplanned support required at peak times;

¹⁹² Ibid, Attachment 1, pp.1-2

- the capacity to provide support in long-term policy development and research was significantly below (58.3 per cent) the 2000-01 target due to recruitment decisions that limited the ability of the Department to provide the planned level of support;
- the volume of Freedom of Information applications processed in 2000-01 was in excess of target (by 8 per cent) due to a higher number of applications than expected;
- decisions relating to Freedom of Information requests upheld subsequent to an internal review was 9 per cent higher than the 2000-01 target. The Department did not provide an adequate explanation for the higher than anticipated results;
- Freedom of Information decisions upheld by courts and tribunals was 15 per cent lower than expected; and
- the Department met the statutory time limits for the processing of Freedom of Information requests in 96 per cent of occasions, which was 6 per cent above the 2000-01 target.

The Committee is concerned that the ability of the Department to provide the planned level of support in a significant activity such as long-term policy development and research has been limited. It will be important that departmental recruitment decisions are directed towards providing an appropriate level of resources to ensure the Department can fulfil its key responsibilities.

9.2.2 Protocol and Events Management Services

The Protocol and Events Management Services output group manages Government involvement in special events such as the Grand Prix, Spring Racing Carnival and Australia Day celebrations. The output group also organises the Premier's official hospitality functions and the official visit program for Heads of State and ambassadorial visits, and manages domestic and overseas travel policies.

The Committee's analysis of the output group's actual performance shows there were variations in three instances. The Department provided the following explanations:¹⁹³

- the level of official visitor engagements within Australia and directly related to Victoria (90 per cent) was well above the 75 per cent target due to a higher number of official engagements than expected;
- the level of media promotion by all major media outlets (80 per cent) was higher than the target of 75 per cent due to a higher level of media promotions than expected; and
- the number of high quality nominations to be available for the bi-annual meeting of the Public Service Medal Committee (30) was 20 per cent higher than the 2000-01 target (25) due to a higher number of quality nominations received.

The Committee is pleased to note that the majority of performance targets for 2000-01 were met or exceeded. The Committee also notes that the target for the level of official visitor engagements within Australia that are directly related to Victoria and the number of quality nominations for the Public Service Medal was well exceeded in both 1999-2000 and 2000-01.

9.2.3 Government Information and Communications

The Government Information and Communications output group provides information to the community on the Government's policies, programs and services and supports the development of a best practice approach across all departments and agencies.

In 2000-01 there was a variation from target in two instances. The Department provided the following explanations for these variations¹⁹⁴:

- the number of public contacts per officer per day was 35 compared to the 2000-01 target of 28, representing a 25 per cent increase in actual activity; and

¹⁹³ Ibid, p.2

¹⁹⁴ Ibid, p.3

- the number of research and development hours (5,681) was 5 per cent less than the 2000-01 target (6,000).

The Committee is pleased to note that in most instances, actual performance for 2000-01 met or exceeded the target. However, it will be important for the Department to consider the under-achievement in research and development hours and assess the impact this will have in future years.

9.2.4 Community Support Fund

The Community Support Fund output group promotes community and Government awareness of the fund and manages the CSF grants program.

Exhibit 9.3 shows the performance measures where actual results varied from the 2000-01 target:

Exhibit 9.3 Community Support Fund – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Management of grants process	Number of applications received	number	200	182
	Proportion of applications approved	%	50	25
	Satisfactory acquittals obtained for all projects	%	100	95
Community and Government agency awareness	Number of public events promoting grants	number	35	27
	Proportion of applications that meet funding criteria	%	55	38

The Department provided the following reasons for variations:¹⁹⁵

¹⁹⁵ Ibid, p.4

- the number of applications received for CSF grants was 9 per cent below the 2000-01 target due to a lower than expected number of grant applicants;
- the proportion of grant applications approved during 2000-01 was only 25 per cent or half the expected 50 per cent due to changes in the approval criteria that resulted from a review of the grants program;
- the percentage of satisfactory acquittals (95) was 5 per cent below the 2000-01 target (100 per cent), while no reason for the variation was provided by the Department it was stated that actual performance was consistent with that achieved in 1999-2000;
- the number of public events promoting CSF grants (27) was 23 per cent lower than the 2000-01 target (35) due to the lower than anticipated number of grant approvals made during the year; and
- the proportion of applications meeting funding criteria was 17 per cent below the 2000-01 target due to the lower than anticipated number of grant approvals.

The Committee notes that the introduction of new guidelines relating to the operation and management of the Community Support Fund has impacted on the operations of the grants program. In particular, the proportion of applications meeting funding criteria is well below that expected by the Department. The Committee believes the Department should review the underlying reasons with a view to ensuring that performance targets in 2001-02 and beyond accurately reflect the expected level of achievement.

In addition, in its 1999-2000 outcomes report, the Committee commented on the need for the Department to review the adequacy of performance measures in providing information on the outcomes of projects funded by the CSF and in the level of funds devoted to research into problem gambling. The Committee notes that no performance measures in 2000-01 related to such outcomes.

9.2.5 Multicultural Affairs

The Multicultural Affairs output group provides a whole-of-Government approach to multicultural issues. The Committee's analysis of major variations from performance targets in 2000-01 is shown in Exhibit 9.4:

Exhibit 9.4 Multicultural Affairs Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Advice	Briefs provided to Members of Parliament	number	420	608
Access and Communication	Language Allowance funds allocated	%	70	15
Community Consultation	Consultations and forums with community groups	number	30	44

In response to the Committee's questionnaire, the Department provided the following reasons for variations:¹⁹⁶

- the number of briefs provided during 2000-01 was 45 per cent above the target, due to an unanticipated increase in demand;
- the significant shortfall in the allocation of Language Allowance funds (55 per cent below target) resulted from departmental delays in receiving and processing appropriate applications; and
- the number of consultations and forums with community groups was 47 per cent above the 2000-01 target due to a significant number of community requests for this activity.

The Committee is pleased to note that 2000-01 performance targets were achieved in the majority of cases, however, the under-allocation of language allowance funds continues to be a problem for the Department. It will be important for the Department to ensure that issues identified in the departmental review are

¹⁹⁶ Ibid, Attachment 1, pp. 4-5

resolved in a timely manner and that recommendations are implemented to ensure that the Language Allowance process is more effective in future years.

9.2.6 Arts and Cultural Environment

The Arts and Cultural Environment output group ensures that all Victorians can participate in a range of arts and cultural experiences through the implementation of the Government's Making Victoria the Cultural Centre of Australia Policy.

The Committee's analysis of variations from 2000-01 performance targets is shown in Exhibit 9.5.

Exhibit 9.5 Arts and Cultural Environment Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Cultural Product and Arts Development	Application forms received	Number	950	891
	Performance and grant agreements acquitted within 90 days of project completion	%	80	95
Audiences and Access	Applications received	Number	440	411
	Regional town touring destinations each year	Number	35	76
	Performance and grant agreements acquitted within 90 days of project completion	%	80	69
Infrastructure and Cultural Facilities	Agency building asset management plans	Number	5	2
Portfolio Services and Policy	Planning and research projects	Number	4	10
	Policy advice meets the requirements of the Minister	%	85	96
	Public Information rated informative or very informative by clients	%	90	100

Exhibit 9.5 (continued)

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Arts portfolio Agencies	Visitors/users to all agencies	number	7,885,000	6,861,000
	Visitors to Museum of Victoria	number	1,895,000	1,628,000
	Online access to agency websites	number	6,600,600	17,138,000
	State Library of Victoria online access	number	3,750 000	11,225,000
	Major public programs of agencies	number	99	127
	Regional Public Programs	number	45	52
	Performances at the Victorian Arts Centre	number	1,157	1,417
	Customer satisfaction with the National Gallery of Victoria	%	100	80

The Committee notes that many of the variations from target resulted in higher than expected performance.

9.2.7 Women's Policy

The Women's Policy output group aims to make life better for women by monitoring the implementation of Government initiatives and programs concerning women, and coordinating a whole-of-Government approach to women's issues.

The Committee's analysis of the output group's performance shows that actual results in 2000-01 varied significantly from target in three instances:

- the Office of Women's Policy (OWP) was consulted in only 58 per cent of Board or Committee appointments which was significantly below the 100 per cent target for 2000-01. The Department advised¹⁹⁷ that OWP can only encourage not control this activity and that the measure has since been reviewed. The Committee notes this

¹⁹⁷ Response by the Department of Premier and Cabinet to the Committee's 2000-01 outcomes questionnaire, Attachment 1, p.8

performance measure was not included in the 2001-02 Budget Papers;

- the annual conference, chaired by the Premier, to raise awareness and make recommendations on issues relevant to women was not held as planned in 2000-01 because of parliamentary sitting times; and
- the number of women attending consultation forums (290) was 28 per cent below the 2000-01 target (400) due to the delay in holding the annual conference.

The primary performance measure relating to the Women's Policy Output Group is whether the outcomes achieved are to the satisfaction of its clients and advance the overall participation of women in public sector activities, particularly at senior levels. In this regard the Committee notes that a new performance measure was developed to reflect the level of client satisfaction with the advice provided by the Office of Women's Policy. The Committee is also aware that the overall percentage of female representation in the public sector workforce continues to increase.

9.2.8 Public Sector Employment and Conduct Principles

The Public Sector Employment and Conduct Principles output group aims to ensure continuous improvement in human resource management by promoting an understanding of relevant legislation and codes of conduct, supporting better practice in people management and managing development activities on behalf of public sector organisations.

The Department provided the following reasons for material variations from 2000-01 performance targets:¹⁹⁸

- the number of practitioner forums held in 2000-01 (27) was 69 per cent greater than target (16) due to a decision to hold additional forums during the year;
- there were 164 site visits/briefings during the year representing a 26 per cent increase over the 2000-01 target (130), as a result of a higher public demand than anticipated;

¹⁹⁸ Ibid, Attachment 1, p.9

- the number of attendants at development programs during 2000-01 (2,822) exceeded the target (300) by approximately 841 per cent. The Department advised that the actual figures included graduate development day which was not included in the calculation of the target; and
- overall participant satisfaction with development programs (86 per cent) was 6 per cent higher than target.

As there have been significant variations from targets in a number of instances, the Committee believes the Department should review the appropriateness of the performance measures under this output group. In addition, the Department should also ensure that the calculation of actual performance is based on the same criteria as the target to allow an appropriate analysis of performance.

9.2.9 Ombudsman

The Ombudsman aims to improve the accountability of Government through the investigation or review of complaints against Government agencies, local Government officers and Victoria Police.

The Committee's analysis of variations from 2000-01 performance targets is shown in Exhibit 9.6.

Exhibit 9.6 Ombudsman – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Complaints resolution in the general and police jurisdictions	Finalise consideration of complaints	number	4,800	4,320
Monitoring of legislative requirements	Telecommunications Interception warrant inspections	number	420	720
	Freedom of Information Issues	number	130	160
	Melbourne City Link Authority Act 1994 Inspections	number	50	184
	Complaints finalised within agreed timelines	%	90	100
Public Awareness and Education	Publications produced	number	4	0

The Department provided the following reasons for variations:¹⁹⁹

- the 10 per cent decline in the finalisation of general and police complaints from target occurred because many complaints were more complex than anticipated;
- the Ombudsman conducted 720 Telecommunications Interception warrant inspections in 2000-01 representing a 71.4 per cent increase on the target, due to a greater demand than anticipated;
- the increase in Freedom of Information issues (23 per cent above the 2000-01 target) resulted from an increased use of the Ombudsman's services by the community;
- the Ombudsman conducted 184 inspections of police compliance with the *Melbourne City Link Act 1994* compared to the target of 50 (268 per cent increase). The

¹⁹⁹ Ibid, Attachment 1, pp.9 and 10

increase reflects a greater demand from the public for this service;

- the Ombudsman finalised complaints within agreed timeliness on 100 per cent of occasions compared to the 90 per cent target; and
- there were no publications produced by the Ombudsman in relation to Public Education and Awareness compared to the target of 4, due to increased pressure for resources in other areas.

The Committee notes that demand for the Ombudsman's resources by the community was far more significant in 2000-01 than anticipated. The Committee believes it is essential that the Ombudsman has sufficient resources so he can adequately discharge these important community based services.

9.2.10 Legislative Drafting and Publishing Services

The Legislative Drafting and Publishing Services output group drafts Bills for the Victorian Parliament, drafts and settles Statutory Rules, provides legal and administrative advice on legislation, publishes and reprints Acts and Statutory Rules and maintains a database of legislation. In 2000-01, the output group contained two outputs and 11 performance measures.

The Committee's analysis of major variations from 2000-01 performance targets is shown in Exhibit 9.7.

Exhibit 9.7 Legislative Drafting and Publishing Services Output Group – Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Legislative Drafting	Bills prepared and introduced into Parliament	number	95	109
	Statutory Rules made	number	160	142
	Advice given on legislation in response to written requests	number	300	406
Publishing Services	Reprints of Acts and Statutory Rules published in hard copy	number	130	70
	Versions of Acts and Statutory Rules published electronically	number	1,000	1,412

The Department provided the following reasons for variations:²⁰⁰

- the level of Bills prepared and introduced into Parliament exceeded target by approximately 15 per cent due to a higher than expected demand;
- the number of Statutory Rules made (142) was approximately 12 per cent below target (160). The Department did not provide an explanation for this occurrence;
- the level of advice on legislation in response to written requests was 35 per cent higher than the 2000-01 target due to a higher than expected demand;
- the number of reprints of Acts and Statutory rules published in hard copy was 46 per cent lower than the 2000-01 target, due to the increasing number of alternative publishing options available; and

²⁰⁰ Ibid, Attachment 1, p.10

- the actual number of Acts and Statutory rules published electronically was 41 per cent higher than target due to a high demand for versions of Acts and Statutory rules.

9.2.11 Adequacy of Explanations for Variations to Performance Targets

The Committee is disappointed with the quality of the Department's explanations for variations to 2000-01 performance targets. In its response to the Committee's questionnaire²⁰¹, the Department's explanation in many instances was the very obvious '*higher/lower than anticipated/expected*' without any accompanying analysis of the reasons behind the actual result and why this differed from the target. Accordingly, these explanations have not provided sufficient information to enable the Committee to conduct a comprehensive analysis of variations from targets for 2000-01.

9.3 Major Initiatives

The Committee's review of 2000-01 outcomes included analysis of major initiatives undertaken by the Department throughout the year.

9.3.1 Problem Gambling

The Committee notes that in order to promote its commitment to the prevention of problem gambling, the Government allocated \$12 million from the Community Support Fund in 2000-01 for a three year Problem Gambling Communication Strategy.

In 2000-01, the Department spent \$771,000 on implementing the initial phase of the Strategy.

The Department advised that experts regarded the strategy as effective in raising awareness of problem gambling by all sections of the community, resulting in a significant increase in telephone calls to the Gamblers Help Line and in demand for Gambler's Help which provides face to face counselling services.²⁰²

²⁰¹ Ibid

²⁰² Ibid, p.13

The Committee is pleased to note that the initial phase of the Strategy has been regarded as effective. However, problem gambling is a very significant community issue that requires effective short, medium and long-term initiatives. Accordingly, it will be important that an appropriate performance management and monitoring framework is developed to ensure the effectiveness of the Government's Strategy is continually measured, deficiencies addressed and emerging issues considered.

Therefore, the Committee recommends that

Recommendation 9.2:

The effectiveness of the Problem Gambling Communication Strategy be addressed in the annual report of the Department of Justice by providing details of actual performance against performance targets, an explanation for any variations and a comprehensive commentary on the overall performance of the strategy accompanied by key objectives and targets for the following year.

9.3.2 School of Government

In order to enhance the capability of the public sector, the Premier announced plans to liaise with the University of Melbourne and other universities to develop a new School of Government. During the announcement on 21 February 2002, the Premier stated:

'one of the biggest challenges for Government in the 21st century is to invest in the people who comprise the public sector – to enhance the breadth and the depth of their policy skills and their understanding of government'.

The Committee was advised²⁰³ that the school's establishment is the responsibility of a Government steering committee, chaired by the Secretary of the Department of Premier and Cabinet, and consisting of representatives from the NSW and Queensland

²⁰³ Ibid, p.16

governments together with Melbourne and Monash Universities. A business plan for the school was finalised in late 2001.

The Committee notes that the Government has given a commitment to provide financial assistance with establishing the School. The Committee believes it will be important that the performance of the School is periodically reviewed to assess its effectiveness.

9.3.3 Community Building Initiative

The Committee notes the Department has led the development of a whole-of-Government community building initiative. This initiative aims to achieve better social, economic and environmental outcomes by combining the strength of individual communities with the resources of governments, business and the voluntary sector to develop distinctive local responses to local issues.²⁰⁴

By sponsoring and supporting this work, the Government expects to learn how to work better with communities and to improve the delivery and effectiveness of services to better support community aspirations. The Committee supports the concept behind this initiative and will review its impact in the future.

²⁰⁴ Ibid, p.17

CHAPTER 10: DEPARTMENT OF STATE AND REGIONAL DEVELOPMENT

Key Findings:

- 10.1 The Department of State and Regional Development's actual expenditure for the year was \$265.5 million, some \$62.7 million or 19.1 per cent below the budget estimate of \$328.2 million. The Regional Development output group was underspent by \$60 million.**
- 10.2 Most performance measures for the Science, Technology and Innovation output group were exceeded for 2000-01.**
- 10.3 The quality of the performance information under the Industry Development output group was superficial and needs to be improved.**
- 10.4 Very little information is provided in the Budget Papers about the number of projects funded under the Regional Infrastructure Development Fund and the Rural Community Development Program.**
- 10.5 The Department of State and Regional Development needs to develop additional performance measures relating to the racing industry.**

The Department of State and Regional Development supports the seven ministerial portfolios of State and Regional Development: Industrial Relations; Small Business; Manufacturing Industry; Major Projects and Tourism, Sport and Recreation, and Racing.²⁰⁵

10.1 Financial performance

The Department's output group structure, as contained in 2000-01 Budget Paper No. 3, comprised ten output groups with a total

²⁰⁵ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.295

budget of \$328.2 million.²⁰⁶ Actual expenditure for the year was \$265.5 million²⁰⁷, some \$62.7 million or 19.1 per cent below the budget estimate.

Exhibit 10.1 Expenditure of the Department of State and Regional Development – Financial Performance for 2000-01

Departmental Output Group	2000-01 Budget	2000-01 Actual	Variance Actual to Budget	Variance Actual to Budget
	(\$ million)	(\$ million)	(\$ million)	(%)
Policy	10.4	9.6	(0.8)	(7.7)
Science Technology and Innovation	26.0	17.0	(9.0)	(34.6)
Industry Development	56.1	64.5	8.4	15.0
Regional Development	75.9	15.9	(60.0)	(79.1)
Information and Communication Technology and Multimedia	31.0	24.7	(6.3)	(20.3)
Industrial Relations Services	9.4	8.1	(1.3)	(13.8)
Sport, Recreation and Racing	60.9	60.9	.	.
Small Business	10.6	12.2	1.6	15.1
Tourism	43.2	44.9	1.7	3.9
Major Projects	4.8	7.8	3.0	62.5
Total	328.2	265.5	(62.7)	(19.1)

Note: Where brackets appear in the dollar or percentage variance column, this means there is a budget surplus for the particular line item.

²⁰⁶ Ibid, p.298

²⁰⁷ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, pp.23 - 24

The Department provided the following details of the variances between the budget estimates and actual expenditure, however the reasons for material variations were not provided:

- the Science Technology and Innovation output group where actual expenditure was \$17 million, or \$9 million less than the budget estimate of \$26 million. The major variance within the output group was in the Science, Technology and Innovation Initiative where actual expenditure was \$7.1 million compared to the budget estimate of \$16.8 million;
- the Industry Development output group, under which actual expenditure was \$64.5 million or \$8.4 million above the budget estimate. The main source of variation within this group was the Investment Facilitation and Attraction output where actual expenditure was \$38.9 million compared to the budget of \$27.3 million; and
- the Regional Development output group had actual expenditure of \$15.9 million, significantly below the budget figure of \$75.9 million. The output with the most significant variance under this group was the Regional Infrastructure Development Fund where actual expenditure was \$6.9 million compared with the budget of \$58.2 million.

10.2 Achievement of Performance Targets

In its response to the Committee's questionnaire, the Department provided information relating to instances where actual performance varied from targets established in the 2000-01 Budget Papers.

10.2.1 Policy

The Policy output group involves coordinating whole-of-Government policies for development of the State and working in partnership with other Victorian Government agencies to create the policy framework for sustainable growth.²⁰⁸

²⁰⁸ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.299

Exhibit 10.2 shows selected performance measures for the Policy output group where there was variance in performance measures from the established targets.

Exhibit 10.2 Policy Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Policy Leadership	Strategic Audit of Victorian Industry - Sectoral analyses	number	9	4
Regulation Reform	Industry sector review implementation co-ordination	number	6	4

The Department provided the following reasons for the variation:²⁰⁹

- under the Policy Leadership output four strategic audit reports on sectoral analysis of Victorian industry were completed against the target of nine audit reports. The Department advised that the task of completing nine audits reports, each with extensive consultation requirements, was greater than anticipated, however significant progress was made on the other five; and
- four industry sector reviews were implemented compared to the target of six. The Department advised that the timing of implementation for the two reviews not implemented was influenced by other Departments.

10.2.2 Science, Technology and Innovation

The Science, Technology and Innovation output group involves the provision of policy advice across Government on science, technology and innovation issues including the delivery of

²⁰⁹ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, pp.2 and 9

strategic projects in the areas of biotechnology and infrastructure provision.²¹⁰

Exhibit 10.3 shows selected performance measures for the Science, Technology and Innovation output group where there was substantial variance in performance measures from the established targets.

Exhibit 10.3 Science, Technology and Innovation Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Technology Commercialisation Program	Opportunities assessed	number	50	144
	Opportunities selected	number	12	43
	Commercialisation Audits	number	4	7
	Businesses assisted	number	120	196
	Business Plans developed	number	27	75
	Businesses graduated from Incubators	number	14	7

The Department provided the following reasons for the variations.²¹¹

- the number of opportunities assessed was 144 compared to the target of 50. The Department advised that the first 12 months of the program benefited from servicing high demand;
- a total of 43 opportunities were selected compared to the target of 12. Targets were based on the original eight contractors, however, ten contractors were recruited and most contractors have over-achieved;

²¹⁰ Budget Paper No. 3, 2000-01 Budget Estimates, p.302

²¹¹ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, p.4

- seven commercialisation audits were completed ahead of the projected four. The Department stated that providers benefited from pent up demand and of the ten contractors recruited, most over-achieved;
- the total number of businesses assisted was 196, above the target of 120. The Department explained that the first 12 months of the program benefited from servicing pent up demand and the fact that most contractors have over-achieved;
- a total of 75 business plans were developed as compared to 27 plans that were targeted. Again, this was essentially a result of high demand; and
- seven businesses were graduated from incubators against the target of 14. The Department advised that two incubators in the program were IT based. Annual performance for this output was affected by the economic shocks that hit this sector after the US Stock Market crash and the Department has no direct control over the results.

The Committee noted that most performance measures for the Science, Technology and Innovation output group were exceeded for 2000-01.

10.2.3 Industry Development

The Industry Development output group delivers programs to attract and facilitate new investment into the State and improve the capacity of Victorian industry to compete internationally, grow and employ. Business growth and export assistance type services are directed primarily at businesses in Victoria's manufacturing and traded services sectors.²¹²

Exhibit 10.4 shows selected performance measures for the Industry Development output group where there was substantial variance in performance measures from the established targets.

²¹² Budget Paper No. 3, 2000-01 Budget Estimates, p.305

**Exhibit 10.4 Industry Development Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Investment Facilitation and Attraction	New investments facilitated and announced	\$	\$1,200m	\$1,689m
	Investment attracted in rural Victoria	\$	\$300m	\$645.6m
	Investment Projects under Investigation	\$	\$5,000m	\$4,592m
Business Development	Exports Facilitated	\$	\$600m	\$830m
	Industrial Supplies Office Import Replacement	\$	\$66m	\$91.3m
	Visitations/Delegations to the Investment Centre	number	8,000	14,557
	Overseas Component	number	1,500	2,614

The Department provided the following reasons for the variations.²¹³

In relation to the Investment Facilitation and Attraction output:

- the total value of new investments facilitated and announced was \$1,689 million, compared to the target of \$1,200 million. The Department advised that the target was exceeded because of strong interest in Victoria shown by investors. No further details were provided by the Department;
- the total value of investment attracted in rural Victoria was \$645.6 million compared to the target of \$300 million. This was also a significant improvement on the 1999-2000 result of \$457 million invested in rural Victoria. The Department advised that the 2000-01 target was exceeded,

²¹³ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, pp.5-6

with one significant project contributing largely to the result; and

- the value of investment projects under investigation by the Department was \$4,592 million compared with the target of \$5,000 million. The Department stated that the rolling average for the year was \$4,592 million, which was based on average of quarter end results. These results reflected the tougher climate for investment attraction and a number of potential large projects being implemented.

In regard to the Business Development output:

- the value of exports facilitated through the Industrial Supplies Office was \$830 million, some \$230 million above the target of \$600 million, reflecting the Department's performance in attracting a high level of new investment;
- a total of \$91.3 million of import replacement was secured through the Industrial Supplies Office compared to the target of \$66 million; and
- visitation and delegations to the Government's Investment Centre were 14,557, or 82 per cent above the target of 8,000. In addition, the Department advised that the overseas component of this result was 2,614 compared to the target of 1,500. The Department advised that these results were achieved through the effective marketing of the Investment Centre services to stakeholder groups.

The Committee notes the overall performance of key outputs within the Industry Development output group, as disclosed by the Department, have generally exceeded the projected levels of performance for 2000-01.

However, the Committee believes that the quality of the performance information that is currently provided under this output group is superficial, lacks detail, is not very informative and should be improved.

The Committee believes that the Department should:

- establish performance targets for investment and industry related grants provided by the Department to industry sectors;

- establish performance targets for facilitation services that are provided to firms involved in the Department's investment attraction activities;
- establish performance measures for the level of investment generated and economic benefits for Victoria including export growth and employment by industry sectors receiving assistance;
- provide more expansive commentary in its annual report regarding the factors that have contributed to investment attraction performance in both metropolitan, regional and rural areas; and
- establish performance targets for employment growth as a direct consequence of assistance to firms within each industry sector and ensure that these outcomes refer to new jobs not just a transfer of jobs from one area of employment to another.

Accordingly, the Committee recommends that:

Recommendation 10.1:

The Department of Innovation, Industry and Regional Development improve the level of performance measures and general commentary provided in the Budget Papers regarding output performance for the Industry Development output group by developing:

- (a) performance measures for financial and facilitated assistance provided by the Department to respective industry sectors; and**
- (b) performance measures for the level of investment and economic benefits, including employment, export growth and import replacement by industry sectors as a direct result of the involvement of the Department.**

10.2.4 Regional Development

The Regional Development output group delivers programs that improve communication between governments and regions; build leadership capacity in the regions; fund community and business infrastructure; support Regional Development Organisations; attract job-creating investment; and increase the capacity of local industries to compete, grow and employ.²¹⁴

Exhibit 10.5 shows selected performance measures for the Regional Development output group where there was substantial variance (above and below) in performance measures from the established targets.

Exhibit 10.5 Regional Development Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Regional Infrastructure Development	Regional Infrastructure Development Fund-projects funded	number	20	51
	Rural Community Development Program - projects funded	number	100	141
	Priority Projects funded	number	20	29
	Advice to RIDF applicants - after close of funding round	days	90	120

In response to the Committee's questionnaire, the Department provided the following reasons for the variations.²¹⁵

Under the Regional Infrastructure Development output:

²¹⁴ 2000-01 Budget Estimates, Budget Paper No. 3, p.307

²¹⁵ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, p.4

- the number of projects funded under the Regional Infrastructure Development Fund was 51 compared to the target of 20. The Department briefly stated that the target was exceeded as the program was well accepted during 2000-01;
- under the Rural Community Development Program the number of projects funded was 141 compared to the target of 100. The Department did not provide any explanation for the variance;
- the number of priority projects funded was 29 compared to the target of 20. The Department stated that the target was exceeded as more projects were approved for funding than expected due to the high demand for the program and the availability of an additional \$10 million over the following three years; and
- the number of days taken to provide advice to RIDF applicants after the close of the funding round was 120 days compared to the target of 90 days. The Department advised the Committee that the average time taken over the year to inform applicants of the result of the assessment was in excess of the target as this reflected the considerable effort required to verify and assess information supplied by the large number of applicants.

Although overall the key targets under this output group were substantially exceeded, the Committee believes that the Department's annual report should provide more information on the achievements of important regional initiatives, including separately indicating the level of funding provided under the Regional Infrastructure Development Fund and the Rural Community Development Program.

10.2.5 Sport, Recreation and Racing

Sport and Recreation Victoria (SRV) is the agency through which Government seeks to develop all facets of the sport, recreation and racing industries in accordance with identified priorities.²¹⁶

²¹⁶ Budget Paper No. 3, 2000-01 *Budget Estimates*, p.315

Exhibit 10.6 shows selected performance measures for the Sport, Recreation and Racing output group where there was substantial variance in performance measures from the established targets.

Exhibit 10.6 Sport, Recreation and Racing Output Group - Selected Performance Measures for 2000-01

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Sport and Recreation Event and Tourism Facilitation	Estimated International teams/sports: Inspecting facilities	number	2	15
	Undertaking training/competition	number	50-60	101
	Athletes and official pre-Olympic training	number	1,000	1,500
	World Masters Games 2002 – Participant’s expressions of interest received by June 2001	number	13,000	20,000

In response to the Committee’s questionnaire, the Department provided the following reasons for the variations in actual performance.²¹⁷

Regarding the Sport and Recreation Event and Tourism Facilitation output:

- the number of inspections of facilities by international teams/sports was 15 compared to the target of 2. The Department advised that the target was exceeded as there was a higher level of late interest for Olympic training than anticipated;
- the number of international teams/sports undertaking training/competition was 101 compared to the target of 50-60. The Department advised that this occurred because a number of the international teams associated with diving, table tennis, badminton, fencing, synchronised

²¹⁷ Response by the Department of State and Regional Development to the Committee’s 2000-01 Budget Outcomes questionnaire, p.12

swimming and swimming training had originally planned to train interstate;

- the number of athletes and official pre-Olympic training was 1,500 compared to the target of 1,000. The Department advised that the quality of local facilities attracted athletes in excess of the target; and
- in respect of the World Masters Games 2002, the number of participants expressing interest received by June 2001 was 20,000, significantly ahead of the projection of 13,000. The Department credits this result to the extensive marketing campaign that was undertaken to promote the Games.

The Committee notes that a major contributing factor to the achievements under this output group related to the range and quality of the local sporting facilities.

10.2.6 Small Business

The Small Business output group provides information, referral and support services including initiatives and events, to facilitate easy entry for new starters and to foster the sector's development and sustained growth. The outputs include development of online business services, liquor and trade measurement licensing and educational services.²¹⁸

Exhibit 10.7 shows selected performance measures for the Small Business output group where there were substantial variances in performance measures from the established targets.

²¹⁸ Budget Paper No. 3, 2000-01 Budget Estimates, p.321

**Exhibit 10.7 Small Business Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Small Business Support and Online Business Services	Business licence inquiries	number	16,500	22,295
	Business referrals	number	33,000	32,115
	General inquiries (telephone)	number	36,000	32,533
	General inquiries (Business Channel)	number	36,000	110,719
	Initiative/events commenced or completed	number	10	47
Trade Measurement Development and Services	Traders' instruments inspected	number	28,000	30,434
	Traders' premises inspected	number	9,500	7,461
	Monitoring visits to servicing licensees	number	110	221
Alcohol Harm Minimisation Program and Services to Industry	Responsible Serving of Alcohol training courses	number	1,200	1,694
	Responsible Service of Alcohol trainees	number	17,000	24,112
	Proof of Age Cards Issued	number	9,600	11,577
	Complaints against licensees processed	number	400	274

In response to the Committee's questionnaire, the Department provided the following reasons for the variations.²¹⁹

²¹⁹ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, pp.15-17

Under the Small Business Support and Online Business Services output:

- the number of business licence inquiries was 22,295, well above the projection of 16,500. This measure was exceeded by 35.1 per cent due to inclusion of internet inquiries relating to business licence information under this target;
- the number of business referrals was 32,115 compared to the target of 33,000. The Department advised that this result was due to increasing use of internet services by the community;
- the decline in the number of general telephone inquiries reflected a lower level of business activity around the time of the Olympic Games. The actual result was 32,533, which was below the target of 36,000 inquiries;
- the number of general inquiries received through the Department's 'Business Channel' was 110,719, which represented a three-fold increase on the target of 36,000. The Department explained that the target was exceeded because of the increasing use of internet services by the community; and
- the number of initiative/events commenced or completed was 47 compared to the target of 10. This result included 31 major events including expos (8), awards (12), seminars (10) and launches (1).

In relation to variations for the Trade Measurement Development and Services output:

- the number of traders' instruments inspected was 30,434 or 8.7 per cent above the target 28,000 and reflected the new three year inspection contracts which commenced on 1 January 2001;
- traders' premises inspected numbered 7,461, below the target of 9,500. The Department explained that under new contracts the emphasis has changed to pre-packed article testing and this has resulted in a reduction in the number of visits to premises; and
- monitoring visits to servicing licensees numbered 221, more than double the target of 110. The Department advised that all service licensees have been closely

monitored over the period and the Department has found their performance to be generally satisfactory.

The following variations relate to the Alcohol Harm Minimisation Program and Services to Industry output:

- 1,694 responsible serving of alcohol training courses have been undertaken. This result exceeded the target of 1,200 as the training courses proved more popular than the Department anticipated;
- responsible service of alcohol trainees numbered 24,112, over 40 per cent above the target of 17,000 trainees. Again, the Department found that the training product proved more popular than anticipated;
- proof of age cards issued were 11,577 compared to the target of 9,600. The Department advised that Liquor Licensing Victoria and Police initiatives made this product more popular than anticipated; and
- complaints against licensees processed were 274 compared to the target of 400. The Department found that a better understanding of conditions led to reduced complaints.

10.2.7 Tourism

This output group aims to maximise employment and the longer-term economic benefits of tourism to Victoria by developing and marketing the State as a competitive tourist destination. The key services being provided cover the two areas of domestic and international tourism as well as product development, leadership and coordination.²²⁰

Exhibit 10.8 shows selected performance measures for the Tourism output group where there was substantial variance in performance measures from the established targets.

²²⁰ Budget Paper No. 3, 2000-01 Budget Estimates, p.326

**Exhibit 10.8 Tourism Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of measure	2000-01 Target	2000-01 Actual
Tourism Marketing	Inquiries and phone responses handled by Victorian Tourism Information Service	number	110,000	177,983
	Wholesale packages sold	number	100,000	119,180
Tourism Industry and Infrastructure Development	Number of consultative industry forums, seminars and workshops conducted	number	6-10	49

The Department provided the following reasons for the variation in actual performance.²²¹

In relation to the Tourism Marketing output:

- inquiries and phone responses handled by Victorian Tourism Information Service numbered 177,983 compared to the target of 110,000. The Department advised that the anticipated reduction in the number of calls serviced was not achieved due to the six month delay in implementation of the Interactive Voice Response program and due to an increase in consumer demand; and
- the number of wholesale packages sold was 119,180 compared to the target of 100,000. The target was exceeded due to successful cooperative marketing campaigns held with both Ansett and Qantas for the year.

In regard to the Tourism Industry and Infrastructure Development output, the number of consultative industry forums, seminars and workshops conducted 49 compared to the projection of 6-10. This result was due to the expansion of existing programs and the introduction of new initiatives, including consultation related to Victorian Tourism Industry's Strategic Plan 2002-2006.

²²¹ Response by the Department of State and Regional Development to the Committee's 2000-01 Budget Outcomes questionnaire, pp.19 and 20

10.3 Major Initiatives

The Committee's review of 2000-01 outcomes included analysis of major initiatives undertaken by the Department throughout the year. The Committee's analysis is based on the Department's response to the Committee's questionnaire and on information contained in the Department's 2000-01 annual report.

10.3.1 Assistance to Firms in Rural and Regional Victoria

In order to extend the Department of State and Regional Development's regional structure, the Government allocated \$2.3 million in 2000-01 for this activity. The Committee was interested to learn about the specific activities to which these funds were allocated, their cost and whether all the intended outcomes were achieved.

The Department advised that the expenditure was allocated to the Regional Industries Division (RID) to create eight positions, six of which were in the Rural Commerce Unit and two in the Food and Related Industries Group. These positions consisting of:

- four Rural Commerce Client Managers, each located at Ararat, Bendigo, Echuca and Warragul, and a Manager, Rural Commerce Unit and Business Specialist, Rural Commerce Unit at Head Office in Melbourne; and
- two Food Group Client Managers, at Shepparton and Ballarat.

A break-up of the expenditure is given in Exhibit 10.9.

Exhibit 10.9 Rural Commerce Unit and the Food and Related Industries Group Initiatives - Expenditure for 2000-01

Costs	Rural Commerce	Food Group	Total RID
Employment Costs	\$454,828	\$145,920	\$600,748
Operating Costs	\$ 93,822	\$ 24,523	\$118,345
Total	\$548,650	\$170,443	\$719,093

The \$719,093 of actual expenditure represented 93.4 per cent of the \$770,134 budget allocated for this purpose. The under-expenditure of \$49,289 relates to the late-year recruitment of staff and time spent on training which limited Client Manager activities.

In the ten months that these officers were active in 2000-01, they delivered 52 departmental business programs worth \$274,025 to Victorian clients.

The Department also advised that the Rural Commerce Unit was established to deliver the Government's business services to industries providing inputs to the farm sector and the food and fibre processing industries. The Unit has focused primarily on the agricultural machinery, irrigation, water storage equipment, stockfeed and fertiliser sectors. While some businesses within these sectors already had a relationship with the Department, this was the first time that a state-wide sectoral approach had been taken to identify growth opportunities in those sectors.

The Unit's main performance target was to gain industry intelligence on the sectors, and to develop relationships with key players in those sectors. To this end the Unit's regionally based client managers conducted detailed client consultations with 243 individual businesses and for around 85 per cent of these businesses, this was their first contact with the Department.

With respect to the Food Group, officers were located at Ballarat and Shepparton and their aim was to establish networks and relationships with food companies in rural and regional Victoria that previously had not been targeted by the Department. By locating these officers outside Melbourne, the Department hoped that it could be more effective in offering business programs to clients, and also gain a greater appreciation of the limitations that prevent rural and regional companies from growing and entering export markets.

The Department advised that in 2000-01 the two Food Group officers:

- visited 142 companies throughout non-metropolitan Victoria;

- established networks to look at ways in which value added food production in these regions can grow;
- conducted export seminars at Wangaratta, Bendigo, Horsham and Ballarat;
- coordinated the recruitment and participation of regional producers such as Ballarat, the Grampians and the Northern Victorian fruit growers to overseas fairs, inwards buyer missions and domestic events;
- disseminated information on Departmental objectives and programs through the coordination of and participation in seminars, workshops, conferences and breakfast meetings; and
- represented the metropolitan office in the regions.²²²

The Committee acknowledges the extensive marketing role being undertaken by the Department's officers. The Committee believes that there is scope for the Department to develop performance measures in relation to the operations of the Rural Commerce Unit and the Food and Related Industries Group and the growth opportunities that are generated in those sectors.

The Department could develop quantitative and qualitative performance measures for the Rural Commerce Unit and the Food and Related Industries Group such as:

- the number of firms/businesses assisted;
- the number of firms/businesses assisted by industry sector;
- the total level of assistance/programs delivered to firms/businesses;
- the level of assistance/programs by industry sector;
- the number of firms/businesses gaining entry to overseas markets; and
- the level of exports generated by assisted firms/businesses.

²²²

Ibid, p.27-28

Accordingly, the Committee recommends that:

Recommendation 10.2:

The Department of Innovation, Industry and Regional Development develop quantitative and qualitative performance measures in relation to the activities of the Rural Commerce Unit and the Food and Related Industries Group and report against these measures in its annual report. The performance measures should include information on the level of assistance/programs provided by the Department and the generation of additional sales and export earnings by the assisted firms and businesses.

10.3.2 International Lawn Bowls Centre

The Department advised the Committee that the Government had allocated \$1.5 million to enable the construction of a five green international standard lawn bowls facility to be used for the Commonwealth Games in 2006 and for other major state, national and international lawn bowls events. The site chosen for this facility was John Cain Reserve, Northcote, in the City of Darebin. The facility is to be constructed on the site of the current Darebin City Bowls Club in conjunction with the new State Training Velodrome on the same site. The City of Darebin is contributing \$1.1 million to the facility in addition to land and other infrastructure.

The original performance outcomes for this project reported for 2000-01 were to have the project funded, the design completed and construction commenced. The Department stated that the project was funded, the design was completed to concept stage, however, construction was not commenced in 2000-01. The delay was caused by a longer than anticipated process for selecting an appropriate development partner and site. The Department advised that while this extended process caused a delay in the project, it enabled an opportunity to co-locate the venue with the

State Training Velodrome, thereby creating economies of scale in the capital development and ongoing operation of the facility.²²³

For the purpose of providing financial data that could be beneficial for any similar mergers in the future and also to enhance accountability for the venture, the Committee suggests that the Department disclose the savings it expects from the convergence of these two venues.

10.3.3 Domestic Tourism Marketing and Meetings, Incentives, Conventions and Exhibitions

The Government allocated an additional \$5.5 million in 2000-01 to Tourism Victoria to increase the competitiveness of Victoria as a meetings, incentives, conventions and exhibition destination, as well as increasing domestic tourism.²²⁴ The Committee was interested to determine the level of expenditure in 2000-01 on these initiatives and whether the planned outcomes were achieved.

The Department advised that the specific split of the funding between the two initiatives was:

- \$4.5 million for domestic tourism marketing, which was a rollover of a previous initiative that had been included in Tourism Victoria's budget since 1993-94; and
- \$1 million that was provided in lieu of funding previously provided to Tourism Victoria by the Crown Casino.

In relation to performance targets, the Department advised that performance targets for domestic tourism marketing are spread across several measures outlined in Budget Paper No 3. The \$1 million was provided to the Melbourne Convention and Visitors Bureau (MCVB) to attract meetings, incentives, conventions and exhibition business. This funding was subject to a formal agreement between Tourism Victoria and the MCVB and agreed targets incorporated as part of this agreement were satisfactorily met.

²²³ Ibid, p.30

²²⁴ Budget Paper No. 2, 2000-01 Budget Statement, p.290

While the Department's explanation provides valuable detail regarding the exact nature of the funding arrangements for these two initiatives, the Committee has only received a response to part of its request regarding performance achievement.

From the information contained in the departmental response, it is clear that the Department is aware of the performance measures related to the domestic tourism marketing and those associated with the funding provided to the Melbourne Convention and Visitors Bureau, however no details were provided to the Committee.

In view of the substantial level of funding committed through the Domestic Tourism Marketing and Meetings Incentives Conventions and Exhibitions allocation, of a further \$16.5 million over 2001-02 to 2003-2004, the Committee believes the Department should clearly disclose the performance of both the Domestic Tourism Marketing initiative and agreed targets as related to the Melbourne Convention and Visitors Bureau in Budget Paper No. 3 and its annual report.

Accordingly, the Committee recommends that:

Recommendation 10.3:

The Department of Innovation, Industry and Regional Development ensure that its annual report and Budget Paper No. 3 include detailed information about the performance of both the Domestic Tourism Marketing initiative and agreed targets relating to the Melbourne Convention and Visitors Bureau.

10.3.4 Office of Racing

The major objectives of the Office of Racing for 2000-01 were to ensure the probity and integrity of racing and to maximise racing's contribution to the Victorian economy and community.

Initiatives implemented by the Office during 2000-01 included:²²⁵

²²⁵ Ibid, p.38

- passage of the *Racing (Racing Victoria Ltd) Act 2001* to establish a new governance structure for the thoroughbred racing industry;
- passage of the *Racing and Betting Acts (Amendment) Act 2001* which effected a range of amendments including reforming the appeal rights for racing industry participants, restructuring the Board of Harness Racing Victoria and tightening illegal bookmaking provisions;
- establishment of the Living Country Racing Program to provide financial assistance for capital works at country racing venues;
- announcement of a compensation package to the racing industry to offset the impact of the gaming machine levy;
- introduction of a range of reforms to improve the viability of bookmaking including the abolition of bookmakers' turnover tax; introduction of a racing industry turnover levy; establishment of a bookmakers' development fund and the announcement of the phased reduction in the minimum telephone bet limits;
- launch of a five year plan for the harness racing industry; and
- commission of a research study for improving the retirement options for jockeys.

The Office of Racing's expenditure in 2000-01 was \$342,645. The Department also advised that the Office of Racing's performance target contained in the Sport and Recreation Victoria 2000-01 Business Plan was the processing of 500 racing and betting licences, appeals and registrations. A figure of 1,303 was recorded due to the influx of triennial bookmaking registration renewals.

The Committee notes that the above mentioned performance measure is the only measure related to the racing industry. In view of the size of the Victorian racing industry, its employment levels, associated gambling revenues, tourism impacts and effect on metropolitan and rural lifestyles, the Committee believes that the Department should develop additional performance measures regarding the performance of the racing industry.

Accordingly, the Committee recommends that:

Recommendation 10.4:

The Department of Justice include in its annual report and Budget Paper No. 3 additional performance measures related to the Victorian racing industry.

Report on 2000-01 Budget Outcomes

CHAPTER 11: DEPARTMENT OF TREASURY AND FINANCE

Key Findings:

- 11.1 The Department of Treasury and Finance's 2000-01 budget estimates of output group costs totalled \$275.2 million, and was subsequently revised to \$355.5 million. Actual expenditure for 2000-01 was \$452.4 million, \$96.9 million above the revised budget.**
- 11.2 There were significant variances to output costs: the Management Services output costs were \$132 million above the revised budget mainly due to a \$129.3 million write-back following the redemption of bonds relating to the Accelerated Infrastructure Program. Management of Motor Vehicle Leases output cost was \$117.4 million compared to an original budget of \$27.8 million, as a result of the GST related decline in the used car market.**
- 11.3 The Department of Treasury and Finance had not developed objectives for each 2000-01 output group and their respective outputs, therefore the Committee could not assess whether the performance measures were appropriate.**
- 11.4 The Government's rescue package to assist builders and homeowners affected by the collapse of the HIH Insurance Group highlights the need for strong consumer protection measures to improve standards in the building sector.**
- 11.5 The budget sector unfunded superannuation liability was reduced by \$377 million during 2000-01 to \$11.4 billion.**

The Department of Treasury and Finance supports the four ministerial portfolios of the Treasurer, Finance, WorkCover and Gaming.

11.1 Financial Performance

As detailed in 2000-01 Budget Paper No. 3, the initial budget for the Department of Treasury and Finance was \$275.2 million.²²⁶ This amount was later revised to \$355.5 million.

Exhibit 11.1 Department of Treasury and Finance – Financial Performance for 2000-01

Output Group	2000-01 Budget (a) (\$ million)	2000-01 Actual Expenditure (\$ million)	Variance (\$ million)	Variance (b) (%)
Financial Management Services	25.3	150.4	125.1	594.5
Reform Services	39.3	24.0	(15.3)	(38.9)
Regulatory Services	28.3	15.0	(13.3)	(47.0)
Resource Management Services	94.8	178.7	83.9	88.7
Risk Management Services	12.0	11.8	(0.2)	(1.7)
Strategic Policy Advice	19.9	21.2	1.3	6.5
Taxation Management Services	55.6	51.3	(4.3)	(7.7)
Total	275.2	452.4	177.2	64.4

Notes: (a) Changes to Output Group structure and organisational restructuring resulted in some changes to the figures published in the 2000-01 Budget Paper No. 3. However the overall budget of \$275.2 million remained the same.

(b) Where brackets appear in the variance columns this means there is a budget surplus for the particular line item.

In addition to the above transactions relating to the Department's output groups, the unfunded superannuation liability of the entire budget sector is managed and recorded within the Department's accounts. Superannuation expenses for 2000-01 were \$784.5 million

²²⁶ 2000-01 Budget Estimates, Budget Paper No. 3, p.346

(1999-2000, \$1,313.2 million). The budget sector unfunded superannuation liability was reduced by \$377 million during 2000-01 to \$11.4 billion.

The Department provided the following explanation for material variations between the actual expenditure and the revised budget:²²⁷

- the main reason for the very large variance of \$132.1 million, between the revised Budget figure of \$18.3 million and the actual expenditure of \$150.4 million for the Financial Management Services output group was attributed to a \$129.3 million adjustment arising from the write back of the book value of an investment realised during the year;
- bonds previously purchased by the Department relating to the Accelerated Infrastructure Program were redeemed during the year, resulting in a profit of \$53.8 million by comparison with the book value of \$129.3 million. However under the accounting policy adopted by the Department, the cash proceeds of \$183.1 million were required to be paid into the Consolidated Fund, with the asset value of \$129.3 million being written back against the Financial Management Services output group;
- under spending of \$5.2 million compared to budget for the Reform Services output group was mainly attributed to a transfer of \$6.5 million from the Commercial Project Management output to the Department of Natural Resources and Environment; and
- with respect to the Regulatory Services output group, expenditure was \$15 million compared to the revised budget of \$31.6 million. The variance of \$16.6 million was primarily due to the activities of the Victorian Casino and Gaming Authority which are recorded under the Regulation of Gaming output within this output group. As the Authority produces its own audited financial statements and annual report, the financial activities of the Authority are not included in the financial statements of the Department of Treasury and Finance, despite

²²⁷ Department of Treasury and Finance, *Annual Report 2000-01*, p.17

including this output within the Department's Budget for administrative purposes.

The Committee recommends that:

Recommendation 11.1:

The detailed expenditure for each output as recorded in the financial performance section of the annual report of Department of Treasury and Finance should reconcile with the audited financial expenditure for each output group as recorded in the notes to the Department's financial statements. Where variances occur, as is the situation with expenditure incurred by the Victorian Casino and Gaming Authority, a detailed explanation should be provided.

Although the output group – Resource Management Services, reflected a variance between budget (\$185.2 million) and actual (\$178.7 million) of only \$6.5 million, within this group major variances occurred with two outputs:

- the original budget for the Management of Motor Vehicle Leases was \$27.8 million compared to actual expenditure of \$117.4 million. The over-expenditure was attributed to a liability arising in the whole-of-Government motor vehicle lease facility, as a result of the GST related decline in the used car market. Capital funding of \$90.8 million was provided in the following year to address the liability; and
- in addition, the original budget for the Management of Building Finance Leases was \$50.5 million compared to actual expenditure of \$9.9 million. The substantial reduction in lease expenditure was brought about by the repackaging and sale of properties subject to financial leases. In addition, finance leases were replaced by operating leases in some instances.

11.2 Achievement of Performance Targets

The Department of Treasury and Finance did not develop objectives for each Output Group and outputs within each Group, preferring instead to use generic terms for each Output Group such as ‘value for money services’ and ‘ a substantial budget surplus’. Although objectives for each Output Group were developed for 2001-02, it was not possible to determine whether all performance measures and targets were appropriate and accurately reflected the purpose of each output under the respective output groups.

The Department advised the Committee that it delivered most of its outputs according to the performance measures identified in Budget Paper No. 3 for 2000-01. Where some outputs were not delivered in full or did not meet all performance targets, the Department further advised that this was primarily due to the deliberate re-direction of resources to high priority issues that arose during the year, such as the collapse of HIH Insurance.²²⁸

Instances where Departmental performance, as measured against targets, was not achieved and the variance was of a material nature are detailed below.

11.2.1 Financial Management Services

This Output Group is primarily directed towards the provision of financial management services to departments, agencies and Government Business Enterprises.

Within the Financial Management Services output group there are nine outputs, of which five have ministerial satisfaction as a key performance indicator. Targets set for the level of ministerial satisfaction were 80 per cent and were exceeded in most instances. As an example, achievement of a ministerial satisfaction level of 93 per cent was identified for the Portfolio Performance Review output.

²²⁸ Response by the Department of Treasury and Finance to the Committee’s 2000-01 Budget Outcomes questionnaire, p.1

The Committee sought advice from the Department on the criteria applied in determining ministerial satisfaction.²²⁹ The Department advised that ministerial ratings are obtained during quarterly interviews between the Secretary of the Department and each of the four Ministers. Ratings of between one and five are provided as an indication of each Minister's satisfaction with the quality, usefulness and timeliness of services provided by the Department during the quarter. Ratings given are converted to percentages and are then averaged over the year for annual reporting purposes.

The Committee accepts the usefulness of the above exercise in assisting in the evaluation of output delivery. However, from an external perspective, the evaluation of outputs would be made easier by determining the objectives of each output group and more closely relating the key performance indicators to the outputs and targets desired to achieve objectives. The Committee acknowledges that objectives for each output group have been developed for 2001-02 and performance against these objectives will be evaluated by the Committee at a later stage.

11.2.2 Tax Compliance Services

Within the Tax Compliance Services output group it was intended to produce a report outlining the level of compliance by the Victorian Public Service with taxation obligations. The report was not produced, as the Department advised in its annual report that it experienced difficulties in obtaining monitoring data due to the implementation of the GST and certain privacy issues.²³⁰

11.2.3 Resource Management Reform

Under the Resource Management Reform output a target was set for a 50 per cent improvement in the level of knowledge and understanding of all stakeholders in the Management Reform Program framework. The actual increase in the knowledge and understanding of the Program was assessed at 25 per cent.²³¹

²²⁹ Ibid, p.10

²³⁰ Department of Treasury and Finance, *Annual Report 2000-01*, p.22

²³¹ Ibid, p.29

The Department advised the Committee that in order to expand knowledge of the framework, a Budget and Financial Management Guide was to be developed and released during 2000-01. This was not achieved and was seen by the Department as having a significant impact on the knowledge levels of stakeholders in the Program. The Guide has since been released and has been published on the Government's intranet site. The Department further advised that anecdotal evidence suggests it has led to an increased knowledge and understanding across the public service of management reform program principles and practices.²³²

The Committee is pleased that this resource guide has at last been produced and distributed.

11.2.4 Regulatory Services

The Regulatory Services output group is directed to the regulation of gaming by the Victorian Casino and Gaming Authority and the regulation of utilities in Victoria by the Office of the Regulator-General.

All output targets were either met or exceeded, with the exception of the target of 23,126 gaming licences issued by the Victorian Casino and Gaming Authority. Actual licences issued totalled 17,412 or 5,714 less than what was projected.

The shortfall was attributed to a decline in the amendments and renewals of certain types of gaming licences and permits in conjunction with legislative changes extending employee gaming licences from three to seven years.²³³

11.2.5 Government Purchasing

Following a ministerial review of Government purchasing arrangements it was anticipated that all recommendations arising from the review would be implemented during 2000-01. Actual performance resulted in 90 per cent of the recommendations being implemented with implementation to continue in 2001-02. The failure to meet the target fully also resulted in ministerial

²³² Response by the Department of Treasury and Finance to the Committee's 2000-01 Budget Outcomes questionnaire, p.11

²³³ Department of Treasury and Finance, *Annual Report 2000-01*, p.32

satisfaction with the implementation arrangements falling to 75 per cent, as compared to a target of 80 per cent.²³⁴

The Committee considers that given the critical importance of Government purchasing arrangements for goods and services in terms of cost, quality and continuity of supply, all outstanding report recommendations need to be implemented as soon as possible.

11.2.6 Implementation of Electronic Commerce

The Department has a lead role in the implementation of the Electronic Commerce for Procurement (EC4P) project which aims to achieve cost savings (conservatively estimated by the Department at \$12 million per annum) by developing leading edge electronic commerce solutions for Government procurement procedures. Savings were to be achieved through lower prices for purchases, reduced administration costs and other savings through better inventory management, more productive usage of goods and lower freight costs. The project was expected to be implemented in all Departments and Victoria Police by 30 June 2002.

The Department set a target for 2000-01 for EC4P to be commenced in the Department of Natural Resources and Environment, Department of Infrastructure and Victoria Police by 30 June 2001. This target was not achieved due to Victoria Police not achieving this milestone until July 2001.

The Department advised that it still anticipates that all Departments will have commenced implementation of EC4P by 30 June 2002 and that the failure of Victoria Police to achieve their target was only a minor deviation of the project timeframes.²³⁵

11.2.7 Management of Motor Vehicles

The Department of Treasury and Finance through a business unit known as VicFleet, is responsible for the financing and management of the Victorian Government's motor vehicle fleet,

²³⁴ Ibid, p.35

²³⁵ Response by the Department of Treasury and Finance to the Committee's 2000-01 Budget Outcomes questionnaire, p.12

including the management of the whole-of-Government motor vehicle lease facility. Part of VicFleet's vision is to deliver a profitable business of fleet management and vehicle hire within Government in competition with comparable commercial providers in a manner which complies with the requirements of competitive neutrality.

The whole-of-Government motor vehicle fleet consisted of 7,891 vehicles at 30 June 2001 valued at around \$230 million. Under a sale and lease-back arrangement with the Commonwealth Bank entered into for a seven year period from 1 July 1997, the vehicles are leased to the government, with legal ownership retained by the bank. Effectively VicFleet acts as the agent of the bank in managing the administrative tasks and functions associated with the operation of the lease agreement.

The Management of Motor Vehicle Leases output has a target of 75 per cent set in 2000-01 to measure the level of satisfaction of Chief Finance Officers in Departments with vehicle fleet services. The actual satisfaction level achieved was only 25 per cent, which was attributed mainly to concerns about increased leasing costs and the need to improve the timeliness and accuracy of fleet information.

The Department advised the Committee that VicFleet discussed the results of the survey with its clients and has implemented a range of measures to improve the services provided. Measures included regular client meetings, streamlined access to fleet data, more regular monitoring of residual values of used vehicles, improvements to a 'fair wear and tear' policy, establishment of a VicFleet web site and improved documentation of policies.²³⁶

Given that VicFleet has had the responsibility for arranging the government's motor vehicle lease facility since 1997, the Committee is disappointed that the survey results indicated a negative view of its role, particularly given its obligations under National Competition Policy. The Committee is pleased to note that VicFleet has been taking action to improve its image.

²³⁶ Ibid, p.14

The Committee recommends that:

Recommendation 11.2:

The Department of Treasury and Finance monitor the operations of VicFleet to ensure that the highest standards of client service are being maintained, and report on this matter in their annual report.

11.2.8 Partnerships

The Risk Management Services output group is directed to the development and monitoring of prudential frameworks that contribute to the effective management of public financial institutions, trustee companies and co-operative societies. Risk management advice is also provided on infrastructure and other partnership models where there is private sector involvement.

Although most targets under this output were met or exceeded, not all initiatives to educate Departments on the 'Partnerships Victoria' framework were able to be completed.

'Partnerships Victoria' is the Government's public private sector framework for integrating private investment into public sector infrastructure. Although this major initiative was implemented in 2000-01 and detailed guidance on the framework was issued, the provision of formal training courses to Departments on key aspects of 'Partnerships Victoria' was not provided. This assistance, which is intended to be undertaken in 2001-02 will include the development and provision of formal training courses during 2001-02 and beyond.²³⁷

11.2.9 Strategic Policy Advice

The Strategic Policy Advice output group provides strategic policy advice to Ministers on all aspects of Government activity, including the sound financial management of the State's fiscal resources, improving living standards for Victorians, optimal service delivery and the provision of world class infrastructure within Victoria.

²³⁷ Ibid, p.15

Within this Output Group most targets were either met or exceeded. Where targets were not met, this was usually associated with a re-assignment of priorities, additional workloads or extended consultation periods. Of interest to the Committee was the level of ministerial satisfaction with policy advice on gaming, which was assessed at a 70 per cent satisfaction level compared to a target of 80 per cent.

The Department advised the Committee that the performance target for ministerial satisfaction with the policy advice received by the Minister for Gaming was not achieved during 2000-01 due to concerns raised by the Minister as to a perceived lack of resources directed to the provision of gaming policy advice.²³⁸

The above situation was also partly compounded by the considerable transition in the organisational structures of the entities providing gaming policy advice and gaming regulatory services. In an attempt to address the Minister's concerns, the Department established a dedicated, adequately resourced Gaming Policy Unit within the Department. In addition, it had clearly outlined the roles and responsibilities of other gaming related entities, such as the Office of Gaming Regulation and the independent Gambling Research Panel.

11.3 Major Initiatives

The Committee's review of the 2000-01 outcomes included an analysis of a selection of major initiatives undertaken by the Department throughout the year. The analysis was based on the Department's response to the Committee's questionnaire in conjunction with information contained in the Department's 2000-01 Annual Report.

11.3.1 WorkCover Policy Advice

The Committee requested the Department to provide advice on what are the risks and financial exposures faced by the Victorian

²³⁸ Ibid, p.17

WorkCover Authority and the Government following the reintroduction of common law access.²³⁹

The Department acknowledged that the reintroduction of common law access for workers who were seriously injured after 20 October 1999 was an important challenge. The WorkCover Authority estimated that as at 30 June 2001, the scheme was accruing new common law liabilities at a rate of around \$400 million annually. The Department accepted that common law claims were poorly managed in the past and that the successful management of new common law liabilities was critical to the continuing financial viability of the WorkCover scheme. At 30 June 2001, the outstanding claims liability of the Authority, including common law claims was \$5.6 billion.

The Department advised that the WorkCover Authority's view was that to manage common law claims effectively and at the same time ensure that seriously injured workers received their appropriate entitlements, early identification and preparation for emerging liabilities was critical.²⁴⁰ To achieve this, WorkCover has appointed an experienced team of in-house senior legal counsel, who will work closely with agents and legal panel solicitors to improve liability management. Initiatives to improve the management of common law claims and ensure the financial viability of the Authority, included the development of:

- in-house expertise to strategically manage common law claims;
- strategies to determine common law potential;
- capability to accurately assess entitlement and benefits; and
- quality preparation and decision making.

The Authority considered that the positive results of the above management approach to common law claims were already emerging, as reflected in June 2001 actuarial valuations of the outstanding claims liability.

²³⁹ Ibid, p.15

²⁴⁰ Ibid, p.16

The Committee acknowledges the positive actions of the Victorian WorkCover Authority in attempting to control its exposure to liability for common law claims and at the same time protecting the rights of seriously injured workers. The area will continue to be monitored by the Committee.

11.3.2 HIH Collapse Assistance Package

The Committee requested the Department to provide details of initiatives taken and projected costs for the Government's assistance package for Victorian builders and homeowners affected by the collapse of the HIH Insurance Group.

The Department advised the Committee²⁴¹ that immediately after the insurance company's collapse, licence-holding companies in the HIH Insurance Group went into provisional liquidation. The Victorian Government shortly afterwards started work on a legislative and administrative package of measures to assist homeowners and builders. The package was intended to:

- assist builders with HIH builders warranty cover to obtain replacement cover from another insurer;
- provide financial assistance to homeowners with builders warranty insurance claims against HIH; and
- provide certainty for homeowners selling homes covered by HIH builders warranty insurance policies.

The Building Commission (then the Building Control Commission) provided extensive information to builders. The Commission also offered administrative and technical support to insurers to assist them in processing applications quickly and efficiently. These actions cost approximately \$400,000.

The *House Contracts Guarantee (HIH) Act 2001* provides a State indemnity to homeowners identical to that provided by HIH. The Department engaged actuaries who estimated the total cost of these indemnities and associated administrative expenses (net of recoveries from builders, but not including any estimated recoveries from the HIH liquidators) at \$35.2 million in nominal terms (net present value \$31.2 million) over the next seven to ten

²⁴¹ Ibid, p.5

years. To date some \$4 million has been paid out to claimants by the Housing Guarantee Fund Limited on behalf of the State.

The actuaries' estimates were deliberately conservative, given the lack of reliable data available from HIH. The estimated total cost will be actuarially reviewed as the indemnity scheme proceeds and a claims profile develops. At this stage there was no reason to vary the actuaries' initial estimates.

The Committee acknowledges the prompt action of the Government in providing a rescue package to assist builders and homeowners in the above circumstances. The Committee considers, however that the situation highlights the need for strong consumer protection measures to improve standards in the building sector.

CHAPTER 12: PARLIAMENTARY DEPARTMENTS

Key Findings:

- 12.1 In 2000-01 the Parliamentary Departments had expenditure of \$70.6 million compared to the budget of \$77.1 million, this represents underspending of \$6.5 million or 8.4 per cent.**
- 12.2 Where output based performance measures have not been achieved, detailed reasons for their non achievement should be included in the Parliamentary Departments' annual reports.**
- 12.3 A number of capital projects scheduled to be undertaken in 2000-01 to improve the efficiency of the operations of the Parliament were not undertaken during the year, with the funds carried over into future financial years.**
- 12.4 The Department of Parliamentary Services has now operated for two years without a specific Business Plan.**

The Parliament consists of five parliamentary Departments each categorised as an output group in the Budget Papers.²⁴² The Presiding Officers have responsibility for the operations of the Parliamentary Departments with the President of the Legislative Council responsible for the following output groups:

- the Legislative Council;
- the Parliamentary Debates (Hansard); and
- the Parliamentary Library.

The Speaker of the Legislative Assembly is responsible for the Legislative Assembly and the Parliamentary Services output groups.

²⁴² Public Accounts and Estimates Committee, 38th Report, *Report on the 2000-01 Budget Estimates*, November 2000, p.559

12.1 Financial Performance

The Parliamentary Departments output group structure, as contained in the 2000-01 Budget Paper No. 3, comprised five output groups with a total budget of \$77.1 million.²⁴³

The financial performance of the Parliamentary Departments for 2000-01 is shown in Exhibit 12.1.

Exhibit 12.1 Parliamentary Departments - Financial Performance for 2000-01

Departmental Output Group	2000-01 Budget (\$ million)	2000-01 Actual (\$ million)	Variance Actual to Budget (\$ million)	Variance Actual to Budget (%)
Legislative Council	13.3	10.8	(2.5)	(18.8)
Legislative Assembly	23.1	19.6	(3.5)	(15.2)
Parliamentary Library	1.7	1.7	-	-
Parliamentary Debates (Hansard)	2.2	2.2	-	-
Department of Parliamentary Services	36.8	36.3	(0.5)	(1.4)
Total	77.1	70.6	(6.5)	(8.4)

Note: Where brackets appear in the dollar or percentage variance column, this means there is a budget surplus for the particular line item

The above Exhibit shows that the Departments had expenditure of \$70.6 million in 2000-01 compared to the budget of \$77.1 million, representing an under-expenditure of \$6.5 million or 8.4 per cent.

The major under-expenditures, totalling \$6.0 million, occurred in the Legislative Assembly and Legislative Council Output Groups. In response to the Committee's 2000-01 budget outcome questionnaire, the Departments advised that the majority of the

²⁴³ 2000-01 Budget Estimates, Budget Paper No. 3, p.391

under-expenditure was due to the Members' superannuation payments being reduced from the original budget estimates.²⁴⁴

12.2 Achievement of performance targets

The Parliamentary Departments provided details of the following variations to the 2000-01 targets for each output group.

**Exhibit 12.2 Parliament Output Group -
Selected Performance Measures for 2000-01**

Output	Performance Measure	Unit of Measure	2000-01 Target	2000-01 Actual
Legislative Council				
Procedural Support, Document Preparation and Provision of Information	House related documents produced	number	130	191
	Papers tabled	number	1,000	958
	Questions processed	number	1,500	1,263
Legislative Assembly				
Procedural Support, Document Preparation and Provision of Information	Questions processed	number	400	796
	Committee meetings serviced	number	150	190
Parliamentary Debates				
Hansards, Sessional Indexes and Committee Transcripts	Total number of printed pages	number	15,188	21,982
Parliamentary Services				
Financial Management	Accounts processed	number	25,000	35,000
Financial Management	Financial reports produced	number	2,500	3,100

²⁴⁴ Response by the Parliamentary Departments to the Committee's 2000-01 Budget Outcomes questionnaire, p.5

No detailed explanations were provided for the variations between targets and actual performance, nor any proposed actions identified to be undertaken to address the variations in future years. The Committee was advised that:

The achievement of performance measures for Parliament is based on sitting patterns, legislation requirements and factors that may be out of control of management (eg redistribution of electoral boundaries, additional references). Accordingly, the achievement of performance measures may vary from period to period. No remedial action is necessary to address variations for targets in this regard.

The Committee considers that, notwithstanding the above circumstances, it becomes a pointless exercise to set targets if the failure to meet them is of no consequence.

Accordingly, the Committee recommends that:

Recommendation 12.1:

Where targets set by the Parliamentary Departments have not been met, the Departments should provide detailed information for the variations in their annual reports.

12.3 Major Initiatives

The Committee's review of 2000-01 outcomes included analysis of major initiatives undertaken by the Parliamentary Departments throughout the year.

12.3.1 Training for Members and Electoral Officers

Over the past two years, Parliament has invested in a large information technology structure known as 'PARLYNET', for the primary benefit of Members. To gain the maximum possible advantage from the implementation of the system, \$300,000 was provided in the 2000-01 budget for the necessary training for Members and electoral officers.²⁴⁵

²⁴⁵ Budget Paper No. 2, 2000-01 Budget Statement, p.301

In response to the Committee's questionnaire on the 2000-01 Budget Outcomes, Parliament has advised that the amount expended in 2000-01 on computer related training for Members and electoral officers was \$95,000. The Committee is disappointed to note that computer related training opportunities were substantially under-utilised.

12.3.2 Relocation and Maintenance of Electorate Offices

The Committee notes that in 2000-01 Parliament was allocated \$1.0 million to improve the conditions of or to relocate the Members' electoral offices. The Committee was advised that the expenditure for 2000-01 in relation to the refurbishment and relocation of electoral offices totalled \$1,785,000. Additional funding was provided for the project, together with the carryover from the previous year.²⁴⁶

12.3.3 Air-conditioning of Parliament House

In 2000-01 \$1.9 million was allocated for the installation of air conditioning at Parliament House. The Committee has been advised that this funding was carried forward to the 2001-02 financial year and that the system has been installed.²⁴⁷

12.3.4 PABX System Upgrade

In the 2000-01 Budget, \$220,000 was provided to Parliament for the upgrade and replacement of the PABX system at Parliament House.

The Committee has been advised that the funding for the project has been carried forward into the 2001-02 financial year and that Parliament has requested that the funds be now carried over into the 2002-03 financial year.

The reason for the delay in implementing the new system is that the Parliamentary Departments want the PABX to incorporate

²⁴⁶ Response by the Parliamentary Departments to the Committee's 2000-01 Budget Outcomes questionnaire, p.6

²⁴⁷ Ibid, p.6

Voice over IP. However, *Voice over IP* is a whole-of-Government initiative which has been delayed.²⁴⁸

12.4 Business Plan for the Department of Parliamentary Services

The Committee reported in its Report on the 1999-2000 Budget Outcomes that the Department of Parliamentary Services had not developed a business plan for 1999-2000 and expressed its concern that the Department could operate for a year without a business plan.²⁴⁹ In response to the 2000-01 Budget Outcomes questionnaire, the Committee was advised that, due to the restructure of the Department and the departure of the previous Chief Executive Officer, no business plan was produced for 2000-01.²⁵⁰

The Committee expresses its concern that the Department of Parliamentary Services has operated for two years without a Business Plan specific to those years. The Committee considers it essential that the Department of Parliamentary Services establishes management and planning frameworks that outline the relationships between the Department's output group and the structural elements of the organisation, its relationship with other Parliamentary Departments' objectives, and identify critical issues and future priorities.

- Accordingly, the Committee again recommends that:

Recommendation 12.2:

The Department of Joint Services, as a matter of urgency, develop a business plan for each year in accordance with accepted practice throughout the Victorian Public Sector.

²⁴⁸ Ibid, p.6

²⁴⁹ Public Accounts and Estimates Committee, 41st Report, *Report on the 1999-2000 Budget Outcomes*, May 2001, p.276

²⁵⁰ Response by the Parliamentary Departments to the Committee's 2000-01 Budget Outcomes questionnaire, p.7

12.5 Review of the Operations of the Department of Parliamentary Services

The Committee was advised that a review of the operations of the Department of Parliamentary Services was undertaken in

2000-01.²⁵¹ The review identified the need to:

- separate the functions of property management and finance;
- reduce the span of direct reports to the Joint Secretaries and provide better co-ordination between units; and
- improve the level of service provided by all areas of the Department.

The Presiding Officers have advised the Committee that procedures have been implemented to address these issues.

Accordingly, the Committee recommends that:

Recommendation 12.3:

The Presiding Officers of the Parliament undertake a follow-up review to ensure that the operational changes implemented to the Department of Joint Services, are operating satisfactorily.

²⁵¹ Ibid, p.8

Report on 2000-01 Budget Outcomes

CHAPTER 13: VICTORIAN AUDITOR-GENERAL'S OFFICE

Key Findings:

- 13.1** The Victorian Auditor-General's Office (VAGO) expenditure for 2000-01 was \$20.3 million compared to the budget of \$22.2 million, representing underspending of \$1.9 million or 8.6 per cent.
- 13.2** Enhancements need to be made to the client surveys conducted by the VAGO in determining the value added public benefit from performance audit reports.
- 13.3** While the Parliament is the primary client of the VAGO, there are no performance measures in the annual report of the VAGO that provide an indication of the value that Parliament derives from the quality of audit reports.
- 13.4** While the VAGO annual report provides a brief description of the main features of its two major financial audit reports, the relevant performance measure as stated in Budget Paper No. 3 is inadequate as it only states that two reports were tabled, as distinct from measures that define timeliness and quality.

The Committee's Report of the 2000-01 Budget Outcomes includes for the first time a chapter on the Victorian Auditor-General's Office. In 2000-01, the vision of the Victorian Auditor-General's Office (VAGO) was recognised excellence in public sector auditing. The purpose of the Office was described as contributing to improvements in performance and enhanced accountability in the Victorian Public Sector.

13.1 Financial performance

The VAGO output group structure, as contained in the 2000-01 Budget Paper No. 3, comprised one output group with a total budget of \$22.2 million. The financial performance of the VAGO for 2000-01 is shown in Exhibit 13.1.

**Exhibit 13.1 Victorian Auditor-General's Office -
Financial Performance for 2000-01**

Departmental Output Group	2000-01 Budget	2000-01 Actual Expenditure	Variance	Variance
	(\$ million)²⁵²	(\$ million)²⁵³	(\$ million)	(%)
Performance audits	6.1	5.3	(0.8)	(13.1)
Financial audits	16.1	15.0	(1.1)	(6.8)
Total	22.2	20.3	(1.9)	(8.6)

Note: Where brackets appear in the dollar or percentage variance column, this means there is a budget surplus for the particular line item.

Exhibit 13.1 shows the VAGO had expenditure of \$20.3 million in 2000-01 compared to the budget of \$22.2 million, representing a variance of \$1.9 million or 8.6 per cent. In response to the Committee's budget outcomes questionnaire, the VAGO advised that the expenditure variation was due to the progressive restructuring of the Office that occurred during 2000-01.²⁵⁴

13.2 Achievement of performance targets

The VAGO stated that in nine of the ten performance measures, actual performance was achieved or exceeded the target for 2000-01.

²⁵² Budget Paper No. 3, 2000-01 Budget Estimates, pp.402 and 403

²⁵³ Response by the Auditor-General Victoria to the Committee's 2000-01 Budget Outcomes questionnaire, pp.1 and 2

²⁵⁴ Ibid

13.3 Conduct of performance audits

The Committee's analysis of actual results against target for the performance audit group is contained in Exhibit 13.2.

**Exhibit 13.2 Auditor-General's Office –
Selected Performance Measures for 2000-01**

Output	Performance Measure	2000-01 Target	2000-01 Actual
Performance audits	Audits worked on	12	12
	Reports tabled	6	7
	Level of external satisfaction with audits	75%	81%
	Reports completed within planned timeframes	100%	100%

The Committee noted that the VAGO was able to achieve or exceed its performance targets in respect of Performance Audits for 2000-01.

13.3.1 Assessment of the Quality of Performance Audit Reports

The Committee was interested to determine what impact the 2000-01 performance audits had on the operations of audited agencies and to review the means by which audited agencies assess the quality and conduct of performance audits.

The VAGO advised the Committee that while performance audits are targeted to those areas offering greatest potential for the Office to contribute to continuing improvements in resource management and to enhance accountability, the prime responsibility for determining the nature of action to be taken on audit recommendations contained in performance audit reports rests with the agency concerned. In these circumstances, the Office undertakes, on a periodic basis, a follow-up program of selected performance audits to monitor the acceptance and implementation by agencies of its recommendations. The VAGO stated that it had

not conducted detailed follow-ups of the seven performance audits completed in 2000-01.²⁵⁵

The Committee acknowledges that the follow-up of performance audit reports is entirely at the discretion of the Auditor-General. Nevertheless, the undertaking of such exercises on a regular basis represents a valuable form of quality control and performance measurement.

In its response to the budget outcomes questionnaire, the VAGO provided some examples of how performance audits conducted in 2000-01 may contribute to improved resource management, enhanced accountability and transparency of public sector operations, and improved operational procedures within the audited agencies. In reviewing the VAGO response the Committee notes that it contained some recommendations to improve agency practices and general audit observations regarding deficiencies identified at the audited agencies.

On the basis of the information provided to the Committee, it is not possible for the Committee to form a view on the effectiveness of the VAGO recommendations in enhancing the operations of the audited agencies or improving public accountability, in that the value to agencies of audit recommendations had not been evaluated.

The Committee noted however, that the VAGO response to the questionnaire indicated that a periodic program of follow-up audits has now been developed. The Committee believes that such a follow-up program should be documented in the VAGO annual plan and the outcomes reported in its annual report so that readers can assess the impact performance audit reports have had on agency resource management, accountability and operational procedures.

²⁵⁵ Ibid, p.3

Accordingly the Committee recommends:

Recommendation 13.1:

**The Victorian Auditor-General's Office
report on the outcomes of follow-up audits
in its annual report.**

***13.3.2 Audited Agencies and their Assessment of the
Quality of Performance Audit Reports***

The Committee was also interested in examining the means by which audited agencies assess the quality and conduct of performance audits.

The 2000-01 VAGO annual report refers to '*measuring the quality of our performance audits*', and states that an important part of the Office's audit procedures involves obtaining feedback from audited agencies to determine the level of external satisfaction with audits. It also states that the overall average satisfaction level expressed by agencies that were the subject of performance audits for 2000-01 was 81 per cent, well above the target for the year of 75 per cent.²⁵⁶ The Committee is cognisant however, that agencies may be more inclined to express satisfaction with a performance audit report that was not critical of agency performance as compared to a critical audit report.

The VAGO advised that feedback from agencies subject to a performance audit is obtained through a survey conducted at the completion of each audit. The pro forma survey utilised by the Office includes the criteria upon which the satisfaction ratings are based.

The VAGO advised that these surveys are used to calculate satisfaction ratings on:

- report quality
- report process; and

²⁵⁶ Auditor General Victoria, *Annual Report 2000-01*, p.16

- an overall rating, which is based on taking the average of the report quality and report process ratings on a scale of four.²⁵⁷

While the VAGO quality performance is the average of report quality and report process, the Committee believes that there is scope to expand the usefulness of the quality performance measure by virtue of the information that is collected by VAGO through the client surveys.

The Committee believes that exclusive reliance on the average measure of report quality and report process diminishes the value of qualitative performance information that VAGO's client surveys provide. Enhanced qualitative performance disclosure could be achieved by expanding the quality measure to include four separate measures showing the agencies individual percentage ratings for report quality and report process.

Under this format the quality performance measures could include separate measures and targets that would demonstrate the audited agencies ratings of the:

- value of audit reports to the agency;
- quality of the audit report;
- relevance of the selected audit topic; and
- quality of the audit process.

This information would be particularly useful in enabling readers to form a more immediate view regarding the potential of VAGO reports to add value to agency operations.

²⁵⁷ Response by the Auditor-General Victoria to the Committee's 2000-01 Budget Outcomes questionnaire, p.4

Accordingly, the Committee recommends:

Recommendation 13.2:

That the Victorian Auditor-General's Office utilise survey information obtained from audited agencies to expand the quality performance measure regarding the conduct of performance audits as presented in Budget Paper No. 3 and the Auditor-General's annual report. This should include separate performance measures that demonstrate the:

- (a) value of audit reports to the agency;**
- (b) quality of the audit report;**
- (c) relevance of the selected audit topic; and**
- (d) quality of the audit process.**

13.3.3 Assessment of the Quality of Performance Audit Reports by the Parliament

The VAGO annual report also describes the Parliament's interest in the work of the Office and states that the:

'extent of this interest by Parliament on audit matters reported by the Office represents an important indicator of the value that Parliament places on our work.'

The annual report states that during 2000-01, approximately 90 references to the Office, and its reports, were made during proceedings of both Houses of Parliament. The references, as recorded in Hansard, were:

- the role and work of the Office;
- issues identified in Auditor-General's reports to Parliament drawn on by Members to support parliamentary debate;
- audit legislation and audit functions; and
- other general references.²⁵⁸

²⁵⁸ Auditor General Victoria, *Annual Report 2000-01*, p.16

While this information is contained in the VAGO annual report it is very general and does not provide any indication of the value that Parliament derives from the quality of audit reports. The Committee notes that the first objective of the Office as stated in the VAGO corporate plan is to deliver value-adding reports to Parliament.²⁵⁹ Currently, performance measures and targets regarding the VAGO delivery of value-adding reports to Parliament as disclosed in the corporate plan are shown in exhibit 13.3 below.

Exhibit 13.3 Performance Measures and Targets regarding the Delivery of Value-Adding Reports to Parliament²⁶⁰

Performance measures	Key targets
Feedback from the Public Accounts and Estimates Committee and other Members of Parliament on their satisfaction with the relevance of audit topics and the quality of our reports	Positive assessments by the Public Accounts and Estimates Committee and other Members of Parliament as to the relevance and quality of our reports
Results of periodic surveys of other key stakeholders	Surveys indicate other key stakeholders see value in, and are satisfied with, our reports
Timeliness of reports to Parliament	100 per cent compliance with planned timelines

Given that the key objective of the VAGO is the delivery of value-adding reports to its primary client the Parliament, the Committee believes that the current performance measures and targets are deficient in that they are too general, lack timelines for their application and do not provide objective targets against which value can be assessed. The timeliness measure stands alone as it does not have anything to do with the value-adding capacity of audit reports.

²⁵⁹ Auditor General Victoria, *Corporate Plan 2000-02 to 2003-2004*, p.9

²⁶⁰ *Ibid*, p.10

Accordingly, the Committee recommends that:

Recommendation 13.3:

The Victorian Auditor-General's Office develop additional performance measures and targets to accurately measure the value-adding component of performance audit reports to Parliament, and include this information in its annual report.

13.4 Financial audit

The Committee's analysis of actual results against target for the financial audit group is contained in Exhibit 13.4.

Exhibit 13.4 Auditor-General's Office - Financial Audit Selected Performance Measures for 2000-01

Output	Performance Measure	2000-01 Target	2000-01 Actual
Financial audits	Opinions issued	522	549
	Opinion on Annual Government Financial Report	1	1
	Review of estimated financial statements	1	1
	Reports tabled	2	2
	Level of external satisfaction with audits	70%	71%
	Opinions issued within statutory deadlines	95%	88%
	Total output cost		\$16.1m

In response to the Committee's questionnaire, the VAGO provided the following reasons for variations: ²⁶¹

- the actual number of audit opinions issued on financial statements of public sector agencies of 549 was greater

²⁶¹ Response by the Auditor-General Victoria to the Committee's 2000-01 Budget Outcomes questionnaire, pp.1 - 2

than the target of 522 due to the variation in the Auditor-General's portfolio of statutory audits;

- the below target performance for the issue of audit opinions within statutory deadlines was mainly due to delays encountered in the finalisation of financial statement audits of entities within the local Government sector because of asset revaluation issues, and of some university subsidiaries; and
- the lower total output cost for the conduct of financial audits for 2000-01 reflects the progressive restructuring of the Office that occurred during that year.

While the Financial Audit group did not meet its target for the issue of audit opinions within statutory deadlines, the Committee notes that in recognition of the importance of completing all financial statements audits expeditiously, the VAGO's aim, in 2001-02, is to issue all opinions on financial statements within the statutory deadline of four weeks of receipt of acceptable draft statements.

In addition, the VAGO has introduced two new timeliness targets for 2001-02, namely, that:

- all management letters (which outline the findings of financial statement audits) will be sent to agencies within four weeks of the issue of the audit opinion on the financial statement; and
- all reports to relevant Ministers on the results of such audits will be forwarded within eight weeks of the issue of the audit opinion.²⁶²

13.4.1 Major Financial Reports to Parliament

The two major reports emanating from financial statement audits are the:

- report on the Victorian Government's finances; and
- report on the results of audits within each ministerial portfolio.

²⁶²

Auditor General Victoria, *Annual Report 2000-01*, p.26

The VAGO annual plan for 2000-01 states that both reports are designed to further the public interest and add value to the operations of the public sector by:

- examining the quality and accountability of Government agencies to the Parliament and the community through independent commentary and assessments relating to financial management issues and developments; and
- contributing to improved financial management within agencies through the provision of constructive and practical audit recommendations.²⁶³

The Committee noted that while the VAGO annual report provides a brief description of the main features of these two major reports, the relevant performance measure as stated in Budget Paper No. 3 is somewhat meaningless as it only states that two reports were tabled as opposed to performance measures indicating timelessness in tabling these reports and the level of satisfaction of the Government and the Parliament with the reports. Given the significant nature of these reports the Committee believes that a greater level of performance information should be provided.

13.4.2 Role of the Strategic Planning and Sector Liaison Group

The Strategic Planning and Sector Liaison Group represents a major initiative of the restructured VAGO. The group is led by an Assistant Auditor-General, has five executive officers and three administrative and support staff.

In view of the pivotal role and responsibility of the group within the overall structure of the VAGO, the Committee believes that there should be specific performance measurement criteria linked to the outputs of the group in order to measure its contribution to the overall objectives of the Office.

²⁶³ Ibid, p.7

Accordingly, the Committee recommends that:

Recommendation 13.4:

The Victorian Auditor-General's Office develop additional performance measures and targets regarding the outputs of the Strategic Planning and Sector Liaison Group in order to measure its contribution to the overall objectives of the Office. These performance measures should be reported in Budget Paper No. 3 and the Auditor-General's annual report.

APPENDIX 1: LIST OF DEPARTMENTS PROVIDING RESPONSES TO COMMITTEE'S QUESTIONS

The following Departments responded to the Committee's questions relating to the 2000-2001 Budget Outcomes:

Education, Employment and Training

Human Services

Infrastructure

Justice

Natural Resources and Environment

Parliamentary Departments

Premier and Cabinet

State and Regional Development

Treasury and Finance

Victorian Auditor-General's Office

Report on 2000-01 Budget Outcomes

APPENDIX 2: GOVERNMENT RESPONSE
TO PAEC REPORT NO. 41
ON THE 1999–2000 BUDGET
OUTCOMES
