PUBLIC ACCOUNTS
AND ESTIMATES COMMITTEE

79th REPORT TO THE PARLIAMENT

Report on the 2006-07 Financial and Performance Outcomes

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PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE
MEMBERSHIP – 56TH PARLIAMENT

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Kim Wells MP (Deputy Chair)
Greg Barber MLC
Richard Dalla-Riva MLC
Janice Munt MP
Wade Noonan MP
Martin Pakula MLC
Gordon Rich-Phillips MLC
Robin Scott MP
Bill Sykes MP

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Research Officers: Ian Claessen
Anna Cheung (29 October 2007 to 29 April 2008)
Kris Waring

Specialist Advisor: Joe Manders

Business Support Officer
(Acting): Karen Taylor
DUTIES OF THE COMMITTEE

The Public Accounts and Estimates Committee is a joint parliamentary committee constituted under the Parliamentary Committees Act 2003.

The Committee comprises ten members of Parliament drawn from both Houses of Parliament.

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

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other Budget Papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter of thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General’s Office;
- consider the budget estimates for the Victorian Auditor-General’s Office;
- review the Auditor-General’s draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.
CHAIR’S FOREWORD

This report marks the first report of the Committee on outcomes in the Victorian public sector since its formation in 2007 under the 56th Parliament of Victoria. It analyses the financial and performance outcomes of Victoria’s government departments and major statutory agencies in 2005-06 and 2006-07.

This year’s report continues the leadership by the Victorian Public Accounts and Estimates Committee in establishing and continuing a tradition of excellence in accountability to Parliament. The outcomes report has been greatly expanded and covers a much wider range of issues.

The Committee’s review of financial and performance outcomes complements its annual budget estimates inquiry by focusing on results achieved by departments and agencies against established targets. The review completes the Committee’s yearly cycle of work focusing on performance and accountability.

The Committee determined for this inquiry to widen its ambit to encompass performance outcomes in addition to those of a financial nature. It also decided to seek information on outcomes from major statutory agencies in both budget-funded and non-budget funded sectors. These initiatives were taken to provide Parliament with a greater insight into the performance of Victoria’s public sector and widen the ambit of accountability.

This outcomes report is therefore in many ways a unique document because of its expanded breadth of coverage across a diversity of issues. The report continues the Committee’s interest in:

- the national reform agenda;
- advertising and promotion, public sector staffing; and
- accounting for productivity improvements.

The Committee has also taken the initiative to include in this report information and analysis on:

- regulation reduction;
- departmental savings;
- revenue foregone including subsidies and concessions;
- trust fund accounts;
- drought relief;
- asset investment; and
- performance bonuses.

It comprises 24 chapters and 88 recommendations and incorporates:

- the results of the Committee’s analysis of the performance of departments and agencies in a range of key financial management and reporting areas;
- an expanded examination of the quality of annual reporting whereby the annual reports of 47 public sector agencies were reviewed, covering in excess of 5,000 pages of material (chapter 23);
- a chapter devoted to outlining the main outcome achievements of departments and related agencies as reported to the Committee (chapter 13); and
• a chapter allocated to each vision of the government’s macro strategic document, Growing Victoria Together (GVT), which provides information on 88 separate issues that are aimed at contributing to the achievement of the respective GVT visions and goals and/or enhanced disclosure from an accountability perspective.

The Committee considers that the report provides a valuable independent insight on the performance of departments and agencies against their planned outcomes in 2005-06 and 2006-07. It contains constructive suggestions for further strengthening transparency and accountability in the Victorian public sector.

A number of contemporary developments relating to public sector management and accountability reinforce the importance of the Committee’s work on outcomes. These developments include:

Within Victoria:

• a public commitment by the Premier to strengthen accountability in the state; and
• inclusion within the government’s 2008 legislative program of a review of financial management and reporting in the public sector, with a view to developing a new Public Finance Act.

At the Federal level:

• an increasing focus by the Australian Government and, in turn, in deliberations of the Council of Australian Governments, on changed Commonwealth-State funding arrangements, including formulation of performance measures to sharpen the accountability of individual governments in the use of Commonwealth funds; and
• development of a national approach to the planning and funding of key infrastructure projects.

The Committee expects to place increasing emphasis in its future outcomes inquiries on these important developments and their impact on performance and accountability within Victoria.

I wish to thank members of the Committee for their valuable assistance during this outcomes inquiry and in the finalisation of this report.

I also express appreciation to staff within departments and agencies for the time and effort devoted to responding to the Committee’s outcomes questionnaires and subsequent requests for information. Their contribution to the development of this report was considerable.

Finally, but not the least, on behalf of the Committee, I wish to extend our thanks to the Committee’s Secretariat staff for their tireless commitment and professionalism in helping deliver this significant report within the Committee’s tight schedule of inquiries.

Bob Stensholt
Chair
RECOMMENDATIONS

The Committee recommends that:

Recommendation 1: The Department of Treasury and Finance periodically disclose for the information of Parliament and the community particulars of action taken to ensure that its forecasting method employed in the development of annual budgets remains at leading edge by world standard.

Recommendation 2: The Department of Treasury and Finance establish performance measures focusing on the accuracy of all of its main budget projections and the annual operating result.

Recommendation 3: The Department of Treasury and Finance disclose in the annual financial report a dissection of annual operating expenses under the government’s budgetary themes, encompassing both current and trend data.

Recommendation 4: The Department of Treasury and Finance complement its past financial reporting initiatives with quantification of the impact on the annual operating result for the general government sector of unplanned one-off events, unapplied output contingencies, salary agreements with public sector groups and savings targets achieved by departments.

Recommendation 5: Future annual financial reports identify the reasons for any significant variations between actual and estimated infrastructure spending in departments, and the consequential impact on the infrastructure program, including details of projects advanced, deferred or abandoned.

Recommendation 6: Future annual financial reports disclose anticipated changes to cost and time budgets for any infrastructure projects brought forward due to a stronger than expected operating result, and the expected impact on the existing program of any freeing up of funding previously allocated to those projects.
Recommendation 7: The Department of Treasury and Finance be more prescriptive in making it mandatory for departments to report annually on their performance in achieving agreed outcomes under the National Reform Agenda, including an outline of the funding provided by the Commonwealth to assist Victoria implement the full package of its NRA proposals brought forward to COAG each year.

Recommendation 8: To avoid duplication and enable a unified approach to be taken in relation to the implementation of economic reforms at a national and state level, the Department of Premier and Cabinet develop a framework to ensure that the planned work to be undertaken by Victoria under the National Reform Agenda is consistent with the 2008 working program and timetable of the working groups established by COAG in December 2007.

Recommendation 9: Departments benchmark their responses to the Committee’s questionnaire on productivity against that provided by the Department of Justice.

Recommendation 10: The State Services Authority undertake research to quantify efficiency savings across the public sector in the areas of Buying Smarter, Buying Less, shared services, fleet management, grant administration, advertising and consultancies and integrated ICT.

Recommendation 11: The Department of Treasury and Finance work with the Public Accounts and Estimates Committee on a research project and workshop aimed at developing a suite of productivity indicators for the public sector.

Recommendation 12: The Victorian Government consider initiating discussions with COAG about the possibility of developing an action plan for the gradual development and introduction of a uniform set of indicators to measure productivity growth across government.

Recommendation 13: Given the importance of enhancing productivity throughout the public sector, the Victorian Auditor-General’s Office consider adopting a greater focus on efficiency when selecting and scoping performance audits in future.
Recommendation 14: The Victorian Auditor-General’s Office in undertaking its performance auditing function include, where appropriate, consideration of regulatory impact and administration.

Recommendation 15: In order for the government to meet its targets in terms of the level of savings to be achieved by businesses through the advent of regulatory reform, the Department of Treasury and Finance closely monitor the level of accelerated outcomes derived from the future implementation of the government’s Reducing the Regulatory Burden initiative by requesting agencies to furnish statements on yearly savings generated from the initiative.

Recommendation 16: The Department of Treasury and Finance develop an impact evaluative framework for the progressive reporting of, not only the generation of savings in administrative costs from reducing the regulatory burden on businesses and not-for-profit organisations tracked against targets, but also the quantification of:

(a) savings achieved by reducing compliance costs;

(b) savings made by business regulators in reducing their workload and how such moneys have been used for the public good;

(c) the increased investment in innovation and research and development activities by the business community;

(d) outcomes delivered to the Victorian community in terms of improved service delivery; and

(e) costs involved in the monitoring and oversight of self-regulation.

Recommendation 17: The Department of Treasury and Finance provide timely information on the following matters associated with the future implementation of the Reducing the Regulatory Burden initiative:

(a) the findings of the two whole of government reviews and the 19 regulatory reform initiatives that are underway to identify the measures required to simplify and streamline regulation thereby reducing compliance burdens;

(b) the extent of incentive payments made to reward outcomes that have reduced regulatory burden;
(c) outcomes achieved or compliance activities by all regulators, given that according to the VCEC 43 per cent of the 72 regulators did not disclose such information;

(d) the performance of the department’s Better Regulation Unit against performance measures and targets, including the way in which government funding of $41.5 million that commenced in 2006-07 has been used over the four year period on the cross-government initiative;

(e) ‘best practice’ alternate ways developed for achieving the required regulatory outcomes in a manner that is less burdensome on businesses, not-for-profit organisations and service providers; and

(f) the way in which secondary but related issues, such as the reduction of non-regulatory administrative burdens, have been addressed.

Recommendation 18: The Department of Treasury and Finance provide guidance to departments to report, on an annual basis:

(a) disclosure information on savings targets and results to be improved;

(b) their savings targets in a consistent manner in Budget Paper No 3. Departments should clearly identify whether the amounts include their related agencies; and whether it includes other savings targets. The statement should also include where the department intends to source the savings from;

(c) the targets and actual amounts in their annual reports of their savings achievements for all of the different savings measures that occurred for the relevant financial year. The annual report should also include details of the savings measure, the source of savings, explanations for instances where the actual savings amount differs from the target amount by more than 10 per cent, and whether such instances had an impact on the delivery of services; and

(d) savings measures that were approved post-budget for inclusion in subsequent financial reports (e.g. budget update). Where a measure was approved after the budget update, it should be disclosed in a note in the upcoming Budget Paper No 3 or annual financial report.
**Recommendation 19:** The Department of Treasury and Finance conduct research to assess the benefit of expanding departmental reporting responsibilities to encompass commentary on expected and actual demand, service and social outcomes arising from central revenue decisions of government.

**Recommendation 20:** The Department of Treasury and Finance develop a more comprehensive framework for calculating revenue foregone subsidies and concessions, and for evaluating their impact.

**Recommendation 21:** The Department of Treasury and Finance assess the desirability of introducing a standardised framework in the public sector for the reporting of costs incurred in the collection of revenue and administration of revenue foregone, incorporating disclosure of cost to revenue ratios.

**Recommendation 22:** The Auditor-General undertake a performance audit of revenue management across Victoria’s main revenue raising agencies.

**Recommendation 23:** The Department of Treasury and Finance review the reporting requirements of public sector agencies in regard to significant variances against cost budgets during the life of infrastructure projects and in the year of their completion.

**Recommendation 24:** The Department of Treasury and Finance expand the external reporting requirements of agencies to encompass a description of strategies employed in the management of risk and contingency allowances and any significant changes taken during the reporting period for individual infrastructure projects.

**Recommendation 25:** The government ensure that Parliament is adequately informed of future outcomes for Victoria arising from the establishment of a new national approach to infrastructure.
Recommendation 26: The Department of Treasury and Finance should revise and make publicly available, Budget Financial Management Guidelines – 18 Trust Accounts. Revisions should:

(a) specify a deadline by which departments are required to close their trust accounts once the purpose for which they were created no longer exists; and

(b) provide detailed guidance regarding the operation of negative balances.

Recommendation 27: The Department of Treasury and Finance should revise its Model Financial Report in relation to the reporting requirements for trust accounts, so as to:

(a) include the legislative references and basis that establishes each trust account;

(b) disclose the balances for each individual trust account. Where disclosure of a trust account is omitted, that the name of the trust account and an explanation is provided;

(c) provide explanations where there are deficits in the trust accounts’ balances; and

(d) specify whether the trust account balances are reported using cash or accrual accounting.

Recommendation 28: Departments, with the assistance of the Department of Treasury and Finance, agree on a schedule for the review of their trust accounts with a view to closing these accounts. Priority should be given to those trust accounts that appear to have served their usefulness and those that have large balances above a prescribed level. On completion of the reviews, departments should:

(a) disclose the number and a summary of the outcomes of the reviews in their annual reports; and

(b) return surplus funds, where appropriate, to the Consolidated Fund.

Recommendation 29: The Auditor-General conduct a performance audit of trust funds, including guidelines for their operation and management on a regular basis.
Recommendation 30: All funding allocations for major cross agency initiatives such as drought relief should be clearly identified in the budget papers. The Department of Treasury and Finance should take a lead role in ensuring that all projects under the initiative are explicitly identified by all departments and reported in the relevant.

Recommendation 31: Either the Department of Treasury and Finance or the lead department for major whole of Victorian Government initiatives should gather, assess and publicly report expenditure and progress against targets established.

Recommendation 32: Where the government requires departments to make savings from within existing appropriations, the Department of Treasury and Finance should monitor the impact of achieving these savings at a whole of government level.

Recommendation 33: Where departments are required to make savings from within existing appropriations, this should be clearly reported within the Report of Operations in annual reports. They should also include an assessment of the impacts of achieving the savings on program and service delivery.

Recommendation 34: That the Department of Primary Industries act to implement the intended evaluation of the government’s drought relief initiatives and make the findings of the evaluation available for public examination.

Recommendation 35: The Government Sector Executive Remuneration Panel develop a policy guideline that sets out:

(a) the circumstances in which public sector entities may exceed the 20 per cent threshold of total remuneration in making performance incentive payments to their executives;

(b) the process for obtaining approval for such payments; and

(c) reporting requirements for disclosing these payments.
Recommendation 36: The Department of Parliamentary Services consider introducing a system for awarding performance related incentive payments to its executives in line with the practices that apply to executives in government agencies.

Recommendation 37: The Department of Treasury and Finance:

(a) consider amending financial reporting disclosure requirements for all public sector agencies in regard to annual performance bonuses paid to the most senior managers so that they are in line with reporting requirements of listed companies; and

(b) encourage disclosure in annual reports of examples of outstanding business performance achieved by executives who have received the highest performance bonuses, particularly in those public sector agencies that operate along commercial lines.

Recommendation 38: The Department of Treasury and Finance establish a framework, incorporating sector-wide percentage benchmarks and cost definitions, for the monitoring and annual reporting by departments of salary costs incurred in the direct delivery of services and administrative functions supporting those services.

Recommendation 39: The Department of Treasury and Finance conduct a strategic analysis of salary cost allocations between direct service delivery and administration within statutory agencies, with a view to determining the benefit of implementing standardised recording and reporting requirements across the public sector.

Recommendation 40: The Department of Treasury and Finance assess the strategic benefits of having in place across the public sector a management and reporting framework, incorporating percentage benchmarks, for comparing the apportionment of time consumed in meeting accountability obligations and delivering core services.

Recommendation 41: To ensure the integrity of data presented, the Department of Human Services should review the Disability Services output performance targets and associated data collection processes to minimise the need to use estimates when reporting performance.
Recommendation 42: The Department of Human Services annual report should include details of the progress made against the milestones and targets of its major strategies and programs and should provide commentary on the success of these strategies and programs in achieving their stated objectives.

Recommendation 43: The Department of Innovation, Industry and Regional Development should report the total output costs for all major outputs and provide detailed, comprehensive explanations for all variations from target in future annual reports, as required by the Standing Directions of the Minister for Finance.

Recommendation 44: The Department of Treasury and Finance should include in future Model Annual Reports and guidance, clear instruction to departments that they should include in their annual reports, the total costs for all major outputs and detailed, comprehensive explanations for all significant variations from target.

Recommendation 45: The Department of Innovation, Industry and Regional Development should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful.

Recommendation 46: DEECD should report the total output costs for all major outputs.

Recommendation 47: DEECD should provide detailed, comprehensive explanations for material variations from target in future annual reports (eg. greater than $10 million or greater than 10 per cent).

Recommendation 48: The Department of Justice should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful.

Recommendation 49: The Department of Premier and Cabinet should report performance against all output performance targets in future annual reports.
Recommendation 50: The Department of Sustainability and Environment include in its annual report, explanations for material differences between budgeted and actual output costs.

Recommendation 51: In future, less reliance could be placed on general, across the board targets applying equally to all departments. Targets should wherever possible, be tailored to suit individual circumstances and encourage improved performance.

Recommendation 52: The Department of Treasury and Finance and the Department of Premier and Cabinet take significant actions to address greenhouse gas emissions related to their passenger fleet, with a targeted plan on how this can be achieved.

Recommendation 53: The Department of Treasury and Finance, in association with the other departments and led by the Department of Sustainability and Environment’s Government Leadership Team, review and develop FRD 24B to include set criteria and guidance regarding appropriate inputs to collect and standardise calculations. This would enable departments to report the costs and savings associated with their office based environmental activities.

Recommendation 54: Regional Development Victoria should include in its annual report, a detailed breakdown of expenditure on each of the initiatives and more detailed analysis of performance against the actions in the *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* plan.

Recommendation 55: The Victorian Government should ensure more detailed reporting by Water for Rivers and Snowy Hydro regarding the implementation of water saving projects and the achievement of environmental savings and releases associated with the implementation of the findings of the Snowy Water Inquiry.

Recommendation 56: The Victorian Government should provide in a centralised form (e.g. the annual capital expenditure report), comprehensive details of capital expenditure by water authorities.
Recommendation 57: The Department of Treasury and Finance expand the external reporting obligations of government bodies for public sector advertising programs to incorporate information on the cost of programs and their effectiveness in achieving expected outcomes.

Recommendation 58: Government Business Enterprises and State Owned Enterprises consider adopting a similar volunteering program to that which is in operation at South East Water Ltd.

Recommendation 59: An authoritative review should be undertaken of Victoria’s manufacturing industry and its prospects by the Victorian Competition and Efficiency Commission, the Department of Treasury and Finance or a parliamentary committee.

Recommendation 60: The Department of Infrastructure report on a progressive basis the outcomes delivered from the options being implemented to address transport congestion in urban areas.

Recommendation 61: The Department of Human Services allocate any future targets set in its annual departmental plan for the treatment of additional elective patients according to its regions so that there are appropriate linkages to regional plans for the purpose of enhancing accountability.

Recommendation 62: Further analysis be undertaken by the Department of Human Services on the composition of the cohorts attending emergency departments for alcohol and drug related issues with a view to contributing to further policy development and action to reduce the incidence of such attendances.

Recommendation 63: With a view to enhancing the management of patients presenting at emergency departments across Victoria’s public hospital system, the Department of Human Services:

(a) include in reported information dealing with emergency department presentations, the number who leave without waiting for attention; and

(b) collect information about the extent of emergency department patients in high risk clinical groups who leave emergency departments without being treated by a doctor.
Recommendation 64: The Department of Human Services consider the development of a set of explicit targets as part of the Victorian Child and Adolescent Monitoring System.

Recommendation 65: The Department of Human Services commission a research project to ascertain whether the incidence of client complexity is increasing across the alcohol and other drug sector to ensure that the government response, including funding decisions, are soundly based into the future.

Recommendation 66: City West Water should require Myer Pty Ltd (NB Lonsdale Pty Ltd) to finalise and implement its waterMAP by 30 June 2008.

Recommendation 67: The Department of Premier and Cabinet develop a set of criteria to govern the handling of reports by the State Services Authority including their publication.

Recommendation 68: The Department of Treasury and Finance incorporate into the 2007-08 Model Financial Report guidance to departments about how to disclose in annual reports an assessment of the way in which output performance has contributed to the achievement of objectives and outcomes.

Recommendation 69: The government needs to implement initiatives across various vulnerable elements of the public hospital system, especially in rural areas, to assist in addressing certain short-term solvency issues experienced by a number of hospitals and some longer-term financial sustainability challenges.

Recommendation 70: All government agencies that are required to report performance against output targets specified in the state budget should report performance against all measures including output cost, and provide a minimum of three years of performance data for comparison.

Recommendation 71: All government agencies that are required to report performance against output targets specified in the state budget should provide detailed explanations for any variations of 10 per cent or more from target.
Recommendation 72: That departments develop controls to ensure that all portfolio agencies adequately report performance against relevant output targets specified in the state budget.

Recommendation 73: That all government agencies annually review their reporting responsibilities in relation to the Financial Management Act and the Standing Directives and Financial Reporting Directive of the Minister for Finance, and put in place controls to ensure that all relevant requirements are addressed.

Recommendation 74: That all government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters, in future annual reports.

Recommendation 75: Where specific Financial Reporting Directives do not apply to agencies, this should be clearly indicated in their annual report, including an explanation as to why they do not apply.

Recommendation 76: Government departments and agencies include, where possible, in their annual reports, details of their targets and objectives for the following three years and opportunities to improve performance.

Recommendation 77: The Department of Treasury and Finance should include in their Model financial report and Annual report preparation guide, more detailed principles and guidance on preparing and presenting high quality performance information including the use of historical and benchmarking data.

Recommendation 78: The Department of Treasury and Finance implement an education program across all government agencies to clarify the purpose and recommended structure of annual reports, with an emphasis on reporting performance relation to agency and government objectives, in accordance with best practice.

Recommendation 79: The Committee is willing to work with the IPA and DTF/DPC on an Annual Reports Awards Program that provides recognition for excellence in reporting and accountability.
Recommendation 80: That agencies should provide information on the cost of preparing their annual reports (including use of all resources, contractors, specialist advisers, designers and printing costs) and indicate steps taken to reduce environmental wastage in preparing their annual reports.

Recommendation 81: That all government agencies use the Department of Treasury and Finance model financial report to ensure that their reports are well structured and address the core requirements of annual reporting.

Recommendation 82: The Victorian Auditor-General’s Office devote sufficient time and resources to performance audit planning to ensure that budgets are realistic and achievable.

Recommendation 83: For reporting actual performance against quantity targets relating to reports tabled in Parliament in future:

(a) the annual report of the Victorian Auditor-General’s Office disclose:

(i) a clear link between the number of specific reports earmarked for tabling in a given year compared with how the Office performed in terms of tabling these particular reports;

(ii) any factors that impeded the Office from meeting planned tabling timelines for particular reports; and

(b) the Victorian Auditor-General’s Office follow the practice of reporting on the number of reports actually tabled in each financial year.

Recommendation 84: With a view to ensuring that performance audit findings are conveyed to the Parliament and the community in a timely manner and delays are minimised, the Victorian Auditor-General’s Office:

(a) explore avenues for reducing the extent of protracted discussions occurring in the clearance process involved in finalising report material; and

(b) establish practical timelines for particular audits that may involve a lengthy report clearance process.
<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Description</th>
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<tbody>
<tr>
<td>Recommendation 85:</td>
<td>The Committee urges the Premier to seek an earlier tabling timeframe for annual reports of public sector agencies.</td>
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<td>Recommendation 86:</td>
<td>The Department of Treasury and Finance examine whether scope exists for streamlining the Appropriation Certification process at year end.</td>
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<tr>
<td>Recommendation 87:</td>
<td>Quantified impacts emanating in full or in part from the work of the Victorian Auditor-General’s Office be disclosed in the Office’s annual report.</td>
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<tr>
<td>Recommendation 88:</td>
<td>With an aim of improving staff retention rates, the Victorian Auditor-General’s Office ensure that it has progressive policies in place to deal with all issues surrounding the career development of its staff for the purpose of retaining, in particular, those employees who have developed valuable experience and skills in the Office.</td>
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CHAPTER 1: INTRODUCTION AND RESPONSES TO THE PREVIOUS BUDGET OUTCOMES REPORT

1.1 Background

The Committee’s review of financial and performance outcomes aims to improve the accountability of government departments and agencies to Parliament for the money raised ($40.0 billion)\(^1\) and spent ($38.7 billion)\(^2\) in 2006-07 by the State of Victoria as well as certain aspects relating to 2005-06 where applicable. This follow-up process complements the budget estimates hearings the Committee held in May and June 2007, which reviewed the new initiatives, programs and services to be delivered in 2007-08. This report includes analysis of key aspects of what departments and agencies intended to achieve in 2006-07 compared with what was actually achieved, together with recommendations designed to improve accountability and enhance financial and resource management.

For the purpose of conducting this inquiry, a financial year outcome is defined as a result that has been achieved, either in a financial or performance context, from an activity funded by the Parliament or through internally generated revenue. These outcomes are recorded in the public accounts of departments and agencies which are formally audited by the Auditor-General. While the financial year outcomes inquiry examines the public accounts in terms of outputs delivered by departments and agencies, it also examines key areas of performance in terms of effectiveness and efficiency.

The Committee’s inquiry analyses the public accounts and related financial and performance information contained in a range of documents that include:

- the quarterly financial reports;
- the annual financial report;
- annual reports of departments and key agencies;
- the parliamentary departments and the Victorian Auditor-General’s Office;
- departmental responses to the Committee’s 2006-07 outcomes questionnaires;
- the government’s budget papers for 2006-07 (and 2005-06); and
- reports of the Victorian Auditor-General and other authoritative organisations.

The inquiry looks at public expenditure against the expressed purposes of government for that expenditure as contained in documents tabled in Parliament as well as in public policy statements. The scope of the Committee’s inquiry remains within the context of accepted government policy. The Committee does not generally seek to explore alternative policy questions or to compare fiscal outcomes against other policy contexts.

\(^1\) Department of Treasury and Finance, *2006-07 Annual Financial Report for the State of Victoria*, p.57
Performance is measured against:

- desired or intended expectations as stated in policy and budget announcements about government initiatives;
- quantitative, qualitative, timeliness and cost targets;
- stated objectives in budget, departmental and agency strategic planning documents; and
- the objectives set out in federal programs of national and state significance.

1.2 Objectives of the inquiry

The Committee’s overall objective of reviewing financial and performance outcomes is to provide the Parliament and the community with meaningful information about results achieved in 2006-07 compared with expectations as well as certain aspects relating to 2005-06 where applicable, thereby assisting in the process of making informed assessments about the content of public accounts and achievement against planned priorities.

Consideration is also given to making recommendations about the form and content of the annual accounts, financial papers and annual reports as well as about specific outcomes judged, where appropriate, against performance objectives and planned priorities.

The Committee plays an important role through the examination of public accounts to seek improved performance and accountability of government departments and agencies to Parliament and the community for the money raised and spent each year.

Sub-objectives comprise the following:

- to examine the published financial statements and public accounts of the government, departments and various agencies;
- to provide commentary on any major variances between targeted achievements (that is, what the government said it would achieve in the year concerned and what was actually achieved) where the Committee believes that further information obtained through the inquiry process would enhance transparency;
- to examine how accountable, effective and efficient departments and agencies have been in delivering certain initiatives and programs outlined in the government’s 2006-07 budget and annual financial and economic statements or annual planning documentation; and
- to identify constructive and relevant recommendations on ways in which performance and disclosure can be improved in future.

This follow-up process complements the Committee’s ex-ante responsibilities of reviewing the budget estimates by bringing to the forefront of the Parliament and the community’s attention analytical comment designed to enhance performance and accountability and provide a catalyst for change for the public good.

By reviewing the government’s financial and performance outcomes for the previous financial year, the Committee’s outcomes report completes the yearly cycle of ongoing accountability.
1.3 Scope of the inquiry

1.3.1 Coverage of related agencies

With this outcomes inquiry, the Committee has significantly extended the range of agencies whose outcomes have been subjected to specific analysis and reporting.

Broadening the scope from previous outcome inquiries, the definition of ‘related agencies’ adopted by the Committee comprised a selection of those entities that in the Committee’s opinion have a significant financial and community impact. This approach was adopted to facilitate a more comprehensive analysis of outcomes across the general government, public non-financial corporations and public financial corporations sectors.

The related agencies selected by the Committee together with the relevant departments are shown in table 1.1.

Table 1.1: Departments and related agencies covered in the review

<table>
<thead>
<tr>
<th>Department of Education and Early Childhood Development</th>
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<tr>
<td>Department of Education</td>
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<td>Department of Human Services</td>
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<tr>
<td>Department of Human Services (including Housing)</td>
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<tr>
<td>Austin and Repatriation Medical Centre (a)</td>
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<td>Bayside Health (a)</td>
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<td>Eastern Health (a)</td>
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<td>Western Health (a)</td>
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<td>Southern Health (a)</td>
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<td>Royal Children’s Hospital (a)</td>
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<td>Barwon Health (a)</td>
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<td>Department of Infrastructure</td>
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<td>Department of Infrastructure</td>
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<tr>
<td>Port of Melbourne Corporation (a)</td>
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<td>Roads Corporation</td>
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<td>Victorian Rail Track (a)</td>
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<td>Victorian Urban Development Authority (a)</td>
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<td>Southern Cross Station Authority (a)</td>
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<td>Department of Innovation, Industry and Regional Development</td>
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<tr>
<td>Department of Innovation, Industry and Regional Development</td>
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<td>Victorian Learning and Employment Skills Commission (a)</td>
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**Table 1.1:** Departments and related agencies covered in the review *(continued)*

<table>
<thead>
<tr>
<th>Department of Justice</th>
<th>Department of Justice</th>
<th>Metropolitan Fire and Emergency Services Board (a)</th>
<th>Victorian Casino and Gaming Authority (a)</th>
<th>Victoria Police (a)</th>
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<tr>
<td>Department of Premier and Cabinet</td>
<td>Department of Premier and Cabinet</td>
<td>National Gallery of Victoria (a)</td>
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<td>Department of Primary Industries</td>
<td>Department of Primary Industries</td>
<td>Victorian Energies Network Corporation (VenCorp) (a)</td>
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<tr>
<td>Department of Sustainability and Environment</td>
<td>Department of Sustainability and Environment</td>
<td>Barwon Region Water Authority (a)</td>
<td>Goulburn Murray Rural Water Authority (a)</td>
<td>Melbourne Water Corporation (a)</td>
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<td>Parks Victoria (a)</td>
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<tr>
<td>Department of Treasury and Finance</td>
<td>Department of Treasury and Finance</td>
<td>Rural Finance Corporation (a)</td>
<td>SECV (shell) (a)</td>
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<tr>
<td>Transport Accident Commission (a)</td>
<td>Treasury Corporation of Victoria (a)</td>
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<td>City West Water Limited (a)</td>
<td>South East Water Limited (a)</td>
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<td>Yarra Valley Water Limited (a)</td>
<td>Victorian Managed Insurance Authority (a)</td>
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<td>Victorian WorkCover Authority (a)</td>
<td>Victorian Funds Management Corporation (a)</td>
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<td>Department for Victorian Communities</td>
<td>Department for Victorian Communities</td>
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**Note:** (a) new agencies whose outcomes have been specifically examined by the Public Accounts and Estimates Committee for the first time in an outcomes report
1.3.2 More extensive outcomes questionnaires

This year the Committee instituted for the first time a two-part outcomes questionnaire process that covered selected issues across agencies that were deemed in the public interest by the Committee.

Part one consisted of generic questions applicable to all departments and some of their key outrider agencies. This included questions surrounding economic reform, financial outcomes, staffing, revenue (for example taxes, fees and fines) and revenue foregone (concessions and subsidies) and a self-assessment report card. This questionnaire was issued in early October 2007. The earlier issuing of this questionnaire than in previous years was aimed at securing more timely responses for analysis.

Following a review of annual reports relating to departments and agencies that were tabled around 31 October 2007 together with the examination of other relevant information, the Committee forwarded a supplementary questionnaire. Part two was more specifically related to deliverables by individual departments and agencies. It focused on financial and performance related issues; follow-up questions arising from the budget estimates process; environmental, regional and rural outcomes; and Growing Victoria Together impacts. The part two questionnaire was sent to departments in early December 2007.

While departments were asked to include information for related agencies in their response to certain questions included in the outcomes questionnaire, the Department of Treasury and Finance advised the Committee in November 2007 that its response did not include the nominated related agencies as they were not within the general government sector, and therefore the department did not capture the specific detailed information sought by the Committee. The Committee was also informed that these public corporations operated within their own governance structures and aimed to mirror the commercial and competitive disciplines facing private sector firms. On the basis that this information had not been requested previously and the specific issues were not captured during standard agency reporting to the department, the Committee was advised that it should liaise directly with the agencies concerned. As such, a specially tailored questionnaire was also issued to each of these agencies, which also included specific questions relating to the Committee’s analysis of their annual reports for 2006-07.

1.3.3 Analysis of annual reports

The scope of the inquiry also covered an extensive analysis of annual reports of not only departments but also a range of authorities (refer to chapter 23 for detailed findings emanating from this analysis).

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3 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, covering letter to the response
4 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, covering letter to the response
5 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, covering letter to the response
1.3.4 **Outcomes analysis at a macro level**

In appreciating the importance of evaluating program outcomes on an ongoing basis to assess whether planned objectives and outcomes are being achieved, the Committee maintains that the concept of outcome evaluation is primarily a role for departments and agencies to foster as part of formulating policy and performing their governance role.

With this background in mind, the Committee’s outcomes inquiry did not propose to examine impacts at a micro-level, but intended to provide information at a macro-level that would be useful to program administrators at a policy and operational level for the purposes of promoting:

- the concept of continuous improvement in performance and disclosure; and
- consistency and cohesiveness in whole of government reporting, target-setting, disclosure and achievement of performance measures.

1.3.5 **Why was an outcomes inquiry not conducted for 2005-06?**

Given the 2006 state election and the proroguing of the 55th Parliament on 31 October 2006, a review of the outcomes was not undertaken for 2005-06. As such, this inquiry, which primarily focuses on the 2006-07 outcomes, also covers 2005-06 for comparative purposes, particularly in terms of increased statistical analysis.

1.3.6 **Follow-up of government response to the Committee’s Report on the 2004-05 Budget Outcomes**

The Department of Treasury and Finance and the Department of Premier and Cabinet were requested to follow-up the action taken by the government in response to the Committee’s Report on the 2004-05 Budget Outcomes.

The Victorian Government’s response to the Committee’s Report on the 2004-05 Budget Outcomes, tabled on 3 October 2006, revealed that of the 92 recommendations:

- 23 were accepted (25 per cent);
- 13 were accepted in part (14 per cent);
- 38 were accepted in principle (41 per cent);
- 9 were under review (10 per cent); and
- 9 were rejected (10 per cent).

---

A summary per department is set out in table 1.2.

Table 1.2: Summary of government response to the Committee's Report on the 2004-05 Budget Outcomes

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Accept</th>
<th>Accept in part</th>
<th>Accept in principle</th>
<th>Under review</th>
<th>Reject</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction and responses to previous outcomes report</td>
<td>–</td>
<td>–</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>7</td>
</tr>
<tr>
<td>New VPS staffing structure; stress claims; and performance bonuses</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>8</td>
</tr>
<tr>
<td>Environmental reporting; Project Rosetta; advertising and promotional expenditure</td>
<td>2</td>
<td>–</td>
<td>6</td>
<td>1</td>
<td>–</td>
<td>9</td>
</tr>
<tr>
<td>Parliamentary departments</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Victorian Auditor-General's Office</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>6</td>
</tr>
<tr>
<td>Education and Training</td>
<td>–</td>
<td>–</td>
<td>6</td>
<td>–</td>
<td>–</td>
<td>6</td>
</tr>
<tr>
<td>Human Services</td>
<td>5</td>
<td>2</td>
<td>5</td>
<td>1</td>
<td>1</td>
<td>14</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>–</td>
<td>2</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>2</td>
<td>–</td>
<td>3</td>
<td>–</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Justice</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>2</td>
<td>–</td>
<td>3</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>2</td>
<td>2</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>4</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>5</td>
<td>1</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>7</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>–</td>
<td>–</td>
<td>8</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>–</td>
<td>–</td>
<td>1</td>
<td>–</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Review of annual reports of departments and agencies</td>
<td>–</td>
<td>1</td>
<td>3</td>
<td>–</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Total number of recommendations</td>
<td>23</td>
<td>13</td>
<td>38</td>
<td>9</td>
<td>9</td>
<td>92</td>
</tr>
<tr>
<td>Percentage of total recommendations (%)</td>
<td>25</td>
<td>14</td>
<td>41</td>
<td>10</td>
<td>10</td>
<td>100</td>
</tr>
</tbody>
</table>


Recommendations that were either rejected or accepted in part

A listing of the recommendations that were rejected by the government is contained in table 1.3
Table 1.3: Report on the 2004-05 Budget Outcomes
Summary of recommendations rejected by the government

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Rec. No.</th>
<th>Recommendation</th>
<th>Further action planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction and responses to previous outcomes report</td>
<td>5</td>
<td>The Department of Treasury and Finance review the guidelines for reporting asset investment projects in Budget Information Paper No. 1, Public Sector Asset Investment Program, to include asset projects currently excluded by the guidelines.</td>
<td>BIP 1 is intended to outline major asset projects. The remaining asset expenditure not reported in BIP 1 generally relates to minor capital works that are expected to be completed within one financial year. As such DTF believes that the $30,000 threshold does not undermine the accountability and transparency of the document as over 95% of asset expenditure at a point in time is reported. DTF, through its commitments to the continuous improvement of Victoria’s financial reporting framework, will continue to ensure that the reporting guidelines remain relevant and transparent.</td>
</tr>
<tr>
<td>New VPS staffing structure; stress claims; and performance bonuses</td>
<td>13</td>
<td>The prevalence of bonuses paid to the most senior executives in agencies in a given year be reflected in the proportion of lower level executives receiving performance pay in the same performance assessment period.</td>
<td>SSA/DPC to reiterate to agencies that performance should be measured and bonuses awarded impartially regardless of classification.</td>
</tr>
<tr>
<td>Parliamentary departments</td>
<td>26</td>
<td>The parliamentary departments include in their annual reports, summarised results of the survey of Members, with previous survey results included for comparative purposes. Key strategies the parliamentary departments intend to undertake to address issues raised by survey results should also be provided in their annual reports.</td>
<td>No further action required.</td>
</tr>
<tr>
<td>Victorian Auditor-General’s Office</td>
<td>27</td>
<td>To demonstrate the impact that audits have had in terms of generating cost savings from the adoption of audit recommendations, the Victorian Auditor-General’s Office give consideration to: (a) evaluating the benefits of topics for inclusion in the annual plan in terms of the ability to generate potential cost savings; (b) framing lines of enquiry in audit specifications specifically directed at exploring areas that may contribute to potential savings; and (c) quantifying the scale and source of savings generated from the implementation of audit recommendations in the annual report of the Victorian Auditor-General’s Office.</td>
<td>No further action planned as, following review, the current selection criteria allow for effective consideration of all potential audit objectives and outcomes. Selection of topics for inclusion in the annual plan is based on robust selection criteria, which include potential for improved resource and financial management. It is not appropriate to give increased emphasis to one specific area, such as potential cost savings, in preference to other criteria when determining and prioritising audit topics. Individual audits may be directed to achieving a range of audit objectives and intended outcomes. Accordingly, the extent to which lines of enquiry are directed specifically at areas that may contribute to potential savings will continue to depend on the objectives and intended outcomes of each audit.</td>
</tr>
</tbody>
</table>
### Table 1.3: Report on the 2004-05 Budget Outcomes

Summary of recommendations rejected by the government *(continued)*

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Rec. No.</th>
<th>Recommendation</th>
<th>Further action planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services</td>
<td>42</td>
<td>The Department of Human Services appropriately disclose in its reporting framework details about additional funding received and show the effect that this funding has had in terms of the ability of the department to meet or exceed its performance targets.</td>
<td>No further action planned.</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>56</td>
<td>The Department of Innovation, Industry and Regional Development include in its annual report explanations for significant differences (for example more than 10 per cent) between targeted and actual performance.</td>
<td>No further action planned.</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>84</td>
<td>The Department of Treasury and Finance determine the estimated cost to the state of the EastLink project over the construction period, inclusive of land acquisitions and works directly associated with the tollway.</td>
<td>No further action planned.</td>
</tr>
<tr>
<td>Review of annual reports of departments and agencies</td>
<td>92</td>
<td>A special Premier’s awards scheme for annual reporting be established and be jointly coordinated by the Department of Premier and Cabinet and the Department of Treasury and Finance.</td>
<td>No further action planned.</td>
</tr>
</tbody>
</table>
With regard to the Committee’s review of recommendations that were rejected or accepted in part, the Committee identified one issue that warranted reconsideration and this matter was included in its outcomes questionnaire – part two that was issued to the Department of Treasury and Finance and the Department of Premier and Cabinet. Comment on this matter is contained in chapter 23 of this report dealing with the Committee’s review of annual reports (refer to section relating to Department of Innovation, Industry and Regional Development).

**Recommendations accepted, accepted in principle and under review**

In relation to the above, the Committee requested the Department of Premier and Cabinet and the Department of Treasury and Finance to coordinate the provision of a summary of the action taken in response to:

- each of the recommendations accepted;
- each of the recommendations accepted in principle; and
- each of the recommendations that were under review.

The response to the above matters, received on 13 March 2008, is contained in appendix 2 of this report.

**1.3.7 General**

The cost of this inquiry was approximately $162,215.
CHAPTER 2: OVERVIEW OF THE STATE’S 2006-07 FINANCIAL OUTCOMES

Key financial outcomes for 2006-07:

2.1 The net result from transactions (or operating surplus) of the state for 2006-07 was $1.2 billion, $696.3 million or 126.4 per cent higher than the result for 2005-06. This improved result reflects revenue growth mainly due to the unexpected strength of the Victorian and national economies and continued strength in the year of equity markets.

2.2 After taking account of actuarial gains on defined benefit superannuation funds in the general government (or budget-funded) sector, the state’s net result for 2006-07 was $7.2 billion, $1.3 billion or 23.1 per cent higher than the net result for 2005-06.

2.3 Net assets of the state increased by $9.4 billion or 12.3 per cent in 2006-07 to $86.1 billion, compared with $76.7 billion in 2005-06. This increase in net assets largely occurred in the general government sector due to a significant growth in capital stock and a decrease in superannuation liability.

2.4 The 2006-07 operating surplus in the general government sector was $1.4 billion, substantially in excess of the government’s minimum target of $100 million. The operating surplus was also $742.8 million or 119.4 per cent higher than the revised May 2007 estimate and $1 billion or 330.7 per cent higher than the initial estimate disclosed in the 2006-07 Budget Papers.

2.5 The government’s 2006-07 Annual Financial Report identifies that the higher than expected operating surplus since the May 2007 revised estimate resulted from increased revenue of $1.5 billion offset by increased expenses of $791.5 million. Commentary on the main revenue and expense variations is included in the annual financial report and summarised in this chapter.

2.6 Net infrastructure investment spending in the general government sector in 2006-07 amounted to $3.3 billion compared with $2.7 billion in 2005-06. Over three quarters of this spending was financed by cash generated by operating activities, with the remainder funded by borrowings.

2.7 Net government sector debt increased by $882 million in 2006-07 and stood at $2.6 billion or 1.1 per cent of GSP at 30 June 2007. The government’s annual financial report indicates that the increase in net government sector debt was $300 million less than anticipated in the revised May 2007 estimate due to stronger operating cash flows.

2.8 The Treasurer announced that the strong 2006-07 operating surplus meant that the government could bring forward its commitment to purchase eight additional metropolitan trains at a cost of $272 million (in addition to 10 new trains subject to tender at the time), as well as investing $600 million in its Food Bowl Modernisation project.
| 2.9 | The Committee concurs with a view expressed by the Auditor-General that the government should continuously monitor several external factors, including the performance of the national and local economies and financial and equity markets, that contributed to the strong 2006-07 financial result. It considers that the volatility of many of these factors and the magnitude of the government’s unfunded infrastructure commitments reinforce the need for continual close scrutiny. |
| 2.10 | Sales of goods and services and other income (including an increase of $99 million in interest income) generated additional income of $600 million. |
| 2.11 | Future disclosure by the government in its annual financial report on any higher interest earnings of agencies should identify the underlying reasons such as enhancements to cash management procedures or strategies and factors substantiating the holding of significant cash balances over time. |
| 2.12 | Figures extracted from Victorian budget papers and annual financial reports show that, over the four years from 2003-04, the annual operating surplus in the general government sector has been consistently higher than the initial budget estimate with the excess of actual over budget during the period ranging from 50.3 per cent to 330.8 per cent. |
| 2.13 | The Committee recognises that past variations from estimates of operating surplus have been favourable and contributed positively to the state’s financial standing. Nevertheless, it considers the frequency of major differences between actual and projected results warrants periodic disclosure by the Department of Treasury and Finance of continuous improvement actions taken to ensure its forecasting method employed in the development of annual budgets remains at leading edge by world standard. |
| 2.14 | The Committee has identified several opportunities for the government to further strengthen the transparency of its annual reporting on the operating surplus in the general government sector. |
| 2.15 | While the government’s annual financial report for 2006-07 describes some of the principal infrastructure investments for the year in the main spending departments, it does not identify reasons for some significant variations between actual and estimated expenditure late in the financial year in major departments including Human Services and Education. The Committee advocates that the reasons underlying any future spending variations be adequately disclosed, including particulars of projects advanced, deferred or abandoned. |
| 2.16 | The government should extend its disclosure of information relating to infrastructure projects brought forward due to a stronger than expected operating result. Such information should include particulars of revised cost and time budgets for the brought forward projects and the impact on the infrastructure program of any freeing up of funding previously allocated to these projects. |
2.1 Summary of government’s consolidated financial result for 2006-07


The year-end report documents the 2006-07 financial results and position for the State of Victoria which, as a whole of government reporting entity, has three sectors, namely:

- the general government sector (213 entities comprising departments and other budget-funded agencies);
- the public non-financial corporations sector (92 entities such as the various water, rail and port authorities); and
- the public financial corporations sector (8 entities incorporating government-owned bodies such as the Transport Accident Commission, the Treasury Corporation of Victoria and the Victorian WorkCover Authority).

The 2006-07 report includes the state’s financial statements for the year, as audited by the Auditor-General, as well as commentary by the government on particular financial and economic outcomes. The Auditor-General has described the annual financial report as:

... a key part of the accountability of the government to Parliament for the management and stewardship of the state’s finances.

Table 2.1 compares the audited consolidated operating statement for 2006-07 and 2005-06 for the State of Victoria as presented in the annual financial report. It shows two measures for the period, a ‘net result from transactions’ which equates to a result from operating activities, before arriving at a ‘net result’ after recognising income and expenses derived from other economic flows.

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Table 2.1: Consolidated operating statement for the year ended 30 June 2007

<table>
<thead>
<tr>
<th></th>
<th>State of Victoria</th>
<th>General government sector</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2007 ($ million)</td>
<td>2006 ($ million)</td>
</tr>
<tr>
<td><strong>Income from transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>11,554.9</td>
<td>10,752.3</td>
</tr>
<tr>
<td>Fines and regulatory fees</td>
<td>789.2</td>
<td>736.2</td>
</tr>
<tr>
<td>Dividends and income tax</td>
<td>680.7</td>
<td>520.5</td>
</tr>
<tr>
<td>equivalent and rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>equivalent revenue</td>
<td>1,100.5</td>
<td>1,063.6</td>
</tr>
<tr>
<td>Grants</td>
<td>15,493.2</td>
<td>14,542.1</td>
</tr>
<tr>
<td>Sale of goods and services</td>
<td>8,703.6</td>
<td>8,244.2</td>
</tr>
<tr>
<td>Fair value of assets</td>
<td>200.7</td>
<td>198.7</td>
</tr>
<tr>
<td>received free of charge or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>for nominal consideration</td>
<td>1,459.1</td>
<td>1,360.5</td>
</tr>
<tr>
<td>Total income from transactions</td>
<td>39,982.0</td>
<td>37,418.1</td>
</tr>
<tr>
<td><strong>Expenses from transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>12,985.8</td>
<td>12,247.3</td>
</tr>
<tr>
<td>Superannuation</td>
<td>1,706.0</td>
<td>1,985.1</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>2,217.2</td>
<td>2,135.6</td>
</tr>
<tr>
<td>Finance costs</td>
<td>1,059.7</td>
<td>1,015.8</td>
</tr>
<tr>
<td>Grants and transfer payments</td>
<td>4,449.9</td>
<td>4,140.3</td>
</tr>
<tr>
<td>Supplies and services (a)</td>
<td>16,104.1</td>
<td>15,288.1</td>
</tr>
<tr>
<td>Other expenses</td>
<td>212.4</td>
<td>55.1</td>
</tr>
<tr>
<td>Total expenses from transactions</td>
<td>38,735.0</td>
<td>36,867.4</td>
</tr>
<tr>
<td><strong>Net result from transactions</strong></td>
<td>1,247.0</td>
<td>550.7</td>
</tr>
<tr>
<td><strong>Income/(expenses) from other</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>economic flows</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gain/(loss) from disposal</td>
<td>-51.8</td>
<td>-74.0</td>
</tr>
<tr>
<td>of physical assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial gains/(losses) of</td>
<td>3,196.1</td>
<td>2,435.0</td>
</tr>
<tr>
<td>superannuation defined benefit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share of net profits/(losses)</td>
<td>35.6</td>
<td>148.0</td>
</tr>
<tr>
<td>of associates and joint</td>
<td></td>
<td></td>
</tr>
<tr>
<td>venture entities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net gains/(losses) on financial</td>
<td>2,939.5</td>
<td>1,893.4</td>
</tr>
<tr>
<td>assets fair value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other gains/(losses) from other</td>
<td>-134.3</td>
<td>923.3</td>
</tr>
<tr>
<td>economic flows (a)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total other economic flows</td>
<td>5,985.1</td>
<td>5,325.7</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>7,232.1</td>
<td>5,876.4</td>
</tr>
</tbody>
</table>

**Note:** (a) published figures for 2005-06 have been adjusted for insurance claims expense to recognise the valuation component ($505.6 million) as an other economic flow consistent with the treatment in 2006-07

**Source:** Department of Treasury and Finance, Financial Report for the State of Victoria 2006-07, October 2007, p.57; percentage movements computed by the PAEC
As shown in table 2.1, the 2006-07 ‘net result from transactions’ for the state is $1.2 billion, $696.3 million or 126.4 per cent higher than the result for 2005-06. The government has indicated in its annual financial report that the 2006-07 result reflects growth in income mainly due to the unexpected strength of the Victorian and national economies, and the continued strength of equity markets leading to higher investment returns, partly offset by growth in expenses.\(^8\)

Table 2.1 also shows that, after actuarial adjustments and revaluations, the 2006-07 ‘net result’ was $7.2 billion, $1.3 billion higher than the net result of $5.9 billion for 2005-06. The government attributes this increase to actuarial gains on defined benefit superannuation plans in the general government sector and revaluations of financial assets associated with long-term electricity supply contracts to Portland and Point Henry aluminium smelters.\(^9\)

2.2 Summary of government’s consolidated financial position at 30 June 2007

The government’s annual financial report for 2006-07 identifies that net assets of the state increased by $9.4 billion or 12.3 per cent in 2006-07 to $86.1 billion, compared with $76.7 billion in 2005-06.\(^10\)

Figure 2.2 shows the variation in net assets by sector from 2006 to 2007 with the growth in net assets largely occurring in the general government sector.

---


The government attributes the increase in net assets in the general government sector to a significant growth in capital stock and a decrease in the state’s superannuation liability.\textsuperscript{11}

With regard specifically to assets, the Auditor-General’s report indicates that the state’s assets increased in reported value by $8.7 billion in 2006-07 due mainly to increases in:\textsuperscript{12}

\begin{itemize}
  \item property, plant and equipment of $4.9 billion relating to new asset additions and asset revaluation increments; and
  \item other financial assets of $2.4 billion mainly involving continuing gains in market value resulting from strong financial markets.
\end{itemize}

Liabilities of the state were $708 million lower at 30 June 2007 reflecting:\textsuperscript{13}

\begin{itemize}
  \item a reduction of $2.8 billion in the state’s superannuation liability and of $302 million in borrowings offset by:
    \begin{itemize}
      \item increases in other liabilities including $792 million in provisions for payments to the SECV for the supply of electricity to Victoria’s aluminium smelters (this increase in liability was offset by a $954 million gain on financial instruments used by the SECV to minimise provisions) and $358 million in unearned income mainly relating to the agreement to encash future Melbourne CityLink concession notes. 14 Matters associated with these concession notes were addressed in the Auditor-General’s December 2007 Report on Funding and Delivery of Two Freeway Upgrade Projects.\textsuperscript{15}
    \end{itemize}
\end{itemize}

While commenting that the government has benefited from a strong economy in 2006-07, the Auditor-General cited the following external factors which could impact the state’s future financial performance:\textsuperscript{16}

\begin{itemize}
  \item the performance of the national economy, and the policy directions and decisions of the Commonwealth Government, which significantly influence the level of Commonwealth grants to the state;
  \item the performance of the state economy and property markets, which significantly influence state-sourced revenues (mainly taxation revenues);
  \item market volatility impacting the performance of financial and equity markets, which significantly influence the investment revenues and superannuation expenses of the state; and
  \item pressures for wage and salary growth, contributing to increased employment costs.
\end{itemize}

The Auditor-General stated that these external factors will need to be continuously monitored by the government. The Committee concurs with this assessment given the volatility of many of the factors that contributed to the stronger than expected financial performance of the state in 2006-07 and the magnitude of the government’s unfunded infrastructure policy commitments.

\textsuperscript{11} Department of Treasury and Finance, \textit{Financial Report for the State of Victoria 2006-07}, October 2007, p.43
\textsuperscript{13} Department of Treasury and Finance, \textit{Financial Report for the State of Victoria 2006-07}, October 2007, p.45
\textsuperscript{15} Victorian Auditor-General’s Office, \textit{Funding and Delivery of Two Freeway Upgrade Projects}, December 2007
2.3 Higher than expected net result from transactions (operating surplus) in general government sector

The government has stated in its 2006-07 annual financial report that the:\textsuperscript{17}

... net result from transactions reflects the financial decisions controlled by government and excludes remeasurement items such as actuarial adjustments and revaluations. This is the primary reason why the net result from transactions is a more appropriate measure of the government’s financial management and gives the clearest representation of Victoria’s underlying budget position.

It has also identified that the general government sector accounts for most of the operations driving the net result from transactions, which are directly influenced by the policy decisions of the government.\textsuperscript{18}

The Committee has previously reported that, since 1999, the government has achieved its financial objective of delivering an annual operating surplus of at least $100 million from transactions within its general government (or budget-funded) sector.\textsuperscript{19}

For 2006-07, the government’s operating surplus in this sector was $1.4 billion, substantially above its minimum operating surplus target of $100 million. This result exceeded the revised estimate published in May 2007 in the 2007-08 Budget Papers of $621.9 million by $742.8 million or 119.4 per cent, and the initial estimate of $316.8 million disclosed in the 2006-07 Budget Papers by $1 billion or 330.8 per cent. These variations from earlier projected results are clearly significant. Table 2.3 dissects the variation of $742.8 million from the latest revised 2006-07 estimate, according to the main revenue and expense items.

\begin{itemize}
\item \textsuperscript{17} Department of Treasury and Finance, \textit{Financial Report for the State of Victoria 2006-07}, October 2007, p.18
\item \textsuperscript{18} Department of Treasury and Finance, \textit{Financial Report for the State of Victoria 2006-07}, October 2007, p.32
\item \textsuperscript{19} Public Accounts and Estimates Committee, \textit{Report on the 2007-08 Budget Estimates – Part Three}, September 2007, p.25
\end{itemize}
Table 2.3: Operating surplus for general government sector 2006-07

<table>
<thead>
<tr>
<th>Operating item</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Column 1-2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07 Actual ($ million)</td>
<td>2006-07 Revised Estimate ($ million)</td>
<td>Variation ($ million)</td>
<td>Variation (%)</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxation</td>
<td>11,701.8</td>
<td>11,471.5</td>
<td>230.3</td>
<td>2.0</td>
</tr>
<tr>
<td>Dividends, Income tax and rate equivalent revenue</td>
<td>1,422.3</td>
<td>1,041.5</td>
<td>380.8</td>
<td>36.6</td>
</tr>
<tr>
<td>Grants</td>
<td>15,600.9</td>
<td>15,278.4</td>
<td>322.5</td>
<td>2.1</td>
</tr>
<tr>
<td>Sale of goods and services and other income</td>
<td>6,160.7</td>
<td>5560.0</td>
<td>600.7</td>
<td>10.8</td>
</tr>
<tr>
<td>Total revenue</td>
<td>34,885.7</td>
<td>33,351.4</td>
<td>1,534.3</td>
<td>4.6</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee benefits</td>
<td>12,187.2</td>
<td>12,226.0</td>
<td>-38.8</td>
<td>-0.3</td>
</tr>
<tr>
<td>Superannuation</td>
<td>1,642.9</td>
<td>1,686.1</td>
<td>-43.2</td>
<td>-2.6</td>
</tr>
<tr>
<td>Supplies and services and other expenses</td>
<td>19,691.0</td>
<td>18,817.4</td>
<td>873.6</td>
<td>4.6</td>
</tr>
<tr>
<td>Total expenses</td>
<td>33,521.1</td>
<td>32,729.5</td>
<td>791.5</td>
<td>2.4</td>
</tr>
<tr>
<td>Estimated operating surplus</td>
<td>1,364.7</td>
<td>621.9</td>
<td>742.8</td>
<td>119.4</td>
</tr>
</tbody>
</table>


It can be seen from table 2.3 that the higher than expected surplus for 2006-07 was attributable to increased revenue of $1.5 billion offset by net additional supplies, services and other expenses of $791.5 million.

The government’s annual financial report for 2006-07 includes commentary on those factors contributing to the main variations from the May 2007 revised revenue and expense estimates for 2006-07. Aspects of this commentary are shown below in section 2.3.1:

2.3.1 Reasons reported by government for higher than expected revenue of $1.5 billion in 2006-07 compared with the latest May 2007 estimate

Taxation

The growth in taxation revenue of $230 million for 2006-07 is principally attributable to:

- higher than forecast payroll tax revenue of $25 million due to stronger than expected employment growth during the latter part of the year;
- an increase in land tax revenue of $99 million from greater compliance with taxation arrangements following introduction of special trust provisions; and

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• additional revenue from land transfer duty of $111.8 million emanating mainly from extra one-off property sales by property owners opting to take advantage of changes to Commonwealth superannuation arrangements that lapsed on 30 June 2007.

Income tax equivalents

Higher than estimated contributions in income tax equivalents totalling $380 million received from the Transport Accident Commission and the Victorian WorkCover Authority, were influenced mainly by greater than forecast investment returns on realised investments. The government has indicated these higher contributions are one-off in nature and not likely to continue in future years.

Grants

Grants increased by $323 million from the revised May 2007 estimate comprising:

• an increase of $65 million in general purpose Commonwealth grants due to a higher than anticipated growth in the GST pool – the report indicates GST grants for 2006-07 increased by $651 million or 8.2 per cent when compared with 2005-06 reflecting:

  strong growth in the GST pool due to the strength of the national economy, together with an increase in Victoria’s share of GST revenue, generated by improved relativity from the Commonwealth Grants Commission; and

• an extra $258 million in Commonwealth specific purpose grants associated with capital programs for schools, roads and rail programs, further areas becoming eligible for drought relief and greater funding for the Wimmera Mallee Pipeline project.

Sale of goods and services and other income

This revenue category generated greater than expected income of $600 million since the revised 2006-07 estimate due mainly to Titles Office registration fees, revenue from general government agencies and unclaimed moneys (quantification for each component is not identified in the government’s report). This additional revenue was partly offset by lower than anticipated fines and regulatory fees revenue due principally to delays in implementation of the Fixed Digital Safety Camera program.

The additional revenue also includes an increase of $99 million in interest revenue since the May 2007 revised estimate which the government identifies as largely reflecting higher interest earnings of agencies such as hospitals and schools from increased cash balances. Over the full year, interest revenue was higher than estimated by $129.6 million which means that around 76 per cent of the increase was in excess of the latest estimate.

The Committee considers that future disclosure by the government in annual financial reports of any similar variations from interest revenue estimates should identify the underlying reasons for the variations such as enhanced cash management procedures or strategies implemented in agencies and the factors substantiating the holding of significant cash balances over time.

Further comment on the financial performance and sustainability of public hospitals is provided in chapter 22 (Vibrant Democracy) of this report.

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2.3.2 Reasons cited by government for higher 2006-07 expenses than projected in May 2007

Supplies and services and other expenses

The net increase of $791.5 million in operating expenses principally reflects:

- higher spending on supplies and services relating to maintenance in schools and TAFE institutions, fire suppression and drought related activities, and greater spending in hospitals and ambulance services from their own source revenue (individual elements not quantified in the government’s report); and
- increased ‘other expenses’ (also not quantified) from the one-off write-off of traffic camera fines and waiver of associated fees related to the Fairer and Firmer Fines initiative.

2.3.3 Committee’s comments on the 2006-07 operating result and associated reporting issues

As mentioned earlier, the favourable variation from the government’s projected results for the general government sector in 2006-07 is significant, with the actual operating surplus 330 per cent greater than the initial budget estimate and 119 per cent higher than the most recently revised estimate.

Similar circumstances have been experienced in Victoria in previous years. Table 2.4 shows that, over the four years from 2003-04, the annual operating surplus in the general government sector has been consistently higher than the initial budget estimate. It has also been generally higher than the revised mid-year estimate. It should be noted, however, that there are a range of measures for describing general government sector results. Net results from transactions is now used as the most reliable measure as it excludes re-measurement items such as actuarial adjustments and revaluations.

Table 2.4: General government sector – comparison of budgeted and actual operating surplus, 2003-04 to 2006-07

<table>
<thead>
<tr>
<th>Operating surplus</th>
<th>2003–04(^a) ($ million)</th>
<th>2004–05 ($ million)</th>
<th>2005–06 ($ million)</th>
<th>2006–07 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget estimate</td>
<td>244.5</td>
<td>528.8</td>
<td>364.7</td>
<td>316.8</td>
</tr>
<tr>
<td>Revised estimate</td>
<td>432.5</td>
<td>578.2</td>
<td>449.5</td>
<td>621.9</td>
</tr>
<tr>
<td>Actual</td>
<td>990.1</td>
<td>794.9</td>
<td>824.5</td>
<td>1,364.7</td>
</tr>
<tr>
<td>Difference between outcome</td>
<td>745.6</td>
<td>266.1</td>
<td>459.8</td>
<td>1,047.9</td>
</tr>
<tr>
<td>budget and estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Difference between revised</td>
<td>557.6</td>
<td>216.7</td>
<td>375.0</td>
<td>742.8</td>
</tr>
<tr>
<td>estimate and outcome</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: \(^a\) the 2003-04 figures were prepared in accordance with the Australian Accounting Standards (AAS), whereas all other figures quoted were prepared in accordance with the Australian equivalents to International Financial Reporting Standards (A-IFRS)


When releasing the 2006-07 annual financial report, the Treasurer identified the one-off factors that led to greater than anticipated revenue in the year. These factors include income tax equivalent payments arising from improved investment returns and the impact of Commonwealth superannuation reforms on property sales.24

The Treasurer stated, in relation to the 2006-07 result, that:25

*Without the one-off boost from investment markets and the impact of stronger employment and property sales, the surplus would have been $865 million. Because this additional income has mostly been generated from one-off events, it would be financially irresponsible to use it to make ongoing recurrent funding decisions.*

The Treasurer also stated that the timing of the Commonwealth superannuation changes, occurring after the 2006-07 budget, meant that the changes ‘could not be factored into our budget estimates.’

The frequency of major favourable variances in Victoria between estimated and actual operating surpluses for the general government sector has prompted comment in reports of both the Committee and the Auditor-General in earlier years.26 In a response to the Committee in October 2005, the government advised that the Department of Treasury and Finance continually reviews its revenue budget forecasting models and it will continue to refine its budget forecasting method in line with best practice.27

In February 2008, the Treasurer and key representatives of the Department of Treasury and Finance presented a very informative briefing to the Committee on the procedures followed during the annual budget process for forecasting financial outcomes. At this briefing, the Committee became aware of the challenges and difficulties that face the Department of Treasury and Finance in its role of formulating budget projections, especially in areas such as investment and property markets which can be strongly influenced by economic factors outside the direct control of the government.

The Committee considers the difficulties associated with accurately predicting financial outcomes in advance of each budget period, and reinforce the value to the Parliament and community of the government’s continuous reporting facility under its financial reporting framework. This facility enables assessment, on a quarterly basis, of any revisions progressively made by the government to budgetary projections in the light of emerging or actual changes to the state’s economic conditions and outlook.

The Committee recognises that the past variations between actual and estimated operating results have been favourable to date and have contributed positively to the state’s financial standing. It also appreciates the need for the government to employ conservative strategies in the forecasting of key revenue budget items and minimising the risk of adverse consequences for the state’s financial condition that may flow from unforeseen changes to the local economy or unplanned climatic events including drought, bushfires and flooding.

Nevertheless, the Committee sees the frequency of major differences between actual and projected operating results in the general government sector as warranting periodic disclosure by the Department of Treasury and Finance of continuous improvement actions taken to ensure that its forecasting method employed in the development of annual budgets remains at leading edge by

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24 Mr J Lenders MLC, Treasurer, *Report highlights strength of Victorian economy*, media release, 10 October 2007
25 Mr J Lenders MLC, Treasurer, *Report highlights strength of Victorian economy*, media release, 10 October 2007
world standard. While the description in the budget papers of the forecast assumptions underpinning the various elements of the budget is comprehensive, the outline of the process employed in the forecasting of tax revenues, which can exhibit high levels of volatility, has not significantly changed for some years.

Such disclosure would assist in giving confidence to Parliament and the community that advanced forecasting models and procedures are in place within the department. The Committee considers that the projected operating surplus reflected in each budget should be presented to users of the budget papers as the best possible professional assessment at that time. The Department of Treasury and Finance should seek to reduce differences between budget estimates, estimates revised late in the financial year and final operating figures.

The department currently utilises a qualitative output performance measure dealing with the accuracy of estimating state taxation revenue. Its target for 2007-08 is for the estimate to be equal to or less than 5 per cent of the final result. The Committee considers that it would be useful for the department to establish performance measures focusing on the accuracy of all of its budget projections and the annual operating result.

The Committee has recently reported to Parliament on the manner in which contingency provisions within the structure of annual budgets help to assist the government in addressing unforeseen occurrences while remaining within established budgetary parameters relating to estimated surplus and projected debt levels. The Committee considers that the annual financial report should explain the manner in which departments have utilised contingency provisions during each year. The annual financial report should also identify any unused contingency forming part of the operating result at year-end, which has been utilised, or is planned to be utilised, for capital purposes.

It would also be helpful to the Parliament and community in their analysis of financial results in the general government sector if the government’s annual financial report contained a tabular presentation of the timing and impact on the reported result of any changes or events considered to be one-off in nature or beyond the control of government. Quantification in the report of all of the main revenue and expenses items (not all items are currently quantified) contributing to the differences between actual and projected results would also assist in more fully explaining variations in reported results.

In making the above comments, the Committee recognises the past action taken by the government to enhance disclosures in the annual financial report and that the Auditor-General has drawn attention in the recent audit report on the 2006-07 annual financial report to the government’s presentation initiatives. The Committee’s suggestions are aimed at assisting the government to build on its past initiatives and further strengthen the transparency of year-end reported financial information.

28 Budget Paper No.3, 2007-08 Service Delivery, p.221
The Committee recommends that:

Recommendation 1: The Department of Treasury and Finance periodically disclose for the information of Parliament and the community particulars of action taken to ensure that its forecasting method employed in the development of annual budgets remains at leading edge by world standard.

Recommendation 2: The Department of Treasury and Finance establish performance measures focusing on the accuracy of all of its main budget projections and the annual operating result.

Recommendation 3: The Department of Treasury and Finance disclose in the annual financial report a dissection of annual operating expenses under the government’s budgetary themes, encompassing both current and trend data.

Recommendation 4: The Department of Treasury and Finance complement its past financial reporting initiatives with quantification of the impact on the annual operating result for the general government sector of unplanned one-off events, unapplied output contingencies, salary agreements with public sector groups and savings targets achieved by departments.

2.4 Infrastructure investments in 2006-07 in the general government sector

The government’s annual financial report for 2006-07 states that net infrastructure investment spending in the general government sector in the year was a record $3.3 billion, which was $590 million higher than infrastructure investment spending in 2005-06.

The report identifies that over three quarters of the year’s infrastructure program was financed by cash generated by operating activities, with the remainder funded by borrowings. This position compares favourably with the revised estimate for 2006-07 infrastructure spending documented in the 2007-08 Budget Papers which projected that a lower level of infrastructure expenditure (69 per cent) would be funded by the cash operating surplus.

Table 2.5 compares the actual and previously estimated net asset spending figures for 2006-07 and the related funding sources.

33 Budget Paper No.2, 2007-08 Strategy and Outlook, p.45
The report on the 2006-07 Financial and Performance Outcomes states that with the increase in net government sector debt of $882 million during the year, net government sector debt at 30 June 2007 stood at $2.6 billion or 1.1 per cent of GSP. The report indicates that the increase in net government sector debt was $300 million less than anticipated in the revised estimate primarily due to stronger cash flows generated from the unanticipated increase in operating activities.\(^{34}\)

The annual financial report provides a dissection across spending departments of the government’s actual net investment in fixed assets of $3.3 billion in 2006-07 compared with the most recent projected asset expenditure in departments of $3.4 billion for the year shown in the May 2007 budget papers.\(^{35}\) The report identifies some significant differences between the final expenditure figures for individual departments and the May 2007 estimates. For example, final spending in the Department of Human Services was $753.8 million, $187.5 million or 33 per cent higher than estimated in the final months of 2006-07, and in the Department of Education was $433.9 million, $163.5 million or 27.4 per cent lower than the latest estimate.

While the report describes some of the principal infrastructure investments in the main spending departments, it does not identify reasons for the significant variations late in the financial year in estimated spending in individual departments, including particulars of projects advanced, deferred or abandoned. The Committee advocates that information of this nature be presented in future annual financial reports.


When announcing the 2006-07 operating result, the Treasurer stated that:

... the strong surplus position has given the government a greater capacity to invest in the projects that matter to Victorians ... We can now bring forward our commitment to purchase eight additional metropolitan trains at a cost of $272 million in addition to investing $600 million in the Food Bowl Modernisation project.

In both of the cases cited by the Treasurer, no information was published in the annual financial report to indicate likely changes to commissioning dates and expenditure patterns for the two projects as a consequence of the enhanced budget position in 2006-07. Also, there was no indication in the report of the impact on the current investment program of any freeing up of funding previously allocated for the projects.

With regard to the purchase of additional trains, the government’s 2006 $10.5 billion transport plan, Meeting Our Transport Challenges, envisaged that the purchase of new trains for metropolitan services would commence in 2010-11. A special funding package announced in the 2007-08 budget provides for fast tracking the delivery of 10 new metropolitan trains. When announcing details of the invitation to tender to two potential suppliers in July 2007, the Minister stated the 10 new trains were due to be delivered from late 2009. On 10 October 2007, the date of issue of the 2006-07 annual financial report, the Minister stated that the existing request for tender for the 10 new trains could be extended to include the eight additional trains. The Minister later announced that Alstom, one of the two selected tenderers, had been awarded a contract for the manufacture and delivery of all 18 additional trains to be rolled out on a staged basis from late 2009.

In terms of the Food Bowl Modernisation project, the government announced in June 2007 that, under stage one of this eight year initiative, involving a government contribution of $600 million, a new 70 kilometre pipeline connecting Melbourne to the Goulburn River would be built by 2010 and water savings would commence by that year. In November 2007, the Minister released the report of the Food Bowl Modernisation Steering Committee and stated its recommendations ‘will help to inform the next steps in creating a structure that will see works commence mid next year’. The Minister also stated the project will recover 225 billion litres of lost water (the target under stage one) by 2012.

The Committee recognises the important benefits, in terms of the government’s capacity to advance two significant infrastructure projects that resulted from the stronger than expected operating surplus for 2006-07. It reported in September 2007 as part of its 2007-08 budget estimates inquiry, that unfunded asset commitments embodied in policy announcements of the government amount in nominal terms to at least $7.5 billion. These commitments will require provision in budgets in the coming years.

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36 Mr J Lenders MLC, Treasurer, Report highlights strength of Victorian economy, media release, 10 October 2007
37 State of Victoria, Meeting Our Transport Challenges: Connecting Victorian Communities, May 2006, p.42
38 Budget Paper No.3, 2007-08 Service Delivery, p.302
39 Hon. L Kosky, Minister for Public Transport, Tender for new trains on Melbourne tracks, media release, 16 July 2007
40 Hon. L Kosky, Minister for Public Transport, Eight more trains for metropolitan rail system, media release issued by the Hon, J. Brumby, Premier, 10 October 2007
41 Hon. L Kosky, Minister for Public Transport, 18 more trains ordered for metropolitan rail system, media release, 21 December 2007
Since the Committee’s September 2007 report, the government has announced that the following infrastructure projects would be delivered under public private partnership arrangements:

- construction of the $3.1 billion desalination plant in the Wonthaggi region – this project was not included in the Committee’s quantification of unfunded infrastructure commitments as the government had not at that time determined the funding arrangements for the project; and

- building of 10 new schools around Melbourne – the government’s announcement does not quantify the estimated costs associated with these schools but the government is committed under the first four year stage of its ten year Victorian Schools Plan to rebuild or modernise 500 schools and TAFEs at a cost of $1.9 billion.

The Committee noted the large increases in the government’s infrastructure spending and forward commitments, including the impact this is having by way of increased net debt. The government will need to ensure that debt levels are kept at prudent levels and that such debt is channelled into productive investment in infrastructure rather than into recurrent spending. The importance of such fiscal risk management rises should an unexpected and prolonged downturn occur in financial markets and the state’s economic condition. On the other hand, a healthier than predicted financial outcome in any year, as has been experienced for several years now, leads to a lower than estimated level of debt funding for infrastructure investments, provides valuable additional flexibility in the management of asset spending and supports achievement of the government’s policy objective of prudent management of Victoria’s public resources.

The above factors reinforce the importance of the government ensuring there is always adequate disclosure in the annual financial report of any significant changes to its infrastructure program.

The Committee recommends that:

**Recommendation 5:** Future annual financial reports identify the reasons for any significant variations between actual and estimated infrastructure spending in departments, and the consequential impact on the infrastructure program, including details of projects advanced, deferred or abandoned.

**Recommendation 6:** Future annual financial reports disclose anticipated changes to cost and time budgets for any infrastructure projects brought forward due to a stronger than expected operating result, and the expected impact on the existing program of any freeing up of funding previously allocated to those projects.

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43 Hon. J Brumby, Premier, *Desalination plant to create over 3,000 jobs*, media release, 19 September 2007
44 Hon. J Brumby, Premier, *Ten schools to be built by public private partnerships*, media release, 6 December 2007
SECTION B: ECONOMIC REFORM
Key findings of the Committee:

3.1 The Council of Australian Governments (COAG) decided at its meeting on 20 December 2007 that previously agreed work under the NRA, encompassing competition and regulatory reform as well as reform to improve Australia’s human capital, would continue.

3.2 At its most recent meeting on 26 March 2008, various commitments were made by COAG concerning a new COAG Reform Agenda. The new platform encompasses elements of the National Reform Agenda. This new microeconomic reform agenda for Australia, which has a focus on health, water, regulatory reform and the broader productivity agenda, also covers areas connected with water supply, climate change, infrastructure, housing affordability, homeless people and Indigenous disadvantage.

3.3 The Victorian Government has maintained that collaboration between all levels of government is crucial to achieving a successful outcome of the NRA. With many of the most beneficial reforms beyond the limited fiscal capacity of the states alone, the Victorian Government considers that much of the potential gain of the NRA depends on the full commitment of the Commonwealth.

3.4 The Committee believes that, in order for the NRA to be efficiently and effectively implemented, it will be crucial that the new model of Commonwealth-State cooperation underpinned by effective working arrangements, agreed to by COAG in December 2007, be applied to future deliberations between the Commonwealth and states and territories concerning the NRA and the development work that is underway.

3.5 A coordinated and unified approach between the seven working groups, established by COAG for its 2008 work agenda, and the framework established for advancing the National Reform Agenda will be essential.

3.6 According to the Department of Treasury and Finance, Victoria has met its responsibilities in line with the decisions reached by COAG and set out in its communiqué of April 2007.

3.7 Departments were asked for information on their roles in regard to the implementation of the NRA. A whole of government response was provided by the Department of Premier and Cabinet and Department of Treasury and Finance. Other departments detailed their roles with the exception of the Department of Education and Early Childhood Development, which referred to the whole of government response. The Committee in future will specifically require for all departments, details of line area action in regard to the implementation of the NRA.
3.8 While the Committee obtained a range of information from its inquiries that centred on describing the actions undertaken by Victorian Government departments and in some cases the results achieved in relation to the NRA, it became evident to the Committee that various activities were in the developmental stage. For example:

- the impact on the relevant indicative human capital progress measures could not be assessed at this point as progress measures were yet to be confirmed - the COAG Reform Council (CRC) was currently developing a framework to monitor progress in implementing NRA reforms and to assess the costs and benefits of reforms;

- in terms of measuring reform progress against agreed outcomes, there will be a time lag, which in some cases may be significant, before interventions begin to influence the outcomes and indicative progress measures; and

- Victoria was continuing to work with the Commonwealth and other states on implementation issues in areas, including heavy vehicle pricing, the creation of a single Australian energy regulator, introduction of smart electricity meters, rail safety, trade measurement and building regulation.

3.9 The Department of Human Services, the Department of Education and Early Childhood Development, the Department of Justice and the Department of Infrastructure are taking a lead role in implementing NRA projects in Victoria.

3.10 In April 2007, COAG agreed that jurisdictions will develop and implement their own specific responses to urban congestion, drawing on best-practice principles. The Committee would be interested in being informed of the timetable for the finalisation of this work, together with the responses, once completed.

3.11 The Committee believes that the monitoring activities of the COAG Reform Council, the independent body established to report to COAG annually on progress in implementing the NRA in terms of the achievement of agreed reform milestones and progress measures, will be a key to the effective implementation of the NRA over the long-term.

### 3.1 Background

Responsible economic reform is fundamental, not only in the private sector but also in the public sector, if Victoria is to remain competitive in a global economy, thereby positively raising the overall contribution to Gross Domestic Product, Gross State Product, employment levels, living standards and the prosperity of the state. Issues therefore relating to implementing the National Reform Agenda (NRA), enhancing growth in productivity, achieving targeted savings and streamlining processes (commonly known as cutting red tape) are relevant areas of economic reform for the Committee to examine.

This chapter of the report covering the first of these areas, the NRA, builds on information contained in previous budget estimates reports by commenting on the progress made by

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45 Council of Australian Governments, Communique, 10 February 2006; Budget Paper No.2, 2007-08 Strategy and Outlook, pp.91, 94
departments in 2006-07 towards implementing NRA projects against plans and targets where appropriate.

Endorsed by the Council of Australian Governments (COAG) in February 2006, the NRA focuses on reforms in human capital, better regulation and competition to raise living standards in Australia through improving workforce participation and productivity over the next decade and beyond.\(^46\) A snapshot of the NRA is as follows in table 3.1.\(^47\)

### Table 3.1: The National Reform Agenda at a glance

<table>
<thead>
<tr>
<th>The National Reform Agenda comprises three streams – improvements to human capital, regulatory reform and competition.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The <em>human capital</em> stream covers three areas – health, education and training, and work incentives.</td>
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<td></td>
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<td></td>
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<td></td>
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<tr>
<td>• The <em>regulatory reform</em> stream comprises two distinct sets of initiatives. The first is designed to promote best practice regulation making and review. The second focuses on reducing the regulatory burden in ‘hot spots’(^48) where overlapping and inconsistent regulatory regimes across state and territory jurisdictions are impeding economic activity.</td>
</tr>
<tr>
<td>• The <em>competition</em> stream involves reforms in the areas of energy, transport, infrastructure and planning, and climate change. These reforms have the potential to significantly increase Australia’s international competitiveness and deliver substantial benefits to the Australian economy.</td>
</tr>
</tbody>
</table>

\(^{46}\) Council of Australian Governments, Communique, 10 February 2006; Budget Paper No.2, *2007-08 Strategy and Outlook*, p.94


\(^{48}\) COAG has agreed to target 10 regulatory ‘hot spots’ namely rail safety; occupational health and safety; trade measurement; chemicals and plastics; development assistance arrangements; building regulation; business registration; environmental assessment and approvals processes; personal property securities; and product safety. Productivity Commission, *Potential Benefits of the National Reform Agenda*, February 2007, p.20
In examining the potential economic benefits to be derived from a NRA, as outlined in the Committee’s Report on the 2007-08 Budget Estimates – Part Three, modelling by the Productivity Commission suggests that the NRA could boost Australia’s GDP by up to 11 per cent after 25 years, equating to approximately $100 billion a year in terms of today’s economy. 49 With possible longer term economic impacts facing Victoria emanating from conditions of an ageing population and slowing productivity growth; a changing global environment that brings both greater competition and trade opportunities; and emerging environmental challenges (particularly climate change), 50 the Committee stated in its estimates report its clear intent in pursuing on a continuous basis, information from departments about progress made and outcomes delivered from the various NRA projects. 51

The Committee’s analysis of issues related to the NRA connected with productivity growth in the Victorian Government sector, efficiency savings and streamlining government processes that occurred during 2006-07 is contained in later chapters of this report.

The Committee wishes to point out that, while material contained in this report relating to the National Reform Agenda, productivity and regulation reduction essentially covers 2006-07, the commitments reached by the Council of Australian Governments in December 2007 and March 2008 relating to a new and wider COAG Reform Agenda mean that a series of new lines of inquiry will be incorporated into future estimates and outcomes inquiries conducted by the Committee in future.

3.2 Commonwealth/state relations

Council of Australian Governments meeting – 20 December 2007

Importantly, the Committee noted that with the change in government that occurred at the Federal level after the Federal election in November 2007, the Council of Australian Governments (COAG) decided at their meeting on 20 December 2007 that previously agreed work under the NRA would continue. 52 The Committee believes that, in order for the NRA to be efficiently and effectively implemented, it will be crucial that the new model of Commonwealth-State cooperation, agreed to by COAG, 53 be consistently applied to future deliberations between the Commonwealth and states and territories. The process needs to be underpinned by effective working arrangements to deliver the development work under the NRA that is underway (see section 3.3).

The Committee noted that with regard to implementation of human capital reform, the situation prior to the Federal election in November 2007 was that actions in areas of direct Commonwealth responsibility or requiring Commonwealth investment had not been implemented as the Commonwealth had yet to commit any further funding under the NRA. 54 While referred to in the Committee’s Report on the 2007-08 Budget Estimates – Part Three, 55 the Committee considers that, given the change in government that has occurred at the Federal level in November 2007, it is

49  Budget Paper No.2, 2007-08 Strategy and Outlook, p.94
50  Budget Paper No.2, 2007-08 Strategy and Outlook, p.91
52  Council of Australian Governments, Communique, 20 December 2007, p.2
53  Council of Australian Governments, Communique, 20 December 2007, p.1
54  Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, Attachment A
timely to reiterate the following statement made by the Victorian Government in discussing Commonwealth-State financial relations in the context of the NRA:\(^{56}\):

*Victoria believes in a cooperative approach and is seeking to continue working with the Commonwealth and other states and territories (the states) in the reinvigoration of the National Reform Agenda (the NRA). Collaboration between all levels of government is crucial to achieving a successful outcome of the NRA. With many of the most beneficial reforms beyond the limited fiscal capacity of the states alone, much of the potential gain of the NRA depends on the full commitment of the Commonwealth.*

The Committee also acknowledges the seven areas (and associated working groups) identified by COAG in December 2007 for its 2008 work agenda namely health and ageing; the productivity agenda including education, skills, training and early childhood; climate change and water; infrastructure; business regulation and competition; housing; and Indigenous reform. Many of these areas have overlapping features with the National Reform Agenda such as health and ageing, productivity, climate change, infrastructure and business regulation and competition.\(^ {57}\)

**Council of Australian Governments meeting – 26 March 2008**

The Committee noted that following the meeting of COAG in December 2007, COAG met again on 26 March 2008. At this meeting, the first of four to be held in 2008, the Committee noted that various commitments were made concerning a new COAG Reform Agenda. Under this new platform, all governments made a commitment to a comprehensive new microeconomic reform agenda for Australia, with a particular focus on health, water, regulatory reform and the broader productivity agenda (see below for some of the salient features).\(^ {58}\)

**Health**

On health and hospitals, the Commonwealth agreed to commit an immediate allocation of $1 billion to relieve pressure for 2008-09 on public hospitals (an increase of 10.2 per cent over the prior year).\(^ {59}\)

COAG agreed that in developing the new health care agreement (to be signed in December 2008 with a commencement date for the new funding arrangements of 1 July 2009), there would be a review of indexation formulas for the years ahead.\(^ {60}\)

COAG also agreed to the introduction of a national registration and accreditation system for health professionals and steps to address health workforce skill shortages.\(^ {61}\)

**Water**

Agreement was reached in principle to a Memorandum of Understanding on Murray-Darling Basin Reform for immediate consultation with stakeholders. This measure is designed to enable the necessary action to occur to address over allocation, improve environmental outcomes and enhance the efficiency of irrigation.\(^ {62}\)

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\(^{56}\) Budget Paper No.2, 2007-08 Strategy and Outlook, p.65  
\(^{57}\) Council of Australian Governments, Communique, 20 December 2007, p.1  
\(^{58}\) Council of Australian Governments, Communique, 26 March 2008, p.1  
\(^{59}\) Council of Australian Governments, Communique, 26 March 2008, p.1  
\(^{60}\) Council of Australian Governments, Communique, 26 March 2008, p.1  
\(^{61}\) Council of Australian Governments, Communique, 26 March 2008, p.2  
\(^{62}\) Council of Australian Governments, Communique, 26 March 2008, pp.2, 5
Regulatory reform

The business regulation reform agenda is to extend across 27 areas of regulatory reform to enhance productivity and workforce mobility by reducing the costs of regulation.\textsuperscript{63}

The broader productivity agenda

The agenda includes reforms across all aspects of education – early childhood development, schooling and vocational education and training.\textsuperscript{64}

Other agreements included matters that relate to ensuring sustainable water supply, addressing climate change, facilitating Australia’s infrastructure needs, assisting housing affordability, reducing the number of homeless people and closing the gap on Indigenous disadvantage.\textsuperscript{65} Among a wide range of initiatives, the Committee noted that the new package of reforms is designed to boost productivity, workforce participation and geographic mobility, and support wider objectives of better services for the community, social inclusion, closing the gap on Indigenous disadvantage and environmental sustainability.\textsuperscript{66} The Committee also understands that some of the elements of the National Reform Agenda are encompassed within the wider COAG Reform Agenda.

For all new arrangements, COAG agreed at the March 2008 meeting that a new performance and assessment framework will be developed to support public reporting against performance measures and milestones with the funding for, and details of, new agreements to be negotiated during the remainder of 2008. Under the New Reform Framework, COAG agreed that a new Intergovernmental Agreement on Commonwealth-State financial arrangements would be finalised by the end of 2008, following extensive work by Treasurers and COAG Working Groups to settle outputs, outcomes, reforms, performance indicators and funding arrangements.\textsuperscript{67}

To enhance accountability and promote reform, the Committee also observed that COAG agreed to a new and expanded role for the COAG Reform Council (CRC). When requested by COAG, the CRC will report to the Prime Minister on the publication of nationally-comparable performance information for all jurisdictions in relation to national special purpose payments (SPPs) and the independent assessment of predetermined milestones and performance benchmarks under the proposed national partnership (NP) arrangements. It will also be responsible for monitoring the aggregate pace of activity in COAG’s agreed reform agenda.\textsuperscript{68}

In the view of the Committee, a coordinated and unified approach between the seven working groups and the framework established for advancing the COAG Reform Agenda will be essential. The Committee will be interested in the content and progress of the work of the relevant working groups established by COAG in December 2007, including information from coordinating departments (for example the Department of Treasury and Finance and the Department of Premier and Cabinet) on how Victoria has performed against the nationally-comparable performance information for all jurisdictions.

\textsuperscript{63} Council of Australian Governments, Communique, 26 March 2008, p.2
\textsuperscript{64} Council of Australian Governments, Communique, 26 March 2008, p.2
\textsuperscript{65} Council of Australian Governments, Communique, 26 March 2008, p.2
\textsuperscript{66} Council of Australian Governments, Communique, 26 March 2008, p.2
\textsuperscript{67} Council of Australian Governments, Communique, 26 March 2008, p.3
\textsuperscript{68} Council of Australian Governments, Communique, 26 March 2008, p.1
3.3 How did departments respond to the National Reform Agenda in 2006-07

Budget Paper No.2 2007-08 Strategy and Outlook provides details of how the government has, and will continue to respond to the NRA.69 According to the government, ‘some progress has been achieved over the past 12 months through discussions in COAG towards a NRA’. However, importantly, the government has acknowledged that ‘more needs to be done to safeguard the living standards of Australians’.70

Building on the information obtained by the Committee in examining the budget estimates for 2006-07 and 2007-08, the Committee sought to examine, as part of its outcomes inquiry, progress made by departments in 2006-07 in terms of implementing NRA projects against plans and targets.

The Committee was advised by the Department of Treasury and Finance that Victoria had met its responsibilities in line with the decisions reached by COAG and set out in its communiqué of April 2007.71 Section 3.4 of this report, which outlines information provided by the Department of Premier and Cabinet, describes from a whole of government perspective the way in which the NRA has been implemented in Victoria according to each reform, the various action plans and the requirements set out by COAG in its communiqué of April 2007. Section 3.4 contains comments on the following:

- human capital (table 3.3)
  - Victoria’s Plan to improve literacy and numeracy outcomes;
  - Victoria’s Plan to address the growing impact of obesity and type 2 diabetes;
  - Victoria’s Plan to improve outcomes in early childhood; and
  - multilateral actions.

- competition and regulation (table 3.4)
  - the 10 regulatory ‘hot spots’ to be targeted;
  - competition – energy;
  - competition – transport; and
  - competition – infrastructure: significant infrastructure, rail and ports.

Supplementary information describing the work undertaken by individual departments on the NRA is presented in Section 3.5 (table 3.5).

The Committee found that a wide range of activities connected with the NRA were underway across government departments, with the Department of Human Services, the Department of Education and Early Childhood Development, the Department of Justice and the Department of Infrastructure taking a lead role. Some of the interesting features of the way in which the NRA program had been managed/implemented across government in Victoria are set out below:

- the Department of Sustainability and Environment and the Minister for Environment and Climate Change have each written to their Commonwealth counterparts to follow-up on the COAG commitment for the Commonwealth to develop a proposal, in consultation with

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69 Budget Paper No.2, 2007-08 Strategy and Outlook, pp.91–103
70 Budget Paper No.2, 2007-08 Strategy and Outlook, p.91
71 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, p.1
states and territories, for a more harmonised and efficient system of environmental assessment and approval as soon as possible. Although Victoria has consistently expressed its preference for bilateral agreements on assessment and approvals to be concluded in 2008, no response has been received from the Commonwealth. Victoria intends to continue to press the Commonwealth for reform in this area;

- in April 2007, COAG agreed that jurisdictions will develop and implement their own specific responses to urban congestion, drawing on best-practice principles. The Committee would be interested in being informed of the timetable for the finalisation of this work together with the responses once completed;

- all of the Go for your life NRA actions include an evaluation component both to determine the program outcome and to build the evidence base for effective health promotion and prevention in Victoria; and

- Consumer Affairs Victoria is leading the Department of Justice’s response to the government’s Reducing the Regulatory Burden initiative, which commits Victoria to reducing the administrative burden imposed on businesses and not-for-profits in demonstrating compliance with government regulation. Progress towards the achievement of these targets will be measured using the Standard Cost Model, which is the internationally accepted best practice approach to measuring administrative burdens.

A summary of funding that has been included in moneys allocated to NRA initiatives over a number of years is shown in table 3.2. Fuller details are contained in table 3.3.
### Table 3.2: National Reform Agenda
**Summary of funding provided to the Human Capital Reform stream**

<table>
<thead>
<tr>
<th>Program/initiative</th>
<th>Funding ($ million)</th>
<th>Period (years)</th>
<th>Financial commitment (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human capital reform</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria’s plan to improve literacy and numeracy outcomes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improving the quality of teachers and school leaders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of the Career Change Program</td>
<td>1.8</td>
<td>6</td>
<td>2007-08</td>
</tr>
<tr>
<td>The provision of 50 scholarships for maths and science graduates to enter teacher education</td>
<td>1.4</td>
<td>6</td>
<td>2007-08</td>
</tr>
<tr>
<td>Employment of 300 secondary teaching assistants</td>
<td>35.0</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td>Directing resources to where they are needed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Literacy and numeracy improvement teams</td>
<td>12.0</td>
<td>3</td>
<td>2006-07</td>
</tr>
<tr>
<td>Specialist English as a second language support in schools</td>
<td>1.2</td>
<td>4</td>
<td>2006-07</td>
</tr>
<tr>
<td>Continuation of the Primary Welfare Officer Initiative</td>
<td>80.0</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td>Provision of the Ultranet</td>
<td>61.0</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td>Provision of more computers --upgrade and improve access</td>
<td>7.0</td>
<td>1</td>
<td>2007-08</td>
</tr>
<tr>
<td>Provision of more maths and science equipment to schools</td>
<td>11.1</td>
<td>1</td>
<td>2007-08</td>
</tr>
<tr>
<td>Opening two new co-educational select entry high schools</td>
<td>(40.0 TEI)</td>
<td></td>
<td>Labor’s Financial statement</td>
</tr>
<tr>
<td>• Planning the two new co-educational select entry high schools which will provide innovative and specialist programs in key academic areas of study for highly able students</td>
<td>1.0</td>
<td>1</td>
<td>2007-08</td>
</tr>
<tr>
<td>Creating two new specialist schools, including a new sports school at Maribyrnong Secondary College and the Sir John Monash Science School</td>
<td>(30.0 TEI (a))</td>
<td></td>
<td>Labor’s Financial statement</td>
</tr>
<tr>
<td>• Sports school at Maribyrnong Secondary College</td>
<td>10.0 TEI</td>
<td>2</td>
<td>2007-08</td>
</tr>
<tr>
<td>Three new science and maths specialist centres in Geelong, Ballarat and North-East Melbourne</td>
<td>(12.0) (b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victoria’s plan to address the growing impact of obesity and type 2 diabetes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary prevention to target modifiable risk factors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building sports facilities and facilitating healthier travel choices</td>
<td>13.2</td>
<td>3</td>
<td>2007-08</td>
</tr>
<tr>
<td>• Initiatives including new sporting facilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Better Pools and Community Sports Grants initiatives</td>
<td>76.0</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td>• Promotion of healthier travel choices</td>
<td>27.3(c)</td>
<td>Various</td>
<td>2006-07</td>
</tr>
</tbody>
</table>
### Table 3.2: National Reform Agenda
Summary of funding provided to the Human Capital Reform stream (continued)

<table>
<thead>
<tr>
<th>Program/initiative</th>
<th>Funding (million)</th>
<th>Period (years)</th>
<th>Financial commitment (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinforcing population messages through programs in multiple settings tailored to children and families focusing on the development of healthy and active lifetime habits</td>
<td>11.1</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td><strong>Early detection and intervention for people at risk of type 2 diabetes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community-based assessment and support</td>
<td>18.3</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td><strong>Integrated health care for people with type 2 diabetes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staged expansion of early intervention educational programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Develop self-management programs and resources for the newly diagnosed</td>
<td>3.0</td>
<td>4</td>
<td>2006-07</td>
</tr>
<tr>
<td>• Better manage people with a chronic illness including diabetes</td>
<td>3.6</td>
<td>Various</td>
<td>2007-08</td>
</tr>
<tr>
<td><strong>Victoria’s plan to improve outcomes in early childhood</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Actions to strengthen the health, development and learning of 0-5 year olds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Improve antenatal care and postnatal support, particularly for those who suffer from a mental illness or disability, as well as for Indigenous, teenage and recently arrived refugee mothers</td>
<td>6.2</td>
<td>4</td>
<td>2007-08</td>
</tr>
<tr>
<td><strong>Actions to enhance the provision of early childhood education and care services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work with councils and developers to have integrated children’s services in place in growing communities</td>
<td>43.3</td>
<td>5</td>
<td>2006-07 and 2007-08</td>
</tr>
<tr>
<td><strong>Actions to improve the early years workforce</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various projects, including funding to build 46 new children’s centres ($27.3 million) and kindergarten support for low-income families ($28.9 million)</td>
<td>105.0</td>
<td>4</td>
<td>2007-08 including A Fairer Victoria</td>
</tr>
</tbody>
</table>
### Table 3.2: National Reform Agenda
Summary of funding provided to the Human Capital Reform stream (continued)

<table>
<thead>
<tr>
<th>Program/initiative</th>
<th>Funding ($ million)</th>
<th>Period (years)</th>
<th>Financial commitment (year)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Multilateral actions</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Diabetes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>A new cost-shared package of $200 million between the Commonwealth, state and territory governments to address the significant growth in type 2 diabetes</td>
<td>137.0 (d)</td>
<td>4</td>
<td>2006-07 and 2007-08</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>665.5</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Notes:

(a) $20 million TEI for the Sir John Monash Science School to be considered in future budgets as per Budget Paper No.3, 2007-08 Service Delivery, table 4.3, p.272

(b) As part of the $1.9 billion Victorian Schools plan, the government has committed to opening these three science and maths specialist centres. Planning and development is ongoing

(c) comprises $16 million for the Local Area Access Program (LAAP), $5.5 million for TravelSmart and $5.8 million over four years to extend and improve cycling trails (excludes $2.2 million TEI). The Committee noted that in May 2006, as part of the Meeting our Transport Challenges Plan, new funding of $72 million over ten years was announced to extend Victoria’s bicycle networks and enhance pedestrian crossings and facilities across the state. When added to the existing annual spending of $4 million, this brings the total allocation to $112 million over ten years

(d) Victoria committed $137 million in new funds over four years in its individual plan which was allocated in the 2006-07 and 2007-08 budgets

Sources: Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance questionnaire – part one, Attachment A; Office of the Premier, Major boost for bike paths in transport statement, media release, 14 May 2006
While the Committee obtained a range of information from its inquiries that centred on describing the actions undertaken by Victorian Government departments and in some cases the results achieved in relation to the NRA, it became evident to the Committee that, due to the long-term nature of the NRA and associated funding for the wide breadth of its activities, various elements were understandably in the developmental stage as evidenced from the following feedback received from central agencies:

- in relation to the human capital stream:
  - given that Victoria’s NRA action plans and the associated multilateral actions were only considered by COAG in April 2007, some elements of the agenda were still being implemented;
  - while Victoria presented action plans at the April 2007 COAG meeting that addressed the NRA priority areas of literacy and numeracy; early childhood development; and type two diabetes, which totalled nearly $600 million (all other states and territories also presented action plans in these areas, representing a total commitment of over $3 billion), the Commonwealth had not provided any plans as of November 2007 despite agreeing to undertake this task. In following up the implications of this, the Committee learned from the Department of Premier and Cabinet that:
    
    Victoria’s planned implementation of the NRA is divided into three streams: Victorian Government unilateral actions, recommended Commonwealth Government actions; and Victorian Government recommended actions which require Commonwealth support.

    Victorian Government unilateral actions are not contingent on the Commonwealth Government completing plans in the areas of literacy and numeracy, early childhood development and type two diabetes.

    All jurisdictions also agreed to a set of multilateral human capital actions. Progress in these areas is continuing.

    It is unlikely that the Commonwealth will develop further action plans for the NRA in the areas of literacy and numeracy, early childhood development and type two diabetes, independent of the agenda being pursued through the COAG Working Groups established in December 2007. The literacy, numeracy and early childhood aspects of the NRA most closely align with the Productivity Agenda and Health & Ageing Working Groups respectively.

    There has been no impact on Victoria’s unilateral action by the Commonwealth Government not providing its own implementation plans.

    The remaining two streams of actions: recommended Commonwealth Government actions; and Victorian Government recommended actions (which require Commonwealth support) are progressing, albeit at a slower pace than would have been achieved had the Commonwealth Government also taken action in these areas;

- the states and territories called on the Commonwealth to make a significant investment in human capital. The Commonwealth provided $100 million towards tackling type two diabetes. In following this matter up further with the Department of Premier and Cabinet, the Committee was advised that:

    Implementation of Victoria’s plan to address the growing impact of obesity and type 2 diabetes (‘the plan’) is underway. Under the plan the Victorian Government has committed over $137 million of new investment over four years to tackle diabetes, with effort focusing on three reform priorities:
Primary prevention – targeting ‘risk factors’ that cause type 2 diabetes;

Early detection and intervention; and

Better care through improvements to support services for people with diabetes.

As part of this response the Victorian Government is investing $18.4 million in the Life!Change initiative.

The program comprises of the following:

Type 2 Risk Assessment Test’ to assess people’s risk of diabetes and direct them to visit their GP if they are at intermediate or high risk;

Life!Change website and phone hotline;

Statewide campaign to increase awareness of type 2 diabetes; and

Life!Change lifestyle modification program of six 90 minute group sessions facilitated for people aged fifty and above with prediabetes.

The Victorian Government also invests heavily in broad programs to promote healthy lifestyles and reduce the burden of chronic disease such as type 2 diabetes. Major initiatives include:

‘Go for your life’, a $200 million plus initiative promoting healthy eating and an active lifestyle; and

A new WorkHealth initiative, which will invest $200 million over five years to support the wellbeing and health of Victorian employees

WorkHealth marks a generational investment in the Victorian economy. WorkSafe Victoria in conjunction with the Department of Human Services will provide services and incentives for workplaces to introduce health and wellbeing programs and ensure at risk workers get the support they need.

Under the initiative, over $200 million is being provided over five years to improve the health of workers through a series of programs, including $96 million to establish and operate a Diabetes Prevention Service that will provide professional screening, advice on results and access to self-management programs for at risk workers.

Victorian Government action in this area will be completed by the Commonwealth Government’s support of the National Reform Agenda, in particular its investment of over $100 million over four years for initiatives to support early detection and intervention to address type 2 diabetes in groups at risk. Measures include the development of a national risk assessment tool, and initiatives to encourage and support people aged 40 to 49 to be assessed for their risk of type 2 diabetes and to receive support from their GPs if required.

− all jurisdictions also agreed to a set of multilateral human capital actions. There are ongoing discussions about the status of multilateral actions not included in the April 2007 communiqué;

− it is too early to assess progress with human capital activities as progress measures were yet to be confirmed – the COAG Reform Council (CRC) was currently developing a framework to monitor progress in implementing NRA reforms and to assess the costs and benefits of reforms;
in terms of measuring reform progress against agreed outcomes, there will be a time lag, which in some cases may be significant, before interventions begin to influence the outcomes and indicative progress measures;

the Commonwealth and the states were continuing to discuss the development of an intergovernmental agreement on a national approach to quality assurance and regulations for early childhood education and care; and

in relation to competition and regulation:

progress has included agreement at the COAG meeting of April 2007 to specific proposals and development of implementation plans for the reform agenda, with implementation commencing on several of these proposals;

a range of regulatory and competition issues have been referred to the COAG Reform Council (CRC) for monitoring and assessment;

on infrastructure regulation issues including those affecting rail, ports and freight transport, in some areas Victoria was awaiting material from the Commonwealth;

the April 2007 COAG commitment included a nationally consistent framework for rail track access to be applied to interstate tracks in the first instance and then to major intrastate tracks on a case-by-case basis. This framework has been discussed with jurisdictions and is now with the Commonwealth for further refinement;

Victoria was continuing to work with the Commonwealth and other states on implementation issues in areas, including heavy vehicle pricing, the creation of a single Australian energy regulator, introduction of smart electricity meters, rail safety, trade measurement and building regulation; and

amendments to the Essential Services Commission (ESC) Act were planned for consideration by the Parliament to incorporate into third party access regimes, objects clauses, access pricing principles and binding time limits on regulatory decisions. The amendments were passed by the Legislative Council on 17 April 2008.

In addition, a number of specific tasks were planned to be completed in late 2007 or early 2008. These included specific action on risk factors for chronic disease, including diabetes, that were being targeted. Planning was being finalised for an evidence-based intervention for families of obese children and for a community-based intervention for adults at risk of developing type 2 diabetes. Both of these initiatives were implemented in early 2008.

The Committee believes that the monitoring activities of the CRC, the independent body established to report to COAG annually on progress in implementing the NRA in terms of the achievement of agreed reform milestones and progress measures, will be a key to the effective implementation of the NRA over the long-term.

The Committee noted that that an overall positive response was provided by the government to the Committee’s four recommendations concerning the future operation of the NRA that were contained in its Report on the 2007-08 Budget Estimates – Part Three. In accepting the recommendations fully or in part, the Committee noted that in terms of future action planned, the Department of Premier and Cabinet would:

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72 Council of Australian Governments, Communique, 10 February 2006, p.9
• continue to periodically monitor the implementation and reporting of NRA commitments;
• support the Premier in future COAG negotiations, including data required to support the NRA outcomes framework;
• continue to work with the ABS, relevant departments and the COAG Reform Council to satisfy the data needs to measure NRA outcomes; and
• consider further information around evaluation as the NRA develops.

However, in relation to the Committee’s recommendation that the Department of Treasury and Finance require departments to disclose in annual reports their performance in achieving agreed outcomes under the NRA including funding from the Commonwealth, the government indicated that departments are required to disclose any information in their annual report which may be relevant to the current reporting period and such disclosure is at the discretion of each department. In terms of the future, the government only conceded that the Department of Treasury and Finance would continue to work with departments, where necessary, to ensure that information disclosure is appropriate and relevant.

The Committee believes that the timing is now appropriate for the development of a coordinated implementation plan and strategy against COAG reported timeframes.

The Committee recommends that:

**Recommendation 7:** The Department of Treasury and Finance be more prescriptive in making it mandatory for departments to report annually on their performance in achieving agreed outcomes under the National Reform Agenda, including an outline of the funding provided by the Commonwealth to assist Victoria implement the full package of its NRA proposals brought forward to COAG each year.

**Recommendation 8:** To avoid duplication and enable a unified approach to be taken in relation to the implementation of economic reforms at a national and state level, the Department of Premier and Cabinet develop a framework to ensure that the planned work to be undertaken by Victoria under the National Reform Agenda is consistent with the 2008 working program and timetable of the working groups established by COAG in December 2007.

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3.4 Detailed departmental responses

3.4.1 Outline of responses

Questionnaires were sent to all departments seeking detail of their involvement and responses to the NRA as it had developed, particularly up to the end of 2006-07. In particular, the Committee sought to understand what progress had been made by departments in 2006-07 towards implementing NRA projects against plans and targets and obtain information about what progress had been made in implementing the NRA in terms of achieving agreed reform milestones and progress measures during 2006-07.

The following summary of tabulations provides information firstly for the two departments responsible for the whole of government response for Victoria to the NRA – the Department of Premier and Cabinet and the Department of Treasury and Finance. Further information is provided in tabular form on the implementation of human capital reform (see also summary in table 3.3) and the implementation of competition regulation reform (table 3.4).

The final table (table 3.5) outlines from information sources from departmental responses, progress achieved in implementing the NRA in 2006-07. The Committee noted from its analysis that some of this information provided by departments relates to funding in the 2007-08 budget.

3.4.2 Department of Premier and Cabinet

The Department of Premier and Cabinet plays a leading role in relation to advising the Victorian Government on the NRA as well as in coordinating a whole of government approach by departments and government instrumentalities. As reported in the Committee’s previous estimates report, the department established a National Reform Secretariat to work on COAG activities and the NRA (comprising 7.8 equivalent full-time departmental officers). Capacity was achieved through reprioritisation of resources. In addition, a Parliamentary Secretary has been assigned responsibility for assisting the Premier on the NRA. The Committee noted that the work on the NRA now comes under the Council of Australian Government’s (COAG’s) Reform Agenda.

Evidence given to the Committee at the 2007-08 Budget Estimates hearing by the Premier revealed the following:

In 2007-08, the department has a number of key priorities, including strengthening the key relationships with the federal government and states and territories through new intergovernmental institutions, which is an increasing focus of our work as a central agency; supporting the government in taking a leadership role on national issues of importance, such as health reforms, skills, human capital and infrastructure – they are matters which each state and territory is dealing with on a national level – whole of government leadership and strategy for climate change across departments nationally and internationally; modernising legislation, which obviously has an impact on the workload of the chief parliamentary counsel – and also new legislation on the Ombudsman’s function – continued provision of...
services, as I mentioned; and the development of Growing Victoria Together and the framework.

In relation to Commonwealth-State relations, we have played a leading role in developing new ways for the Commonwealth, the states and the territories to work together. That is the Council for the Australian Federation, which has some resourcing implications. As you can see, COAG is taking a bigger and more significant role than ever before and the national reform agenda, which Victoria initiated, will also take some more resources. As previously mentioned, specific ERC funding has been allocated for intergovernmental reform that makes up support for those two bodies.

In its response to the Committee’s financial and performance outcomes questionnaire for 2006-07, the department advised that in February 2006, the Council of Australian Governments (COAG) agreed to a new NRA encompassing competition and regulatory reform as well as substantial reform to improve Australia’s human capital.80

A major program of work for the department will be to lead work relating to the NRA and other COAG related policy initiatives. No specific funding has been allocated for this initiative, but it will be a key priority in policy advice and projects of the department.

Information received from the department is outlined below in response to the lines of inquiry issued by the Committee.

**Human capital**

This commitment was reaffirmed at the July 2006 meeting of COAG which tasked officials with completing reform proposals for consideration at its next meeting. Reform proposals were to specify actions to be done by individual jurisdictions (referred to in table 3.3 below as action plans) and actions to be done jointly (referred to in table 3.3 below as multilateral actions).

At the April 2007 COAG meeting, Victoria presented action plans addressing the NRA priority areas of literacy and numeracy; early childhood development; and type two diabetes, which totalled nearly $600 million.

All other states and territories also presented action plans in these areas, representing a total commitment of over $3 billion. The Commonwealth had agreed to provide its own action plans in these areas at the April COAG meeting, but had not provided any as at November 2007. States and territories called on the Commonwealth to make a significant investment in human capital, however, the Commonwealth only provided $100 million towards tackling type two diabetes.

All jurisdictions also agreed to a set of multilateral human capital actions, although there are ongoing discussions about the status of multilateral actions not included in the April 2007 communiqué (see table 3.3 below).

As Victoria’s NRA action plans and the associated multilateral actions were only considered by COAG in April 2007, some elements of the agenda are still being implemented. Progress in implementation as advised by the Department of Premier and Cabinet is outlined in table 3.3 below.81 In providing this information, the department informed the Committee that.

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80 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, p.1

81 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, Attachment A
• progress reported against Victorian NRA human capital plans only includes progress against actions implemented by the Victorian Government. Actions in areas of direct Commonwealth responsibility or requiring Commonwealth investment have not been implemented as the Commonwealth is yet to commit any further funding under the NRA;

• the impact on the relevant indicative human capital progress measures cannot be assessed at this point as progress measures are yet to be confirmed. The time lags between implementation and impact on measures also inhibits reporting at this stage. The COAG Reform Council is expected to assess these measures in the future; and

• in some instances reporting of progress extends beyond the requested June 2007 timeframe.

COAG has agreed that reform progress should be measured against agreed outcomes. However, there will be a time lag (in some cases significant) before interventions begin to influence the outcomes and indicative progress measures. The COAG Reform Council (CRC) has now been established. Its role will be to monitor progress in implementing NRA reforms and to assess the costs and benefits of reforms referred to it unanimously by COAG. The CRC is currently developing a framework to achieve this.

**Competition and regulation**

On this matter the department advised that at its February 2006 meeting, COAG endorsed a new National Competition Policy (NCP) reform agenda aimed at providing a supportive market and regulatory framework for productive investment in energy, transport and other export-oriented infrastructure, and its efficient use, by improving pricing and investment signals and establishing competitive markets.

Further, COAG agreed to a range of measures to ensure best-practice regulation making and review, and to make a ‘down-payment’ on regulatory reduction by taking action now to reduce specific regulation ‘hotspots.’

At the April 2007 meeting COAG agreed to address various regulatory hot spots, and agreed on reforms for energy, transport and infrastructure to boost productivity and reduce bottlenecks in the economy. COAG also referred a range of competition and regulation reforms to the newly-established COAG Reform Council for assessment (see table 3.4 below).

Progress in this last financial year has included agreement at the COAG meeting of April 2007 to specific proposals and development of implementation plans for the reform agenda previously agreed. The implementation of several of these proposals has also commenced (as detailed in table 3.4 below).

**3.4.3 Department of Treasury and Finance**

The role of the Department of Treasury and Finance in terms of implementing the NRA, which as stated earlier now comes under the Council of Australian Governments (COAG) Reform Agenda, is to work with the Department of Premier and Cabinet on the COAG Reform Agenda, with particular regard to financial, economic and regulatory aspects.  

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82 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, Attachment A

83 Department of Treasury and Finance, email, received 22 April 2008
Information received from the department is outlined below in response to the lines of inquiry issued by the Committee.

Decisions made by COAG are set out in its communiqué of April 2007. A number of specific decisions were taken and a range of regulatory and competition issues have been referred to the COAG Reform Council for monitoring and assessment.

According to the Department of Treasury and Finance, Victoria has met its responsibilities under the communiqué. On infrastructure regulation issues including those affecting rail, ports and freight transport, progress is as agreed except in areas where Victoria is awaiting material from the Commonwealth. Victoria (and other States and Territories) are waiting on:

- a further revision by the Commonwealth of the paper relating to a proposed model for a third party access regime for interstate rail freight services; and
- draft regulations for comment by the States and Territories to implement changes to the Trade Practices Act 1974 to develop a set of criteria for access related elements of tenders for the provision of nationally significant infrastructure i.e. by allowing for the terms and conditions of supply of services (access) to be assessed as part of the tender process for development of significant government owned facilities.

Victoria is continuing to work with the Commonwealth and other states on implementation issues in areas including heavy vehicle pricing, the creation of a single Australian energy regulator, introduction of smart electricity meters, rail safety, trade measurement and building regulation. Amendments to the Essential Services Commission (ESC) Act are planned for consideration by the Parliament to incorporate into third party access regimes objects clauses, access pricing principles and binding time limits on regulatory decisions.

Within the human capital stream, Victoria and other states produced action plans in the areas of early childhood, literacy and numeracy and diabetes for consideration by COAG. The Commonwealth agreed to produce its own action plans in these areas and COAG agreed to the development of COAG action plans. At the time of completing the questionnaire for the Committee in November 2007, further work was on hold pending the outcome of the Federal election. As set out in the communiqué, the Commonwealth and the states are continuing to discuss the development of an intergovernmental agreement on a national approach to quality assurance and regulations for early childhood education and care.

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84 Department of Treasury and Finance, email, received 1 May 2008
85 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, p.1
### Table 3.3: Implementation of Human Capital Reform

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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</thead>
<tbody>
<tr>
<td><strong>Victoria’s plan to improve literacy and numeracy outcomes</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Indicative outcomes and progress measures</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Outcome:</strong></td>
<td>Increase the proportion of young people meeting basic literacy and numeracy standards and improve overall levels of achievement.</td>
</tr>
<tr>
<td><strong>Indicative progress measures:</strong></td>
<td>The headline measures will explicitly measure (by Years 3, 5, 7, and 9) for literacy and numeracy:</td>
</tr>
<tr>
<td></td>
<td>- The proportion of students achieving at or above the (minimum) benchmark standard.</td>
</tr>
<tr>
<td></td>
<td>- The proportion of students achieving at or above the proficient standard.</td>
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<table>
<thead>
<tr>
<th>Improving the quality of teachers and school leaders</th>
<th>Summary:</th>
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</thead>
<tbody>
<tr>
<td>Implementation of the Career Change Program</td>
<td></td>
</tr>
<tr>
<td><strong>Progress:</strong></td>
<td>$1.8 million over six years was committed in the 2007-08 budget to create 50 places for suitably qualified professionals to train as teachers, with priority given to professionals who are eligible to be mathematics or science teachers. Applications for the Career Change Program closed on 15 September 2007. Applications were sought from scientists, mathematicians, tradespeople and Information Technology professionals. Successful applicants will be notified in November 2007.</td>
</tr>
<tr>
<td><strong>Summary:</strong></td>
<td>The provision of 50 scholarships for maths and science graduates to enter teacher education</td>
</tr>
<tr>
<td><strong>Progress:</strong></td>
<td>$1.4 million over six years was committed in the 2007-08 budget for maths and science graduates to provide 50 scholarships of between $5,000 and $9,000 to be awarded annually over the next three years (a total 150 scholarships). Scholarship applications close on 2 November 2007. Scholarships will be offered in January 2008 around the same time as course offers are made by universities.</td>
</tr>
<tr>
<td><strong>Summary:</strong></td>
<td>Employment of 300 secondary teaching assistants</td>
</tr>
<tr>
<td><strong>Progress:</strong></td>
<td>In the 2007-08 budget $35 million over four years was committed to provide 300 teaching assistants to secondary schools. From the start of 2008, 92 secondary schools will be provided with funding to employ a teaching assistant. The remaining funding will be allocated in forward years as set out in Labor’s Financial Statement (LFS).</td>
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### Table 3.3: Implementation of Human Capital Reform *(continued)*

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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</table>
| **Directing resources to where they are needed most** | **Summary:** Literacy and numeracy improvement teams  
**Progress:** $12 million over three years was committed in the 2006-07 budget to employ 45 literacy specialists to work closely with classroom teachers in government schools. Literary specialists have been employed, and are managed through regional offices to work with schools to improve literacy and numeracy.  
**Summary:** Specialist English as a second language support in schools  
**Progress:** $1.2 million over four years was committed in the 2006-07 budget to assist young refugees arriving in Victoria with little or no formal education. Four schools identified as having large numbers of newly arrived refugees have been provided with $72,000 per annum each over four years to support English as a second language and vocational education programs.  
**Summary:** Continuation of the Primary Welfare Officer Initiative  
**Progress:** $80 million over four years was committed in the 2007-08 budget enabling schools that have at-risk students to employ 256 Primary Welfare Officers who will work in 450 high-need government primary schools across Victoria. Targeted schools have been notified, and funding will be distributed in the 2008 Student Resource Package.  
**Summary:** Provision of the Ultranet, more computers and more maths and science equipment to schools  
**Progress:** $61 million over four years was committed in 2007-08 budget for the Ultranet – a new statewide online teaching and learning ICT system for government schools. The Ultranet Request for Tender closed on 28 September 2007. The Department of Education and Early Childhood Development (DEECD) will evaluate all tenders against the tender evaluation criteria with evaluation to be completed by the end of 2007. A further $7 million was committed in 2007-08 to upgrade computers in government schools and improve access. This funding will be distributed through the Student Resource Package in October 2007. In the 2007-08 budget, $11.1 million was allocated for maths and science equipment for schools. Schools received their grants for maths and science equipment on 27 April 2007. |

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86 This funding was announced in the 2007-08 budget documents, with the funding being allocated in the 2006-07 financial year.
### Table 3.3: Implementation of Human Capital Reform (continued)

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
</tr>
</thead>
</table>
| Directing resources to where they are needed most (continued)  | **Summary:** Opening two new select entry schools and creating two new specialist schools.  
**Progress:**  
$40 million TEI was committed in Labor’s Financial statement (LFS) for two select entry high schools. $1 million was committed in the 2007-08 budget to enable planning. DEECD released a discussion paper as part of a review of the Victorian Government’s select entry school policy which focused on the establishment of two new select entry schools to service students in Melbourne’s eastern and northern suburbs by 2010. Submissions closed on 15 September 2007. The policy review will be finalised before the end of 2007.  
$30 million TEI was committed in the LFS to create two new specialist schools including a new sports school at Maribyrnong Secondary College and the Sir John Monash Science School. $10 million TEI was committed in the 2007-08 budget to build the sports school.  
**Summary:** Three new science and maths centres  
**Progress:** As part of the $1.9 billion Victorian Schools Plan, the government has committed to opening three science and maths specialist centres in Geelong, Ballarat and North-East Melbourne at a total cost of $12 million TEI. Planning and development is ongoing. |
Victoria’s Plan to address the growing impact of obesity and type 2 diabetes

**Plan/action**

* Victoria’s Plan to address the growing impact of obesity and type 2 diabetes

**Implementation**

* Reduce the proportion of the working age population not participating and/or under-participating in paid employment due to illness, injury or disability.

**Indicative progress measure:**

* Proportion of working age population not participating and proportion under-participating due to having, or caring for those with, illness, injury or disability.

**Outcome:**

* Reduce the incidence of preventable chronic disease and serious injury amongst the working age population.

**Indicative progress measures:**

* Incidence of heart attacks.
* Incidence of preventable cancer.
* Incidence of serious injury.
* Incidence of depression and anxiety.
* Incidence of type 2 diabetes.
* Incidence of end stage renal disease.
* Incidence of musculoskeletal disease (chronic)

**Outcome:**

* Reduce the prevalence of key risk factors that contribute to chronic disease.

**Indicative progress measures:**

* Smoking: The proportion of daily smokers (aged 18+).
* Nutrition: Proportion consuming at least recommended daily fruit and vegetable intake, and proportion consuming at most recommended saturated fat intake.
* Alcohol: Proportion in risky and high risk alcohol consumption categories (18-69).
* Physical Activity: Proportion of people insufficiently physically active to obtain a health benefit.
* Distress: Proportion of people scoring high or very high by K10 (18-69).
* Overweight and obese: Proportion of overweight or obese (18-69).

**Outcome:**

* Increase the effectiveness of the health system in achieving health outcomes.

**Indicative progress measures:**

* Potentially preventable hospitalisation.
* Avoidable mortality rate.
* Cancer survival.
* Survival following acute coronary heart disease event.
* Immunisation rate (12 and 24 months, and 65 year old influenza)
### Table 3.3: Implementation of Human Capital Reform (continued)

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Summary</th>
<th>Implementation</th>
</tr>
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</table>
| **Primary prevention to target modifiable risk factors** | Building sports facilities and facilitating healthier travel choices to improve access and participation in physical activity contributing to the prevention of type 2 diabetes. | **Progress:**
| | This has included: | $13.2 million\(^{87}\) over three years was committed in the 2007-08 budget for initiatives including new sporting facilities for basketball and netball, school sports facilities and new pools. |
| | | $76 million over four years was committed in the 2007-08 budget for the Better Pools and Community Sports Grants initiatives. |
| | | $27.3 million\(^{88}\) was committed in the 2006-07 budget to promote healthier travel choices over the period of the Plan, including the extension and improvement of bicycle trails, and promoting cycling, walking and public transport. |
| | Funding for these projects has been allocated and implementation has commenced. | **Summary:** Reinforcing population messages through programs in multiple settings tailored to children and families focusing on the development of healthy and active lifetime habits. |
| | **Progress:** | $11.1 million over four years was committed in the 2007-08 budget for the Free Fruit Friday initiative administered by the DEECD. Roll-out of this initiative has commenced. Development of further programs is underway including the Premier’s Active Families Challenge and the *Kids Life!* program for overweight and obese children and their families. |
| **Early detection and intervention for people at risk of type 2 diabetes** | Community based assessment and support for people at increased risk of type 2 diabetes. | **Progress:** $18.3 million\(^{89}\) over four years was committed in the 2007-08 budget for the new community-based *Life!* Taking Action on diabetes program which will provide early identification and support for Victorians at risk of type 2 diabetes. This includes lifestyle programs for 25,000 people to improve health and reduce risk factors. The *Life!* program was recently launched and is being implemented in partnership with Diabetes Australia – Victoria. |

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\(^{87}\) This funding is from the Commonwealth Games Surplus (detailed in *Go for your life, Next steps in fight against diabetes policy*; Budget Paper No. 3, 2007-08 Service Delivery, p.262

\(^{88}\) This includes $16 million over four years for the Local Area Access Demonstration Program, $5.5 million for TravelSmart (2007-08 budget reports $6.6 million, NRA costings excluded $1.1 million from 2005-06 prior to the NRA announcement in February 2006), $5.8 million to extend and improve cycling trails (excludes the $2.2 million TEI). The Committee noted that in May 2006, as part of the Meeting our Transport Challenges Plan, new funding of $72 million over ten years was announced to extend Victoria’s bicycle networks and enhance pedestrian crossings and facilities across the state. When added to the existing annual spending of $4 million, this brings the total allocation to $112 million over ten years

\(^{89}\) In the 2007-08 budget $19.4 million was allocated to 3 different *Life!* programs, *Life! Taking action on diabetes, Life online* and *Kids Life!*
Table 3.3: Implementation of Human Capital Reform (continued)

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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<tbody>
<tr>
<td>Integrated health care for people with type 2 diabetes</td>
<td>Summary: Staged expansion of early intervention educational programs focusing on self-management targeting the newly diagnosed. Progress: $3 million over four years was committed in the 2006-07 budget to develop self-management programs and resources for people newly diagnosed with type 2 diabetes. A further $3.6 million was committed in the 2007-08 budget to build on the Hospital Admission Risk Program and expand the chronic disease management program to better manage people with a chronic illness including diabetes.</td>
</tr>
<tr>
<td>Victoria’s Plan to improve outcomes in early childhood</td>
<td>Indicative outcomes and progress measures</td>
</tr>
<tr>
<td>Outcomes:</td>
<td>• Significantly improve the proportion of children that are born healthy.</td>
</tr>
<tr>
<td>• Significantly improve the proportion of children acquiring the basic skills for life and learning.</td>
<td></td>
</tr>
<tr>
<td>Indicative progress measures:</td>
<td>• Proportion of live born infants of low birth weight.</td>
</tr>
<tr>
<td>• Proportion of children achieving optimal and threshold outcomes on a developmental check.</td>
<td></td>
</tr>
<tr>
<td>• Proportion of children who are vulnerable to one or more Australian Early Development Index (AEDI) domains.</td>
<td></td>
</tr>
<tr>
<td>Actions to strengthen the health, development and learning of 0-5 year olds</td>
<td>Summary: Improve antenatal care and postnatal support particularly for those who suffer from a mental illness or disability, as well as for indigenous, teenage and recently arrived refugee mothers. Progress: $6.2 million over four years was committed in the 2007-08 budget for service improvements in Maternal and Child Health (MCH). Included in this package is increased MCH funding in interface councils to support women with postnatal depression, increased capacity of the MCH Line ($3.2 million over 4 years from 2007-08) and additional targeted parenting support commencing in 2008. An additional 6 staff are being employed in the MCH Line to reduce waiting times and increase calls taken by approximately 30,000 per annum.</td>
</tr>
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90 This includes funding of the following actions:
• Encourage parents to maintain their relationship with MCH centres for early years health checks until the child is three years old.
• Improve access to rapid advice through the MCH Line and improve support for mothers with a mental illness.
• Encourage local parent support initiatives, including programs for new fathers, and to help recent immigrants to access services.
### Table 3.3: Implementation of Human Capital Reform *(continued)*

<table>
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<tr>
<th>Plan/action</th>
<th>Implementation</th>
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| **Actions to enhance the provision of early childhood education and care services** | **Summary:** Work with councils and developers to have integrated children’s services in place in growing communities as families need them.  
**Progress:**  
- $20 million over four years was committed in the 2007-08 state budget to establish 40 new not-for-profit Children’s Centres in growth areas and in municipalities engaged in infrastructure redevelopment. The funding of a further six children’s centres at a cost of $7.3 million over four years has also been approved in *A Fairer Victoria 3* (cross referenced below – see actions to improve the early years workforce re: help build 46 new children’s centres).  
- $8.9 million over four years was committed in the 2007-08 budget to expand neonatal hearing screening to all newborns in both public and private hospitals. Roll-out is underway.  
- $6.14 million over four years was committed in *A Fairer Victoria 3* to deliver better responses to maternal depression and child health teams in outer suburbs.  
- $6.2 million over four years committed in the 2006-07 budget for new Early Childhood Intervention Service places and packages for children under 6 with a disability or developmental delay. 150 additional places and 150 additional flexible packages will be in place by December 2007.  
- Assist councils in outer suburbs to extend parent groups and parenting services. Delivered as part of the 2006 Growing Communities Thriving Children package.  
- $2.1 million over four years was committed in the 2007-08 budget to introduce a Young Readers Program. The program will be delivered in partnership with the Municipal Association of Victoria and State Library of Victoria and commenced in early 2008. |
| **Actions to improve the early years workforce** | **Summary:** Support community kindergartens to join together to simplify management arrangements.  
**Progress:**  
$6.2 million over four years was committed in the 2007-08 budget to ease the burden on parent-run kindergarten committees, by increasing the cluster management subsidy from July 2007. Cluster management arrangements were reviewed by October 2007 to identify strategies to support and expand this initiative.  
**Summary:** Fund refurbishment of local services.  
**Progress:**  
$15 million over four years was committed in the 2007-08 budget to fund refurbishment of local kindergartens including renovation and maintenance of not-for-profit kindergarten and child care centres. Grants will be available from 2008, with additional grants available in municipalities undertaking major redevelopment of infrastructure. |
### Table 3.3:

Implementation of Human Capital Reform *(continued)*

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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</table>
| **Actions to improve the early years workforce (continued)** | **Summary:** Help build 46 new children’s centres, with at least six in outer suburbs.  
**Progress:**  
$20 million over four years was committed in the 2007-08 state budget to establish 40 new not-for-profit Children’s Centres in growth areas and in municipalities engaged in infrastructure redevelopment. The funding of a further six children’s centres at a cost of $7.3 million over four years has also been approved in *A Fairer Victoria 3* (cross referenced above).  
**Summary:** Encourage more child care centres to offer kindergarten programs, and help community kindergartens offer extended hours of care.  
**Progress:**  
$10 million over four years was committed in the 2007-08 budget to improve access to kindergarten for all children. This includes providing the opportunity for four year olds at child care centres to benefit from kindergarten programs, and encouraging kindergartens to offer extended hours which are more convenient for working parents. Grants through this program will be available from 2008, with additional grants available in municipalities undertaking major redevelopment of infrastructure.  
**Summary:** Establish Best Start projects and new multipurpose facilities in outer suburbs.  
**Progress:**  
$11.5 million over four years was committed in *A Fairer Victoria 3*, with Best Start partnerships funded in each interface council and multipurpose grants funded in six of the nine interface councils. The remaining three councils will be funded in 2007-08.  
**Summary:** Lift the concessional kindergarten subsidy, effectively making kindergarten free for low-income families.  
**Progress:**  
$28.9 million over four years was committed in the 2007-08 budget to ensure kindergarten accessibility for low-income families. A higher rate of kindergarten fee subsidy was introduced from July 2007, making support for a 10-hour program for families holding a concession card equivalent to statewide average costs.  
**Summary:** Wherever possible, co-locate early childhood education and care within schools.  
**Progress:**  
This strategy is reflected in *A Fairer Victoria* (May 2007) which commits to ensuring that all new schools in growth areas have space for integrated children’s centres and to exploring options to develop facilities on land adjacent to existing schools. Delivery is being advanced through the establishment of the Department of Education and Early Childhood Development which brings together responsibility for school education and early childhood services. |
### Table 3.3: Implementation of Human Capital Reform *(continued)*

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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</table>
| **Actions to improve the early years workforce (continued)** | Summary: Help families find early childhood education and care through a central register of places.  
**Progress:** $2 million over four years was committed in the 2007-08 budget for development of an IT system to provide access to a central register with development now underway.  
**Summary:** Provide scholarships, bridging courses and professional development and training to increase the professionalism of the early childhood workforce.  
**Progress:** $4 million over 4 years was committed in the 2007-08 budget for teacher support and training. 100 early childhood teacher scholarships for pathway students and a further 100 incentive packages for early childhood teachers working in long day care, have been announced. Both measures require applicants to teach in long day care settings. An additional 21 Aboriginal early childhood teaching scholarships have also been announced.  
**Summary:** Train staff in early childhood services and schools to treat children at risk of anaphylactic shock.  
**Progress:** $1 million was provided through a Treasurer's Advance in October 2006 to train staff to treat children at risk of anaphylactic shock. 4800 staff have been trained in children's services. All licensed services, family day care schemes and outside school hours care services have been provided with an Anaphylaxis Resource Kit. The Kit includes an Epipen trainer and a CD on the administration of the Epipen.  
**Notes:**  
- The Victorian Government is also acting in some of the longer-term action areas identified in Victoria’s plan, even though the Commonwealth has yet to support it. This includes providing improved support for Aboriginal participation in kindergarten including early kindergarten for Aboriginal three year olds with funding being made available from January 2008.  
- While not agreeing to implement the actions proposed by Victoria in Victoria’s Plan to improve outcomes in early childhood, the Commonwealth has agreed to support a national approach to the regulatory and quality assurance system, which is in line with the plan.
### Table 3.3: Implementation of Human Capital Reform (continued)

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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<tbody>
<tr>
<td><strong>Multilateral actions</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Literacy and numeracy</strong></td>
<td></td>
</tr>
<tr>
<td>Development of a core set of nationally consistent teacher standards for literacy and numeracy by end of 2007</td>
<td>Collaborative work between jurisdictions is ongoing. A report will be provided to COAG late 2007/early 2008</td>
</tr>
<tr>
<td>Accredit universities teacher education courses and accredit or register teachers to reach the standards by 2009</td>
<td>COAG agreed in 2007 that this action should be implemented by states and territories following the development of nationally consistent teacher standards for literacy and numeracy (see above).</td>
</tr>
<tr>
<td>Develop a core set of nationally agreed skills, knowledge and attributes on instructional leadership in literacy and numeracy for principals by the end of 2007</td>
<td>It is envisaged that this work will be combined with the development of a core set of nationally-consistent teacher standards for literacy and numeracy (see above). Collaborative work between jurisdictions is ongoing. A report will be provided to COAG in late 2007/early 2008</td>
</tr>
<tr>
<td>Develop nationally consistent on entry to school literacy and numeracy diagnostic assessment systems by 2010</td>
<td>Cross jurisdictional work is ongoing and will inform a report back to COAG by 2010.</td>
</tr>
<tr>
<td><strong>Diabetes</strong></td>
<td></td>
</tr>
<tr>
<td>By mid-2008, develop a nationally agreed risk assessment tool, program standards and accreditation arrangements for programs and/or providers to reduce the risk of developing type 2 diabetes and for people newly diagnosed with type 2 diabetes.</td>
<td>In April 2007 COAG agreed that the Commonwealth would commission this work on behalf of all jurisdictions. An inter-jurisdictional reference group has been established.</td>
</tr>
<tr>
<td>A new cost-shared package of $200 million to address the significant growth in type 2 diabetes</td>
<td>Victoria committed $137 million in new funds over four years in its individual plan. This funding was allocated in the 2006/07 and 2007/08 budgets. The Commonwealth committed $104 million in its 2007-08 budget.</td>
</tr>
<tr>
<td><strong>Early childhood</strong></td>
<td></td>
</tr>
<tr>
<td>Implementation of diagnostic assessment systems for children in their first year of school</td>
<td>Cross jurisdictional investigative work is ongoing. This work will inform a report back to COAG.</td>
</tr>
</tbody>
</table>
Table 3.4: Implementation of Competition Regulation Reform

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulation (10 hotspots)</strong></td>
<td></td>
</tr>
<tr>
<td>Building regulation</td>
<td>All Victorian variations to the Building Code of Australia were identified by May 2007 and allocated to the appropriate phases of the variation reduction program in September 2007.</td>
</tr>
<tr>
<td>National trade measurement</td>
<td>Consumer Affairs Victoria (CAV) has nominated a representative to the National Measurement Institute (NMI), which is primarily handling the transfer of trade measurement functions from the states and territories to the Commonwealth. The NMI will implement transitional arrangements over three years from 2007.</td>
</tr>
<tr>
<td>Occupational health and safety</td>
<td>In April 2007, COAG agreed to a timetable for achieving national occupational health and safety (OHS) standards and harmonising elements in principle OHS Acts (subject to there being no reduction or compromise in standards for legitimate safety concerns in current OHS standards). The Australian Safety and Compensation Council (ASCC) is currently identifying elements of the OHS Acts for harmonisation with this work due to be completed by early 2008.</td>
</tr>
<tr>
<td>Chemicals and plastics</td>
<td>The Productivity Commission (PC) published an issues paper in September 2007 on its study into chemicals and plastics regulation in Australia. The PC’s report is due to be delivered by July 2008 and will be considered by a Ministerial Taskforce including the Victorian Minister for Industry and Trade. The Department of Primary Industries (DPI) and the Department of Innovation, Industry and Regional Development (DIIRD) will be involved in discussions with the PC and will likely make a submission at a later stage of the inquiry.</td>
</tr>
<tr>
<td>Development assessment arrangements</td>
<td>As of July 2007, tenders for new electronic systems should specify compliance with the Development Assessment (DA) Framework’s electronic Development Assessment (eDA) data standard. Jurisdictions are required to use their best endeavours to have eDA systems in operation by 2009. The Department for Planning and Community Development and the Municipal Association of Victoria have jointly developed the ePlanning Roadmap to deliver these reforms over the next five years.</td>
</tr>
<tr>
<td>Environmental assessment and approval processes</td>
<td>The Department of Sustainability and Environment (DSE) and the Minister for Environment and Climate Change have each written to their Commonwealth counterparts to follow-up on the COAG commitment for the Commonwealth to develop a proposal, in consultation with states and territories, for a more harmonised and efficient system of environmental assessment and approval as soon as possible. Victoria has consistently expressed its preference for assessment and approvals bilateral agreements to be concluded this year. Victoria will continue to press the Commonwealth for reform in this area.</td>
</tr>
<tr>
<td>Business registration</td>
<td>The ABN/business names Steering Committee released an issues paper with potential operating models to streamline ABN and business name registration processes to industry and consumer bodies in early October 2007. Victoria is working through the Steering Committee with the goal of endorsing these models shortly for inclusion in a detailed business case.</td>
</tr>
<tr>
<td>Personal property securities</td>
<td>The Standing Committee of Attorneys General (SCAG) is currently negotiating a draft intergovernmental agreement for a national personal property securities register to be administered by the Commonwealth, which will be forwarded to COAG for consideration by December 2007. Victoria has been actively involved in these negotiations.</td>
</tr>
<tr>
<td>Product safety</td>
<td>In September 2007, Queensland, the lead jurisdiction for this reform, presented the Standing Committee of Officials of Consumer Affairs (SCOCA) with a proposal for a uniform consumer product safety system based on earlier work by Victoria. The Committee will proceed with developing a uniform model for presentation to the Ministerial Council on Consumer Affairs before the end of 2007.</td>
</tr>
<tr>
<td>Rail safety</td>
<td>Under the NRA, COAG agreed to improve the efficiency, adequacy and safety of Australia’s transport infrastructure. To this end, it agreed to achieve consistent rail safety regulatory arrangements. Key actions include enactment of model national safety legislation and regulations in all jurisdictions and establishing national rail operator accreditation, data collection and rail regulator training.</td>
</tr>
</tbody>
</table>
Table 3.4: Implementation of Competition Regulation Reform (continued)

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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</thead>
<tbody>
<tr>
<td><strong>Competition – Energy</strong></td>
<td></td>
</tr>
<tr>
<td>Smart Meters</td>
<td>In April 2007, COAG endorsed a staged approach for the national mandated roll-out of electricity smart meters to areas where benefits outweigh costs, as indicated by the results of the cost-benefit analysis which will be completed by the end of 2007. Victoria has already committed to a rollout of smart meters. In February 2006, the Victorian Government formally endorsed the deployment of Advanced Metering Infrastructure (AMI) to all Victorian electricity customers consuming less than 160MWh per annum. The mandated roll-out of AMI in Victoria is to occur between 31 December 2008 and 31 December 2012.</td>
</tr>
<tr>
<td><strong>Competition – Transport</strong></td>
<td></td>
</tr>
<tr>
<td>Transport pricing</td>
<td>In April 2007, COAG agreed to a three-phased reform program to provide better price signals for transport freight infrastructure providers and users. The objective of reform is to enable Australia to meet the forecast growth in national freight, in parallel with implementing road transport productivity reforms. The National Transport Commission (NTC) (directed by COAG and the Australian Transport Council – ATC) is expected to submit a new heavy vehicle pricing determination to Ministers for consideration in late 2007. The NTC has commenced work on developing a charging framework for the incremental pricing trials for heavy vehicles. The COAG Road Reform Taskforce (CRRT), established in July 2007, has prepared a work program and developed consultancy briefs in relation to heavy vehicle externalities and the identification of Community Service Obligations. These are being circulated to COAG members.</td>
</tr>
<tr>
<td>Transport urban congestion</td>
<td>In April 2007, COAG agreed that jurisdictions will develop and implement their own specific responses to urban congestion, drawing on best-practice principles. COAG also noted that AusLink will continue to consider contributions to future urban projects in AusLink corridors.</td>
</tr>
</tbody>
</table>
Table 3.4: Implementation of Competition Regulation Reform (continued)

<table>
<thead>
<tr>
<th>Plan/action</th>
<th>Implementation</th>
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</thead>
<tbody>
<tr>
<td><strong>Competition – Infrastructure (Competition and Infrastructure Reform Agreement –CIRA)</strong></td>
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</table>

**Note:**
In April 2007, COAG agreed to a series of timelines and milestones to meet previous commitments regarding a simpler and consistent national approach to the economic regulation of nationally significant infrastructure. The agreement included specific measures to enhance regulatory outcomes for nationally significant ports and rail networks and the streamlining of third-party access regimes. Progress associated with each of the relevant areas of CIRA are outlined below:

- **Significant infrastructure**
  Victoria is considering application of a simpler and consistent national approach to the economic regulation of nationally significant infrastructure and state-based access regimes as part of the government’s response to the review of the *Essential Services Commission Act 2001*. It is envisaged that the act will be amended in 2008.

- **Rail**
  The April 2007 COAG commitment included a nationally consistent framework for rail track access to be applied to interstate tracks in the first instance and then to major intrastate tracks on a case-by-case basis. This framework has been discussed with jurisdictions and is now with the Commonwealth for further refinement.

- **Ports**
  In April 2007 COAG agreed that each jurisdiction would undertake a public review of the regulation and effectiveness of competition in significant ports by the end of 2007. The Essential Services Commission has commenced an inquiry into the impact of port planning on competition for container stevedoring services in Victorian ports and is expected to report by the end of the year.
3.5 Supplementary information

Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07

<table>
<thead>
<tr>
<th>Department</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary departments</td>
<td>The National Reform agenda does not apply to the Parliament of Victoria.</td>
</tr>
<tr>
<td>Education and Early Childhood Development</td>
<td>A whole of government response is being prepared by the Intergovernmental Government Branch, Department of Premier and Cabinet. The Committee appreciates the response from the Department of Premier and Cabinet, it would have appreciated insight into the department’s role and specific contribution by line areas.</td>
</tr>
<tr>
<td>Human Services</td>
<td>The department’s projects in the context of this question relate to the human capital stream of NRA activity. A cluster of activities representing a multi-faceted approach to prevention makes up Victoria’s plan for tackling obesity and type 2 diabetes under the NRA. These actions are being implemented under Go for your life and through strategies to facilitate healthier travel choices. Under Go for your life, NRA related initiatives to promote healthy lifestyles include improving local access through new facilities. Funding for the development/extension of basketball/netball stadiums over the next two years has been committed and local facility planning underway. A number of communities have benefited from the allocation of FINA pool equipment and primary school sites have been approved and announced for development of synthetic and other drought resistant playing surfaces with Secondary school sites currently being finalised. Go for your life NRA activities also include promotion of healthy eating with grants to improve consumption of fruit and vegetables focusing on Prep – Year 2 students launched in August 2007 and provided to 308 interested schools. The Program has five phases which roll-out to participating schools over 4 years from 2007-08 to 2010-11. Phases 1 and 2 have been implemented, with grants provided to a total of 811 schools. There will be an additional phase in each of the next three years. In addition, a statewide family-based activity (Premier’s Active Families Challenge) to encourage greater levels of physical activity is to commence on 9 March 2008 and run to 20 April 2008. It is planned for the Challenge to be repeated in 2009. Specific action on risk factors for chronic disease, including diabetes, are being targeted with planning being finalised for an evidence-based intervention for families of obese children and for a community-based intervention for adults at risk of developing type 2 diabetes. Both of these initiatives are to be implemented in early 2008. All of the Go for your life NRA actions include an evaluation component both to determine the program outcome and to build the evidence base for effective health promotion and prevention in Victoria. The COAG National Reform Agenda (NRA) complements other Council of Australian Governments (COAG) projects to reduce the prevalence of chronic disease. These projects differ in emphasis and populations and include implementation of a National Action Plan on Mental Health and the Australian Better Health Initiative. The latter projects link to the NRA to the extent that they contribute over time to workforce health and productivity. All initiatives are concerned with improved health outcomes associated with chronic disease.</td>
</tr>
</tbody>
</table>

91 Department of Parliamentary Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 November 2007, p.1
92 Department of Education, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 December 2007, p.1
93 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 26 November 2007, p.1
Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
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<tr>
<th>Department</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>The NRA has several components under the following streams:</td>
</tr>
<tr>
<td></td>
<td>• <strong>Competition:</strong></td>
</tr>
<tr>
<td></td>
<td>COAG agreed to a new National Competition Policy reform agenda ‘aimed at providing a supportive market and regulatory framework for productive investment in energy, transport and other export-oriented infrastructure, and its efficient use, by improving pricing and investment signals and establishing competitive markets’. COAG made several commitments relating to transport in February 2006:</td>
</tr>
<tr>
<td></td>
<td>− COAG asked the Productivity Commission (PC) to develop proposals for the efficient pricing of road and rail freight infrastructure. The Victorian Government made two submissions to the review. The department was the lead agency for the development of those submissions and provided support to central agencies in the development of COAG’s response to the Productivity Commission inquiry.</td>
</tr>
<tr>
<td></td>
<td>− COAG agreed to harmonise and reform rail and road regulation within five years, including productivity enhancing reforms such as higher mass limits, improved and nationally-consistent road and rail safety regulation and performance-based standards for licensing innovative vehicles that do less road damage. As part of this program, the Australian Transport Council agreed in 2006 to model rail safety legislation. Victoria’s new rail safety regime, which came into effect in 2006, is compatible with the model national legislation. Victoria was the first jurisdiction to adopt the new regime and to meet the COAG deadline for implementation. To date Victoria is the only jurisdiction to have implemented the new rail safety regime.</td>
</tr>
<tr>
<td></td>
<td>− COAG agreed to strengthen and coordinate transport planning and project appraisal processes to ensure the best use of public investment by adopting ATC-endorsed national guidelines for evaluating new public road and rail infrastructure projects by December 2006. The Department of Infrastructure (DOI) has had strong project appraisal processes in place for some years, and they influenced the first set of national guidelines (2004) and the revised set (2006). Victoria’s guidelines were therefore always consistent with the national guidelines. DOI has recently reviewed and revised its project cost-benefit guidelines, and they remain consistent and complementary to the national guidelines.</td>
</tr>
<tr>
<td></td>
<td>− COAG commissioned a national review of the main causes, trends, impacts and options for managing congestion. DOI was the lead Victorian agency in contributing to the review which was completed in December 2006 and forwarded to COAG.</td>
</tr>
<tr>
<td></td>
<td>− Under the heading of Infrastructure Planning, COAG committed to completing all 24 corridor strategies under AusLink by 30 June 2007. This deadline was achieved, with DOI representing Victoria in the preparation of the eight corridor strategies involving this state, all of which were completed by early 2007. COAG also agreed that each jurisdiction would prepare the first of five-yearly infrastructure reports by end-January 2007, and DOI led the preparation of Victoria’s report by several portfolios.</td>
</tr>
</tbody>
</table>
### Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
</tr>
</thead>
</table>
| Infrastructure (continued) | - **Regulatory reform:**
  This stream of the NRA focuses on reducing the regulatory reform burden imposed by governments. COAG also agreed to address six priority cross-jurisdictional ‘hot spot’ areas where overlapping and inconsistent regulatory regimes are impeding economic activity. This included a ‘hot-spot’ review of rail safety regulation.
  - The Victorian Government has announced its commitment to reduce the administrative cost of regulations through its Reducing the Regulatory Burden initiative. The initiative aims to reduce the administrative task by 15 per cent by June 2009 and 25 per cent by June 2011.
  - In addition to the implementation of the national rail safety legislation, the hot-spot review contains a number of measures to introduce a consistent national framework for rail safety, including the development of operational guidelines to support the national rail safety legislation. Victoria, through Public Transport Safety Victoria, was the lead agency for two of these guidelines. The guidelines are expected to be completed in late 2007.
- **Infrastructure regulation:**
  The Commonwealth and all state and territory governments committed to achieving a consistent approach to economic regulation through signing the Competition and Infrastructure Reform Agreement. Under this agreement Victoria will need to submit its rail access regime for certification under the Trade Practices Act. In addition, Victoria will have to undertake a review of its port regulation. This review commenced in early 2007-08.
| Innovation, Industry and Regional Development | Departmental officers have contributed across a number of official working parties and other actions that are assisting in the implementation of the NRA and other closely related reform matters being progressed by COAG.
  Key areas where Department of Innovation, Industry and Regional Development (DIIRD) officers have been active participants include the Lockhart Review of therapeutic cloning regulation, the simplification of business names and registration processes (an identified NRA competition and regulation ‘hot spot’) and the Secretaries Water Group, which is responsible for overseeing the high level policy development and progress in water reform, including NRA and COAG water issues.
  The Lockhart Review of the Commonwealth’s Prohibition of Human Cloning Act 2002 and the Research Involving Human Embryos Act 2002 was submitted to the Prime Minister in late 2005. The key recommendations of the Review were to:
  - continue the ban on reproductive cloning;
  - allow somatic cell nuclear transfer (SCNT) under license to create disease-specific and patient tailored stem cells; and
  - establish a national stem cell bank at the Australian Stem Cell Centre.
  The Victorian Government led significant national debate arising from the Review, which ultimately led to the approval in December 2006 of the ‘Patterson Bill’ which amended Commonwealth legislation to reflect the recommendations of the Review.

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94 Department of Infrastructure, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 November 2007, pp.2–3
95 Department of Innovation, Industry and Regional Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 5 November 2007, p.1
### Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
</tr>
</thead>
</table>
| Innovation, Industry and Regional Development   | Amendments to Victorian complementary legislation – the *Infertility Treatment Act 1995* – were passed on 2 May 2007 to mirror changes made to the Commonwealth legislation, making Victoria the first state to allow SCNT. The state and Commonwealth legislation came into effect on 12 June 2007. COAG has identified as a regulatory hotspot the demand for a seamless, single online registration system for ABNs and business names, including trademark searching. The Victorian Government has been working actively with the Australian Government, through the Small Business Ministerial Council which has been tasked to progress the issue. A project taskforce has, with Victoria's active participation, undertaken business modeling to identify model options for delivering the project, which has resulted in three principal project stages including:  
  - information discovery, which provides information on compliance obligations, licences and permits;  
  - registrations, combining and improving the process for obtaining an ABN and business name; and  
  - ongoing interactions, involving improving business to government and government to business interactions through an online interactive tool or 'client account'.  
  A consultant is being engaged to develop the business case which will analyse the costs and benefits of each of the above options, expected to be completed in February 2008. |
| (continued)                                     |                                                                                                                                 |
| Justice                                         | In relation to competition and reform, COAG in April 2007 agreed to address various regulatory hot spots, and agreed on reforms for energy, transport and infrastructure to boost productivity and reduce bottlenecks in the economy. The NRA stream that is most applicable to the department is regulatory reform.  
  **Regulatory Reform**  
  In July 2006, the Treasurer released *Reducing the Regulatory Burden: the Victorian Government's plan to reduce red tape*, committing the government to reduce Victoria’s regulatory burden by 25 per cent over five years and to seek offsetting reductions in administrative burdens for any new regulation.  
  The government is adopting a three-pronged approach to reducing the burden through:  
  - committing to cut the existing administrative burden of regulation by 15 per cent over three years and 25 per cent over the next five years;  
  - ensuring the administrative burden of any new regulation is met by an ‘offsetting simplification’ in the same or related area; and  
  - undertaking a program of reviews to identify the necessary actions to reduce compliance burdens.  
  This program of reviews will be combined with incentive payments, akin to those under the National Competition Policy, to reward outcomes which reduce the regulatory burden. The government has set aside $42 million over four years from the 2006-07 budget to ensure the success of this initiative.  
  Consumer Affairs Victoria (CAV) is leading the department’s response across the Attorney General, Consumer Affairs, Gaming and Racing, and Police and Emergency Services portfolios to this Reducing the Regulatory Burden (RRB) initiative. This initiative commits Victoria to reducing the administrative burden imposed on businesses and not-for-profits in demonstrating compliance with government regulation (including requirements such as record-keeping, licence application forms, annual reporting and assisting with inspections by regulators). |
Justice (continued)

Progress towards the achievement of these targets will be measured using the Standard Cost Model (SCM), which is the internationally accepted best practice approach to measuring administrative burdens.

The regulatory reform team, based in CAV, coordinated the development of a three year work plan for the department. The plan identifies regulation that needs to be assessed for its potential to reduce the administrative burden for business. CAV’s recognition of the need to ensure regulation in the marketplace is efficient and effective is demonstrated by the significant administrative burden reduction achieved by the introduction of the Motor Car Traders (Amendment) Regulations 2006 to the Motor Car Traders Act in December 2006. The Regulations simplified the paperwork requirements for dealings books used by motor car traders. The Regulations resulted in an estimated burden reduction of $7.5 million per year. The analysis for the burden reduction was independently reviewed, and accepted by the Victorian Competition and Efficiency Commission.

CAV is in the process of reviewing opportunities to reduce the administrative burden associated with occupational and licensing schemes administered by CAV and the Business Licensing Authority. The project will significantly reduce the administrative burden associated with the application process through the implementation of new information systems. CAV aims to save businesses $6.7 million over five years through this part of the RRB initiative.

Better Business Regulation Project

CAV is leading a departmental Better Business Regulation project to improve the practices and processes of regulators. The department and its statutory entities administer more than 30 regulatory schemes for businesses and occupations in Victoria. Consequently, the department considers that it is well placed to promote better outcomes for the community by identifying opportunities where regulation can be improved by assisting the regulators.

During 2006–07 a framework was developed for promoting continuous improvement of key aspects of regulatory practice, including the making, operating and reviewing of regulations. CAV is currently piloting the framework on two regulatory schemes, which involves:

- evaluating current practices against best practice;
- evaluating the maturity of regulatory processes;
- establishing performance measures associated with regulatory practice; and
- identifying areas for improvement in the piloted schemes.

The project aims to minimise compliance costs for business and increase transparency and accountability in government.

Review of compliance burdens

Proposal submissions to Department of Treasury and Finance (DTF) for funding to review compliance burdens include:

- Consumer Affairs Victoria / Business Licensing Authority (BLA) Occupational Licensing Review

This initiative aims to introduce a new occupational licensing system and associated process reforms to reduce the regulatory burden for Victorian businesses in six occupational license categories – Credit Providers and Finance Brokers, Estate Agents and Agents Representatives, Introduction Agents, Motor Care Traders, Second Hand dealers and Pawnbrokers and Travel Agents.
Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice (continued)</td>
<td>Victoria Police Reduction of Regulatory Burdens on Firearms, Private Security and Controlled Weapons License and Registration Holders</td>
</tr>
<tr>
<td></td>
<td>Victoria Police regulates the issue of licences, registrations, permits and authorisations under the Firearms Act 1996, Private Security Act 2004, and Control of Weapons Act 1990, and supporting regulatory instruments. Over 180,000 firearms licensees, 573,000 registered firearms, 2,000 private security businesses, 27,000 private security employees, and 800 controlled weapon users, are regulated. On average, more than 100,000 applications per year are submitted for approval by Victoria Police, with the majority lodged by persons regulated to utilise their licence, registration or permit for an occupational, business or organisational purpose. The review is designed to enable the implementation of opportunities to reduce the administrative and compliance burdens associated with the abovementioned Acts. The pilot project to deliver online transaction capability for licensed firearms dealers has proved to be successful, and now requires rollout to enable business to harness the full benefits of this system. Likewise, the development of the online participation reporting capability for handgun clubs, the information reporting by private security businesses, and the facilitation of online application processing will provide significant benefit.</td>
</tr>
<tr>
<td></td>
<td>Department of Justice Better Business Regulation Stage 3 (Rollout of Process Maturity and Performance Measurement assessments across Justice regulators)</td>
</tr>
<tr>
<td></td>
<td>The department administers well in excess of 30 regulatory schemes which impact on business, involving some 16 agencies (including both statutory offices and authorities). This involves approximately 75 Acts/regulations from real estate agents to liquor and firearms licensees. This initiative aims to improve the performance of departmental agencies and the achievement of policy outcomes sought through regulation. Stage 3 builds on the introduction of a regulatory practice improvement framework and involves the introduction of enhanced performance measurement linking objectives of the legislation with administration of the schemes. The focus is on regulatory burden reduction, efficiency and effectiveness measures.</td>
</tr>
<tr>
<td></td>
<td>Other Regulation Activity</td>
</tr>
<tr>
<td></td>
<td>Business Registration</td>
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<td></td>
<td>Victoria currently has the most efficient business names system in Australia including application of an Automated Names Test (ANT) and online transactions. CAV has been proactive in the development of new systems and technology including seeking opportunities to leverage off our already developed systems and skills. CAV is an active participant in the COAG endorsed national project reviewing business name and ABN registration requirements.</td>
</tr>
<tr>
<td></td>
<td>Personal Property Securities</td>
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<tr>
<td></td>
<td>The previous Ministerial Council on Consumer Affairs (MCCA) work on a national vehicle securities register has Victoria represented by CAV in relation to policy and VicRoads (the securities register is located with VicRoads in Victoria). The Standing Committee of Attorney Generals (SCAG) personal property project has overtaken the work on the national Register of Encumbered Vehicles (REV’s). The Standing Committee of Officials of Consumer Affairs (SCOCA) working party has consulted the SCAG working party and will monitor progress to determine the impact of that work on the vehicle securities register and any gaps that will need to be considered, for example issues relating to stolen and written-off vehicles.</td>
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</tbody>
</table>
### Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
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<tr>
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<tr>
<td><strong>Justice (continued)</strong></td>
<td><strong>Product Safety</strong>  &lt;br&gt;A review initiated by MCCA on Australian consumer product safety system commenced in August 2004. In March 2005, as part of the reform process, the Productivity Commission was engaged to review the system with a final report released in February 2006.  &lt;br&gt;In February 2006, COAG agreed that product safety was to be one of the 10 cross-jurisdictional hot spots which required action. In May and September 2006, MCCA considered models for the reform of the consumer product safety system. These models were a single law single regulator model developed by the Commonwealth and a harmonised model of consumer product safety developed by Victoria. Ministers agreed to uniformity in consumer product safety legislation and appointed Queensland to lead a working party to develop details of a harmonised model. At the April 2007 COAG meeting, state and territory Premiers and Chief Ministers agreed to develop a uniform approach to product safety within 12 months.  &lt;br&gt;In May 2007, MCCA agreed that along with the development of the principles of the scheme, an intergovernmental agreement underpinning the legislation would be developed and that drafting instructions for the regulatory scheme would be developed in time to report to COAG in April 2008. Although Queensland remains the lead agency for this work, in Victoria, the following progress has been made:  &lt;br&gt;- Victoria is also leading work to harmonise existing bans and standards;  &lt;br&gt;- Victoria has successfully led the way in seizing banned products. Specific emphasis has been placed on targeting wholesalers to prevent suspect products in reaching retail outlets;  &lt;br&gt;- CAV is also conducting a pilot education and information program in the local government areas of Casey and Latrobe. This program, which is part of a <em>Fairer Victoria</em> strategy and provides a kit to women when they book into a maternity hospital that provides them with information they need to choose safe products; and  &lt;br&gt;- maternal and child health centres also promote and distribute the kit, and provide parents with education and reminders that help them to reduce injuries by using products safely. CAV is currently working closely with the Department of Human Services and the Department of Education and Early Childhood Development on this project. The program will be evaluated early in 2008.  &lt;br&gt;<strong>Trade Measurement</strong>  &lt;br&gt;COAG has agreed to the Commonwealth’s offer to take full responsibility for the national trade measurement system, and noted the Commonwealth’s commitment to ensure the maintenance of existing service standards.  &lt;br&gt;Victoria has played a significant part in coordinating consultations with business, government and the community and in developing the recommendations which led to the Commonwealth agreeing to take over responsibility for trade measurement.  &lt;br&gt;The National Measurement Institute (NMI) is responsible for developing a transition plan to facilitate transfer of responsibility for trade measurement from 1 July 2010. Victoria, along with all the states and territories is working with the NMI to ensure a smooth transfer.</td>
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Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
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</table>
| Justice (continued) | **Gaming and Racing**  
In the context of gambling regulation, the Productivity Commission and the National Competition Council (NCC) have both agreed that a relatively high level of regulatory control is justifiable to ensure probity, harm minimisation, and consumer protection. Regulatory controls are therefore in the public interest. The NCC has also accepted that national consistency in gambling regulation may not be achievable given the significantly different industry structures that exist in each jurisdiction.  
Victoria has completed National Competition Reviews of all of its gambling legislation to the satisfaction of the NCC. In 2003, the Department of Justice undertook a review of the Victorian gambling regulatory framework. The result of this review was the creation of the *Gambling Regulation Act 2003*, which consolidated eight of the previously existing ten principal gaming acts into a single act, clarified the application of the regulatory regime, and removed areas of unnecessary regulatory effort or overlap. As part of this process, 21 separate sets of gambling regulations were also consolidated into one set. This consolidation has made the understanding and navigation of the gambling regulatory framework a simpler task for the industry and others. Streamlining of the gambling regulatory framework has continued through bills that have been subsequently passed in Parliament. As per Victorian Government requirements, all new gambling regulations and legislation have to comply with the Regulatory Impact statement (RIS) and Business Impact Assessment (BIA) processes applicable to all Victorian legislation. The department is currently reviewing the licensing arrangements for public lotteries, electronic gaming machines, club keno, and wagering. These reviews focus particularly on the licensing structure and associated regulatory arrangements and opportunities to reduce the regulatory burden and compliance costs will be considered as part of the review process. Other measures undertaken by Victorian Commission for Gambling Regulation (VCGR) to reduce the regulatory burden/cut red tape include:  
**The Electronic Lodgement of Community Benefit statements**  
The VCGR enhanced the option for venue operators to lodge their Community Benefit statements (CBS) electronically instead of by mail and is designed to simplify the process of lodging the annual CBS required of each gaming venue on or before 30 September each year.  
**Casino Special Employees – Variation of Duties**  
Changes made to the Crown Standard Operating Procedures (SOP) for licensed employees, regarding variation of duties and notice of cessation of employment, have resulted in simplified processes and reduced administrative costs. The *Gambling Regulation (Further Amendment) Act 2004* removed the requirement for Crown to provide a certificate of competence regarding a variation to a person’s duties under the same category of licence. Compliance audits are still conducted to ensure licensed employees are properly trained to perform their tasks.  

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Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

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<th>Department</th>
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</table>
| Justice (continued)         | Online Applications for Trade Promotion Lottery Permits  
As part of the VCGR commitment to electronic lodgements, online lodgement of trade promotion lottery is now at the final testing stage.  
Art Union, Raffles and Trade Promotion Lottery Working Party  
The VCGR has agreed to participate in this newly formed working party, established by the Australasian casino and gaming regulators, which aims to improve consistency between states and territories.  
In terms of new regulatory regimes introduced, the Commercial Raffle Organisers Licensing Scheme commenced on 1 July 2006 to strengthen probity in the conduct of raffles. A commercial raffle organiser operates a business that is paid to conduct a raffle, in whole or in part, on behalf of a community and charitable organisation. The scheme recognises the need to regulate these businesses thereby strengthening public confidence in raffles & protecting community and charitable organisations.97 |
| Premier and Cabinet         | Refer to section 3.4 for whole of government response                                                                                                                                  |
| Primary Industries          | The department is participating in the competition stream of the National Reform Agenda by developing and implementing COAG energy market reforms. The department is also participating in broader Victorian Government Regulation reform efforts in areas such as reducing red tape.  
Energy Market Reform  
Energy Market Reform is a shared responsibility among the Commonwealth, state and territory governments through COAG. Through the department, Victoria has taken a lead role in reforming the market to improve governance and encourage investment in Australia's energy market.  
The department also contributed to the funding of the Australian Energy Market Commission (AEMC) – the national body responsible for making rules with respect to the operation of national energy markets in Australia.  
In 2006-07 the department led the development of new national retailing arrangements for the electricity and gas markets. This work culminated in the release of a Composite Paper for consultation in June 2007, which covered the aspects of the non-economic and retail regulation that had been previously consulted on in five working papers. The Composite Paper (and the working papers) was prepared by Allens Arthur Robinson to identify, and make recommendations on, options for National Framework on behalf of the Retail Policy Working Group.  
The department also provided significant contributions to:  
• the development of a legislative package to support the transition of the economic regulation of distributors to the Australian Energy Regulator (AER) that included the completion of the exposure drafts of the National Gas Law, National Electricity Law amendments, National Gas Rules and National Electricity Rules;  
• implementation of the outcomes of the statutory review of VENCorp’s functions following the release of the issues paper on 11 July 2006; and  

97 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, pp.4–9
Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
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</table>
| Primary Industries (continued) | Regulation reduction – Cutting ‘red tape’  
The Reducing the Regulatory Burden Initiative is a Victorian Government commitment to reduce the whole of government administrative burden by 15 per cent ($154 million) by July 2009 and 25 per cent ($256 million) by July 2011. The department has supported this program and has developed strategies to contribute to these targets. Progress on this Initiative was recently reviewed by the Department of Treasury and Finance and is in accordance with the Department of Primary Industries’ three year Administrative Burden Reduction Plan. Progress includes the planned measurement of administrative burden for a range of regulations. Early results indicate that the Department of Primary Industries has delivered approximately $1 million of savings in 2006-07 through red tape reductions. Further reductions and savings are planned for 2007-08.|  
Sustainability and Environment | There are two main areas of the National Reform Agenda which impact the department: Climate Change (part of the Competition stream) and the Reducing the Regulatory Burden stream.  
Climate Change  
In February 2006, COAG agreed to adopt a new national Climate Change Plan of Action and to establish a high-level inter-jurisdictional Climate Change Group to oversee implementation of the Plan’s recommendations. COAG requested that the Climate Change Group prepare a National Adaptation Framework for its review.  
COAG released the National Framework for Climate Change Adaptation on 13 April 2007. The Victorian Government's climate change programs align with the COAG framework and implementation is underway.  
Reducing the Regulatory Burden  
COAG also agreed to progress a review of regulatory hot spots, including environmental assessment and approvals processes under the Environmental Protection and Biodiversity Conservation Act 1999. The Victorian Government is working with the Commonwealth on the development of a bilateral agreement for the assessment and approval of projects under the act. In the meantime, a case by case accreditation of assessments under the Environmental Effects Act has the same benefits to streamline processes.  
Following machinery of government changes, streamlining of development approval processes is now managed by the Department for Planning and Community Development. |
Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
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<tr>
<td>Sustainability and Environment</td>
<td>COAG committed to streamlining and harmonising development assessment processes within jurisdictions. During 2006-07, Victoria has pursued a strong agenda of planning system reform. In particular, the government adopted the recommendations of the Cutting red tape in planning report, a program of 43 actions to streamline the planning system. This program is now 60 per cent implemented and on track for completion by the end of 2008. The government has also adopted the e-Planning Roadmap, a five year program to introduce electronic planning systems in Victoria. This program is supported by a memorandum of understanding with the Municipal Association of Victoria that reflects the continuing delivery partnership with local government. Implementing the e-Planning Roadmap will achieve substantial compliance with the COAG objective of jurisdictions achieving substantial capacity for electronic application lodgement by 2009.</td>
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<tr>
<td>(continued)</td>
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<tr>
<td>Treasury and Finance</td>
<td>Refer to section 3.4 for whole of government response</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>COAG agreed to 11 indicative outcomes from the NRA to focus effort on the human capital elements. A number of these outcomes explicitly seek to increase workforce participation. The former Department for Victorian Communities (DVC), through Employment Programs, led the way in the development of a whole of government Workforce Participation Strategy based on the findings of Victoria’s Workforce Participation Taskforce. The key workforce participation initiative delivered by Employment Programs was Workforce Participation Partnerships. It has been a highly successful program. In 2006-07, it increased the workforce participation of over 1,600 jobseekers facing significant barriers to employment (for example people from culturally and linguistically diverse backgrounds, Indigenous Victorians and people with a disability) and provided them with sustainable employment outcomes in areas of skills and labour needs. Following machinery of government changes in August 2007, Employment Programs is now Workforce Participation and is part of the Department of Innovation, Industry and Regional Development. Adult Community and Further Education transferred to the department in December 2006 as part of the machinery of government changes. Adult Community and Further Education is responsible for the provision of education to adults to provide pathways into work and further study. Education is a priority within the human capital stream of the NRA. In the past year, 128,165 learners participated in some form of additional learning across Victoria. Almost 50,000 learners were assisted through government funds to increase their knowledge and to gain employment or retain their current employment (51 per cent of this provision is in rural and regional Victoria). Government funds are particularly directed to those learners who have not attained basic qualifications. In 2006 government funded delivery in the Adult Community Education (ACE) sector and Adult Education Institutions (the Centre for Adult Education, CAE and the Adult Multicultural Education Services, AMES) was 7,127,594 student contact hours provided to 49,169 learners. Of these learners 41 per cent had low basic skills of less than year 12 or equivalent and of these 36 per cent had a previous schooling level of year 9 or less.</td>
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<td>(continued)</td>
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99 Department of Sustainability and Environment, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 28 November 2007, p.1
Table 3.5: Progress achieved in implementing the National Reform Agenda in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department (continued)</th>
<th>National Reform Agenda developments as outlined in the response from departments to the 2006-07 Financial and Performance Outcomes questionnaire</th>
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<tbody>
<tr>
<td>Victorian Communities</td>
<td>These providers reported that 46.9 per cent of government funded delivery was for vocational programs and 16.6 per cent for employment skills programs.</td>
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<td></td>
<td>The Centre for Post-compulsory Education and Lifelong Learning at the University of Melbourne conducted a longitudinal study of the destinations of ACE students over three years. This study surveyed the same randomly selected sample of students in 2004, 2005 and 2006. Over each of these three years the percentage of the student sample reporting their status as unemployed declined from 24.4 per cent to 11.6 per cent to 8.2 per cent. According to the department, this data suggests that ACE plays an important role in assisting low skilled adults re-enter education and training and ultimately to gain employment. Over the period of the study those ACE students working full-time increased from 12.8 per cent to 21.7 per cent to 28.4 per cent. Of the ACE students from the original 2004 sample who when surveyed in 2006 reported that they were employed, 47.2 per cent said that ACE had assisted them in obtaining a job, an apprenticeship or a traineeship, 62 per cent said that ACE had helped them to gain a better job, 72.4 per cent reported that ACE had equipped them to better perform tasks at work and 25.6 per cent indicated that ACE had assisted them to set up or run a small business. The department has participated in regulatory reform as part of the government’s Reducing the Regulatory Burden initiative. While the former department (Department for Victorian Communities) had one of the lowest regulatory burdens, the newly created Department for Planning and Community Development (DPCD) has the highest contribution to make to the regulation reduction target of all state departments. (Further comments are included in the section of this report dealing with regulation reduction).</td>
</tr>
</tbody>
</table>

Sources: Department responses to the Committee’s 2006-07 Financial and performance outcomes questionnaire – part one: Parliamentary departments p.1; Department of Education and Early Childhood Development, p.1; Department of Human Services, p.24; Department of Infrastructure, pp.24; Department of Innovation, Industry and Regional Development, pp.24–25; Department of Justice, pp.27–34; Department of Premier and Cabinet, pp.16–17; Department of Primary Industries, p.18; Department of Sustainability and Environment, p.27; Department of Treasury and Finance, p.17; Department for Victorian Communities, pp.15–16

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100 Former Department for Victorian Communities, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 20 November 2007, p.1
CHAPTER 4: PRODUCTIVITY IMPROVEMENT

Key findings of the Committee:

4.1 Research shows that in broad terms, prosperity is driven by productivity growth and this is particularly underpinned by investment in science, education and infrastructure.

4.2 The Committee noted that the Council of Australian Governments (COAG) at its meeting in December 2007:
   - agreed on the urgency of progressing the reform work program to increase the productivity capacity of the economy, address the inflationary pressures that are emerging and to deliver a higher quality of service to the Australian community; and
   - identified a productivity agenda (including education, skills, training and early childhood development) as one of seven areas to be included in its 2008 work agenda.

4.3 In view of the above developments, the importance placed on improving productivity in the future to strengthen Australia’s economic and social fabric by implication means that the development of outcome measures to assess productivity growth, not only nationally but also at a state level including that of the public sector, becomes essential in future. Without such measures, it will be difficult to monitor and evaluate whether the work plans and initiatives introduced by the government are being effective in contributing to an acceptable level of productivity growth in Victoria.

4.4 The Committee noted that productivity offsets or gains have been an important part of departmental savings approaches and public sector wage negotiations.

4.5 While information is available that describes initiatives introduced to improve productivity and some examples of efficiency improvements have been quantified by government entities, the Committee found that meaningful performance measures that quantify productivity improvements were lacking, although various quantity, quality, timeliness and cost measures were disclosed in the budget papers and annual reports of government agencies.

4.6 Until such time as the government develops a suite of reliable performance measures to assess the extent of productivity improvement achieved by each department and related agency, it will not be possible to evaluate how well government agencies are improving their performance and, in so doing, influencing the future path of economic growth by:
   - providing access to high quality education and training;
   - encouraging innovation; and
• creating a vibrant business environment that promotes investment and job creation.

4.7 From a long-term strategic perspective, it is also important to recognise that improving productivity growth is likely to be the primary way in which the fiscal pressures of an ageing population can be addressed.

4.8 In general, departments and related agencies indicated that they do not collect the necessary data to calculate multifactor or labour productivity. Furthermore, the Department of Treasury and Finance indicated that they are unable to provide reliable and robust data on multifactor or labour productivity at a departmental level. The Department of Treasury and Finance together with other government entities also advised that the creation of such measures would be difficult and suffer from severe quality and measurement issues.

4.9 In response to the numerous recommendations (ten in total) made by the Committee in its Report on the 2007-08 Budget Estimates – Part Three that dealt with the issue of productivity measurement in government and reporting, six were accepted or accepted in principle by the government, one was accepted in part, another was under review while two were rejected. In relation to recommendations that were rejected, the Committee nevertheless maintains there is a need for a clearer articulation of:

- productivity and efficiency in Victoria in terms of measures, goals and impact; and

- target setting including the benefits expected to be derived from productivity at a macro-level that is multifactor or labour productivity.

4.10 A number of avenues for progressing the issue of measuring productivity growth across the government sector are under consideration by the Committee.

4.11 If the development of a suite of indicators to measure productivity improvements across government is seen as a useful initiative to pursue in Victoria, the Committee maintains that this issue needs to be discussed at a COAG forum because, for the purpose of comparison and benchmarking, it will be important that a uniform approach be gradually developed in all jurisdictions.

4.1 What is productivity?

The Committee, in its Report on the 2007-08 Budget Estimates – Part Three, commented on a range of issues concerning the impact of portfolio spending, including new budget initiatives, on improving productivity in Victoria. In discussing the concept of productivity, two indicators were explained in the report, namely:101

- multifactor productivity – defined as $\text{Quantity index of combined inputs} = \text{Quantity index of (different types of) labour, capital, energy, services, each weighted with its current price share in total gross output}$. Multifactor productivity measurement helps disentangle the direct growth contributions of labour, capital, intermediate inputs and technology. This is

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Chapter 4: Productivity improvement

an important tool for reviewing past growth patterns and for assessing the potential for economic growth. According to the Productivity Commission, multifactor productivity is, in principle, a better indicator of efficiency than labour productivity. It measures how efficiently and effectively the main factors of production – labour and capital – combine to generate output; and

- labour productivity – a measure of the quantity of goods and services produced per hour of work. As labour productivity grows, higher levels of output are produced with given labour inputs. Growth in labour productivity will be the key determinant of real GDP growth in the decades ahead. Faster labour productivity growth would enable higher growth for real GDP, real GDP per person and real wages over the projection period.

Some say that productivity can be described as a critical lens through which to analyse government, addressing both the quality of the results it achieves, as well as the efficiency with which it operates. Experts say a more productive government should be efficient; but, above all, it should be more effective at delivering high quality services and better results for citizens. According to authoritative literature, government productivity has always been something of an illusive concept, one that economists have tended to side step, and which almost all of the policymakers and government managers consulted were sceptical about being able to measure. As described above, productivity calculations can divide outputs (the number of goods produced or services supplied) by inputs (labour and capital). In calculating outputs, quantity can be multiplied by the price of a good or service as price represents the value ascribed by the consumer, as well as the value that can be derived by the producer. However, price changes often do not reflect quality changes and, in these cases, adjusted prices are used to account for quality evolution.

Research summarised from McKinsey & Company indicates that productivity is ultimately achieved when government:

- continues delivering high quality services but more cheaply;
- works out how to improve services for the same outlay; or
- transforms service delivery with carefully planned and monitored increases in investment.

McKinsey & Company further suggest that there are two particular challenges in measuring output in government. First, many public sector activities such as security or law making do not have a quantifiable output. Second, even when an output in a sector such as health care or education appears evident, its measurement is pointless without an assessment of whether it adds value to citizens and how that value changes over time. Some of the challenges involved in measuring productivity growth described by agencies that have emerged as part of the Committee’s review of financial and performance outcomes for 2006-07 are set out below:

- Department of Human Services – The creation of labour productivity and multifactor productivity measures for Human Services activity would be complex, costly and of questionable accuracy;
- Department of Infrastructure – The creation of labour productivity and multifactor productivity measures for the department would be excessively difficult and would, in our opinion, suffer from severe quality and measurement issues. Information prepared for the

107  Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 26 November 2007, p.3
non-market sectors (that is government-related) of the economy are difficult to quantify due to factors such as the lack of price information and difficulty in calculating improvements in the quality of output;\textsuperscript{108}

- Department of Primary Industries – For the public sector and the productivity of the department and related agencies, it is extremely difficult to measure productivity of internal performance because the value of public sector output cannot be measured objectively using indicators such as market prices. The department’s outputs include regulation of agriculture practices, biosecurity emergency response, conservation of natural resources, and scientific research and development in agriculture. Most of these outputs do not have a market value (that is people cannot buy them) and can only be provided by a public sector agency (such as emergency response services). Some outputs can be measured, such as Research and Development services;\textsuperscript{109}

- Transport Accident Commission (TAC) and Victorian WorkCover Authority (VWA)
  - the creation of labour productivity and multifactor productivity measures for TAC and VWA would be excessively difficult and suffer from severe quality and measurement issues. TAC and VWA understand that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non-market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information across the range of outputs provided by TAC and VWA and difficulty in calculating improvements in the quality of outputs; and\textsuperscript{110}
  - given that the ABS is currently unable to produce productivity estimates for the non-market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for TAC and VWA.\textsuperscript{111}

4.2 Why is it important to measure productivity growth in government?

American experience provides a good example of why pressure exists for productivity improvement in government:\textsuperscript{112}

\textit{American Government faces a productivity imperative. Growth in program size, new national priorities, and citizens’ demand for increased choice, convenience and customer service, will require government to do more and do it better – and all this in an era of, at best, constant levels of spending. There is therefore an imperative for dramatic productivity improvement in government that will deliver better results for citizens.}

\textsuperscript{108} Department of Infrastructure, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 November 2007, p.4
\textsuperscript{109} Department of Primary Industries, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, p.3
\textsuperscript{110} Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 29 February 2008, p.1; Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.1
\textsuperscript{111} Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.1
\textsuperscript{112} McKinsey & Company, \textit{How can American government meet its productivity challenge?}, July 2006, p.1
In the United States and across the world, there has been a welcome move toward thinking about the quantity and quality of output. This process has been widely described as ‘outcomes-based government’ – that is assessing the results that governments achieve for citizens, rather than simply the activities that they generate. Best practice here means that simply counting of outputs such as ‘tax returns processed’, ‘employment assistance grants issued’ and ‘students taught’ have been replaced with more meaningful outcomes such as ‘percentage of expected revenue collected’, ‘people back to work’ and ‘levels of student literacy’.\(^{113}\) In the latter case relating to education, the number of pupils taught might be an obvious measure of output, but using it for productivity measurement would lead to the conclusion that larger class sizes are more productive. In fact, we know that large class sizes can detract from learning. So, a more valuable measure would be adjusted for exam results or some alternate indicator of learning outcome.\(^{114}\)

Research shows that in broad terms, prosperity is driven by productivity growth and this is particularly underpinned by investment in science, education and infrastructure. In more direct terms, higher government productivity is of immense value. In the United States it is estimated that a 5 per cent productivity gain over 10 years would be worth $100 billion, whereas a 15 per cent productivity gain would be worth $300 billion.\(^{115}\)

The Committee noted that the Council of Australian Governments (COAG) at its meeting in December 2007:\(^{116}\)

- agreed on the urgency of progressing the reform work program to increase the productivity capacity of the economy, address the inflationary pressures that are emerging and to deliver a higher quality of service to the Australian community; and
- identified a productivity agenda (including education, skills, training and early childhood development) as one of seven areas to be included in its 2008 work agenda.

As can be seen from the above, the importance placed on improving productivity in the future to strengthen Australia’s economic and social foundations by implication means that the development of outcome measures to assess productivity growth, not only nationally but also at a state level including that of the public sector, will be essential in future. Without such measures, it will be difficult to monitor and evaluate whether the work plans and initiatives introduced by the government are being effective in contributing to an acceptable level of productivity growth in Victoria. Managing government spending in future at a state level as part of productivity enhancements may also be important in addressing inflation.

The Committee also noted that productivity offsets or gains have been a consistent part of departmental savings approaches as well as being elements in public sector wages negotiations and agreements. Efficiency or productivity ‘dividends’ have for many years been used by governments to achieve savings in departmental budgets, arguing for example that the introduction of technology can be offset by reduced time for individual assessments. Productivity trade-offs are often discussed in wage negotiations, particularly where above consumer price index increases are sought.

As noted in the following sections, there is lack of consensus on what productivity means in the public sector or indeed if it is achievable. There can sometimes be a blurring between productivity achieved by public sector action and actual productivity within public sector ranks. More importantly, there can be a lack of clear causal connection between public sector policy (and program action) and productivity achievements in the general economy. There can also be

\(^{116}\) Council of Australian Governments, communiqué, 20 December 2007, p.1
confusion between broader productivity on the one hand and efficiency program savings on the other in the public sector.

The following sections examine broader concepts of productivity outcomes in the Victorian government sector. The Committee acknowledges that this is clearly work in progress, while being convinced that government action to raise productivity is essential.

In an attempt to separate government efficiencies and savings from debates about productivity comments by the Committee, further comment on the realisation of departmental savings achieved against targets, predominantly at a micro level, is contained in chapter 6 of this report.

4.3 What inquiries have been made by the Committee about productivity outcomes in the Victorian Government (non-market) sector?

The Committee noted in its Report on the 2007-08 Budget Estimates – Part Three, various statistics relating to productivity growth that had been reported by the Organisation for Economic Cooperation and Development (OECD), the Productivity Commission and the Department of Treasury and Finance.117 Productivity growth patterns showed that Australia’s annual productivity had slowed in the first four years of the 21\textsuperscript{st} century as well as lagging behind that of the United States.118 In comparison to OECD countries, Australia’s productivity performance declined from where it was positioned in the second half of the 1990’s.119 In relation to Victoria, productivity measured in terms of Gross State Product per hour worked showed that productivity had improved in the vast majority of years from 1989-90 to 2005-06, a trend that was also mirrored at the national level.120 The Committee also noted that Victoria had been more productive than the nation as a whole in all years from 1998-99 to 2005-06 except for 2000-01.121

With this background in mind and the need to examine the strategies planned for the government (non-market) sector’s contribution to productivity growth of the Victorian economy into the future, the Committee for the first time as part of the 2007-08 Budget Estimates hearing process, requested Ministers to explain the impact that the portfolio spend, particularly new initiatives, would have on productivity.122 Inquiring into initiatives that support productivity in Victoria therefore formed a major theme of the 2007-08 Budget Estimates inquiry process.123 The Committee’s analysis of the various measures taken across government portfolios to improve productivity in Victoria in the future revealed a range of actions across the public sector.124

While Ministers provided evidence at the estimates hearings that demonstrated improvements in productivity in the past or potential for doing so in the future with quantifiable data, the Committee earmarked as part of its Report into the 2007-08 Budget Estimates that further commentary and statistical analyses would be included in the Committee’s sequel to its budget estimates report, the Report on the 2006-07 Financial and Performance Outcomes, which was planned to be tabled later this financial year.125

\begin{footnotes}
\item[118] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.68
\item[119] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.68
\item[120] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.69
\item[121] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.69
\item[122] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.71
\item[123] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.71
\item[124] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.72
\item[125] Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates – Part Three, p.72
\end{footnotes}
In keeping with this commitment the Committee, as part of its inquiry into financial and performance outcomes for 2006-07 (and 2005-06), asked all departments and certain related agencies to quantify improvements in productivity that have been achieved for those years according to the following:

- growth in multifactor productivity;
- growth in labour productivity;
- productivity improvements that have been generated from the introduction of macro measures (for example improved skilling or health impacts); and
- productivity improvements that have been generated from the introduction of micro measures (for example improved purchasing practices or the sharing of services).

4.4 What productivity growth occurred in the Victorian Government sector in 2006-07 (and 2005-06)?

The responses received are contained in table 4.1. In general, departments and related agencies indicated that they do not collect the necessary data to calculate multifactor or labour productivity. Furthermore, the Department of Treasury and Finance indicated that they are unable to provide reliable and robust data on multifactor or labour productivity at a departmental level. The Department of Treasury and Finance together with other government entities also advised that the creation of such measures would be difficult and suffer from severe quality and measurement issues.

As can be seen from the responses, the extent of improvements in productivity growth achieved by government entities in Victoria is not universally measured across the public sector. Various responses that quantified examples of productivity enhancements achieved in 2006-07 are listed below:

- Department of Human Services – A key mechanism for productivity improvement at the macro level is productivity improvement embedded in Human Services EBA agreements. Productivity improvements equating to almost $115 million on average ($96.9 million in the health portfolio\(^{126}\)) were delivered over the period of inquiry, with 2006-07 productivity initiatives delivering a 20 per cent improvement over 2005-06;\(^{127}\)

- Department of Justice – Police – The crime rate in Victoria has reduced by 23.5 per cent since 2000-01. Victoria maintains the lowest crime rate in Australia, building a safer and more confident community and safer place to do business. This has significant flow-on effects on the Victorian economy in terms of improved business and community confidence, reduced economic impacts of crime on the total resources of the state, and lowered business operating costs. The reduction in the crime rate in Victoria also avoided increased pressure on the criminal justice system;\(^{128}\)

- Department of Justice – Police – improvements to road policing technologies, including world-first roadside drug testing equipment and new digital camera technologies. These initiatives have resulted in an expanded capacity of 22,000 random tests per year, playing a

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\(^{126}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.51

\(^{127}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 26 November 2007, p.2

\(^{128}\) Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, p.10
major role in the reduction of road fatalities and trauma on Victorian roads with consequential savings across health, criminal justice and emergency service systems;129

- Department of Justice – Police – improvements to crime analysis tools: the government provided funding in the 2004-05 budget for an additional 23 staff forensic officers and plant and equipment, and Victoria Police provided a further 23 new staff through internal reprioritisation. The capacity to produce DNA profiles was thereby increased from some 12,500 to 21,000 profiles per annum. The 2006-07 budget provided funding for the development of a Master Plan to extend the life of the Forensic Centre, as well as investing in a new DNA automation system which will increase the number of samples that scientists can process each year;130

- Department of Justice – Reduction in the number of WorkCover claims – The department’s key achievements in 2006-07 included a drop in reported incidents and standard claims. The average cost of a claim also fell from $39,461 in 2005-06 to $33,692 in 2006-07. The focus on good injury management, effective early intervention strategies and factors such as stress in the workplace, achieved positive outcomes, reducing the cost to the department in terms of time and actual cost of total claims. The figures as of 30 June 2007 are:131

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of standardised claims</th>
<th>Number of lost time claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>138</td>
<td>63</td>
</tr>
<tr>
<td>2006-07</td>
<td>120</td>
<td>44</td>
</tr>
</tbody>
</table>

- Department of Primary Industries – Victoria has had very high productivity growth rates in Australia for broadacre agriculture, while productivity growth in the dairy and beef industries has been poor. Overall, productivity growth in broadacre agriculture has averaged 3.3 per cent in Victoria over the 15 year period (1988-89 to 2003-04), the highest of all states in Australia;132

- Rural Finance Corporation (RF) – growing the RF’s loan portfolio has enabled better utilisation of available capital. The Capital to Risk Weighted Assets ratio has moved from 27 per cent in 2005-06 to 25 per cent in 2006-07. RF uses its available capital more efficiently through growing the loan portfolio, while at the same time increasing the return to its shareholder (State Government) through higher dividends and taxation equivalent payments. The return on equity before tax and Community Service Obligation’s increased from 9.2 per cent in 2005-06 to 10. per cent in 2006-07;133

- Victorian Funds Management Corporation (VFMC) – in 2005-06 and 2006-07, VFMC delivered investment returns in excess of client five year rolling targets with appropriate risk profiles for example over the five years to June 2007, the fund for the Emergency Services Superannuation Defined Benefit Scheme with a return of 13.94 per cent outperformed by 6.3 per cent against the CPI plus 5 per cent objective; and134

129 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received, 23 November 2007, p.11
130 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, p.11
131 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, pp.13–14
132 Department of Primary Industries, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, p.2
133 Rural Finance Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.1
134 Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.1, 13
• City West Water Limited – efficiency savings of $667,000 generated for 2006-07 which included $328,000 through the greater use of in-house labour rather than external consultants.135

Responses by departments were of varied quality and coverage. The Committee again commends the Department of Justice for its comprehensive response to the Committee’s questionnaire.

The Committee recommends that:

Recommendation 9: Departments benchmark their responses to the Committee’s questionnaire on productivity against that provided by the Department of Justice.

The Committee also noted the response by the Department of Premier and Cabinet in regard to micro measures and efficiency savings. However such savings have not been quantified.

The Committee recommends that:

Recommendation 10: The State Services Authority undertake research to quantify efficiency savings across the public sector in the areas of Buying Smarter, Buying Less, shared services, fleet management, grant administration, advertising and consultancies and integrated ICT.

While information is available that describes initiatives introduced to improve productivity and some examples of efficiency improvements have been quantified by government entities, the Committee found that meaningful performance measures that quantify productivity improvements were lacking, although various quantity, quality, timeliness and cost measures were disclosed in the budget papers and annual reports of government agencies.

The Committee acknowledges that:

• the government reports regularly on the progress that it has made in terms of achieving the Growing Victoria Together vision and goals that includes, where available, trend data from the 1999 base year;136

• departmental outputs are linked to government outcomes and achievements to date;137 and

• various examples to demonstrate improvements in productivity in the past or potentially for the future with quantifiable data were provided to the Committee by Ministers through evidence taken at the 2007-08 estimates hearings138 and also as part of compiling the current outcomes report for 2006-07.

135 City West Water Limited, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.2
136 Budget Paper No.3, Service Delivery, 2007-08, pp.351–396
137 Budget Paper No.3, Service Delivery, 2007-08, pp.37–50
4.5 What are the consequences of not measuring productivity growth in government?

Until such time as the government develops a suite of reliable performance measures to assess the extent of productivity improvement achieved by each department and related agency, it will not be possible to evaluate how well government agencies are improving their performance and, in so doing, influencing the future path of economic growth by:139

- providing access to high quality education and training;
- encouraging innovation; and
- creating a vibrant business environment that promotes investment and job creation.

Improving productivity growth is also likely to be the primary way in which the fiscal pressures of an ageing population can be addressed.140

The Committee is aware that there are a number of challenges associated with developing multifactor or labour productivity measures for the government sector such as measuring the value of public goods and determining whether to measure outputs and/or outcomes. However, given the benefits that would be gained from measuring the multifactor or labour productivity of Victoria’s government departments and related agencies, the Committee is considering the engagement of a suitably qualified person or organisation to undertake a research project to:

- examine the relevance and suitability of using multifactor or labour productivity measures in the Victorian departments; and
- if deemed appropriate, develop a sample of reliable multifactor or labour productivity measures for use throughout the departmental sector.

The Committee has contacted a range of interested parties on such a project with a view to conducting late in 2008 a workshop on public sector productivity. The Committee would like to involve a range of key institutions in such a research project and workshop, including the Department of Treasury and Finance, the Auditor-General of Victoria, the Australian Bureau of Statistics, the Productivity Commission, the Victorian Competition and Efficiency Commission and leading academics.

The Committee recommends that:

Recommendation 11: The Department of Treasury and Finance work with the Public Accounts and Estimates Committee on a research project and workshop aimed at developing a suite of productivity indicators for the public sector.

This project is designed to assist the Department of Treasury and Finance progress the issue further in terms of securing a sound financial management base for the state and, importantly, implement a sound framework for addressing the recommendations contained in the Committee’s Report on the

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2007-08 Budget Estimates – Part Three, dealing with the issue of productivity measurement in government and reporting.\textsuperscript{141}

If the development of a suite of indicators to measure productivity improvements across government is seen as a useful initiative to pursue in Victoria, the Committee maintains that this issue needs to be discussed at a COAG forum because, for the purpose of comparison and benchmarking, it will be important that a uniform approach be gradually developed in all jurisdictions. The Committee is also of the view that it would be useful for a workshop to be convened among treasury experts and academia to discuss this issue further.

The Committee recommends that:

**Recommendation 12:** The Victorian Government consider initiating discussions with COAG about the possibility of developing an action plan for the gradual development and introduction of a uniform set of indicators to measure productivity growth across government.

Table 4.1: Productivity improvements – 2006-07 (2005-06)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Parliamentary departments</td>
<td>Productivity improvements, particularly in communication and access to physical resources, have taken place as a result of the co-location of the Department of Parliamentary Services and the Joint Investigatory Committees. The Parliamentary staff referred to above were located in two separate buildings on Spring Street. The new premises are energy efficient, provide improved staff and Committee amenities and improved physical infrastructure (for example computer technology) which has a statewide impact for Members of Parliament and their electoral staff.</td>
</tr>
</tbody>
</table>
| Victorian Auditor-General’s Office| In terms of initiatives introduced to streamline processes and improve productivity, the Office in 2006-07:  
  • established a new Senior Management Group (SMG) and realigned some organisational responsibilities to help us meet future aims and directions;  
  • converted its Management and Reporting System (MARS) into a more web-based system allowing a more user friendly interface  
  • developed new audit method toolsets for performance auditing (AmP) and upgraded its existing financial audit method (IPSAM), which have been recognised by two audit offices as best practice tools within the public sector auditing environment. A number of other offices, including overseas offices, are also evaluating its utility for their circumstances;  
  • developed a formal management development program where individuals are provided support to strengthen their management and leadership skills;  
  • ensured its performance management systems aligned business planning with individual performance;  
  • revised the Audit Committee charter to expand the responsibility of the Committee to also monitor the processes and controls in place to ensure that the Office operates economically, efficiently and effectively in the delivery of its objectives;  
  • strengthened its approach to risk management and re-focused on the major strategic risks faced by the Office. The Office introduced new tools to better capture risks from across all areas of the office, and improved reporting of these risks to its senior management group; and  
  • developed a more streamlined contracting process.  
In 2005-06, the Office:  
  • launched its financial audit software (IPSAM), jointly developed with the Queensland Audit Office; and  
  • rolled out fully capable wireless computer facilities for field staff so that all of the replicant functions inherent in field activities could be undertaken without malfunction, data corruption or delay when staff are located in off-site premises. |
### Table 4.1:  
**Productivity improvements – 2006-07 (2005-06)** (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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</table>
| Department of Education   | An educated, productive and engaged population provides substantial social and economic benefits and supports productivity improvement more broadly for Victoria. This can be achieved through literacy and numeracy skills which provide the foundation for lifelong learning, rewarding and satisfying work for individuals. In 2005-06 and 2006-07, the former Department of Education supported this human capital development agenda through:  
  - driving school reform to achieve system wide improvement in student performance;  
  - strengthening links and engagement between schools and communities; and  
  - providing government school infrastructure to support high quality teaching and learning.  
All new budget initiatives, including capital funding, contribute to improved educational outcomes driving productivity improvements and economic growth as well as individual benefits such as social participation. More recently, establishment of the new Department of Education and Early Childhood Development signalled a new approach to the role of government in human capital development from birth to adulthood. The new department has a key role to play in the provision of:  
  - quality early childhood education and care;  
  - effective and innovative school education; and  
  - flexible pathways to work and/or further study. Consistent with the government’s efficiency objectives, the department has also implemented operating efficiencies and is committed to reducing the regulatory burden on schools and children’s services. |
| Department of Human Services | The Department of Human Services (DHS) has been working with the Department of Treasury and Finance (DTF) to address issues in measuring productivity, particularly in the hospital sector. DHS undertakes an extensive range of productivity improvement activity across the human services sector and within the department and contributes to a range of reporting entities which provide information and jurisdictional comparisons on human services sector productivity, including the *Report of Government Services* and the *Productivity Commission*. It also plays a key role in implementing the reforms set out in governments working together: Third Wave of National Reform across the state through investment in people and human capital development to lift workforce participation and productivity. The benefits of this activity are reported in a variety of departmental publications and other media. A key mechanism for productivity improvement at the macro level is productivity improvement embedded in Human Services EBA agreements. Productivity improvements equating to almost $115 million on average were delivered over the period of inquiry, with 2006-07 productivity initiatives delivering a 20 per cent improvement over 2005-06. The nature of the productivity gains involves improvement in workplace practices across human services activity which comprises:  
  - community services: $5.9 million  
  - health: $96.9 million  
  - Victorian public service: $11.8 million |
Table 4.1: Productivity improvements – 2006-07 (2005-06) *(continued)*

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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| Department of Human Services (continued)    | At the micro level, improved purchasing initiatives such as implementation of whole of government contract for ICT purchasing has freed up resources equivalent to nearly $3 million in telecommunications alone but, more importantly, have delivered enhanced business functionality and capacity to connect and improve service operations across the sector.  
  The Australian Bureau of Statistics (ABS) produces information to support the OECD method for multifactor and labour productivity measurement in the market sector of the economy. However, as the Public Accounts and Estimates Committee’s 73rd report noted, even the Productivity Commission in Australia provides only ‘in-principle’ agreement to the practical application of this measurement method as this type work is in its infancy around the world because of the problems in determining public sector productivity particularly in the health sector.  
  Advice from the Department of Treasury and Finance also suggests that information prepared for the non-market sectors (that is government related) of the economy under such a method would be difficult to quantify, due to such factors as the lack of price information and the consequent complexity associated with calculating improvements in the quality of output.  
  DHS also understands that the ABS itself is currently unable to produce productivity estimates for the non-market sector at the national level. The creation of labour productivity and multifactor productivity measures for Human Services activity would be complex, costly and of questionable accuracy. |
| Department of Infrastructure                | The creation of labour productivity and multifactor productivity measures for the Department of Infrastructure (DOI) would be excessively difficult and would, in our opinion, suffer from severe quality and measurement issues.  
  This follows from discussions with the Department of Treasury and Finance, who were tasked with articulating ‘a more consistent framework for addressing productivity improvements’ (Recommendation 5 – Chapter 4, Public Accounts and Estimates Report on the 2007-08 Budget Estimates – Part Three), where we understand that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non-market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information and difficulty in calculating improvements in the quality of output.  
  Given that the ABS is currently unable to produce productivity estimates for the non market sector at the national level, it would be extremely difficult and unreliable to produce estimates for multifactor productivity or labour productivity.  
  However, in relation to part (d) of the Committee’s question, DOI has made productivity improvements in the following areas:  
  • Shared Services Centre (SSC) – the establishment of a Shared Services Centre in 2005-06 which has brought together the information technology of four departments including the DOI, the Department of Sustainability and Environment, the Department of Primary Industries and the Department for Victorian Communities; |
### Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

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<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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| **Department of Infrastructure (continued)**    | • Marine Safety System – In 2006-07 Marine Safety Victoria (MSV) implemented the Marine Safety System allowing recreational marine incidents to be processed in a centralised and uniform manner. The Marine Safety System integrates a number of previously separate databases including vessel incident data, vessel licensing and registration systems, infringement data, hospitalisation and emergency department presentation data and safety audit data into the one application. This allows MSV to interrogate and query data using real business intelligence tools;  
  • Capital Reporting and Information System – over the last two years a streamlined reporting solution for capital projects has been introduced and refined, reducing the time and effort required to prepare standardised capital project reports; and  
  • Implementation of a new financial system module in 2005-06 to assist project managers with their accounting requirements and better enable project managers to understand and manage project budgets and expenditure. It has also provided better overall reporting on projects. |
| **Department of Innovation, Industry and Regional Development** | Multifactor productivity is only measured at the aggregate whole of Australia level. There are no state level measures or measures of government productivity.  
  During 2006-07, DIIRD undertook the following productivity improvements in relation to the department’s operations:  
  • Moved into a new building at 121 Exhibition Street (energy efficiency rating), which has largely consolidated operations of the department into one building;  
  • commenced redevelopment of DIIRD intranet to strengthen focus and accessibility to information necessary for staff to do their jobs more efficiently; and  
  • provided a range of staff training courses designed to upgrade the department’s skill base. |
Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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</table>
| Department of Justice     | The Department of Justice (DOJ) intends to act on the PAEC recommendation 19 to “…ensure that complete and accurate information on staffing costs and related productivity benchmarks is available to the Committee in future years”.
|                           | During 2006-07, DOJ undertook a number of initiatives that have contributed to the productivity of the state. At the macro-level, this includes the items noted below. |
| Police                    | The increasing sophistication of criminal activity requires equal responses from police. To this end, the government has, over the past few years, invested significantly in a range of initiatives. |
|                           | Such initiatives provide the community with greater access to policing services and enhance police visibility. These benefits have consequential positive impacts on crime rates, community perceptions of safety and satisfaction with policing services. The crime rate in Victoria has reduced by 23.5 per cent since 2000-01. Victoria maintains the lowest crime rate in Australia, building a safer and more confident community and safer place to do business. This has significant flow-on effects on the Victorian economy in terms of improved business and community confidence, reduced economic impacts of crime on the total resources of the state, and lowered business operating costs. The reduction in the crime rate in Victoria also avoided increased pressure on the criminal justice system. |
|                           | Initiatives that have contributed to these productivity gains include the following: |
|                           | • Victoria Police has investigated and prevented serious crime and terrorism with its new and improved intelligence access arrangements and surveillance equipment; |
|                           | • improvements to IT system capabilities to both integrate and extend existing data holdings. This includes integration of intelligence systems into a single system ‘interface’ which enhances the utility of the system. It has enhanced Victoria Police’s capacity to collect, assess, store and share threat-related information and criminal intelligence both within Victoria Police and with its partner agencies. This has long-term flow-on implications for both crime prevention and detection; |
|                           | • improvements to road policing technologies, including world-first roadside drug testing equipment and new digital camera technologies. These initiatives have resulted in an expanded capacity of 22,000 random tests per year, playing a major role in the reduction of road fatalities and trauma on Victorian roads with consequential savings across health, criminal justice and emergency service systems; and |
|                           | • improvements to crime analysis tools: the government provided funding in the 2004-05 budget for an additional 23 staff forensic officers and plant and equipment, and Victoria Police provided a further 23 new staff through internal reprioritisation. The capacity to produce DNA profiles was thereby increased from some 12,500 to 21,000 profiles per annum. The 2006-07 budget provided funding for the development of a Master Plan to extend the life of the Forensic Centre, as well as investing in a new DNA automation system which will increase the number of samples that scientists can process each year. |

## Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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<tbody>
<tr>
<td><strong>Department of Justice (continued)</strong></td>
<td><strong>Emergency Services</strong></td>
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<td>Emergency Services Communications</td>
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<td>Emergency Services Communications</td>
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<td>In the 2002 state budget, the government allocated $360 million to maximise linkages between Victoria’s emergency services organisations and to ensure they have the best equipment and resources in the country. The three communication systems described below have been operational over the past two fiscal years, 2005-06 and 2006-07, and have delivered the following:</td>
</tr>
<tr>
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<td>• significant improvement in emergency response times;</td>
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<td>• more secure delivery of private and confidential online data across agencies; and</td>
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<td>• more effective communication within and across agencies, resulting in a more efficient use of resources.</td>
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<td><strong>Emergency Alerting System (EAS)</strong></td>
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<td>EAS is a messaging system which is used to alert emergency personnel from the Country Fire Authority, Rural Ambulance Victoria and the Victorian State Emergency Service. This system:</td>
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<td>• improves response times to emergencies through faster contact and dispatch of volunteers;</td>
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<td></td>
<td>• ensures volunteers are free to conduct their normal day-to-day activities in an increasingly mobile community, with the knowledge that they can be contacted when required to attend an incident; and</td>
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<td></td>
<td>• improves response times to road accident rescues.</td>
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<td><strong>Metropolitan Mobile Radio (MMR)</strong></td>
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<td>The MMR is a state of the art digital radio system, which replaced the outdated analogue radio system used by Victoria Police, Metropolitan Ambulance Services (MAS) and the Metropolitan Fire &amp; Emergency Services. The digital system means great coverage across a wider area, with less interference and better operational security. The MMR system:</td>
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<td>• provides interoperability between emergency services organisations and common coordination channels to support multi-agency response to major incidents;</td>
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<td>• has improved coverage to the reliable levels that are required throughout the operational area; and</td>
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<tr>
<td></td>
<td>• provides communications that fully support the requirements of workers in the field, without compromising the security and effectiveness of the operation or personal safety.</td>
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<td></td>
<td><strong>Corrections</strong></td>
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<td></td>
<td>Corrections Victoria has been an active participant in numerous programs across the Department of Justice, which have been initiated to achieve productivity savings across a range of corporate services that support the delivery of frontline correctional services (in prisons) and community-based correctional services. The programs in which Corrections Victoria has participated to improve productivity include fleet management, accounts payable, human resources and whole of government purchasing contracts, as well as being actively involved in the Environmental Management Policy initiatives described below.</td>
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Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
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<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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| Department of Justice (continued) | **Full commissioning of two New Prisons – Marngoneet Correctional Centre and the Melbourne Remand Centre (MRC)**  
During 2006-07, Corrections Victoria received the productivity benefits from the full scale operation of the Marngoneet Correctional Centre and the Melbourne Remand Centre. These two prisons had their construction completed in early 2006, and started operations and ramp-up in the latter parts of 2005-06, with full capacity at both facilities being achieved in the early stages of 2006-07. Due to the design efficiencies that were achieved with these newly constructed facilities, efficiencies of 6 per cent to 8 per cent in unit operating costs have been achieved.  
This has been achieved through a combination of more efficient unit sizes, layout of the prison and support services (that is visits, medical facilities etc) and the use of current generation security systems. The quality of correctional services delivered at these facilities has also benefited from being undertaken at purpose-built facilities, with specific design features incorporated to accommodate the prisoner profile and the range of services and programs intended to be undertaken at these two prisons.  
As part of the planning for the introduction of these two new facilities, Corrections Victoria also took the opportunity to streamline the delivery of support services and programs at each location across the overall Corrections system, in order to improve the efficiency and effectiveness of the full range of programs that are delivered to prisoners across the system as a whole. This included a review of the Corrections Victoria Head Office structure, which resulted in the combination of two branches into a single branch, with position savings able to be realised through the amalgamation of several functions and reporting lines. These savings have then contributed to achieving Corrections Victoria’s overall productivity requirements and have in effect been redirected as operational positions to assist with delivering and meeting Corrections Victoria’s service delivery requirements.  
All Corrections Victoria facilities, including public prisons, have developed local Water Management Plans. The Dame Phyllis Frost Centre (DPFC) in conjunction with City West Water was the winner of the CV Community Work Partnership Awards 2007. The correction centre’s prisoners saved 10 million litres of water by diverting grey water from prison cells and work areas for use on grounds.  
The Marngoneet Correctional Centre and Metropolitan Remand Centre were designed to include black-water recycling plants. Correctional facilities have made savings with retrofitted technology. Some of the water saving measures are as follows:  
- restricted time showers;  
- water efficient shower heads;  
- flow restrictions in taps;  
- dual flush toilets;  
- rainwater caught in tanks and dams; and  
- replacement of prison laundry washing machines with front-loading machines and recycling of grey water. |
Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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</table>
| Department of Justice (continued)          | **Consumer Affairs**  
Online services have also expanded in recent years, which has enabled wider community access to information and services. The number of visitor sessions to the Consumer Affairs Victoria website and other associated linked websites has grown by 25 per cent each year since 2003. This represents an easy and convenient way for Victorian consumers to access information, but it is also relevant in terms of making best use of staffing time and the staffing budget. Such efficiency savings has been channelled into preventative and proactive initiatives, enhanced case management systems and expansion of legislative roles to ensure that traders and community comply with relevant consumer protection laws.  
**Gaming**  
In October 2006, there was $132.3 million allocated over five years to the Taking Action on Problem Gambling initiative. Activities funded under this initiative include improved systems in terms of delivering support and assistance to problem gamblers and their families across the Victorian community. Specifically it relates to:  
- a centralised booking system and the associated IT case management functionality. The practical impact of this development will be that when a caller contacts the Gambler’s Help Line, they will be able to make a direct appointment at that point of time. This will deliver efficiencies in terms of meeting demand pressures by ensuring quicker response times so that those who are in crisis or need urgent assistance can quickly obtain support; and  
- The Centre for Problem Gambling Treatment and Research is also part of Taking Action on Problem Gambling initiative. More than $4 million has been committed to this joint venture between Monash University and the University of Melbourne. The Centre will drive evidence-based research and treatment improvements to deliver more efficient and effective outcomes for clients.  
**Relocation to 121 Exhibition Street, Melbourne**  
The relocation of more than 1,900 city based DOJ staff from eight buildings to one building at 121 Exhibition St, has enabled the department to realize cost efficiencies through greater economies of scale, that is overheads, utility charges and more efficient sharing of office equipment. |
### Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
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<tbody>
<tr>
<td>Department of Justice (continued)</td>
<td>Reduction in the number of WorkCover claims</td>
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<td></td>
<td>The department’s key achievements in 2006-07 included a drop in reported incidents and standard claims. The average cost of a claim also fell from $39,461 in 2005-06 to $33,692 in 2006-07. The focus on good injury management, effective early intervention strategies and factors such as stress in the workplace, achieved positive outcomes, reducing the cost to the department in terms of time and actual cost of total claims. The figures as of 30 June 2007 are:</td>
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<tr>
<td></td>
<td>Year</td>
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<td></td>
<td>2005-06</td>
</tr>
<tr>
<td></td>
<td>2006-07</td>
</tr>
</tbody>
</table>

**Regional Focus**

Assisted by eight Regional Coordinators and eight Regional Network Committees, the department is changing the way it works in regional Victoria, aiming to improve justice services to the community at the local level. During 2006-07, Regional Network Committees have initiated a range of ‘One Justice’ activities such as:

- joined up training programs for justice staff in regional areas;
- major projects to improve justice services such as the Justice Bus; and
- a project to improve justice responses for Horn of Africa refugee communities in the Southern Metropolitan region.

**Environmental Management Policy**

DOJ has adopted ecologically sustainable practices by implementing an Environmental Management System (EMS) for office-based operations. Environmental performance and compliance with ‘green’ purchasing policies has enabled the department to achieve significant savings in 2006-07. For instance, paper consumption by staff based at 121 Exhibition St has reduced by 27 per cent since 2005-06.
## Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Premier and Cabinet</td>
<td>The department, through its work on the National Reform Agenda, has worked collaboratively with other governments in the areas of competition and regulation reform, in order to allow businesses and workers to maximise productivity. Actions agreed on include: the development of national accreditation of the health workforce to enable health practitioners to work across jurisdictions, the removal of red tape across industry by identifying ‘hotspots’ in competition policy and reform of energy markets. The department also worked with the Department of Treasury and Finance to implement the Victorian Government’s Reducing the Regulatory Reform Burden initiative. In terms of micro measures, targeted efficiency savings have been applied in the areas of Buying Smarter, Buying Less, shared services, fleet management, grant administration, advertising and consultancies and integrated ICT.</td>
</tr>
</tbody>
</table>
| Department of Primary Industries | The Department of Primary Industries (DPI) engages the Australian Bureau of Agricultural & Resource Economics (ABARE) to provide data on total factor productivity in the broadacre and dairy industries. ABARE conducts an annual survey of farms where the necessary data on inputs and outputs is collected. To understand trends, productivity data over a long time period is used. Such an approach removes the influence of seasonal and one off factors such as drought. In 2006, the department obtained state level data from ABARE on total factor productivity for the period 1988-89 to 2003-04. Information on trends in productivity can be useful for industry organisations and for Commonwealth and state agencies with responsibilities for economic development. The results of the department’s work reveals that Victoria has had very high productivity growth rates in Australia for broadacre agriculture, while productivity growth in the dairy and beef industries has been poor. Overall, productivity growth in broadacre agriculture has averaged 3.3 per cent in Victoria over the 15 year period (1988-89 to 2003-04), the highest of all states in Australia. Data has not been obtained for the time period which includes 2005-06; data for 2006-07 would not yet be available from ABARE. Data on multi-factor productivity in the mining industry is available at the national level and is published by the Productivity Commission. The Productivity Commission has not published data on productivity for mining industry sectors at the state level. Energy sector productivity data is not available at the national or state level from ABS. Available data combines the electricity, gas and water sectors. 

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143 The broadacre industries in ABARE’s Australian and grazing industries survey are wheat and other crops industry, mixed livestock-crops industry, sheep industry, beef industry, and the sheep-beef industry.


Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Primary Industries <em>(continued)</em></td>
<td>Work has not been undertaken on labour productivity by industry. For the public sector and the productivity of the department and related agencies, it is extremely difficult to measure productivity of internal performance because the value of public sector output cannot be measured objectively using indicators such as market prices. The DPI’s outputs include regulation of agriculture practices, biosecurity emergency response, conservation of natural resources, and scientific research and development in agriculture. Most of these outputs do not have a market value (that is people cannot buy them) and can only be provided by a public sector agency (such as emergency response services). Some outputs can be measured, such as Research and Development services. Attempts have been used to measure public sector productivity by using proxy measures for output such as the value of the budget. However, such a measure is actually using an input (that is funding) to represent output which will probably generate a misleading result. This question cannot be answered satisfactorily because we cannot quantify the value of the department’s outputs, in the context in which the question has been framed.</td>
</tr>
</tbody>
</table>
| Department of Sustainability and Environment | Growth in multifactor productivity
The Department of Sustainability and Environment (DSE) is unable to provide advice on multifactor productivity improvement and labour productivity improvement at a departmental level with any degree of confidence on its robustness or reliability. The creation of labour productivity and multifactor productivity measures for the department would be excessively difficult and suffer from severe quality and measurement issues. DSE understands that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non-market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information and difficulty in calculating improvements in the quality of output. Given that the ABS is currently unable to produce productivity estimates for the non-market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for the department.

Growth in labour productivity
The department has not recorded the changes in labour productivity across its diverse range of outputs. However, throughout 2006-07, the department undertook a range of activities aimed at improving organisational productivity. These included:

- training staff to participate in a fire and emergency role, allowing more than half of all departmental staff to be deployed for fire shifts during the Great Divide Fires;
- the development of a strategic workforce plan to maximise the contributions of a diverse and ageing workforce;
- implementation of an organisational restructure to improve the reporting lines between executive directors and the Department Secretary, enhancing decision making and accountability for achieving results;
- implementation of a new SafeTCare strategy (the department's OH&S policy framework), which includes an improved package for the management of volunteers and an upgraded Safety Incident Management System to improve reporting; and
- the continued implementation of initiatives to reduce total energy, paper and water usage and the level of waste produced. |
Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Treasury and Finance</td>
<td>The Department of Treasury and Finance (DTF) is unable to provide advice on multifactor productivity improvement and labour productivity improvement at a departmental level with any degree of confidence on its robustness or reliability. The creation of labour productivity and multifactor productivity measures for DTF would be excessively difficult and suffer from severe quality and measurement issues. DTF understands that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non-market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information and difficulty in calculating improvements in the quality of output. Given that the ABS is currently unable to produce productivity estimates for the non-market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for a government department.</td>
</tr>
<tr>
<td>City West Water Limited</td>
<td>2006-07 efficiency savings ($667,000)</td>
</tr>
<tr>
<td></td>
<td>• $120,000</td>
</tr>
<tr>
<td></td>
<td>– Efficiency gained from use of dedicated resources by combining valves and hydrants maintenance contracts</td>
</tr>
<tr>
<td></td>
<td>– Efficiency gained from change in method and use of City West Water’s equipment for gas check manholes</td>
</tr>
<tr>
<td></td>
<td>• $328,000</td>
</tr>
<tr>
<td></td>
<td>– Use of in-house labour in place of external consultants for Water Plan (eg strategy and project management)</td>
</tr>
<tr>
<td></td>
<td>– More use of in-house recruitment reduced average cost of recruitment from $11,500 in 2005-06 to $6,300 in 2006-07</td>
</tr>
<tr>
<td></td>
<td>– Use of internal labour rather than external consultant for mass balance of chargeable loads (trade waste)</td>
</tr>
<tr>
<td></td>
<td>• $73,000</td>
</tr>
<tr>
<td></td>
<td>– Efficiency gained from change in process: initial inspection undertaken during leak detection program at no cost</td>
</tr>
<tr>
<td></td>
<td>– The utilisation of new computer technology reducing manual handling (I-Appraise) for sewer vent inspections</td>
</tr>
<tr>
<td></td>
<td>• $146,000</td>
</tr>
<tr>
<td></td>
<td>– Renewals of Enterprise agreement for Microsoft software licences under whole of government contract – $110,000 over three years</td>
</tr>
<tr>
<td></td>
<td>– Savings achieved by signing on to government contract for company’s PC fleet with Dell Computer</td>
</tr>
<tr>
<td></td>
<td>– FBT savings through the use of after tax contributions for novated lease and company cars</td>
</tr>
</tbody>
</table>


Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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</thead>
<tbody>
<tr>
<td><strong>City West Water Limited (continued)</strong></td>
<td>2005-06 efficiency savings ($526,000)</td>
</tr>
<tr>
<td></td>
<td>• $216,000</td>
</tr>
<tr>
<td></td>
<td>– Some currently outsourced design services being performed in-house</td>
</tr>
<tr>
<td></td>
<td>– Two positions not replaced due to restructure in Finance and Administration department</td>
</tr>
<tr>
<td></td>
<td>• $310,000</td>
</tr>
<tr>
<td></td>
<td>– Use of single schedule of rates contract – lower rates for leak detection contract</td>
</tr>
<tr>
<td></td>
<td>– Change of telecommunication service provider</td>
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<tr>
<td></td>
<td>– Credit rating review now being undertaken by Department of Treasury and Finance/Fitch</td>
</tr>
<tr>
<td></td>
<td>– New bill printing contract – lower rates</td>
</tr>
<tr>
<td></td>
<td>– Reduction in road reinstatement costs – set up holistic contract versus ad hoc approach</td>
</tr>
<tr>
<td><strong>Rural Finance Corporation</strong></td>
<td>Multifactor Productivity</td>
</tr>
<tr>
<td></td>
<td>The multifactor components of labour, capital, technology and operational activities have contributed to the Rural Finance Corporation (RF) improved productivity in 2005-06 and 2006-07 in accordance with the objectives and strategies outlined in Corporate Plans in the following ways:</td>
</tr>
<tr>
<td></td>
<td>• increased employee output which can be measured by Net Profit Before Tax &amp; Community Service Obligations (CSO’s) from $258,000 (2005-06) to $270,000 (2006-07). This is largely due to an increase in RF’s loan product range so that it can compete in the marketplace and by ensuring staff have the necessary skills to deliver a reliable service to its customers;</td>
</tr>
<tr>
<td></td>
<td>• reduced cost of funds through efficiencies gained from opportunities taken to borrow funds at attractive interest rates and from cheaper borrowing sources (for example increased Farm Management Deposits) to fund lending growth. According to RF, it is, however, heavily disadvantaged by not being able to accept deposits;</td>
</tr>
<tr>
<td></td>
<td>• the continued improvement in IT systems deployed at RF has enabled employees to deliver services and products to customers more quickly to achieve greater throughput and a resultant higher lending loan portfolio. Extensive training and the provision of support to increase skill levels have also improved the ability of employees to handle an increased volume of business; and</td>
</tr>
<tr>
<td></td>
<td>• growing RF’s loan portfolio has enabled better utilisation of available capital (while operating within the Prudential Supervision Policy capital requirements). The Capital to Risk Weighted Assets ratio has moved from 27 per cent in 2005-06 to 25 per cent in 2006-07. RF uses its available capital more efficiently through growing the loan portfolio, while at the same time increasing the return to its shareholder (State Government) through higher dividends and taxation equivalent payments. The return on equity before tax and CSO’s increased from 9.2 per cent in 2005-06 to 10.1 per cent in 2006-07.</td>
</tr>
</tbody>
</table>
### Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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</thead>
</table>
| **Rural Finance Corporation (continued)** | **Labour Productivity**  
The improvement in this factor is measured by the better Net Profit Before Tax and CSO’s outlined above. RF has kept its employee numbers relatively constant, while increasing its lending loan portfolio and improved customer services through better use of technologies implemented.  
In relocating the head office to Bendigo in December 2002, RF recruited replacement staff from regional Victoria to support local employment and to provide attractive career opportunities for young people.  
Due to the impact of the prolonged drought, RF has had to recruit additional staff (on a casual employment basis) to help in the administration of a number of government support schemes. Staff numbers are expected to return to normal once seasonal conditions improve.  
**Macro Productivity**  
Continuing training programs and improving staff skills have increased overall productivity. This has been further supported through the implementation and continued monitoring of health and safety programs to ensure RF has a safe and secure workplace environment. The safe workplace environment has also shown staff that RF is a caring employer.  
**Micro Productivity**  
The implementation of operational measures to improve work practices and to eliminate duplication has improved the efficiency level in administration activities. RF ensures that internal controls are best practice and works closely with internal auditors to continuously implement improvements identified during the annual internal audit or through processes identified by RF’s newly established Risk and Compliance Division. |
| **South East Water Limited** | South East Water advised that it has always strived for operating efficiency and productivity gains. Since being in operation from 1 January 1995, in the setting of budgets, the target has been to achieve a cumulative productivity savings of 1 per cent per annum.  
The above target of 1 per cent per annum productivity savings was factored in the 2005-2008 Water Plan that was ratified by the Essential Services Commission.  
In relation to the 2005-06 and 2006-07 financial years, despite facing cost pressures through real price increases for labour, materials and sub-contractor charges, operating costs have been below budget, resulting in the achievement of productivity savings of in excess of 1 per cent annum. This is largely due to a proactive focus by management on cost containment and improvements in productivity levels across the organisation. |
Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
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</thead>
<tbody>
<tr>
<td>• South East Water Limited (continued)</td>
<td>Examples of initiatives introduced by the Company at the macro and micro levels that have a positive impact on productivity are:</td>
</tr>
<tr>
<td></td>
<td>• undertook widespread education for staff on how to foster innovation;</td>
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<tr>
<td></td>
<td>• launched the Brainwaves Cup which is an internal business planning competition that encourages teams to identify and develop significant, innovative projects (a);</td>
</tr>
<tr>
<td></td>
<td>• launched a new employee volunteering program to give staff an opportunity to make a contribution to the communities in which they live and work;</td>
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<tr>
<td></td>
<td>• introduced the Movin’ Blue program aimed at building the right culture at South East Water and creating the right environment for staff to perform at their best every day;</td>
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<td></td>
<td>• renegotiated contracts for telecommunication services, accommodation leases, electricity supply, insurance premiums and others;</td>
</tr>
<tr>
<td></td>
<td>• upgraded key computer systems and associated hardware platforms which resulted in savings in IT support and maintenance costs and lower equipment lease charges; and</td>
</tr>
<tr>
<td></td>
<td>• undertook benchmarking of corporate areas which resulted in improved processes and implementation of a number of value adding initiatives.</td>
</tr>
<tr>
<td></td>
<td>South East Water is currently exploring a more sophisticated approach to measuring productivity through adopting robust indicators such as the Total Factor Productivity.</td>
</tr>
<tr>
<td>• Transport Accident Commission</td>
<td>The Transport Accident Commission (TAC) is unable to provide advice on multifactor productivity improvement and labour productivity improvement with any degree of confidence in its robustness or reliability.</td>
</tr>
<tr>
<td></td>
<td>The creation of labour productivity and multifactor improvement measures for the TAC would be excessively difficult and suffer from severe quality and measurement issues. The TAC understands that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information across the range of outputs provided by the TAC and difficulty in calculating improvements in the quality of outputs.</td>
</tr>
<tr>
<td></td>
<td>Given that the ABS is currently unable to produce productivity estimates for the non market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for the TAC.</td>
</tr>
<tr>
<td>• Treasury Corporation of Victoria</td>
<td>Treasury Corporation of Victoria’s (TCV) staffing level at 30 June 2006 was an FTE of 50.6 and at 30 June 2007 an FTE of 50.35. The business model and operation of TCV has remained essentially unchanged in basic function in that period, as the central funding authority and financing advisor for the state and related state approved participating authorities.</td>
</tr>
<tr>
<td></td>
<td>TCV is a wholesale financial markets operation and the FTE levels are reflective of the critical mass required to operate on a prudentially sound and operationally effective basis.</td>
</tr>
</tbody>
</table>
### Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Victorian Funds Management Corporation</strong></td>
<td>Victorian Funds Management Corporation’s (VFMC’s) charter is to manage state public sector assets on behalf of its clients. Productivity can therefore be measured by investment returns compared with client investment objectives and industry benchmarks. In 2005-06 and 2006-07, VFMC delivered investment returns in excess of client five year rolling return targets with appropriate risk profiles for example over the five years to June 2007, the fund for the Emergency Services Superannuation Defined Benefit Scheme with a return of 13.94 per cent outperformed by 6.3 per cent against the CPI plus 5 per cent objective (for further examples refer to information contained in the Vibrant Democracy chapter of this report, which details returns over a five year period for each of VFMC’s large clients). VFMC has also delivered performance over three years at least in line with, or better than, benchmark (Counterpoint Group survey).</td>
</tr>
<tr>
<td><strong>Victorian Managed Insurance Authority</strong></td>
<td>The Victorian Managed Insurance Authority does not currently have in place processes to measure and quantify improvements in productivity in relation to growth in multifactor or labour productivity.</td>
</tr>
<tr>
<td><strong>Victorian WorkCover Authority</strong></td>
<td>The Victorian WorkCover Authority (VWA) is unable to provide advice on multifactor productivity improvement and labour productivity improvement with any degree of confidence on its robustness or reliability. The creation of labour productivity and multifactor productivity measures for VWA would be excessively difficult and suffer from severe quality and measurement issues. VWA understands that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information across the range of outputs provided by the VWA and difficulty in calculating improvements in the quality of outputs. Given that the ABS is currently unable to produce productivity estimates for the non market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for this agency.</td>
</tr>
<tr>
<td><strong>Yarra Valley Water Limited</strong></td>
<td>Productivity improvement is not measured by Yarra Valley Water Limited</td>
</tr>
<tr>
<td><strong>Department for Victorian Communities</strong></td>
<td><strong>Growth in multifactor productivity</strong> The department’s activities are targeted towards providing grants to local government and community organisations through programs such as public libraries, neighbourhood houses and various sporting and community initiatives. As a result, the majority of the department’s expenses are incurred in administering these grants, and in developing policy and program responses. A contributor to productivity improvement was the introduction of the eGrants system. eGrants delivers benefits to both the community and the department. eGrants delivers standardised documentation and streamlined business processes, which benefit community and local government organisations. Grant applicants now have access to a variety of online functionality, such as applying for open grants, collaborating with colleagues on application development, tracking the status of approved grants and progress reporting. <strong>Growth in labour productivity</strong> A lean organisation structure and an environment of constant change with significant machinery of government changes, ensure regular reviews of work practices and resourcing. Increases in labour productivity are difficult to measure in this environment and in such short time frames.</td>
</tr>
</tbody>
</table>
Table 4.1: Productivity improvements – 2006-07 (2005-06) (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Improvements in productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department for Victorian Communities (continued)</td>
<td>Micro measures (for example improved purchasing practices or the sharing of services)</td>
</tr>
<tr>
<td></td>
<td>The department has adopted a Shared Services Strategy to achieve efficiencies in cost and quality of support and business services (such as Human Resources, Finance and IT) by sharing services with other government agencies.</td>
</tr>
<tr>
<td></td>
<td>As part of this strategy, during 2006-07 the department transferred HR system applications from a commercial provider to Shared Business Systems hosted by the Department of Primary Industries as part of a shared service arrangement through the Department of Infrastructure. This move, including adoption of an integrated online platform for financial and payroll services, provided significant streamlining and reduction in manual administration and processing.</td>
</tr>
</tbody>
</table>

Note: (a) South East Water’s Brainwaves Cup is a business planning competition conducted as part of Brainwaves, the Company’s innovation program. The Cup is designed to encourage big ideas and develop strategic and business development skills in our people and embed a culture of innovation within the Company.

The first Brainwaves Cup was conducted in 2006 with 18 teams consisting of 65 staff entering their ideas. Out of the nine finalists, one was selected as the winning entry and two as the runners up to share in a prize pool of $18,000 after tax. First prize was awarded for the following idea 'Remote Condition Monitoring of Sewerage Pumps & Pipes' with the objective of remotely measuring a pump system’s ‘heart-beat’ to enable the monitoring of its health and take corrective action before a catastrophic failure.

The second Brainwaves Cup was conducted in 2007 with 19 teams comprising 70 staff submitting their ideas. There were six finalists with one winning team and two second place teams awarded a total prize pool of $20,000 after tax. First prize was awarded for the following idea 'Fire Sprinkling Testing' aimed at reducing the amount of un-metered potable drinking water used during testing of fire sprinkler systems through the development of a more efficient sprinkler testing program.

Of the entries from 2006 and 2007, three have already been implemented, five are nearing or in the process of implementation, seven are in the process of commencement and one is on hold pending the results of the VCEC review of the water retailers.

Sources: Department and agency responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one: Parliamentary departments, p.1; Victorian Auditor-General’s Office, p.2; Department of Education and Early Childhood Development, pp.1–2; Department of Human Services, pp.2–3; Department of Infrastructure, Industry and Regional Development, pp.1–2; Department of Justice, pp.10–14; Department of Premier and Cabinet, p.3; Department of Primary Industries, pp.2–3; Department of Sustainability and Environment, pp.2–3; Department of Treasury and Finance, p.2; Rural Finance Corporation, pp.1–2; Transport Accident Commission, p.1; Victorian WorkCover Authority, p.1; Treasury Corporation of Victoria, p.1; Victorian Funds Management Corporation, pp.10–13; Victorian Managed Insurance Authority, p.1; City West Water Limited, pp.2–3; South East Water Limited, pp.1–2; Yarra Valley Water Limited, p.1; Department for Victorian Communities, p.2
The Committee made numerous recommendations (ten in total) on productivity and related issues in its Report on the 2007-08 Budget Estimates – Part Three. In summary, the recommendations centred on the establishment of linkages between government strategies and productivity-related outcomes, the development of measurement and reporting mechanisms and the identification of ways to improve productivity. In its response to the Committee’s report, the government accepted or accepted in principle six of the ten recommendations on productivity. One it accepted in part; another is under review.

In relation to the remaining recommendations, the government rejected the Committee’s recommendation that a more consistent framework for addressing productivity be articulated by the Department of Treasury and Finance, arguing that the department already had a framework for addressing productivity. The Committee recalls that the Department of Treasury and Finance has also advised that it is not possible to measure public sector productivity. However, the government response to the Committee’s Report on the 2007-08 Budget Estimates – Part Three noted that ‘The Department of Treasury and Finance already has internal review processes in place to monitor productivity’ which, in the opinion of the Committee, implies that productivity is measurable to some extent. The Committee stands by its view that there is a need for a clearer articulation of productivity and efficiency in Victoria in terms of measures, goals and impact including the effective recording at all levels.

The Committee also noted that that the government did not accept its recommendation that specific productivity targets be set relating to budget initiatives. While the Committee accepts that that efficiency savings targets are published, it continues to see the need for better articulation of possible benefits from measures designed to improve productivity at a macro-level, be that multifactor or labour productivity.

The Committee believes that, while the onus is on policy makers, leadership groups and senior managers to implement policies and procedures to improve productivity throughout the public sector and indeed throughout the economy as a whole, all organisations and committees that have a legislative authority to examine financial administration need to be vigilant in the conduct of their inquiries to ensuring that the concept of efficiency is kept under notice at all times. For example, the Victorian Auditor-General’s Office has the express legislative mandate to examine issues connected with efficiency when selecting and scoping performance audits throughout the public sector. The Committee expects the Office to fulfil this mandate in future.

The Committee recommends that:

**Recommendation 13:** Given the importance of enhancing productivity throughout the public sector, the Victorian Auditor-General’s Office consider adopting a greater focus on efficiency when selecting and scoping performance audits in future.

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149 Department of Treasury and Finance, response to the Committee’s 2006-07 financial and performance outcome questionnaire Part One, received 13 November 2007, p.2

CHAPTER 5: REGULATION REDUCTION – CUTTING ‘RED TAPE’

Key findings of the Committee:

5.1 The Committee strongly supports the reduction in the regulatory (and non-regulatory) administrative burden on Victorian businesses, not-for-profit organisations and the community at large as part of the suite of reforms essential to the competitiveness of the Australian economy.

5.2 While maintaining regulatory controls that are clearly in the public interest, challenges facing Australia that include an ageing population, technological change and increased global competition demand policy initiatives designed at regulation reduction, in order for businesses to be made more competitive and the economy more efficient and productive.

5.3 Policy shifts in terms of regulatory reform also have implications for Victoria’s government regulators in terms of reducing expenditure incurred on administration and potentially freeing up resources for the direct provision of services as well as generating cost savings across government. However, this needs to be balanced against the need for some oversight of industry self-regulation and the costs associated with this oversight.

5.4 The Committee believes that policy makers will need to also be mindful of the role that industry groups will have in shaping avenues for reducing the administrative and compliance burden on businesses and the not-for-profit sector when setting standards and codes of behaviour.

5.5 Additionally, policy makers will have to continually monitor whether the advent of any form of deregulation and the consequent reduction of red tape have resulted in businesses having to incur additional costs by creating their own set of self regulations to compensate for any refinements to laws or statutory rules.

5.6 A key policy plank of the government has been the development of the Reducing the Regulatory Burden initiative that was introduced as part of the 2006-07 budget. Key features of the cross-government initiative include reducing the existing administrative burden of regulation by 15 per cent over three years and 25 per cent over the next five years and undertaking a program of reviews to identify the necessary actions to reduce compliance burdens.

5.7 The Committee noted that according to modelling undertaken by the Department of Treasury and Finance, the productivity boost from reducing red tape has the potential to expand Victoria’s economy by up to 0.32 per cent of Gross State Product per annum by 2016.

5.8 Based on staff numbers, Victoria’s five major regulators comprised VicRoads, Victorian WorkCover Authority, State Revenue Office, Consumer Affairs Victoria and EPA Victoria.
5.9 According to the Victorian Competition and Efficiency Commission:

- Victoria’s 72 business regulators administered nearly 1.9 million licences and over 32,000 pages of Acts and Regulations;
- new regulations in 2005-06 were expected to cost $280 million over their ten year lives, while amended and remade regulations will cost more than $1.7 billion; and
- only 57 per cent of the 72 regulators reported annually on outcomes or compliance.

5.10 In terms of exploring the extent of activities aimed at reducing the regulatory burden, the Committee found that a wide range of activities were underway across government departments and various related agencies. The Committee also noted that Victoria received the highest rating of all jurisdictions by the Business Council of Australia in its Scorecard of State Red Tape Reform.

5.11 The Committee was interested to find that in the field of education and children’s services, various avenues of a non-regulatory nature have also been targeted for review to reduce the administrative burden. The universal application of this concept could open up opportunities for the generation of administrative cost savings across the government’s regulators at a time when economic pressures call for the reduction in government spending.

5.12 While the government has reported that initial savings realised from the Reducing the Regulatory Burden initiative demonstrates that it is on track to meet its long-term commitments under this initiative, the Committee is of the view that it is too early for all departments to demonstrate quantifiable benefits from their activities aimed at reducing the regulatory burden.

5.13 In terms of outcome measurement, the Committee will be interested in monitoring the ultimate effect of reducing the regulatory burden on businesses, not only in terms of increased savings and the potential to generate greater profits from the ability to reduce administrative and compliance costs, but importantly in increased investment in innovation, research and development and the delivery of core services. Appropriate data will need to be maintained by government agencies in this regard. The ultimate aim should be the achievement of improved outcomes for the Victorian community.

5.14 The Committee is of the view that there is a need for the costs involved in monitoring and oversight of the development of self regulation to be accounted for by government agencies.

5.15 The Committee also maintains that, although a range matters have been disclosed by the government relating to the Reducing the Regulatory Burden initiative, there is scope for improvement in public reporting with regard to various outcome-related matters pertaining to the ultimate roll-out of this initiative across government.
Chapter 5: Regulation reduction – cutting ‘red tape’

5.1 Background

This chapter of the report, which covers the third element of the Committee’s review of outcomes dealing with economic reform, namely reducing the burdens of regulation on businesses and not-for-profit organisations, complements the analysis of issues connected with the National Reform Agenda (chapter 3), productivity improvement (chapter 4) and departmental savings (chapter 6).

With challenges facing Australia that include technological change and increased global competition, the Committee strongly endorses the need for regulatory reform in order for businesses to be made more competitive and the economy more efficient and productive. In addition, reducing the administrative burden of regulation can serve to stimulate enterprise and innovation. The Committee is aware, however, that regulatory reform is not solely confined to issues surrounding ‘hard’ regulation dealing with legislative based regulation but also encompasses other types of ‘soft’ regulatory techniques that can influence people’s behaviour such as industry based codes of conduct. As such, apart from the introduction of initiatives designed to reduce the administrative impost of legislative based regulation on businesses, the Committee believes that policy makers will need to also be mindful of the role that industry groups will have in shaping avenues for reducing the regulatory burden on businesses and the not-for-profit sector. Additionally, policy makers will have to continually monitor whether the advent of any form of deregulation and the consequent reduction of red tape have resulted in businesses having to incur additional costs by creating their own set of self regulations to compensate for any refinements to laws or statutory rules.

However, while reducing red tape is designed to improve Victoria’s competitiveness and increase Victoria’s attraction as a place for investment, it will be important that effective regulation remains in place to meet regulatory objectives and intended policy outcomes. In other words, there must be a continuing focus on protecting the community and the environment and promoting well functioning market economies through appropriate regulation. In this regard, the Committee noted that in the context of gambling regulation, the Productivity Commission and the National Competition Council have both agreed that a relatively high level of regulatory control is justifiable to ensure probity, harm minimisation and consumer protection and regulatory controls are in the public interest. The Committee also wishes to bring to notice that a critical issue facing the Department of Human Services is how best to minimise the costs (especially administrative costs) of regulation, while meeting the government’s objective of protecting the health and safety of all Victorians, much of which is achieved through regulatory regimes.

The reduction of the regulatory (and non-regulatory) administrative burden on Victorian businesses, not-for-profit organisations and the community at large as part of the suite of reforms essential to the competitiveness of the Australian economy, also has implications for government organisations in terms of reducing expenditure incurred on administration and potentially freeing up resources for the direct provision of services as well as generating cost savings. However, the Committee acknowledges that there is a need to balance this concept against the requirement for some oversight of industry self regulation and the costs associated with this oversight. To show the extent of such expenditure, a breakdown of expenditure incurred by departments and related agencies on administration compared with direct service delivery is contained in chapter 12 of this report dealing with employment within the Victorian public sector.

151 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, p.8
152 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 26 November 2007, p.5
The Committee noted that the government has released various documents to explain its activities aimed at reducing the regulatory burden and progress achieved from its reforms in this area. To supplement this information, because of the importance placed on simplifying and streamlining regulation, while importantly achieving policy objectives, the Committee was interested in gaining further insight into:

- the activities undertaken by departments and related agencies in 2005-06 and 2006-07 designed to reduce the regulatory burden placed on those affected by departmental programs and projects;
- the regulatory regimes that have been introduced; and
- the benefits that have been demonstrated from the introduction of such measures against planned outcomes.

5.2 Summary of the framework established to reduce the regulatory burden

5.2.1 Definitions of concepts

A description of some of the concepts used in discussing burdens imposed by regulations is shown in table 5.1.

<table>
<thead>
<tr>
<th>Concept</th>
<th>Government definition</th>
</tr>
</thead>
</table>
| Red tape                 | Red tape imposes costs on organisations by requiring them to demonstrate compliance with government regulation for example through requirements such as record keeping, completing licence application forms, compiling annual reports and assisting with inspections by regulators.  
| Administrative burden    | The administrative burden involves costs incurred by firms to demonstrate compliance with a regulation or to allow government to administer the regulation, but do not directly affect policy outcomes for example the cost of completing a form or accompanying an inspector on a site visit  
| Compliance burden        | The compliance burden involves costs that directly lead to the regulated outcomes and are borne by groups, individuals and businesses for example installing a fence around a building site  
| Standard cost model      | The fundamental concept behind a Standard Cost Model measurement is the calculation of the costs incurred by business and not-for-profits to demonstrate compliance with government regulation. The model is an activity based costing method, which focuses on measuring the cost of regulation from the regulated organisations’ perspective. The method requires businesses to be interviewed to obtain an estimate of the costs they incur.  

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5.2.2 Reducing the Regulatory Burden initiative

The Reducing the Regulatory Burden initiative was introduced by the government as part of the 2006-07 budget. With funding of $41.5 million set aside over four years ($6.8 million in 2006-07) for this cross-government initiative, a three pronged approach was adopted for reducing the burden through:

- cutting the existing administrative burden of regulation by 15 per cent over three years, and 25 per cent over the next five years;
- ensuring the administrative burden of any new regulation is met by an ‘offsetting simplification’ in the same or related area; and
- undertaking a program of reviews to identify the necessary actions to reduce compliance burdens. The program of reviews will be combined with incentive payments to reward outcomes which reduce the regulatory burden.

Under the initiative, the government commissioned two whole of government reviews that covered a review of:

- food regulation in Victoria; and
- not-for-profit regulation.

In addition, Ministers have initiated various regulatory reform initiatives that are outlined in Table 5.2.

Table 5.2: Reducing the Regulatory Burden Priority reviews

<table>
<thead>
<tr>
<th>Department</th>
<th>Regulatory reform initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Early Childhood Development</td>
<td>Review of the Regulatory Burden across the Education Portfolio (a)</td>
</tr>
<tr>
<td>Human Services</td>
<td>Best practice arrangements for regulatory practices</td>
</tr>
<tr>
<td></td>
<td>Review of DHS Forms</td>
</tr>
<tr>
<td></td>
<td>Supported Residential Services</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Administrative burden of Marine Regulations on commercial vessel</td>
</tr>
<tr>
<td></td>
<td>owners and operators</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>Review of the Regulatory Burden across the Training Portfolio (a)</td>
</tr>
<tr>
<td></td>
<td>Business Test Panel – feasibility study</td>
</tr>
<tr>
<td></td>
<td>Interstate Transfer Service – scoping study</td>
</tr>
<tr>
<td></td>
<td>Labour and Industry Act 1958 – legislative review</td>
</tr>
<tr>
<td></td>
<td>Review of the Retail Leases Regulations 2003 disclosure provisions</td>
</tr>
</tbody>
</table>

157 Budget Paper No.3, 2006-07 Service Delivery, p.335
159 Mr J Lenders MLC, Treasurer, Reducing the Regulatory Burden, 2006-07 Progress Report, September 2007, p.14
160 Department of Treasury and Finance, email, received 28 March 2008
Table 5.2: Reducing the Regulatory Burden
Priority reviews (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Regulatory reform initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Justice</td>
<td>Better Business Regulation</td>
</tr>
<tr>
<td></td>
<td>Firearms, Private Security and Controlled Weapons Licensing</td>
</tr>
<tr>
<td></td>
<td>Occupational Licensing</td>
</tr>
<tr>
<td></td>
<td>Occupational Licensing in Victoria – feasibility study</td>
</tr>
<tr>
<td>Planning and Community Development</td>
<td>Planning Applications Online</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>Review of permits and licences for public lands and resources</td>
</tr>
<tr>
<td></td>
<td>Administration arrangements for licensing provisions of the</td>
</tr>
<tr>
<td></td>
<td>Environmental Protection Act</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>Reducing the OHS and Workers’ Compensation Administrative Burden for Small Business (b)</td>
</tr>
</tbody>
</table>

Notes:  
(a) There are now two separate occupational licensing projects due to the machinery of government changes, whereby the training function was transferred from Department of Education to the Department of Innovation, Industry and Regional Development. As a result, the original project to ‘Review Regulatory Burden across the Education and Training Portfolio’ was split into two.  
(b) This review will investigate opportunities to reduce administrative burdens for small businesses arising from legislation administered by WorkSafe Victoria. It will look at making application processes easier (for example high risk licensing, construction induction, etc.) and will examine whether some types of licensing are necessary. It will also look at record keeping requirements.

Source: Department of Treasury and Finance response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.20

5.2.3 Institutional framework

(a) National Reform Agenda

As indicated in chapter 3 (National Reform Agenda – progress in implementation) of this report, regulatory reform is a central component on the National Reform Agenda. The government contends that Victoria’s Reducing the Regulatory Burden initiative will enable it to meet its National Reform Agenda commitments and to maintain momentum for reform at the national level.162

(b) Victorian Competition and Efficiency Commission

The Victorian Competition and Efficiency Commission (VCEC), the government’s foremost body advising on business regulation reform and identifying opportunities for improving Victoria’s competitive position,163 has a responsibility to independently assess the adequacy of Regulatory Impact statements and Business Impact Assessments.164 When new regulatory proposals contain a material change in the administrative burden, the Standard Cost Model is to be used to measure the

162 Mr J Lenders MLC, Treasurer, Reducing the Regulatory Burden, 2006-07 Progress Report, September 2007, p.2
164 Mr J Lenders MLC, Treasurer, Reducing the Regulatory Burden, 2006-07 Progress Report, September 2007, p.3
administrative burden within the Regulatory Impact statement.\textsuperscript{165} The VCEC is required to independently assess the adequacy of Standard Cost Model requirements.\textsuperscript{166}

The Committee noted that the VCEC released a report in April 2007 titled \textit{The Victorian Regulatory System}. The report provides a comprehensive list of regulatory regimes in Victoria. Some of the VCEC findings were as follows:\textsuperscript{167}

- Victoria’s 72 business regulators administered nearly 1.9 million licences and over 32,000 pages of Acts and Regulations;
- new regulations in 2005-06 were expected to cost $280 million over their ten year lives, while amended and remade regulations will cost more than $1.7 billion; and
- only 57 per cent of the 72 regulators reported annually on outcomes or compliance.

\textbf{(c) Major Victorian regulators}

Based on staff numbers, Victoria’s major regulators in 2006-07 comprised the following:\textsuperscript{168}

- VicRoads (2,709.0 EFT)
- Victorian WorkCover Authority (981.0)
- State Revenue Office (441.0)
- Consumer Affairs Victoria (412.8)
- EPA Victoria (386.3)
- Fisheries Victoria (146.0)
- Victoria Commission for Gambling Regulation (134.0)
- Building Commission (107.4)
- Energy Safety Victoria (89.0)
- Essential Services Commission (62.0)

The Committee noted that other significant regulators included the Victorian Institute of Teaching (100,600 registered teachers in 2006-07) and the Nurses Board of Victoria (80,700 registered nurses in 2006-07).\textsuperscript{169}

\textbf{(d) Better regulation unit}

The Better Regulation Unit was established within the Department of Treasury and Finance in July 2006 to coordinate the implementation of the \textit{Reducing the Regulatory Burden} initiative across government.\textsuperscript{170} The specific role of the unit under the initiative is to:\textsuperscript{171}

\begin{footnotesize}
\begin{enumerate}
\item[168] Victoria Competition & Efficiency Commission, \textit{Victoria’s Regulatory System 2007}, 19 April 2007, p.21
\item[169] <<>>
\item[171] Department of Treasury and Finance, email, received 28 March 2008
\end{enumerate}
\end{footnotesize}
• develop and communicate a workable implementation framework;
• provide advice and assistance to departments;
• coordinate departmental reports on progress, as necessary;
• establish robust reporting and monitoring systems; and
• manage risk through identification of emerging issues and development of proactive, targeted risk management strategies.

5.2.4 Key performance indicators

The key performance indicators that have been established for the *Reducing the Regulatory Burden* initiative are set out in table 5.3:

Table 5.3: Reducing the Regulatory Burden initiative

<table>
<thead>
<tr>
<th>Indicator/activity</th>
<th>Target/Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted reductions in red tape</td>
<td>Cut the existing administrative burden of regulation by 15 per cent over three years which equates to $154 million per annum by July 2009. Cut the existing administrative burden of regulation by 25 per cent over five years which equates to $256 million per annum by July 2011.</td>
</tr>
<tr>
<td>Red tape reductions</td>
<td>Red tape reduced by $29.64 million per annum</td>
</tr>
<tr>
<td>Major reform activity</td>
<td>Two whole of government reviews. 18 regularity reform initiatives (a)</td>
</tr>
</tbody>
</table>

Note: (a) Due to machinery of government changes there are now 19 regulatory reform initiatives, whereby the original project to ‘Review Regulatory Burden across the Education and Training Portfolio’ was split into two reviews due to the transfer of the training function from Department of Education to Department of Innovation, Industry and Regional Development.


In terms of the cost imposed on businesses by Victorian regulation, the Committee noted that the Department of Treasury and Finance has estimated a baseline administrative burden in Victoria at 1 July 2006 of $1.03 billion per annum.172 The calculation of this figure is based on the measurement exercise experienced in the United Kingdom, which shows that a benchmark of the administrative burden of 1.0 per cent of Gross Domestic Product (or 1.0 per cent of Gross State Product in each state) should be applied, and a relative share of administrative burdens between the Commonwealth and states of 56:44 (that is 44 per cent of the burden is imposed by state regulation).173 The Committee noted that according to the department, there are perceived similarities in structure, policy areas and regulatory frameworks between the United Kingdom and Australia.174

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174 PricewaterhouseCoopers, *Analysis of Administrative Burden of Victorian State Regulation*, 4 April 2007, p.1
In addition to the UK measurement results, analysis of administrative burden estimates from other countries and World Bank and OECD studies on regulatory costs have informed the department’s assumptions.\textsuperscript{175} The Committee noted that the government decided not to undertake a more definitive measurement of the baseline administrative burden imposed by Victorian regulation due to the size of such a project and the risk of its delaying progress on reducing administrative burden.\textsuperscript{176} The estimated ongoing savings to Victorian businesses and not-for-profits shown in table 5.3 are based on these assumptions.

The Committee also noted that according to modelling undertaken by the Department of Treasury and Finance, the productivity boost from reducing red tape has the potential to expand Victoria’s economy by up to 0.32 per cent of Gross State Product per annum by 2016.\textsuperscript{177} In response to the Committee’s request, the Department of Treasury and Finance provided the following information concerning the modelling that underlies its estimated productivity boost for Victoria:\textsuperscript{178}

\begin{quote}
The medium-run economic implication of reducing the administrative burden on businesses was estimated by DTF using the Monash Multi-Regional Forecasting computable general equilibrium model. These estimates represent deviations from a ‘business as usual’ baseline, in which regulatory reform does not proceed. A reduction in the administrative burden on private businesses was assumed to be labour-saving and is modelled as a labour productivity improvement across all market sector industries (government administration and defence, government services and the government shares of health and education are excluded). This approach is consistent with the method of the Hilmer report, which modelled regulatory reform as a small productivity improvement across the entire economy.
\end{quote}

### 5.3 Activities aimed at reducing the regulatory burden

The Committee found that a wide range of activities were underway across government departments and various related agencies. The Committee also noted that Victoria received the highest rating of all jurisdictions by the Business Council of Australia in its Scorecard of State Red Tape Reform.\textsuperscript{179} Prior comments made by the Committee on this matter are contained in its Report on the 2007-08 Budget Estimates – Part Three, September 2007, in the chapter covering the National Reform Agenda (p.46).

Some of the interesting features associated with activities introduced to reduce the regulatory burden that the Committee observed from the information supplied by departments and related agencies to its inquiries connected with financial and performance outcomes for 2005-06 and 2006-07 are outlined in table 5.4. The Committee noted that in the field of education and children’s services, various avenues of a non-regulatory nature have also been targeted for review to reduce the administrative burden. The Committee is interested in this concept as its universal adoption could open up opportunities for the generation of administrative cost savings across the government’s regulators at a time when economic pressures call for the reduction in government spending. Further comment on this matter is included in chapter 12 (Employment within the Victorian Public Sector) of this report dealing with employment within the Victorian public sector.

\textsuperscript{175} Department of Treasury and Finance, Estimate of Victoria’s Administrative Burden, A Department of Treasury and Finance internal working paper, August 2007, p.2
\textsuperscript{176} Department of Treasury and Finance, Estimate of Victoria’s Administrative Burden, A Department of Treasury and Finance internal working paper, August 2007, p.1
\textsuperscript{177} Mr J Lenders MLC, Treasurer, Reducing the Regulatory Burden, 2006-07 Progress Report, September 2007, p.9
\textsuperscript{178} Department of Treasury and Finance, email, received 28 March 2008
\textsuperscript{179} Mr J Lenders MLC, Treasurer, Reducing the Regulatory Burden, 2006-07 Progress Report, September 2007, Treasurer’s foreword
Table 5.4: Departments and related agencies
Measures introduced to reduce the regulatory burden

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity to be streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education and Early Childhood Development</td>
<td>The department has developed a Three Year Administrative Burden Reduction Plan (June 2006 – June 2009) identifying actions to reduce red tape</td>
<td>The project aims to reduce the administrative burden on schools and the children’s services sector</td>
</tr>
<tr>
<td></td>
<td>The Reducing Red Tape Project commenced in 2006-07</td>
<td></td>
</tr>
</tbody>
</table>
|                                                          | In early 2007, a consultation process identified various areas of both regulatory and non-regulatory administrative burden | These areas, which are the focus of priority reviews to be undertaken during 2007-08, relate to the following schools and children’s services:

**Regulatory basis**
- administration of student allowances
- town planning
- teacher registration
- occupational health and safety
- children’s services

**Non-regulatory**
- planning and reporting requirements for Commonwealth government initiatives
- criminal records checks
- department ICT platforms
- coordination and roll-out of department initiatives, and reporting and accountability requirements for departmental initiatives
- application for students with disabilities
- building and maintenance
- staff recruitment and employment

|                                                          |                                                                                                                                                                                                 | The *Education and Training Reform Act 2006* (and Regulations), which was proclaimed in July 2006, is being examined by the department for the purpose of costing the change in administrative burden caused by its introduction and to identify further opportunities for reducing the regulatory burden on schools |
### Table 5.4:

**Departments and related agencies**  
Measures introduced to reduce the regulatory burden *(continued)*

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity to be streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services</td>
<td>The department’s three year plan to implement the government’s commitment, endorsed by Human Services Ministers in May 2007, includes around 20 initiatives anticipated to reduce regulatory costs.</td>
<td>In the latter stages of 2006-07, two of these initiatives, the Review of DHS Forms and Best Practice Regulatory Arrangements, were initiated and are expected by the department to reduce regulatory costs on businesses and organisations across a number of DHS regulatory areas.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The draft VCEC Food inquiry report was released in April 2007. The department made a submission to this inquiry and then was part of an Interdepartmental Committee which prepared the Victorian Government response to the final report (released 10th February 2008). The Victorian Government has accepted the majority of the VCEC recommendations and changes will be included in the 2008 Legislative Agenda. The reform aims to minimise administrative burden and this will result in cost savings to Victorian businesses of more than $20 million each year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>In terms of efficiencies brought into licensing and registration regimes, introduction of the following regulations are expected to have an impact: The Radiation Regulations 2007 and the Radiation Act 2005 (commenced 1 September 2007) The Health Professions Registration Act 2005 (commenced 1 July 2007) Amendments to the Housing Act 1983 (commenced 1 January 2005)</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity to be streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Infrastructure</td>
<td>The continuing review by the department of current marine legislation and associated regulations, prior to their sunsetting in 2009, will identify and address the reduction of administrative burden on stakeholders without compromising risks to safety, security and the environment.</td>
<td>Marine Safety Victoria (MSV) has identified that the absence of secure online facilities for payments, forms and qualification testing imposes a significant burden on commercial stakeholders. This causes delays and inconvenience to these stakeholders who are restricted to either postal service, or having to travel to the MSV office in Melbourne from throughout Victoria for over-the-counter service. In response to this, MSV has scoped a project to implement a secure online transaction facility and is currently developing this project for funding approval.</td>
</tr>
<tr>
<td></td>
<td>The completion of research into remote identity validation in May 2007 identified the need for improved security for current transactions and some opportunities for an increased range of remote access services. The results are currently under considered to determine the most appropriate course of action, in the context of government-wide approaches to identity authentication.</td>
<td>The introduction of the Transport (Tow Truck) (Amendment) Regulations 2006 (made on 19 September 2006), which has the effect of decreasing the administrative burden, given that the regulations remove the requirement for a tow truck operator to obtain signed authority to tow when authorised by VicRoads to tow vehicles off remote roads.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The development of the Accident Towing Services Act 2007 in deregulating the towing trade will result in significant reduction in regulatory ‘red tape’ by removing administrative burdens in applying for, and maintaining licences, record keeping and complying with regulations. The extent of this reduction will be assessed closer to the time that the act commences, which will be no later than 1 January 2009.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The ongoing advocating by the department through the National Rail Group that the benefits of a single national safety investigation body, to replace the current multi-jurisdictional model, be considered. Any benefits that might accrue through a reduction in administrative burden will be considered in this process.</td>
</tr>
</tbody>
</table>
### Table 5.4: Departments and related agencies
Measures introduced to reduce the regulatory burden *(continued)*

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>While the department’s capacity to introduce legislative reforms that contribute to regulatory reduction targets is limited (as it does not have significant legislative responsibilities), it advised that it has proactively developed non-legislative initiatives to reduce the regulatory burden by making it easier for businesses to navigate and comply with regulation.</td>
<td>The ongoing development of the World Class Service initiative since 2005 is aimed at creating an integrated service network for all regulatory matters (federal, state, and local) to provide in one place: a quality, responsive service; clear, practical, and personalised information resources; and simple, integrated transaction processes.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A pilot Business Consultation Database is designed to enable the Victorian Government to collect relevant and accurate data on the impact of regulatory proposals on small business, and provide businesses with the opportunity to proactively contribute to policy making. The database opened for registrations on 24 May 2007.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>A Small Business Regulatory Impact Assessment Manual was released in March 2007. The manual is designed to facilitate better analysis of the small business impacts of regulation and lead to better regulatory proposals that minimise the burden of regulation on business. The manual is also designed to complement the existing Victorian Guide to Regulation and provide additional support and advice to policy makers on assessing the likely impact of regulation on small businesses.</td>
</tr>
<tr>
<td>Justice</td>
<td>Refer to Chapter 3, table 3.5 for details relating to regulatory reforms under the National Reform Agenda</td>
<td></td>
</tr>
<tr>
<td>Primary Industries</td>
<td>Refer to Chapter 3, table 3.5 for details relating to regulatory reforms under the National Reform Agenda</td>
<td></td>
</tr>
</tbody>
</table>
### Table 5.4: Measures introduced to reduce the regulatory burden (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
</table>
| Sustainability and Environment        |                   | **Review of Licensing under Environment Protection Act 1970**  
EPA plans to issue five corporate licences by February 2008 (representing about 75 existing licences) and then to amalgamate a further 100 licences by July 2008.  
**The Environment Protection (Scheduled Premises and Exemptions) Regulations**  
The Regulations, which commenced on 1 July 2007, introduced new corporate licensing arrangements and reduced the number of premises required to be licensed by EPA by about 16 per cent.  
**Electronic Conveyancing (EC)**  
In August 2006, Release 1.0 allowed select financial institutions to process mortgage and discharge of mortgage property transactions electronically (completed between August 2006 and May 2007). Release 2.0, which commenced operation on 16 November 2007, implement full functionality, including financial property settlement. EC is a world leading initiative that brings to functions of property conveyancing and related mortgage activities into the e-commerce world, streamlining government processes and procedures for Victorians.  
**Streamlined Planning through Electronic Applications and Referrals (SPEAR)**  
SPEAR allows subdivision applications (and eventually related planning permits) to be compiled, lodged, managed, referred and tracked online, streamlining to sub-division approval process. SPEAR is aimed at delivering savings to developers by reducing holding costs, and savings in administrative costs to councils, surveyors and referral authorities. The Subdivision (Registrars Fees) (Amendment) Regulations 2007 commenced 1 July 2007 to authorise an increase in the fees for all subdivision applications and provide the financial resources to support the ongoing operation of SPEAR. |
## Table 5.4: Departments and related agencies

Measures introduced to reduce the regulatory burden *(continued)*

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
</table>
| Sustainability and Environment *(continued)* | | **BushTender**  
BushTender provides financial incentives to private landholders to improve the quality and quantity of native vegetation on their land. These programs, which are relevant to urban and rural businesses, are designed to significantly reduce the costs of red tape, while improving the transparency, accountability and efficiency of environmental programs in Victoria. The BushTender 2007 program will extend the program across the state, enabling thousands more hectares of native vegetation to be protected and improved. |
| | | **BushBroker**  
BushBroker, a DSE initiative that establishes a market for native vegetation offsets, allows buyers of offsets to discover potential suppliers of offsets, discover prices on a competitive basis, and monitors and enforces contractual agreements. Previously, landholders had to engage consultants to conduct costly and time consuming searches of available native vegetation in order satisfy the offset requirement. |
| | | **Carbines Report on Cutting Red Tape in Planning**(a)  
Release of the Cutting red tape in planning report in August 2006 with 15 actions and 43 initiatives to improve the planning system. The actions focused on a range of improvements from faster planning scheme amendment processes to more focused planning controls |
| Treasury and Finance | | The department has identified the following areas within its portfolio for reduction reform:  
State Revenue Office (see below)  
WorkSafe Victoria (see Victorian WorkCover Authority below) |
Table 5.4: Departments and related agencies

Measures introduced to reduce the regulatory burden (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
</table>
| **State Revenue Office**  | The SRO has undertaken steps to reduce the administrative burden on taxpayers in recent years and it continues to identify areas for reductions in red tape. | Recent projects include: (b) **Pay-roll Tax Harmonisation** According to the department, the SRO is playing a key role in reducing the regulatory burden experienced by businesses that are liable to pay payroll tax in both Victoria and NSW. As a result, since 1 July 2007 Victoria and NSW now have almost identical payroll tax legislation (excluding rates and thresholds). **E-Business Offerings** Over the past three years, the SRO has introduced a number of e-Business offerings to help reduce the administrative burden on businesses paying payroll tax, including:  
  - E-forms: Ninety-three per cent of all payroll tax transactions are now available to be completed online;  
  - Pre-populating monthly electronic returns, reducing the time taken by business to complete by 70 per cent; and  
  - Payment allocator system: implementation of leading edge technology reducing errors associated with incomplete payment information submitted to the SRO. **Abolition of duty on Hire of Goods** Since the abolition of duty on the hire of goods, about 1,100 businesses no longer lodge monthly returns, and another 600 no longer lodge annual returns to the SRO, saving businesses between five and 12 work days per year. **Land Tax pre-assessment letter** The SRO has implemented a pre-assessment process which allows taxpayers to clearly identify their liabilities prior to the final assessment being issued. This ensures assessments are correct and accord with the taxpayers’ information, reducing unnecessary administration. |
Table 5.4: Departments and related agencies
Measures introduced to reduce the regulatory burden (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
</tr>
</thead>
<tbody>
<tr>
<td>• City West Water Limited</td>
<td>City West Water (CWW) does not have the power to make regulations. However, one of its strategic goals is to provide services to match customer needs in order to work towards providing its customers with a range of contact and service options including: email; phone and face-to-face visits. CWW also assists customers by providing payment options, assisting customers in financial difficulty and helping customers rectify their plumbing problems. CWW’s website has been updated in recent times to provide a number of online services designed for customer convenience, thereby reducing the administrative burden placed on the public. Various services are available for residents, tenants, businesses, owners, builders, solicitors and conveyancers, plumbers, real estate agents etc. These include: pay online; change postal address; book meter reading; add/vacate tenant; request a drainage plan; single residential plumbing application; sewer details/asset information request; property enquiry/information statement and notice of sale. A recent change to dry tapping connections to the water supply system means that customers deal direct with CWW for a fixed fee with installation completed within 5–10 working days on application.</td>
</tr>
<tr>
<td>• Rural Finance Corporation</td>
<td>The Rural Finance Act does not impose any regulations in its dealing with the Public. However, during the course of the current drought, which has extended over the review periods of 2005-06 and 2006-07, Rural Finance continually strives to streamline the amount of data and documentation required from farmers to make applications for assistance. Brochures and applications have been made accessible online and downloadable at a speed commensurate with the dial up capacity many farmers still have to endure in country Victoria. From an internal regulatory perspective, during 2006 Rural Finance upgraded its risk and compliance activity through the introduction of a Risk and Compliance Division. This has resulted in a review across all regions to ensure consistent and streamlined work practices are adopted in processing loans and subsequently administering them. During 2006-07, the Risk and Compliance Division introduced the first stages and phases of finalised procedures for the Anti-Money Laundering legislation, which became effective from December 2007. It is currently actively involved in developing initiatives to comply with the ResourceSmart Policy recently introduced by government.</td>
</tr>
</tbody>
</table>
Table 5.4: Departments and related agencies
Measures introduced to reduce the regulatory burden (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• South East Water Limited</td>
<td>The State Government introduces all regulatory regimes. South East Water, being a state owned company, acts to enforce government policy, regulations and other requirements. In relation to the above, the Company’s top priority is to ensure that any ensuing regulatory burden on the public is minimised as much as possible. In this regard, the Company continues to listen to its customers through various avenues such as the Customer Advisory Committee and results of market research and surveys so that decisions are made in the best interest of customers and so that it can most effectively assist government in developing or modifying policy and regulations. For example, in light of the water restrictions, the Company introduced various initiatives such as the Spring Campaign, Sustaining Gardens in Dry Times, savewater.com.au and restrictions ‘can do’ mail-out. Customers who wish to reduce their water consumption and lessen the impact of price increases can do so through the showerhead exchange program, accessing the savewater.com.au website or seek direct advice on matters such as implementing grey water system, undertaking water audits etc. South East Water also has in place a range of financial hardship assistance options for customers experiencing temporary or chronic financial hardship. This includes free and confidential financial advice from our not-for-profit partners, Good Sheppard and Youth and Family Services. During the 2005-06 and 2006-07 financial years, more than 1,500 and 2,300 customers received the free confidential advice respectively. Eligible customers also received assistance from our financial relief fund and had water efficient appliances installed to reduce the amount of water used in their homes. Customers also have access to the Company’s customer-friendly payment options. In addition to the above, South East Water also administers a number of community service obligations, which are funded by the State Government, such as the provision of concessions for pensioners, rebates paid to not-for-profit organisations and the Utility Relief Grant Scheme.</td>
<td></td>
</tr>
</tbody>
</table>
**Table 5.4:**

**Departments and related agencies**

**Measures introduced to reduce the regulatory burden (continued)**

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Transport Accident Commission</td>
<td>During 2006-07 the TAC reviewed the Transport Accident Regulations 1986 as required under the <em>Subordinate Legislation Act 1994</em>. One of the objectives of the Commission in undertaking the review of Regulations was to reduce, as far as possible, the burden placed on clients in completing a claim for compensation with the Commission. As a result of the review, the TAC’s general claim for compensation form was reduced from a total of 72 questions to 45 questions. The reduced claim form is simpler and easier for TAC clients to understand and complete. The TAC has also undertaken a wide ranging review of its current claims operating model, ahead of the TAC’s relocation to Geelong in January 2009. The model aims to improve the efficiency of the TAC’s operations and reduce the complexity for clients dealing with the Commission. The benefits of the new claims operating model will be more appropriately quantified following the TAC’s relocation to Geelong.</td>
<td></td>
</tr>
<tr>
<td>• Victorian Funds Management Corporation</td>
<td>As a result of a strategic review of the Victorian Funds Management Corporation (VFMC) by the Department of Treasury and Finance, changes to the investment management process were initiated. VFMC formally took on strategic asset allocation responsibilities with effect from 1 July 2006. This is in addition to its portfolio construction and manager selection responsibilities. Prior to this, VFMC’s clients were responsible for the investment strategy part of the process. This centralised model has improved the investment process by ensuring that resources with the appropriate skills sets are responsible for setting investment strategies and has reduced the number of parties involved in the process.</td>
<td></td>
</tr>
</tbody>
</table>
Table 5.4: Departments and related agencies
Mesures introduced to reduce the regulatory burden (*continued*)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Victorian WorkCover Authority</strong></td>
<td>Many of VWA’s actions in this area are scheduled for 2007-08 and beyond. This work includes costing a range of initiatives introduced in 2006-07 which, while considered during inception to be of benefit to the community, had not been costed for the purpose of identifying any reductions in regulatory burden. These included the introduction of online remuneration for premium calculation purposes, the introduction of revised and streamlined OHS guidance material and the commencement of the 10 point plan on interstate harmonisation. The analysis of these initiatives is the first tranche in a five year commitment (from July 2007) to reduce regulatory burden, which will see work conducted to:</td>
<td>specifically reduce the administrative burden on Victorian small business; investigate administrative alignments with Victorian and interstate bodies (including TAC, SRO, and WorkCover NSW); consider how the segmentation approach to the way VWA provides services to the community can further reduce administrative requirements; and consider all legislative change in the context of administrative burden. In 2005-06 and 2006-07 significant resources were devoted to the consolidation and review of Victorian occupational health and safety regulations. While primarily a translation exercise, the review also: removed the significant administrative burden of mandatory risk assessment; improved ease of understanding and remove repeated and redundant regulations; and resulted in the consolidation of 13 separate regulations into the single Occupational Health and Safety Regulations 2007. The same exercise also included the consolidation of two separate public safety regulations into the single Equipment (Public Safety) Regulations 2007.</td>
</tr>
</tbody>
</table>
Table 5.4: Departments and related agencies
Measures introduced to reduce the regulatory burden (continued)

<table>
<thead>
<tr>
<th>Department/related agency</th>
<th>Management action</th>
<th>Particular functional activity streamlined (examples)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victorian Communities</td>
<td>In accordance with directives from Department of Treasury and Finance, the former DVC created a log of all regulatory instruments for which it had responsibility and analysed the administrative burden. Most acts and regulations were rated as low impact. Given that the DPCD brings together elements of the former DVC and planning portfolio components from Department of Sustainability and Environment, significant focus will be on reducing delays across the planning system and the administrative burden to business and the not-for-profit sector.</td>
<td>Aboriginal Heritage Regulations introduced in May 2007 currently have a forecast increase in the administrative burden to business of $5.7 million. This will be reviewed by the Victorian Competition and Efficiency Commission and a new estimate provided in the March 2008 report to the Economic and Sustainable Development Committee. It is anticipated that this will result in a significant reduction to this estimate. The Regulations generate a number of benefits in cultural heritage protection, reduce the costs of delays due to planning development and approvals process, and provide greater certainty for developers and business.</td>
</tr>
</tbody>
</table>

Notes: (a) this initiative is now the responsibility of the Department for Planning and Community Development (DPCD) as a consequence of Administrative Order of 8 August 2007, separating the Planning portfolio to the Department for Planning and Community Development
(b) in relation to the Department of Treasury and Finance and its related agencies, while a comprehensive response outlining measures taken to reduce the regulatory burden was separately provided by the Victorian WorkCover Authority, the Committee looks forward to the Department of Treasury and Finance ensuring that the regulatory reform activities undertaken by its State Revenue Office (one of Victoria’s largest regulators) are disclosed on a progressive basis as a key plank of the Reducing the Regulatory Burden initiative

Sources: Responses to the Committee’s 2006-07 Financial and Performances Outcomes questionnaire – part one: Department of Education and Early Childhood Development, pp.4–5; Department of Human Services, pp.4–6; Department of Infrastructure, pp.6–10; Department of Innovation, Industry and Regional Development, p.3; Department of Primary Industries, p.4; Department of Sustainability and Environment, pp.4–5; Department of Treasury and Finance, p.3; Former Department for Victorian Communities, p.4. Responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire: Rural Finance Corporation, pp.2–3; Transport Accident Commission p.2; City West Water, p.3; South East Water Limited, pp.2–3; Victorian Funds Management Corporation, p.2; Victorian WorkCover Authority, pp.2–3
The Committee also noted that the Auditor-General in performance audit reports often comments on the effectiveness of administration and its impact on the public. Such performance audits which cover the full range of government activity could provide guidance on regulatory impact.

The Committee recommends that:

**Recommendation 14:** The Victorian Auditor-General’s Office in undertaking its performance auditing function include, where appropriate, consideration of regulatory impact and administration.

### 5.4 Report card quantifying expected (or actual) reductions in administrative burden to be achieved from regulatory reform activity

According to an announcement made by the Treasurer in September 2007:\(^{180}\)

- Victorian businesses were expected to save up to $30 million in 2007-08 through cuts to red tape implemented by the government;
- The *Reducing the Regulatory Burden* initiative, launched 12 months ago, was on track to save business $154 million per year by July 2009 and $256 million per year by July 2011;
- these initial savings demonstrated that the government was on track to meet its long-term commitment of reducing red tape by 15 per cent over three years and 25 per cent over five years;
- Department of Treasury and Finance (DTF) modelling showed that reducing administrative burden by $256 million a year by July 2011 could boost Victoria’s economy by up to $747 million by 2016; and
- reducing red tape has wider community benefits, such as freeing up the administrative requirements for not-for profit groups and organisations so they can get on with their core service delivery.

The Committee noted that provisional estimates by the Department of Treasury and Finance indicated a net reduction in the administrative burden of $29.64 million per annum will be achieved with, for example, reductions from online planning applications amounting to $10 million per annum effective from September 2008 based on preliminary estimates.\(^{181}\) Other significant regulatory areas where reductions were estimated related to:\(^{182}\)

- payroll tax E-business (implemented prior to 1 July 2006) $10 million per annum
- Motor Car Traders (Amendment) Regulations 2006 $7.5 million per annum

Given that some departments advised the Committee that it was too early to demonstrate quantifiable benefits from their initiatives and, in the opinion of the Committee, there is a quantum leap to be achieved during 2008-09 in terms of moving from the expectation of saving businesses up to $30 million in 2007-08 from regulatory reform to $154 million per year by July 2009, the

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\(^{180}\) Mr J Lenders MLC, Treasurer, *Cuts to red tape save Victorian businesses millions*, media release, 14 September 2007


Committee is of the view that the Department of Treasury and Finance will need to monitor very closely how agencies are progressing with achieving expected reductions in the regulatory burden.

The Committee recommends that:

**Recommendation 15:** In order for the government to meet its targets in terms of the level of savings to be achieved by businesses through the advent of regulatory reform, the Department of Treasury and Finance closely monitor the level of accelerated outcomes derived from the future implementation of the government’s *Reducing the Regulatory Burden* initiative by requesting agencies to furnish statements on yearly savings generated from the initiative.

In terms of outcome measurement, the Committee will be interested in monitoring the ultimate flow on effects of reducing the regulatory burden on businesses in terms of increased savings, greater investment in innovation, research and development and the enhanced delivery of core services to the community. The ultimate aim should be to enhance the efficiency, productivity and competitiveness of Victorian businesses and Gross State Product.

The Committee believes that, while it is important to set targets and measure and report savings generated from reducing the regulatory burden associated with administering and complying with regulations, an impact evaluative framework should be implemented to quantify the ultimate outcomes delivered to the Victorian community, especially in terms of improved service delivery. Disclosure of a series of case studies could be a useful means of enhancing accountability in this area.

The Committee also maintains that, although a range matters have been disclosed by the government relating to the *Reducing the Regulatory Burden* initiative, to enhance accountability further and to share knowledge across government for continuous improvement, scope exists for the progressive reporting of further information on this cross-government initiative as it unfolds.

The Committee recommends that:

**Recommendation 16:** The Department of Treasury and Finance develop an impact evaluative framework for the progressive reporting of, not only the generation of savings in administrative costs from reducing the regulatory burden on businesses and not-for-profit organisations tracked against targets, but also the quantification of:

(a) savings achieved by reducing compliance costs;

(b) savings made by business regulators in reducing their workload and how such moneys have been used for the public good;

(c) the increased investment in innovation and research and development activities by the business community;

(d) outcomes delivered to the Victorian community in terms of improved service delivery; and
(e) costs involved in the monitoring and oversight of self-regulation.

Recommendation 17: The Department of Treasury and Finance provide timely information on the following matters associated with the future implementation of the Reducing the Regulatory Burden initiative:

(a) the findings of the two whole of government reviews and the 19 regulatory reform initiatives that are underway to identify the measures required to simplify and streamline regulation thereby reducing compliance burdens;

(b) the extent of incentive payments made to reward outcomes that have reduced regulatory burden;

(c) outcomes achieved or compliance activities by all regulators, given that according to the VCEC 43 per cent of the 72 regulators did not disclose such information;

(d) the performance of the department’s Better Regulation Unit against performance measures and targets, including the way in which government funding of $41.5 million that commenced in 2006-07 has been used over the four year period on the cross-government initiative;

(e) ‘best practice’ alternate ways developed for achieving the required regulatory outcomes in a manner that is less burdensome on businesses, not-for-profit organisations and service providers; and

(f) the way in which secondary but related issues, such as the reduction of non-regulatory administrative burdens, have been addressed.
CHAPTER 6: DEPARTMENTAL SAVINGS

Key findings of the Committee:

6.1 Government departments typically implement micro savings measures given the relative ease of identifying and measuring such savings. A balance could be achieved using macro savings measures, such as improving the skills of current employees. However, departments would need to develop a method to calculate the productivity or efficiency gains arising from such measures.

6.2 For 2005-06 and 2006-07, there were two departmental savings measures. One of the savings measures was introduced in the 2003-04 budget to save $628 million over four years to be sourced from administrative efficiencies. The other savings measure was introduced in the 2005-06 budget to save $532 million over four years, to be sourced mainly from a reduction in annual expenditure on consultants and contractors, the consolidation of government print, media and communication services, head office efficiencies, and the rescoping of existing initiatives.

6.3 In relation to the 2005-06 budget savings measure, departments advised that they have met their individual savings targets for 2005-06 and 2006-07. All departments, except for the Department of Treasury and Finance, advised that they did not exceed their savings target by more than 10 per cent.

- The Department of Treasury and Finance advised that its savings result for 2005-06 was in excess of its $31.2 million target. Department of Treasury and Finance verbally advised that it cannot provide an exact figure for its actual savings for 2005-06 and 2006-07. This is because the majority of its savings were sourced from changes to the tax treatment of the Emergency Services Superannuation Scheme and reduction in interest charges on overnight borrowings, which are difficult to determine.

6.4 Although departments advised that they have met their savings targets, depending on what is included in the actual results, the total actual savings achieved was $103.9 million or $134.5 million in 2005-06 and $111.9 million or $143.4 million in 2006-07, compared with the savings targets of $130.8 million in 2005-06 and $135.4 million in 2006-07. If the Department of Treasury and Finance’s controlled savings results are used to calculate the total actual savings, it gives rise to shortfalls of $26.9 million and $23.5 million in 2005-06 and 2006-07, respectively. If the Department of Treasury and Finance’s administered savings are used, it gives rise to surpluses of $3.7 million and $8.0 million in 2005-06 and 2006-07, respectively.

- The Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet and the Department of Primary Industries also reported savings results that were higher than their targets. The Department of Justice’s reported savings results that were lower than its targets. These variances had an overall effect of increasing the total savings results, when compared with the targets. Where there has been a discrepancy between a department’s target and actual savings amounts, the department has provided an explanation for the variance; and
• The variance explanations include: the inclusion of related agencies’ in the savings targets, the inclusion of other departmental savings achievements in the actual amount reported, and the inclusion of savings results that were sourced from the department’s administered activities. These explanations appear reasonable, since departments provided details to the Committee of the other savings amounts pertaining to drought relief, State Purchasing Contracts and WorkCover.

6.5 The Committee asked the Department of Treasury and Finance’s related agencies to identify and quantify their productivity achievements during 2005-06 and 2006-07 and found that:

• of the nine related agencies, only City West Water was able to provide monetary amounts for some of its savings measures. City West Water savings were micro in nature and in 2005-06, they achieved savings of $310,000 and $219,000 in 2006-07;

• in addition to achieving micro savings, Rural Finance and South East Water reported that they achieved macro savings. The macro savings were focused on improving staff skills through training and implementing programs that encouraged innovation in staff and a positive work culture; and

• Transport Accident Commission, Treasury Corporation Victoria, Victorian Management Corporation, Victorian Managed Insurance Authority, Victorian WorkCover Authority and Yarra Valley Water either provided a nil response or advised that they do not measure their productivity and/or savings measures.

6.6 The government only reports the savings targets when it introduces a new savings measure. In doing so, departments do not publish their individual savings targets in a consistent and comprehensive manner. The Committee considers that the Department of Treasury and Finance should ensure that future savings measures should be reported in the same manner as each other, with key information to contain the individual savings measure’s source; when it was introduced (eg during budget or post-budget); and the savings targets.

6.7 In relation to the departments’ actual savings, the Committee considers that departments should report their results in their annual reports. The report should include the individual savings measure’s source, target and actual results, commentary where the department met or failed to meet its target, and what impact the savings had on its program and service delivery. Current non-disclosure of the departments’ actual savings results makes it difficult to determine whether they have met their savings targets.

6.8 A review of the departments’ 2006-07 annual reports revealed that only the Department of Premier and Cabinet and the Department of Treasury and Finance made any mention of the 2005-06 budget savings measure. Although the Department of Justice, Department of Education and the Department of Infrastructure made references to savings in their reports, it was unclear if these savings were part of their efforts in meeting the 2005-06 budget savings measure.
Chapter 6: Departmental savings

6.9 The Committee considers that it would be useful if the departments provided commentary on achievement of their savings targets. This would provide some understanding and transparency on the success of savings measures and the likelihood of success of future savings initiatives.

6.1 Background

This chapter of the report covers the fourth element of the Committee’s review of outcomes relating to economic reform, namely, departmental savings. A savings target is a mechanism by which the government can use to hold a department accountable to ensure that public money is being spent efficiently, while maintaining a high standard of service and program delivery.

The Committee has previously categorised government productivity measures as being either macro or micro. In relation to savings, an example of a macro savings measure would be the productivity or efficiency gains arising from improving the skills of a department’s employees. Examples of micro savings measures would be the efficiency gains arising from streamlining departmental procedures and administration costs, thereby reducing overhead costs.

In reviewing a sample of the government’s ‘previous’ (that is prior to 2005-06), ‘current’ (that is 2005-06 and 2006-07) and ‘future’ (that is 2007-08 and onwards) savings measures, it appears that it has a preference to implement micro savings measures. A reason for this preference for micro savings measures could be because of the relative ease that departments could identify and measure such savings. For example, it is much easier for a department to measure its savings from reducing the number of consultants it engages each year than to quantify the savings and productivity gains it achieved from developing the skills of its existing employees. The difficulty of measuring the productivity and financial gains resulting from macro savings measures could be described as being similar to the difficulties that departments have identified as a barrier to calculating their multifactor productivity gains.

6.2 Departmental savings targets and actual amounts achieved in 2005-06 and 2006-07

In 2005-06 and 2006-07 there were two government-wide and departmental savings measures that were initiated (refer table 6.1). The savings arising from these two measures have been reinvested back into service delivery and will ensure that the government continues to maximise the delivery of its core services to the Victorian community. Subsequent verbal clarification sourced from the Department of Treasury and Finance confirmed that the savings are returned to the Consolidated Fund. The Committee also noted that as part of the government’s drought response, departments were each required to contribute to a total levy of $50 million, which was to be sourced from their 2006-07 appropriations. Departments were also required to reprioritise and redirect existing

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184 For example, in the 2000-01 Budget, the government implemented a savings measure that included to reducing executive officer employees, a one per cent efficiency dividend on supplies and consumables and savings in public relations expenditure. Refer Budget Paper No.2, 2000-01 Budget Statement, p.162
185 See Section 6.2 in this chapter
186 For example, in the 2007-08 Budget, the government announced that it will implement its Efficient Government initiative in 2007-08, which will create savings of $632 million over four years to be reinvested back into frontline services to the community. Refer Budget Paper No.3, 2007-08 Service Delivery, pp.35, 344
187 Refer this report, Chapter Four – Productivity improvement
188 Budget Paper No.3, 2005-06 Service Delivery, p.43
services to achieve savings totalling $40 million in 2006-07. Discussion on the government’s drought relief policy is expanded at chapter 9.

Tables 6.1 and 6.2 show the summaries of the savings measures for 2005-06 and 2006-07 and individual savings targets and actual amounts achieved by departments.

**Table 6.1:** Summary of the government wide and departmental savings measures for 2005-06 and 2006-07

<table>
<thead>
<tr>
<th></th>
<th>2005-06 ($ million)</th>
<th>2006-07 ($ million)</th>
<th>Total ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003-04 budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative efficiencies</td>
<td>163.1&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>167.4&lt;sup&gt;(a)&lt;/sup&gt;</td>
<td>330.5</td>
</tr>
<tr>
<td>2005-06 budget</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reduction in annual expenditure on consultants and contractors, the consolidation of government print, media and communication services, head office efficiencies, and the rescoping of existing initiatives</td>
<td>130.8&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>135.4&lt;sup&gt;(b)&lt;/sup&gt;</td>
<td>266.2</td>
</tr>
<tr>
<td>Total</td>
<td>293.9</td>
<td>302.8</td>
<td>596.7</td>
</tr>
</tbody>
</table>

Notes:  
(a) this amount is an estimate  
(b) information compiled by the Committee based on data – Budget Paper No.3, 2005-06 Service Delivery, pp.281–315


**Table 6.2:** Departmental savings targets and actual amounts achieved against the 2005-06 budget measure

<table>
<thead>
<tr>
<th>Department</th>
<th>2005-06 Target (a) ($ million)</th>
<th>2005-06 Actual (b) ($ million)</th>
<th>2006-07 Target (a) ($ million)</th>
<th>2006-07 Actual (b) ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>14.2</td>
<td>19.0 (c)</td>
<td>16.3</td>
<td>21.1 (c)</td>
</tr>
<tr>
<td>Human Services</td>
<td>29.1</td>
<td>29.1</td>
<td>33.4</td>
<td>33.4</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>14.2</td>
<td>14.2</td>
<td>9.5</td>
<td>9.5</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>13.0</td>
<td>13.0</td>
<td>14.4</td>
<td>15.1 (d)</td>
</tr>
<tr>
<td>Justice</td>
<td>3.9</td>
<td>2.6 (e)</td>
<td>5.0</td>
<td>3.5 (f)</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>1.0</td>
<td>1.0</td>
<td>1.5</td>
<td>2.4 (g)</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>4.7</td>
<td>4.9 (h)</td>
<td>5.3</td>
<td>8.4 (i)</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>15.4</td>
<td>15.4</td>
<td>14.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>31.2</td>
<td>31.2 (j)</td>
<td>31.5</td>
<td>31.5 (j)</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>4.1</td>
<td>4.1</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>Total</td>
<td>130.8</td>
<td>134.5 (k)</td>
<td>135.4</td>
<td>143.4 (k)</td>
</tr>
</tbody>
</table>

Chapter 6: Departmental savings

Notes:  
(a) targets as reported in the Budget Paper No.3, 2005-06 Service Delivery  
(b) actual amounts as reported by the department responses to the 2006-07 Financial and Performance Outcomes questionnaire – part one  
(c) Department of Education advised that it exceeded its 2005-06 target by $4.8 million. Subsequent to the 2005-06 budget, the Department of Treasury and Finance requested that the Department of Education find additional ongoing savings of $4.8 million for WorkCover. Email, received 13 February 2008  
(d) Department of Innovation, Industry and Regional Development advised that the actual amount included $700,000 savings resulting from reprioritising existing services, which was not included in the target. Email, received 6 February 2008  
(e) Department of Justice advised that the target amount included savings of $1.3 million for Victoria Police. The actual amount did not include Victoria Police’s savings result. Email, received 9 January 2008  
(f) Department of Justice advised that the target amount included savings of $1.6 million for Victoria Police. The actual amount did not include Victoria Police’s savings result. Note that there is a slight rounding discrepancy. Email, received 9 January 2008  
(g) At the time of writing, the Department of Premier and Cabinet had yet to provide a response to the Committee’s question clarifying its savings target and actual results  
(h) Department of Primary Industries advised that the actual amount included savings of $81,800 arising from a 2004-05 government decision and savings of $134,600 for the 10 per cent WorkCover reduction that occurred after the 2005-06 budget. These additional amounts were not included in the target amount. Email, received 23 January 2008  
(i) Department of Primary Industries advised that the actual amount included savings of: $83,600 arising from a 2004-05 government decision; $137,900 for the 10 per cent WorkCover reduction that occurred after the 2005-06 budget; $1.1 million, $114,000 and $1.7 million for State Purchasing Contracts, WorkCover and the drought levy, respectively, in 2006-07. These additional amounts were not included in the target amount. Email, received 23 January 2008  
(j) Department of Treasury and Finance advised that the target amount, as reported in budget Paper No. 3, refers to its savings to be sourced from its administered items. The Department of Treasury and Finance advised that it not only met its administered savings targets in 2005-06, but exceeded it. Verbal advice obtained from the Department of Treasury and Finance informed the Committee that the department was unable to provide an exact figure for its savings result, but advised that its administered savings were sourced from changes to the tax treatment of the Emergency Services Superannuation Scheme and reduction in interest charges on overnight borrowings (which, by its nature, is difficult to determine a precise figure). The savings results figures, as reported in the Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes – Part 1, received 13 November 2007, relates to its savings sourced from its controlled activities ($600,000 and zero in 2005-06 and 2006-07, respectively). Email, received 17 January 2008  
(k) See discussion below  

Sources: Budget Paper No.3, 2005-06 Service Delivery, pp.281–315; Department responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one: Department of Education and Early Childhood Development, pp.3–4; Department of Innovation, Industry and Regional Development, p.2; Department of Justice, p.15; Department of Premier and Cabinet, pp.3–4; Department of Primary Industries, pp.3–4; Department of Treasury and Finance, pp.2–3

As table 6.2 depicts, the targets for 2005-06 and 2006-07 are sourced from the 2005-06 budget measure. From the departments’ responses to the questionnaire, it is evident that most departments reported their actual savings amount against this measure. All government departments, except for the Parliamentary departments and the Auditor’s-General office, were required to identify savings for this measure.

In 2005-06 and 2006-07, the government’s total savings targets were $130.8 million and $135.4 million, respectively. Total actual savings from responses to the Committee are calculated at $134.5 million in 2005-06 and $143.4 million in 2006-07. This gives rise to surpluses of $3.7 million and $8.0 million in 2005-06 and 2006-07, respectively. The Committee noted that
savings reported by the Department of Treasury and Finance relate almost exclusively to controlled entities and for items not originally identified in the 2005-06 budget savings package. It is not clear to the Committee what savings the Department of Treasury and Finance achieved on a departmental basis.

Through further questions raised by the Committee, the departments have advised that the discrepancies have been caused by the inclusion of:

- related agencies in the target;
- other departmental savings achievements in the actual amount, which occurred prior and subsequent to the publication of Budget Paper No.3, *2005-06 Service Delivery*; and
- a department’s savings to be sourced from its administered activities in Budget Paper No.3, instead of its controlled activities.

These explanations appear reasonable, since the departments provided details to the Committee of the other savings amounts pertaining to drought relief, State Purchasing Contracts and WorkCover (refer notes at table 6.2).

Despite the discrepancies between the figures, in their responses to the Committee’s questionnaire, all departments reported that they have achieved their savings target.

The higher result for the total savings for 2005-06 and 2006-07 can be attributed to the inclusion of the Department of Treasury and Finance’s administered savings ($31.2 million and $31.5 million in 2005-06 and 2006-07, respectively) and the other savings achievements by the Department of Education, the Department of Innovation, Industry and Regional Development and the Department of Primary Industries. The Department of Premier and Cabinet also reported a higher savings result for 2006-07, however, at the time of writing this chapter, the Committee had yet to receive a response clarifying the department’s results. Only the Department of Justice savings results were less than its targets, however, this was because the department did not include the savings results for its related agencies in its response to the questionnaire.

The lower range of the savings results can be attributed to the inclusion of the Department of Treasury and Finance’s controlled savings results ($600,000 and zero in 2005-06 and 2006-07, respectively). The exclusion of the Department of Treasury and Finance’s administered savings results mitigates the impact of the higher savings results by the Department of Education, the Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet and the Department of Primary Industries.

From the responses provided by the departments, the Committee noted the following:

- currently, the government only reports the savings targets when it introduces a new savings measure. However, as table 6.2 shows, departments do not publish their savings targets in a consistent manner in Budget Paper No 3. The Committee considers that the Department of Treasury and Finance should provide clear guidance to departments in regards to reporting their savings targets in Budget Paper No 3;

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190 See note (j) to table 6.2
• incomplete disclosure of post-budget savings measures. As the Department of Education’s response to the Committee demonstrated, its WorkCover savings measure, which occurred post-budget, was not disclosed in Budget Paper No 3. Incomplete disclosure of measures (whether they relate to expenses, savings or revenue) diminishes transparency in government reporting. Furthermore, it hinders the ability of the public determine whether these measures have been implemented successfully;

• a review of their annual reports and budget papers show that departments do not report on their individual savings targets and actuals on a consistent and comprehensive manner. In 2006-07, only the Department of Premier and Cabinet and the Department of Treasury and Finance provided high-level discussion in their annual reports of the savings achieved from the renegotiation of the State Purchase Contract.191 The Department of Justice, the Department of Education and the Department of Infrastructure made brief mention of the savings they achieved during the year.192 However, it is unclear from any of the departments’ reports what their savings targets were and whether they achieved them; and

• the annual report should include the targets and actual amounts that the department achieved for all of the different savings measures that occurred for the relevant financial year and the source of those savings. The report should also detail explanations for instances where the actual savings amount differs from the target amount. As mentioned in the introductory section to this chapter, savings measures is a mechanism by which the government can use to hold a department accountable to ensure that public money is being spent efficiently, while maintaining a high standard of service and program delivery. Incomplete and inconsistent disclosure of a department’s target and actual savings in its annual report would diminish transparency and accountability in government reporting.

6.3 Where the savings were sourced?

Departments were also asked if they had achieved savings of 10 per cent or greater than the target; and how departments achieved these additional savings. All departments, except for the Department of Treasury and Finance, advised that they did not exceed the savings target. In an email to the Committee, the Department of Treasury and Finance advised that they exceeded their 2005-06 administered savings target of $31.2 million.193 Verbal advice provided by Department of Treasury and Finance informed the Committee that the department was unable to provide an exact figure for its savings result, but advised that its administered savings were sourced from changes to the tax treatment of the Emergency Services Superannuation Scheme and reduction in interest charges on overnight borrowings (which, by its nature, is difficult to determine a precise figure).

The Committee considers that it would be useful if the departments provided commentary on achievement of their savings target. This would provide some understanding on the success of savings measures and the likelihood of success of future savings initiatives.

Some departments identified where they sourced their savings. For example, the Department of Premier and Cabinet met its savings targets and advised that the savings were achieved proportionally across the department through the use of cost-efficient whole of government contracts, cost management and a reduction in discretionary spend.

191 Department of Premier and Cabinet, 2006-07 Annual Report, p.34; Department of Treasury and Finance, 2006-07 Annual Report, p.6
192 Department of Justice, 2006-07 Annual Report, p.95; Department of Education, 2006-07 Annual Report, p.80; Department of Infrastructure, 2006-07 Annual Report, p.50
193 Department of Treasury and Finance, email, received 17 January 2008
The Committee asked departments to provide details and a breakdown of their savings results. However, at the time of writing this chapter, only the Department of Education, the Department of Human Services, Department of Justice, Department of Primary Industries and the Department for Planning and Community Development were able to provide this information. The Department of Sustainability and Environment advised that it was unable to provide a break down of its savings because:194

*The savings were incorporated into the department’s 2007-08 budget development process. Accordingly, we do not separately track savings as such. Continued monitoring by the department to ensure that it meets its 2007-08 budget is in place. Indications to date are that the department is on track to meet its budget.*

The following section will also include a summary of the responses provided by the Department of Treasury and Finance related agencies regarding their savings initiatives.

### 6.3.1 Department of Education

From further questions raised by the Committee, the Department of Education provided details of its savings results. The department submitted the following, (table 6.3) that provided a breakdown of its savings achievements.

#### Table 6.3: Department of Education contributions 2005-06 whole of government savings Initiative

<table>
<thead>
<tr>
<th>Savings sources</th>
<th>2005-06 ($ million)</th>
<th>2006-07 ($ million)</th>
<th>2007-08 ($ million)</th>
<th>2008-09 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>General departmental savings</td>
<td>7.63</td>
<td>8.88</td>
<td>9.88</td>
<td>10.88</td>
</tr>
<tr>
<td>Contractors and consultants</td>
<td>2.90</td>
<td>2.90</td>
<td>2.90</td>
<td>2.90</td>
</tr>
<tr>
<td>Communications</td>
<td>3.74</td>
<td>4.55</td>
<td>4.62</td>
<td>4.58</td>
</tr>
<tr>
<td>Subtotal</td>
<td>14.27</td>
<td>16.33</td>
<td>17.40</td>
<td>18.36</td>
</tr>
<tr>
<td>WorkCover (post 2005-06 budget)</td>
<td>4.80</td>
<td>4.80</td>
<td>4.80</td>
<td>4.80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19.07</strong></td>
<td><strong>21.13</strong></td>
<td><strong>22.20</strong></td>
<td><strong>23.16</strong></td>
</tr>
</tbody>
</table>

*Source: Department of Education, email, received 13 February 2008*

As table 6.3 shows, the department made savings of $14.3 million in 2005-06 and $16.3 million in 2006-07, thereby meeting its savings target. The department advised that savings targets arose as a result of it commissioning an internal review to identify areas of resource efficiency and reprioritisation.195 The results of the review were combined with whole of government savings requirements and integrated into the development of the department’s budget for 2005-06.196 The department monitored the progress of its savings achievements and were reported periodically to the Department of Treasury and Finance.197

The savings arising from general departmental and contractor and consultant expenditure formed part of the department’s overall savings program and were not discrete initiatives, contracts or programs.198 However, the savings arising from the communications initiatives included the standardisation of Print Management Services, the restructuring of arrangements under the Master

194 Department of Sustainability and Environment, email, received 28 February 2008
195 Department of Education, email, received 25 March 2008
196 Department of Education, email, received 25 March 2008
197 Department of Education, email, received 25 March 2008
198 Department of Education, email, received 25 March 2008
Agency Media Services contract, rationalisation relating to the Media Monitoring Unit at the Department of Premier and Cabinet and review of Telematics and Video operations.\footnote{199}

In October 2005, the Department of Treasury and Finance requested that the Department of Education source additional ongoing savings for WorkCover. These ongoing savings of $4.8 million were endorsed post 2005-06 budget, resulting in the Department of Education’s total savings for 2005-06 and 2006-07 as $19.1 million and $21.1 million, respectively. The Department of Education advised that these totals were not separately identified in the 2006-07 budget because it was ongoing from the previous year.\footnote{200}

The Department of Education also advised that subsequent to the 2006-07 budget, on 23 October 2006 the Premier announced a levy across all government departments for drought assistance. The Department of Education was required to find one-off savings of $10 million.\footnote{201} Discussion on the department’s drought relief contribution is expanded at Chapter 10.

\subsection{6.3.2 Department of Human Services}

The Department of Human Services met its savings target for 2005-06 and 2006-07. As table 6.4 shows, the department sourced its savings from consultancies, general departmental savings and print media/communications.

\footnote{199} Department of Education, email, received 25 March 2008  
\footnote{200} Department of Education, email, received 13 February 2008  
\footnote{201} Department of Education, email, received 13 February 2008
### Table 6.4: Department of Human Services contributions 2005-06 whole of government savings initiative

<table>
<thead>
<tr>
<th>Savings arising from:</th>
<th>2005-06 ($ million)</th>
<th>2006-07 ($ million)</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancies</td>
<td>3.7</td>
<td>3.7</td>
<td>The consultancy savings were achieved across all of Department of Human Services outputs through a proportionate budget reduction based on prior years expenditure. The impact of this was to variously delay; conduct internally; or reduce the scope or extent of external resourcing of, works that for reasons of timeliness, specialist expertise or independence would have been commissioned to consultants.</td>
</tr>
<tr>
<td>General departmental savings</td>
<td>24.5</td>
<td>24.5</td>
<td>Savings were achieved through a variety of measures, including: Two per cent reduction to non direct care staffing costs; Reduction in operating costs including, supplies and consumables, telecommunication, desk top licensing costs, and Web rationalisation; Introduction of full cost recovery for inter-country adoptions and introduction of more standardised community health services fee structures; and Operational efficiencies and reduction to non-recurrent funding for once-off grants. These savings were derived from efficiency gains or more appropriate service pricing structures. The effect of these measures has been to improve non-service related efficiency and service access equity.</td>
</tr>
<tr>
<td>Print media/communications</td>
<td>0.9</td>
<td>5.2</td>
<td>Savings were achieved through: Standardisation of printed materials and purchasing processes through engagement of outsourced print management provider; Restructuring arrangements of the Master Agency Media Services contract; and Utilisation of media monitoring unit by Department of Premier and Cabinet rather than purchasing media monitoring services externally. The impact of these measures was to improve the usage efficiency of print media/communications across the Department of Human Services.</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>29.1</strong></td>
<td><strong>33.4</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Department of Human Services, email, received 19 February 2008*

### 6.3.3 Department of Justice

The Department of Justice met its savings target for 2005-06 and 2006-07. As table 6.5 shows, the department sourced its savings from consultancies, general departmental savings and print media/communications.
Table 6.5: Department of Justice contributions
2005-06 whole of government savings initiative

<table>
<thead>
<tr>
<th>Savings arising from:</th>
<th>2005-06 ($ million)</th>
<th>2006-07 ($ million)</th>
<th>Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultancies</td>
<td>0.790</td>
<td>0.790</td>
<td>Savings were sourced by reducing consultancy budgets across all business units within the department. The savings have been managed by prioritising use of the reduced consultancy budget and drawing more on the skills and abilities of the existing staff for consultancy related activities.</td>
</tr>
<tr>
<td>General departmental savings</td>
<td>1.650</td>
<td>2.060</td>
<td>Savings were sourced by reducing budgets across all business units within the department. Business units were requested to manage with the reduced budget. Generally this will be met by delaying the employment of staff to vacant positions, reduced spending on maintenance and delaying the purchase of minor assets (prior to 1 July 2007 assets &lt;$1k were expensed).</td>
</tr>
<tr>
<td>Print media/communications</td>
<td>0.164</td>
<td>0.615</td>
<td>Savings were sourced by reducing the Print media/communications budgets across all business units within the department. Business units were requested to manage with the reduced budget. Generally hard copy printing was replaced by electronic distribution where practical. No major implications except where the Public has limited access to electronic information.</td>
</tr>
<tr>
<td>Total</td>
<td>2.6</td>
<td>3.5</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Justice, email, received 3 March 2008

The Committee also requested the Department of Justice provide a breakdown of Victoria Police’s 2006-07 savings results. The department advised that:

... a number of savings strategies were adopted by Victoria Police to achieve the $1.7 million contribution to the government’s target drought savings target.

These strategies included the management of unsworn staff vacancies, particularly in the IT area, delaying the roll-out of specific components of the technology refresh project and late take up of staff for the vehicle impoundment project. The surpluses generated by these measures met the required savings target imposed by government.

6.3.4 Department of Primary Industries

The Department of Primary Industries provided the following material on the various components of its targeted savings for 2005-06 and 2006-07.

Corporate and Strategic Efficiencies ($1.2 million in 2005-06 and $1.3 million in 2006-07)

Savings were achieved through the merger of the Ground Floor Information Centre with the Level 16 Minerals and Petroleum Business Centre

202 Department of Justice, email, received 3 March 2008
Efficiencies in Agriculture Business Management ($0.8 million in 2005-06 and 2006-07)

Savings have been found through re-aligning the Agriculture Business Management area to correspond with structural changes which occurred within the department, such as the establishment of Biosecurity Victoria.

Agriculture Research and Development ($0.3 million in 2005-06 and 2006-07)

Savings have been found through the conclusion of fixed term research and development contracts. This did not affect the completion of any projects however the funding was not reinvested in any future projects.

Specialised Rural Industries Research and Development ($0.1 million in 2005-06 and 2006-07)

Savings were achieved by terminating investment into the Future Family Farms project.

Fisheries Research and Development Funding ($0.6 million in 2005-06 and 2006-07)

Savings were found through not reinvesting discretionary research and development funding in short-term projects, and by reducing the diversity of research data obtained.

Reduction in Industry Extension Services ($1.4 million in 2005-06 and 2006-07)

In 2005-06, there was a reduction in funding for the pest plant and animal program which resulted in less departmental staff in Eastern Victoria. There were also savings in the Grains and Horticulture extension programs as industry co-investment was not adequate. These staff were transferred within the department to work on plant biosecurity surveillance.

Consultants, contractors, media and printing savings ($0.2 million in 2005-06 and $0.7 million in 2006-07)

Savings in these areas were found through participating in Whole of Government contracts, general efficiency reductions and sourcing of lower cost options.

### 6.3.5 Department for Planning and Community Development

The Department for Planning and Community Development met its 2005-07 and 2006-07 savings targets. The savings were sourced from a variety of areas across the department. Savings in consultancies ($140,000 in 2005-06 and $240,000 in 2006-07) were allocated proportionately across all outputs of the department according to each outputs percentage share of operating funding. General departmental savings ($500,000 in 2005-06 and $600,000 in 2006-07) were allocated in the same manner.\(^{203}\)

Accommodation savings of $500,000 in 2005-06 and 2006-07 were sourced from the Community Information Services output, specifically by making efficiencies in Information Victoria accommodation expenditures. The remainder of allocated savings were achieved within the Employment Programs output via reducing the subsidy paid to other government departments for Youth Employment Scheme (YES) trainees. YES trainee intakes were not affected as a result.\(^{204}\)

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\(^{203}\) Department for Planning and Community Development, email, received 12 March 2008

\(^{204}\) Department for Planning and Community Development, email, received 12 March 2008
6.3.6 Department of Treasury and Finance

The Committee requested that the Department of Treasury and Finance’s related agencies identify and quantify their productivity achievements during 2005-06 and 2006-07. The Committee found that:

- of the nine related agencies, only City West Water (CWW) was able to provide monetary amounts for some of its savings measures. City West Water savings were micro in nature and in 2005-06, they achieved savings of $310,000 and $219,000 in 2006-07;
- in addition to achieving micro savings, Rural Finance and South East Water (SEW) reported that they achieved macro savings. The macro savings were focused on improving staff skills through training and implementing programs that encouraged innovation in staff and a positive work culture; and
- Transport Accident Commission, Treasury Corporation Victoria, Victorian Management Corporation, Victorian Managed Insurance Authority, Victorian WorkCover Authority and Yarra Valley Water either provided a nil response or advised that they do not measure their productivity and/or savings measures.

Further discussion of the Department of Treasury and Finance’s related agencies’ productivity provided in chapter 4 (Productivity improvement). The Committee will endeavour in preparing its 2007-08 Outcomes report to seek more precise details of savings and efficiency gains or contributions by agencies as well as by department’s proper.
### Table 6.6: Department of Treasury and Finance related agencies’ response to savings question

<table>
<thead>
<tr>
<th>Agency</th>
<th>Response</th>
</tr>
</thead>
</table>
| City West Water  | • $310,000 in 2005-06. Use of single schedule of rates contract – lower rates for leak detection contract.  
                    • change of telecommunication service provider.  
                    • credit rating review now being undertaken by Department of Treasury and Finance/Fitch.  
                    • new bill printing contract – lower rates.  
                    • reduction in road reinstatement costs – set up holistic contract versus ad hoc approach.  
                    • $73,000 in 2006-07: Efficiency gained from change in process: initial inspection undertaken during leak detection program at no cost.  
                    • the utilisation of new computer technology reducing manual handling (I-Appraise) for sewer vent inspections  
                    • $146,000 in 2006-07 Renewals of Enterprise agreement for Microsoft software licences under whole of government contract – $110k over 3 years.  
                    • savings achieved by signing on to government contract for company’s PC fleet with Dell Computer.  
                    • FBT savings through the use of after tax contributions for novated lease and company cars. |
| Rural Finance    | **Macro Productivity**  
                    Continuing training programs and improving staff skills has increased overall productivity. This has been further supported through the implementation and continued monitoring of health and safety programs to ensure Rural Finance has a safe and secure workplace environment. The safe workplace environment has also shown staff that Rural Finance is a caring employer.  
                    **Micro Productivity**  
                    The implementation of operational measures to improve work practices and to eliminate duplication has improved the efficiency level in administration activities. Rural Finance ensures that internal controls are best practice and works closely with internal auditors to continuously implement improvements identified during the annual internal audit or through processes identified by Rural Finance’s newly established Risk and Compliance Division. |
| South East Water | In respect of the 2005-06 and 2006-07 financial years, despite facing cost pressures through real price increases for labour, materials and sub-contractor charges, operating costs have been below budget, resulting in the achievement of productivity savings of in excess of 1 per cent per annum. This is largely due to proactive focus by management on cost containment and improvements in productivity levels across the organisation. |
Table 6.6: **Department of Treasury and Finance related agencies’ response to savings question (continued)**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Response</th>
</tr>
</thead>
</table>
| **South East Water (continued)** | Examples of initiatives introduced by the Company at the macro and micro levels that have a positive impact on productivity are:  
  • undertook widespread education for staff on how to foster innovation;  
  • launched the Brainwaves Cup which is an internal business planning competition that encourages teams to identify and develop significant, innovative projects;  
  • launched a new employee volunteering program to give our staff an opportunity to make a contribution to the communities in which they live and work;  
  • introduced the Movin’ Blue program aimed at building the right culture at South East Water and creating the right environment for staff to perform at their best every day;  
  • renegotiated contracts for telecommunication services, accommodation leases, electricity supply, insurance premiums and others;  
  • upgraded key computer systems and associated hardware platforms which resulted in savings in IT support and maintenance costs and lower equipment lease charges; and  
  • undertook benchmarking of corporate areas which resulted in improved processes and implementation of a number of value adding initiatives. |
| **Transport Accident Commission** | The Transport Accident Commission (TAC) is unable to provide advice on multifactor productivity improvement and labour productivity improvement with any degree of confidence in its robustness or reliability.  
  The creation of labour productivity and multifactor improvement measures for the TAC would be excessively difficult and suffer from severe quality and measurement issues. The TAC understands that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy.  
  Information prepared for the non market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information across the range of outputs provided by the TAC and difficulty in calculating improvements in the quality of outputs.  
  Given that the ABS is currently unable to produce productivity estimates for the non market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for the TAC. |
| **Treasury Corporation Victoria** | Nil response                                                                                                                                  |
| **Victorian Funds Management Corporation** | Nil response                                                                                                                                                                                                 |


Table 6.6: Department of Treasury and Finance related agencies’ response to savings question (continued)

<table>
<thead>
<tr>
<th>Agency</th>
<th>Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victorian Managed Insurance Authority</td>
<td>The VMIA does not currently have in place processes to measure and quantify improvements in productivity in relation to growth in multifactor or labour productivity.</td>
</tr>
</tbody>
</table>
| Victorian WorkCover Authority       | The Victorian WorkCover Authority (VWA) is unable to provide advice on multifactor productivity improvement and labour productivity improvement with any degree of confidence on its robustness or reliability.  
                                        The creation of labour productivity and multifactor productivity measures for VWA would be excessively difficult and suffer from severe quality and measurement issues. VWA understands that this information is only produced by the Australian Bureau of Statistics (ABS) for the market sector of the economy. Information prepared for the non market sectors (that is government related) of the economy are difficult to quantify due to such factors as the lack of price information across the range of outputs provided by the VWA and difficulty in calculating improvements in the quality of outputs.  
                                        Given that the ABS is currently unable to produce productivity estimates for the non market sector at the national level, it would be extremely difficult and unreliable to produce productivity estimates for this agency. |
| Yarra Valley Water                  | Yarra Valley Water advised that it does not measure its productivity changes.                                                                                                                            |

Source: Agency responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire: City West Water, pp.2–3; Rural Finance, p.1–2; South East Water Limited, pp.1–2; Transport Accident Commission, p.1; Treasury Corporation Victoria, p.1; Victorian Funds Management Corporation, p.1; Victorian Managed Insurance Authority, p.1; Victorian WorkCover Authority, p.1; Yarra Valley Water, p.1
6.4 Conclusion

As this chapter demonstrated, the current reporting practice for savings measures is at best limited. Given that savings measures account for over $100 million of public money each year, the Committee believes that there should be disclosure by departments of savings measures. Disclosure of this information similar to the following template would be preferable.

Table 6.7: Template on reporting department’s savings targets and results

<table>
<thead>
<tr>
<th>Department of Sports</th>
<th>2007-08 Target ($ million)</th>
<th>2007-08 Actual ($ million)</th>
<th>Additional information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2004-05 budget</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative savings initiative. Savings to be sourced from centralising print and media services. Introduced in the 2004-05 budget and terminating in 2007-08.</td>
<td>0.5</td>
<td>0.5</td>
<td>Savings were sourced from reducing the print run for brochures in the department’s ‘Active Victoria’ program. This reduced print run would not have an impact on the delivery of the program because research (conducted by the department) has shown that there has been 15 per cent increase in the number of people accessing the website for the same information.</td>
</tr>
<tr>
<td><strong>2005-06 budget</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings initiative to fund drought programs. Savings to be sourced from reprioritising existing services and programs. Introduced in the 2005-06 budget and terminating in 2008-09.</td>
<td>4.5</td>
<td>4.0</td>
<td>The department did not meet its savings target by $500,000 in 2007-08 due to inadequate planning. The department will make up the shortfall in 2008-09 by reducing non-ongoing staff. The savings target and results include savings of $200,000 by a related agency.</td>
</tr>
<tr>
<td><strong>Post 2006-07 budget</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whole of government savings initiative to encourage efficiency within departments. Savings to be sourced from reducing departmental consumption of paper, water and electricity. Introduced in August 2006 as an ongoing initiative after the 2006-07 budget. This initiative was not separately identified in the 2007-08 budget because it was ongoing from the previous year.</td>
<td>0.2</td>
<td>0.3</td>
<td>The department exceeded its savings target by $100,000 in 2007-08. The department achieved the additional savings through encouraging staff to adopt environmentally-friendly behaviours. Examples of such behaviours included: printing double-sided, switching off lights and power points when not in use.</td>
</tr>
<tr>
<td><strong>Total savings</strong></td>
<td>5.2</td>
<td>4.8</td>
<td></td>
</tr>
</tbody>
</table>
In considering this matter, the Committee sought advice from the Department of Treasury and Finance. They advised as follows:

When assessing what information should be included in agency annual reports, it is first important to consider the purpose of these publications. In essence, they represent strategic accountability documents that facilitate user assessments of agencies’ performance, relative to their operational and financial objectives. The financial statements contained therein provide users with summary information about the reporting entity’s financial performance and standing, while the related operations reports provide complementary analysis and discussion of entity outcomes - against the agencies’ key financial and operational objectives.

The financial management and accountability framework for government departments in Victoria focuses on the delivery of outputs and outcomes, rather than the management of inputs. Under this framework, departments agree to deliver specific outputs within defined quality, timeliness and cost parameters, while the government agrees to fund these outputs upon delivery, as demonstrated through the achievement of the agreed performance parameters/measures. The day-to-day management of departmental inputs (such as staff, external resources, supplies etc), within the agreed output prices, is the responsibility of internal management and not central to external accountability. This is in line with contemporary thinking and practice across the Australian public sector, and internationally.

Now turning to the issue of “savings” and their reporting in annual reports -

Annual output pricing decisions by government take account of many factors, including expected changes in demand, additional and/or discontinued activities/programs, potential efficiency opportunities, etc. They represent the amounts the government has agreed to pay for the delivery of agreed departmental outputs. In cases where output prices are reduced by government on the expectation that departments will deliver outputs at a lower cost, departmental managers are responsible for developing the necessary responses to deliver the agreed outputs at the lower cost (that is to achieve the required savings). Accordingly, external assessments of departmental performance/delivery can be made by assessing departmental achievements against the agreed cost, quality and timeliness measures – information that is already published in annual reports.

In conclusion, DTF is of the view that current annual reporting guidelines, which require departments to report on the entities’ operational and financial objectives, including performance against those objectives and the key factors that affected the entities’ performance, remain appropriate. Therefore, we do not propose to introduce additional reporting requirements focusing on the internal management of input costs by departments, which would be inconsistent with the current financial management accountability framework.

The Committee remains of the view that, where savings are identified to Parliament as part of the budget process, then general accountability would require that these be subsequently accounted for to Parliament. The Committee believes that annual reports are the appropriate framework for this, rather than it having to rely on yearly questionnaires from the PAEC Secretariat.
The Committee recommends that:

**Recommendation 18:** The Department of Treasury and Finance provide guidance to departments to report, on an annual basis:

(a) disclosure information on savings targets and results to be improved;

(b) their savings targets in a consistent manner in Budget Paper No 3. Departments should clearly identify whether the amounts include their related agencies; and whether it includes other savings targets. The statement should also include where the department intends to source the savings from;

(c) the targets and actual amounts in their annual reports of their savings achievements for all of the different savings measures that occurred for the relevant financial year. The annual report should also include details of the savings measure, the source of savings, explanations for instances where the actual savings amount differs from the target amount by more than 10 per cent, and whether such instances had an impact on the delivery of services; and

(d) savings measures that were approved post-budget for inclusion in subsequent financial reports (e.g. budget update). Where a measure was approved after the budget update, it should be disclosed in a note in the upcoming Budget Paper No 3 or annual financial report.
CHAPTER 7: REVENUE AND REVENUE FOREGONE

Key findings of the Committee:

7.1 Revenue raised in 2006-07 in Victoria’s general government sector totalled $34.9 billion and accounted for around 87 per cent of the state’s total revenue for the year.

7.2 There is scope for widening the annual reporting responsibilities of departments to encompass information on expected and actual demand, service and social outcomes arising from revenue decisions of government.

7.3 Budget estimates in 2006-07 of revenue foregone estimated tax expenditures (including the value of tax free thresholds) at $4.3 billion and concessions at $1 billion. The Department of Treasury and Finance has estimated that revenue foregone on tax expenditures and subsidies within its control amounted to $4.1 billion in 2006-07. The Department of Human Services reported that household concessions amounted to $353.8 million. It is recognised that other departments provide significant subsidies or concessions (e.g. transport and rural programs).

7.4 The annual budget papers already contain useful commentary on the expected financial impact of revenue foregone measures such as exemption thresholds, concessions, subsidies and other reductions in revenue announced in the budget. Considerable information is presented on land tax decisions and other forms of tax relief. Information will be sought in future years from all departments and key agencies on the full extent of subsidies and concessions.

7.5 There is potential to expand year-end reporting by departments and agencies on revenue foregone measures. Widened reporting should provide Parliament with a full account of all revenue foregone especially in terms of subsidies and concessions.

7.6 The Department of Treasury and Finance should assess the merit of introducing a standardised framework in the public sector for the reporting of costs incurred in the collection of revenue, incorporating disclosure of cost to revenue ratios.

7.7 The Committee would welcome a performance audit by the Auditor-General of revenue management across Victoria’s main revenue raising agencies.

7.1 Introduction

The government relies on both state-sourced revenue and Commonwealth grants to deliver services to Victorians.

Like other governments, the Victorian Government uses a range of revenue instruments, for example taxes, fines and subsidies, to influence individuals, businesses and communities. In doing so, it seeks to achieve outcomes for particular economic and social objectives. For example, its long-term taxation objective is to ‘provide a fair and efficient tax system that is competitive with
other states’.

It also has a range of objectives under it’s A Fairer Victoria programs to provide support for vulnerable groups.

In its annual budget papers, the government outlines the revenue expected to be received under various revenue categories over the ensuing four year forward estimates period together with revised revenue estimates for the previous financial year. This prospective information is complemented by retrospective reporting within its annual financial report after the end of each financial year of a comparison of actual revenue and the latest revised estimates for that year.

In the 2007-08 Budget Papers, the government explained that policy decisions, economic conditions and Commonwealth-State financial relations can affect the relative size and proportion of government revenue sources that are available to support service delivery in Victoria.

Chapter 2 (Overview of the state’s 2006-07 financial outcomes)of this report provides an overview of the state’s financial outcomes in 2006-07. It summarises information on the government’s revenue transactions for the year, including reasons for movements in particular revenue items, as presented in the government’s 2006-07 annual financial report.

In Victoria’s general government sector, which comprises departments and other budget-funded agencies, the government received income from transactions totalling $34.9 billion in 2006-07, around 87 per cent of the state’s total revenue for the year. Table 7.1 dissects the general government sector’s revenue for 2006-07 according to the main revenue categories.

### Table 7.1: Composition of general government sector’s revenue for 2006-07

<table>
<thead>
<tr>
<th>Revenue item</th>
<th>2006-07 Budget ($ million)</th>
<th>2006-07 Revised Estimate ($ million)</th>
<th>2006-07 Actual ($ million)</th>
<th>2006-07 Actual (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commonwealth Grants</td>
<td>15,077.9</td>
<td>15,278.4</td>
<td>15,600.9</td>
<td>44.7</td>
</tr>
<tr>
<td>Taxation</td>
<td>10,971.0</td>
<td>11,471.5</td>
<td>11,701.8</td>
<td>33.5</td>
</tr>
<tr>
<td>Sale of goods and services</td>
<td>2,552.4</td>
<td>2,590.6</td>
<td>2,863.3</td>
<td>8.2</td>
</tr>
<tr>
<td>Dividends, income tax and rate equivalent revenue</td>
<td>958.1</td>
<td>1,041.5</td>
<td>1,422.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Fines and regulatory fees</td>
<td>832.4</td>
<td>793.3</td>
<td>765.2</td>
<td>2.2</td>
</tr>
<tr>
<td>Interest</td>
<td>293.1</td>
<td>323.9</td>
<td>422.7</td>
<td>1.2</td>
</tr>
<tr>
<td>Other revenue(a)</td>
<td>1,757.2</td>
<td>1,852.3</td>
<td>2,109.4</td>
<td>6.1</td>
</tr>
<tr>
<td>Total revenue</td>
<td>32,442.1</td>
<td>33,351.5</td>
<td>34,885.7</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Note: (a) includes fair value of assets received free of charge, donations and gifts, rents and royalties and miscellaneous revenue


Table 7.1 shows that revenue in the general government sector in 2006-07 was $2.4 billion (or 7.5 per cent) higher than initially estimated and that Commonwealth grants and taxation accounted for around 78 per cent of total revenue for the year. As explained in Chapter 2, the government indicated in its annual financial report that a higher than expected operating result in the general government sector for 2006-07 reflected growth in revenue mainly due to the unexpected strength

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205 State of Victoria, 2006-07 Annual Financial Report, p.8
206 Budget Paper No. 2, 2007-08 Strategy and Outlook, p.53
of the Victorian and national economies, and the continued strength of equity markets in that year, partly offset by growth in expenses.207

This chapter presents a partial picture of revenue foregone which includes the imputed costs of subsidies (both explicit and implicit), concessions, tax relief and exemptions. The Committee’s analysis is based on returns from a range of government departments. The Committee will seek in future reports to expand its analysis of subsidies and concessions.

As part of its 2006-07 outcomes inquiry, the Committee sought information from departments relating to their responsibilities for revenue management including:

- itemised schedules of revenue, such as taxation, duties, fines and fees, collected in 2005-06 and 2006-07;
- revenue foregone in terms of concessions and subsidies provided in 2005-06 and 2006-07;
- costs, including enforcement expenses, incurred in the collection of revenue; and
- impacts of changes in revenue streams on demand and service levels, social issues and
- available comparisons with other state jurisdictions.

7.2 Revenue collected in 2006-07

The financial data submitted by departments to the Committee on their revenue collections mainly duplicated information presented to Parliament in their annual financial statements as part of their annual reports. The submitted data generally comprised details of departmental appropriations (recorded as controlled revenue in financial statements) and of revenue collected on behalf of central government and remitted to the Consolidated Fund (recorded as administered revenue in financial statements).

After consideration of this material, the Committee determined that presentation of the quantum of revenue collections by individual departments would not add any further value beyond the information already presented in audited financial statements and, globally, in the government’s annual financial reports and budget papers for 2005-06 and 2006-07.

The material did, however, highlight that very limited attention is directed in departments to certain managerial issues associated with revenue administration such as the impacts of periodic changes in revenue streams on demand and service levels, and social issues. Departments also offered little information on any available comparisons of their revenue responsibilities with other state jurisdictions.

Only three departments provided a specific response on demand and service consequences of revenue streams and only two gave a limited response to the question of comparisons with other state jurisdictions. The responses received on these issues were as follows.

Department of Justice (relating to Victoria Police)

No measurable impact in terms of social outcomes. These are not items which are presently benchmarked across policing jurisdictions, so no comment is able to be made.

Department of Primary Industries

There are no impacts on demand and service levels.

Department of Sustainability and Environment

The department does not retain any benefit from the revenue collected. The impacts on demand and social levels can only be assessed at a whole of government level. It is not possible to undertake comparisons with other state jurisdictions as there is insufficient detail of the revenue in the reported information of other jurisdictions.

The Committee recognises the government publishes information in its budget papers and annual financial reports on the financial parameters of revenue relief decisions likely to impact on particular community groups such as land tax and pensioner concessions. These matters are discussed in the following section on revenue foregone. The budget papers also present information on Victoria’s competitiveness with other jurisdictions on state taxation (the latter is measured annually as a share of nominal GSP).  

However, based on the limited information submitted by several departments in relation to revenue impacts, the Committee sees benefit in the Department of Treasury and Finance examining the potential for expanding departmental reporting on revenue management to encompass identification of expected and actual demand and service outcomes, including social consequences, arising from revenue decisions (and subsequent changes to those decisions) reached centrally by government. Action along these lines could create a more visible and robust nexus between:

- the high level strategic demand and service forecasts presented in the budget papers associated with revenue decisions,
- the retrospective global revenue figures reported in the annual financial report; and
- the specific service, demand and social outcomes identified by departments at the points of service delivery and revenue enforcement.

The Committee recommends that:

Recommendation 19: The Department of Treasury and Finance conduct research to assess the benefit of expanding departmental reporting responsibilities to encompass commentary on expected and actual demand, service and social outcomes arising from central revenue decisions of government.

7.3 Revenue foregone in 2006-07 and 2005-06

Each year, the government presents commentary in the annual budget papers on the expected financial impact of revenue foregone initiatives such as exemption thresholds, concessions, subsidies and other reductions in revenue announced in the budget. Quite comprehensive information is presented on land tax decisions and other forms of tax relief.

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208 See for example the discussions on the state’s taxation competitiveness presented on page 10 of Budget Paper No 2, 2007-08 Strategy and Outlook and on page 12 of the government’s annual financial report for 2006-07
Chapter 7: Revenue and revenue foregone

The budget papers address tax relief issues from two perspectives, tax expenditures and revenue concessions. Tax expenditures are defined as tax concessions granted to certain taxpayers, activities or assets, which are a deviation from the normal taxation treatment and include tax free thresholds and exemptions. Concessions are defined as a direct budget outlay or reduction in government charges that has the effect of reducing the price of a good or service for particular groups. The budget papers explain that certain characteristics of the consumer, such as possession of a Commonwealth pension card or a health care card, are the basis for entitlement to a concession.\(^{209}\)

The 2006-07 Budget Papers show that tax expenditures (including the value of tax-free thresholds for land and payroll tax) for that year were estimated to total $4.3 billion, of which payroll tax exemptions were projected to be $2.4 billion (or 56 per cent) of total estimated tax expenditures and land tax exemptions to be $1.5 billion (or 35 per cent). The budget papers also indicate that concessions in 2006-07 had an estimated value of $1 billion (compared with an equivalent estimate in 2005-06 of $977 million) and were categorised as follows in table 7.2.\(^{210}\)

<table>
<thead>
<tr>
<th>Table 7.2: Estimated concessions by category – 2005-06 and 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concession category</strong></td>
</tr>
<tr>
<td>Energy, municipal rates, water and sewerage</td>
</tr>
<tr>
<td>Education</td>
</tr>
<tr>
<td>Health</td>
</tr>
<tr>
<td>Hardship assistance</td>
</tr>
<tr>
<td>Transport</td>
</tr>
<tr>
<td><strong>Total Estimate</strong></td>
</tr>
</tbody>
</table>

*Source: Budget Paper No.3, 2006-07 Statement of Finances, p.157*

In its analysis, during its 2007-08 budget estimates inquiry, of revenue foregone initiatives contained in the 2007-08 budget, the Committee indicated that it looked forward in future financial reports to a more considered exposition of explicit and implicit subsidies in budgets and forward estimates.\(^{211}\)

The purpose of the Committee seeking information from departments on the level of concessions and subsidies provided in 2005-06 and 2006-07 was to gain an early insight into the quality of management information on this subject available at agency level, having regard to its expressed desire for wider reporting of revenue foregone in the public sector.

Similar to the position identified in the above paragraphs on information received from departments on the demand and service impacts of changes to revenues streams, only a small number of departments provided some specific narrative on the demand and service consequences of revenue foregone decisions reached in 2005-06 and 2006-07. While the responses from most other departments did include the financial quantum of their revenue foregone, they did not address the question on revenue foregone impacts or they stated that the information request was not applicable to them.


\(^{210}\) Budget Paper No. 2, 2006-07 Statement of Finances, pp.161, 167

The information on revenue foregone received from departments showed that the Department of Treasury and Finance had by far the most significant involvement in the management of tax expenditures and the Departments of Human Services and Infrastructure (including VicRoads) were responsible for a range of consumer concessions. The Committee’s analysis of revenue foregone focused on the material furnished by these three departments.

### 7.3.1 Tax expenditures managed by the Department of Treasury and Finance

The Department of Treasury and Finance has major responsibility for the administration of tax expenditures with most managed through the State Revenue Office. Table 7.3 sets out the information presented to the Committee on the department’s projections of revenue foregone in 2005-06 and 2006-07. The material mainly reflects an update of estimates previously disclosed in the 2006-07 Budget Papers.

#### Table 7.3: Department of Treasury and Finance Revenue foregone tax

<table>
<thead>
<tr>
<th>Revenue that can be costed (including thresholds)</th>
<th>2005-06 Estimate $ million</th>
<th>2006-07 Estimate $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land tax exemptions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crown Property (right of Victoria)</td>
<td>385</td>
<td>147</td>
</tr>
<tr>
<td>Principal place of residence</td>
<td>502</td>
<td>541</td>
</tr>
<tr>
<td>Land held in trust for public municipal purposes or vested in any municipality</td>
<td>127</td>
<td>100</td>
</tr>
<tr>
<td>Land used by a charitable institution</td>
<td>88</td>
<td>100</td>
</tr>
<tr>
<td>Commonwealth land</td>
<td>111</td>
<td>126</td>
</tr>
<tr>
<td>Land used for primary production</td>
<td>159</td>
<td>213</td>
</tr>
<tr>
<td>Land vested in a public statutory authority</td>
<td>99</td>
<td>130</td>
</tr>
<tr>
<td>Land used for the CityLink</td>
<td>13</td>
<td>14</td>
</tr>
<tr>
<td>Land used for EastLink</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Assessment on a single holding basis for land owned by a municipality</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Partial exemption for non-profit organisations solely for social, sporting, cultural, literary purposes; or horse, pony or harness racing</td>
<td>21</td>
<td>34</td>
</tr>
<tr>
<td>Assessment on a single holding basis for land owned by a charity</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Retirement villages</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Non-profit organisation providing outdoor cultural or sporting recreation (excluding horse, pony or harness racing)</td>
<td>19</td>
<td>14</td>
</tr>
<tr>
<td>Friendly societies</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Associations of ex-servicemen</td>
<td>12</td>
<td>14</td>
</tr>
<tr>
<td>Caravan parks</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Low-cost accommodation</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Residential care facilities</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Capping of Land Tax</td>
<td></td>
<td>64</td>
</tr>
<tr>
<td>Threshold for aggregated site value below $200,000</td>
<td>42</td>
<td>47</td>
</tr>
<tr>
<td><strong>Total land tax expenditures</strong></td>
<td><strong>1,641</strong></td>
<td><strong>1,595</strong></td>
</tr>
<tr>
<td><strong>Payroll tax exemptions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wages paid by public hospitals</td>
<td>202</td>
<td>209</td>
</tr>
<tr>
<td>Wages paid by a public benevolent institution/charity</td>
<td>180</td>
<td>190</td>
</tr>
</tbody>
</table>
### Table 7.3: Department of Treasury and Finance

#### Revenue forgone tax

Revenue that can be costed (including thresholds) (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>2005-06 Estimate $ million</th>
<th>2006-07 Estimate $ million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages paid by a non-profit, non-public school</td>
<td>101</td>
<td>105</td>
</tr>
<tr>
<td>Commonwealth departments/agencies (not transport and communication)</td>
<td>41</td>
<td>44</td>
</tr>
<tr>
<td>Wages paid by non-profit hospitals</td>
<td>39</td>
<td>41</td>
</tr>
<tr>
<td>Municipal councils (not wages for trading activities)</td>
<td>83</td>
<td>86</td>
</tr>
<tr>
<td>Fringe benefits excluded from Fringe Benefits Tax Assessment Act 1986</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Religious institutions</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Construction industry leave entitlements paid by CoINVEST</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Paid maternity leave</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Government school councils</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employers’ payroll below $550,000</td>
<td>1,705</td>
<td>1,718</td>
</tr>
<tr>
<td>Total payroll tax expenditures</td>
<td>2,374</td>
<td>2,415</td>
</tr>
<tr>
<td><strong>Congestion levy tax exemptions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Commercial and private</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>Short stay car parks</td>
<td>4</td>
<td>17</td>
</tr>
<tr>
<td>Total congestion levy tax exemptions</td>
<td>25</td>
<td>43</td>
</tr>
<tr>
<td><strong>Other stamp duties exemptions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conveyance duty concession for pensioners and concession cardholders</td>
<td>38</td>
<td>48</td>
</tr>
<tr>
<td>Total other stamp duties expenditures</td>
<td>38</td>
<td>48</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>4,078</td>
<td>4,101</td>
</tr>
<tr>
<td><strong>Subsidies</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquor Subsidies</td>
<td>2.3</td>
<td>3.0</td>
</tr>
<tr>
<td>Petroleum Subsidies</td>
<td>35.0</td>
<td>37.9</td>
</tr>
<tr>
<td>Duty Exemption – Pensioner and First Home Buyer</td>
<td>6.0</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Total subsidies</strong></td>
<td>43.3</td>
<td>49.0</td>
</tr>
</tbody>
</table>

Source: Department of Treasury and Finance, Response to the Committee’s 2006-07 Financial and Performance Outcomes Questionnaire, Part One, pp.6-7

In response to the Committee’s request for information on the impact on demand levels and revenue foregone of changes in the level of the government’s tax relief decisions made in 2005-06 and 2006-07, the department provided the following material which was limited to the subsidies identified in table 7.3.

- **Liquor Subsidies** – The Federal Government has announced modifications to the Wine Equalisation Tax (WET) rebate effective from October 1, 2004. Under the new arrangements the Federal Government will provide wine producers with a WET rebate of up to $290,000 each year. The Victorian Government will continue to pay a cellar door subsidy on eligible cellar door sales once the $290,000 Federal Government rebate has been exceeded;
• **Petroleum Subsidies** – These subsidies are paid to the major oil wholesalers operating within Victoria on the understanding that the subsidy will be passed on through the price they charge for the products; and

• **Duty Exemptions** – The State Revenue Office (SRO) manages several rebate or exemption schemes designed to benefit Victorians. Some of these arrangements are unrelated to taxation, and others are part of, or exemptions from, the tax and duty legislation administered by the SRO.

The department subsequently advised that, while the majority of the changes to revenue foregone from land tax exemptions between 2005-06 and 2006-07 are likely to be attributable to improved estimation processes introduced in the State Revenue Office, some changes were due to specific factors such as the introduction of rate reductions in 2006-07 and the raising of the land tax threshold for aggregated site values from $200,000 to $225,000 in the year.

### 7.3.2 Concessions impacting on households managed by the Department of Human Services

Table 7.4 sets out the information on household concessions presented by the Department of Human Services. The department advised the Committee that the table highlights the number of households that received concessions and the relevant expenditure level.
Table 7.4:  
Department of Human Services – revenue concessions impacting on households in 2005-06 and 2006-07

<table>
<thead>
<tr>
<th>Concession type</th>
<th>2005-06 No. of concessions (households –unless otherwise stated)</th>
<th>2006-07 No. of concessions (households –unless otherwise stated)</th>
<th>Variance (%)</th>
<th>2005-06 Expenditure ($ million)</th>
<th>2006-07 Expenditure ($ million)</th>
<th>Variance (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipal Rates</td>
<td>398,934</td>
<td>404,608</td>
<td>1.4</td>
<td>65.2</td>
<td>68.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Water &amp; Sewerage</td>
<td>652,317</td>
<td>631,836</td>
<td>-3.1</td>
<td>76.6</td>
<td>82.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Mains Electricity</td>
<td>724,989</td>
<td>734,085</td>
<td>1.3</td>
<td>54.3</td>
<td>54.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Mains Gas</td>
<td>541,254</td>
<td>543,981</td>
<td>0.5</td>
<td>37.1</td>
<td>39.8</td>
<td>7.3</td>
</tr>
<tr>
<td>Non Mains Energy</td>
<td>22,085</td>
<td>21,000</td>
<td>-4.9</td>
<td>1.9</td>
<td>2.2</td>
<td>14.9</td>
</tr>
<tr>
<td>Public Transport</td>
<td>37.1 million tickets</td>
<td>(a)</td>
<td>-100.0</td>
<td>96.6</td>
<td>101.1</td>
<td>4.7</td>
</tr>
<tr>
<td>Utility Relief Grant Scheme</td>
<td>9,401 grants</td>
<td>10,154 grants</td>
<td>8.0</td>
<td>3.2</td>
<td>3.3</td>
<td>3.1</td>
</tr>
<tr>
<td>Capital Grant Scheme</td>
<td>177 grants</td>
<td>1,086 grants</td>
<td>513.6</td>
<td>0.2</td>
<td>1.0</td>
<td>366.7</td>
</tr>
<tr>
<td>Hardship Relief Grant Scheme</td>
<td>268 grants</td>
<td>139 grants</td>
<td>-48.1</td>
<td>1.1</td>
<td>0.6</td>
<td>-45.5</td>
</tr>
<tr>
<td>Carted Water Rebate</td>
<td>467</td>
<td>1,601</td>
<td>242.8</td>
<td>0.1</td>
<td>0.3</td>
<td>400</td>
</tr>
<tr>
<td><strong>Total expenditure</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>336.3</td>
<td>353.8</td>
<td></td>
</tr>
</tbody>
</table>

Note: (a) Not available from Department of Infrastructure as at November 2007

Source: Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, p.10
The Department of Human Services submitted the following explanatory information on the impacts of the above concessions in terms of demand and service levels.

Since July 1, 2004, the municipal rates concessions and the water & sewerage concessions have been indexed annually according to CPI increases. Therefore, the following rates of maximum concession applied in the 2005-06 and 2006-07 financial years respectively:

- municipal rates concession: $163.60 and $172.90; and
- water & sewerage concessions: $150 and $158.50.

As highlighted in table 7.4 above, the number of households receiving the municipal rate concession increased by 1.4 per cent and expenditure increased by 4.3 per cent in 2006-07.

Expenditure on water and sewerage concessions increased by approximately 8 per cent in 2006-07. The number of concession households receiving water concessions decreased to 631,836 but this was due to more accurate counting rules.

The department subsequently advised the Committee on some further factors which influenced the changes in volume and cost for particular concessions between 2005-06 and 2006-07. For example, it indicated that the Hardship Relief Grant Scheme assists low income households where they are required to connect to the reticulated supply and have insufficient means to meet the connection costs. The department also stated that the volume of grants, which fell from 268 in 2005-06 to 139 in 2006-07, is dependent on the number of properties that are required to be connected to town water or town sewerage and mainly fluctuates according to the timing of water companies rolling out of the government’s Country Towns Water Supply and Sewerage program and actual connections to the reticulated system.

7.3.3 Transport and other concessions managed by the Department of Infrastructure (including VicRoads)

The Department provided the following information to the Committee relating to its responsibilities for the management of transport and other concessions.

Public Transport:

Concessions on metropolitan and regional public transport are available for children under the age of 15, students, senior citizens, health care card holders and war veterans/widows.

The revenue forgone was $109 million in 2006-07, compared to $101 million in 2005-06. The increase was due to the impact of CPI and patronage growth.

VicRoads:

VicRoads administers the collection of certain fees, licences and duties on behalf of the Victorian Government and Transport Accident Commission. Pensioner, health care and Department of Veteran’s Affairs gold cardholders receive a 50 per cent concession on their motor registration fee. Pensioner concession cardholders also receive a 50 per cent discount on compulsory third party insurance. During 2006–07, the net revenue foregone from:
collections on behalf of the Victorian Government totalled $58.3 million compared to $58.0 million in the previous year; and

collections on behalf of the Transport Accident Commission totalled $95.8 million compared to $82.7 million in the previous year.

7.3.4 **Summary comments by the Committee on current disclosures of revenue foregone**

The Committee is appreciative of the information on revenue foregone supplied by the Departments of Treasury and Finance, Human Services and Infrastructure. As mentioned earlier, these departments have major responsibility for revenue foregone measures. They also produce specific data for the presentation of tax expenditure and concession estimates in the annual budget papers.

The Committee notes that the calculation of revenue foregone and of subsidies and concessions is in a process of development and refinement as can be seen from the different reporting between budget estimates and end of year reporting. It acknowledges that other departments and agencies also provide significant subsidies and concessions (e.g. rural and regional programs). The calculation of these (as opposed to other government action in terms of grants and specific programs) is not always clear and can be subject to definitional issues. The Committee will seek in future reporting to provide a fuller record of revenue foregone, subsidies and concessions.

The Committee considers there is scope to expand year-end reporting to encompass a comparison of estimated and actual concessions, in both number and value, for each revenue foregone measure, together with more explicit commentary on the associated impacts on demand and service levels, for example, an analysis of the planned and actual impact of First Home Buyer relief initiatives and exemptions from stamp duty on housing prices and housing affordability. The Committee also advocates that more informative reporting by individual agencies on magnitude and impacts of each year’s revenue relief decisions be accompanied by widened global reporting in the government’s annual financial report.

Reporting along these lines would complement the projections on tax expenditures and concessions currently disclosed in the annual budget papers.

The Committee therefore suggests that its earlier recommendation that the Department of Treasury and Finance conduct research into the current level of reporting by departments on revenue issues, including demand, service and social impacts, encompass avenues for enhancing the breadth and quality of annual disclosures on revenue foregone measures introduced by government.

**Recommendation 20:** The Department of Treasury and Finance develop a more comprehensive framework for calculating revenue foregone subsidies and concessions, and for evaluating their impact.

7.4 **Costs of collection of revenue and management of revenue foregone measures**

Departments were requested, if they have specific administrative mechanisms in place for collecting revenue or providing concessions, subsidies and other tax relief measures, to detail the associated costs, including EFT staff data and enforcement expenditure.
Four departments, Education, Innovation, Industry and Regional Development, Premier and Cabinet and Sustainability and Environment, advised the Committee that this request was not applicable to their operations.

The information on collection costs and enforcement expenses (where relevant) provided by the remaining six departments varied considerably. The departmental responses were as follows.

**Department of Human Services**

Specific administration mechanisms exist for the provision of mains energy concessions. Community Service Obligation (CSO) agreements are in place with all Victorian domestic energy retailers that require Department of Human Services to pay an administration costs to retailers for the delivery of energy concessions and grants to low-income groups.

As a consequence of the distributed nature of concession administration, details of EFT staffing are not able to be provided within the Committee’s reporting timeline.

The table below outlines the total amount of administration costs paid to mains electricity and mains gas retailers in the 2005-06 and 2006-07 financial years.

<table>
<thead>
<tr>
<th>Concession type</th>
<th>2005-06 (Administration costs) ($)</th>
<th>2006-07 (Administration costs) ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mains Electricity Concessions</td>
<td>1,300,111</td>
<td>1,386,421</td>
</tr>
<tr>
<td>Mains Gas Concessions</td>
<td>861,734</td>
<td>975,223</td>
</tr>
</tbody>
</table>

These costs also include the costs of verifying with the Commonwealth that all persons receiving energy concessions are eligible concession cardholders.

The administration of CSOs is an integral part of the Ambulance Services general invoicing/fee collection. However, an estimate can be calculated based on the following:

Estimated administration cost associated with the issuing/collection of ambulance bills within Metropolitan Ambulance Service and Rural Ambulance Victoria is $2.9 million.

CSO transports comprise 61 per cent of all transports, therefore 61 per cent of the administration costs is $1.7 million.

**Department of Infrastructure**

*Public Transport:*

Staff costs relating to administering Ticket Infringement Notices (TINS) is $1.6 million. All other revenue collections belong to the operators.

*VicRoads:*

The total administrative 2006-07 costs for the provision of pensioner, health care and Department of Veterans’ Affairs cardholder concession was $2 million and included approximately 20.4 EFT staff.
Department of Justice

The department has two business activities around collections of revenue.

- the collection of revenue over the counter for business activities, and
- the enforcement of fines / revenue through the operations of the Sheriff’s Office.

Below are two tables of the FTE’s involved in Revenue collections and the cost for those services.

**Staff for revenue collections**

<table>
<thead>
<tr>
<th>Categories</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Enforcement (Sheriff’s Officers)</td>
<td>151.4</td>
</tr>
<tr>
<td>Revenue Collections</td>
<td>15.3</td>
</tr>
<tr>
<td><strong>Total FTE:</strong></td>
<td><strong>166.7</strong></td>
</tr>
</tbody>
</table>

**Cost for revenue collections**

<table>
<thead>
<tr>
<th>Categories</th>
<th>2006-07 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Enforcement (Sheriff’s Office)</td>
<td>16.5</td>
</tr>
<tr>
<td>Revenue Collections</td>
<td>1.25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.75</strong></td>
</tr>
</tbody>
</table>

*Note: Sheriff’s Office activities include the execution of civil warrants and criminal warrants on behalf of state government, local councils, and other non-government agencies registered with the infringements court*

Department of Primary Industries

The department does not capture costs relating to the collection of revenue or the provision of concessions (or subsidies) at this level.

Costs incurred for enforcement were estimated at $880,000 with 50 per cent of this funding provided by the Department of Sustainability and Environment. This arrangement with the department ceased on 1 July, 2007. The estimate provided has been based on staff and areas whose key roles are enforcement.

Department of Treasury and Finance

It is estimated that 151 FTE's were directly involved in the collection of revenue and provision of concessions in 2006-07. The estimated cost of these FTE's and related supplies and services costs were $8.6 million.

The costs of enforcement are estimated at $8.8 million and include investigations, debt management and legal services activities. They do not include the following:

- the ICT costs associated with maintaining the revenue management system including the provision of e-business functionality; and
- the costs associated with managing the objection and appeals of tax and duty assessments.
Department of Planning and Community Development (for former Department for Victorian Communities)

The former Department for Victorian Communities agencies collecting revenue, the Public Record Office Victoria and the Registry of Births Deaths and Marriages, transferred to the Department of Premier and Cabinet and the Department of Justice respectively, as part of machinery of government changes in December 2006.

Electronic gaming machine revenue, which is paid into the Community Support Fund, is administered by the Department of Treasury and Finance.

7.4.1 Scope for enhanced reporting on revenue collection costs

After considering the above responses, the Committee is of the view that there is definite scope for the development of guidelines within the public sector to bring about greater consistency in the way departments and agencies gather management information and report on costs incurred in the collection of revenue and in the enforcement of actions that lead to the collection of revenue.

The Committee notes for example that the Sheriff’s Office spent more on revenue enforcement than the Department of Treasury and Finance. It assumes that this would be at a much higher cost to revenue ratio given the more intensive nature of revenue enforcement at the Sheriff’s Office. However, the Committee notes that, on the revenue collection side, the cost per FTE in the Department of Justice was ($81,700) 43 per cent higher than for the Department of Treasury and Finance ($56,900). Administrative costs of VicRoads for concessions per FTE were $98,000.

Specific potential exists for the introduction of a standardised framework for revenue reporting at year-end by departments and agencies which brings together for individual revenue items:

- a comparison of actual and estimated revenue;
- actual collection costs and, where applicable, actual enforcement expenses relating to both revenue and revenue foregone items;
- percentage ratios of costs to revenue and revenue foregone incorporating trend data over a specified period; and
- explanatory information on factors contributing to significant movements in revenue collected and costs to revenue ratios between periods.

Annual disclosures in the manner suggested above would not only bring about improvement in the overall reporting of revenue collections and variances between years. It would also provide, through the inclusion of cost to revenue ratios, an insight into the efficiency of departmental and agency revenue systems and procedures and sharpen their accountability to Parliament for this aspect of their operations.

The Committee considers the Department of Treasury and Finance would be the appropriate body to evaluate the merit of widening the revenue reporting obligations of public sector bodies.
The Committee recommends that:

**Recommendation 21:** The Department of Treasury and Finance assess the desirability of introducing a standardised framework in the public sector for the reporting of costs incurred in the collection of revenue and administration of revenue foregone, incorporating disclosure of cost to revenue ratios.

### 7.5 Importance of periodic performance audits of revenue management by the Auditor-General

Most performance audits conducted by the Auditor-General understandably relate to topics involving the management of public funds, with an emphasis on the use or application of those funds.

The most recent major performance audit focusing on revenue management was completed in October 1998 and addressed taxation collection in the State Revenue Office. Since that time, reviews of revenue issues undertaken by the Auditor-General have generally related to work associated with audits of the government’s annual financial report or limited scope examinations of financial management issues within selected agencies.

Based on the findings and recommendations contained in the preceding paragraphs of this chapter, the Committee considers it would be timely for the Auditor-General to carry out another major performance audit of the management of revenue across the state’s main revenue raising agencies. Such an audit could address the issues raised by the Committee in this chapter. It could for example compare revenue collection systems and costs between departments. It could also examine the effectiveness and efficiency of revenue enforcement by the Sheriff’s Office particularly in comparison with practices in other departments, Australian jurisdictions and international benchmarks.

The Committee recommends that:

**Recommendation 22:** The Auditor-General undertake a performance audit of revenue management across Victoria’s main revenue raising agencies.

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CHAPTER 8: PUBLIC SECTOR ASSET INVESTMENT PROGRAM

Key findings of the Committee:

8.1 Net infrastructure spending in the general government sector in 2006-07 totalled $3.3 billion and comprised purchases of non-financial assets ($2.8 billion), and net contributions to other sectors ($694.8 million), less proceeds from asset sales ($225.8 million).

8.2 Departments furnished a range of reasons to the Committee for variances in spending against 2006-07 budgets in particular infrastructure projects. Reasons identified by departments for 2006-07 spending running behind schedule in projects included additional consultation, project complexity, seasonal conditions, site problems, land and planning issues and scheduling of invoices.

8.3 The Department of Treasury and Finance should review the reporting requirements of public sector agencies to include information, including causal factors, on significant variances against budget during the life of infrastructure projects and in their year of completion.

8.4 Scope also exists to require agencies to report on factors taken into account in quantifying and managing risk and contingency allowances built into the budgets of infrastructure projects and on any significant changes applied to individual projects in the reporting period.

8.5 Given the significance of the new national approach to infrastructure planning, funding and implementation, recently announced by the Australian Government, the government should ensure Parliament is adequately informed each year of the implications of the national approach, including assigned priority rankings, to Victoria’s infrastructure projects.

8.1 Introduction

In the annual budget papers, the government outlines its short and long-term financial objectives. Its objectives in 2006-07 for infrastructure management, which are unchanged for 2007-08, are to ‘implement strategic infrastructure projects’ in the short-term in order to deliver over the long-term ‘world-class infrastructure to maximise economic, social and environmental benefits’.

The government identified in its 2006-07 budget that its budget priorities for the year were driven by 10 budget themes which included ‘record investment in infrastructure’. The 2007-08 budget incorporates a similar theme, ‘investing in infrastructure’.

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213 Budget Paper No.2, 2006-07 Strategy and Outlook, p.3
When presenting the 2006-07 budget, the then Treasurer indicated that the budget delivers a record high infrastructure investment of $4.9 billion. This planned investment comprised total estimated investment (TEI) extending over the life of each project of $3.6 billion in new asset funding provided in the 2006-07 budget and $1.3 billion for additional TEI infrastructure funding over several years announced in the 2005-06 Budget Update. At the time, the Treasurer described the government’s infrastructure program as:

...crucial to boosting productivity and participation, attracting even higher levels of business investment, and gearing-up our economy to make the shift to the high value industries and jobs that will maintain our quality of life.

The government’s annual financial report for 2006-07 states that infrastructure spending in the general government sector in 2006-07 totalled $3.3 billion and consisted of:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total purchases of non-financial assets</td>
<td>$2.8 billion</td>
</tr>
<tr>
<td>Less</td>
<td></td>
</tr>
<tr>
<td>Proceeds from asset sales</td>
<td>$225.8 million</td>
</tr>
<tr>
<td>Add</td>
<td></td>
</tr>
<tr>
<td>Net contributions to other sectors</td>
<td>$694.8 million</td>
</tr>
<tr>
<td><strong>Net investment in fixed assets</strong></td>
<td><strong>$3.3 billion</strong></td>
</tr>
</tbody>
</table>

In its Report on the 2007-08 Budget Estimates – Part Three, the Committee analysed over time the magnitude of net investments on fixed assets in the general government sector as a percentage of gross state product (GSP). This analysis identified that, while the level of asset investments has increased from 0.95 per cent of GSP in 1998-99 to an estimated 1.46 per cent for 2007-08, the greatest increase occurred in 2006-07 with an upward movement of .28 per cent to 1.43 per cent.

After the end of each financial year, the government publishes a budget information paper which provides details of projects forming part of the asset investment programs of all departments and the major public non-financial corporations. The most recent information paper (for 2007-08) was issued in September 2007.

### 8.2 Departmental explanations for instances of variations in asset spending against 2006-07 expenditure projections

In its 2004-05 Budget Outcomes inquiry, the Committee examined infrastructure projects within the responsibility of the Department of Human Services with an emphasis on projects at regional health services where development of projects had progressed at a slower than planned rate. Drawing on the results of that work, the Committee determined to undertake a similar analysis as part of its 2006-07 financial and performance outcomes inquiry, but with a wider scope encompassing the five departments with the highest estimated infrastructure spending for the year.

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214 Budget Paper No.1, 2006-07 Treasurer’s Speech, p.3
215 Budget Paper No.2, 2006-07 Strategy and Outlook, p.36
216 Budget Paper No.1, 2006-07 Treasurer’s Speech, p.3
218 Budget Information Paper No.1, 2007-08 Public Sector Asset Investment Program, September 2007
These departments were Education, Human Services, Infrastructure, Justice and Sustainability and Environment.

Tables 8.1 and 8.2 summarise the information sought by the Committee from the five departments, including explanations for variances between actual and previously estimated spending in 2006-07. The information relates to projects with total estimated expenditure of greater than $10 million with variances greater than 10 per cent in terms of both spending less than planned and faster than planned in 2006-07. The information obtained by the Committee encompassed a diversity of significant infrastructure projects.
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure in 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various Schools – Transformation Planning – Altona, Bendigo, Broadmeadows, Dandenong, Eastern, John Monash, Maribyrnong Sports School, Western Heights (Various Schools)</td>
<td>20,000</td>
<td>20,000</td>
<td>10,144</td>
<td>-9,856</td>
<td>-49.2</td>
<td>The variance was due to the complexity and individual nature of projects and the need for extensive consultation.</td>
</tr>
<tr>
<td>Victorian College of the Arts Secondary School (VCASS) and Other Projects – Replacement School (Melbourne)</td>
<td>20,000</td>
<td>14,000</td>
<td>49</td>
<td>-13,951</td>
<td>-99.6</td>
<td>The identification of the best site for this school required extensive negotiation with stakeholders. The level of funding from the Commonwealth further delayed the planning process. The site has now been confirmed and the project entered into contract in December 2007.</td>
</tr>
<tr>
<td>William Angliss Institute of TAFE – Commonwealth Supported Project – New Teaching Facility and Campus Redevelopment (Melbourne)</td>
<td>12,100</td>
<td>2,000</td>
<td>7</td>
<td>-1,993</td>
<td>-99.6</td>
<td>Due to machinery of government changes, TAFEs are now the responsibility of the Department of Innovation, Industry and Regional Development. &lt;&lt; Awaiting further explanation from department &gt;&gt;</td>
</tr>
</tbody>
</table>
### Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment (000)</th>
<th>Estimated expenditure 2006-07 (000)</th>
<th>Actual expenditure in 2006-07 (000)</th>
<th>Variance (a) (000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Human Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rochester and Elmore District Health Service – Rochester Theatre and Hospital Redevelopment (Rochester)</td>
<td>21,700</td>
<td>5,000</td>
<td>2,904</td>
<td>-2,096</td>
<td>-42.0</td>
<td>Following stage 1 demolition works, latent in-ground site conditions resulted in a three month delay to the construction program. Through rescheduling of the program during the construction period, a large portion of this time has been reclaimed and the project is currently scheduled to be completed according to the revised timeline and on budget.</td>
</tr>
<tr>
<td>Royal Children’s Hospital Redevelopment (Parkville)</td>
<td>847,400</td>
<td>28,000</td>
<td>7,090</td>
<td>-20,910</td>
<td>-74.7</td>
<td>Capital forecasts were based on the project being delivered in a traditional fashion via a Design and Construct contract, based on a TEI of $847.4 million (November 2005). In November 2007, the state entered into a Partnerships Victoria (PV) contract with the private sector that increased the private sector’s capital cost to around $1 billion. The Project Summary will be released shortly in accordance with government policy. Under the PV contract, the state is not required to make any capital payments during the construction phase of the project, but will instead make a series of payments over a 25 year operating phase. The state was not required to make any direct capital expenditure on the project in 2006-2007.</td>
</tr>
<tr>
<td>Royal Melbourne Hospital Emergency Department Redevelopment (Parkville)</td>
<td>56,300</td>
<td>7,600</td>
<td>5,774</td>
<td>-1,826</td>
<td>-24.0</td>
<td>Lower than anticipated expenditure for period resulted from several large invoices not being submitted for payment in 2006-07. Scheduled works have now been completed according to program and within original budget.</td>
</tr>
</tbody>
</table>
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment</th>
<th>Estimated expenditure 2006-07</th>
<th>Actual expenditure in 2006-07</th>
<th>Variance (a)</th>
<th>Variance (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bass Highway Duplication – Stage 1 King Road to Woolmer Road (Bass, Anderson)</td>
<td>29,100</td>
<td>4,321</td>
<td>1,297</td>
<td>-3,024</td>
<td>-70.0</td>
<td>Initial delays with the Planning Scheme Amendment have affected practical completion by three months to 1 April 2010. There have also been some impediments to awarding the contract due to cultural heritage issues. However, these issues are not expected to impact on the revised completion date.</td>
</tr>
<tr>
<td>Berwick Cranbourne Road Duplication (3km – 5km) – Pound Rd to Thompsons Rd (Cranbourne North, Clyde North)</td>
<td>17,000</td>
<td>4,000</td>
<td>2,602</td>
<td>-1,398</td>
<td>-35.0</td>
<td>Construction expenditure revised due to resolution of land acquisition activities. However, the TEI for the projects is on target and practical completion remains as per the planned schedule.</td>
</tr>
<tr>
<td>Breakwater Road Upgrade (Belmont, Geelong)</td>
<td>40,000</td>
<td>2,804</td>
<td>789</td>
<td>-2,015</td>
<td>-71.8</td>
<td>Interruptions due to VicRoads obtaining clarification and confirmation that it is the Planning Authority for the purposes of this project. TEI remains on target and practical completion has been extended to 30 June 2010.</td>
</tr>
<tr>
<td>Corio Independent Goods Link including North Geelong Track Modifications – Construction (Corio/North Geelong)</td>
<td>13,500</td>
<td>6,000</td>
<td>1,461</td>
<td>-4,539</td>
<td>-75.6</td>
<td>The project was on hold pending negotiations with Pacific National on project scope and the subsequent buy back by the state of the regional rail lease. These issues have now been resolved.</td>
</tr>
<tr>
<td>Dandenong Growth Corridor</td>
<td>25,000</td>
<td>15,193</td>
<td>7,989</td>
<td>-7,204</td>
<td>-47.4</td>
<td>Underspend was due to the re-scoping of the project.</td>
</tr>
</tbody>
</table>
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment</th>
<th>Estimated expenditure 2006-07</th>
<th>Actual expenditure in 2006-07</th>
<th>Variance (a)</th>
<th>Variance (a)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Derrimut Road Duplication (3.5km – 5.12km) Hogans Rd to Sayers Rd (Hoppers Crossing)</td>
<td>14,700</td>
<td>2,100</td>
<td>598</td>
<td>-1,502</td>
<td>-71.5</td>
<td>Pre-construction expenditure behind budget due to services issues (overall reduced services, relocation costs and delay in relocation of PowerCor services).</td>
</tr>
<tr>
<td>Dynon Port Rail Link (Melbourne)</td>
<td>125,000</td>
<td>17,300</td>
<td>11,040</td>
<td>-6,260</td>
<td>-36.2</td>
<td>Gazettal of land acquisitions took longer than anticipated which impacted on the issue of the design and construct tender.</td>
</tr>
<tr>
<td>Hume Highway – Donnybrook Road Interchange – Grade Separation (Beveridge, Craigieburn)</td>
<td>39,000</td>
<td>5,000</td>
<td>1,047</td>
<td>-3,953</td>
<td>-79.0</td>
<td>VicRoads submitted a TEI increase in October 2006 to the relevant Commonwealth Department, then DOTARS, which altered the planned construction activities. The project TEI increase was approved in April 2007 with the contract subsequently advertised in May 2007. The project TEI remains on target. However, practical completion has been extended by 12 months to June 2009.</td>
</tr>
<tr>
<td>Metropolitan Train Control Reliability Systems Upgrade (Melbourne)</td>
<td>87,900</td>
<td>10,400</td>
<td>5,693</td>
<td>-4,707</td>
<td>-45.2</td>
<td>The project cash flow has been adjusted to reflect the contractor’s payment milestones in the contract and the re-assessment of associated project cost timings. The later than planned award of a Contract for the Core Train Control and Monitoring System also contributed to the underspend in 2006-07.</td>
</tr>
</tbody>
</table>
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure in 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Train Safety Communications Systems Upgrade (Metro Various)</td>
<td>134,900</td>
<td>7,500</td>
<td>4,335</td>
<td>-3,165</td>
<td>-42.2</td>
</tr>
<tr>
<td>Explanation provided by department</td>
<td></td>
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<tr>
<td>The project experienced minor delays following changes to the procurement process</td>
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<tr>
<td>with a two step process (that is an Expression of Interest (EOI) followed by a Request for Tender (RFT)) required rather than the single step procurement originally planned.</td>
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</tr>
<tr>
<td>In addition, the installation of the system on the metropolitan train fleet was</td>
<td></td>
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<tr>
<td>rescheduled to reflect train availability and ensure that disruptions to rail services are minimised.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>New Ticketing Solution – Technology and Installation (statewide)</td>
<td>283,200</td>
<td>114,751</td>
<td>28,633</td>
<td>-86,118</td>
<td>-75.0</td>
</tr>
<tr>
<td>This is a complex project that is reliant on the development and delivery of</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>accurate and highly specialised technology and one which will deliver a world-class outcome. Ultimately, timely delivery relies on the performance of a myriad of prime and sub-contractors.</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Budgeted contracted payments originally expected to occur in 2006-07 are now forecast to be made in 2007-08 and 2008-09. The re-scheduling of delivery components of the New Ticketing System (NTS) followed the completion of the Solution Requirements phase.</td>
<td></td>
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</tr>
<tr>
<td>There has been revised timing of some work streams to better align scheduling of the integrating components.</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Elements of the software development required additional time. Software testing is not yet complete. This has resulted in some interim payment milestones being deferred to future financial years.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
### Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure in 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Melbourne Station Interchange Upgrade (North Melbourne)</td>
<td>38,577</td>
<td>14,084</td>
<td>5,582</td>
<td>-8,502</td>
<td>-60.4</td>
<td>The award of the construction contract was originally scheduled for December 2006 but was delayed until March 2007 whilst issues relating to existing major services in the vicinity were resolved.</td>
</tr>
<tr>
<td>Princes Pier Restoration (Port Melbourne)</td>
<td>14,000</td>
<td>8,000</td>
<td>286</td>
<td>-7,714</td>
<td>-96.4</td>
<td>Main works contract rescheduled to June 2007 following the resolution of Heritage permit with construction to commence in 2007-08.</td>
</tr>
<tr>
<td>SmartBus: Red Orbital – Box Hill to Altona (Metro Various)</td>
<td>29,080</td>
<td>1,610</td>
<td>1,261</td>
<td>-349</td>
<td>-21.7</td>
<td>Comprehensive design and development works have now been completed and on-road bus priority works, and bus stop and technology upgrades are now being delivered.</td>
</tr>
<tr>
<td>SmartBus: Ringwood to Frankston (Metro Various)</td>
<td>19,172</td>
<td>9,668</td>
<td>6,141</td>
<td>-3,527</td>
<td>-36.5</td>
<td>Works on ‘real time’ signs and technology, bus stop upgrades and on-road bus priority treatments rescheduled to 2007-08.</td>
</tr>
<tr>
<td>Track Duplication: Clifton Hill to Westgarth (Metro Various)</td>
<td>52,000</td>
<td>4,000</td>
<td>1,859</td>
<td>-2,141</td>
<td>-53.5</td>
<td>Rescheduling of activities including property acquisitions.</td>
</tr>
<tr>
<td>Vigilance Control and Event Recording System on Metropolitan Trains (VICERS) (Metro Various)</td>
<td>37,269</td>
<td>14,933</td>
<td>7,224</td>
<td>-7,709</td>
<td>-51.6</td>
<td>Delays associated with the resolution of the Siemens braking problem and the investigation of an alternative procurement strategy for VICERS on Siemens and X’Trapolis trains.</td>
</tr>
<tr>
<td>West Gate – Monash Freeways Improvement Package (Metro Various)</td>
<td>737,000</td>
<td>21,575</td>
<td>19,022</td>
<td>-2,553</td>
<td>-11.8</td>
<td>Lower level of land acquisition expenditure than anticipated due to modification of the design to minimise impacts on adjacent land owners.</td>
</tr>
</tbody>
</table>
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure in 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carlton-North Melbourne Police station</td>
<td>15,900</td>
<td>2,999</td>
<td>47</td>
<td>-2,952</td>
<td>-98.4</td>
<td>The new 24 hour Carlton-North Melbourne police station project formed part of the government's second round of election commitments in 2002, with a published completion date of November 2006. Initial funding of $5.48 million for land acquisition/design costs was announced in the 2004-05 budget. The full Total Estimated Investment (TEI) for the project was approved at $12.38 million and was subsequently adjusted to $15.90 million. Significant delays in implementation occurred in the site acquisition process given limited available sites in the prescribed area. The original preferred site, proved to be extensively contaminated and the compulsory acquisition process was ceased. The subsequent acquisition process, (also by compulsory acquisition) involved extensive consultation processes, including in relation to planning. As a consequence, the 2006-07 estimated expenditure was revised, but less costs were incurred for professional fees than expected for that year. Currently the site acquisition process is nearing completion. Stakeholder consultative processes have been completed and the design team has been commissioned. Construction completion is on target for the revised program date of December 2009.</td>
</tr>
<tr>
<td>Footscray Police Station</td>
<td>11,170</td>
<td>5,524</td>
<td>2,113</td>
<td>-3,411</td>
<td>-61.7</td>
<td>The new 24 hour Footscray police station was approved in the 2002-03 budget with a Total Estimated Investment (TEI) of $13.3 million. The estimated expenditure for 2006-07 was derived from the original cashflow for the project on the basis that the full TEI would be expended. The TEI was also revised to $11.17 million. The new facility was completed and became fully operational in October 2006.</td>
</tr>
</tbody>
</table>
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment</th>
<th>Estimated expenditure 2006-07</th>
<th>Actual expenditure in 2006-07</th>
<th>Variance (a)</th>
<th>Variance (a)</th>
<th>Explanation provided by department</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>($000)</td>
<td>(%)</td>
<td></td>
</tr>
<tr>
<td>Lilydale Police Station – Construction (Lilydale)</td>
<td>13,500</td>
<td>3,250</td>
<td>1,638</td>
<td>-1,612</td>
<td>-49.6</td>
<td>This project is for the construction of a new police station in Lilydale. Full TEI project funding of $13.5 million was approved in 2006-07. The original 2006-07 estimated expenditure of $3.2 million was revised down to $97,000 due to the original site acquisition not proceeding – caused by the determination that the original Council-nominated site was not suitable for a police building. Land has now been acquired with the funding, the consultant team has been commissioned, consultations have commenced with the Council over planning/rezoning issues and the concept design is continuing. The project is anticipated to be completed by August 2009 – only 3 months after the original published completion date of June 2009. TEI is on target for this project.</td>
</tr>
<tr>
<td>Mildura Police Station</td>
<td>16,500</td>
<td>12,483</td>
<td>10,079</td>
<td>-2,404</td>
<td>-19.2</td>
<td>Initial Funding of $1 million for the land acquisition and design cost components of the project was approved in the 2004-05 budget. The balance of funding for the project construction phase was approved in the 2005-06 budget, with a TEI of $16.5 million. The original published completion date was November 2006. The new police station was completed and became fully operational in September 2007, with stage 2 works – carpark/other spaces – due for completion in February 2008. Delays at the project start occurred as a result of difficulties attracting sufficient numbers of suitable commercial builders to a remote locality. Some remedial works occurred during the project (at the builders expense) as some aspects were not being delivered within the design intent – the program and cash flow was revised accordingly, resulting in lower annual expenditure than had been anticipated for 2006-07.</td>
</tr>
</tbody>
</table>
**Table 8.1:** Major infrastructure projects with actual expenditure lower than estimated in 2006-07 *(continued)*

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure in 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne Legal Precinct Master Plan – Construction (Melbourne)</td>
<td>34,563</td>
<td>17,222</td>
<td>8,951</td>
<td>-8,271</td>
<td>-48.0</td>
<td>This project is to redevelop or improve sites within the Melbourne Legal Precinct. While the Supreme Court project is meeting targets, the old County Court building project has been delayed by the need to remove latent asbestos, which added $1.4 million in cost and has delayed the project by 6 months. The department has taken remedial action to meet the resulting shortfall in courtrooms within the Melbourne Legal Precinct, including the conversion of 3 civil courtrooms in the County Court to criminal courtrooms. Original estimated expenditure of $17.2 million was revised down to $10.7 million. Actual expenditure was $8.9 million. The variance of -$1.8 million was the result of 3 factors: (1) the extension of the original project life from 24 to 30 months to accommodate operational requirements of the Supreme Court and eliminate any security risks to the public and court officers; (2) the making of the original estimate prior to the engagement of the contractor; and (3) the slowing of construction due to the extent of latent asbestos throughout the building.</td>
</tr>
<tr>
<td>Organised Crime and Counter Terrorism – Asset Enhancement (statewide)</td>
<td>23,423</td>
<td>18,292</td>
<td>9,563</td>
<td>-8,729</td>
<td>-47.7</td>
<td>Organised crime and counter-terrorism is a highly specialised field, which is dependent on the availability of a limited number of suppliers located worldwide. This can lead to unavoidable delays. The original estimated 2006-07 expenditure was revised down to $14.0 million. Actual expenditure against this revised estimate was $9.6 million. The project has 10 separate components encompassing Corrections Victoria, the Supreme Court, Investigation Support, E-Crime Capability, Counter Terrorism Prevention and Preparedness, Forensic Information Management System, DNA Automation, Purchase of Overt Ballistic Vests, a Ballistic Safety Rescue Vehicle and the Macleod Forensic Centre. TEI is on target for the overall project.</td>
</tr>
</tbody>
</table>
Table 8.1: Major infrastructure projects with actual expenditure lower than estimated in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure in 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Sustainability and Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sustainable Management of Victoria's Parks</td>
<td>55,183</td>
<td>11,913</td>
<td>7,696</td>
<td>-4,217</td>
<td>-35.3</td>
<td>The variance in 2006-07 is due to a Section 30 transfer of $4.2 million to Output Appropriation as the works being undertaken were for repairs and maintenance. [Note: The difference in the published 2006-07 and 2007-08 TEI figures is due to the Section 30 transfer.]</td>
</tr>
<tr>
<td>Victorian Water Trusts</td>
<td>202,571</td>
<td>29,309</td>
<td>22,085</td>
<td>-7,224</td>
<td>-24.6</td>
<td>The variance in 2006-07 is due primarily to Section 30 transfers of $6.6 million to Output Appropriation as the works being undertaken were of an output nature. [Note: The difference in the published 2006-07 and 2007-08 TEI figures is due to funding being provided for ten years to 2012–13 and the transfer of $20.8 million from Output Appropriation.]</td>
</tr>
</tbody>
</table>

8.3 Departmental explanations for infrastructure projects where actual 2006-07 expenditure was greater than estimated

The Committee also sought from the same five departments information on projects with a budget greater than $10 million where expenditure in 2006-07 moved ahead of budget by more than 10 per cent. Table 8.2 summarises the material received from departments.
<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Human Services</td>
<td>Caulfield General Medical Centre Logistics Building and Associated Works (Caulfield)</td>
<td>23,500</td>
<td>4,300</td>
<td>5,313</td>
<td>+1013</td>
<td>+23.5</td>
</tr>
<tr>
<td></td>
<td>Grovedale Aged Care Facility Development (Grovedale)</td>
<td>25,000</td>
<td>5,000</td>
<td>7,871</td>
<td>+2,871</td>
<td>+57.4</td>
</tr>
<tr>
<td></td>
<td>Warracknabeal Nursing Home Stage 1 Redevelopment (Warracknabeal)</td>
<td>21,800</td>
<td>6,000</td>
<td>7,508</td>
<td>+1,508</td>
<td>+25.1</td>
</tr>
</tbody>
</table>
Table 8.2: Departmental infrastructure projects with expenditure in 2006-07 ahead of budget (continued)

<table>
<thead>
<tr>
<th>Project description</th>
<th>Total estimated investment ($000)</th>
<th>Estimated expenditure 2006-07 ($000)</th>
<th>Actual expenditure 2006-07 ($000)</th>
<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Department of Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Geelong Bypass (state and Federal)</td>
<td>380,000</td>
<td>64,209</td>
<td>113,871</td>
<td>+49,662</td>
<td>+77.3</td>
<td>Acceleration of contract expenditure by contractors.</td>
</tr>
<tr>
<td>Safer Road Infrastructure Program 2</td>
<td>110,000</td>
<td>56,955</td>
<td>66,529</td>
<td>+9,574</td>
<td>+16.8</td>
<td>Acceleration of program.</td>
</tr>
<tr>
<td>Pakenham Bypass (state and Federal)</td>
<td>242,100</td>
<td>88,506</td>
<td>115,015</td>
<td>+26,509</td>
<td>+30.0</td>
<td>Construction ahead of target due to favourable weather conditions.</td>
</tr>
<tr>
<td>Calder Highway Upgrade – Kyneton to Faraday (state and Federal)</td>
<td>176,675</td>
<td>36,689</td>
<td>58,640</td>
<td>+21,951</td>
<td>+59.8</td>
<td>Acceleration of project due to favourable weather conditions.</td>
</tr>
<tr>
<td>Calder Highway Upgrade – Faraday to Ravenswood (state and Federal)</td>
<td>209,500</td>
<td>21,067</td>
<td>75,173</td>
<td>+54,106</td>
<td>+256.8</td>
<td>Acceleration of project due to favourable weather conditions.</td>
</tr>
<tr>
<td>Albury/Wodonga Bypass</td>
<td>144,200</td>
<td>28,000</td>
<td>37,110</td>
<td>+9,110</td>
<td>+32.5</td>
<td>Acceleration of project – completed in March 2007 ahead of earlier completion target of June 2007.</td>
</tr>
<tr>
<td>Western Highway – Deer Park Bypass</td>
<td>325,000</td>
<td>48,122</td>
<td>76,083</td>
<td>+27,961</td>
<td>+58.1</td>
<td>Acceleration of project.</td>
</tr>
<tr>
<td>Middleborough Road Rail Grade Separation</td>
<td>56,500</td>
<td>17,423</td>
<td>68,658</td>
<td>+51,235</td>
<td>+294.0</td>
<td>Project delivered using groundbreaking construction approach and alliance agreement which enabled works to be delivered in just 28 days. TEI increase principally due to additional approved scope for project, higher than expected premiums from suppliers and subcontractors and the very short procurement and design timelines.</td>
</tr>
<tr>
<td>Goulburn Valley Highway – Arcadia Section</td>
<td>40,550</td>
<td>14,797</td>
<td>18,523</td>
<td>+3,726</td>
<td>+25.2</td>
<td>Acceleration of project due to favourable weather conditions.</td>
</tr>
</tbody>
</table>
### Table 8.2: Departmental infrastructure projects with expenditure in 2006-07 ahead of budget (continued)

<table>
<thead>
<tr>
<th>Project description</th>
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<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The construction of the Latrobe Valley Police and Courts Complex was approved in the 2001-02 budget with TEI funding of $25 million. This was supplemented to $27.5 million in the 2003-04 budget and in September 2004, a revised TEI of $37.2 million was approved. Design and documentation was completed in August 2003, at which time the very heated market in the Latrobe Valley resulted in higher than anticipated costs in the lump sum construction tender process. A subsequent alternative construction management form of procurement was utilised and the construction management delivery method took advantage of project savings realised as sub-contracts were tendered and let. At time of the initial funding, the proposed completion date was September 2005. Construction commenced in October 2004 and the new police/courts complex became fully operational in December 2006.</td>
</tr>
<tr>
<td>La Trobe Valley Police &amp; Courts Complex</td>
<td>37,200</td>
<td>4,788</td>
<td>5,396</td>
<td>+608</td>
<td>+12.7</td>
<td>Funded for the new Pakenham Police and Emergency Services Complex was approved in the 2003-04 budget, with a TEI of $9.5 million, adjusted to $11 million, with approval due to a $1.5 million cost increase in the 2005-06 budget. The new site was acquired in September 2003, construction commenced in August 2005 and the new facility was completed/became fully operational in December 2006.</td>
</tr>
<tr>
<td>Pakenham Police &amp; Emergency Services Complex</td>
<td>11,000</td>
<td>1,145</td>
<td>2,413</td>
<td>+1,268</td>
<td>+110.7</td>
<td>Funded for the new Pakenham Police and Emergency Services Complex was approved in the 2003-04 budget, with a TEI of $9.5 million, adjusted to $11 million, with approval due to a $1.5 million cost increase in the 2005-06 budget. The new site was acquired in September 2003, construction commenced in August 2005 and the new facility was completed/became fully operational in December 2006.</td>
</tr>
</tbody>
</table>
### Table 8.2:

Departmental infrastructure projects with expenditure in 2006-07 ahead of budget (continued)

<table>
<thead>
<tr>
<th>Project description</th>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Water Our Future – Protecting and Repairing Our Water Sources</td>
<td>38,410</td>
<td>6,896</td>
<td>10,098</td>
<td>+3,202</td>
<td>+45.4</td>
<td>The variance relates to Section 30 transfers of $6.9 million from Output Appropriation as the works being undertaken for the Surbiton and Epsom projects was of a capital nature. [Note: The difference in the published 2006-07 and 2007-08 TEI figures is due primarily to the Section 30 transfers.]</td>
</tr>
<tr>
<td>National Water Initiative (NWI) – Living Murray Initiatives – statewide</td>
<td>18,879</td>
<td>1,667</td>
<td>5,000</td>
<td>+3,333</td>
<td>+200.0</td>
<td>The Goulburn Murray Water Recovery Package project comprises numerous milestones, with payments for each milestone made in accordance with the Investment Agreement. A $5 million payment was made to Goulburn Murray Water for the completion of Phase 1 reconfiguration works. Overall, the project is on schedule and on budget and this variance reflects a change to cash flows only, not budget.</td>
</tr>
<tr>
<td>Land Exchange – Systems Development – (statewide)</td>
<td>36,200</td>
<td>4,290</td>
<td>6,094</td>
<td>+1,804</td>
<td>+42.0</td>
<td>The variance in 2006-07 was due to new business requirements requested by the end users of the system (solicitor, conveyancers and financial institutions) late in the development schedule, increasing the complexity of the work and causing delays to the Program schedule. [Note: The difference in the published 2006-07 and 2007-08 TEI figures is due to the revised requirements.]</td>
</tr>
</tbody>
</table>
Table 8.2: Departmental infrastructure projects with expenditure in 2006-07 ahead of budget (continued)

<table>
<thead>
<tr>
<th>Project description</th>
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<th>Variance (a) ($000)</th>
<th>Variance (a) (%)</th>
<th>Explanation provided by department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piping the System – Commonwealth component – Construction (Mallee/Wimmera) and</td>
<td>167,000</td>
<td>60,791</td>
<td>73,472</td>
<td>+12,681</td>
<td>+20.8</td>
<td>The variances in 2006-07 are due to the timeframe for the completion of the project being accelerated. In excess of 805km of pipe has been laid and Supply Systems 1 (Yaapeet) and 7 (Lake Bellfield) were 56 per cent complete at the end of June 2007. Further opportunities for accelerating the timeframe for project completion are being considered in order to realise the water savings earlier than planned. The 2006-07 Budget Estimates were increased to reflect the acceleration of the works</td>
</tr>
<tr>
<td>Piping the System – state component – Construction (Mallee/Wimmera)</td>
<td>167,000</td>
<td>60,370</td>
<td>65,054</td>
<td>+4,684</td>
<td>+7.7</td>
<td></td>
</tr>
<tr>
<td>Totals for Piping the System project</td>
<td>334,000</td>
<td>121,161</td>
<td>138,526</td>
<td>+17,365</td>
<td>+14.3</td>
<td></td>
</tr>
</tbody>
</table>
8.4 Commentary on information presented in tables 8.1 and 8.2

It can be seen from tables 8.1 and 8.2 that departments furnished a range of reasons to the Committee for the variations against 2006-07 budgets in particular infrastructure projects. Some 32 projects with a value over $10 million were more than 10 per cent behind schedule while 19 projects of similar value were more than 10 per cent ahead of schedule on planned expenditure. For 15 projects, the level of underspending was 50 per cent or greater while some eight projects were running significantly ahead of schedule. The Committee has not examined those projects whose variance from schedule is less than 10 per cent.

Two departments alerted the Committee to the need for care when interpreting the information, given that it relates primarily to project spending within a particular period. The Department of Human Services pointed out:\textsuperscript{220}

\textit{Please note that the figures contained in the above tables relate to unspent (or accelerated) cashflow for the period in question. A negative variance, therefore, does not indicate overall TEI changes for a particular project, but rather a shift in the original planned expenditure pattern in line with the general nature of project management. Negative variances should also not be interpreted as indicating adverse impacts to completion dates. Where a project’s cashflow has decelerated, DHS has undertaken corrective action to ensure that, where possible, the overall TEI of the project and original project end date is not exceeded.}

In addition, the Department of Justice explained that:\textsuperscript{221}

\textit{Timelines and budgets for some projects have been altered by subsequent ... decisions and directions, including deferrals of related projects and requests for further analysis. In some cases, this has led to an underspend. In [these] circumstances, it is usual for expenditures to be carried over to later years, with the bulk of payments occurring as projects reach completion. Any revisions to the budgets, including annual estimated expenditure and carryover to following years, are made under a standard process agreed with the Department of Treasury and Finance.}

The Committee recognises the points raised by the two departments and that the information on project spending in 2006-07 conveys a ‘point in time’ view on the status of progress towards project completion.

Of particular interest to the Committee from all of the information received from departments are those projects which have advanced ahead of budget due to the use of innovative techniques such as \textit{innovative construction scheduling} and a \textit{groundbreaking construction approach and alliance agreement} identified by the Department of Infrastructure for the Tullamarine-Calder Interchange and Middleborough Road Rail Grade Separation projects respectively. The former project was completed in August 2007 ahead of the original completion target of December 2007 and within the approved TEI. The latter project was completed in January 2007 significantly ahead of its original June 2009 completion date but at a final cost of $70.9 million compared with the original budget of $56.5 million.

\textsuperscript{220} Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.3
\textsuperscript{221} Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.7
A variety of other reasons for expenditure to run ahead of budget in projects was submitted by departments including major acceleration of works due to the effect of favourable weather conditions and changes to works schedules.

From a reporting perspective, variances against cost budgets during the life of an infrastructure project are not usually extensively covered in departmental annual reports. Based on the information presented in tables 8.1 and 8.2, it is clear to the Committee that, for projects with a substantial variance between actual and estimated expenditure in 2006-07, departmental staff responsible for project management need to manage carefully such changes for example by revising targets or reviewing work schedules. With this in mind, the Committee considers that the reporting on infrastructure projects in annual reports could be improved if agencies reported more information on major differences between estimated and actual expenditure during the life of a project and explained in the year of completion of projects the factors that have contributed to any time and cost variances, differentiating between factors within and beyond the control of the agency.

The Committee considers that external reporting along these lines would complement action taken by the government in recent years under its Gateway Initiative to strengthen internal reporting by agencies on matters associated with asset management.

The Committee recommends that:

**Recommendation 23:** The Department of Treasury and Finance review the reporting requirements of public sector agencies in regard to significant variances against cost budgets during the life of infrastructure projects and in the year of their completion.

### 8.5 Importance of risk and contingency allowances in project management

When seeking information from departments on variances in spending against budgets for 2006-07 infrastructure projects, the Committee asked departments to identify in dollar and percentage terms the overall risk and contingency allowance built into the budget for each project.

Three departments provided information to the Committee on this important element of asset management. The Department of Human Services advised that the quantum of risk and contingency allocation will vary between a standard range depending on the size and complexity of the works involved. It also added that assessment of risks associated with individual project characteristics such as commissioning, demolition works and site-specific costs (for example removal of asbestos) may require a contingency allowance greater than the standard range.

The information furnished by the Department of Education and Early Childhood Development indicated that its approach to the specification of a risk and contingency allowance was similar to that described above for the Department of Human Services.

The Department of Infrastructure, which has extensive responsibilities associated with the management of major infrastructure projects, advised that its asset investment projects are dynamic in nature and their risk environments/exposures may vary significantly over the project life. Specific risks, risk controls and risk mitigation strategies for each asset investment initiative are subject to rigorous assessment and are continually reviewed and updated as projects progress. The department stated that, as a general guide, risk and contingency allowances built into project
costings fall within a specified range and are dependent on project complexity, size and the environment in which the project is delivered.

The Committee recognises the importance of a sound approach in departments to the quantification of risk and contingency allowances and, in turn, to minimising any adverse impact on cost and time targets of unexpected developments occurring during the life of an infrastructure project. It also recognises that matters relating to determining the quantum of risk and contingency allowances are given specific attention in the state’s annual budgetary process.

The Committee considers that action taken to strengthen the external reporting requirements of agencies pertaining to infrastructure projects with material variances against budget, as recommended in the above paragraphs, would also assist Parliament and the community in assessing the adequacy of risk and contingency allowances established by agencies for individual projects.

The Committee recommends that:

**Recommendation 24:** The Department of Treasury and Finance expand the external reporting requirements of agencies to encompass a description of strategies employed in the management of risk and contingency allowances and any significant changes taken during the reporting period for individual infrastructure projects.

### 8.6 Reporting on infrastructure and identifying future infrastructure needs

The Committee noted that there is extensive reporting on infrastructure projects both prospectively in the budget papers (such as the annual Budget Paper No.3 on Service Delivery), in annual reports, as well as in the annual budget information paper on the state’s asset investment program published after the end of each financial year.

Reporting also occurs at a national level. The Council of Australian Governments (COAG) in 2005 agreed that it would require an infrastructure report every five years from each Australian jurisdiction. On 10 February 2006, COAG agreed that the first infrastructure report will be prepared for 2007.

The report from Victoria was finalised on 3 April 2007 and included information on the status of projects as well as on prospective infrastructure development. Included in the report was an analysis of factors influencing the planning of infrastructure needs such as economic actions, population, environment, demand, maintenance and repairs and seasonal factors. There were also chapters on electricity and gas, water, roads, public transport, ports, airports and freight, and telecommunications.

In February 2008, the Australian Government announced a new national approach to planning, funding and implementing Australia’s future infrastructure needs. It stated that it will establish a new statutory advisory council, *Infrastructure Australia*, which will develop a strategic blueprint for future infrastructure needs and, in partnership with the states, territories, local government and the private sector, facilitate its implementation.

The Australian Government indicated that *Infrastructure Australia* will conduct regular audits to determine the adequacy, capacity and condition of nationally significant infrastructure, taking into account forecast growth and the adequacy of the infrastructure to meet that growth. From analysis
of this information, it will develop a national infrastructure priority list for COAG to consider. The first national infrastructure audit is scheduled to be completed by the end of 2008 and will inform development of the first infrastructure priority list.

At its meeting of 26 March 2008, COAG agreed that a more nationally-coordinated approach to further infrastructure reform is critical to enhance Australia’s future economic performance and raise national productivity. It also agreed that the immediate priorities for Infrastructure Australia over the next 12 months were the completion of the national infrastructure audit by the end of 2008, the development of an Infrastructure Priority List for COAG’s consideration in March 2009 and the development of best practice guidelines of public private partnerships by October 2008.

The above developments will automatically have implications for Victoria’s future planning and management of infrastructure projects.

As mentioned in chapter 2 (Overview of the state’s 2006-07 financial outcomes), the Committee reported in September 2007, as part of its 2007-08 Budget Estimates inquiry, that unfunded infrastructure commitments embodied in policy announcements of the government amounted at that time, in nominal terms, to at least $7.5 billion. These commitments will require provision in budgets in future years.

The new national approach to infrastructure announced by the Australian Government may impact on the priority assigned by the Victorian Government to infrastructure commitments, when assessed against new national criteria, as well as priority rankings to be assigned to future projects. It may also influence the funding strategies to be employed on projects ultimately given national priority which could differ from funding strategies initially planned by the Victorian Government.

The Committee considers that it will be important for the government to ensure that Parliament is adequately informed of outcomes in this key area of public policy.

The Committee recommends that:

**Recommendation 25:** The government ensure that Parliament is adequately informed of future outcomes for Victoria arising from the establishment of a new national approach to infrastructure.

The Committee also noted the government’s commitment prior to the 2006 election to:

- publish a public interest statement on all infrastructure projects including a value for money statement for all Partnership Victoria projects;
- publish the value for money statement for Partnership Victoria projects within a week of final closure of contract;
- request the Auditor-General to review all major projects;
- publish all contracts within six months of the full and final contract being signed; and
- produce an annual scorecard on all major state infrastructure projects.

The Committee looks forward to the ongoing implementation of these commitments and intends to report on progress in future reports.
CHAPTER 9: TRUST FUND ACCOUNTS

Key findings of the Committee:

9.1 At 30 June 2007, the Trust Fund was comprised of approximately 172 separate trusts accounts, with an aggregated balance of $2.6 billion.

9.2 The trust account that experienced the greatest percentage change from 1 July 2006 to 30 June 2007 was the Department of Treasury and Finance's Government Accommodation Trust (at 5,667 per cent).

9.3 The top five biggest trust account balances account for approximately 40 per cent ($1.1 billion) of the total balance. Of the five trust accounts, one of them was in the Department of Justice, the Department of Infrastructure and the Department of Innovation, Industry and Regional Development each had two trust accounts.

9.4 Through its research and analysis of the departments’ trust accounts, the Committee noted several reporting issues affecting the quality of departments’ disclosure of their trust account information:

- inconsistent titles of departments’ trust accounts – some departments amalgamated some of their individual trust accounts into a single name. The Committee appreciates that it may be more convenient for departments to classify some of their trust accounts into broad categories. However, this reporting practice diminishes the transparency of its overall reporting and disclosure responsibilities of separate trust accounts;

- incomplete reporting – the Committee found that there was incomplete disclosure of departments’ trust accounts. Most of the omissions were found in the departments’ annual reports. Future disclosure of departments’ trust accounts should ensure that all accounts are reported. Alternatively, where the reporting format will result in some of the trust accounts being omitted or reported in a different manner, then a note should be included to inform readers of the reasons;

- inconsistencies in trust account amounts – the Committee found that there were differences between the trust account balances as reported in the departments’ responses to their questionnaire and annual reports. In some cases, the differences can be attributed to rounding. However, for the other accounts, there were significant discrepancies between the numbers. Departments were asked to provide explanations in the differences of their trust account balances. Departments were asked to provide explanations in the differences of their trust account balances. From the responses provided by the Department of Education, the Department of Innovation, Industry and Regional Development and the Department of Primary Industries, it appears that the discrepancies may be explained by the differences in cash and accrual accounting or between cash and investment components of balances;
balances greater than $500,000 – departments were asked to provide explanations where the balance of any trust fund greater than $500,000 at 30 June 2007 had increased by 10 per cent or more when compared with the balance at 1 July 2006. All departments, except for the Department of Infrastructure, had trust accounts with balances greater than $500,000 that had increased by 10 per cent or more;

• review and closure of trust accounts – of the departments that included a statement, in their annual reports, declaring whether they opened or closed any trust accounts during 2006-07, the Department for Victorian Communities opened one trust account and the Department of Innovation, Industry and Regional Development opened one and closed one trust account. Only one trust account was closed in 2005-06. In 2006-07, Victoria Police opened one new trust account and closed two trust accounts;

• negative balances – some of the trust account balances had negative balances at 30 June 2007. The Committee understands that guidelines on the management of trust funds were previously publicly available. However, **Budget Financial Management Guide – Trust Account 18** states that trust accounts should not be overdrawn. Despite this rule, it appears that departments do, in some circumstances, operate negative balances. The Committee has recommended that the Department of Treasury and Finance revise its guidelines to clearly stipulate the circumstances in which departments can operate negative balances. The Committee is also concerned that for some of the trust accounts, the negative balances arose because of errors, including misallocation of funds into incorrect trust accounts; and

• compliance with Model Financial Reporting requirements – the Department of Treasury and Finance’s Model Financial Report requires departments to include a note to their financial statements detailing: cash and investment balances for all trusts at 30 June of each year; all trust accounts that were opened and closed during the financial year; and third party trust accounts that were under management by the departments. A review of departments’ 2006-07 annual reports reveals that not all departments have complied with this requirement. Not all departments complied with the first and second component of this requirement. Disappointingly, only the Department of Justice complied with the Model Financial Report’s requirements to disclose third party funds under management.

9.5 Despite the many reporting issues that were identified, the Committee appreciated notable reporting practices instituted by the Department of Justice and the Department of Innovation, Industry and Regional Development. In the Department of Justice’s annual report, it identified the section of the legislation to which the trust account is established. In the Department of Innovation, Industry and Regional Development’s annual report, in addition to the Model Financial Report requirements, it included a table on the net asset positions for its trust balances.

9.6 These reporting issues indicate that the public disclosure of trust accounts is lacking transparency and robustness. The Committee considers that departments with the assistance of appropriate guidance from the Department of Treasury and Finance should improve the reporting practices for trust accounts.
9.1 Background

The Trust Fund is established under the Financial Management Act 1994 (FMA) as a separate and discrete component of the Public Account. A note in the financial statements in each of the departments’ annual reports records summaries of their trust funds’ balances. These individual balances are consolidated into the Annual Financial Report. The Committee identified 172 separate trusts accounts, with an aggregated balance of $2.6 billion, at 30 June 2007.

Trust accounts are established under specific legislation or by the Minister for Finance under the Financial Management Act 1994. The Minister may also direct the closure of trust accounts, with any remaining balances paid into the Consolidated Fund or another trust account.

Funds held within trust accounts should only be used for the purpose for which the trust account has been established. Trust accounts are normally established for specific departments, although a small number of trust accounts are accessed by more than one department. Trust accounts which are broadly classified into:

- State Government Trust Accounts – These incorporate Trust Accounts established by statute to receive levies imposed by Parliament and to receive moneys provided in the annual budget and record expenditure thereof. The latter includes ‘Hypothecated Revenue’ accounts;
- Specific Purpose Operating Accounts – These accounts quarantine commercial activities within departments from the rest of the department's business. They incorporate:
  - specific purpose Trust Accounts established under section 19 of the FMA;
  - Working Accounts established pursuant to section 23 of the FMA; and
  - Trust accounts established under specific legislation.
- Suspense and Clearing Accounts – These incorporate Trust Accounts which facilitate accounting procedures;
- Treasury Trust Fund, Agency and Deposits Accounts – These include unidentified money and unpresented cheques. Some of the larger accounts in this category are Victorian Government Solicitor's Trust Account, Estate Agents Guarantee Trust Account, Conservation Agency Trust Account, Finance Agency Trust Account, Public Works Agency Trust Account and Departmental Suspense Accounts;
- Commonwealth and Joint Commonwealth and State Accounts – These record receipt and payment of Commonwealth funds for either on passing to organisations/individuals or for state purposes; and
- Other Trust Accounts – These record receipt and payment of third party 'trust' moneys. These moneys include bequests, donations, prizes, scholarships and research grants.

Since June 2005, the Department of Treasury and Finance has included in its Model Financial Report a requirement for departments to include a note to their financial statements regarding details of:

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222 This is the number of trust accounts as identified by departments in their responses to the Committee’s 2006-07 Financial and Performance questionnaire – part one
• the cash and investment balances for all trusts at 30 June of each year;
• all of the trust accounts that were opened and closed during the financial year; and
• third party trust accounts that are under management by the departments.225

9.2 Departments’ disclosure of their trust accounts

The Committee requested that departments provide the following information regarding their trust accounts: the balances at 1 July 2006 and 30 June 2007, and the revenue and expenditure that occurred during this period. Due to the way in which the information was prepared by the departments, there were minor rounding issues. These trust accounts are highlighted in table 9.1.

The information in table 9.1 is a consolidated tabulation of departmental responses. It relies on departmental responses which have been cross-checked against annual reports. In the absence of a Department of Treasury and Finance consolidated list that covers all trust accounts operated by the Victorian Government, the Committee cannot be certain that all departmental managed trust accounts have been included. There are, for example, no records of the trust accounts administered by the courts under the Department of Justice.

The Department of Treasury and Finance advised the Committee that with the exception of the departments, the following three agencies operated trust accounts during 2005-06 and 2006-07:

• Victoria Police (Office of the Chief Commissioner of Police) – relevant trust accounts are:
  – Australian Police Professional Standards Council Trust;
  – Australasian Police Multicultural Advisory Bureau Trust Account;
  – Drug Rehabilitation and Research Fund;
  – FBT Trust Account;
  – National Institute of Forensic Science Trust Account;
  – Public Service Commuter Club;
  – Traffic Accident Info System Trust Account;
  – Vehicle Lease Trust Account; and
  – Victorian Police Youth Fund Trust Account.

• Environment Protection Authority – relevant trust accounts are:
  – Environment Protection Fund;
  – EPA Financial Assurances Trust Account;
  – Public Service Commuter Club; and
  – Vehicle Lease Trust Account.

• Victorian Auditor-General’s Office – relevant trust accounts are:
  – Public Service Commuter Club; and
  – Vehicle Lease Trust Account.

Table 9.1: Departments’ trust account balances at 30 June 2007

<table>
<thead>
<tr>
<th>Trust fund account</th>
<th>Column 1 Balance at 1 July 2006 ($000)</th>
<th>Column 2 Balance at 30 June 2007 ($000)</th>
<th>Variation ($000)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commonwealth Trusts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access at Schools</td>
<td>-91.2</td>
<td>-91.2</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Additional Reading Assistance</td>
<td>1,798.9</td>
<td>0.0</td>
<td>-1,798.9</td>
<td>-100</td>
</tr>
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<td>Australian Government Quality Teacher Program</td>
<td>742.4</td>
<td>390.6</td>
<td>-351.8</td>
<td>-47</td>
</tr>
<tr>
<td>Australian Sustainable Schools Initiative</td>
<td>0.0</td>
<td>23.5</td>
<td>23.5</td>
<td>n/a</td>
</tr>
<tr>
<td>Commonwealth History Project</td>
<td>119.7</td>
<td>70.3</td>
<td>-49.4</td>
<td>-41</td>
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<td>Croc Fest</td>
<td>-2.7</td>
<td>-2.7</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Environmental Education – Sustainable Schools</td>
<td>25.1</td>
<td>0.0</td>
<td>-25.1</td>
<td>-100</td>
</tr>
<tr>
<td>Full Service Schools</td>
<td>35.3</td>
<td>0.0</td>
<td>-35.3</td>
<td>-100</td>
</tr>
<tr>
<td>Indigenous Education Strategic Initiatives Program</td>
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<td>-22.5</td>
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<td>0</td>
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<tr>
<td>Indigenous Education Strategy</td>
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<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Indigenous, Rural and Remote NSDES 2004-05 to 2006-07</td>
<td>100.4</td>
<td>0.0</td>
<td>-100.4</td>
<td>-100</td>
</tr>
<tr>
<td>Koorie VEGAS - Community Action Plan and Pathways</td>
<td>7.0</td>
<td>7.0</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Koorie VEGAS - Koorie gifted</td>
<td>8.4</td>
<td>8.4</td>
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<td>0</td>
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<tr>
<td>Literacy and Numeracy in the Middle Years of Schooling</td>
<td>-4.6</td>
<td>0.0</td>
<td>4.6</td>
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</tr>
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<td>National Safe Schools</td>
<td>39.9</td>
<td>145.4</td>
<td>105.6</td>
<td>265</td>
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<td>National School Drug Education Strategy 2004-05 to 2007-08</td>
<td>206.5</td>
<td>246.2</td>
<td>39.7</td>
<td>19</td>
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<td>Peer Participation Drug Education Forums</td>
<td>360.7</td>
<td>430.6</td>
<td>69.9</td>
<td>19</td>
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<td>Primary School Libraries</td>
<td>27.5</td>
<td>27.5</td>
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<td>0</td>
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<td>s29 SAISO Special Education 2003</td>
<td>12.4</td>
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<td>0</td>
</tr>
<tr>
<td>School/Parent Transition</td>
<td>48.8</td>
<td>0.0</td>
<td>-48.8</td>
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</table>
Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Activity Description</th>
<th>2006-07</th>
<th>2007-08</th>
<th>2007-08 Change</th>
<th>2007-08 Change %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students with Learning Difficulties</td>
<td>277.7</td>
<td>225.6</td>
<td>-52.1</td>
<td>-19.0</td>
</tr>
<tr>
<td>Values Education 2004-05 to 2007-08</td>
<td>985.6</td>
<td>1,278.8</td>
<td>293.2</td>
<td>30.0</td>
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<tr>
<td>VET in Schools National Project</td>
<td>944.7</td>
<td>2,546.0</td>
<td>1,601.3</td>
<td>170.0</td>
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<td>Commonwealth Trust total</td>
<td>5,620.5</td>
<td>5,296.3</td>
<td>-324.2</td>
<td>-6.0</td>
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<tr>
<td>State Trusts</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Better Regulation</td>
<td>0.0</td>
<td>315.4</td>
<td>315.4</td>
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<tr>
<td>Commonwealth Games</td>
<td>55.1</td>
<td>0.0</td>
<td>-55.1</td>
<td>-100.0</td>
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<tr>
<td>Communication Aids and Equipments Program</td>
<td>7.2</td>
<td>0.0</td>
<td>-7.2</td>
<td>-100.0</td>
</tr>
<tr>
<td>Croc Fest</td>
<td>110.0</td>
<td>60.0</td>
<td>-50.0</td>
<td>-45.0</td>
</tr>
<tr>
<td>Dandenong Valley School Hydrotherapy Centre</td>
<td>27.0</td>
<td>0.0</td>
<td>-27.0</td>
<td>-100.0</td>
</tr>
<tr>
<td>Early School Leavers Pilot Program</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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</tr>
<tr>
<td>Enhancing Sex Education in Victoria</td>
<td>37.2</td>
<td>0.0</td>
<td>-37.2</td>
<td>-100.0</td>
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<tr>
<td>Environment Project</td>
<td>54.6</td>
<td>954.6</td>
<td>900.0</td>
<td>1,649.0</td>
</tr>
<tr>
<td>eRich Learning Yarra Valley &amp; Learning Pathways – East Gippsland</td>
<td>1,670.2</td>
<td>899.6</td>
<td>-770.6</td>
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</tr>
<tr>
<td>Identity Management</td>
<td>0.0</td>
<td>1,400.0</td>
<td>1,400.0</td>
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<tr>
<td>LAN Upgrade</td>
<td>509.0</td>
<td>216.6</td>
<td>-292.5</td>
<td>-57.0</td>
</tr>
<tr>
<td>Rosetta Implementation</td>
<td>1,229.9</td>
<td>1,179.6</td>
<td>-50.3</td>
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<tr>
<td>Strategic Partnerships</td>
<td>93.6</td>
<td>0.0</td>
<td>-93.6</td>
<td>-100.0</td>
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<tr>
<td>Teacher Development – Teaching for Design</td>
<td>22.9</td>
<td>5.8</td>
<td>-17.1</td>
<td>-75.0</td>
</tr>
<tr>
<td>TQ&amp;ELT – Principal Support</td>
<td>45.3</td>
<td>31.9</td>
<td>-13.4</td>
<td>-30.0</td>
</tr>
<tr>
<td>Traffic Education Trust</td>
<td>5.3</td>
<td>-11.0</td>
<td>-16.3</td>
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<td>Treasury Trust 00-01 – General</td>
<td>306.8</td>
<td>305.6</td>
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<td>Treasury Trust 01-02 – General</td>
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<td>210.7</td>
<td>-0.1</td>
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<tr>
<td>Treasury Trust 02-03 – General</td>
<td>196.6</td>
<td>196.4</td>
<td>-0.3</td>
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<td>Treasury Trust 03-04 – General</td>
<td>112.8</td>
<td>112.2</td>
<td>-0.6</td>
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<tr>
<td>Treasury Trust 04-05 – General</td>
<td>4.5</td>
<td>4.5</td>
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</table>
### Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Trust Fund Account</th>
<th>Balances 2005-06</th>
<th>Balances 2006-07</th>
<th>Balances 2007-08</th>
<th>Changes</th>
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<tbody>
<tr>
<td>Treasury Trust 05-06 – General</td>
<td>7,870.8</td>
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<td>Treasury Trust 06-07 – General</td>
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<td>Truancy and Substance Abuse</td>
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<td>VicFleet Vehicle Finance</td>
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<td><strong>Controlled Trusts</strong></td>
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<td>Casey Hospital Escrow Account(a)</td>
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<td>Intellectually Handicapped Children’s Amenities Fund</td>
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<td>Treasury Trust</td>
<td>14,500.0</td>
<td>15,200.0</td>
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<tr>
<td>Vehicle Lease Trust Account</td>
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<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Claims Liability Trust</td>
<td>12,900.0</td>
<td>26,600.0</td>
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<td><strong>Controlled Trusts Totals</strong></td>
<td>77,800.0</td>
<td>102,800.0</td>
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<td>Revenue Suspense Account</td>
<td>800.0</td>
<td>800.0</td>
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<tr>
<td>Public Service Commuter Club</td>
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<td>-400.0</td>
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<td>103,200.0</td>
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Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Department of Infrastructure</th>
<th>2006-07</th>
<th>2007-08</th>
<th>Change</th>
<th>Percentage</th>
</tr>
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<tbody>
<tr>
<td>Public Transport Fund</td>
<td>336,600.0</td>
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<table>
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<th>Department of Innovation, Industry and Regional Development</th>
<th>2006-07</th>
<th>2007-08</th>
<th>Change</th>
<th>Percentage</th>
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<tr>
<td>State Development Special Projects Trust Account</td>
<td>8,109.8</td>
<td>11,726.6</td>
<td>3,616.8</td>
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<td>Regional Infrastructure Development Fund – Act No.64/1999</td>
<td>114,811.6</td>
<td>152,902.7</td>
<td>38,091.1</td>
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<td>Revenue Suspense</td>
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<td>449.7</td>
<td>11.5</td>
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<td>Vehicle Lease Trust Account</td>
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<td>Public Service Commuter Club</td>
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<td>Australian Synchrotron Contributions Trust Account</td>
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<table>
<thead>
<tr>
<th>Department of Justice</th>
<th>2006-07</th>
<th>2007-08</th>
<th>Change</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Consumer Credit Trust Account</td>
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<td>Domestic builders Fund</td>
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<td>Prostitution Control Board Fund</td>
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<td>124.0</td>
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<td>Residential Tenancy Fund</td>
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<td>28,710.0</td>
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Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Treasurer Trust Fund</th>
<th>13,236.0</th>
<th>17,592.0</th>
<th>4,322.0</th>
<th>33</th>
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<tbody>
<tr>
<td>Victorian Property Fund</td>
<td>289,824.0</td>
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<td>Controlled Trusts total</td>
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<td>Asset Confiscation Restrained Moneys Trust Account (b)</td>
<td>8,647.0</td>
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<td>12,388.0</td>
<td>5,519.0</td>
<td>-6,869.0</td>
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<tr>
<td>Drug Rehabilitation and Research Fund</td>
<td>137.0</td>
<td>83.0</td>
<td>-55.0</td>
<td>-39</td>
</tr>
<tr>
<td>Public Service Commuter Club</td>
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<td>-538.0</td>
<td>-65.0</td>
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<tr>
<td>Revenue Suspense</td>
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<td>-244.0</td>
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<td>Victoria Police</td>
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<tr>
<td>Controlled Trusts</td>
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<td>Australasian Police Professional Standards Council</td>
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<td>Departmental Suspense Account</td>
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<td>11,344.0</td>
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Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Trust Account Name</th>
<th>Balance 30 June 2007</th>
<th>Balance 31 December 2006</th>
<th>Change 2006-07</th>
<th>Change %</th>
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<tbody>
<tr>
<td>Drug Rehab. And Research Fund</td>
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<td><strong>Department for Planning and Community Development</strong></td>
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<td>Bookshop Working Account</td>
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<td><strong>Department of Premier and Cabinet</strong></td>
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<td>Treasury Trust</td>
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<td>Commuter Club</td>
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<td>Arts 21Commissions Trust</td>
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### Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
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<tr>
<th>Department of Primary Industries</th>
<th>Controlled Trusts</th>
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<td>Cattle Compensation</td>
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<td>Minor Asset Replacement</td>
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<td>Fisheries Plant and Equipment</td>
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<tr>
<td></td>
<td>Departmental Suspense</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Controlled Trusts total</strong></td>
<td></td>
<td>36,893.5</td>
</tr>
<tr>
<td></td>
<td><strong>Administered Trusts total</strong></td>
<td>369.8</td>
</tr>
<tr>
<td><strong>Department of Primary Industries total</strong></td>
<td>37,263.3</td>
<td>41,170.8</td>
</tr>
</tbody>
</table>
### Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Department of Sustainability and Environment</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Controlled trusts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue Suspense</td>
<td>66.2</td>
<td>39.6</td>
<td>39.6</td>
</tr>
<tr>
<td>Project Trust Account</td>
<td>43,780.5</td>
<td>65,069.5</td>
<td>65,069.5</td>
</tr>
<tr>
<td>Commercial Forestry Working Account</td>
<td>1,377.7</td>
<td>455.0</td>
<td>455.0</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>553.3</td>
<td>1,370.8</td>
<td>1,370.8</td>
</tr>
<tr>
<td>Minor Asset Replacement</td>
<td>672.8</td>
<td>541.4</td>
<td>541.4</td>
</tr>
<tr>
<td>Stores Suspense</td>
<td>4,781.3</td>
<td>3,868.8</td>
<td>3,868.8</td>
</tr>
<tr>
<td>Landata Working Account</td>
<td>1,154.9</td>
<td>264.0</td>
<td>264.0</td>
</tr>
<tr>
<td>Parks and Reserves Trust Account</td>
<td>11,389.0</td>
<td>17,145.1</td>
<td>17,145.1</td>
</tr>
<tr>
<td>Casino Area Works Trust</td>
<td>771.3</td>
<td>806.5</td>
<td>806.5</td>
</tr>
<tr>
<td>Department Suspense</td>
<td>307.9</td>
<td>315.2</td>
<td>315.2</td>
</tr>
<tr>
<td>NRMS Investigation/Education</td>
<td>66.2</td>
<td>66.2</td>
<td>66.2</td>
</tr>
<tr>
<td>DTF VicFleet Trust</td>
<td>-88.8</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Controlled Trusts total</strong></td>
<td>73,993.0</td>
<td>89,946.9</td>
<td>15,953.9</td>
</tr>
<tr>
<td><strong>Administered Trusts</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CH Barbour Forestry Foundation</td>
<td>5.8</td>
<td>5.8</td>
<td>0.0</td>
</tr>
<tr>
<td>J Gilmore Farm Water Supply and Hanslow Cup</td>
<td>34.6</td>
<td>36.0</td>
<td>1.4</td>
</tr>
<tr>
<td>Sidney Plowman Award</td>
<td>21.4</td>
<td>22.4</td>
<td>1.0</td>
</tr>
<tr>
<td>Victorian State Foresters Association</td>
<td>60.3</td>
<td>63.7</td>
<td>3.4</td>
</tr>
<tr>
<td>Forests Commission Prizes and Scholarships</td>
<td>3.2</td>
<td>3.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Securities Trust Fund</td>
<td>140.4</td>
<td>125.0</td>
<td>-15.3</td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>618.1</td>
<td>524.1</td>
<td>-94.0</td>
</tr>
<tr>
<td>Planning Projects</td>
<td>1,091.9</td>
<td>1,226.2</td>
<td>134.3</td>
</tr>
<tr>
<td>Public Service Commuters Club</td>
<td>-61.3</td>
<td>-75.9</td>
<td>-14.6</td>
</tr>
<tr>
<td>Natural Disaster Relief Fund</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Administered Trusts total</strong></td>
<td>1,914.4</td>
<td>1,930.5</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>Department of Sustainability and Environment total</strong></td>
<td>75,907.4</td>
<td>91,877.6</td>
<td>15,970.2</td>
</tr>
</tbody>
</table>
### Table 9.1: Departments’ trust account balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Department of Treasury and Finance</th>
<th>0.6</th>
<th>0.0</th>
<th>-0.6</th>
<th>-100</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset Sales Deposit Trust</td>
<td>84.3</td>
<td>5.6</td>
<td>-78.7</td>
<td>-93</td>
</tr>
<tr>
<td>Industry Supervision Fund</td>
<td>145.7</td>
<td>145.7</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Land Compensation Statue Trust</td>
<td>633.2</td>
<td>664.6</td>
<td>31.4</td>
<td>5</td>
</tr>
<tr>
<td>Mobile Radio Network Working Account</td>
<td>64.5</td>
<td>3,717.8</td>
<td>3,653.4</td>
<td>5667</td>
</tr>
<tr>
<td>Government Accommodation Trust</td>
<td>110.7</td>
<td>114.8</td>
<td>4.1</td>
<td>4</td>
</tr>
<tr>
<td>Commuter Club Trust</td>
<td>7,470.5</td>
<td>4,693.9</td>
<td>-2,776.6</td>
<td>-37</td>
</tr>
<tr>
<td>Victorian Natural Disasters Relief Trust</td>
<td>-1,669.2</td>
<td>-1,645.7</td>
<td>23.5</td>
<td>-1</td>
</tr>
<tr>
<td>Sinking Fund on State Debt</td>
<td>5,588.9</td>
<td>5,331.1</td>
<td>-257.8</td>
<td>-5</td>
</tr>
<tr>
<td>VicFleet Trust</td>
<td>5,030.1</td>
<td>23,929.3</td>
<td>18,899.1</td>
<td>376</td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>1,593.2</td>
<td>1,593.2</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Finance Agency Trust</td>
<td>19,052.6</td>
<td>38,550.4</td>
<td>19,497.8</td>
<td>2</td>
</tr>
<tr>
<td><strong>Department of Treasury and Finance totals</strong></td>
<td>1,638,285.6</td>
<td>1,628,688.0</td>
<td>-9,597.6</td>
<td>-0.6</td>
</tr>
</tbody>
</table>

**Notes:**

(a) Department of Human Services reported a variation of 8.1 per cent for the Casey Hospital Escrow Account. According to the Department of Human Services, the variation of 8.1 per cent variance from 2005-06 to 2006-07 in regards to the Casey Hospital Escrow Account is an accurate variation – being the variance in the balance of this account of $5,784 at 30 June 2006 to $6,252 at 30 June 2007 – or more precisely 8.09 per cent. Due to the expression of balances in million dollar format, these amounts rounded to indicate a zero balance in regards to its response to the Committee’s questionnaire, Department of Human Services, email, received 14 February 2008

(b) Department of Justice advised that these trusts no longer treat inflows and outflows as Revenue and Expenditure. Department of Justice, email, received 22 February 2008

Some figures in the table do not add up due to rounding

**Sources:**

Department responses to the Committee’s 2006–07 Financial and Performance questionnaire – part one: Department of Education, pp.12–13; Department of Human Services, p.25; Department of Infrastructure, p.24; Department of Innovation, Industry and Regional Development, p.9; Department of Justice, pp.29–30; Department for Planning and Community Development, p.12; Department of Premier and Cabinet, p.14; Department of Primary Industries, p.12; Department of Sustainability and Environment, p.13; Department of Treasury and Finance, p.12; Department of Justice also provided information regarding its administered trust accounts, Department of Justice, email, received 22 February 2008
9.2.1 General findings of the departments’ trust accounts

The 2006-07 Annual Financial Report stated that the aggregated balance of the trust accounts was $2.6 billion, at 30 June 2007. Responses provided by departments, indicated a total of $1.1 billion which represents approximately 44 per cent of the figure reported in the annual financial report. While there may be a number of reasons for the discrepancy (for example, differences arising from cash and accrual accounting and departments not disclosing third party trust accounts under management), the Committee considers that the discrepancy highlights the need for detailed and transparent reporting of trust accounts. The Committee also considers that the Department of Treasury and Finance should provide further disaggregated information, including a tally of the total number of trust accounts in operation, opened and closed during the financial year, regarding the balances of the government’s trust accounts in its annual financial report.

In 2006-07, there were 172 trust accounts identified from the responses provided by the departments. However, in 2005, the Committee reported that it became aware that within certain trust accounts there may also be a large number of sub-trust accounts.226 Sub-trust accounts are those accounts that sit within a main trust account. For example, the Department of Innovation, Industry and Regional Development’s Commonwealth Trust Account comprises of two sub-trust accounts: Business Licensing Project and the Business Licence Centre.227 For this report, the Committee focuses on the main trust accounts, with a total aggregated value of $2.6 billion at 30 June 2007.

Of the 172 trust accounts, 19 trust accounts experienced no change during the financial year228, while another 19 trust accounts had zero balances229 at 30 June 2007.

The trust account that experienced the greatest percentage change from 1 July 2006 to 30 June 2007 was the Department of Treasury and Finance’s Government Accommodation Trust (GAT) (at 5,667 per cent). The department advised that the increase in the balance was to ensure that the account had sufficient money to pay for all the expenses associated with the management of properties administered by the Government Accommodation Services Group to be paid from GAT and also to enable minor capital works to an amount not exceeding $5 million in any one year to be funded from GAT.230

The top five biggest trust account balances account for approximately 40 per cent of the total balance.

227 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.111
228 This figure assumes no changes in a trust account’s revenue and expenditure and also a having a zero per cent variation.
229 This figure includes trust accounts that had a zero balance at 30 June 2007 and having 100 per cent or zero per cent change in its variance.
230 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, p.12
Table 9.2: Top five biggest trust account balances at 30 June 2007

<table>
<thead>
<tr>
<th>Trust account – Department</th>
<th>Balance ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victorian Property Fund – Department of Justice</td>
<td>344.0</td>
</tr>
<tr>
<td>Public Transport Fund – Department of Infrastructure</td>
<td>317.0</td>
</tr>
<tr>
<td>Regional Infrastructure Development Fund Act No.64/1999 – Department of Innovation, Industry and Regional Development</td>
<td>152.9</td>
</tr>
<tr>
<td>Better Roads Victoria Trust – Department of Infrastructure</td>
<td>139.5</td>
</tr>
<tr>
<td>Australian Synchrotron Contributions Trust Account – Department of Innovation, Industry and Regional Development</td>
<td>94.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,047.9</strong></td>
</tr>
</tbody>
</table>

Source: Extracted from table 9.1 above

9.2.2 Reporting issues

Although the departments’ annual reports provide high-level summaries of the balances of their trust accounts, the Committee found it difficult to reconcile the amounts reported in their annual reports with the responses provided by the departments in their questionnaire. As the following subsections will identify, there are a number of reporting issues regarding the disclosure of trust accounts.

(a) Inconsistent titles of departments’ trust accounts

The Committee’s analysis found that some departments amalgamated some of their individual trust accounts into a single name. For example, in the Department for Victorian Communities’ annual report, it identifies the balance for the State Development Special Projects Trust Account. However, this account is actually comprised of the General Trust and Sport and Recreation Victoria accounts.231 Similar situations were also identified for the Department of Education and the Department of Primary Industries.

The Committee appreciates that it may be more convenient for departments to classify some of their trust accounts into broad categories. However, this reporting practice diminishes the transparency of its overall reporting and disclosure responsibilities for separate accounting of trust accounts. Given that public disclosure of trust accounts is limited, the Committee believes that it is important that information regarding trust accounts be granular and transparent as possible.

(b) Incomplete reporting

The Committee found that through its analysis of departments’ responses to the questionnaire and their annual reports, the Committee found that there was incomplete disclosure of departments’ trust accounts. Most of the omissions occurred in the departments’ annual reports.

The Committee sought explanations from departments that had incomplete disclosure in either or both of the two documents, however, not all departments responded, specifically the Department of

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231 Department for Victorian Communities, 2006-07 Annual Report, p.124
232 The balances of the General Trust and Sport and Recreation Victoria accounts equal the State Development Special Projects Trust Account; Refer Department for Victorian Communities, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received, 20 November 2007, p.12
Infrastructure, the Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet, the Department of Primary Industries and the Department for Victorian Communities. In relation to the Department of Human Services, the omissions in its annual report were due to its reporting format, that is, the department rounded its figures up to the nearest million. However, in reviewing the Department of Premier and Cabinet and the Department of Primary Industries omissions, it does not appear that this reason applies to the Department of Premier and Cabinet and the Department of Primary Industries omissions.

In its explanation to its omission of its Vehicle Lease Account, the Department of Human Services advised that ‘this account is an operating account and is required to be cleared at 30 June of each year – as such it is not published...[in its] 2006-07 annual report.’ However, the Department of Innovation, Industry and Regional Development explained that its omission was due it reporting the cash balance for the trust account (the cash balance was zero).

Future disclosure of departments’ trust accounts should ensure that all accounts are reported. Alternatively, where the reporting format will result in some of the trust accounts being omitted or reported in a different manner, then a note should be included to inform readers of the reasons.

Table 9.3 provides a summary of the trust accounts that were omitted in the departments’ response to the questionnaire and their annual reports.

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233 Department of Human Services, email, received 14 February 2008
234 Department of Innovation, Industry and Regional Development, email, received 20 March 2008
### Table 9.3: Inconsistent disclosure of trust accounts in the departments’ responses to the questionnaire and their annual reports

<table>
<thead>
<tr>
<th>Departments</th>
<th>Trust funds not included in departments’ responses</th>
<th>Trust funds not included in departments’ annual reports</th>
<th>Explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services</td>
<td></td>
<td>Casey Hospital Escrow</td>
<td>The Casey Hospital Escrow trust account had a balance of $6,252 at 30 June 2007, and as the DHS Note 31 ‘Trust Account balances’ is presented in million dollar format (consistent with the DHS annual report format approved by the Victorian Auditor-General’s Office), this item was not deemed to be of material value to publication. The Vehicle Lease Trust Account is an operating account and is required to be cleared at 30 June each year – as such it is not published in Note 31 of the 2006-07 Department of Human Services Annual Report.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Public Service Commuters Club Trust</td>
<td></td>
<td>Not available.</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>Vehicle Lease Trust Account</td>
<td></td>
<td>The amount reported in the questionnaire was $4,400 for this Trust Fund. This was made up of balances in the fund of GST Input Tax credits recoverable and accrued expenses. The annual report included cash balances only and for this fund the cash balance was zero.</td>
</tr>
<tr>
<td>Justice</td>
<td>Vehicle Lease Trust Account</td>
<td></td>
<td>The data provided in the response to the questionnaire differs from the annual report as the data provided for the Committee includes a complete picture of DOJ agencies and related entities, excluding Victoria Police. The annual report reflects only annual financial statement (AFS) entities.</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>Graduate Recruitment Scheme</td>
<td></td>
<td>Not available.</td>
</tr>
<tr>
<td>Premiers and Cabinet</td>
<td>Centenary of Federation – Victoria Trust</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Industries</td>
<td>Public Service Commuters Club Trust Fund Securities</td>
<td>Departmental Suspense</td>
<td>Not available.</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>None of its administered trust accounts</td>
<td></td>
<td>Not available.</td>
</tr>
</tbody>
</table>
(c) Inconsistencies in trust account amounts

The Committee is particularly concerned about the differences in the trust account balances as reported in the departments’ responses to their questionnaire and annual reports. In some cases, the differences can be attributed to rounding. However, for the other accounts, there were significant discrepancies between the numbers. The biggest discrepancy was the Department of Innovation, Industry and Regional Development’s Australian Synchrotron Contributions Trust Account, which had a difference of $94.5 million. The department advised that the balance reported in the questionnaire differs by $50 million and is related to the inclusion of an investment balance of $50 million. The annual report only provides the cash balance of the trust account.235 Other examples of inconsistencies include:

- The inclusion of the Department of Innovation, Industry and Regional Development’s Commonwealth Treasury Trust Account in its response to the questionnaire. In its response to the questionnaire, the department reported a balance of $136,339 at 30 June 2007. However, in its annual report, it reported a balance of zero and noted that it closed this account during the year; and

- In the case of the Department of Primary Industries, it would be reasonable to assume that the Disease Compensation Fund, as reported in its annual report, equates to the Bee, Swine, Cattle and Sheep and Goat Compensation trust accounts, as reported in its response to the questionnaire. However, the difference between the sum of the individual compensation trust accounts and the Disease Compensation Fund was $16,654,025.

These cases of inconsistencies in the departments’ disclosure of their balances of their trust accounts further demonstrates the need for more effort in the departments’ own control of inconsistencies in reporting. Departments, (namely, Department of Education, the Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet, the Department of Primary Industries, and the Department of Treasury and Finance) were asked to provide explanations in the differences of their trust account balances. However, at the time of writing this chapter, only the Department of Education and the Department of Innovation, Industry and Regional Development had replied. From the responses provided by the Department of Education and the Department of Innovation, Industry and Regional Development, it appears that some of the discrepancies may be explained by the differences in cash and accrual accounting. If this is the case, then the Committee considers that departments should identify clearly in their annual reports that the balances of their trust accounts only show the cash movements during the financial year.

Table 9.4 provides a summary of the inconsistencies in the trust account balances.

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235 Department of Innovation, Industry and Regional Development, email, received 20 March 2008
Table 9.4: Variations between the departments’ responses to the questionnaire and their annual reports – 2006-07 trust account balances

<table>
<thead>
<tr>
<th>Departments’ trust accounts</th>
<th>Response to questionnaire</th>
<th>2006-07 annual report</th>
<th>Difference</th>
<th>Departments’ explanations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at 30 June 2007 ($000)</td>
<td>Balance at 30 June 2007 ($000)</td>
<td>($000)</td>
<td></td>
</tr>
<tr>
<td><strong>Department of Education</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Education – Trust Total</td>
<td>12,508.5</td>
<td>65,429.0</td>
<td>52,920.5</td>
<td>The figures reported in the annual accounts relate purely to the amounts received and paid through the department’s bank accounts. The figure that was reported in the Committee’s questionnaire reflects the state and Commonwealth Trust movements in the ledger accounts, including Asset and Liability balances, for example Payables and Accruals, which are not included in the annual report figure. There is a difference in the reported movements as there can be a timing difference between when an expense is incurred (reported to the Committee) and it is paid (reported in the annual accounts).</td>
</tr>
<tr>
<td><strong>Department of Innovation, Industry and Regional Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Trust Fund</td>
<td>162.8</td>
<td>172.0</td>
<td>9.2</td>
<td>The balance reported differs by $10,000 and relates to a balance of GST Input Tax credits recoverable relating to this Trust Fund.</td>
</tr>
<tr>
<td>Australian Synchrotron Contributions Trust Account</td>
<td>94,500.0</td>
<td>44.5</td>
<td>-94,455.5</td>
<td>The balance reported in the questionnaire differs by $50 million and relates to the inclusion of an investment balance of $50 million. The annual report gives the balance held in ‘cash’ only.</td>
</tr>
<tr>
<td>Commonwealth Treasury Trust Fund</td>
<td>136.3</td>
<td>0.0</td>
<td>-136.3</td>
<td>The department closed its Commonwealth Trust Fund in 2006-07. This is mentioned in the annual report. The opening balance of $136,000 was cleared and the balance at 30 June 2007 should have been shown in the questionnaire as zero.</td>
</tr>
<tr>
<td><strong>Department of Premier and Cabinet</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>8,442.9</td>
<td>8,465.0</td>
<td>22.1</td>
<td>Not available</td>
</tr>
<tr>
<td><strong>Department of Primary Industries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total compensation</td>
<td>799.9</td>
<td>17,454.0</td>
<td>16,654.0</td>
<td>Not available</td>
</tr>
<tr>
<td>McCashney Scholarship</td>
<td>1.6</td>
<td>46.0</td>
<td>44.4</td>
<td>Not available</td>
</tr>
<tr>
<td>Project Trust Account</td>
<td>33,970.4</td>
<td>34.3</td>
<td>-33,936.0</td>
<td>Not available</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>774.3</td>
<td>3.3</td>
<td>-771.0</td>
<td>Not available</td>
</tr>
<tr>
<td>Recreational Fishing Licence</td>
<td>793.2</td>
<td>3.3</td>
<td>-789.9</td>
<td>Not available</td>
</tr>
<tr>
<td>Lysterfield Levy</td>
<td>311.2</td>
<td>1.2</td>
<td>-310.0</td>
<td>Not available</td>
</tr>
<tr>
<td>Treasury Trust 2006-07</td>
<td>8.9</td>
<td>41.0</td>
<td>32.07</td>
<td>Not available</td>
</tr>
<tr>
<td><strong>Department of Treasury and Finance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>23,929.3</td>
<td>23,917.0</td>
<td>-12.3</td>
<td>Not available</td>
</tr>
</tbody>
</table>

**Sources:** 2006-07 annual reports of departments; responses to the 2006-07 Financial and Performance questionnaire – part one; Department of Education, email, received 25 March 2008; Department of Innovation, Industry and Regional Development, email, received 20 March 2008
9.2.3  Trust accounts with balances greater than $500,000

In its Report on the review of the Auditor-General's report on Parliamentary Control and Management of Appropriations, tabled in Parliament in September 2005, the Committee noted the excessive accumulation of balances in certain trust accounts. The Committee commented that it would be useful for the Department of Treasury and Finance to identify large accumulating balances and request departments to identify forward commitments for expenditure. Surplus funds could then be transferred to the Consolidated Fund at the direction of the Treasurer. In the context of this background, departments were asked to provide explanations where the balance of a trust fund was greater than $500,000 at 30 June 2007 had increased by 10 per cent or more when compared with the balance at 1 July 2006. All departments, except for the Department of Infrastructure, had trust accounts with balances greater than $500,000 that had increased by 10 per cent or more.

In the absence of direct Parliamentary scrutiny of the expenditure of the moneys in trust accounts, the Committee considers that it is important that departments expend their moneys in timely manner to ensure that services and programs are delivered to the community.

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## Table 9.5: Departments’ disclosure of their trust accounts

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 2-1</th>
<th>Column (2-1)/1</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance at 1 July 2006 ($000)</td>
<td>Balance at 30 June 2007 ($000)</td>
<td>Variation ($000)</td>
<td>Variation (%)</td>
<td></td>
</tr>
<tr>
<td>Department of Education and Early Childhood Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Values Education 2004-05 to 2007-08</td>
<td>985.6</td>
<td>1,278.8</td>
<td>293.2</td>
<td>30</td>
<td>Expenditure is incurred for school based activities/forums regarding the values education. Requests from schools have been relatively low to date. This is expected to increase with greater publicity/exposure of the programs across the school sector.</td>
</tr>
<tr>
<td>VET in Schools National Project</td>
<td>944.7</td>
<td>2,546.0</td>
<td>1,601.3</td>
<td>170</td>
<td>The change in the balance of the fund is attributable to timing differences between the receipt of revenue and the payment of expenses.</td>
</tr>
<tr>
<td>Environment Project</td>
<td>54.6</td>
<td>954.6</td>
<td>900.0</td>
<td>1,649</td>
<td>The department is currently reviewing its Environmental Sustainability Strategy which will inform the type, cost and timeline of projects. Projects are expected to be approved by the end of January 2008 from which time expenditure will be incurred.</td>
</tr>
<tr>
<td>Identity Management</td>
<td>0</td>
<td>1,400.0</td>
<td>1,400.0</td>
<td>n/a</td>
<td>New trust fund created in 2006-07. All funds are expected to be expended by the end of 2007-2008.</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospital and Charities Fund</td>
<td>47,600.0</td>
<td>58,800.0</td>
<td>11,200.0</td>
<td>24</td>
<td>Increase in the balance of the Hospital and Charities Fund primarily relates to additional revenue received late in 2006-07 for Interstate Patients.</td>
</tr>
<tr>
<td>Claims Liability Trust</td>
<td>12,900.0</td>
<td>26,600.0</td>
<td>13,700.0</td>
<td>106</td>
<td>Increase in Claims Liability Trust reflects lower than expected insurance claim payments in 2006-07.</td>
</tr>
</tbody>
</table>
### Table 9.5: Departments’ disclosure of their trust accounts (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1 Balance at 1 July 2006 ($000)</th>
<th>Column 2 Balance at 30 June 2007 ($000)</th>
<th>Variation Variation ($000)</th>
<th>(% )</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>State Development Special Projects Trust Fund</td>
<td>8,109.8</td>
<td>11,726.6</td>
<td>3,616.8</td>
<td>45</td>
<td>The State Development Special Projects Trust Fund has increased due to receipt of funding relating to some new projects expected to be expended in 2007-08.</td>
</tr>
<tr>
<td>Regional Infrastructure Development Trust Fund</td>
<td>114,811.6</td>
<td>152,902.7</td>
<td>38,091.1</td>
<td>33</td>
<td>The Regional Infrastructure Development Trust Fund has increased due to payment delays associated with grant recipient’s delays in achievement of milestones. The drought and bushfires have also delayed some projects.</td>
</tr>
<tr>
<td>Australian Synchrotron Contributions Trust Account</td>
<td>0.0</td>
<td>94,500.0</td>
<td>94,500.0</td>
<td>100</td>
<td>The Australian Synchrotron Contributions Trust Account was created in 2006-07 and holds state and Commonwealth contributions relating to the operating costs of the Synchrotron, which is expected to be expended over the next five years.</td>
</tr>
<tr>
<td>Department of Justice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Motor Car Traders' Guarantee Fund</td>
<td>908.0</td>
<td>1,274.0</td>
<td>366.0</td>
<td>40</td>
<td>There has been reduced expenditure in this trust, resulting in a higher balance at 30 June 2007.</td>
</tr>
<tr>
<td>National Gambling Research Fund</td>
<td>2,322.0</td>
<td>3,011.0</td>
<td>689.0</td>
<td>30</td>
<td>This trust fund has been established to manage a national five year gambling research program, jointly funded (annually) by the Commonwealth and all state and territory governments. The movement in the Trust Fund balance reflects that the majority of revenue for this program has been received at 30 June 2007. A considerable amount of project expenditure however, remains to be undertaken. It is anticipated that expenditure will be incurred to the end of the 2009-10 Financial Year.</td>
</tr>
<tr>
<td>Residential Tenancy Fund</td>
<td>22,839.0</td>
<td>28,710.0</td>
<td>5,914.0</td>
<td>26</td>
<td>Increase in this fund is due to the increased interest income generated on a higher value of residential bonds held in trust for tenants.</td>
</tr>
</tbody>
</table>
Table 9.5: Departments’ disclosure of their trust accounts *(continued)*

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 2-1</th>
<th>Column (2-1)/1</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Treasury Trust Fund (Controlled)]</td>
<td>13,236.0</td>
<td>17,592.0</td>
<td>4,322.0</td>
<td>33</td>
<td>The growth in the balance of the Treasury Trust Fund is predominantly due to short-term arrangements relating to DOJ managing SIPSaCs projects (SIPSaCs projects are the Mobile Data Network [MDN], Metropolitan Mobile Radio [MMR], and Emergency Alerting System [EAS]) prior to handing over the contracts to the Emergency Services Telecommunications Authority (ESTA). The balance of the increase in the Treasury Trust Fund balance relates to additional Community Support Fund activity by DOJ primarily relating to financial counselling.</td>
</tr>
<tr>
<td>[Victorian Property Fund]</td>
<td>289,824.0</td>
<td>343,975.0</td>
<td>54,150.0</td>
<td>19</td>
<td>Increase in this fund is due to interest income generated on Estate Agent trust accounts. In the 2007-08 budget the government announced an initiative to utilise $200 million over four years for Treasury to transfer to the Office of Housing.</td>
</tr>
<tr>
<td>[Asset Confiscation Restrained Moneys Trust Account (Administered)]</td>
<td>8,647.0</td>
<td>10,085.0</td>
<td>1,439.0</td>
<td>17</td>
<td>Moneys held in this account represent amounts temporarily confiscated from individuals and legal entities pending the outcome of restraining orders imposed by the courts pursuant to the <em>Confiscation Act 1997</em>. All moneys are either eventually forfeited to the state or returned to their owners. The balance of the account fluctuates significantly as it is dependent on factors such as the number of restraining orders imposed, the value of funds subject to those orders, and the outcome of criminal proceedings in the courts.</td>
</tr>
<tr>
<td>[Departmental Suspense – Controlled (Victoria Police)]</td>
<td>19,661.0</td>
<td>28,428.0</td>
<td>8,767.0</td>
<td>45</td>
<td>Higher grants were received for specific purpose trust funds.</td>
</tr>
<tr>
<td>[Departmental Suspense – Administered (Victoria Police)]</td>
<td>9,016.0</td>
<td>11,344.0</td>
<td>2,328.0</td>
<td>26</td>
<td>Increased seized money receipts.</td>
</tr>
</tbody>
</table>
Table 9.5: Departments’ disclosure of their trust accounts (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1 (000)</th>
<th>Column 2 (000)</th>
<th>Variation (000)</th>
<th>Variation (%)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fringe Benefit Tax (Victoria Police)</td>
<td>1,188.0</td>
<td>1,404.0</td>
<td>216.0</td>
<td>18</td>
<td>Increased staff contributions to FBT obligations.</td>
</tr>
<tr>
<td>Police Youth Fund (Victoria Police)</td>
<td>0.0</td>
<td>726.0</td>
<td>726.0</td>
<td>n/a</td>
<td>New trust established during 2006-07.</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Trust Fund</td>
<td>17,190.0</td>
<td>21,342.0</td>
<td>4,152.0</td>
<td>24</td>
<td>The department’s General Trust Fund has increased in the main due to funding received from the Department of Innovation, Industry and Regional Development (DIIRD) for the delivery of the Provincial Skilled Migration Scheme. Due to machinery of government changes, these trust balances have been transferred back to DIIRD.</td>
</tr>
<tr>
<td>Sport &amp; Recreation Victoria Trust Fund</td>
<td>5,172.0</td>
<td>10,926.0</td>
<td>5,754.0</td>
<td>111</td>
<td>Growth in the Sport &amp; Recreation Victoria Trust Fund is largely due to the timing of payments in relation to funding for drought programs received from other government departments. It is expected that this funding will be expended during 2007-08.</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>2,103.1</td>
<td>8,442.9</td>
<td>6,339.8</td>
<td>301</td>
<td>The increase in the Treasury Trust represents the recognition of the Master Agency Media Services (MAMS) rebate.</td>
</tr>
<tr>
<td>Arts Fund</td>
<td>-69.6</td>
<td>1,009.8</td>
<td>1,079.7</td>
<td>1,551</td>
<td>DVC made payments from the Community Support Fund to DPC. These were paid into the Arts Fund prior to the end of the financial year for Arts Programs but the funding distribution to grant recipients was not approved for payment until after the end of the financial year.</td>
</tr>
<tr>
<td>Australia Day Committee – Victoria Trust</td>
<td>261.0</td>
<td>772.7</td>
<td>511.6</td>
<td>196</td>
<td>Relates to the timing of grants and sponsorship received.</td>
</tr>
</tbody>
</table>
### Table 9.5: Departments’ disclosure of their trust accounts (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 2-1</th>
<th>Column (2-1)/1</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Primary Industries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project Trust Account</td>
<td>28,909.5</td>
<td>33,970.4</td>
<td>5,060.8</td>
<td>18</td>
<td>The increase in the Project Trust Account from 2005-06 is mainly attributed to the transfer of $4 million from Department of Innovation, Industry and Regional Development (DIIRD) to DPI representing the state’s commitment to the CO2CRC Otway Project offset by two milestone payments made during the year of $1.9 million, resulting in a net increase of $2.1 million. Another contributor to the increased balance in the Trust fund is the fee for service projects which were not able to be completed due to staff working on fire related activities during 2006-07, in addition to the continued receipts of asset usage charges from Food Science Australia of $930,000 for the replacement of assets as required within the Food Science Australia Joint Venture. There was also an increase in grants for services rendered across a number of areas including works on the rehabilitation of Benambra mine in Eastern Victoria, Wimmera Mallee Pipeline funding from DIIRD and the Drought Apprenticeship Retention Initiative funding from Department for Planning and Community Development (DPCD). The overall increase in the Project Trust Account revenue was offset by increases in expenditure relating to salaries, laboratory consumables and professional services costs.</td>
</tr>
<tr>
<td>Cattle Compensation Account</td>
<td>230.1</td>
<td>540.2</td>
<td>310.1</td>
<td>135</td>
<td>This trust account is established under the Livestock Disease Control Act 1994. It is funded primarily through stamp duties paid on the sale of cattle in Victoria and is administered by the Cattle Compensation Advisory Committee, comprising industry and DPI representatives. The fund exists primarily for compensation payments to the owners of cattle ordered destroyed under the act as a result of disease detection. The balance of the fund is therefore subject to fluctuations due to market activities and detection of suspicious disease symptoms.</td>
</tr>
</tbody>
</table>
Table 9.5: Departments’ disclosure of their trust accounts (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1 ($000)</th>
<th>Column 2 ($000)</th>
<th>Variation ($000)</th>
<th>Variation (%)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant and Machinery</td>
<td>648.1</td>
<td>774.3</td>
<td>126.2</td>
<td>19</td>
<td>This trust account reflects the level of funds specifically set aside for plant and equipment purchases including motor vehicle fleet costs. Funds are transferred into this account in advance of the actual purchases of plant and equipment, consequently the movements in this account are impacted by the timing of receipts of funds into the Account and the date on which the outlays occur. In 2006-07, a higher level of funds was transferred into this Account to facilitate plant and equipment purchases compared with 2005-06.</td>
</tr>
<tr>
<td>Fisheries Plant and Equipment</td>
<td>843.1</td>
<td>1,246.4</td>
<td>403.3</td>
<td>48</td>
<td>The trust account was established under the Fisheries Act 1995 to manage the purchase/replacement and maintenance costs of Fisheries specific equipment, largely related to vessel fleet. Funds are transferred into the account in anticipation of equipment and vessel purchases, which at this stage are dependant on the development of processes, specification requirements, costs and additional replacement timeframes for vessel fleet which are still being finalised.</td>
</tr>
</tbody>
</table>
## Table 9.5: Departments’ disclosure of their trust accounts (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1 Balance at 1 July 2006 ($000)</th>
<th>Column 2 Balance at 30 June 2007 ($000)</th>
<th>Variation ($000)</th>
<th>Variation (%)</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Sustainability and Environment</td>
<td><img src="image" alt="Department of Sustainability and Environment" /></td>
<td><img src="image" alt="Department of Sustainability and Environment" /></td>
<td><img src="image" alt="Department of Sustainability and Environment" /></td>
<td><img src="image" alt="Department of Sustainability and Environment" /></td>
<td>The Project Trust Account records revenues and expenses for a significant number of diverse projects managed by the department. The movement in the trust balance from 2005-06 has been caused by a large number of the projects however it is predominately due to the following project: Goulburn Murray Water Recovery Package. This project is jointly funded by the governments of Victoria, South Australia (SA), and New South Wales (NSW) and the Commonwealth Government. The revenue and expenses moving through the trust represents the funding received from the NSW and SA Governments, and the passing of that funding to Goulburn Murray Water upon achievement of relevant milestones. Funding of $6.4 million was received from the Snowy Joint Government Enterprise late in 2006-07 for the Goulburn System Strategic Measurement project. Expenditure of the funds is to occur by the end of the second quarter of 2007-08.</td>
</tr>
<tr>
<td>Project Trust Account</td>
<td>43,780.5</td>
<td>65,069.5</td>
<td>65,069.5</td>
<td>49</td>
<td>The Project Trust Account records revenues and expenses for a significant number of diverse projects managed by the department. The movement in the trust balance from 2005-06 has been caused by a large number of the projects however it is predominately due to the following project: Goulburn Murray Water Recovery Package. This project is jointly funded by the governments of Victoria, South Australia (SA), and New South Wales (NSW) and the Commonwealth Government. The revenue and expenses moving through the trust represents the funding received from the NSW and SA Governments, and the passing of that funding to Goulburn Murray Water upon achievement of relevant milestones. Funding of $6.4 million was received from the Snowy Joint Government Enterprise late in 2006-07 for the Goulburn System Strategic Measurement project. Expenditure of the funds is to occur by the end of the second quarter of 2007-08.</td>
</tr>
<tr>
<td>Plant and Machinery</td>
<td>553.3</td>
<td>1,370.8</td>
<td>1,370.8</td>
<td>148</td>
<td>The Plant and Machinery is used to maintain current levels of plant and provide for the replacement of that plant. The increase in the trust balance reflects revenue being invoiced evenly during the year whereas the expenditure is incurred after the completion of the fire season when the plant is serviced or replaced.</td>
</tr>
<tr>
<td>Parks and Reserves Trust Account</td>
<td>11,389.0</td>
<td>17,145.1</td>
<td>17,145.1</td>
<td>151</td>
<td>The Parks and Reserves Trust Account receives rates for the Metropolitan Parks &amp; Reserves, which is then transferred to Parks Victoria and other organisations accordance with enabling legislation. During 2006-07 the trust account received revenue for funding land purchases of $5.1 million which has not yet been spent.</td>
</tr>
</tbody>
</table>
### Table 9.5: Departments’ disclosure of their trust accounts (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 2-1</th>
<th>Column (2-1)/1</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planning Projects Trust Account</td>
<td>1,092.0</td>
<td>1,226.2</td>
<td>134.3</td>
<td>12</td>
<td>The Planning Projects Trust Account provides professional development and training to industry professionals on planning related issues. The change in the trust balance is due to fees for services being higher than yearly expenditure, the majority of which related to learning and development programs. This Trust has been transferred to the Department for Planning and Community Development as a consequence of the recent machinery of government changes.</td>
</tr>
<tr>
<td>Casino Area Works Trust Account</td>
<td>771.3</td>
<td>806.5</td>
<td>3,653.4</td>
<td>5</td>
<td>Responsibility for the Casino Area Works Trust Account has been transferred to the Department for Planning and Community Development.</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Accommodation Trust</td>
<td>64.5</td>
<td>3,717.9</td>
<td>3,653.4</td>
<td>5,667</td>
<td></td>
</tr>
<tr>
<td>Treasury Trust</td>
<td>5,030.1</td>
<td>23,929.3</td>
<td>18,899.1</td>
<td>376</td>
<td></td>
</tr>
</tbody>
</table>

Sources: extracted from table 9.1 above; Department responses to the 2006-07 Financial and Performance questionnaire
9.2.4 Review and closure of trust accounts

In the Committee’s Report on the review of the Auditor-General’s report on Parliamentary Control and Management of Appropriations, it recommended that ‘the Department of Treasury and Finance review the ongoing need for all existing trust accounts in the general government sector.’ In its response to the Committee’s recommendation, the Department of Treasury and Finance advised that trust accounts are always under review.

Of the departments that included a statement declaring whether they opened or closed any trust accounts during 2006-07, the Department for Victorian Communities opened one trust account (Victorian Veterans Fund) and the Department of Innovation, Industry and Regional Development opened one and closed one trust account (Australian Synchrotron Contributions Trust and the Commonwealth Trust, respectively). Only one trust account was closed in 2005-06. The Department of Justice advised that in 2006-07, Victoria Police opened the Police Youth Fund and closed the Drug Rehabilitation and Research Fund (as a result of the repeal of Part X of the Drugs, Poisons and Controlled Substances Act 1981). The Department of Justice also advised that Victoria Police’s Australasian Police Multicultural Advisory Bureau ceased operations in 2006-07 and it is anticipated that the financial transactions will be finalised during 2007-08.

In 2003, the Auditor-General released a report, Parliamentary Control and Management of Operations, and observed that:

> a number of trust accounts that were established many years ago under the cash-based appropriation arrangements to facilitate improved accounting and financial flexibility, continue to operate under the new [accrual accounting] arrangements...

> It is important to note that the purposes served by these, and similar, trust accounts under previous appropriation arrangements may now be adequately managed within the appropriation and departmental accountability framework, without the need to operate separate trust accounts.

This is also noted in the Department of Treasury and Finance’s trust account guidelines. When the Auditor-General’s report was issued there were 77 trust funds (compared with 172 accounts in at 30 June 2007). The increase in the number of trust funds suggests that despite more trust accounts being established each year, the increase has not been offset by the closure of trust accounts that were established under the cash-based appropriation arrangements. Since the departments’ disclosure of their trust account information was voluntary prior to June 2005, the Committee was unable to confirm whether departments had closed trust accounts of this nature after the publication of the Auditor-General’s report.

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239 Department of Sustainability and Environment, closed one of its trust account in 2005-06. Refer Department of Sustainability and Environment, 2005-06 Annual Report, pp.183–184; In their 2005-06 annual reports, all departments, except for Department of Human Services, Department of Infrastructure and the Department for Victorian Communities, included a statement regarding the number of trust accounts they opened or closed during the year

240 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, p.32

241 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, p.32

242 Victorian Auditor-General Office, Parliamentary Control and Management of Appropriations, April 2003, pp.78–79
Current guidelines state that ‘trust accounts must be closed when the purpose for which they were created no longer exists.’ The Committee considers that in order to improve the efficiency of the operation of trust accounts, the Department of Treasury and Finance should specify a deadline by which departments are required to close their trust accounts once the purpose for which they were created no longer exists.

Building on this, the Committee considers that it would enhance transparency for departments to disclose in their annual reports the number of trust accounts were reviewed and what the outcomes of the reviews were. The commentary should also include how many accounts that were established under the cash-based appropriation arrangements were closed. The Committee reiterates its point that more effort needs to be made by the Department of Treasury and Finance to justify all existing trust accounts, since the Minister for Finance has the authority to direct the closure of any trust accounts that are no longer utilised or where alternative mechanisms exists.

9.2.5 Trust accounts with negative balances

Table 9.6 shows that some trust accounts had negative balances at 30 June 2007. The Committee considered it unusual for trust accounts to operate deficits. The Budget Financial Management Guide – Trust Account 18, states that:

... it is a longstanding DTF policy that Trust Funds should not be overdrawn. Accordingly, payments from a Trust Fund should not be made in circumstances where revenue credited to a Trust Fund lags behind expenditure – unless that expenditure is covered by cash and other liquid assets available in that Trust Fund.

However, it appears that the Department of Treasury and Finance allows negative balances for certain trust accounts. For example, of the seven departments that had negative balances, four of them had negative balances for the Public Service Commuters Club. The Department of Human Services informed the Committee that:

The Public Service Commuter Club trust account is the only trust account that is permitted by the Department of Treasury and Finance (for all departments) to hold a deficit balance at year end. The deficit in this trust account at 30 June 2007 was due to a timing issue where the expense of purchasing yearly commuter tickets during 2006-07 was not fully offset by staff repayment deductions, which commenced in the financial year after purchase. Yearly commuter tickets are purchased on a monthly basis throughout the year, therefore the timing of the initial ticket purchase and commencement of fortnightly repayments can cross two financial years. (emphasis added)

Similar explanations were also provided by the Department of Innovation, Industry and Regional Development, the Department of Justice and the Department of Sustainability and Environment. Furthermore, from the Department of Treasury and Finance’s explanation for its negative balance in its Sinking Fund on State Debt, it also appears that negative balances can be incurred where the purpose of the trust account is to service a loan:

244 Department of Treasury and Finance, Budget Financial Management Guidelines – 18 Trust Accounts, updated 31 October 2007
245 Victoria Police is included in the Department of Justice
246 Department of Human Services, email, received 14 February 2008
247 Department of Treasury and Finance, email, received 28 March 2008
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The trust account is to assist Victoria by subsidising the repayment of debt previously raised by the Commonwealth on Victoria’s behalf under the Financial Agreement. Debt is no longer raised by the Commonwealth on Victoria’s behalf. Hence, the level of debt is progressively being reduced.

The Committee is also concerned that for some of the trust accounts, the negative balances arose because of errors, including misallocation of funds into the incorrect trust accounts. The Committee considers that such errors emphasise the need for further scrutiny, such as detailed public reporting and audits, of trust accounts to ensure that funding for trust funds is received and expended appropriately.

Committee has recommended that the Department of Treasury and Finance introduce procedures that prevent departments from incurring negative balances. Furthermore, the Committee considers that the Department of Treasury and Finance should revise its guidelines to clearly stipulate the conditions for departments to operate negative balances. The Committee also considers that transparency would be improved if departments provided commentary on their trust accounts that have negative balances to enable a more fulsome assessment of their financial health.
### Table 9.6: Trust accounts with negative balances at 30 June 2007

<table>
<thead>
<tr>
<th>Trust fund account</th>
<th>Balance at 1 July 2006 ($000)</th>
<th>Revenue ($000)</th>
<th>Expenditure ($000)</th>
<th>Balance at 30 June 2007 ($000)</th>
<th>Explanations provided by the departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access at Schools</td>
<td>-91.15</td>
<td>0</td>
<td>0</td>
<td>-91.15</td>
<td>The 2006-07 revenue due to be posted to this account was misallocated to another project. This has been adjusted in 2007-08.</td>
</tr>
<tr>
<td>Croc Fest</td>
<td>-2.65</td>
<td>0</td>
<td>0</td>
<td>-2.65</td>
<td>The revenue due to be received into this project was deposited to a Commonwealth project. This has been adjusted in 2006-07.</td>
</tr>
<tr>
<td>Indigenous Education Strategic Initiatives Program</td>
<td>-22.46</td>
<td>0</td>
<td>0</td>
<td>-22.46</td>
<td>Expenses were mischarged to this project. Funds from the 2007-08 budget will clear the deficit.</td>
</tr>
<tr>
<td>Traffic Education Trust</td>
<td>5.28</td>
<td>274.33</td>
<td>290.61</td>
<td>-11.00</td>
<td>The deficit is due to a timing issue. The expenses have been incurred but the funding agency has not yet paid the invoice.</td>
</tr>
<tr>
<td>Treasury Trust 98-99 – General</td>
<td>0</td>
<td>0</td>
<td>0.06</td>
<td>-0.06</td>
<td>The deficit has been cleared and the project closed. The trust account was closed during 2007-08.</td>
</tr>
<tr>
<td>Treasury Trust 99-00 – General</td>
<td>-0.22</td>
<td>0</td>
<td>0.32</td>
<td>-0.25</td>
<td>The deficit has been cleared and the project closed. The trust account was closed during 2007-08.</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Commuter Club</td>
<td>-400.00</td>
<td>1,200.00</td>
<td>1,200.00</td>
<td>-400.00</td>
<td>The Public Service Commuter Club trust account is the only trust account that is permitted by the Department of Treasury and Finance (for all departments) to hold a deficit balance at year end. The $400,000 deficit in this trust account at 30 June 2007 was due to a timing issue where the expense of purchasing yearly commuter tickets during 2006-07 was not fully offset by staff repayment deductions, which commenced in the financial year after purchase. Yearly commuter tickets are purchased on a monthly basis throughout the year, therefore the timing of the initial ticket purchase and commencement of fortnightly repayments can cross two financial years.</td>
</tr>
</tbody>
</table>
Table 9.6: Trust accounts with negative balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Trust fund account</th>
<th>Balance at 1 July 2006 ($000)</th>
<th>Revenue ($000)</th>
<th>Expenditure ($000)</th>
<th>Balance at 30 June 2007 ($000)</th>
<th>Explanations provided by the departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Commuter Club</td>
<td>-104.94</td>
<td>30.47</td>
<td>0</td>
<td>-74.47</td>
<td>The department portion of the Public Service Commuter Club Trust was in deficit due to the timing difference between the purchase of travel tickets and reimbursement from employees. The Trust's working capital is funded by the Department of Treasury and Finance and the overall trust balance is in surplus.</td>
</tr>
<tr>
<td>Department of Justice</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Controlled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle Lease Trust Account</td>
<td>2.00</td>
<td>-15.00</td>
<td>-7.00</td>
<td>-7.00</td>
<td>The 30 June 2007 deficit of $7,000 for this Account was an error only and has since been corrected.</td>
</tr>
<tr>
<td>Administered</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Commuter Club</td>
<td>-473.00</td>
<td>1,607.00</td>
<td>1,607.00</td>
<td>-538.00</td>
<td>The nature of this Fund is that it will always be in deficit. The department purchases annual public transport tickets for its employees, then the employees repay this 'loan' fortnightly via a pre-determined deduction from their pay. DTF manage this process at a whole of government level and arrange a Public Account Advance annually.</td>
</tr>
<tr>
<td>Victoria Police</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Service Commuter Fund</td>
<td>-127.00</td>
<td>396.00</td>
<td>401.00</td>
<td>-132.00</td>
<td>Victoria Police's portion of the Public Service Commuter Club Trust is temporarily in deficit due to the timing difference between the purchase of travel tickets and reimbursement from employees. The trust's working capital is funded by DTF. The overall Public Service Commuter Club Trust is in surplus.</td>
</tr>
</tbody>
</table>
### Table 9.6: Trust accounts with negative balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Trust fund account</th>
<th>Balance at 1 July 2006 ($000)</th>
<th>Revenue ($000)</th>
<th>Expenditure ($000)</th>
<th>Balance at 30 June 2007 ($000)</th>
<th>Explanations provided by the departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Premier and Cabinet</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DPC Vehicle Disposal Trust</td>
<td>-44.40</td>
<td>-39.80</td>
<td>2.10</td>
<td>-86.20</td>
<td>Not available</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Public Service Commuters Club      | -61.29                        | 0.00           | 14.61             | -75.90                         | Timing differences result in moneys being expended up front by departments (on tickets) before being fully recouped from participating staff over time. The administration fee on the tickets (credited to the Trust Fund) is insufficient to cover this timing shortfall. The long established convention for DTF on behalf of all Victorian Government departments is to seek Section 37 advances across the whole of the Victorian Government to bring this Trust fund into credit. At 30 June 2007 the trust account relating to DSE had a deficit of $76,000. This deficit can be attributed to three factors, which are:  
  - timing differences between the purchase of the ticket from the supplier and the time it takes to recoup the full ticket price through the fortnightly salary deductions from members’ pay;  
  - an increasing number of participants in the Public Service Commuter Club; consistent with increased use of public transport; and  
  - annually indexed ticket price increases since the scheme commenced, giving rise to increasing funding shortfalls (pending recoup of the ticket price).  

The Victorian Government’s Model Financial Report for the reporting period ending 30 June 2007 requires departments to report the balances of individual trust accounts in the Trust Fund. DSE therefore discloses the Public Service Commuter Club Trust Account in its annual report. There is no action required in relation to the negative trust balance, for the reason of the DTF convention outlined above.
Table 9.6: Trust accounts with negative balances at 30 June 2007 (continued)

<table>
<thead>
<tr>
<th>Trust fund account</th>
<th>Balance at 1 July 2006 ($000)</th>
<th>Revenue ($000)</th>
<th>Expenditure ($000)</th>
<th>Balance at 30 June 2007 ($000)</th>
<th>Explanations provided by the departments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Treasury and Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>The trust account is to assist Victoria by subsidising the repayment of debt previously raised by the Commonwealth on Victoria’s behalf under the Financial Agreement. Debt is no longer raised by the Commonwealth on Victoria’s behalf. Hence, the level of debt is progressively being reduced.</td>
</tr>
<tr>
<td>Sinking Fund on State Debt</td>
<td>-1,669.23</td>
<td>8.26</td>
<td>15.27</td>
<td>-1,645.70</td>
<td></td>
</tr>
</tbody>
</table>

Sources: Extract from table 9.1. Department of Education, email, received 25 March 2008; Department of Human Services, email, received 14 February 2008; Department of Innovation, Industry and Regional Development, email, received 20 March 2008; Department of Justice, email, received 22 February 2008; Department for Planning and Community Development, email, received 15 February 2008; Department of Sustainability and Environment, email, received 28 February 2008; Department of Treasury and Finance, email, received 28 March 2008
9.2.6 Compliance with Model Financial Reporting Requirements

The Department of Treasury and Finance’s Model Financial Report requires departments to include a note to their financial statements detailing their: cash and investment balances for all trusts at 30 June of each year; all trust accounts that were opened and closed during the financial year; and third party trust accounts that were under management by the departments. A review of departments’ 2006-07 annual reports reveals that not all departments have complied with this requirement.

As table 9.7 shows, all departments disclosed its existing trust accounts at 30 June 2006. However, only the Department of Education, the Department of Innovation, Industry and Regional Development, the Department of Justice, the Department of Premier and Cabinet, the Department of Treasury and Finance and the Department for Victorian Communities, included a statement declaring whether trusts were opened and closed during the year. Disappointingly, only the Department of Justice complied with the Model Financial Report’s requirements to disclose third party funds under management. The Committee considers that all departments should strive to comply with the Model Financial Report. In instances where departments do not have third party funds under management, departments should include a statement advising the situation.

Table 9.7: Departments’ disclosure of their trust accounts

<table>
<thead>
<tr>
<th>Department</th>
<th>Disclosure of its existing trust accounts at 30 June 2007</th>
<th>Statement declaring any new or closure of trust accounts during 2006-07</th>
<th>Disclosure of third party trust accounts under management during 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Yes</td>
<td>Yes(a)</td>
<td>No</td>
</tr>
<tr>
<td>Human Services</td>
<td>Yes</td>
<td>No(b)</td>
<td>No</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Justice</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

Notes: (a) In its statement, the Department of Education advised that no accounts were opened or closed during 2006-07. However, in the department’s response to the questionnaire, it advised that the Identify Management trust account was established in 2006-07.

(b) The Department of Human Services subsequently advised that it did not open or close any trust accounts during 2006-07. Email to the Committee, dated 14 February 2008

Sources: 2006-07 annual reports of departments: Department of Education, p.104; Department of Human Services, p.107; Department of Infrastructure, p.151; Department of Innovation, Industry and Regional Development, p.113; Department of Justice, p.179; Department of Premier and Cabinet, p.89; Department of Primary Industries, p.41; Department of Sustainability and Environment, p.116; Department of Treasury and Finance, p.82; and Department for Victorian Communities, p.124

9.2.7 Notable trust account reporting practices

Through its review of the departments’ disclosure of their trust accounts in their annual reports, the Committee appreciated the following notable reporting practices:
• in the Department of Justice’s annual report, it identified the section of the legislation to which the trust account is established. This additional detail enables readers to readily identify the legislation enables the trust account. The Committee encourages all departments to adopt this reporting practice; and

• in addition to providing information on the cash balances for its trust accounts, the Department of Innovation, Industry and Regional Development included a table showing the net asset position for each of its sub-trust accounts. The Committee commends the department for adopting proactive reporting practices to improve transparency in an otherwise unclear reporting area of public finances.

9.3 Conclusions

As the Committee’s analysis demonstrates, there are a range of issues regarding the disclosure of trust accounts by departments. The Committee reiterates its concern that there should be more rigorous ongoing review by departments, led by the Department of Treasury and Finance, for all existing trust accounts. To provide assurance to Parliament that the moneys in the trust accounts are spent appropriately and in a timely manner, the recommendations and outcomes of these reviews should be publicly disclosed.

The Auditor-General advised the Committee that:

Trust Account balances are disclosed within the financial statements of departments and the annual financial report. Hence material trust account balances are reviewed as part of the annual financial audit process. A number of different means of verification can be used for the review, including the independent verification of cash/investment balances, monitoring the level of transaction activity, performing analytical review analysis, agreeing material transactions to supporting documentation and appropriate authorisation, and/or scrutinising new or closed trust accounts during the financial year.

In addition, for certain trust accounts, we are required to provide an acquittal verifying that funds have been applied in accordance with trusts’ documented requirements. On a whole of government basis we also ensure that the consolidated trust account balances reconcile to departmental information.

The Committee recommends that:

Recommendation 26:

The Department of Treasury and Finance should revise and make publicly available, Budget Financial Management Guidelines – 18 Trust Accounts. Revisions should:

(a) specify a deadline by which departments are required to close their trust accounts once the purpose for which they were created no longer exists; and

(b) provide detailed guidance regarding the operation of negative balances.

248 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.111
249 Victorian Auditor-General’s Office, email, received 8 April 2008
Recommendation 27: The Department of Treasury and Finance should revise its Model Financial Report in relation to the reporting requirements for trust accounts, so as to:

(a) include the legislative references and basis that establishes each trust account;
(b) disclose the balances for each individual trust account. Where disclosure of a trust account is omitted, that the name of the trust account and an explanation is provided;
(c) provide explanations where there are deficits in the trust accounts’ balances; and
(d) specify whether the trust account balances are reported using cash or accrual accounting.

Recommendation 28: Departments, with the assistance of the Department of Treasury and Finance, agree on a schedule for the review of their trust accounts with a view to closing these accounts. Priority should be given to those trust accounts that appear to have served their usefulness and those that have large balances above a prescribed level. On completion of the reviews, departments should:

(a) disclose the number and a summary of the outcomes of the reviews in their annual reports; and
(b) return surplus funds, where appropriate, to the Consolidated Fund.

Recommendation 29: The Auditor-General conduct a performance audit of trust funds, including guidelines for their operation and management on a regular basis.
CHAPTER 10: DROUGHT RELIEF

Key findings of the Committee:

10.1 The government’s commitment to Drought Relief programs and activities in 2006-07 was $140 million, with a further commitment of $98 million in the following four years bringing the total commitment during 2006-07 to $238 million. Of the $238 million commitment in 2006-07, $135 million was classed as output expenditure while the remaining $103 million was classed as asset expenditure.

10.2 The output funding covers 30 programs run by five departments and two whole of Victorian government programs, while the asset funding covers two major projects and two smaller projects run by the Department of Sustainability and Environment and the Department of Infrastructure.

10.3 However, the overall value of the government’s drought relief package (approximately $238 million) is difficult to quantify given the large number of agencies involved in delivering the initiatives and the spread of commitments throughout the year. While five departments clearly identified a number of initiatives under the heading of Drought Relief, the Committee identified initiatives such as the $2.9 million schools drought relief package which was not separately identified in the budget papers.

10.4 Similarly, expenditure on drought relief initiatives is only reported sporadically in departmental annual reports. There appears to be no centralised public reporting protocol for initiatives such as the drought relief program, which makes it difficult to understand the full extent of the investment and expenditure, or the progress made towards achieving the objectives of those initiatives.

10.5 A significant part of the government’s drought relief initiative is a departmental Contribution Levy that was applied to all departments during 2006-07. The Levy totalled $50 million and was to be sourced from existing appropriations in all departments. Departments have provided the Committee with assurances that achieving these savings had no significant impact on achievement of milestones and targets identified in the budget papers.

10.6 However, the Committee would like to see clearer, centralised monitoring and reporting of the impacts of achieving savings the achievement of milestones and targets. Further, the Committee believes that departmental accountability could be improved if departments were required to assess and publicly report the impact of achieving savings on program and service delivery.

10.1 Drought relief funding

The Committee’s examination of relevant budget papers (2006-07, 2006-07 update and 2007-08) indicated that the government’s commitment to Drought Relief programs and activities in 2006-07 was $140 million, with a further commitment of $98 million in the following four years bringing the total commitment during 2006-07 to $238 million.
Of the $140 million commitment in 2006-07, $115 million was classed as output funding while the remaining $25 million was classed as asset funding. When combined with the out years allocations, the government committed a total of $135 million in output funding and $103 million in asset funding during 2006-07.

Table 10.1 details the breakdown in asset and output expenditure for 2006-07 and estimated expenditure for the following years.

**Table 10.1: Drought relief funding**

<table>
<thead>
<tr>
<th></th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Output Funding 2006-07</td>
<td>115.3</td>
</tr>
<tr>
<td>Total Asset Funding 2006-07</td>
<td>24.8</td>
</tr>
<tr>
<td>Total 2006-07 Funding</td>
<td>140.1</td>
</tr>
<tr>
<td>Total Out Years Output Funding</td>
<td>19.7</td>
</tr>
<tr>
<td>Total Out Years Asset Funding</td>
<td>77.9</td>
</tr>
<tr>
<td>Total Out Years Funding</td>
<td>97.6</td>
</tr>
<tr>
<td>Total Commitment</td>
<td>237.7</td>
</tr>
</tbody>
</table>

Sources: Budget Paper No.3, 2006-07 Service Delivery; 2006-07 Budget Update; Budget Paper No.3, 2007-08 Service Delivery

**Asset funding**

The $103 million in asset funding identified in table 10.1 covers two major projects and two smaller projects run by the Department of Sustainability and Environment and the Department of Infrastructure. The first, run by the Department of Sustainability and Environment, is the interconnection between the Waranga Channel and the Ballarat Urban Water Supply System. The total estimated investment for this project is $71 million, with only $2.9 million (4 per cent) allocated to 2006-07. The project is designed to provide Ballarat with access to a more reliable and secure water supply via a 20 gigalitre pipeline and represents new funding.250

The second major project, run by the Department of Infrastructure, is a package of road upgrades in drought affected communities. The TEI for this project is $25 million, with $16.1 million (67 per cent) expenditure allocated to 2006-07. These road upgrades were previously identified by the department and allocated funding from the Better Roads Victoria Trust Account. In 2006-07, the decision was made to bring these works forward to begin during that year.251

The remaining asset funding ($5.8 million) relates to two projects run by the Department of Sustainability and Environment. The first project is the delivery of a broad range of drought mitigation works by catchment management authorities, while the second is the construction of an interconnection from the Waranga Channel to the Campaspe Irrigation District by Goulburn-Murray Water.

**Output funding**

The $135 million in output funding identified in table 10.1 covers 30 programs run by five departments and two whole of Victorian government programs. Full details of this funding can be found in table 10.2.

---

250 2006-07 Budget Update, pp.158–159
251 2006-07 Budget Update, pp.142–143
The Department of Sustainability and Environment was allocated $70.8 million towards ten programs. Over half of that funding ($46 million) was provided directly to irrigators and stock and domestic farmers in the form of $5,000 grants towards fixed water charges and four year interest free deferral of payment of water charges over $5,000. The remaining $24.8 million covered a range of programs including the preparation of an updated inventory of emergency water supply points, environmental works to protect catchments and pumping dead water out of Waranga Basin to increase water allocations.

The Department of Innovation, Industry and Regional Development was allocated $30.5 million towards five programs. Three of these programs were previously identified and budgeted for by the government, but have been brought forward because of the drought. These programs relate to projects identified under the Regional Infrastructure Development Fund ($10 million) and the Small Towns Development Fund ($7.9 million). The remaining, new funding, was directed towards two programs, one to provide counselling and support to businesses in drought affected areas ($1.5 million), the other to assist local councils in Exceptional Circumstances areas to undertake minor works and infrastructure projects ($11.1 million).

The Department of Primary Industries was allocated $17.6 million to undertake nine programs. These programs provided financial support and advice to farm communities through the provision of subsidies, rebates and counselling services designed to keep farmers in the industry and also to support farmers moving out of the industry.

The Department of Human Services was allocated $6 million to support local communities hit by drought. This funding supports four programs targeted at improving the ability of families and communities to deal with some of the physical and mental difficulties associated with the drought. Services provided range from the provision of mental health counsellors to funding for prioritised emergency relief needs.

The Department for Planning and Community Development was allocated $5.6 million to develop local initiatives to build local community resilience and to assist local councils to minimise the impacts of the drought on community sport and recreation facilities.
## Table 10.2: Drought relief output program funding by department

<table>
<thead>
<tr>
<th>Output Funding</th>
<th>Project</th>
<th>2006-07 Funding ($ million)</th>
<th>Out Years Funding ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole of Victorian Government (WOVG)</td>
<td>Apprenticeships Initiative</td>
<td>3.8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Providing Water Security for Sports Grounds Through Summer</td>
<td>0.8</td>
<td>-</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>Emergency Bore and Water Supply Network</td>
<td>3.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Fire Ready Victoria for Rural and Isolated Communities</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Investing in Catchment and Land Protection</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Municipal Pools Assistance Program</td>
<td>1.1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Northern Grid – Promoting Interconnections</td>
<td>2.0</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>Pumping Waranga Basin</td>
<td>4.3</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Stock Containment Facilities</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Using Groundwater to Secure Urban Water Supplies</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Water Rate Subsidies</td>
<td>40.0</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td>Wimmera Mallee Pipeline – Fire Hydrants and Tanks</td>
<td>1.2</td>
<td>-</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>Business Continuity Package</td>
<td>1.5</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Grants to Local Government for Minor Works and Local Infrastructure</td>
<td>11.1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>RIDF Projects in Drought Affected Areas</td>
<td>10.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>STDF Innovative Water Projects</td>
<td>5.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>STDF Projects in Drought Affected Areas</td>
<td>2.9</td>
<td>-</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>Additional Rural Finance Counsellors</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td></td>
<td>Domestic Stock and Water Tank Rebates</td>
<td>5.4</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Drought Communications</td>
<td>0.1</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Business Interest Rate Subsidies</td>
<td>2.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Extending Municipal Rate Subsidy to 2007-08</td>
<td>-</td>
<td>5.0</td>
</tr>
<tr>
<td></td>
<td>Future Farm Planning</td>
<td>0.7</td>
<td>0.7</td>
</tr>
<tr>
<td></td>
<td>One-on-one Extension Services for Farmers</td>
<td>0.5</td>
<td>0.5</td>
</tr>
<tr>
<td></td>
<td>Stock Slaughter Program</td>
<td>1.0</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Supplementary Re-establishment Grants</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>Supporting Families Through Drought</td>
<td>0.9</td>
<td>0.1</td>
</tr>
<tr>
<td></td>
<td>Supporting the Human Side of Drought</td>
<td>3.8</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Tackling Mental Health</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Tackling Rural Poverty</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>Building Resilient Communities</td>
<td>0.8</td>
<td>0.8</td>
</tr>
<tr>
<td></td>
<td>Drought Relief for Community Sport and Recreation</td>
<td>4.0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>115.3</strong></td>
<td><strong>19.7</strong></td>
</tr>
</tbody>
</table>

*Source: Budget Update 2006-07*
Funding sources

The Committee identified that the overall drought relief package of $238 million included $106 million in new funding, while the remaining $132 million was to be funded from existing budget and outer budget provisions. $42 million was a result of the fast tracking of previously identified projects, $50 million was sourced from a Departmental Contribution Levy and $40 million was derived from the reprioritisation and redirection of existing services. Table 10.3 identifies the main funding sources for the 2006-07 drought relief program.

Table 10.3: Drought relief funding sources

<table>
<thead>
<tr>
<th>Funding source</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional Infrastructure Development Fund</td>
<td>10.0</td>
</tr>
<tr>
<td>Small Towns Development Fund</td>
<td>7.9</td>
</tr>
<tr>
<td>Better Roads Victoria Trust</td>
<td>24.0</td>
</tr>
<tr>
<td>Departmental Contribution Levy sourced from existing 2006-07 appropriations across departments.</td>
<td>50.0</td>
</tr>
<tr>
<td>Reprioritisation and redirection of existing services</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Total existing funding</strong></td>
<td><strong>131.9</strong></td>
</tr>
<tr>
<td><strong>Total new funding</strong></td>
<td><strong>105.8</strong></td>
</tr>
<tr>
<td><strong>Total funding</strong></td>
<td><strong>237.7</strong></td>
</tr>
</tbody>
</table>

Source: Budget Update 2006-07

The Committee has requested further details of the composition of the two main drought funding sources (Drought Contribution Levy and reprioritised and redirected services) including the share of departmental and other agency contributions to each source.

The Committee believes that for any given initiative such as Drought Relief, where multiple departments and agencies are involved in funding and delivering the initiative, either the Department of Treasury and Finance or the lead department for the initiative (in this case the Department of Primary Industries) should be gathering, assessing and reporting this and similar information in a timely manner on a whole of government basis.

The Committee is concerned that without any form of centralised public reporting, it is impossible to evaluate the full extent of the government’s investment in drought relief initiatives.

The Committee noted that on 27 March 2007, the Premier released a media statement referring to a $2.9 million schools drought relief package. In observing that this package was not identified in the 2006-07 Budget Update or the 2007-08 Budget Papers, the Committee was advised that:

Drought relief funding to schools of $2.9 million announced by the Premier on March 27, 2007 was funded via existing appropriation within the Department of Education’s 2006-07 budget.

The department reallocated existing appropriation in the same manner used to fund the earlier Drought Assistance Levy of $10 million to help fund learning essentials to ease the burden on families affected by drought.

The expenditure for this initiative is not identified in the budget papers and is apportioned to the Total Output Costs for the Early Years; Middle Years; and Later

252 Office of the Premier, $114 million State Government drought assistance announced, media release, 23 October 2006
253 Department of Education and Early Childhood Development, email, received 1 May 2008
Years and Youth Transitions Outputs. The funding for this initiative is reflected in the DEECD Operating Statement in the 2006-07 ‘Output appropriations’ category and the expense under the ‘Grants and other payments’ category.

Funding was distributed to schools by the Department of Education’s regional offices in the five worst drought affected regions of the state, Grampians, Gippsland, Loddon Mallee, Hume and Barwon South Western.

The Committee recommends that:

Recommendation 30: All funding allocations for major cross agency initiatives such as drought relief should be clearly identified in the budget papers. The Department of Treasury and Finance should take a lead role in ensuring that all projects under the initiative are explicitly identified by all departments and reported in the relevant.

Recommendation 31: Either the Department of Treasury and Finance or the lead department for major whole of Victorian Government initiatives should gather, assess and publicly report expenditure and progress against targets established.

10.2 Departmental Contribution Levy

The Departmental Contribution Levy (DCL) was applied to all departments during 2006-07 as per table 10.4. The Levy totalled $50 million and was to be sourced from existing appropriations in all departments. The Departmental Levy contributed to the implementation of the drought assistance programs outlined in section 10.1.

Table 10.4: Drought relief Departmental Contribution Levy

<table>
<thead>
<tr>
<th>Department</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>10.0</td>
</tr>
<tr>
<td>Human Services</td>
<td>10.0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>5.0</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>5.0</td>
</tr>
<tr>
<td>Justice</td>
<td>5.0</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>5.0</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>5.0</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>1.7</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>1.7</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>1.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50.1</strong></td>
</tr>
</tbody>
</table>

Source: Budget Update 2006-07, p.161

Overall savings were achieved through a combination of means from different departments. The Committee observed that while some departments applied savings across all areas or from administration costs, others appear to have placed greater emphasis on particular program or
project areas. For example, the Department of Justice and the Department of Treasury and Finance both indicated that they had had to delay low to medium priority projects in order to achieve their proportion of the levy.

The Department of Treasury and Finance, through a response received by the Committee from the Department of Premier and Cabinet, indicated that while individual departments may be monitoring the impact of achieving these savings on their planned programs and services, there is no whole of Victorian Government approach to monitoring these impacts. The Committee believes it would be wise for the Department of Treasury and Finance to monitor the impact of achieving savings for levy’s such as this, on departments’ ability to deliver their planned programs and services. It also believes that the lead department for a cross government initiative, or individual departments, should report the impact of such savings in the report of operations in their annual reports.

Department of Education and Early Childhood Development

DCL savings in the Department of Education and Early Childhood Development were managed within overall budget flexibility built in to allow the department to respond to funding pressures that may arise.254

Department of Human Services

DCL savings in the Department of Human Services were applied across the major divisions of the department as follows:

- Financial and Corporate Services $4.1 million;
- Metropolitan Health and Aged Care Services $2.6 million;
- Regional and Rural Health and Aged Care Services $1.2 million;
- Portfolio Services and Strategic Projects $1 million;
- Disability Services $560,000;
- Operations $520,000; and
- Office for Children $80,000.255

Department of Innovation, Industry and Regional Development

Most of the DCL savings ($2.4 million) in the department were derived from administration costs, with three program areas contributing to the balance:

- Agenda for New Manufacturing $484,000;
- Regional Infrastructure Development Fund $200,000; and
- Living Regions, Living Suburbs $200,000.

The department assured the Committee that achieving these savings did not impact on the performance of these programs.256

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254 Department of Education and Early Childhood Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 19 December 2007, p.15
255 Department of Human Services, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 16 November 2007, p.26
Department of Infrastructure

DCL savings in the Department of Infrastructure were achieved from administration costs.257

Department of Justice

Victoria Police contributed $1.7 million towards the Department of Justice savings target with the remaining balance met through management of vacancies, delayed commencement of projects and process efficiencies.

The department informed the Committee that the 2006-07 drought savings of $3.3 million for the department had no impact on the department’s milestones and targets as published in budget paper no.3. They stated that a number of internal, corporate projects were deferred to ensure the department delivered the required savings. These projects (or strategies) included:

- delaying the scheduled replacement of network infrastructure including Unix and Window servers;
- delaying the implementation of a new Performance Management Reporting System;
- delaying the purchase of Multi-Function Devices (MFDs) and the replacement of network printers;
- delaying the scheduled replacement of desktop computers as part of the department's multi-year IT refresh program; and
- the strategic management of staff vacancies.

The department also informed the Committee that Victoria police achieved their $1.7 million savings through a range of strategies included the management of unsworn staff vacancies, particularly in the IT area, delaying the roll-out of specific components of the technology refresh project and late take up of staff for the vehicle impoundment project. The surpluses generated by these measures met the required savings target imposed by government. 258

Department of Sustainability and Environment

DCL savings in the Department of Sustainability and Environment were applied on a proportional basis across all programs.259

Department for Planning and Community Development

DCL savings in the Department for Planning and Community Development were achieved from within the Commonwealth Games budget.260

Department of Premier and Cabinet

256 Department of Innovation, Industry and Regional Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 29 January 2008, p.65
257 Department of Infrastructure, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, p.25
258 Department of Justice, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.49
259 Department of Sustainability and Environment, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 28 November 2007, p.15
260 Department for Planning and Community Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 20 November 2007, p.14
DCL savings in the Department of Premier and Cabinet were applied on a proportional basis across all areas of the department’s budget. Arts Victoria and Arts agencies attracted the greatest savings.\footnote{Department of Premier and Cabinet, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, p.15}

**Department of Primary Industries**

DCL savings in the Department of Primary Industries were applied across four output funding areas:

- Primary Industries Policy $157,532;
- Regulation and Compliance $303,561;
- Strategic and Applied Scientific Research $781,490; and
- Sustainable Practice Change $424,418.\footnote{Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, p.15}

**Department of Treasury and Finance**

DCL savings in the Department of Treasury and Finance were achieved by postponing low to medium priority projects.\footnote{Department of Treasury and Finance, response to the Committee’s Financial and Performance Outcomes questionnaire – part one, received 17 November 2007, p.13}

The Committee recommends that:

**Recommendation 32:** Where the government requires departments to make savings from within existing appropriations, the Department of Treasury and Finance should monitor the impact of achieving these savings at a whole of government level.

**Recommendation 33:** Where departments are required to make savings from within existing appropriations, this should be clearly reported within the Report of Operations in annual reports. They should also include an assessment of the impacts of achieving the savings on program and service delivery.
10.3 Progress on core projects

The Department of Primary Industries is the lead agency in delivering the government’s drought relief measures. They coordinate a quarterly report on the implementation of the Victorian Government’s drought response. The report provides details of each initiative, reports on key milestones, expenditure against budget and progress to date. The report is considered by departmental program managers for drought initiatives for monitoring purposes. While the Committee has not examined these reports, it asked departments to provide details of the progress of specific drought initiatives as detailed in the follow sections.

The Department of Primary Industries informed the Committee that it conducted 18 focus groups and one phone interview to evaluate the government’s response to drought during 2006-07. Following this, it has prepared a request for quotation for a more detailed evaluation of drought relief initiatives for 2006-07 and 2007-08. The department stated that the purpose of the evaluation is to assess the State Government funded drought relief initiatives of 2006-07 and 2007-08 in the context of their:

- effectiveness in meeting intended objectives;
- compatibility with the Drought Taskforce Committee endorsed ‘drought relief principles’; and
- broader social, economic and environmental impacts.

The department intends to use the evaluation to inform and strengthen future resource allocation planning and decision-making in relation to drought relief and assistance. The Committee is pleased to observe that the Department of Primary Industries has taken positive action to evaluate the effectiveness the government’s drought relief initiatives and looks forward to the opportunity to review the findings. The Committee strongly encourages the department to make the results of the evaluation available to the general public as a means of strengthening the accountability of government in this key area.

The Committee recommends that:

Recommendation 34: That the Department of Primary Industries act to implement the intended evaluation of the government’s drought relief initiatives and make the findings of the evaluation available for public examination.

10.3.1 Department of Primary Industries – drought funding

During 2006-07, the Department of Primary Industries received $114 million towards tackling drought. $105 million of this was Exceptional Circumstances funding, with the Commonwealth Government contributing $96 million and the State Government contributing $9 million.

Under the Exceptional Circumstances program, farmers and small business operators that experience a severe downturn in income due to a rare or severe climatic event can apply for financial support in the form of income support and interest rate subsidies. Exceptional Circumstances grants are administered by the department.

Table 10.5 discloses a breakdown of output funding for Drought Assistance programs and bushfire recovery and response, a component of the output costs variance for Sustainable Practice Change.
Chapter 10: Drought relief

Table 10.5: Department of Primary Industries
Bushfire and drought funding 2006-07

<table>
<thead>
<tr>
<th>Sustainable Practice Change</th>
<th>2006-07 ($000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drought</td>
<td></td>
</tr>
<tr>
<td>Exceptional Circumstances (state)</td>
<td>9,341</td>
</tr>
<tr>
<td>Exceptional Circumstances (Commonwealth)</td>
<td>95,896</td>
</tr>
<tr>
<td>Water Tank Rebate</td>
<td>3,266</td>
</tr>
<tr>
<td>Stock Containment Areas</td>
<td>2,027</td>
</tr>
<tr>
<td>Farming Family Shire Rates Assistance</td>
<td>1,984</td>
</tr>
<tr>
<td>Rural Counselling Service</td>
<td>600</td>
</tr>
<tr>
<td>One on One Extension Services to Farmers</td>
<td>548</td>
</tr>
<tr>
<td>Future Farm Planning</td>
<td>451</td>
</tr>
<tr>
<td>Total</td>
<td>114,113</td>
</tr>
</tbody>
</table>

Source: Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.5

10.3.2 Department of Primary Industries – drought related workshops

The Department of Primary Industries annual report 2006-07 identified that under the output reporting group Sustainable Practice Change, the number of extension groups used to promote business skills and sustainable farming systems far exceeded the target for 2006-07. The report identified that this was due to an increased demand for drought related workshops.

The Department of Primary Industries informed the Committee that drought related workshops were spread across the eight regions of Victoria and accounted for 42 per cent of the extension groups undertaken by the department. Table 10.6 identifies the number of drought related workshops held in each region of Victoria.

Table 10.6: Department of Primary Industries
No. of drought related activity groups by region for 2006-07

<table>
<thead>
<tr>
<th>Region</th>
<th>No. of groups</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mallee</td>
<td>33</td>
</tr>
<tr>
<td>Wimmera</td>
<td>125</td>
</tr>
<tr>
<td>Northern Irrigation</td>
<td>121</td>
</tr>
<tr>
<td>North East</td>
<td>88</td>
</tr>
<tr>
<td>North Central</td>
<td>50</td>
</tr>
<tr>
<td>South West</td>
<td>76</td>
</tr>
<tr>
<td>Gippsland</td>
<td>107</td>
</tr>
<tr>
<td>Port Phillip</td>
<td>26</td>
</tr>
<tr>
<td>Total drought related</td>
<td>626</td>
</tr>
<tr>
<td>Other groups</td>
<td>857</td>
</tr>
<tr>
<td>Actual Extension groups</td>
<td>1,483</td>
</tr>
</tbody>
</table>

Source: Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.15
10.3.3  Department of Primary Industries – advertising Initiatives

As part of the Committee’s review of government advertising, the Department of Primary Industries was requested to provide information to demonstrate the effectiveness (or otherwise) of each government advertising and promotion program over $100,000. Two of the programs identified within the department were the Spirit of the Bush Concert and The Hard Yard, a DVD produced to raise awareness of the support channels available to drought affected farmers.

The following sections evaluate the effectiveness of these campaigns in meeting their designated objectives. The Committee is pleased to note that both projects were delivered within 10 per cent of their budget.

Spirit of the Bush concert

The Communication Objectives of the Spirit of the Bush concert were to:

- register 20,000 attendees for the free event;
- involve local communities in the planning and implementation of the concert;
- obtain positive local, state and national media coverage/support; and
- use the concert as a vehicle for generating media coverage about drought support options, and promoting government assistance programs and the drought work of the Department of Primary Industries.

The department advised the Committee that the project met all of its objectives, specifically:

- the concert was a sell-out, with 20,000 wrist bands distributed in seven days;
- the Spirit of the Bush drought concert planning committee incorporated key representatives from the local community (including Horsham Council, Horsham police, the Horsham Visitors Centre and the Department of Primary Industries) into the planning and implementation of the concert;
- extensive national, state and local media coverage was gained, with an even split between regional and metropolitan coverage. WIN TV filmed the event and broadcast a one hour concert special to a national audience of 406,671 viewers. MIX FM acted as MCs at the event and provided exceptional coverage in the lead up to the concert;
- overwhelmingly positive coverage of the concert was achieved, with a total equivalent advertising value of $160,151 for 95 items. Media releases promoted the Department of Primary Industries drought information line and website as sources of information regarding the range of drought support services available; and
- WIN TV’s one hour Spirit of the Bush drought concert special focused not only on the concert but also on the support available for farmers facing tough times. The documentary used footage and interviews from a Department of Primary Industries produced DVD, The Hard Yard – stories of farming life’, and showcased some of the stories and practical messages it contained. The special also referred viewers to the department’s Drought Information Line for further assistance, and to the Department of Human Services Personal Support Line.264

264  Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.27
The Hard Yard drought DVD

The Objective of the *Hard Yard* Drought DVD was to:

- to reach drought affected farmers who are really struggling but who have not yet accessed support; and
- to raise awareness of the range of drought support channels available.

The department informed the Committee that *The Hard Yard* DVD attracted completely positive media coverage with a total equivalent advertising value of $26,916 for 36 items. The coverage consisted of regional media only, which caters for the target audience. The Department of Primary Industries was mentioned in 100 per cent of the items.

Following an initial period of high demand, the department produced and distributed around 11,000 copies of the DVD, 8,000 more than originally produced. As a result of publicity work by the department, over 500 requests for copies were received directly by the Customer Service Centre (CSC), with the balance of the copies distributed face to face through networks and at field days and conferences.

The DVD was also shown at field days and conferences across the state, including teachers, women’s groups, church groups and health workers (Primary Care Partnerships), VFF and local government.

The department undertook an evaluation of the DHD which included 96 interviews with callers who requested the DVD through the CSC. Note that only 54 per cent of respondents owned or worked on farms. Key findings of the evaluation included:

- overall satisfaction with the DVD is high. Satisfaction is particularly high in terms of the DVD being practical in the advice it provides on how to deal with hardships (87 per cent); and in terms of it being helpful (84 per cent);
- 64 per cent of DVD viewers said they have adopted a more positive attitude to coping with their current situation;
- the majority of comments were positive with only a few slightly negative. 65 per cent said there were no poor aspects of the DVD;
- 67 per cent took some form of action as a result of watching the DVD, including passing it on to others, getting help and counselling, thinking more about emotional needs and stress; and
- virtually all respondents who had watched the DVD (96 per cent) said they have either recommended the DVD to others or would recommend it to other people to watch.

The Committee is pleased to note that two thirds of users had been prompted to take some form of action and that they had subsequently adopted a more positive attitude to coping with their current situation. This is an excellent example of a campaign achieving measurable behaviour change and the department is to be commended for the success of this program and for taking the initiative to measure the impact of the campaign.\(^{265}\)

\(^{265}\) Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.28
10.3.4 Department for Planning and Community Development – drought funding initiatives

The Department for Planning and Community Development delivered three drought relief programs during 2006-07, namely the Drought Relief for Country Sports Program (DRCSP), the Drought Relief for Community Sport and Recreation Program (DRCSRP) and the Country Football and Netball Program (CFNP). The department informed the Committee that these three programs delivered $7.6 million in grants to 76 local councils across Victoria including the 70 councils on stage 3, 3a or 4 water restrictions. The intentions of these programs included:

- help rural communities develop immediate and sustainable approaches to water management to allow greater use of sports facilities (DRCSP);
- help community sporting facilities develop strategies that lessen the impact of drought and reduce their water use into the future (DRCSRP); and
- increase the drought resistance or water efficiency of playing surfaces (CFNP).

The DRCSRP provided $4.6 million to 70 local councils. $4 million was provided by the Victorian Government an appropriation identified in the 2007-08 state budget with the remaining funding contributed by the AFL, Tennis Victoria and Cricket Victoria. The funding was used to reduce the impact of drought on local sporting facilities and to assist the 31 metropolitan councils which had not been eligible for assistance from the DRCSP.

The DRCSP delivered $1.9 million to 34 rural and regional councils across Victoria which was allocated to 121 local projects.

The CFNP delivered $1.1 million to 21 rural councils for 31 projects approved in Assessment Period Six of the program. These projects involved improvements to country football and netball facilities, including some projects to increase the drought resistance or water efficiency of playing surfaces. CFNP funding was provided to councils for the following projects.

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266 Department for Planning and Community Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.17
267 Department of Treasury and Finance, Budget Paper No.3, 2007-08 Service Delivery, p.336
Table 10.7 details the funding received by each council under each program.

<table>
<thead>
<tr>
<th>Council</th>
<th>DRCSRP ($)</th>
<th>DRCSP ($)</th>
<th>Project title</th>
<th>CFNP ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alpine Shire Council</td>
<td>50,000</td>
<td>625</td>
<td>Moyston-Willaura FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Ararat Rural City Council</td>
<td>50,000</td>
<td>26,932</td>
<td>SM&amp;W Rovers FNC</td>
<td>60,000</td>
</tr>
<tr>
<td>Ballarat City Council</td>
<td>40,000</td>
<td>82,238</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Banyule City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bass Coast Shire Council</td>
<td>50,000</td>
<td>6,200</td>
<td>Phillip Island FNC – Scorers Box</td>
<td>38,133</td>
</tr>
<tr>
<td>Baw Baw Shire Council</td>
<td>50,000</td>
<td>42,853</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bayside City Council</td>
<td>70,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benalla Rural City</td>
<td>50,000</td>
<td>11,410</td>
<td>Devenish FNC – Water Storage</td>
<td>26,103</td>
</tr>
<tr>
<td>Boroondara City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borough of Queenscliffe</td>
<td>50,000</td>
<td>35,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brimbank City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buloke Shire Council</td>
<td>50,000</td>
<td>112,147</td>
<td>Nullawill FNC</td>
<td>60,000</td>
</tr>
<tr>
<td>Campaspe Shire Council</td>
<td>50,000</td>
<td>37,423</td>
<td>Stanhope Recreation Reserve</td>
<td>60,000</td>
</tr>
<tr>
<td>Cardinia Shire Council</td>
<td>76,666</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Casey City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Goldfields Shire Council</td>
<td>50,000</td>
<td>70,347</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colac Otway Shire Council</td>
<td>50,000</td>
<td>25,000</td>
<td>South Colac Sports Club</td>
<td>60,000</td>
</tr>
<tr>
<td>Corangamite Shire Council</td>
<td>50,000</td>
<td>37,423</td>
<td>Lismore-Derrinallum FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Darebin City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>East Gippsland Shire Council</td>
<td>50,000</td>
<td>31,810</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frankston City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Glen Eira City Council</td>
<td>70,773</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Golden Plains Shire Council</td>
<td>50,000</td>
<td>35,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater Bendigo City Council</td>
<td>50,000</td>
<td>130,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater Dandenong City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater Geelong City Council</td>
<td>50,000</td>
<td>122,480</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater Shepparton City Council</td>
<td>50,000</td>
<td>26,932</td>
<td>Merrigum FNC – Court surface/upgrade</td>
<td>60,000</td>
</tr>
<tr>
<td>Hepburn Shire Council</td>
<td>50,000</td>
<td>23,050</td>
<td></td>
<td>20,000</td>
</tr>
<tr>
<td>Hindmarsh Shire Council</td>
<td>50,000</td>
<td>27,371</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hobsons Bay City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Horsham Rural City Council</td>
<td>50,000</td>
<td>90,226</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hume City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indigo Shire Council</td>
<td>50,000</td>
<td>67,529</td>
<td>Rutherglen FNC &amp; Wahganyah FNC</td>
<td>60,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Chiltern FNC</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Rutherglen FNC</td>
<td>18,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yackandandah FNC</td>
<td>11,000</td>
</tr>
<tr>
<td>Kingston City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Knox City Council</td>
<td>90,000</td>
<td>26,932</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latrobe City Council</td>
<td>50,000</td>
<td>16,146</td>
<td>Traralgon FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Lodden Shire Council</td>
<td>50,000</td>
<td>67,529</td>
<td>Mitiamo FNC</td>
<td>20,000</td>
</tr>
</tbody>
</table>
Table 10.7: Funding delivered to local councils under three drought relief programs (continued)

<table>
<thead>
<tr>
<th>Council</th>
<th>DRCSRP ($)</th>
<th>DRCSP ($)</th>
<th>Project title</th>
<th>CFNP ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedon Ranges Shire Council</td>
<td>50,000</td>
<td>64,306</td>
<td>Macedon FNC – Electricity &amp; Lighting Upgrade</td>
<td>20,000</td>
</tr>
<tr>
<td>Manningham City Council</td>
<td>88,133</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mansfield Shire Council</td>
<td>50,000</td>
<td>78,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maribyrnong City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Maroondah City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melbourne City Council</td>
<td>66,600</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melton Shire Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mitchell Shire Council</td>
<td>10,000</td>
<td>44,640</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mildura Rural City Council</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moira Shire Council</td>
<td>50,000</td>
<td></td>
<td>Wunghnu FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Monash City Council</td>
<td>89,650</td>
<td></td>
<td>Tungamah FNC</td>
<td>50,000</td>
</tr>
<tr>
<td>Moonee Valley City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moorabool Shire Council</td>
<td>50,000</td>
<td>90,000</td>
<td>Darley FNC</td>
<td>50,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Dunnstown FNC &amp; Bacchus Marsh FNC</td>
<td>44,447</td>
</tr>
<tr>
<td>Moreland City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mornington Peninsula Shire Council</td>
<td>87,430</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mount Alexander Shire Council</td>
<td>44,000</td>
<td>4,536</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Murrindindi Shire Council</td>
<td></td>
<td></td>
<td>Thornton District Sports Club</td>
<td>55,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Yea FNC</td>
<td>13,631</td>
</tr>
<tr>
<td>Nillumbik Shire Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Northern Grampians Shire Council</td>
<td>50,000</td>
<td>100,000</td>
<td>St Arnaud FNC</td>
<td>48,633</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Stawell Swifts FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Port Phillip City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pyrenees Shire Council</td>
<td>50,000</td>
<td>48,263</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Gippsland Shire Council</td>
<td>50,000</td>
<td>31,264</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Grampians Shire Council</td>
<td>50,000</td>
<td>48,133</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stonnington City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strathbogie Shire Council</td>
<td>50,000</td>
<td>53,764</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surf Coast Shire Council</td>
<td>50,000</td>
<td>70,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swan Hill Rural City Council</td>
<td></td>
<td></td>
<td>Robinvale FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Towong Shire Council</td>
<td>50,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wangaratta Rural City Council</td>
<td>50,000</td>
<td>69,300</td>
<td>Milawa FNC</td>
<td>20,000</td>
</tr>
<tr>
<td>Wellington Shire Council</td>
<td>50,000</td>
<td>32,720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>West Wimmera Shire Council</td>
<td></td>
<td></td>
<td>Harrow-Balmoral FNC</td>
<td>60,000</td>
</tr>
<tr>
<td>Whitehorse City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whittlesea City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wyndham City Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yarra City Council</td>
<td>88,750</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yarra Ranges Shire Council</td>
<td>90,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yarriambiack Shire Council</td>
<td>50,000</td>
<td>146,297</td>
<td>Woomelang/Lascelles Combined Sporting Club Incorporated</td>
<td>57,760</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,602,002</strong></td>
<td><strong>1,875,010</strong></td>
<td></td>
<td><strong>1,121,881</strong></td>
</tr>
</tbody>
</table>

Source: Department for Planning and Community Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.17–20
CHAPTER 11: PERFORMANCE BONUSES

Key findings of the Committee:

11.1 In the vast majority of cases the range of bonuses paid to executives in departments and certain public entities in the broader public sector as a percentage of total remuneration package was within the policy parameters set by government.

11.2 Due to the need to provide remuneration that was competitive in the market, the Victorian Funds Management Corporation was the only organisation to have a bonus structure for officers (known as Principal Officers) which exceeded the 20 per cent of Total Remuneration Package threshold set by the government. Bonuses ranged from 30 per cent to 80 per cent of Total Remuneration Package, depending on the level of staff performance.

11.3 465 (or 78.3 per cent) of 594 eligible executives employed by departments were paid performance bonuses totalling $5.8 million for the 2006-07 performance assessment period (78.1 per cent of the executives employed by departments were paid performance bonuses for the 2004-05 performance assessment period)

11.4 In contrast to the scale of executives receiving performance pay across government departments of around three in every four, public sector entities in the broader public sector that were reviewed by the Committee tended to award performance bonuses to all (or almost all) of their executives.

11.5 An average performance bonus of $12,500 paid to executives across government departments for the 2006-07 assessment period ($11,800 in 2004-05) was significantly below the average bonuses paid to executives in most of the Department of Treasury and Finance’s related agencies. For example,

- at the Treasury Corporation of Victoria, the average of the bonuses paid to the Managing Director and Deputy Managing Director amounted to $68,200 while the average bonus paid to General Managers amounted to $42,683; and

- at the Victorian Funds Management Corporation, the average bonus amounted to $68,517.

11.6 In maintaining that Executive Officers in Parliament should be eligible for performance bonuses, the Committee has formed the view that the Department of Parliamentary Services should consider introducing a system for awarding performance related incentive payments to its executives in line with the practices that apply to executives in government agencies.
11.7 The Committee believes there is scope for the government to:

- consider amending financial reporting disclosure requirements for all public sector agencies on annual performance bonuses paid to the most senior managers to make them similar to public company reporting; and

- encourage both departments and individual entities in the broader public sector to disclose in their annual reports examples of outstanding business performance achieved by executives who have received the highest performance bonuses for the year.

11.1 Background

This chapter of the report continues the Committee’s interest in keeping under review the distribution of performance bonuses among executives in the public sector. A feature of the Committee’s report on 2006-07 financial and performance outcomes is an expanded analysis of performance bonuses paid to executives in certain public entities in the broader public sector related to the Department of Treasury and Finance.

11.2 Executive performance payments - Whole of government reporting

Information provided to the Committee pertaining to executive performance payments on a whole of government reporting basis, collected by the State Services Authority on behalf of the Department of Premier and Cabinet, is set out below.

Table 11.1: Summary of executive bonus outcomes for 2005-06
Number of executive staff and total value of bonuses

<table>
<thead>
<tr>
<th>Total executives reported</th>
<th>Executives not assessed (a)</th>
<th>Number eligible for a performance bonus</th>
<th>Not awarded bonus payment</th>
<th>Awarded bonus payment</th>
<th>Proportion awarded a bonus (b)</th>
<th>Average actual bonus paid ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>654</td>
<td>40</td>
<td>614</td>
<td>127</td>
<td>487</td>
<td>79.3</td>
<td>8,856</td>
</tr>
</tbody>
</table>

Note: (a) this includes executives who commenced late in the assessment period or executives who left the Victorian public service early in the assessment period and who were therefore not eligible for a bonus

(b) Calculated by the Public Accounts and Estimates Committee

Source: Mr T. Moran, Secretary, Department of Premier and Cabinet, response provided to questionnaire follow-up questions, received 14 January 2008
Table 11.2: Range of bonuses paid for 2005-06 (expressed as a percentage of remuneration)

<table>
<thead>
<tr>
<th>Percentages bonuses actually paid</th>
<th>Average bonus as a percentage of total pro-rata remuneration (a) (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whole of government</td>
<td>6.4</td>
</tr>
</tbody>
</table>

Note: (a) calculated as a percentage of the total bonus payments against the total pro-rata remuneration paid

Source: Mr T. Moran, Secretary, Department of Premier and Cabinet, response provided to questionnaire follow-up questions, received 14 January 2008

Information relating to executive performance payments on a whole of government reporting basis was not yet available for 2006-07.

11.3 Review of performance bonuses for departments and selected agencies

11.3.1 Percentage spread of bonus allocations to executives in departments and allied agencies

Bonuses are payable only to executive officers (EOs) whose performance is rated at 3 or 4 in the four level rating scale (table 11.3).268

Table 11.3: Rating scale for performance related incentive payments made to executives in government departments

<table>
<thead>
<tr>
<th>Rating</th>
<th>Category</th>
<th>Bonus range (proportion of total remuneration package) (%)</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rating 4</td>
<td>Exceptional</td>
<td>9 – 17</td>
<td>Exceeds the requirements of all criteria and far exceeds expectations in the more critical areas</td>
</tr>
<tr>
<td>Rating 3</td>
<td>Superior</td>
<td>0 – 8</td>
<td>Exceeds the requirements of most criteria</td>
</tr>
<tr>
<td>Rating 2</td>
<td>Competent</td>
<td>No bonus</td>
<td>Meets all or most criteria</td>
</tr>
<tr>
<td>Rating 1</td>
<td>Improvement required</td>
<td>No bonus</td>
<td></td>
</tr>
</tbody>
</table>

Source: Department of Premier and Cabinet, Executive Employment Handbook pp.60-61

According to the *Executive Employment Handbook*, the consistent application of the rating scale is designed to assure fairness of decision making across departments and to promote efficient data collection for whole of government reporting and analysis. It is also intended that, in part, the processes established for executive performance assessment and allocation of performance pay provide outcomes generally consistent across the Victorian public sector.

Apart from departments, policy on executive remuneration for public entities in the broader public sector has been established by the State Services Authority. Execution of this policy is supervised by the government Sector Executive Remuneration Panel. According to the policy, the total bonus opportunity available to an Executive of a public entity in the broader sense will be up to a maximum of 17 per cent or 20 per cent of total remuneration package.

The Committee was interested in examining whether the actual range of bonuses paid by public sector agencies, expressed as a percentage of the executives’ remuneration package, was in accordance with the percentage spread of bonus allocations as per government policy and was generally consistent across the Victorian public sector. Table 11.4 shows the results of this analysis.

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269 ibid. p.60
270 ibid.
### Table 11.4: Bonus range paid to executives for the 2006-07 performance assessment period

<table>
<thead>
<tr>
<th>Department/agency</th>
<th>Superior category bonus range of remuneration package (%)</th>
<th>Exceptional category bonus range of remuneration package (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Education and Training</td>
<td>0 – 8</td>
<td>12 – 17</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>3 – 8</td>
<td>9 – 12</td>
</tr>
<tr>
<td>Department of Infrastructure (a)</td>
<td>4 – 8</td>
<td>9 – 15</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>4 – 8</td>
<td>9</td>
</tr>
<tr>
<td>Department of Justice (b)</td>
<td>2 – 8</td>
<td>9 - 11</td>
</tr>
<tr>
<td>Department of Premier and Cabinet (c)</td>
<td>5 – 7.5</td>
<td>9 – 16</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>4 – 8</td>
<td>12</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>3 – 8</td>
<td>0(e)</td>
</tr>
<tr>
<td>Department of Treasury and Finance (d)</td>
<td>5 – 10</td>
<td>12 – 17</td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>2 – 8</td>
<td>9 – 10</td>
</tr>
</tbody>
</table>

**Notes:**
(a) Actual bonuses as a percentage of Total Remuneration Package for various entities in relation to the 2006-07 assessment period are set out below:
- Southern Cross Station Authority Superior 8 %, Exceptional 11 %
- SEITA Superior 8-10%, Exceptional 13-17%
- VicRoads Superior 2-8%, Exceptional 9-12%
- VicTrack Between 12 and 17%
- VicUrban Between 6 and 18%
- Port of Melbourne Maximum 20%

(b) For the Metropolitan Fire and Emergency Services Board, three bonus ranges applied, namely 1-5% (14 executives), 6-9% (19 executives) and 10-17% (2 executives); whereas in relation to Victoria Police, a superior rating attracted a percentage range of between 2 and 8%.

(c) Public Records Office Victoria
- Superior 5%
- Office of Chief Parliamentary Counsel
  - Exceptional 16%
  - Superior 8%
- State Services Authority
  - Exceptional 9-12%
  - Superior 5-6%

(d) For the State Revenue Office the range of bonuses provided for 2006-07 as a percentage of remuneration was between 0 – 8%, while for the Essential Services Commission the range was between 4.3 – 6% for the ‘Superior’ category and between 8 – 11.9% for the ‘Exceptional’ category. The range of bonuses paid by DTF related agencies is set out below:
- Rural Finance Corporation
  - Exceptional category 9-17%
  - Superior 0-8%
- Transport Accident Commission
  - Senior Management Incentive Plan (met or exceeded) No more than 20%
Management Incentive Plan (met or exceeded)  No more than 15%

- **Treasury Corporation of Victoria**
  Bonuses paid at 20%

- **City West Water Limited**
  Managing Director and Executive Management Team  Up to 20%
  Other executive contract employees  Up to 15%

- **South East Water Limited**
  Bonuses paid at between 13 -17%

- **Yarra Valley Water Limited**
  Bonuses paid at between 5.75 -17%

- **Victorian Funds Management Corporation**
<table>
<thead>
<tr>
<th>General staff</th>
<th>Principal Officers (i)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly exceeds</td>
<td>15-20%</td>
</tr>
<tr>
<td>Exceeds</td>
<td>10-15%</td>
</tr>
<tr>
<td>Fully meets</td>
<td>5-10%</td>
</tr>
</tbody>
</table>

- **Victorian Managed Insurance Authority**
  Executive level  Up to 20% of Total Remuneration Package
  All other  Up to 15%

- **Victorian WorkCover Authority**
  Exceptional  13%-15%
  Exceeding requirements  9%-12%
  Doing a good job  5%
  Learning  5%

(e) While the 'exceptional' rating has a bonus range of 9-17% as per the Executive Handbook, no executive was assessed as achieving this rating for 2006-07

Notes
(i) VFMC operates in the funds management industry. To ensure that it attracts and retains staff with the appropriate skill sets, it provides remuneration that is competitive in the market. Consequently, bonus structures are different to those of government. As at 30 June 2007, the Corporation had 10 employees that were employed as Principal Officers. These officers are entitled to bonuses greater than 20% of the remuneration base. The Corporation was given approval by the state to employ 11 Principal Officers at 30 June 2007. The remaining 32.8 EFT staff are entitled to bonuses of up to 20%.

Source: Departments and agencies responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire

As shown in table 11.4, in the vast majority of cases the range of bonuses paid to executives in departments and certain public entities in the broader public sector as a percentage of total remuneration package was within the policy parameters set by government. In terms of varying practices, the Committee’s analysis showed that:

- two agencies, namely the Southern and Eastern Integrated Transport Authority (SEITA) and the Department of Treasury and Finance paid performance related incentives that marginally exceeded the specified government threshold for the ‘superior’ performance category; and

- the Victorian Funds Management Corporation was the only organisation to have a bonus structure for officers (known as Principal Officers) which exceeded the 20 per cent of Total Remuneration Package threshold set by the government whereby, due to the perceived need to provide remuneration that was competitive in the market, bonuses ranged from 30 per cent to 80 per cent depending on the level of staff performance. For example, a Principal Officer in return for fully meeting requirements would qualify for
being awarded a bonus of between 30 and 45 per cent of the Total Remuneration Package, whereas at the higher end of the scale for significantly exceeding requirements, a Principal Officer would be rewarded with a bonus of between 60 and 80 per cent of the remuneration package (quantification of these bonuses in this category is contained in section 11.3.2 of this chapter).

The Committee recommends that:

**Recommendation 35:** The Government Sector Executive Remuneration Panel develop a policy guideline that sets out:

(a) the circumstances in which public sector entities may exceed the 20 per cent threshold of total remuneration in making performance incentive payments to their executives;

(b) the process for obtaining approval for such payments; and

(c) reporting requirements for disclosing these payments.

### 11.3.2 Allocation and amount of performance incentive payments made to executives

In collecting information on performance bonuses paid to eligible executives across departments and certain public sector entities for the 2006-07 performance assessment period (table 11.5), the Committee found that:

- 465 (or 78.3 per cent) of 594 eligible executives employed by departments were paid performance bonuses totalling $5.8 million for the 2006-07 performance assessment period (78.1 per cent of the executives employed by departments were paid performance bonuses for the 2004-05 performance assessment period);

- in the vast majority of cases, departments paid between 75 and 80 per cent of executives a performance bonus for the 2006-07 assessment period;

- in contrast to the Committee’s finding disclosed in its report on the 2004-05 budget outcomes that the Department of Justice had the highest proportion of executives receiving a bonus among government departments (that is 95.5 per cent or 64 out of 67 executives), this proportion reduced significantly to 75.7 per cent (53 out of 70 executives) in respect of the 2006-07 assessment period;

- there had been a marked reduction in the proportion of executives awarded bonuses at the Victorian Auditor-General’s Office, given that the proportion for the 2004-05 assessment period decreased from 80.9 per cent (17 out of 21 executives) to 42.3 per cent (11 out of 26 executives) in relation to 2006-07 (refer to Chapter 24 for further comments on performance outcomes relating to the Victorian Auditor-General’s Office for 2006-07);

- in contrast to the scale of executives receiving performance pay across government departments of around three in every four, the following public sector entities awarded performance bonuses to all (or almost all) of their executives:
  - Southern and Eastern Integrated Transport Authority
  - Southern Cross Station Authority
- Victorian Rail Track
- Victorian Urban Development Authority

- with the exception of City West Water Limited, all of the other Department of Treasury and Finance’s related agencies, namely the Rural Finance Corporation, the Transport Accident Commission, Treasury Corporation of Victoria, South East Water Limited, Yarra Valley Water Limited, Victorian Funds Management Corporation, Victorian Managed Insurance Authority and Victorian WorkCover Authority

- an average performance bonus of $12,500 paid to executives across government departments for the 2006-07 assessment period ($11,800 in 2004-05) was significantly below the average bonuses paid to executives in most of the Department of Treasury and Finance’s related agencies with the highest payers comprising the following;
  - Treasury Corporation of Victoria: the average of the bonuses paid to the Managing Director and Deputy Managing Director amounted to $68,200 while the average bonus paid to General Managers amounted to $42,683; and
  - Victorian Funds Management Corporation: the average bonus amounted to $68,517; and

- Victoria Police has a long standing policy that staff at EO2 and above are not eligible for payment of a performance bonus.
### Table 11.5:

**Victorian budget funded agencies' performance bonus payments to Secretaries and executive officers for the performance assessment periods 2004-05 and 2006-07**

<table>
<thead>
<tr>
<th>Department</th>
<th>Total 2004-05 (a)</th>
<th>Secretary, EO1 and EO2 2006-07</th>
<th>EO3 2006-07</th>
<th>Total 2006-07</th>
<th>Total value of bonuses paid 2006-07</th>
<th>Average bonus 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% paid a bonus</td>
<td>Total value of bonuses paid</td>
<td>Avg. bonus</td>
<td>Eligible for a bonus</td>
<td>Awarded bonus</td>
<td>Total value</td>
</tr>
<tr>
<td>Parliamentary departments (b)</td>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>(no.)</td>
<td>(%)</td>
<td>($000)</td>
</tr>
<tr>
<td>Department of Education and Training (c)</td>
<td>74.6</td>
<td>697.8</td>
<td>13.2</td>
<td>36</td>
<td>31</td>
<td>86.1%</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>78.9</td>
<td>1,105.7</td>
<td>12.3</td>
<td>45</td>
<td>38</td>
<td>84.4%</td>
</tr>
<tr>
<td>Department of Infrastructure (e)</td>
<td>78.5</td>
<td>646.8</td>
<td>12.7</td>
<td>30</td>
<td>25</td>
<td>83.3%</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>74.0</td>
<td>376.2</td>
<td>10.2</td>
<td>19</td>
<td>15</td>
<td>79%</td>
</tr>
<tr>
<td>Department of Justice (f)(g)</td>
<td>95.5</td>
<td>599.8</td>
<td>9.4</td>
<td>28</td>
<td>20</td>
<td>71.4%</td>
</tr>
</tbody>
</table>
### Table 11.5: Victorian budget funded agencies' performance bonus payments to Secretaries and executive officers for the performance assessment periods 2004-05 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Department</th>
<th>Total 2004-05(a)</th>
<th>Secretary, EO1 and EO2 2006-07</th>
<th>EO3 2006-07</th>
<th>Total 2006-07</th>
<th>Total value of bonuses paid 2006-07</th>
<th>Avg. bonus 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% paid a bonus</td>
<td>Total value of bonuses paid</td>
<td>Avg. bonus</td>
<td>Total value</td>
<td>Eligible for a bonus</td>
<td>Awarded bonus</td>
</tr>
<tr>
<td></td>
<td>($000)</td>
<td>($000)</td>
<td>(no.)</td>
<td>($000)</td>
<td>(no.)</td>
<td>(%)</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>73.5</td>
<td>356.4</td>
<td>14.3</td>
<td>23</td>
<td>23</td>
<td>100%</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>70.0</td>
<td>161.3</td>
<td>11.5</td>
<td>10</td>
<td>8</td>
<td>80.0%</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>73.3</td>
<td>421.6</td>
<td>12.8</td>
<td>18</td>
<td>14</td>
<td>77.8%</td>
</tr>
<tr>
<td>Department of Treasury and Finance (h)</td>
<td>73.5</td>
<td>670.4</td>
<td>11.0</td>
<td>25</td>
<td>19</td>
<td>76.0%</td>
</tr>
<tr>
<td>Department for Victorian Communities</td>
<td>80.0</td>
<td>292.4</td>
<td>12.2</td>
<td>13</td>
<td>10</td>
<td>76.9%</td>
</tr>
<tr>
<td>Total</td>
<td>78.1</td>
<td>5,328.4</td>
<td>11.8</td>
<td>247</td>
<td>203</td>
<td>82.2%</td>
</tr>
</tbody>
</table>
Chapter 11: Performance bonuses

Notes:

(a) Information was not collected for the 2005-06 performance assessment period, given that an outcomes report was not prepared for 2005-06 due to the state election in late 2006 and that Parliament was prorogued on 31 October 2006.

(b) As indicated in the previous outcomes report, performance bonuses are not awarded in the Parliamentary departments. In relation to the Victorian Auditor-General’s Office, the Committee noted that:

- on an office wide basis, 11 of the office’s 26 executives (42.3 per cent) eligible for a performance bonus were awarded performance pay for the 2006-07 assessment period at a total cost of $121,950 (average bonus, $11,086). For the 2005-06 assessment period, 17 of the 21 executives (80.9 per cent) eligible for a performance bonus were awarded performance pay at a total cost of $186,200 (average bonus, $10,953).
- at the EO2 level, 5 of the office’s 8 executives (62.5 per cent) eligible for a performance bonus were awarded performance pay for the 2006-07 assessment period at a total cost of $61,450 (average bonus, $12,290). For the 2005-06 assessment period, 4 of the 5 executives (80.0 per cent) eligible for a performance bonus were awarded performance pay at a total cost of $54,200 (average bonus, $13,550).
- at the EO3 level, 6 of the office’s 18 executives (33.3 per cent) eligible for a performance bonus were awarded performance pay for the 2006-07 assessment period at a total cost of $60,500 (average bonus, $10,083). For the 2005-06 assessment period, 13 of the 16 executives (81.2 per cent) eligible for a performance bonus were awarded performance pay at a total cost of $132,000 (average bonus, $10,154).

(c) The figures in the table relate to the number of executive staff employed over the full financial year, not at a point of time, whose performance was reviewed in the 2004-05 cycle. To be eligible, an executive officer in the department must have worked with the department for three months or more in the review cycle.

(d) An ‘Other’ level comprising the Senior Technical Specialist and Senior Medical Adviser categories has been combined with the EO3 category for reporting purposes.

(e) In addition to Department of Infrastructure executive staff, performance bonuses for the 2006-07 assessment period that were paid to executives from selected agencies are summarised below:

- 68 (90 per cent) of the 75 executive officers at VicRoads were awarded a performance bonus at a total cost of $710,000 (average bonus of $10,440). In comparison to the 2004-05 assessment period, 57 (79.2 per cent) of the 72 executive officers at VicRoads were awarded a bonus at a total cost of $441,684 (average bonus of $7,749).
- of the nine executive officers eligible for performance payments in the Southern and Eastern Integrated Transport Authority, all were awarded a bonus at a total cost of $170,000 (average bonus of $18,900). Similarly, in comparison to the 2004-05 assessment period, all of the seven executive officers that were eligible were awarded a bonus at a total cost of $174,724 at an average of $24,961.
- 26 (93 per cent) of the 28 executive officers at the Port of Melbourne Corporation were awarded a performance bonus at a total cost of $520,000 (average bonus of $20,000).
- at the Southern Cross Station Authority, all of its executives (three in total) were awarded a performance bonus at a total cost of $40,000 (average bonus of $13,300).
- all seven executives at Victorian Rail Track were awarded a performance bonus at a total cost of $190,000 (average bonus of $27,140).
- all seven executives at Victorian Urban Development Authority (seven in all) was awarded a performance bonus ($18,570 average).

(f) In addition to Department of Justice executive staff, performance bonuses for the 2006-07 assessment period that were paid to executives from selected agencies are summarised below:

- 11 (78.6 per cent) of the 14 executive officers at Victoria Police were awarded a performance bonus at a total cost of $43,632 (average bonus of $3,966). Victoria Police has a policy that staff at EO-2 and above are not eligible for payment of a performance bonus. This includes the positions of Chief Commissioner, Deputy Commissioners, Assistant Commissioners and EO2 Directors.
- 35 (94.6 per cent) of the 37 executive officers at the Metropolitan Fire and Emergency Services Board were awarded a performance bonus at a total cost of $288,840 (average bonus of $8,252).

(g) Information presented for the Department of Justice includes the Victorian Government Solicitor’s Office and the Victorian Commission for Gambling Regulation.

(h) In addition to Department of Treasury and Finance executive staff, performance bonuses for the 2006-07 assessment period that were paid to executives from the department’s related agencies (namely the State Revenue Office, Essential Services Commission and the Shared Services Centre) are summarised below (note: information between agencies has been consolidated to prevent identification of officers):

- 14 of the 16 executives eligible for a bonus (88 per cent) received a performance bonus.
- with the total value of bonuses standing at $144,796, the average bonus amounted to $10,343.

In relation to the department’s 10 related statutory bodies, information collected by the Committee for 2006-07 is set out below:

(i) Rural Finance Corporation

- all of the six executives eligible for a bonus received a performance bonus.
- with the total value of bonuses standing at $17,189, the average bonus amounted to $17,189.

(ii) Transport Accident Commission.
• all of the 62 executives eligible for a bonus received a performance bonus
• with the total value of bonuses standing at $960,159, the average bonus amounted to $15,486

(iii) Treasury Corporation of Victoria
• Excluding vacancies, all of the six executives eligible for a bonus received a performance bonus
• with the total value of bonuses standing at $307,132, the average of the bonuses paid to the Managing Director and Deputy Managing Director amounted to $68,200 while the average bonus paid to General Managers amounted to $42,683

(iv) City West Water Limited
• 60 of the 66 senior staff eligible for a bonus (91 per cent) received a performance bonus
• with the total value of bonuses standing at $829,069, the average bonus paid to the Managing Director and General Managers (seven in total) amounted to $34,926, while the average bonus paid to other staff eligible for a bonus amounted to $11,030

(v) South East Water Limited
• all of the seven executives eligible for a bonus received a performance bonus
• with the total value of bonuses standing at $230,318, the average bonus amounted to $32,903

(vi) Yarra Valley Water Limited
• 114 of the 115 senior staff eligible for a bonus (99 per cent) received a performance bonus
• with the total value of bonuses standing at $1,201,085, the average bonus amounted to $25,783 for Executives, $11,391 for Senior Managers and $5,644 for Other senior staff

(vii) Victorian Funds Management Corporation
• 6 of the 7 executives eligible for a bonus (86 per cent) received a performance bonus
• with the total value of bonuses standing at $411,100, the average bonus amounted to $68,517

(viii) Victorian Managed Insurance Authority
• 6 of the 7 executives eligible for a bonus (86 per cent) received a performance bonus
• with the total value of bonuses standing at $172,173, the average bonus amounted to $28,695

(ix) Victorian WorkCover Authority
• in relation to all Executives with remuneration of $120,098 or more, 92 of the 96 executives eligible for a bonus (96 per cent) received a performance bonus
• with the total value of bonuses standing at $1,102,000, the average bonus amounted to $47,000 for the Chief Executive/Deputy Chief Executive, $20,778 for the Executive Leadership Team, $12,786 for Directors and $9,582 for all Other Executive Officers

(i) Calculated by the Public Accounts and Estimates Committee

Sources: Departmental and agency responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire and follow-up questions; and Public Accounts and Estimates Committee, Report on the 2004-05 Budget Outcomes, April 2006, pp.100–102
Chapter 11: Performance bonuses

The Committee noted that Parliament has not adopted the practice of awarding bonuses to its Executive Officers, given the nature of their appointment and business. While other executive officers in the public service are normally appointed on term contracts, parliamentary executive officers are appointed on an ongoing basis (not on a fixed-term) and therefore are not entitled to bonus payments. In addition, because parliamentary (executive) officers provide independent advice to all Members of Parliament, it is judged that meeting targets for bonus payments may affect their ability to provide unfettered advice.271 As such, it is the policy of all three Parliamentary departments that bonuses will not be paid. Salary movements are based on a Performance Appraisal system in each department and progression is through incremental levels.272

The Committee believes that the Executive Officers in Parliament should be eligible for performance bonuses. The senior management in Parliament should be subjected to similar performance and salary regimes that operate in the rest of the public sector. Not doing so could lead to Parliamentary departments pursuing antiquated management practices.

The Committee recommends that:

**Recommendation 36:** The Department of Parliamentary Services consider introducing a system for awarding performance related incentive payments to its executives in line with the practices that apply to executives in government agencies.

The Committee believes that there is a continual need to ensure that appropriate governance arrangements and accountability exists in relation to performance bonuses. The Committee suggests that the following features be enforced by government in administering its performance management framework dealing with performance incentive payments made to executives:

- strong links between performance and reward need to be demonstrated through the development and reporting of the relationship between performance-based bonuses and fully transparent performance measures;
- criteria for assessing performance should be based on productivity, service delivery and safety where applicable and be linked to corporate objectives; and
- any instances of executive under-performance need to be reviewed with a view to enhancing the overall performance of the organisation.

272 Department of Parliamentary Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 November 2007, p.5
11.4 Disclosure of bonuses paid to public sector executives

In response to issues raised in its Report on the 2004-05 Budget Outcomes, the Committee noted that:

‘The government encourages the role-modelling of outstanding executive performance, and believes the profiling of exceptional performers would be valuable. This is so, particularly given the relative modesty of public sector executive remuneration in comparison with private sector equivalents, and the high quality outputs provided by the Victorian public sector whilst maintaining one of the lowest rates of wage growth of any sector in Australia. Although it would be inappropriate due to privacy considerations to require departments to profile executives in receipt of performance bonuses, the government encourages departments and executives to consider this role modelling on a voluntary basis.’

Bearing in mind the significantly higher level of bonuses paid to executives in certain public sector entities compared with departments, which is referred to in section 11.3 of this chapter, the Committee continues to maintain that the government could play a greater role in encouraging both departments and individual entities in the broader public sector to disclose:

- bonus payments made to their most senior managers in the same way that is applicable to key management personnel employed by listed companies; and
- examples in their annual reports of outstanding executive performance that have attracted the highest bonuses as a role-modelling exercise and to enhance accountability.

The Committee reiterates the view expressed in its Report on the 2004-05 Budget Outcomes that it would be interesting to learn about examples where performance of executives has been outstanding in terms of exceeding the requirements of all criteria and far exceeding expectations in the more critical areas.

The current practices in place for the disclosure of bonuses in annual reports of public sector agencies are as follows:

- in relation to departments, annual bonus payments in aggregate form are included in the total remuneration information pertaining to accountable officers and executives, while base remuneration figures in total are also disclosed which exclude various items including bonuses; and
- in statutory authorities, bonuses paid or payable during the year pursuant to employment contracts are reported in aggregate for the organisation.

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The Committee considers this form of disclosure to be insufficient and uninformative, particularly in comparison to listed companies, while acknowledging there is a need in certain industries to offer remuneration packages that are competitive in the market in order to attract and retain staff with appropriate skill sets. As such, the Committee reiterates the comments made in its previous budget outcomes report:

‘The Committee considers that the disclosure requirements for listed companies relating to compensation payments made to each key management person as contained in the accounting standards and corporations law should apply to the most senior managers of government departments and associated agencies, that is, departmental Secretaries and EO1s. In the same way that shareholders of companies have a right to know relevant details relating to the emoluments paid to their most senior company executives, the Committee considers that this principle should be embodied in the financial reporting disclosure requirements for all public sector agencies, so that taxpayers are aware of the nature and amounts that comprise senior executive remuneration. The Committee does not consider that this level of disclosure will impinge on the privacy of individuals. In fact, there is no reason why the remuneration of the five highest paid executives, including the Secretary or Chief Executive Officer in each agency, should not be disclosed separately in departmental financial statements and annual reports in the same way that applies to listed companies.’

The Committee recommends that:

**Recommendation 37:** The Department of Treasury and Finance:

(a) consider amending financial reporting disclosure requirements for all public sector agencies in regard to annual performance bonuses paid to the most senior managers so that they are in line with reporting requirements of listed companies; and

(b) encourage disclosure in annual reports of examples of outstanding business performance achieved by executives who have received the highest performance bonuses, particularly in those public sector agencies that operate along commercial lines.
CHAPTER 12: EMPLOYMENT WITHIN THE VICTORIAN PUBLIC SECTOR

Key findings of the Committee:

12.1 EFT staff numbers in departments at 30 June 2007 totalled 94,260 and staffing costs increased by around 7.8 per cent between 2005-06 and 2006-07.

12.2 An analysis of staffing costs in a number of statutory agencies outside the departmental sector identified that costs had increased in 2006-07 by more than 10 per cent in eight agencies.

12.3 The highest increase in staffing costs in agencies were experienced in the Victorian Managed Insurance Authority and the Victorian Funds Management Corporation, with costs growing by 42 and 66 per cent respectively as a result of reviews of the scope of their business operations.

12.4 Only three departments, the Department of Human Services, the Department of Justice and the Department of Premier and Cabinet, could submit cost data to the Committee showing a dissection in percentage terms between salary and wages expenditure incurred on direct service delivery compared with administration. The estimated percentage split in these departments ranged between 89 and 95.1 per cent for direct service delivery and 4.9 and 11 per cent for administration.

12.5 It was of some concern to the Committee that the remaining seven departments indicated they did not routinely capture data in their management information systems which apportions salary and wages expenditure between direct service delivery and administration.

12.6 Two of the departments, the Department of Infrastructure and the Department of Innovation, Industry and Regional Development, questioned the usefulness of the analysis between direct service delivery and administration, notwithstanding that their salary costs in 2006-07 were $84.7 and $52 million respectively.

12.7 Sixteen statutory agencies provided information to the Committee on their approach to the analysis of salary costs between direct service delivery and administration.

12.8 The average cost allocation to the two areas in agencies in 2006-07 was 74 per cent to direct service delivery and 26 per cent to administration, with the latter percentage considerably higher than the range of 4.9 to 11 per cent cited in three departments.

12.9 The information submitted by agencies could indicate there is potential for service delivery enhancements and administrative efficiencies across both statutory agencies and departments, with the limited information available in the departmental sector suggesting administrative costs in that sector could be under-stated.
There is a need for the Department of Treasury and Finance to undertake a strategic review across departments and agencies with a view to establishing a recording and reporting framework, incorporating percentage benchmarks and cost definitions, which can capitalise on opportunities to achieve performance improvement in the management of salary costs incurred in direct service delivery and administration.

After considering information presented by departments and selected statutory agencies on time allocated to meeting accountability obligations compared with service delivery, the Committee would welcome any initiative by government to give greater focus on the demands placed on public sector entities in servicing their accountability obligations.

Based on material submitted by departments to the Committee, the average value of approved or actual expenditure on contractors in 2006-07 was around 18.7 per cent higher than in 2005-06.

**12.1 Introduction**

In its commentary on an analysis of department workforces included in its September 2007, Report on the 2007-08 Budget Estimates – Part Three, the Committee signalled its emerging interest in the management of staffing costs within the public sector.

The Committee highlighted the importance of the management of staffing costs to productivity and efficiency improvement within agencies. It referred to the government’s targeted savings of $632 million across departments in the four year period commencing 2007-08 which were outlined in the 2007-08 Budget Papers.

Drawing on the implications of this savings program, the Committee identified that departments will need to carefully manage staffing costs associated with the delivery of services and those consumed in other more indirect functions such as policy review and administrative support. The Committee indicated it would expect a clear containment over the next four years of indirect staffing costs, with the burden falling on departments to also demonstrate that costs directly consumed in program delivery have been managed with maximum efficiency.

The Committee’s overall message from its report on department workforces was that there will need to be a clear separation within the management systems of agencies of resources directly consumed in the delivery of services and those of an indirect nature associated with administrative and support activities. Because staffing costs represent the major inputs of public sector agencies, the Committee stressed the importance of careful separation and monitoring by agency management of staffing expenses incurred in the two categories of service delivery and administration as well as robust reporting to Parliament of the consequent impact on organisational efficiency.

It was against the above background that the Committee sought from departments and selected statutory agencies, during its 2006-07 performance and financial outcomes inquiry, staffing data and related information that could provide insight into the current quality of the management of staffing costs within the public sector. The Committee’s analysis was also aimed at identifying any strategic and operational steps that might be necessary to reinforce the accountability obligations of

departments and agencies as they address their emerging challenges in this critical sphere of organisational management.

12.2 Aggregate staff numbers and costs at 30 June 2007

12.2.1 Departmental sector

The Committee asked departments to provide details of their equivalent full-time (EFT) staff numbers at 30 June 2007 and staffing costs for the categories of ongoing, fixed-term and casual staff for 2006-07 and 2005-06. Table 12.1 brings together the aggregate staff numbers and costs furnished by departments.
### Table 12.1: Staff numbers and staffing costs of departments

<table>
<thead>
<tr>
<th>Department</th>
<th>Staff numbers at 30 June 2007 (EFT)</th>
<th>Staffing costs for 2005-06 ($ million)</th>
<th>Staffing costs for 2006-07 ($ million)</th>
<th>Variation in staffing costs between 2005-06 and 2006-07 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education, including schools (a)</td>
<td>52,903.4</td>
<td>3,612.0</td>
<td>3,824.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Human Services, excluding public hospitals – shown in table 12.2</td>
<td>11,515.0</td>
<td>777.8</td>
<td>809.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,110.6</td>
<td>77.1</td>
<td>84.7</td>
<td>9.8</td>
</tr>
<tr>
<td>Innovation, Industry, and Regional Development (b)</td>
<td>912.9</td>
<td>47.2</td>
<td>52.0</td>
<td>10.2</td>
</tr>
<tr>
<td>Justice, including Victoria Police (c)</td>
<td>20,128.5</td>
<td>1,103.2</td>
<td>1,281.3</td>
<td>16.1</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>335.3</td>
<td>28.7</td>
<td>30.1</td>
<td>4.9</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>2,667.9</td>
<td>178.3</td>
<td>185.7</td>
<td>4.1</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>2,834.0</td>
<td>216.8</td>
<td>248.6</td>
<td>15.0</td>
</tr>
<tr>
<td>Treasury and Finance (d)</td>
<td>1,167.5</td>
<td>83.1</td>
<td>92.4</td>
<td>11.2</td>
</tr>
<tr>
<td>Victorian Communities (e)</td>
<td>685.0</td>
<td>53.6</td>
<td>50.2</td>
<td>-6.8</td>
</tr>
<tr>
<td><strong>Sub-total</strong></td>
<td><strong>94,260.1</strong></td>
<td><strong>6,177.8</strong></td>
<td><strong>6,658.2</strong></td>
<td><strong>7.8</strong></td>
</tr>
<tr>
<td>Parliamentary departments</td>
<td>432.3</td>
<td>25.7</td>
<td>27.3</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>94,692.4</strong></td>
<td><strong>6,203.5</strong></td>
<td><strong>6,685.5</strong></td>
<td><strong>7.8</strong></td>
</tr>
</tbody>
</table>

**Notes:**

(a) the Committee sought salary costs according to ongoing, fixed-term and casual categories – the department advised that it ‘does not maintain records in a manner that would enable accurate calculation of the figures required’ and that the figures submitted to the Committee are ‘indicative not actual’.

(b) includes Office of Tertiary and Training Education and Multi Media Victoria staff, transferred to the department as a result of machinery of government changes following the 2006 state election and Victorian Learning and Employment Skills Commission

(c) EFT staff numbers for Victoria Police totalled 13,695.4 at 30 June 2007 and salary costs for Victoria Police increased by 3.3 per cent in 2006-07

(d) includes State Revenue Office, Essential Services Commission and Shared Services Centre which are budget funded agencies – also includes the impact of machinery of government changes relating to the transfer of the Office of the Chief Information Officer and Chief Technology Office from the Department of Premier and Cabinet and Department of Infrastructure respectively

(e) the department became a major part of the new Department for Planning and Community Development from August 2007 – the department could only provide an estimate of 2005-06 costs and did not include on costs for all salary data submitted to the Committee – the fall of 6.8 per cent in salary costs in 2006-07 reflects the net impact of machinery of government changes during the year which included the transfer of the Registry of Births, Deaths and Marriages to the Department of Justice and the Public Record Office to the Department of Premier and Cabinet

**Source:** Department responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire
As shown in table 12.1, the information submitted by departments (before inclusion of the parliamentary departments) indicates that EFT staff numbers at 30 June 2007 totalled 94,260.1 and staffing costs within departments increased by 7.8 per cent between 2005-06 and 2006-07. Staffing costs within four departments, the Department of Innovation, Industry, and Regional Development, the Department of Justice, the Department of Sustainability and Environment, and the Department of Treasury and Finance, increased by more than 10 per cent over the period. Explanations provided to the Committee by these departments on movements in staff numbers indicated that the likely reasons for the higher staffing costs in 2006-07 in three of the departments were the machinery of government changes mentioned in the notes to table 12.1. The fourth department, the Department of Sustainability and Environment, indicated that, inter alia, staff numbers were higher because of the recruitment of 52 staff at VPS 5 level across programs including Planning and Fire and Water.

### 12.2.2 Selected agencies outside the departmental sector

For its 2006-07 Financial and Performance Outcomes inquiry, the Committee determined to extend the gathering of information on staffing numbers and costs beyond departments to encompass selected statutory agencies. Agencies selected by the Committee were those considered to have a significant financial and community impact and which would result in a comprehensive analysis of outcomes across the public sector. Table 12.2 identifies the selected agencies and the data on salary numbers and costs submitted to the Committee.
Table 12.2: Staff numbers and staffing costs of selected statutory agencies

<table>
<thead>
<tr>
<th>Statutory agency</th>
<th>Staff numbers at 30 June 2007 (EFT)</th>
<th>Staffing costs for 2005-06 ($ million)</th>
<th>Staffing costs for 2006-07 ($ million)</th>
<th>Variation in staffing costs between 2005-06 and 2006-07 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public hospitals</td>
<td>66,468.0</td>
<td>4,392.8</td>
<td>4,712.2</td>
<td>7.3</td>
</tr>
<tr>
<td>Infrastructure</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Port of Melbourne Corporation</td>
<td>176.0</td>
<td>17.7</td>
<td>21.9</td>
<td>23.7</td>
</tr>
<tr>
<td>Roads Corporation</td>
<td>2,707.6</td>
<td>191.1</td>
<td>207.2</td>
<td>8.4</td>
</tr>
<tr>
<td>Victorian Rail Track</td>
<td>145.0</td>
<td>10.3</td>
<td>12.4</td>
<td>20.4</td>
</tr>
<tr>
<td>Victorian Urban Development Authority</td>
<td>196.0</td>
<td>17.7</td>
<td>21.9</td>
<td>23.7</td>
</tr>
<tr>
<td>Southern Cross Station Authority</td>
<td>32.0</td>
<td>5.7</td>
<td>3.4</td>
<td>-40.3</td>
</tr>
<tr>
<td>Justice</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Fire and Emergency Services Board</td>
<td>1,944.5</td>
<td>138.8</td>
<td>150.1</td>
<td>8.1</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Barwon Region Water Authority</td>
<td>320.1</td>
<td>21.3</td>
<td>23.1</td>
<td>8.5</td>
</tr>
<tr>
<td>Goulburn Murray Regional Water Authority</td>
<td>664.0</td>
<td>49.0</td>
<td>52.0</td>
<td>6.1</td>
</tr>
<tr>
<td>Melbourne Water Corporation</td>
<td>645.0</td>
<td>46.7</td>
<td>50.5</td>
<td>8.1</td>
</tr>
<tr>
<td>Parks Victoria</td>
<td>1,155.0</td>
<td>68.3</td>
<td>76.1</td>
<td>11.4</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City West Water Limited</td>
<td>262.9</td>
<td>18.5</td>
<td>19.7</td>
<td>6.5</td>
</tr>
<tr>
<td>Rural Finance Corporation</td>
<td>105.0</td>
<td>5.9</td>
<td>6.6</td>
<td>11.9</td>
</tr>
<tr>
<td>South East Water Limited</td>
<td>403.8</td>
<td>29.0</td>
<td>31.4</td>
<td>8.3</td>
</tr>
<tr>
<td>Transport Accident Commission</td>
<td>749.0</td>
<td>57.8</td>
<td>64.1</td>
<td>10.9</td>
</tr>
<tr>
<td>Treasury Corporation of Victoria</td>
<td>50.3</td>
<td>6.7</td>
<td>6.2</td>
<td>-7.5</td>
</tr>
<tr>
<td>Victorian Managed Insurance Authority</td>
<td>91.8</td>
<td>6.9</td>
<td>9.8</td>
<td>42.0</td>
</tr>
<tr>
<td>Victorian Work Cover Authority</td>
<td>947.0</td>
<td>84.5</td>
<td>92.3</td>
<td>9.2</td>
</tr>
<tr>
<td>Victorian Funds Management Corporation</td>
<td>42.8</td>
<td>4.7</td>
<td>7.8</td>
<td>66.0</td>
</tr>
<tr>
<td>Yarra Valley Water Limited</td>
<td>426.9</td>
<td>26.3</td>
<td>28.3</td>
<td>7.6</td>
</tr>
</tbody>
</table>

Source: Department and agency responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire

Table 12.2 shows that staffing costs in 2006-07 for the Southern Cross Station Authority decreased by 40 per cent. The Authority advised that the Southern Cross Station reached final completion during the year. It also indicated that, with completion of this milestone, its EFT staffing numbers fell from 64 at 30 June 2006 to 32 at 30 June 2007 as it transitioned ‘into its role of Precinct Manager which includes monitoring the private operator.’

Table 12.2 also identifies that staffing costs in 2006-07 in eight agencies increased by more than 10 per cent with costs at the Victorian Managed Insurance Authority and the Victorian Funds Management Corporation growing by 42 and 66 per cent respectively. The following information on movements in EFT staff numbers provided to the Committee by these two agencies indicates the likely reasons for the higher staffing costs:
Victorian Managed Insurance Authority

- staff numbers are progressively increasing in response to a government decision in October 2005 to implement whole of government risk management practices across the Victorian public sector.

Victorian Funds Management Corporation

- staff numbers increased by 64 per cent in 2006-07 driven by changes to the business resulting from a strategic review commissioned by the Department of Treasury and Finance in 2005 – the Corporation has commenced to build capabilities to manage investments internally as it moves to become a Centre of Investment Excellence, take over responsibility for formulating strategic asset allocation and build a quality investment organisation. Commentary on the level of performance bonuses paid to executives within the Corporation is included in chapter 11 of this report.

The Committee intends to monitor movements in staffing numbers and costs across statutory agencies on a wider basis in its future outcomes inquiries as a means of comparing and reaching conclusions on the soundness of management of this major input cost item within both the departmental and non-departmental sectors.

12.3 Staffing costs incurred on administration compared with direct service delivery

As mentioned in the introductory paragraphs to this section, the Committee identified during its 2007-08 Budget Estimates inquiry that departments will need to carefully manage staffing costs associated with the direct delivery of services and those consumed in other more indirect functions such as policy review and administrative support. With the government targeting savings in departments totalling $632 million over the four years from 2007-08, the Committee foreshadowed it would expect a clear containment over the next four years of indirect staffing costs in the departmental sector, with the burden falling on departments to also demonstrate that costs directly consumed in program delivery have been managed with maximum efficiency.

The Committee’s overall message from its 2007-08 Budget Estimates analysis of departmental workforces was that there will need to be a clear separation within departmental management information systems of resources directly consumed in the delivery of services and those of an indirect nature associated with administrative and support activities.

To gain an indication of the current status of relevant management data, the Committee sought from departments, as part of its 2006-07 financial and performance outcomes inquiry, a breakdown between the aggregate 2006-07 and 2005-06 sales and wages expenditure incurred on direct service delivery compared with administration. In broad terms, the Committee considers that ‘direct service delivery’ covers the costs of direct provision of core services or programs while ‘administration’ embraces a range of indirect support activities such as policy development and review, planning, human resource management, information technology, and evaluation and accountability functions including reporting.

The information sought by the Committee focused initially on departments. However, in a helpful move, several departments arranged for statutory agencies to also channel data to the Committee.

The Committee received a diverse range of responses from departments and agencies on this issue.
12.3.1 Commentary on departmental returns

Table 12.3 summarises the departmental responses.

Table 12.3: Departmental responses on dissection of salary costs incurred on administration compared with direct service delivery

<table>
<thead>
<tr>
<th>Department</th>
<th>Summary of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>The department provided an indicative split for both 2006-07 and 2005-06 of 97.4 per cent for direct services and 2.6 per cent for administration as the departmental records ‘are not categorised in a manner which would allow reporting of actual expense’.</td>
</tr>
<tr>
<td>Human Services</td>
<td>The department identified a split of 89 per cent for direct service delivery and 11 per cent for administration in 2006-07. It cited a wide range of costs which it regards as falling within the administrative category.</td>
</tr>
<tr>
<td>Infrastructure, incorporating VicRoads</td>
<td>No dissection of salary cost was provided to the Committee. The department stated that it ‘is responsible for Victoria’s transport networks, public transport services and the delivery of major construction projects. The provision of public transport services and construction of infrastructure projects is largely undertaken via the private sector. As such, the portfolio’s direct service delivery role is minor in relation to its overall expenditure budget and a comparison of administration and direct service delivery salaries and wages expenditure is not meaningful’.</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>No dissection of salary cost was provided to the Committee. The department advised that it ‘does not capture information at this level’ It also indicated that ‘given the nature of the activities performed and the areas covered by the department, any allocation of this nature would be purely arbitrary and would provide little use for analysis’.</td>
</tr>
<tr>
<td>Justice</td>
<td>The department identified a split of 91.1 per cent for direct service delivery and 8.9 per cent for administration in 2006-07 and 92.3 per cent for direct service delivery and 7.7 per cent for administration in 2005-06.</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>The department advised of a split of 95.1 per cent for direct service delivery and 4.9 per cent for administration for both 2006-07 and 2005-06.</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>No dissection of salary cost was provided to the Committee. The department stated that it ‘does not collect the information at the level requested, so is unable to answer this question.’</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>No dissection of salary cost was initially provided to the Committee. The department advised that it ‘does not collect any data on the level of administrative salaries compared with service delivery’. The Committee later asked the department if it could submit an estimate of the cost dissection. It estimated administrative salaries would be in the 4 per cent to 5 per cent range.</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>No dissection of salary cost was provided to the Committee. The department indicated that it is very difficult for it and its related agencies ‘to break down the administrative costs of 10 programs’. It referred the Committee to a funding breakdown by output group included in its 2006-07 annual report.</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>The department advised that it has assumed that all of the department’s staffing in corporate areas constitutes administration services. It further advised that, while some of these activities have direct service delivery impact, no costing is available. It then assumed that 15 per cent of the activities relates to direct service delivery.</td>
</tr>
</tbody>
</table>

It can be seen from table 12.3 that, for the three departments that submitted specific cost data to the Committee, Human Services, Justice and Premier and Cabinet, the percentage split between administration and direct service delivery ranged between 4.9 and 11 per cent for administration and between 89 and 95.1 per cent for direct service delivery.
Chapter 12: Employment within the Victorian public sector

The Committee would expect some differences in cost splits to emerge between departments because of the underlying characteristics of their respective operating environments. It also recognises that departments will often adopt a ‘whole of program’ approach to the management of resources rather than focusing on aggregate across-entity cost dissections. In addition, it recognises the emerging focus that is placed on multi-skilling in organisations and that many staffing positions have dual or more roles and responsibilities.

Nevertheless, the Committee considers the variances in the above three advised cost dissections do warrant further consideration, particularly in terms of the potential for the government to establish a framework for periodic monitoring and external reporting by departments against benchmarks in this area. The magnitude of annual departmental salary costs and the opportunity that even small movements in the relative cost percentages over time might offer for achieving enhanced delivery of services to the community or administrative efficiencies, reinforce the likely value of such action. The Department of Treasury and Finance would be the appropriate central agency to undertake this work.

As mentioned earlier, the aggregate savings target of $632 million that departments are required to meet over the four years commencing in 2007-08 under the government’s major efficiency strategy also accentuates the importance of departments achieving an optimum split between administrative and direct service delivery salary outlays.

Given the above factors, it was of some concern to the Committee that, as identified in table 12.3, the remaining seven departments indicated they did not routinely capture data within their management information systems which dissects salaries and wages expenditure between administration and direct service delivery.

The information shown earlier in table 12.1 indicates that the aggregate salary cost in 2006-07 for these departments was about $4.5 billion comprising $3.8 billion for education and $700 million for the other six departments. Two of the departments, the Department of Infrastructure and the Department of Innovation, Industry and Regional Development, who advised of salary costs in 2006-07 of $84.7 and $52 million respectively, questioned the usefulness of such analysis.

The Committee expects that all seven departments would have strategies in place for addressing cost control and optimising the efficiency of service delivery. Nevertheless, the Committee considers that the absence of any routine assessment of organisation-wide administration and service delivery salary costs, and trends in such costs, in the seven departments would weaken their capacity to ensure that costs in both categories are not excessive or that opportunities to strengthen the direct delivery of programs and services through a re-direction of administrative resources are identified and acted on. The Committee also considers the results of regular analysis of salary costs under the two headings would assist these departments in identifying operational areas with potential to contribute to their annual savings targets.

The Department of Infrastructure drew attention in its response to its responsibilities involving major infrastructure projects undertaken largely by the private sector. It concluded that its direct service delivery role is minor and any comparison of administration and service delivery expenditure would not be meaningful. The Committee does not necessarily concur with this assessment as it contends that much of the task of overseeing private sector contractors and the quality and timeliness of works in that department can be regarded as intrinsically related to its core service delivery responsibilities, albeit having a separate administrative support component. However, it does consider that the comments identify the need for clarification by the Department of Treasury and Finance of definitional issues for the two areas of direct service delivery and administration so that there can be a standard approach in:
departments such as Infrastructure where the management focus is primarily on overseeing private sector contractors in the delivery of major infrastructure projects; and

- in other departments where staff are heavily involved in the direct delivery of core community services.

The clarification of definitional issues would then enable consideration of the use of percentage benchmarks to encourage performance improvements in departments and bring additional transparency to their reporting of annual salary costs.

In summary, the Committee’s analysis of departmental responses in this area has identified the potential for enhanced management and external reporting of salary costs within departments. There would be merit in the Department of Treasury and Finance establishing a framework, incorporating sector-wide percentage benchmarks and cost definitions, to capitalise on the opportunities for achieving performance improvement by departments in managing costs incurred in the direct delivery of services and administrative functions supporting those services.

The Committee recommends that:

**Recommendation 38:** The Department of Treasury and Finance establish a framework, incorporating sector-wide percentage benchmarks and cost definitions, for the monitoring and annual reporting by departments of salary costs incurred in the direct delivery of services and administrative functions supporting those services.

### 12.3.2 Commentary on returns from several statutory agencies

Table 12.4 summarises the responses submitted to the Committee by a number of statutory agencies.
Table 12.4: Responses from statutory agencies on dissection of salary costs incurred on administration compared with direct service delivery

<table>
<thead>
<tr>
<th>Agency</th>
<th>Summary of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Port of Melbourne Corporation</td>
<td>Apportionment in 2006-07 of 78.5 per cent to service delivery and 21.5 per cent to administration compared with 74.6 per cent and 25.4 per cent in 2005-06.</td>
</tr>
<tr>
<td>Victorian Rail Track</td>
<td>Apportionment in 2006-07 of 83.9 per cent to service delivery and 16.1 per cent to administration as against 86.4 per cent and 13.6 per cent in 2005-06.</td>
</tr>
<tr>
<td>Victorian Urban Development Authority</td>
<td>Apportionment in 2006-07 of 81.7 per cent to service delivery and 18.3 per cent to administration compared with 79.7 per cent and 20.3 per cent in 2005-06.</td>
</tr>
<tr>
<td>Barwon Region Water Authority</td>
<td>The Authority does not record this information.</td>
</tr>
<tr>
<td>Goulburn Murray Rural Water Authority</td>
<td>Data for this item is not measured and thus not available.</td>
</tr>
<tr>
<td>Melbourne Water Corporation</td>
<td>Apportionment in 2006-07 of 74.9 per cent to service delivery and 25.1 per cent to administration compared with 73.0 per cent and 27.0 per cent in 2005-06.</td>
</tr>
<tr>
<td>Parks Victoria</td>
<td>No time apportionment furnished – the organisation stated it provides park management services only.</td>
</tr>
<tr>
<td>Rural Finance Corporation</td>
<td>Apportionment in 2006-07 and 2005-06 was estimated to be the same in both years at 56.2 per cent for service delivery and 43.8 per cent for administration. However, the Corporation advised it does not maintain records on the split as many roles in the organisation across service delivery and administration have dual functions with a focus on multiple projects and activities at any given time.</td>
</tr>
<tr>
<td>Transport Accident Commission</td>
<td>Apportionment in 2006-07 of 72.1 per cent to service delivery and 27.9 per cent to administration compared with 75.4 per cent and 24.6 per cent in 2005-06.</td>
</tr>
<tr>
<td>Treasury Corporation of Victoria</td>
<td>No time apportionment provided. The Corporation stated it is primarily a wholesale financial market entity. As the central funding for Victoria, the focus is in financial market activity and there is no delivery of state programs or activities outside of that. All employees are forward facing to clients and markets in direct support of that activity.</td>
</tr>
<tr>
<td>City West Water Limited</td>
<td>Apportionment in 2006-07 of 69.9 per cent to service delivery and 30.1 per cent to administration compared with 68.9 per cent and 31.1 per cent in 2005-06.</td>
</tr>
<tr>
<td>South East Water Limited</td>
<td>Apportionment in 2006-07 of 73.2 per cent to service delivery and 26.8 per cent to administration as against 75.9 per cent and 24.1 per cent in 2005-06.</td>
</tr>
<tr>
<td>Yarra Valley Water Limited</td>
<td>No time apportionment submitted. The company stated its salary and wages expenses are not held in a format which would allow segregation of costs between these categories.</td>
</tr>
<tr>
<td>Victorian Managed Insurance Authority</td>
<td>Apportionment in 2006-07 of 70.7 per cent to service delivery and 29.3 per cent to administration compared with 72.8 per cent and 27.2 per cent in 2005-06.</td>
</tr>
<tr>
<td>Victorian Funds Management Corporation</td>
<td>Apportionment in 2006-07 of 70.0 per cent to service delivery and 30.0 per cent to administration compared with 78.6 per cent and 21.4 per cent in 2005-06.</td>
</tr>
<tr>
<td>Victorian WorkCover Authority</td>
<td>Apportionment in 2006-07 of 77.4 per cent to service delivery and 22.6 per cent to administration compared with 78.8 per cent and 21.2 per cent in 2005-06.</td>
</tr>
</tbody>
</table>
The Committee’s analysis of the returns submitted by the 16 statutory agencies shown in table 12.4 identified:

- eleven agencies furnished cost data which showed their percentage allocations in 2006-07 to direct service delivery and administration ranged from a high of 83.9 per cent to service delivery and a low of 16.1 per cent to administration to a low of 58.2 per cent to service delivery and a high of 43.8 per cent respectively;

- the average cost allocation to the two areas in 2006-07 was 74 per cent to service delivery and 26 per cent to administration, with the latter percentage significantly higher than the range of 4.9 per cent to 11.0 per cent cited in the information submitted by three departments; and

- two water companies, City West Water Limited and South East Water Limited, advised of an average apportionment of 71.5 per cent to service delivery and 28.5 per cent to administration while the third water company, Yarra Valley Water Limited, was not able to provide a segregation of costs.

These results should be of assistance to the Department of Treasury and Finance in considering the points raised by the Committee in its commentary on the departmental sector set out in the above paragraphs. The fact that a selection of statutory agencies has identified an average cost split of 74 per cent and 26 per cent between direct service delivery and administration could indicate there is potential for service delivery enhancements or administrative efficiencies across agencies. It could also throw light on assessments of a similar potential in the departmental sector where many entities do not routinely capture relevant data and where a small number of initial estimates look to be understated when compared with the data received from agencies.

The factors taken into account by agencies in apportioning staffing costs according to the two cost categories would also be useful in resolving definitional issues and in assessing the desirability of setting standard cost benchmarks and reporting requirements in both sectors.

The Committee recommends that:

Recommendation 39: The Department of Treasury and Finance conduct a strategic analysis of salary cost allocations between direct service delivery and administration within statutory agencies, with a view to determining the benefit of implementing standardised recording and reporting requirements across the public sector.

12.4 Allocation of time within departments to satisfying accountability requirements compared with service delivery

In its Report on the 2007-08 Budget Estimates, the Committee commented on information received from Ministers on the estimated level of resources involved annually in portfolio departments in servicing inquiries of the Committee.278 Because there is not a lot of information available in the public arena, the Committee regarded this process as an initial step to giving greater visibility in future reports to the commitment of public sector agencies in meeting their public accountability

obligations, including to Parliament and directly to the public (for example FOI and servicing of Committees).

With this point in mind, the Committee sought from departments and selected statutory agencies during its 2006-07 outcomes inquiry an estimate of the proportion of time that was devoted during the year to satisfying accountability requirements compared with direct service delivery.

Table 12.5 summarises the responses submitted to the Committee. The information presented for statutory agencies relates only to where an individual response was provided either directly to the Committee or via the sponsoring department. In several cases, departments did not submit details relating to portfolio agencies.

**Table 12.5  Responses from departments and selected statutory agencies on estimates of time in 2006-07 devoted to meeting accountability obligations compared with service delivery**

<table>
<thead>
<tr>
<th>Department/agency</th>
<th>Summary of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>The department advised it does not collect this information.</td>
</tr>
<tr>
<td>Human Services</td>
<td>No staff work exclusively on satisfying accountability requirements and information is not available to estimate the percentage of time spent on satisfying accountability requirements. It went on to say that, while specific data on accountability is not routinely captured, <strong>2.5 per cent is considered to be a reasonable estimate.</strong></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>While giving no estimates of time, the department expressed the view that the apportionment of time and expenditure on satisfying accountability requirements is acceptable.</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>Information at this level is not collected as it does not materially influence the department’s performance.</td>
</tr>
<tr>
<td>Justice</td>
<td>Accountability requirements are not individually quantified or necessarily separated from service delivery requirements.</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>The level of resources and staff costs incurred in meeting accountability requirements is difficult to estimate as this activity is undertaken by all areas to a varying degree. The department’s Planning, Reporting and Governance unit has three full-time staff dedicated to coordinating and meeting accountability requirements.</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>Information is not available as time is not recorded in this manner. This proportion of time has not proven to be a material influence on the performance of the department.</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>No data is collected in this area. Because of the complexity and diversity of the department’s projects and services, it is not possible to provide an accurate or reliable estimate.</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>Estimated proportion of time on accountability is <strong>10 per cent.</strong></td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>Accountability requirements of former department were complex and diverse with accountability built into all facets of operations. The new Department for Planning and Community Development intends to more closely integrate and align reporting and accounting systems and timeframes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Statutory agencies</th>
<th>Summary of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barwon Region Water Authority</td>
<td>Data for this item is not measured and thus not available.</td>
</tr>
<tr>
<td>Goulburn Murray Rural Water Authority</td>
<td>The Authority provided the same narrative in its response to that furnished by the Barwon Region Water Authority.</td>
</tr>
<tr>
<td>Melbourne Water Corporation</td>
<td>This area is not applicable to the Corporation as the majority of its costs are subject to regulatory review. The previously discussed breakdown between administration and direct service delivery is considered the appropriate categorisation split for the Corporation.</td>
</tr>
<tr>
<td>Parks Victoria</td>
<td>Response mirrored that received from Barwon Region and Goulburn Murray Water Authorities.</td>
</tr>
</tbody>
</table>
Table 12.5 Responses from departments and selected statutory agencies on estimates of time in 2006-07 devoted to meeting accountability obligations compared with service delivery (continued)

<table>
<thead>
<tr>
<th>Department/agency</th>
<th>Summary of responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rural Finance Corporation</td>
<td>In an informative response, the Corporation estimated that approximately 25.7 per cent of time is devoted to accountability requirements compared with service delivery. The Corporation believes that the time apportioned to accountability as opposed to service delivery is inappropriate. There is a need to improve the balance between the two objectives with a reasonably outcome being 10-15 per cent of organisational time committed to accountability and the balance to service delivery. This may be achieved through a reduction in the level of reporting and analysis required or alternatively through efficiency measures such as removing the need to report similar information to multiple government bodies.</td>
</tr>
<tr>
<td>Transport Accident Commission</td>
<td>The Commission does not draw a distinction between twin objectives of accountability for the economic performance of its scheme and responsibility to deliver services to its clients in the most socially and efficient manner. This is made clear in the legislative objectives of the Commission.</td>
</tr>
<tr>
<td>Treasury Corporation</td>
<td>An estimate for accountability time would be around 10 per cent. The Corporation’s accountability requirements include statutory accounting ones and the standard ones around prudential supervision. The accountability requirements are largely in line with other financial market participants.</td>
</tr>
<tr>
<td>City West Water Limited</td>
<td>The estimated apportionment of time based on the head count attributable to the function is 30 per cent for accountability and 70 per cent for service delivery.</td>
</tr>
<tr>
<td>South East Water Limited</td>
<td>The estimated apportionment of time is in the order of 20 per cent for accountability and 80 per cent for service delivery. The company has a strong focus on business operating efficiency and benchmarking against best practice. Its ongoing review and benchmarking against best practice has resulted in continuous efficiency gains through the introduction of new technology, quality processes, re-engineering and other initiatives.</td>
</tr>
<tr>
<td>Yarra Valley Water Limited</td>
<td>No information provided. The company stated that the distinction between accountability requirements is not understood.</td>
</tr>
<tr>
<td>Victorian Managed Insurance Authority</td>
<td>The Authority estimated that servicing accountability requirements absorbs around 20 per cent of time which is considered to be reasonable.</td>
</tr>
<tr>
<td>Victorian WorkCover Authority</td>
<td>The Authority has no definitive method for allocating time between that spent on delivery from that incurred on satisfying accountability requirements.</td>
</tr>
<tr>
<td>Victorian Funds Management Corporation</td>
<td>The estimated apportionment of time is 20 per cent for accountability and 80 per cent for service delivery. The Corporation is comfortable with this apportionment.</td>
</tr>
</tbody>
</table>

It can be seen from table 12.6 that only two departments, Department of Human Services and the Department of Treasury and Finance, provided an estimate, 2.5 per cent and 10 per cent respectively, of the time devoted to accountability requirements. A third department, the Department of Premier and Cabinet, indicated that three full-time staff were dedicated to this task. The remaining seven departments indicated that information of this nature is not routinely collected and used for management purposes. It should be said, however, that several departments outlined to the Committee their organisational processes for servicing their accountability obligations and expressed satisfaction with those processes.
The returns from the statutory agencies were adjudged by the Committee as a little more helpful in terms of assessing the usefulness of this apportionment of time and whether it should be encouraged by the government as a standard monitoring and reporting function across all public sector entities. These returns showed:

- six agencies provided estimates of time allocated to meeting accountability requirements ranging from 10 per cent to 30 per cent;
- useful comments from the Rural Finance Corporation on its plans to lower the level of time currently devoted to accountability requirements from 25.7 per cent to between 10 and 15 per cent through efficiency and other means, with a resultant benefit to its service delivery capacity. These comments support the efficacy of time apportionment between the two functions as a management tool. They give an insight, through identification of a new targeted range, into a possible standard benchmark of around 10 per cent that could be applied elsewhere in the public sector. The comments also identify the potential to improve efficiency through removal of a need for it to report like information to multiple government bodies, which could indicate similar enhancement opportunities exist in other agencies;
- Yarra Valley Water Limited was the only water company, as distinct from water authorities, to submit a nil return; and
- the more informative responses were submitted by agencies within the Treasury and Finance portfolio group.

The Committee would welcome any initiative by government to give greater focus to the demands placed on public sector bodies to servicing their accountability obligations. It would also support action that might assist departments and statutory agencies in achieving an optimum split between time absorbed on accountability requirements compared with delivery of their core services and in strengthening the transparency of related trend data to Parliament.

The Committee also recognises that, in seeking accountability information in the future, it will need to be more specific and directive as to the type of information sought and its more specific definition. Clearly, there is not a consistent view as to what constitutes accountability requirements and their delivery.

The Committee considers that the Department of Treasury and Finance should evaluate the strategic benefits of introducing across the public sector a standardised management and reporting framework, incorporating percentage benchmarks, dealing with the apportionment of organisational time on accountability and service delivery functions.

The Committee recommends that:

**Recommendation 40:** The Department of Treasury and Finance assess the strategic benefits of having in place across the public sector a management and reporting framework, incorporating percentage benchmarks, for comparing the apportionment of time consumed in meeting accountability obligations and delivering core services.
Magnitude of contract expenditure in departments

During its 2006-07 performance and financial outcomes inquiry, the Committee also sought information from departments on the extent and value of use made of contractors. Table 12.6 summarises the responses received by the Committee in respect of contract expenditure in 2006-07 and 2005-06.

Table 12.6  Departmental contract costs in 2006-07 and 2005-06

<table>
<thead>
<tr>
<th>Department</th>
<th>Value in 2005-06 ($ million)</th>
<th>Value in 2006-07 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education (a)</td>
<td>Not available</td>
<td>10.2</td>
</tr>
<tr>
<td>Human Services</td>
<td>36.6</td>
<td>41.5</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>21.8</td>
<td>26.7</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development (b)</td>
<td>23.7</td>
<td>14.1</td>
</tr>
<tr>
<td>Justice, including Victoria Police</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>37.5</td>
<td>37.0</td>
</tr>
<tr>
<td>Premier and Cabinet</td>
<td>9.9</td>
<td>8.6</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>100.3</td>
<td>145.3</td>
</tr>
<tr>
<td>Treasury and Finance</td>
<td>20.8</td>
<td>35.2</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>5.1</td>
<td>5.7</td>
</tr>
</tbody>
</table>

Notes:  
(a) the department advised that its contract management system was not completely operational during 2005-06 and it was therefore not able to provide comparative data 
(b) represents the value of contracting approved by the department’s Accredited Purchasing Unit and does not represent the actual expenditure which was not provided to the Committee

Source: Responses from departments to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire

Based on the material provided by departments to the Committee, the aggregate value of approved or actual contract expenditure in 2006-07 was around 18.7 per cent higher than in 2005-06.

Most departments indicated they complied with the policy requirements of the Victorian Government Purchasing Board. Six departments identified a total of 25 contracts that were not subject to a competitive appointment process, for example, where exemptions from public tender or the obtaining of three quotes were granted in line with provisions within the Board’s policy.
Key outcomes reported by departments and agencies for 2006-07:

13.1 Department of Education and Early Childhood Development (and agencies):

- the percentage of 20-24 year olds in Victoria who have completed Year 12 or equivalent has increased;
- reduction of average class sizes for prep to year 2;
- target of teacher to student ratio in secondary schools surpassed;
- target of Victorian Certificate of Applied Learning (VCAL) enrolments exceeded; and
- development of the Education and Training Reform Act 2006.

13.2 Department of Human Services (and agencies):

Health

- Melton and Craigieburn Day Hospitals opened;
- Victorian Health System performance;
- established the Outpatient Improvement and Innovation Strategy;
- implemented the Health Professions Registration Act 2005; and
- Go for your life, Victoria’s whole of government initiative to promote healthy eating and physical activity to prevent obesity and chronic disease, continues to progress well.

Mental Health and Drugs

- appointment of the inaugural Minister for Mental Health;
- in March 2007, taskforce of leading experts convened to guide the government’s strategy on ‘ice’ and amphetamines;
- new models of care were established at Royal Melbourne and Dandenong Hospitals to provide intensive assessment and treatment of patients presenting to the emergency department with mental health problems;
- Mental Health Strategy implemented, expanding capacity and managing demand through diversion and early intervention strategies; and
- Koori Youth Alcohol and Drug Healing Service commenced an interim six-bed statewide residential rehabilitation facility located in Bittern in the Mornington Peninsula – to help Koori youth recover from substance abuse issues.
Community Services

- implementation of the *Children, Youth and Families Act 2005* and the *Child Wellbeing and Safety Act 2005* commenced in April 2007;
- level of concessions available to people using non-mains water and energy increased from July 2006;
- the Aboriginal Justice Agreement continued to be supported by the Department of Human Services with initiatives implemented in 2006-07 that address issues facing the Aboriginal community in dealing with the Youth Justice system;
- in 2006-2007, the Kew Residential Services redevelopment completed the transition of residents to 73 offsite houses; and
- in late 2006-07, additional funding was provided for the Disability Services Aids and Equipment Program.

Housing

- in 2006-07, Towards an Integrated Victorian Housing Strategy was launched;
- in 2006-07, an early intervention approach to manage rent arrears was piloted and additional resources provided to five housing offices to support the development and implementation of arrears recovery best practice principles;
- Neighbourhood Renewal continues to achieve significant improvements in the quality of life for residents in affected areas;
- in 2006-07 work commenced on the redevelopment of the Carlton public housing estate; and
- in 2006-07, the Support for High Risk Tenancies Project was undertaken to explore evidence based approaches to assist social housing tenants at risk of eviction.

13.3 Department of Infrastructure (and agencies):

Public Transport

- delivering Meeting Our Transport Challenges;
- delivery of Regional Fast Rail;
- increased public transport services;
- increased public transport patronage; and
- public transport performance.

Roads and Ports

- EastLink;
- Dynon Port Rail Link;
- East-West Transport Link;
- Tullamarine-Calder Interchange; and
- Middleborough Rail Separation Project.
Major Projects

- Australian Synchrotron;
- Melbourne Convention Centre;
- Melbourne Rectangular Stadium;
- Melbourne Recital Centre and MTC Theatre Project; and
- Royal Melbourne Showgrounds.

13.4 Department of Innovation, Industry and Regional Development (and agencies):

Industry and State Development

- $933.1 million in exports through investments facilitated;
- export assistance to 4,233 companies;
- 36 trade fairs and missions expected to facilitate an annual increase in exports of $238 million;
- over 1,283 companies participated in export programs; and
- introduction of two user friendly reference publications for staff and SMEs being: Whole of Government Export Program Manual and Opening Doors to Export : Export Assistance Programs.

Innovation

- Australian Synchrotron;
- six new world class facilities for scientific research and development valued at over $59 million were launched during the year;
- total value of projects support under the STI Infrastructure investment is now around $1 billion;
- Healthy Futures was launched, providing $230 million of investment to world class medical research sector and advanced infrastructure;
- Biotechnology Strategic Development Plan – implementation; and
- 8 per cent increase in the level of film and television production spend in Victoria compared with 2005-06 and Film Victoria leveraged $93.8 million worth of production expenditure.

Regional and Rural Development

- delivery of Make It Happen in Provincial Victoria in conjunction with 48 rural and regional councils;
- delivery of the $146 million drought assistance package and the $138 million of bushfire recovery package;
- 2195 new jobs facilitated;
- $276.7 million exports from investment and $1.5 billion in additional investment; and
• delivery of more than $60 million assistance for recovery of the Gippsland flood.

Tourism
• 10 year Tourism and Events Industry Strategy launched;
• launch of Jetstar International services from Melbourne to Honolulu;
• increase in weekly services by China Eastern Airlines over the Chinese New Year, resulting in a record number of Chinese visitors;
• Tiger Airways operations to be based in Melbourne creating over 1,000 local jobs;
• increased in international visitor numbers by 8 per cent and an increase in international visitor expenditure to $2.9 billion; and
• It’s Easy to Lose Yourself in Melbourne campaign launched in September.

Skills
• TAFE institutions delivered 63.9 million of all government funded student contact hours;
• overall apprentices and trainees in Victoria was 123,084 of which 96,354 received a government funded training place;
• there were 45,113 apprenticeship and traineeship completions;
• three specialist skills networks were established in the key areas of competitive manufacturing, energy and transport and logistics; and
• 71,248 enrolments in higher level VET qualification.

Industrial Relations
• development of the Victorian Workplace Rights Standard;
• established an independent statutory body, the Office of the Workplace Rights Advocate;
• the partners at Work competitive grants program was completed;
• published the Work and Family Balance Manual for employers and employees; and
• launched comprehensive Industrial Relations Policy Manual for the Victorian public sector.

Small Business
• Time to Thrive Small Business statement was launched;
• the Victorian Consumer and Business Centre opened in Melbourne;
• disputes valued at approximately $130 million have been handled by the Victorian Small Business Commissioner;
• 4,121 participants attended 256 workshops on small business, management skills, employment issues, workforce regulation and best employment policies; and
Chapter 13: Portfolio outcome achievements – report card

• referred around 700 small business and new starters to the Small Business Mentoring Service.

Information and Communication Technology
• $6.3 million Spatial Imaging Project commenced;
• facilitated the creation of 1,240 new ICT jobs, with the local sector growing by 9.6 per cent;
• Multimedia Victoria attracted $352.2 million in ICT capital investment;
• through the ICT Trade Events and Export Assistance Program, 265 grants were supported to 173 Victorian ICT companies, generating projected exports of $352.2 million; and
• ICT exports for the state now total more than $1 billion per year.

13.5 Department of Justice (and agencies):

Attorney-General
• preventing and responding to Family Violence;
• protecting the rights of vulnerable and disadvantaged;
• alternative dispute resolution;
• victim support; and
• meeting the needs of sexual assault victims.

Police and Emergency Services
• reducing the recorded crime rate;
• reducing the road toll and the incidence of road trauma;
• containing organised crime;
• improving the police response to family violence and sexual assault; and
• improved integration of fire fighting.

Corrections
• targeted programs to address serious sex offenders;
• management of high security prisoners;
• reduce re-offending;
• delivery of graffiti clean up; and
• improving critical security and safety measures.

Consumer Affairs
• review of national consumer policy;
• Victorian Government submission;
• financial counselling;
• new Liquor Control Advisory Council; and
• National Education and Information Taskforce.

Gaming
• National Education and Information Taskforce;
• development and implementation of the Taking Action on Problem Gambling strategy;
• development of new laws relating to sports betting; and
• undertaking a review of Community Benefits statements and releasing a new draft Ministerial Order for consultation.

Racing
• implementation of the government’s Racing in Victoria – Leading the field policy

13.6 Department for Planning and Community Development (and agencies):

Aboriginal Affairs
• released the Victorian Indigenous Affairs Framework;
• established the Victorian Aboriginal Heritage Council as part of the implementation of the Aboriginal Heritage Act 2006;
• developed and implemented the Aboriginal Heritage Regulations 2007;
• implemented the governance training program; and
• streamlined administrative arrangements for Indigenous community organisations.

Community Services (Office for Disability)
• transferred from the Department of Human Services Disability Services, to the Department for Victorian Communities in September 2006;
• initiated a Leadership Disability Forum during the week of International Day of People with a Disability;
• joined other government agencies supporting a free community event in Federation Square to celebrate the International Day of People with a Disability;
• reviewed a number of programs though the department’s Disability Action Plan; and
• working in collaboration with Sport, Recreation and Youth Affairs, the Office for Disability helped local councils and other stakeholders to improve the accessibility and quality of play spaces with The Good Play Space Guide: I can play too guide.
### Local Government
- developed a draft Victorian State-Local Government Agreement;
- increased funding to 299 of Victoria’s 349 neighbourhood houses;
- distributed 26 Local Area Planning Support program grants;
- distributed 15 special one-off grants to help emergency relief and recovery in bushfire affected local communities, and 71 grants to neighbourhood houses to improve physical access to facilities for people with a disability; and
- distributed more than $30 million, which is a record amount, to Victoria's Public Libraries.

### Multicultural Affairs
- hosted the Multifaith Multicultural Youth Forum;
- continued the Refugee Brokerage program (2005–09);
- continued the Language Services Strategy;
- delivered 50 workforce participation projects; and
- supported more than 1,600 culturally and linguistically diverse community groups and organisations.

### Skills, Education Services and Employment
- as part of machinery of government changes, the department assumed responsibility for the Adult Community and Further Education Board in September 2006 to further develop the reach and scope of community education services;
- delivered 144,130 government funded annual module enrolments in adult and community and adult education institutions;
- delivered $5.3 million government funded student contact hours of VET activity;
- assisted 687 young people to find employment through the Youth Employment Scheme;
- assisted 5,231 clients with services through the Overseas Qualifications Unit; and
- achieved over 1600 sustainable employment outcomes for job seekers.

### Aged Care (Office of Senior Victorians)
- recorded 4,125,870 steps (2,061kms or the distance from Melbourne to Sydney and back) for participants at the Victorian Seniors Festival ‘Go for your life’ YMCA Seniors Walk;
- provided $1.2 million in funding to 32 new Universities of the Third Age;
- funded 15 Primary Care Partnership projects under the Victorian Seniors ‘Go for your life’ program;
• funded six demonstration projects addressing financial literacy and the use of technology; and
• endorsed 12 facilities in Victoria to provide safe, effective and affordable strength training programs.

Sport and Recreation
• developed and implemented Commonwealth Games Dividend initiatives;
• approved and commenced development of the Melbourne Rectangular Stadium;
• met all targets for distribution of community sports facility funding;
• conducted 2007 World Swimming Championships; and
• introduced Aerial Advertising legislation.

Youth Affairs
• launched the new Victorian Government Youth Policy;
• delivered more than 450 FReeZA events;
• won a national award in partnership with the Country Fire Authority at the 2006 Australian Safer Communities Awards;
• attracted youth four times greater than target (1.2 million versus target of 300,000) to the Youthcentral web site; and
• announced Positive Body Image grants.

Veterans’ Affairs
• established the 11 member Victorian Veterans Council;
• developed and commenced a strategic study into the veterans sector;
• funded initiatives to educate the community and to commemorate the service of veterans;
• distributed grants to communities to restore 41 war memorials and honour rolls; and
• conducted the 2006 Victorian Spirit of ANZAC Prize Schools Competition and 2007 Study Tour to Turkey, France, Belgium and the United Kingdom.

Victorian Communities
• launched 15 new Transport Connections projects;
• committed $4.7 million over four years to expand and coordinate the No Interest Loan Schemes across Victoria;
• engaged 3,500 community members in over 100 small towns through attendance at 55 community opportunity workshops to better understand the assets of their communities and begin the process to develop community plans across 19 Community Building Initiatives sites;
• established Regional Women’s Reference groups as part of the Women, Drought and Climate Change Initiative; and
• announced eight new Community Renewal sites.

Women’s Affairs
• hosted the Annual Women’s Premier Summit;
• undertook $700,000 capital works at the Queen Victoria Women’s Centre;
• met the target of 40 per cent representation by women on government boards and committees;
• conducted the first dedicated Yarnin’ Up consultations with Victorian Indigenous Women in three regional locations; and
• continued work with the Australian Football League in implementing the Respect and Responsibility program as part of the Women’s Safety Strategy 2002-07.

13.7 Department of Premier and Cabinet (and agencies):
• strategic policy advice and projects;
• public sector management, governance and support; and
• Arts and cultural development.

13.8 Department of Primary Industries (and agencies):

Energy and Resources
• Victorian Renewable Energy Target (VRET);
• rediscovering Victoria;
• granting of the Monash Energy mining license;
• release of the NETS (National Emissions Trading Scheme) discussion paper; and
• Energy Technology Innovation Strategy (ETIS).

Agriculture
• battling bushfires;
• responding to drought;
• strengthening bioscience research;
• delivering inspired science; and
• boosting biosecurity.

13.9 Department of Sustainability and Environment (and agencies):

Water
• the next stage of the Victorian Government’s Our Water Our Future action plan – the Victorian Water Plan – was released in June 2007;
• the Central Region Sustainable Water Strategy was released in October 2006;
• 30,130 rebates were provided to Victorians in 2006–07; and
the Victorian Water Register was launched as a key enabler of an efficient water market.

Environment
- drought management;
- fire management (Great Divide Fires);
- the Gippsland Lakes and associated ports infrastructure received significant attention and funding during the year;
- a revised Code of Practice for Timber Production 2007 was endorsed by the Minister for Environment in June 2007; and
- 1,603 habitat hectares were purchased through the market based instrument BushTender.

Climate Change
- continued to roll-out the groundbreaking ‘Black balloons’ campaign to encourage Victorians to save energy at home;
- the first study in Australia examining the potential impacts of climate change on a state’s infrastructure was released; and
- in September 2006, legislation was passed to create the Victorian Renewable Energy Target (VRET) which requires Victorian energy retailers to increase their renewable energy purchase from the current 4 per cent to 10 per cent by 2016.

13.10 Department of Treasury and Finance (and agencies):
- budget, budget update and pre election budget update;
- payroll tax harmonisation;
- statewide risk management;
- implement taxation changes, including First Home Owners Bonus, Stamp Duty, and bringing forward the reduction in the rate of payroll tax;
- State Purchase Contracts (SPCs); and
- keeping Victoria’s finances strong.

13.11 Parliamentary departments (and agencies):
- closure of the 55th Parliament;
- opening of the 56th Parliament;
- culmination of the Parliament’s 150th Anniversary celebrations;
- first parliamentary staff delegation to visit Jiangsu Province in China; and
- relocation of offices at 35 and 157 Spring Street to new premises at 55 St Andrews Place.
Chapter 13: Portfolio outcome achievements – report card

Legislative Council
- incorporation of new Joint Standing Orders for the Council and Assembly;
- introduction of Legislative and Select Committees to the 56th Parliament;
- restructuring of the Legislative Council staff to better suit operational needs; and
- publication of the volume rulings from the Chair 1979 – 2006.

Legislative Assembly
- introduction of a number of initiatives to reduce paper consumption;
- organised the inaugural conference of Australian Members of Parliament; and
- major work completed on the re-issue of the Legislative Assembly Practice Manual.

Department of Parliamentary Services
- completion of the first stage stoneworks in the Heritage Asset Management strategy;
- development of a three year IT strategy;
- expansion of the Parliamentary Intern program;
- introduction of a Corporate Wellness program to promote healthy lifestyles;
- completion of the Parliament’s Re-Member database; and
- continued training of Hansard staff on voice activated transcription software.

13.12 Victorian Auditor-General’s Office:

Accountability to Parliament
- tabled 2007-08 Annual Plan in Parliament on 20 June 2007;
- gold award for 2005-06 Annual Report;
- completed 3 year corporate plan; and
- developed Strategic Plan 2007-08 to 2009-10.

Parliamentary reports and services
- tabled 16 reports in Parliament (target 16); and
- achieved a 90 per cent overall satisfaction rating from Members of Parliament.

Audit reports on financial statements
- improved the timeliness of issuing audit opinions with statutory deadlines (from 96 per cent in 2005-06 to 98 per cent in 2006-07); and
- improved the timeliness of issue of management letters within targeted time frame from 70 per cent in 2005-06 to 79 per cent in 2006-07.
Managing Office

- re-aligned Office structure, and some senior management positions;
- introduced a new corporate identity for the Office;
- upgraded and enhanced audit methodologies;
- progressively enhanced people management framework and guidance, and learning and development program; and
- successfully relocated to new premises, with a focus on reducing the environment impacts of activities.

Financial Management

- net financial result for the year was a surplus of $957,836 (a slight increase against the $909,074 surplus achieved in 2005-06);
- financial audit fee income for 2006-07 was $15.7 million ($15.0 million in 2005-06); and
- upgraded financial management and reporting software.

13.1 Introduction

The Committee gave departments the opportunity to outline the main five outcomes achieved in 2006-07 for each portfolio within their department. Departments were asked to quantify achievements wherever possible against planned outcomes/targets, particularly as outlined in the 2006-07 Budget Papers.

This approach was adopted in order to enable a self analysis by departments to be incorporated into the Committee’s financial and performance outcomes report with a view to ensuring that a fair and balanced style of parliamentary reporting was introduced that complemented the separate analyses undertaken by the Committee.

As such, this chapter is simply a record of the responses received from departments. While no comments are made by the Committee throughout this chapter on the responses of departments and agencies, some of the outcomes relate to various issues covered in other chapters of this report.

The Committee intends to specifically seek input from the Victorian Ombudsman’s Office to its outcomes inquiry in future.
13.2 Department of Education and Early Childhood Development

Response:279

The five main outcomes achieved by the department in 2006-07 are:

1. The percentage of 20-24 year olds in Victoria who have completed Year 12 or equivalent has increased.

   Growing Victoria Together set the department a target of 90 per cent Year 12 or equivalent completion rate for young people in Victoria by 2010. In 2006, 86.6 per cent of 20-24 years olds completed Year 12 or equivalent. This figure is up from 85 per cent in 2005.

2. Reduction of average class sizes for prep to year 2.

   The 2006-07 target for average prep to year 2 class size of 21.0 was exceeded with the department achieving an average class size of 20.8. The average class sizes for prep to year 2 have decreased from 24.3 in 1999 to 20.8 in 2006.

3. Surpassing the target of teacher to student ratio in secondary schools

   In 2006-07 the target of one teacher to every 12.1 student in secondary schools was surpassed with the department achieving a ratio of one teacher to every 11.9 students.

4. Exceeding the target of Victorian Certificate of Applied Learning (VCAL) enrolments.

   The VCAL is a hands-on option for Years 11 and 12 students offering practical work related experience and learning. It is available in both government and non-government schools and also through TAFE and Adult and Community Education (ACE) providers.

   More than 12,000 students enrolled in VCAL during 2006-07, which exceeded the target of 11,000 enrolments.

5. Development of the Education and Training Reform Act 2006, including the process of legislative review, public consultation and implementation leading to its proclamation on 1 July 2007.

13.3 Department of Human Services

Response:280

Health

1. Opened Melton and Craigieburn Day Hospitals (super clinics); two new community based facilities providing specialist health care services as an alternative to hospitals. Melton Health commenced operations in February 2007. Craigieburn Health Service commenced operations in April 2007. Services include renal dialysis, day medical treatments including chemotherapy, specialist medical and outpatient clinics, specialist rehabilitation and allied health.

279  Department of Education and Early Childhood Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 December 2007, p.25

280  Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 26 November 2007, pp.33–37
2. The Victorian Health System continues to perform well. The State of our Public Hospitals, June 2007 report from the Australian Institute of Health and Welfare was released in June and ranked Victoria first in emergency department median waiting time and percentage of patients seen within the recommended time. The report also ranked Victoria second in elective surgery, for the percentage of people seen within the recommended time.

3. Established the Outpatient Improvement and Innovation Strategy, with six key themes identified. These are: Access and Primary Care Interface; Data and Performance Measurement; Funding Reform; Outpatient Experience; Outpatient Flow; Workforce. Workplans have been developed for each of these areas, and a number of key priority projects commenced, including a review of funding, development of a minimum data set, re-design of key care pathways and improving communication with patients and their GPs.

4. Implemented the Health Professions Registration Act 2005, which successfully came into operation on 1 July 2007, replacing 11 separate profession specific registration acts and those parts of the Health Act that regulate medical radiation technologists. Some minor amendments were made to the act, before it coming into operation, to improve its functionality and take into account developments occurring at the national level to establish a national registration and accreditation scheme. The act ensures that Victoria continues to be protected by the most efficient and up-to-date registration system for consumers and professionals alike, and positions Victoria well in negotiations around the scope, structure and timing of the planned national reforms.

5. 'Go for your life', Victoria’s whole of government initiative to promote healthy eating and physical activity to prevent obesity and chronic disease, continues to progress well. The Department of Human Services released the 'Go for your life' Strategic Plan 2006-2010 in October 2006, and continues to undertake public education and communication activities, and to lead the coordination, monitoring and evaluation of the initiatives across government. A key example of the approach is the Be Active Eat Well program that has captured national and international attention by taking a 'whole of community' approach to promote healthy eating and physical activity. Based in Colac, which has a population of 11,000, the project focused on 4-12 year olds, using a variety of interventions across child care services, kindergartens, primary schools, sporting clubs, takeaway outlets and the local shire.

The range of anti-obesity initiatives included:

- information for parents about putting healthier food in lunchboxes;
- school fruit breaks;
- after-school activity programs;
- walk to school days;
- fast food outlets altering the amount and types of oils they cook in; and
- a ‘TV power-down’ program educating kids about alternatives to watching television.

This groundbreaking program proved that childhood obesity could be beaten with the participating Colac children achieving an average reduction of one kilogram in weight and three centimetres in the waist compared with the control group.

Mental Health and Drugs

1. On 29 November 2006, the Premier announced the appointment of Ms L Neville MP as the inaugural Minister for Mental Health. Her portfolio includes dual responsibilities for mental health and drug and alcohol services. The creation of this new portfolio reflects the high
Chapter 13: Portfolio outcome achievements – report card

priority of mental health and drug and alcohol matters, as well as the important relationship between these two policy and service areas. Following work by an executive group convened to oversee implementation of the Premier’s directive, the new Mental Health and Drugs Division of the Department of Human Services commenced operation on 5 March 2007.

2. In March 2007 the Minister for Mental Health convened a taskforce of leading experts to guide the government’s strategy on ‘ice’ and amphetamines. The taskforce works to provide high level policy advice to the government on the development of a strategy to prevent and reduce use of amphetamines type stimulants in Victoria, and to respond effectively to problems related to the use of these drugs. The taskforce focuses on a cross-sectoral approach to addressing drug and alcohol issues in Victoria.

3. New models of care were established at Royal Melbourne and Dandenong Hospitals to provide intensive assessment and treatment of patients presenting to the emergency department with mental health problems. The mental health short stay units are now operational and are improving patient outcomes and reducing length of stay.

4. The department further implemented the Mental Health Strategy to expand capacity and manage demand through diversion and early intervention strategies. The Barwon Prevention and Recovery Centre (PARC) commenced operation during the year. New models of short-stay care for people requiring mental health assessment, treatment and care planning were introduced as a trial of evidence based approaches. Three consortia were established to implement the new Integrated Rehabilitation and Recovery Care Program and support the transition of long-term residents from bed based mental health services into the community.

5. The department commenced the Koori Youth Alcohol and Drug Healing Service – an interim six bed statewide residential rehabilitation facility located in Bittern in the Mornington Peninsula – to help Koori youth recover from substance abuse issues. This is the first treatment service in Australia to address health, social, cultural and vocational issues with an emphasis on spiritual healing.

Community Services

1. The department commenced implementation of the Children, Youth and Families Act 2005 and the Child Wellbeing and Safety Act 2005 in April 2007. Reforms contained in the acts include implementing:
   • a system to register and undertake independent reviews of community service organisations delivering family services and services to children placed in out-of-home care; and
   • a new approach to responding to cumulative harm and to improving the stability for children involved with the child protection system.

Key provisions of the Children, Youth and Families Act focus on: placing vulnerable children’s best interests at the heart of all decision making and service provision; strengthening families and preventing child abuse through earlier intervention and prevention; strengthening responses to child abuse and neglect; adopting more therapeutic approaches to out-of-home care and promoting a stronger focus on stability; and improving the outcomes of Aboriginal children and families.

The Child Wellbeing and Safety Act creates an overarching legislative framework to encourage and support a shared commitment towards children. It does this by:
• articulating a set of principles to guide provision of services to children;
• establishing the Victorian Children’s Council to provide expert independent advice about policy;
• establishing the Children’s Services Coordination Board to further cross government collaboration to achieve;
• positive outcomes; and
• providing the legislative functions and powers of the Child Safety Commissioner.

2. The government increased the level of concessions available to people using non-mains water and energy from July 2006. The Energy Relief Grant Scheme eligibility criteria were expanded from 1 July 2006 with approved energy grants increasing by 622 (or 7.4 per cent) compared with the previous financial year. A three tiered rebate structure was introduced in September 2006 for the Non Mains Energy Concession, providing 20 per cent of applicants (more than 4,000 households) with a rebate amount that is 48 per cent greater than in the previous year. Non-mains water rebate amounts were increased in line with CPI.

3. The Aboriginal Justice Agreement continued to be supported by the Department of Human Services with initiatives implemented in 2006-07 that address issues facing the Aboriginal community in dealing with the Youth Justice system. Major achievements under the Aboriginal Justice Agreement Phase 2 included:

• developing and implementing the Koori Early School Leavers and Youth Employment program;
• implementing the Koori Intensive Bail Support program;
• developing guidelines for the Aboriginal Community Visitors program;
• collaboration through the Regional Aboriginal Justice Advisory Committee and local Aboriginal justice advisory committees; and
• implementing the Koori Intensive Post-release Support program.

4. In 2006-2007, the Kew Residential Services redevelopment completed the transition of residents to 73 offsite houses, enabling greater participation and inclusion of people with a disability in the wider community, including additional support and access to day activities. Planning and heritage issues, which delayed construction, have been resolved with construction now underway. All 20 houses for the Kew residents will be completed to enable all residents to move in by early 2008.

5. In late 2006-07 additional funding was provided for the Disability Services Aids and Equipment Program. This funding was applied to reduce waiting lists. As a result, against a performance target of 24,910 services provided, the department achieved an outcome of 30,343 services provided. Case management waiting time also fell considerably, from 50 days to 32 days.

Housing

1. In 2006-07, Towards an Integrated Victorian Housing Strategy was launched to address Victoria’s housing challenges by better integrating government policies and developing new strategies to meet the housing needs of Victorians. A further 930 new social housing units were acquired in 2006-07: 839 for long-term housing, including 51 for Aboriginal housing and 307 in partnership with not-for-profit housing agencies. A further 91 crisis supported and transitional housing properties were acquired. Significant improvements were made to 2,933 existing social housing properties. The award winning K2 apartments in Windsor were
opened, setting a new benchmark in environmentally sustainable public housing development.

2. In 2006-07, an early intervention approach to manage rent arrears was piloted and additional resources provided to five housing offices to support the development and implementation of arrears recovery best practice principles. In 2007-08 these best practice principles will be introduced statewide.

3. Neighbourhood Renewal continues to achieve significant improvements in the quality of life for residents in affected areas. Since the commencement of Neighbourhood Renewal in 2001, crimes against property have decreased in 70 per cent of projects that have operated for more than two years. In 2006-07, local priority policing and crime prevention strategies were in place in all Neighbourhood Renewal projects. Additionally, a Reassurance Policing Project was piloted in the Braybrook/Maidstone Neighbourhood Renewal area. A community contact service was also developed to deliver security and customer services on the Collingwood and Fitzroy estates. The department completed a feasibility study into delivering significant social and infrastructure benefits to the Norlane-Corio area through a major urban renewal project. Implementation of the project commenced in May 2007.

4. In 2006-07 work commenced on the redevelopment of the Carlton public housing estate. The walk-up blocks were demolished and tenants from the walk-ups were relocated to other public housing units. Developers and financiers were publicly invited to lodge an expression of interest in the project, with a successful developer to be announced in 2007-08.

5. In 2006-07, the Support for High Risk Tenancies Project was undertaken to explore evidence based approaches to assist social housing tenants at risk of eviction. The Support for High Risk Tenancies Final Report, completed in November 2006, provides details of the outcomes of this work and includes an action plan to implement the project’s findings. Implementation of the action plan commenced in December 2006. In addition, the Housing Support for Indigenous Tenants program was rolled out across Victoria to improve support for Indigenous tenants at risk of eviction in both public and community housing.

13.4 Department of Infrastructure

Response:281

The Department of Infrastructure supports the portfolios of Public Transport, Roads and Ports, and Major Projects. The five main outcomes achieved in each of these portfolios are:

Public Transport

1. Delivering Meeting Our Transport Challenges – With $10.5 billion committed over ten years, Meeting Our Transport Challenges sets out a strategic, long-term and funded plan for Victoria’s transport system. Work to deliver the first tranche of this comprehensive transport package was well underway in 2006-07, including:
   - bus upgrades of 65 bus routes across Melbourne, including four new orbital SmartBus routes through Melbourne’s suburbs;
   - upgrades of six metropolitan train stations to premium status;
   - Clifton Hill to Westgarth rail duplication is in planning;

281 Department of Infrastructure, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 19 November 2007, pp.36–38
• upgrade of Cranbourne station as the first stage of the Dandenong rail corridor program;
• rail triplication between Sunshine and West Footscray is in planning; and
• planning the upgrade of the Mildura rail corridor, including replacement of two in every five sleepers along the 525 km long track.

2. Delivery of Regional Fast Rail – The Regional Fast Rail project was fully completed in August 2006, with the last of the VLocity trains put into service in September 2006. Between July 2006 and February 2007, patronage on the Regional Fast Rail lines increased by 30 per cent. This result reflects the need for accessible, fast and regular train services for regional Victorians – something not available prior to the delivery of this project. Regional Fast Rail was the biggest upgrade in regional rail in Victoria in 120 years.

3. Increased public transport services – A new metropolitan train timetable was introduced in 2006, which included an additional 2,500 peak and shoulder peak services. A new regional train timetable was introduced, which provides an additional 401 services per week. An additional 2,000 new bus routes in regional Victoria were introduced in 2006-07, including bus services to connect with all Regional Fast Rail services.

4. Increased public transport patronage – Metropolitan patronage across all forms of public transport increased by an estimated 7.9 percent, while regional patronage on train and coach services increased by 27 percent in 2006-07 compared with 2005-06.

5. Public transport performance – Public transport service delivery in 2006-07 was on par with or an improvement on service levels recorded in 2005-06, with the only exception being metropolitan trains, in which the main contributing factor was the progressive withdrawal of 31 Siemens trains in late 2006 and early 2007 due to faults identified with the braking system. Since the return to service of these vehicles, the level of cancellations has reduced. The punctuality of on-road public transport (trams and buses) can be affected by road congestion.

• metropolitan train services: 98.9 percent of services operated, and 92.2 percent of services were on time;
• tram services: 99.8 percent of services operated, and 82.7 percent of services were on time with an average ‘at destination’ result of 72.4 per cent;
• metropolitan bus services: 99.9 percent of services operated, and 95.1 percent of services were on time; and
• regional train and coach services. 98.8 percent of services operated, and 86.1 percent of train services were on time.

Roads and Ports

1. EastLink – Excellent progress has been achieved on the EastLink project, Victoria’s most significant public private partnership. During 2006-07, achievements included breakthrough of the 1.6km tunnels, completion of the tunnel excavation works, the virtual completion of earthworks, strong progress on asphalting and complete construction of 58 of the 88 project bridges.

2. Dynon Port Rail Link – The construction contract was awarded for the Dynon Port Rail Link Project in June 2007. Dynon Port Rail Link is a grade separation project duplicating rail-line access to the Port of Melbourne and elevating Footscray Road and some
surrounding roads to eliminate three level crossings. The Dynon Port Rail Link is the first Victorian rail project funded under the Australian Government’s AusLink program.

3. **East-West Transport Link** – The East-West Needs Assessment was launched in March 2007. Its focus is to determine the need and develop options for an east-west transport link across Melbourne. More than 130 submissions have been received as part of the assessment process, and a report will be prepared for the government in early 2008.

4. **Tullamarine-Calder Interchange** – Completed the majority of works on the Tullamarine-Calder Interchange under budget and ahead of schedule. The new inbound lanes were completed in October 2006, ten months early, and the outbound lanes in February 2007, five months early.

5. **Middleborough Rail Separation Project** – The department, VicRoads, Connex and John Holland completed the Middleborough Road Rail Grade Separation Project in just 28 days by undertaking works 24 hours per day seven days per week throughout January 2007.

**Major Projects**

1. **Australian Synchrotron** – The Australian Synchrotron was officially opened in July 2007. It will enable Australian scientists to perform internationally competitive frontline scientific research at one of the world’s leading synchrotron machines. This important project was delivered on time and on budget in March 2007, with the first experiments conducted on five beamlines in April 2007.

2. **Melbourne Convention Centre** – Excellent progress was made at the Melbourne Convention Centre construction site in 2006-07. Located adjacent to the Melbourne Exhibition Centre, the convention centre will feature a 5,000 seat plenary hall, a five-star hotel and an office and residential tower. Excavation was completed this year, half the concrete was poured, and one quarter of the 4,000 tonnes of structural steel has been fabricated and installed.

3. **Melbourne Rectangular Stadium** – The 31,000 seat Melbourne Rectangular Stadium is being built on the existing Edwin Flack Field adjacent to Olympic Park to fill a gap in Melbourne’s sporting infrastructure and to provide a new home for rectangular sports such as rugby league and soccer. Selection of a preferred contractor has been made and construction is to begin in late 2007.

4. **Melbourne Recital Centre and MTC Theatre Project** – The Melbourne Recital Centre and MTC Theatre Project will comprise the 1,000 seat Dame Elizabeth Murdoch Hall and a smaller 150 seat salon for more intimate musical performances. The MTC Theatre will provide a 500 seat permanent home for the Melbourne Theatre Company along with a rehearsal studio that doubles as a performance space. Construction of the Melbourne Recital Centre and MTC Theatre Project has progressed well since commencing in June 2006, and is on track to be open for business in 2009.

5. **Royal Melbourne Showgrounds** – The Royal Melbourne Showgrounds project included the restoration and renovation of key historic buildings and the construction of new facilities that offer state, national and international exhibitors and visitors a multi-purpose facility for use all year round. The redeveloped Royal Melbourne Showgrounds, which includes a grand pavilion enclosed under a tensile structure, a ‘town square’, new arenas, administrative areas, and a revitalised main entrance and boulevard, opened in September 2006.
13.5 Department of Innovation, Industry and Regional Development

Response:282

Industry and State Development

- $933.1 million in exports through investments facilitated;
- export assistance to 4,233 companies;
- 36 trade fairs and missions expected to facilitate an annual increase in exports of $238 million;
- over 1,283 companies participated in export programs; and
- introduction of two user friendly reference publications for staff and SMEs being: Whole of Government Export Program Manual and Opening Doors to Export: Export Assistance Programs.

Innovation

- Australian Synchrotron;
- six new world class facilities for scientific research and development valued at over $59 million were launched during the year;
- total value of projects support under the STI Infrastructure investment is now around $1 billion;
- Healthy Futures was launched, providing $230 million of investment to world-class medical research sector and advanced infrastructure;
- Biotechnology Strategic Development Plan – implementation; and
- 8 per cent increase in the level of film and television production spend in Victoria compared with 2005-06 and Film Victoria leveraged $93.8 million worth of production expenditure.

Regional and Rural Development

- delivery of Make It Happen in Provincial Victoria in conjunction with 48 rural and regional councils;
- delivery of the $146 million drought assistance package and the $138 million of bushfire recovery package;
- 2,195 new jobs facilitated;
- $276.7 million exports from investment and $1.5 billion in additional investment; and
- delivery of more than $60 million assistance for recovery of the Gippsland flood.

282 Department of Innovation, Industry and Regional Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 5 November 2007, pp.15–17
Tourism

- 10 year Tourism and Events Industry Strategy launched;
- launch of Jetstar International services from Melbourne to Honolulu;
- increase in weekly services by China Eastern Airlines over the Chinese New Year, resulting in a record number of Chinese visitors;
- Tiger Airways operations to be based in Melbourne creating over 1,000 local jobs;
- increased in international visitor numbers by 8 per cent and an increase in international visitor expenditure to $2.9 billion; and
- It’s Easy to Lose Yourself in Melbourne campaign launched in September.

Skills

- TAFE institutions delivered 63.9 million of all government funded student contact hours;
- overall apprentices and trainees in Victoria was 123,084 of which 96,354 received a government funded training place;
- there were 45,113 apprenticeship and traineeship completions;
- three specialist skills networks were established in the key areas of competitive manufacturing, energy and transport and logistics; and
- 71,248 enrolments in higher level VET qualification.

Industrial Relations:

- development of the Victorian Workplace Rights Standard;
- established an independent statutory body, the Office of the Workplace Rights Advocate;
- the partners at work competitive grants program was completed;
- published the Work and Family Balance Manual for employers and employees; and
- launched comprehensive Industrial Relations Policy Manual for the Victorian public sector.

Small Business:

- *Time to Thrive* Small Business statement was launched;
- the Victorian Consumer and Business Centre opened in Melbourne;
- disputes valued at approximately $130 million have been handled by the Victorian Small Business Commissioner;
- 4,121 participants attended 256 workshops on small business, management skills, employment issues, workforce regulation and best employment policies; and
- referred around 700 small business and new starters to the Small Business Mentoring Service.

Information and Communication Technology:

- $6.3 million Spatial Imaging Project commenced;
facilitated the creation of 1,240 new ICT jobs, with the local sector growing by 9.6 per cent;

Multimedia Victoria attracted $352.2 million in ICT capital investment;

through the ICT Trade Events and Export Assistance Program, 265 grants were supported to 173 Victorian ICT companies, generating projected exports of $352.2 million; and

ICT exports for the state now total more than $1 billion per year.

Further achievements across all portfolios are included in the Department of Innovation, Industry and Regional Development’s Annual Report 2006-07.

### 13.6 Department of Justice

Response: 283

The Justice portfolio prides itself on addressing the most critical issues confronting the Victorian Justice system. These issues include:

- preventing and responding to family violence;
- protecting the rights of the vulnerable and disadvantaged;
- improving access to affordable and efficient alternative dispute resolution mechanisms;
- improving the justice system’s treatment of victims of crime;
- building a system that treats sexual assault victims fairly and with respect;
- reducing the recorded crime rate and the road toll;
- containing organised crime;
- improving integration of fire fighting;
- addressing serious sex offenders and managing high security prisoners in our Correctional system; and
- taking action on problem gambling.

A number of initiatives were undertaken in 2006-07 to advance these issues. These are summarised for each portfolio as follows and reported in more detail in the 2006-07 Department of Justice annual report.

**Attorney-General**

*Preventing and responding to family violence*

Family violence is the leading contributor to death, disability and illness in Victorian women aged 15 to 44, and affects all socio-economic, geographic, cultural and religious groups. A range of family violence reform initiatives have been designed to safeguard women and children, and assist women to make decisions concerning themselves and their families after experiencing family violence, and ensuring perpetrators are held accountable for their actions.

Family violence initiatives achievements in 2006-07 include:

283 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 23 November 2007, pp.44–62
• the Crimes (Family Violence) (Holding Powers) Act 2006 which came into effect on 1 July 2006 enables police to detain a suspect of family violence for up to six hours – ten hours in exceptional circumstances. Benefits include giving family members a cooling off period, especially if the defendant is drunk or drug affected, as well as saving police time and resources trying to serve court orders on perpetrators who have absconded;

• the Specialist Family Violence Service builds on existing services to simplify access to the justice system and improve safety for family members affected by violence. The service was launched at Melbourne Magistrates’ Court in December 2005 and Frankston, Sunshine and Werribee Magistrates’ Courts in July 2006. For many women, going to court to obtain an intervention order is one of the most difficult things they will ever do. The Specialist Family Violence Service assists families by providing additional staff, including applicant support workers and a police prosecutor, at each site;

• the Gain Respect, Increase Personal Power (GRIPP) program commenced operation in Dandenong in February 2007. The project is helping 13 to 17 year-old males break the cycle of violence and find better ways to deal with conflict. The project involves undertaking individual and group work with the males, as well as working with their family, peers and school, to ensure behavioural change is sustained; and

• the Victorian Family Violence Database – Five Year Report was launched in September 2006, providing a more robust evidence base for policy development in the area of family violence. The report provides a comprehensive picture of responses to family violence in Victoria by police, courts, and family violence services and organisations.

Protecting the rights of the vulnerable and disadvantaged

Neighbourhood Justice Centre

In March 2007, the Neighbourhood Justice Centre opened, and in so doing, heralded a unique approach to community justice. An Australian first, the centre is an innovative pilot program based on similar community justice centres in the USA and the UK. The centre tackles the root causes of crime, provides therapeutic and restorative justice and increases community understanding of, and access to, the justice system.

Located in the City of Yarra – a diverse community with a significant level of social disadvantage and high crime rates, the Neighbourhood Justice Centre provides:

• a Magistrates’ Court;
• on-site support services for victims, witnesses, defendants and local residents;
• mediation and crime prevention programs for the City of Yarra; and
• community meeting facilities.

Outposts of six department business units are located at the centre including Crime and Violence Prevention, Community Correctional Services and the Dispute Settlement Centre of Victoria. These and other departmental staff work with more than 10 local service providers and other government departments. The centre has one Magistrate who hears a range of matters from the Children’s Court, Victims of Crime Assistance Tribunal, Magistrates’ Court and the Victorian Civil and Administrative Tribunal.

Lake Tyers community renewal project

The Lake Tyers Aboriginal community is recognised as one of the most disadvantaged Koori communities in Victoria. The Lake Tyers Community Renewal Project is a unique partnership between the local Koori community, the Victorian departments of Justice, Human Services,
Achievements in 2006–07 included:

- the School Breakfast program, which has strengthened primary school attendance by providing a healthy, nutritious breakfast to an average of 35 children and young people each day;
- the homework program which supports school children with after school study;
- improved community safety;
- a reduction in crime and a significant reduction in police call outs;
- improved safety and travel conditions to the community;
- completion of the new community centre design;
- increased willingness among the community to explore alternative forms of dispute resolution, and
- increased community confidence in Victoria Police, through the fortnightly visits from the Police Aboriginal Liaison Officer.

The renewal project has also contributed to improved:

- community infrastructure, and
- employment outcomes
  - 16 Indigenous full-time positions including eight land management trainees;
  - 16 Indigenous part-time positions; and
  - 17 Indigenous casual positions, including health workers, drug and alcohol trainee, child care workers, breakfast team workers, and community bus drivers.

### Native title

The Victorian Government seeks to resolve native title claims through negotiation and agreement, supported by the Federal Court, the National Native Title Tribunal and the Commonwealth Government. In 2006–07, Victoria had 17 active native title claims (12 are large regional claims and five covered mining leases). Twelve claims were in mediation. In March 2007, the government and the Gunditjmara people of south-west Victoria reached an historic agreement to settle the Gunditjmara’s native title claims. The Gunditjmara people first lodged their claim in 1996 and reached agreement through a process of mediation.

The determination gives the Gunditjmara People the right to be notified about any developments planned on Crown land, and the opportunity to work with government and local communities to protect Indigenous cultural, heritage and environmental values.

### Aboriginal justice agreement

The aim of the Aboriginal Justice Agreement is to minimise the over representation of Koories in the criminal justice system. In 2006–07, $26.1 million was committed for the second phase of the Aboriginal Justice Agreement (AJA2). In addition to new programs, a number of important initiatives established under the original AJA were continued and expanded through the AJA2.

### Improving justice Services for Horn of Africa refugees
In early 2007, the Southern Metropolitan Regional Network Committee, which includes departmental representatives from the Southern Metropolitan Region, identified the need to improve services to the emerging Horn of Africa refugee community. Acknowledging that communities are usually in the best position to develop ideas on how to improve their own conditions, the Committee took a collaborative approach to community engagement and worked hard to build an open dialogue, with the community.

To date, the initiative has:

• established staff resources in the Horn of Africa community;
• participated in the Sheriff Sudanese Leadership Dialogue Session;
• hosted Sudanese leaders in dialogue sessions at the Dandenong Magistrates’ Court;
• presented information to the Gaatjaak Nuer community representatives on department systems and services; and
• developed and delivered a regional staff training session: ‘Cultural Matters and Why Culture Matters to Law’.

**Human rights**


While some human rights were previously protected in various other laws, a number of basic and important rights had no clear legal protection. These included freedom of expression, freedom from forced work and freedom from cruel, inhuman and degrading treatment.

The Charter, therefore, introduces standards to ensure that human rights are taken into account by the government when making laws and decisions and when providing services. It also provides a framework to assist public authorities to strike a balance between protecting the rights of Victorians and other competing public interests. The Charter recognises the rights of people – not organisations or corporations – and does allow rights to be limited.

The Charter contains 20 rights which reflect four basic principles of freedom, respect, equality and dignity.

Consideration of human rights is now a public sector value following an amendment to the *Public Administration Act 2004*. This means that all public sector staff must respect and promote the rights set out in the Charter by making decisions and providing advice consistent with human rights.

Substantial aspects of the Charter came into effect on 1 January 2007. The Charter requires all major policy proposals, new legislation and statutory rules to be developed with regard to the human rights it sets out. The Department of Justice is supporting the implementation of the Charter by disseminating information, delivering human rights training to legal and legislation policy officers and staff responsible for Charter implementation across government, and advising government departments on compliance with the Charter.

**Alternative dispute resolution**

According to research conducted by the Department of Justice, 35 per cent of Victorians were involved in some sort of dispute in the past 12 months. This equated to around 3.3 million disputes – with grievances ranging from neighbours to utility and financial services suppliers – at a cost of
around $2.7 billion in legal and related expenses. For these reasons, the department is investing considerable energy into Alternative Dispute Resolution. Alternative Dispute Resolution (ADR) is a widely accessible, affordable and efficient means of pursuing justice without recourse to traditional courts, and such is its impact on the civil justice system it was one of the departments eight strategic priorities in 2006–07.

The Justice portfolio is a significant supplier of ADR. Channels include Consumer Affairs Victoria, Victorian Equal Opportunity and Human Rights Commission, Legal Services Commissioner, Privacy Commissioner and the Dispute Settlement Centre Victoria. In addition, the Victorian Civil and Administrative Tribunal (VCAT) is the main provider of determination.

The courts are increasingly offering mediation as part of case management. Masters in the Supreme Court now mediate disputes, as do registrars in the Magistrates’ Court, while the County Court refers disputes to external mediators. Resolution success rates using ADR typically ranges between 50 per cent and 85 per cent depending on the type of dispute and the process adopted by the suppliers.

Over the past year, the department’s Alternative Dispute Resolution (ADR) Strategy project has worked to improve services across the state by working in collaboration with Consumer Affairs, Legal and Equity, Courts and Corporate Services Division as well as ADR service providers, users, and ombudsmen.

Victims support

Following extensive consultation, the Victims’ Charter Act 2006 came into effect in Victoria on 1 November 2006. The Victims’ Charter builds on the government’s commitment to improve the justice system’s treatment of victims of crime. The Victims’ Charter is a set of principles, which governs the way agencies, including the police and Office of Public Prosecutions and victim service agencies, respond to victims of crime. The Victims’ Charter recognises the rights of the victim, including the right to be informed of the progress of a police investigation.

Victims’ Charter training commenced on 1 November 2006 and for 2006-07, 7,739 staff completed the training. Delivered as online training, it is designed to raise awareness of the rights contained in the Charter amongst Justice and Human Services agencies with obligations under the new legislation.

On 27 September 2006, the Attorney-General launched A Victim’s Guide to Support Services and the Criminal Justice System. It aims to ensure every victim of violent crime in Victoria who reports a crime receives a copy of the booklet. Copies are available through police stations, courts, Office of Public Prosecutions, victims’ support agencies and the Victims of Crime Helpline. For victims, the booklet provides clear information about services available to help them. These include the Victims of Crime Helpline (1800 819 817), a toll free statewide information service located in the Victims’ Support Agency and the network of Victims’ Assistance and Counselling Services which are based in major population centres throughout Victoria.

The Helpline received a total of 43,500 calls for assistance in 2006–07, while the network of regional Victims’ Assistance and Counselling Programs provided 8,000 services to victims of crime. The government committed $3.3 million over four years to support the Victims’ Charter.

Victims of crime have received a 30 per cent increase in compensation under legislation introduced into State Parliament on 14 February 2007. The Victims of Crime Assistance Amendment Act 2007 came into affect on 1 July 2007, increasing the maximum payment for pain and suffering from $7,500 to $10,000. In addition, victims of crime can receive up to $60,000 for counselling, medical expenses and other expenses.
Meeting the needs of sexual assault victims

Victoria has seen significant sexual assault reform since 2004, when the Victorian Law Reform Commission released its major report Sexual Offences: Law and Procedure. Building on the Commission’s recommendations, a range of legislative and service reforms are helping build a system that treats sexual assault victims fairly and with respect.

A raft of changes introduced by the Crimes (Sexual Offences) Act 2006 and the Crimes (Sexual Offences) (Further Amendment) Act 2006 came into effect on 1 December 2006 and represent substantial change in this area of the law. These reforms strengthen a number of sexual offences, give complainants in sexual assault cases the right to give evidence via video link, and establish new processes for taking the evidence of child witnesses in sexual assault cases. The reforms also prevent victims from being personally cross examined by the accused offender and provide strict guidance to judges on jury warnings when the victim has delayed reporting the offence, making clear that delay in reporting should not necessarily impact on a complainant’s credibility as a witness.

Work has commenced on the implementation of the government’s four year, $34.2 million Sexual Assault Reform Package. The package aims to encourage people to report sexual assault and minimise the trauma of complainants as they move through the criminal justice process. Specialist sexual offences lists in the Magistrates’ and County Courts have been established to reduce delays and minimise the ordeal for victims.

The Magistrates’ Court has established a specially managed separate list for sexual offence cases, aiming to make the court process more efficient and responsive to the needs of participants, in particular complainants and vulnerable witnesses. The list also ensures such cases are handled consistently. In addition to the specialist list established at Melbourne Magistrates’ Court, specialist lists have been operating in six regional courts since July 2006. The specialist sexual offences list in the County Court also entered its second year of operation.

The establishment of a specialist Sex Offences Unit within the Office of Public Prosecutions is another initiative of the $34.2 million reform package. Officially launched in April 2007, the $2.7 million program brings together a Senior Crown Prosecutor who leads an expert team of crown prosecutors, solicitors and advocates to ensure the effective and sensitive prosecution of sexual offences.

Victoria’s first multidisciplinary sexual assault centres provide safe havens for victims by giving them access to a range of crucial services under one roof. The Frankston centre officially opened in April 2007 and the Mildura centre opened in May 2007. As a key initiative of the reform package, the centres bring together police, counsellors and medical staff to deliver fully integrated justice and human services responses to victims of sexual assault. This provides victims with easy access to the services they need in a supportive, non-threatening environment.

A crucial element of sexual assault reform involves improving the criminal justice system’s capacity to respond to the special needs of child witnesses. To this end, a new $3.2 million Child Witness Service was commenced in June 2007. Based in the heart of Melbourne’s court precinct, a specialist team of support workers prepares children for court and supports them during and after the case, providing a link with police, prosecutors and victims’ services. The Child Witness Service hosts remote witness facilities in child friendly surroundings, allowing children to give evidence in a non-threatening environment away from the courtroom and with a support person of their choice present.

To improve access to forensic examinations and ensure more victims will be examined by a qualified practitioner within 24 hours of reporting an assault, the government has committed $1.5 million on a statewide network of forensic nurses. A team of four forensic nurses, along with
a coordinator and a pool of sessional forensic nurse examiners will carry out examinations. The first pool of sessional nurses is currently undergoing training.

**Police and Emergency Services**

**Reducing the recorded crime rate**

The Victoria Police strategic plan *The Way Ahead 2003-2008* aims to reduce the overall crime rate by five percent over its five year life. At the end of 2006-07 the rate was 7,283 offences per 100,000 population. This represents a total 15.3 per cent reduction on the 2002-03 baseline. Since 2000-01, the crime rate in Victoria has reduced 23.5 per cent and Victoria maintains the lowest crime rate in Australia.

This target has been achieved at the same time as Victoria Police has encouraged reporting of family violence and sexual assault offences.

**Figure 13.1: Percentage change in crime rate from baseline June 2003**

[Graph showing percentage change in crime rate from baseline June 2003]

**Reducing the road toll and the incidence of road trauma**

The target for this key indicator from *The Way Ahead* is to achieve a reduction of 20 per cent in road trauma over five years This objective aligns *The Way Ahead* with the whole of government *Arrive Alive!* Road safety strategy.

At the end of 2006, road deaths had been reduced by some 24.5 per cent over the baseline [which is based on the number of fatalities recorded in the 2001 calendar year].

The annual road toll at the end of June 2007 was 335 deaths, 12 more than at the same time in the previous year.
Chapter 13: Portfolio outcome achievements – report card

Figure 13.2: Percentage change in road trauma from baseline of 2001

Containing organised crime

Since it was established in 2003, the Purana taskforce has proven to be very effective in the fight against organised crime. The taskforce has focused on the ongoing identification, investigation and dismantling of organised criminal enterprises involved in major fraud, violence, large scale commercial drug manufacture, trafficking and importation.

The identification, seizure and restraint of assets accumulated as a result of criminal activity, has also been a major focus of the Purana taskforce.

During 2006-07 investigations led by the Purana taskforce culminated in the sentencing of Carl Williams in May 2007 and the location and arrest of fugitive Tony Mokbel in Athens in June 2007.

Investigations by the taskforce have resulted in:

- 181 offenders being charged with 549 offences;
- 15 offenders being charged with a total of 27 counts of murder;
- 14 offenders being charged with incitement, conspiracy or attempted murder;
- the laying of 321 serious drug charges; and
- $23 million of assets restrained.

Improving the police response to family violence and sexual assault

During 2006-07 Victoria Police continued to review and refine its responses to violence against women and children. In addition to improving internal policies and procedures, Victoria Police has collaborated with government and community agencies to ensure police responses are part of a coordinated approach to family violence, sexual assault and child abuse. The Statewide Steering Committee to Reduce Sexual Assault and the Statewide Steering Committee to Reduce Family Violence continue to act as the key mechanisms for this partnership approach.

In relation to family violence, the Code of Practice for the Investigation of Family Violence (CoPIFV), introduced in August 2004, has continued to impact on the reporting of family violence incidents. The CoPIFV is one of a number of programs and strategies developed to enhance police
responses to family violence and safety for the aggrieved family member. It focuses on evidence gathering, investigation and laying charges where that is appropriate. The data in the table below indicates a significant increase in both the number of charges laid as a consequence of police attendance and the proportion of those attendances which result in charges being laid. In the two year period prior to the introduction of the CoPIFV, approximately 15 per cent of assaults were family violence related. Since its introduction, that proportion has risen to approximately 24 per cent.\(^\text{284}\)

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<tr>
<td>FVI attended</td>
<td>23,457</td>
<td>28,454</td>
<td>27,672</td>
<td>29,158</td>
<td>28,301</td>
<td>29,652</td>
<td>+ 26.4</td>
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<td>Number of FVI where charges laid as a result of police attendance</td>
<td>2,797</td>
<td>3,116</td>
<td>2,627</td>
<td>5,185</td>
<td>7,088</td>
<td>7,444</td>
<td>+ 166.1</td>
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<td>Percentage of FVI where charges laid</td>
<td>11.9 per cent</td>
<td>11.0 per cent</td>
<td>9.5 per cent</td>
<td>17.8 per cent</td>
<td>25.0 per cent</td>
<td>25.1 per cent</td>
<td>+ 13.2</td>
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In addition, in the area of family violence, Victoria Police has:

- participated in the development of a common risk assessment framework which will provide a consistent approach for assessing and managing family violence throughout the service system;
- provided advice on the implementation of the Victorian Law Reform Commission recommendations on family violence;
- been awarded an Australian Research Council Grant in collaboration with the University of Melbourne and other government departments to investigate Victoria’s integrated response to family violence;
- contributed to the development of the whole of government 10 year Indigenous Family Violence Strategy;
- completed a protocol for referral pathways between Victoria Police and the Department of Human Services. Police across Victoria have been implementing referral arrangements with local support services to ensure that victims of family violence receive appropriate and timely support; and
- published three new brochures targeted at victims of family violence, perpetrators of family violence and community members. The brochures are available in 15 community languages.

In the area of sexual assault, Victoria Police has:

- established two new Sexual Offences and Child Abuse Investigation Teams to provide specialist police investigation services as part of the multidisciplinary sexual assault centres established in Frankston and Mildura. The centres provide 24 hour, seven day a week integrated justice services and human service responses to sexual assault victims aged 16 and over, including special police investigation, forensic, crisis and victim support services;
- commenced a research project through an Australian Research Council Linkage grant with the University of Ballarat to support the improvement of the police responses to sexual assault;

\(^{284}\) Victoria Police 2006-07 Annual Report, p.22
• undertaken preliminary planning with community agencies for a youth forum to raise awareness of violence in relationships. The project will be piloted in Mildura; and
• developed and implemented an Indigenous Public Awareness Campaign in partnership with the local Indigenous community in Mildura. A similar campaign is being considered for East Gippsland.

**Improved integration of fire fighting**

While the Great Divide fires burnt for 69 days, cutting off towns, blocking roads and burning between 1.2 and 1.3 million hectares and 51 dwellings, the outstanding response of emergency services and communities meant that many assets and lives were saved.

Victoria was prepared for what was expected to be one of the worst fire seasons in decades. Following a pre-fire assessment led by the Office of the Emergency Services Commissioner (OESC), the Victorian Government boosted emergency services resources by $27.1 million in December 2006 for:

• 100 additional summer project firefighters;
• 100 fireline and fire management personnel from New Zealand;
• 50 fire management personnel and air support specialists from America and Canada;
• recruitment of additional firefighters and securing extra training and support vehicles;
• contracting of a 5,000 litre capacity water bombing helicopter; and
• military support, including transport logistics.

A massive 19,000 people worked on the fire response, including 14,000 volunteers. At their peak, 5,000 personnel worked on the fires each day, and crews from Victoria, interstate and overseas spent summer on the frontline. A fleet of 34 firefighting aircraft, including the helicopters ‘Elvis’ and ‘Malcolm’, supported firefighters.

**Corrections**

**Targeted programs to address serious sex offenders**

Corrections Victoria (CV) has introduced a number of initiatives aimed at reducing the re-offending risk of high risk sex offenders in 2006-07 as part of the Sexual Assault Reform Project.

- **Voluntary treatment program**

A new program initiative has been developed for Victoria targeting members of the community who are at risk of becoming perpetrators of child sexual abuse. The program is the first of its kind in Australia, and is currently being overseen by CV, working in collaboration with Child and Family Services Branch of the Department of Human Services from where the majority of referrals are expected to be received. The program will provide group clinical treatment each year, up to 40 individuals, delivered in parallel to a family support program for non-offending parents to learn protective behaviours for their children.

- **ESO accommodation**

Accommodation facilities have been established on degazetted land within the perimeter walls of HM Prison Ararat to house serious high risk sex offenders under extended supervision orders. The
facility provides for secure and supervised accommodation, and provides for intensive treatment and transitional support to assist in the reintegration of these offenders into the community.

**Management of high security prisoners**

CV’s Security and Emergency Services Group (SESG) recruited additional staff and was provided with additional equipment to conduct escorts of high security prisoners, including those charged with terrorism and gangland related offences. The SESG with the additional staff have been able to maintain the management of High Security Prisoners in relation to conducting escorts, searches and intelligence gathering.

The construction of the Melaleuca Unit at HM Prison Barwon enhanced CV’s capacity to manage the increasing number of prisoners requiring high security placements. The unit commenced operation in September 2007, and unit has the capacity to accommodate 27 high security prisoners.

An incentive based regime model was introduced into high security units at Barwon Prison to enhance the management of long-term high security prisoners, without compromising the security and good order of the prison. Implementation of the pilot phase of this regime occurred in April 2007 and is due for review in late 2007.

Human Presence (heart beat) Detectors have been installed at the Metropolitan Remand Centre (MRC) and at HM Prison Barwon. The purpose of these detectors is to identify the presence of a person/s on every vehicle entering and leaving the prison. The detectors were installed in the Sally Port areas and sense a heartbeat in or around each vehicle.

**Reducing re-offending**

During 2006-07, CV, in partnership with the Department for Victorian Communities, funded Melbourne City Mission to provide support, employment, and training assistance to women offenders, including women in prison and women exiting prison. The program commenced on 1 July 2006 and as at 30 June 2007, the program had placed 36 women in employment and assisted more than 86 women. The Women4Work Employment Program achieved 18 employment outcomes, and is on track to meet the target of 50 outcomes by 31 December 2007. (NB: An outcome is achieved when a woman has maintained 30 hours per week in employment over 16 weeks).

In 2006-07, CV provided funding to a consortia of non-government organisations consisting of Melbourne City Mission, the Victoria Association for the Care and Resettlement of Offenders (VACRO) and the Brosnan Centre, to provide intensive pre and post release support for a minimum of 90 women prisoners per annum. The provision of intensive support to women with complex needs, including help to access community based services and treatment programs, can reduce their chances of re-offending, and minimise their risk of experiencing harm. The program, Women’s Integrated Support Program, commenced on 1 October 2006 and as of 30 June 2007 had provided support to 114 women exiting prison.

CV, in partnership with the Department of Human Services, provided funding to the Centres Against Sexual Assault (CASA) to deliver services to women prisoners. During the period October 2006 to 30 June 2007, 24 hours of sexual assault counselling, advocacy and support services have been delivered on a weekly basis to women prisoners. Since the commencement of this program, more than 40 women have accessed CASA services.

In 2006-07, VACRO delivered a program of providing practical assistance to women offenders supervised in the community, to help them fulfil the requirements of their orders, particularly in managing issues of appropriate childcare and transport.
Over the 2006-07 financial year, 1270 male offenders and prisoners engaged in one of CV’s voluntary transitional support programs, either the Bridging the Gap, Correctional Services Employment Program or the Corrections Housing Pathways Initiative.

- **Recidivism**

  Recidivism rates have fallen for the fifth consecutive year. In 2006-07, the rate of return to prison was 36.0 per cent, down from 36.5 per cent in 2005-06. The rate of return to corrective services also decreased from 44.7 per cent in 2005-06 to 43.3 per cent in 2006-07.

- **Employment program**

  The Employment Program provides intensive employment assistance to both prisoners exiting custody and offenders on community dispositions. Of the 1002 male offenders registered on the employment program, 339 were placed in employment.

- **Housing support**

  The Victorian Office of Housing works with the department to identify prisoners at risk of homelessness on release, and provide accommodation support for some released prisoners for up to 6 months after release. During 2006-07, 52 offenders eligible for homelessness services were assisted with accommodation in the community.

- **Bridging the gap**

  This intensive pre and post release support program targets high risk and high need prisoners with drug and alcohol issues. Through a case management framework, program participants are assisted in dealing with their transitional needs. During 2006-07, 216 offenders were assisted by this program.

**Delivery on graffiti clean up**

The 2006–07 state budget allocated $400,000 to establish the Preventing Graffiti Community Grants fund. This funded local councils to undertake 31 projects to clean-up and prevent the recurrence of graffiti in local Victorian communities.

Projects include campaigns to raise community awareness of the need for graffiti prevention, reporting and removal projects, community art projects, and cultivating indigenous and spiky plants as screens to limit access to walls and other graffiti hotspots.

Under the Community Correctional Services Graffiti Clean-up Program supervised offenders clean-up graffiti. The program commenced in November 2005 in partnership with local councils and other government departments.

Since November 2005, more than 5,500 offenders have worked in local Victorian communities and cleaned up enough graffiti to cover an area almost nine times the size of the MCG playing arena.

Offenders also collected 1,323 kilograms of rubbish from the graffiti sites, providing a total clean-up package for local communities.

Purpose built trailers were designed and introduced for the program, constructed by prisoners at HM Prison Ararat Prison through the industries program.
The partnership established with Connex proved so successful that it was expanded with the program taking on a wider focus in the clean up of rail corridors.

Given Australia’s drought conditions the program ceased to use potable water. The majority of the programs are using paint to remove graffiti and any program using water accesses Class A recycled water.

**Improving critical security and safety measures**

Drug detecting ion scanners at the Metropolitan Remand Centre (MRC), the Melbourne Assessment Prison (MAP) and HM Prison Barwon, identified illicit substances on persons seeking entry into those prison locations. During 2006-07, there were 407 positive identifications of illegal substances on visitors, enabling further action to be taken to minimise the risk of contraband entering each of those prisons.

The 300 bed purpose built Marngoneet Correctional Centre and the 600-bed MRC became operational during 2006-07. Marngoneet’s focus is on rehabilitation, with a high level of offending behaviour programs for sex offenders, violent offenders and prisoners with histories of substance abuse. The MRC provides secure accommodation for prisoners awaiting trial, and caters for a number of different prisoner groups including young offenders, protection prisoners, low risk prisoners, vulnerable and at risk prisoners, and prisoners detoxing from drugs.

The Judy Lazarus Transition Centre became operational in April 2007, has a focus on transitional needs, and actively engages prisoners in community based services. It can accommodate 25 low risk prisoners nearing the end of their sentences.

There was one escape (from a minimum security location) from the Victorian prison system during 2006-07. This result was the lowest recorded number of escapes in 80 years.

**Consumer Affairs**

**Review of national consumer policy**

Consumer Affairs Victoria (CAV) is playing a leading role in a major Federal Government inquiry that will shape the direction of consumer policy in Australia for the next decade.

The review of the nation’s consumer policy framework is being conducted by the Productivity Commission – the Federal Government’s review and advisory body on microeconomic policy and regulation. Its recommendations could have a significant impact on consumers and consumer protection agencies around Australia.

**Victorian Government submission**

CAV coordinated the Victorian Government’s submissions to this far-reaching, 12 month inquiry. The comprehensive review of the national consumer policy framework – which is necessary to ensure that consumers are not disadvantaged and that the policy environment keeps pace with changing economic, social and environmental conditions – has been welcomed by CAV.

The inquiry focuses on the regulatory principles and objectives underpinning state, territory and federal consumer legislation, education programs, dispute resolution services and compliance and enforcement tools.

CAV has also been leading a Ministerial Council on Consumer Affairs’ Working Party on Consumer Policy, which prepared an information paper for the Productivity Commission. The
Financial counselling

The Department of Justice funds 44 community based general financial counselling services in Victoria, as well as Victoria’s peak financial counselling body, the Financial and Consumer Rights Council.

In 2006–07, over 38,000 people were assisted by these services.

To ensure consistently high levels of service delivery across Victoria, the department developed standards for general financial counselling. The standards were informed by a reference group of key stakeholders which provided advice, and five stakeholder consultation forums held in Melbourne and regional locations in March and April 2007.

New Liquor Control Advisory Council

In July 2006 a new Liquor Control Advisory Council (LCAC) was established to advise the Minister for Consumer Affairs on problems of alcohol abuse and on any other matters referred to it by the Minister.

During its first year of operation the Council considered the appropriateness of the regulatory regime for the sale of packaged liquor in Victoria in contributing to minimising harm from the misuse and abuse of alcohol and best meeting the expectations of the community.

The Council is to consider four new references made in 2006–07:

- whether the act should be amended to express harm minimisation as its primary aim and objective in all licensing matters;
- liquor licensing legislation in other jurisdictions;
- liquor outlet density in Victoria; and
- the possible use of screw top resealable capped bottles to reduce drink spiking and encourage more moderate consumption of alcohol.

The founding members of the LCAC had backgrounds in the liquor industry, drug/alcohol and public health agencies, community services, Victoria Police and a union. The Director of Liquor Licensing is an ex officio member of the Council.

National Education and Information Taskforce

At its May 2007 meeting the Ministerial Council on Consumer Affairs (MCCA) accepted a Victorian proposal to establish an Education and Information Taskforce to help identify, develop and implement new strategies to empower consumers to make informed and timely marketplace decisions.

The taskforce’s terms of reference are to:

- coordinate major national behavioural change campaigns;
- liaise with other MCCA Advisory Committees to identify the need for, and coordinate the development and implementation of, national education and information campaigns;
• provide advice to MCCA and the Standing Committee of Officials of Consumer Affairs on the development and implementation of such national programs, once they are agreed to; and

• establish and maintain an accessible bank of research, evaluations, strategies, campaign creative concepts, publications and other information that can assist other states in the development and implementation of their own education and information activities.

The emphasis on behavioural change programs as opposed to information and education campaigns takes into account the findings of behavioural economics that consumers are not always motivated by economic self interest and that information provision alone does not always result in behavioural change.

CAV has begun consultation and planning work towards the first meeting of the taskforce. It is expected that the group will identify one to three priority projects that will form the subjects of major national behavioural change programs.

**Gaming**

*Significant progress in the gambling licences review*

The Victorian community demands the highest standards of probity, transparency and accountability in the development of the future gambling industry structure, regulatory and licensing arrangements. The Department of Justice is currently conducting a thorough review of gambling licence structures and associated arrangements (the Gambling Licensing Review). This process will ensure that the government’s gambling policy principles of responsible gambling, probity, accountability and transparency are translated into the post-2012 industry structure. In line with the commitment to the highest standards of probity, the government has amended the *Gambling Regulation Act 2003* to establish an Independent Review Panel.

The Gambling Licensing Review is being conducted in two parts:

- the public lotteries licence review; and
- the review of the electronic gaming machine, wagering and club keno licences, and the funding arrangements for the Victorian racing industry.

An independent review of the public lotteries licence process was undertaken in 2007. The Review Panel subsequently endorsed the process and announcement of the successful licence applicants was made in October 2007.

The public consultation phase for the gaming machine licence arrangements post-2012 has been completed with the release of the report by Mr P Kirby.

The department has also commissioned a number of contextual projects on the gaming machine, club keno and wagering industries to assist the Review.

*Development and implementation of the Taking Action on Problem Gambling strategy*

While many Victorians enjoy the entertainment and leisure experiences offered by gambling, some individuals cannot manage their gambling and it becomes a problem for them, their families, and the community. The implementation of the government’s Taking Action on Problem Gambling strategy sets out an integrated approach to consumer protection, and prevention, early intervention and treatment of gambling related harm.
In 2006-07, the key achievements under Taking Action on Problem Gambling include:

- the Problem Gambling Local Community Partnership Program which is an innovative project designed to involve communities in responding to problem gambling, it also assists local organisations to develop and implement strategies to address problem gambling in their community;
- The establishment of a first round of submission based research grants, valued at approximately $880,000. Eight research projects have been funded to investigate the accessibility of gambling products over three years;
- delivery of $750,000 for Gambler’s Help Services to respond to areas of high demand and bolster services in metropolitan regions of Melbourne as well as the Monash local government area. The government has also instigated a Gambler’s Help Services redevelopment project, with the primary objective of developing a more responsive and flexible service system;
- protecting communities most at risk of problem gambling with regional capping of gaming machines to result in approximately 543 machines being removed from 19 regions across Victoria by December 2007. The density of gaming machines has also been set at either 10 gaming machines per 1,000 adults or the density of gaming machines in the region as at 12 October 2006, whichever is lowest;
- support for the second Responsible Gambling Awareness Week held in May 2007 from the Responsible Gambling Ministerial Advisory Council at a cost of $135,000. This week is part of a proactive statewide partnership between the government, industry and community groups to raise awareness of taking a responsible approach to gambling;
- the launch of the Problem Gambling Resource Kit for health and welfare workers. This kit was designed to help workers identify the early signs of problem gambling. The government also produced and distributed Problem Gambling: A Guide for Victorian Schools. This resource is the first in Victoria that addresses a broad range of issues associated with problem gambling in the school environment; and
- the appointment of New Focus to develop a Community Awareness and Education Strategy on problem gambling to 2011.

**Development of new laws relating to sports betting**

The government has been working with the professional sporting industry to develop new laws to:

- ensure appropriate conduct of sports which are subject to wagering; and
- provide sporting bodies with a greater share of sports wagering revenue.

These new laws will increase the confidence of the public when betting on Victorian sporting events.

The changes were developed in consultation with and are supported by a coalition of major professional sporting groups and lead the way in Australia in terms of regulation of sports betting. The Minister for Gaming announced the draft laws in October 2007.

**Undertaking a review of Community Benefits statements and releasing a new draft ministerial order for consultation.**

Community benefit statements: A new direction outlines the government's reforms to community benefit statements. These reforms will tighten the rules around what clubs can claim as a community benefit, making use of community benefit funding more transparent and equitable. The
reforms will also reduce the regulatory burden on hotels by removing the requirement for them to prepare a Community Benefit statement.

Racing

Implementation of the government’s Racing in Victoria – Leading the Field policy

*Racing in Victoria: Leading the Field* policy statement released in 2006, outlines a range of initiatives that will ensure that Victoria’s racing industry continues to build on its strengths and manage its risks. Released in 2006, the statement provides for increased funding, planning based on consultation with the industry and community, new capital developments, water saving projects in regional and rural areas and a greater focus on providing welfare, health and financial support to jockeys, from apprentices to those who have retired.

In 2006-07, the key achievements under *Racing in Victoria: Leading the Field* strategy include:

- the administration of the *Living Country Racing Program*, which provided funds totalling $375,000 for 43 projects to 35 country racing clubs. This program provides assistance for the upgrade and improvement of facilities at country racecourses with particular priority given to projects that have a broader community benefit;

- in 2006, the government committed $18.6 million over two years for the *Racing Industry Development Program*. This new initiative has been established to support major capital improvements at regional and rural racecourses and training venues, and for selected programs designed to stimulate industry growth and development. In 2007, the government allocated an additional $2 million to the program. Up to $775,000 over 2006-07 and 2007-08 has been allocated to develop master plans for the racecourse precincts at Geelong, Horsham, Swan Hill, Wodonga, and Yarra Valley;

- the implementation of Victoria’s first synthetic racing track, the Geelong Thoroughtrack, at a total cost of $1.85 million. Synthetic racing track is intended to reduce the industry’s reliance on potable water;

- development of Bendigo harness racing track and the lighting upgrade at Lord’s Raceway, establishing it as one of Victoria’s premier harness racing venues ($1.2 million);

- a total of $1.2 million for the development of single level kennels and administration blocks for both the Bendigo and Traralgon greyhound racing clubs. These venues provide modern facilities and kennelling that complies with current occupational health and safety, and animal welfare standards; and

- assistance to Racing Victoria Limited to implement the jockey welfare program which includes the provision of financial, educational, health and personal support systems to jockeys and the continuation of jockey and industry participant safety welfare research ($320,000).
13.7 Department for Planning and Community Development

Response:285

Please note all targets referenced are provided in the Department for Victorian Communities 2006-07 Annual Report.

Aboriginal Affairs

- established the Victorian Aboriginal Heritage Council as part of the implementation of the *Aboriginal Heritage Act 2006*;
- developed and implemented the *Aboriginal Heritage Regulations 2007* as a balanced framework for ensuring Aboriginal traditional owners have a role in protecting their cultural heritage, without impeding appropriate economic, environmental and social investments;
- implemented the governance training program, which involved running six three-day workshops for 137 Indigenous participants and two Certificate IV Business (Governance) courses for 43 Indigenous participants; and
- streamlined administrative arrangements for Indigenous community organisations by developing whole of government terms and conditions to govern the funding relationship.

Community Services (Office for Disability)

- transferred from the Department of Human Services Disability Services, to the Department for Victorian Communities in September 2006. The transfer included the Victorian Disability Advisory Council with Secretariat operating out of the Office for Disability;
- initiated a Leadership Disability Forum during the week of International Day of People with a Disability with the United Kingdom Disability Commissioner as the keynote speaker;
- joined other government agencies supporting a free community event in Federation Square to celebrate the International Day of People with a Disability;
- reviewed a number of programs though the department’s Disability Action Plan, including the operational issues involved in providing access to major sporting events for people with a disability who use the Companion Card. The card enables people with a disability, who require a companion to provide attendant care, to participate in community events and activities. More than 1,250 key industry participants accept the Companion Card; and
- working in collaboration with Sport, Recreation and Youth Affairs, the Office for Disability helped local councils and other stakeholders to improve the accessibility and quality of play spaces with *The Good Play Space Guide: I can play too* guide.

285 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 20 November 2007, pp.20–24
Local Government

- developed a draft Victorian State-Local Government Agreement, including guidelines on negotiating financial agreements and consulting with local government;
- increased funding to 299 of Victoria’s 349 neighbourhood houses to provide an additional 3,950 hours of activity per week, an increase of 39 per cent and exceeding target;
- distributed 26 Local Area Planning Support program grants worth $3.1 million to 61 Victorian councils;
- distributed 15 special one-off grants to help emergency relief and recovery in bushfire affected local communities, and 71 grants to neighbourhood houses to improve physical access to facilities for people with a disability; and
- distributed more than $30 million, which is a record amount, to Victoria's Public Libraries.

Multicultural Affairs

- hosted the Multifaith Multicultural Youth Forum to promote dialogue between 150 young people from a range of faith and cultural backgrounds and strengthen youth participation and leadership in the community;
- continued the Refugee Brokerage program (2005–09) within seven Victorian regions to improve the delivery and use of existing services by refugees and to increase their participation in the community. Assistance was provided to 636 refugees against a target of 500;
- continued the Language Services Strategy to improve the quality and supply of interpreters and translators and assist government agencies to meet the language needs of CALD clients, delivering 13 programs against a target of ten;
- delivered 50 workforce participation projects targeting people from culturally and linguistically diverse backgrounds; and
- supported more than 1,600 culturally and linguistically diverse community groups and organisations (as per budget target) by contributing more than $3.6 million in grants funding to directly support community initiatives.

Skills, Education Services and Employment

As part of machinery of government changes, the department assumed responsibility for the Adult Community and Further Education Board in September 2006 to further develop the reach and scope of community education services.

- delivered 144,130 government funded annual module enrolments in adult and community and adult education institutions against target of 129,000;
- delivered $5.3 million government funded student contact hours of VET activity provided through ACE organisations and adult education institutions against target $3.7 million;
- assisted 687 young people to find employment through the Youth Employment Scheme, within the anticipated target range of 650-790;
- assisted 5231 clients with services through the Overseas Qualifications Unit; and
- achieved over 1600 sustainable employment outcomes for job seekers against the target of 900-1,000 through Workforce Participation Partnerships.
Aged Care (Office of Senior Victorians)

- recorded 4,125,870 steps (2,061kms or the distance from Melbourne to Sydney and back) for participants at the Victorian Seniors Festival ‘Go for your life’ YMCA Seniors Walk;
- provided $1.2 million in funding to 32 new Universities of the Third Age (U3As) in areas of high population growth and disadvantage;
- funded 15 Primary Care Partnership projects under the Victorian Seniors ‘Go for your life’ program, taking the total to 44 projects worth $1.6 million in seniors’ wellbeing;
- funded six demonstration projects addressing financial literacy and the use of technology, mature age workers employment, life long learning and safe, accessible environments for The Victorian Local Government Positive Ageing project; and
- endorsed 12 facilities in Victoria to provide safe, effective and affordable strength training programs (Living Longer Living Stronger) for older people, bringing the total number of endorsed facilities to 119. Grants were awarded to 67 people to subsidise initial training or up-skilling of their qualifications as fitness instructors for older people.

Sport and Recreation

- developed and implemented Commonwealth Games Dividend initiatives providing significant sport and recreation community outcomes including new facilities, sporting uniforms, supporting grassroots sports and funding for the VIS for athletes selected for the 2008 Beijing Olympics;
- approved and commenced development of the Melbourne Rectangular Stadium to accommodate over 31,000 fans of A-League Football, Rugby League and Rugby Union with construction to be completed in 2009;
- met all targets for distribution of community sports facility funding including country football and netball projects, drought initiatives, aquatics facilities and suburban and regional community facility grants;
- conducted 2007 World Swimming Championships with record crowds, delivered under budget, with higher economic benefit than initially estimated and outstanding performances with many World records; and
- introduced aerial advertising legislation to support major events in Victoria.

Youth Affairs

- launched the new Victorian Government Youth Policy after consultation with over 1,300 individuals and organizations;
- delivered more than 450 FReeZA events attended by over 150,000 young people (target of 130,000) in supervised and safe venues that are drug, alcohol and smoke free. The FReeZA program also provided performance opportunities for over 3,500 local musicians and emerging artists;
- won a national award in partnership with the Country Fire Authority at the 2006 Australian Safer Communities Awards in recognition of the partnership’s success in teaching young people about fire safety;
- attracted youth four times greater than target (1.2 million versus target of 300,000) to the Youthcentral web site; and
- announced Positive Body Image grants through the Office for Youth to promote positive body image activities to young people.
Veterans’ Affairs

- established the 11 member Victorian Veterans Council, to advise the Premier on veterans’ issues;
- developed and commenced a strategic study into the veterans sector;
- funded initiatives to educate the community and to commemorate the service of veterans;
- distributed grants to communities to restore 41 war memorials and honour rolls; and
- conducted the 2006 Victorian Spirit of ANZAC Prize Schools Competition and 2007 Study Tour to Turkey, France, Belgium and the United Kingdom. More than 240 entries were received against a target of 170.

Victorian Communities

- launched 15 new Transport Connections projects to help make better use of existing local transport infrastructure by harnessing the skills, resources and knowledge of local communities;
- committed $4.7 million over four years to expand and coordinate the No Interest Loan Schemes across Victoria, to reduce the impact of financial hardship on vulnerable and disadvantaged Victorians. The project is delivered in partnership with Good Shepherd Youth and Family Service and National Australia Bank;
- engaged 3,500 community members in over 100 small towns through attendance at 55 community opportunity workshops to better understand the assets of their communities and begin the process to develop community plans across 19 Community Building Initiatives sites;
- established Regional Women’s Reference groups as part of the Women, Drought and Climate Change Initiative and developed action plans to support them in responding to drought and climate change; and
- announced eight new Community Renewal sites in areas of high need to bring together representatives from state and local government, community organisations and residents to identify and act on community needs.

Women’s Affairs

- hosted the Annual Women’s Premier Summit Respecting Diversity: Harmony in Practice and launched a new $250,000 women led Community Harmony grants program;
- undertook $700,000 capital works at the Queen Victoria Women’s Centre to comply with contemporary building standards, which included meeting disability access and occupational health and safety requirements;
- met the target of 40 per cent representation by women on government boards and committees;
- conducted the first dedicated Yarnin’ Up consultations with Victorian Indigenous Women in three regional locations; and
- continued work with the Australian Football League in implementing the Respect and Responsibility program as part of the Women’s Safety Strategy 2002-07.
13.8 Department of Premier and Cabinet

Response:

Table 13.3: Key results

<table>
<thead>
<tr>
<th>Performance measures</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of briefs</td>
<td>3,000</td>
<td>7,035</td>
</tr>
<tr>
<td>Policy services rating</td>
<td>86 per cent</td>
<td>91 per cent</td>
</tr>
<tr>
<td>Whole of government strategic policy projects</td>
<td>6</td>
<td>10</td>
</tr>
<tr>
<td>Timely delivery of events, functions and visit arrangements</td>
<td>100 per cent</td>
<td>100 per cent</td>
</tr>
<tr>
<td>Recommendations arising from reviews of actions implemented by the public service</td>
<td>90 per cent</td>
<td>100 per cent</td>
</tr>
<tr>
<td>Finalise consideration of complaints (including general, Freedom of Information and Whistleblower complaints)</td>
<td>3,000</td>
<td>3,111</td>
</tr>
<tr>
<td>Advice given on legislation in response to written requests*</td>
<td>400</td>
<td>246</td>
</tr>
<tr>
<td>Attendances at Major Festivals</td>
<td>897,000</td>
<td>1,189,000</td>
</tr>
</tbody>
</table>

Note: * The number was down reflecting the low number of acts for the period (75) as well as the caretaker period in the lead-up and subsequent to the 2006 state election

Strategic policy advice and projects

- undertaking significant work for the National Reform Agenda, including the Early Childhood Project and the Mental Health Project;
- developing reform policy in the areas of literacy, numeracy, obesity and Type 2 diabetes;
- helping develop the $4.9 billion Victorian Water Plan to boost and diversify Victoria’s water supplies;
- shaping the debate on climate change at a state and national level, resulting in a Council for the Australian Federation declaration on 9 February 2007;
- engaging Victorians from all around the state through 10 Community Cabinets;
- preparing for the state election by coordinating mandatory election conventions and delivering a comprehensive briefing;
- providing stronger integration with the state budget and the fifth Progress Report of Growing Victoria Together;
- reviewing government procurement for design projects; and
- arranging 77 official visits from international dignitaries for the Premier.

286 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 21 November 2007, pp.20–21
Public sector management, governance and support

- promoting high standards of integrity and conduct in the public sector by issuing three new Codes of Conduct:
  - Victorian Public Entity Directors’ Code of Conduct;
  - Code of Conduct for Victorian public sector employees;
  - Code of Conduct for Victorian public sector employees of Special Bodies;
- tabling three reports in Parliament, including:
  - Conditions for persons in custody;
  - investigation into the policies and procedures of the planning department at the City of Greater Geelong;
  - investigation into a disclosure about WorkSafe’s and Victoria Police’s handling of a bullying and harassment complaint;
- drafting 72 Bills and settling 173 Statutory Rules as part of the government’s legislative program; and
- undertaking an extensive program of events for the Governor.

Arts and cultural development

- implemented the Vibrant Festivals and Community Celebrations package, committing a total of $6.9 million over four years to support sustainability initiatives for Victoria’s major festivals;
- delivered a $20 million package of assistance for arts infrastructure projects in regional Victoria;
- attracted almost 200,000 people across all events during the FINA festival weekend (23–25 March). An additional 187,000 people attended sculptural and lighting installations throughout the championship period;
- Melbourne’s newest arts organisation, Melbourne Recital Centre (MRC), commenced construction in 2006–07 and is on track; and
- visitors to the state’s arts agencies reached 9,075,000, an 18 per cent increase on the previous year.

13.9 Department of Primary Industries

Response:

Quantified achievements against planned targets as outlined in the 2006-07 Budget Papers are shown in performance reporting section of the Department of Primary Industries’ 2006-07 Annual Report. The main five outcomes for each Ministerial portfolio within the department are listed below.

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287 Department of Primary Industries, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, pp.8–9
Energy and Resources

- **Victorian Renewable Energy Target (VRET)** – the Department of Primary Industries is the lead department for the development and implementation of VRET, which requires 10 per cent of Victoria’s energy to come from renewable sources by 2016. In 2006-07, the department facilitated the establishment of the Victorian Renewable Energy Target (VRET) scheme, which commenced operation out of the Essential Services Commission (ESC) in January 2007;

- **Rediscovering Victoria** – The state has recorded its highest level of minerals exploration in more than 25 years. In April 2007 the Victorian Government announced *Rediscover Victoria*, a four year, $5 million initiative to accelerate the development of a 3D geological map of Victoria covering key commodities including coal, nickel, copper, gold, oil and gas, and support an industry and government partnership to drill under explored areas of the state;

- **granting of the Monash Energy mining license** allowing Monash to further invest in their estimated $5 billion project to convert the Latrobe Valley's coal into diesel;

- **release of the NETS (National Emissions Trading Scheme) discussion paper** and the positive response it received, including the Commonwealth incorporating many of the features of NETS into its scheme;

- **Energy Technology Innovation Strategy (ETIS)** – the Department of Primary Industries provided significant support and advice in the development of clean coal technologies in 2006-07. Under the Energy Technology Innovation Strategy (ETIS), the department funded grants for projects to develop clean coal technologies and released a report identifying potential sites across Victoria for the storage of greenhouse gases;

- after international tender two brown coal demonstration projects were announced on 12 March 2007:
  - Hazelwood 2030 Project ($369 million project);
  - HRL Integrated Drying Gasification Combined Cycle ($750 million project);

- a project in the renewable sector was announced on 25 October 2006:
  - Solar Systems 154 Mw Solar Concentrator Demonstration Project ($420 million project).

For these 3 projects there was very close cooperation with the Commonwealth and the $130 million of Victorian investment leveraged a total investment of $1.46 billion.

Agriculture

- **battling bushfires** – More than 780 Department of Primary Industries staff supported the Department of Sustainability and Environment with fire fighting efforts, an unprecedented response by the Department of Primary Industries. The department then led the state government’s $3 million Bushfire Recovery Program, including pest animal and plant control, soil conservation and fisheries protection;

- **responding to drought** – As the lead department for drought response, the Department of Primary Industries developed and delivered policy and on-ground initiatives to help rural families and communities as part of the Victorian Government’s $170 million drought assistance package. The department supported national exceptional circumstances (EC) drought assistance and the Victorian Premier’s Drought Taskforce; led the development of the Victorian drought policy framework; helped more than 12,000 farmers access drought support and information; and developed a DVD for farming families in the grip of drought,
fire and flood. As a show of support for our rural communities, the department led the organisation of the biggest free outdoor concert ever staged in western Victoria, *Spirit of the Bush*, in March 2007;

- **strengthening bioscience research** – the Department of Primary Industries is leading the planning, design and construction of a Biosciences Research Centre, announced in the state budget in May 2007. The investment in the new centre will strengthen the state’s position as a global leader in bioscience technology and safeguard the $8.4 billion primary industries sector from new and existing biological threats;

- **delivering inspired science** – In 2006-07 the Department of Primary Industries researchers discovered proteins in milk that have a positive biological effect on our bodies; began pre-clinical trials on a powerful new compound in wallaby milk that may help fight infection; produced cow’s milk containing elevated levels of selenium, which provides a range of health benefits and identified DNA markers for dairy bulls that could improve the profitability of the dairy industry; sequenced genes for disease resistance in canola to help breeders produce better varieties, faster; and developed drought tolerant canola that could mean millions of extra dollars for farmers; and

- **boosting biosecurity** – the Department of Primary Industries effectively contained a significant anthrax incident in January 2007 in the Goulburn Valley and detected and managed the grape pest phylloxera at vineyards near Murchison and in the Yarra Valley in July and December 2006. The department also staged a proactive assault against Queensland fruit fly in the 2006-07 season and continued emergency response preparations for an outbreak of avian influenza in Victoria. The Department of Primary Industries, working with industry, has overseen the response to a viral disease infection in wild and aquaculture abalone in western Victoria. The department is coordinating practical research into the biology of the disease.

### 13.10 Department of Sustainability and Environment

**Response:**

The major outcomes for 2006-07 as reported on pages 4-6 of the department’s annual report are outlined below:

**Water**

- the next stage of the Victorian Government’s Our Water Our Future action plan – the Victorian Water Plan – was released in June 2007;

- the Central Region Sustainable Water Strategy was released in October 2006, after two years of development and community engagement. It is the first of the five regional strategies to be developed. The strategy includes 129 actions to respond to changing water supplies and needs;

- 30,130 rebates were provided to Victorians in 2006–07, under the Water Smart Gardens and Homes Rebate Scheme for water efficient, water saving and water recycling systems and products; and

- the Victorian Water Register was launched as a key enabler of an efficient water market. Information about the various water entitlements is centrally maintained in a single statewide web based register which has been made publicly available. The Victorian

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288 Department of Sustainability and Environment, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 28 November 2007, pp.19–20
Registrar of Titles has been appointed as the Water Registrar with the legal responsibility for the system and for ensuring accuracy, reliability and accessibility of records.

Environment

- **drought management** – In September 2006 the Drought Taskforce, led by the Premier, was created to actively work with communities to identify and respond to priority areas, consult with community leaders and ensure support is directed where it is needed most;

- **fire management (Great Divide Fires)** – In early December, after a series of dry electrical storms swept through the eastern highlands of the state, many of the resulting fires merged to become the Great Divide Fires. After 69 days the fire had burnt 1.048 million hectares and involved more than 20,000 people in the fire effort. Construction of a permanent network of 600 kilometres of fire breaks to protect water catchments was significantly advanced during the year with over 300 kilometres of firebreaks constructed as part of the fire suppression effort during 2006-07;

- **the Gippsland Lakes and associated ports infrastructure received significant attention and funding during the year:** the funding of a second phase of activities aimed at the reduction of nutrients entering the Gippsland Lakes; the upgrading of ports infrastructure under the $30 million, Local Ports Program; and a start made on a comprehensive sand management system to keep the port of Lakes Entrance open;

- **a revised Code of Practice for Timber Production 2007** was endorsed by the Minister for Environment in June 2007 following extensive industry and community input. The code sets the environmental standards for timber production on both public and private land and was welcomed by stakeholders as a more flexible, relevant and user friendly document; and

- **1,603 habitat hectares were purchased through the market based instrument BushTender, to support the implementation of the Native Vegetation Management Framework, aimed at protecting Victoria’s scarce remaining native vegetation.**

Climate Change

- **continued to roll-out the ‘Black balloons’ campaign** to encourage Victorians to save energy at home. The campaign developed with partner agencies, was adopted in the US by Nobel Peace Prize recipient Al Gore’s Alliance for Climate Protection as the organisation’s first advertising campaign;

- **the first study in Australia examining the potential impacts of climate change on a state’s infrastructure was released.** The study, Climate Change and Infrastructure – Planning Ahead, was a joint venture between CSIRO, Maunsell Australia, Phillips Fox and the Victorian Government; and

- **in September 2006, legislation was passed to create the Victorian Renewable Energy Target (VRET) which requires Victorian energy retailers to increase their renewable energy purchase from the current 4 per cent to 10 per cent by 2016.**
13.11 Department of Treasury and Finance

Response:

Treasurer Mr J Lenders MLC and Hon. T Holding MP jointly share in the major achievements of the department in 2006-07. These achievements are:

Budget, budget update and pre election budget update

The 2007-08 state budget, the pre-election budget update and the budget update were prepared within the agreed timeframe. The successful completion of these satisfies the performance measure in the Financial Reporting output estimates reporting – budget, budget update and pre-election budget update.

Payroll tax harmonisation

The Department of Treasury and Finance has been instrumental in harmonising the payroll tax legislation with NSW. This proceeded smoothly, with the same information available on both the NSW and Victorian SRO websites. 32 rulings were rewritten and legislation was passed by the Lower House on 6 June 2007. Payroll Tax harmonisation is anticipated to cut red tape by reducing payroll tax paperwork for around 8,000 businesses.

This reform is in line with Budget Paper No.2, 2006-07 Strategy and Outlook (page 113), towards reducing regulatory burden for business.

Statewide risk management

The Victorian Government Risk Management Framework was prepared to bring together information on governance policies, accountabilities and roles and responsibilities for all those involved in risk management. It was developed to support good practice in public sector risk management and provide for a minimum common risk management standard for public sector entities.

Implement taxation changes, including first home owners bonus, stamp duty, and bringing forward the reduction in the rate of payroll tax.

Taxation changes following the November 2006 election were implemented within a very short timeframe. Royal assent was received on 27 December 2006 and the SRO website was updated on the same day. This timely response to election initiatives meant that home buyers and businesses were able to benefit from stamp duty and payroll tax reductions a month after the election.

State Purchase Contracts (SPCs)

Four key state purchase contracts have been established in the areas of stationery, electricity, staffing services and probity practitioners. Additional SPCs have been established including travel carriers and travel manager, fuel and additional electricity contracts. The Travel Manager SPC will save $157,000 which equates to a 32 per cent saving against the previous contract.

289 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 13 November 2007, pp.21–22
This achievement is in line with the performance measure in the previous Procurement output Establishment or renewal of whole of government contracts.

**Keeping Victoria’s finances strong**

Victoria has retained its triple A credit rating and the budget released in May 2007 indicates that a budget surplus is forecast to continue in the coming years.

**13.11.1 Department of Treasury and Finance agencies**

**City West Water Limited**

**Response:**

- a per capita consumption water saving of around 36 per cent from 1990’s level at June 2007 (for financial year 2006-07), compared with government’s target of 30 per cent by 2020;
- annual regulatory audit confirmed compliance with the company’s statement of obligations;
- a redeveloped sewage treatment plant at Altona was commissioned in December 2006 and preparation is underway for the construction of a salt reduction plant to supply recycled water for two nearby golf courses;
- the recycled water project at Werribee Technology Precinct was commissioned in June 2007. The project will supply approx 350ML of potable water per annum;
- water management plans for the Top 104 water users have been completed; and
- our final net greenhouse gas emission negative result of -2,986.18tCO₂ exceeded our target of net zero greenhouse gas emissions.

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290 City West Water Limited, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.25
Rural Finance Corporation

Response:

Table 13.4: Review of Financial and Performance Outcomes for 2006-07 actual to budget

<table>
<thead>
<tr>
<th></th>
<th>Actual ($000)</th>
<th>Budget ($000)</th>
<th>Variance ($000)</th>
<th>Variance (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book Value</td>
<td>909,546</td>
<td>897,210</td>
<td>12,336</td>
<td>1.4</td>
</tr>
<tr>
<td>Profit before Tax &amp; CSO</td>
<td>22,159</td>
<td>18,700</td>
<td>3,459</td>
<td>18.5</td>
</tr>
<tr>
<td>Specific Provisions for Bad Debts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td>Profit per employee</td>
<td>270</td>
<td>237</td>
<td>34</td>
<td>14.2</td>
</tr>
<tr>
<td>Dividends &amp; Tax</td>
<td>12,886</td>
<td>11,453</td>
<td>1,433</td>
<td>12.5</td>
</tr>
<tr>
<td>Return on Equity Before Tax &amp; CSO (per cent)</td>
<td>10.1 per cent</td>
<td>8.6 per cent</td>
<td>-</td>
<td>17.3</td>
</tr>
<tr>
<td>Lending</td>
<td>234,000</td>
<td>245,000</td>
<td>-11,000</td>
<td>-4.5</td>
</tr>
</tbody>
</table>

Note: Figures for Rural Lending include Secondary Industry

Table 13.5: Review of Financial and Performance Outcomes Comparative Analysis of 2005-06 with 2006-07

<table>
<thead>
<tr>
<th></th>
<th>2006-07 ($000)</th>
<th>2005-06 ($000)</th>
<th>Growth ($000)</th>
<th>Growth (per cent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Book Value</td>
<td>909,546</td>
<td>783,239</td>
<td>126,307</td>
<td>16.1</td>
</tr>
<tr>
<td>Profit before Tax &amp; CSO</td>
<td>22,159</td>
<td>19,367</td>
<td>2,792</td>
<td>14.4</td>
</tr>
<tr>
<td>Specific Provisions for Bad Debts</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.0</td>
</tr>
<tr>
<td>Profit per employee</td>
<td>270</td>
<td>258</td>
<td>12</td>
<td>4.6</td>
</tr>
<tr>
<td>Dividends &amp; Tax</td>
<td>12,886</td>
<td>11,054</td>
<td>1,832</td>
<td>16.6</td>
</tr>
<tr>
<td>Return on Equity Before Tax &amp; CSO (per cent)</td>
<td>10.1 per cent</td>
<td>9.2 per cent</td>
<td>-</td>
<td>10.0</td>
</tr>
<tr>
<td>Lending</td>
<td>234,000</td>
<td>199,000</td>
<td>35,000</td>
<td>17.6</td>
</tr>
</tbody>
</table>

Sources: Source for figures: Rural Finance Annual Report 2006 and 2007
Source for budget figures: Management Accounts June 2007
Figures for lending and book value includes Rural and Secondary Industry

Rural Finance Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, pp.18–19
South East Water Limited

Response: 292

South East Water’s 2007-2010 Corporate Plan was based on the following three strategic directions:

- meeting our customer’s needs in a supply-constrained world;
- seeking efficiency while growing our business, knowledge and expertise; and
- delivering improved environmental and social outcomes as part of our triple-bottom-line performance.

Consistent with the above strategic directions, key achievements during 2006-07 included:

- providing the first residential development in Victoria with Class A recycled water at the Hunt Club Estate in Cranbourne East;
- distributed 27,000 showerheads against an accelerated target of 22,000 to help our customers use less water;
- ‘us’ – Utility Services secured projects in a competitive water industry market both interstate and in New Zealand;
- staff committed 824 hours against a target of 320 hours of service to our Volunteering Program; and
- recorded a pre-tax profit of $84.3 million, which exceeded budget, in an environment of increased focus on water conservation and the introduction of staged water restrictions.

Please refer to South East Water’s Annual Report 2006-07 for further examples of other achievements accomplished during the financial year.

State Electricity Commission of Victoria

Response: 293

The most significant and key operation within SECV lies in the management and valuation of its future Smelter Contracts. The SECV undertook significant risk management activities during the year to reduce financial risk and mitigate exposure of the Smelter and associated contracts.

During the year ended 30 June 2007 the aluminium market price continued to rise. The SECV benefited financially from the rise in aluminium price and represented almost the entire $29.3 million favourable operating surplus variance during the year.

As aluminium spot price continued to rise, aluminium forward market prices also rose significantly. The SECV uses aluminium forward market data in the valuation of the future cash flows of the Smelter Contracts. Financial modelling using the market data contributed to a major decline in the future liability of the Smelter Contracts.

292 South East Water Limited, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.26–27
293 State Electricity Commission of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 29 January 2008, p.8
Only several years prior at 30 June 2005 the same contracts were valued at in excess of a $1 billion NPV liability. At 30 June 2007 the valuation was $262 million NPV liability. The Corporate Plan 2006 (prepared pre 30 June 2006) budgeted outcome of the Smelter Contracts liability at 30 June 2007 was $490 million liability, a favourable outcome of $228 million.

**Transport Accident Commission**

**Response:**

Against a backdrop of significant change for the TAC, the organisation continued its history of strong business performance in 2006-07. Our five key outcomes for 2006-07 were:

- maintaining a record high client service score (1);
- achievement of above target scheme viability (financial) results (2)
- setting foundations for future efficiency and effectiveness gains through formal collaboration with WorkSafe in the areas of Health (3) and Information Technology (4); and
- strengthening of ties with the Geelong community as we move forward with our Geelong relocation plans (5).

1. **Maintaining high client service delivery results**

   The TAC’s core responsibility is to provide the highest standards of service and support to those Victorians whose lives have been affected by road trauma. During 2006-07 our client satisfaction feedback score result was maintained at a record level of 7.4.

   The TAC implemented a range of service delivery initiatives during 2006-07 which supported the achievement of this result. Two major initiatives included:

   - a new service delivery model focused on a life of claim approach to claims management, tailoring client support and communication to their goals as they progress through the various phases of recovery; and
   - establishment of a ‘Client Zone’ approach to bring the clients perspective of service delivery to life for TAC employees.

2. **Achievement of above target scheme viability (financial) results**

   Scheme viability is about making sure the TAC has the necessary resources to provide support for Victorians now and well into the future.

   The TAC recorded an after tax operating profit for 2006-07 of $691 million, up from $604 million in 2005-06. An actuarial release (write-downs in projected liabilities) of $118 million was achieved in 2006-07, 39 per cent above the target of $85 million. At 115.3 per cent, the TAC’s funding ratio for 2006-07 was above the governments target funding range of 110 per cent.

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294 Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 29 February 2008, pp.22–23
3. **Collaboration with WorkSafe Victoria: Health**

The TAC works with the health and disability sectors to improve client outcomes. Work underway in 2006-07 provided a solid basis for the formal introduction of a shared Health Services Group for both TAC and WorkSafe Victoria in October 2007. A coordinated TAC and WorkSafe health strategy will enhance clinical practice, client outcomes and claims decision making, ensuring a common approach to the health market and stronger provider partnerships.

4. **Collaboration with WorkSafe Victoria: Information Technology**

The establishment of Information Technology Shared Services, a joint TAC and WorkSafe entity that will provide a common approach towards information technology. The TAC and WorkSafe Victoria have similar claims management requirements as well as a commitment to the prudent management of resources. This initiative helps to ensure the prudent management of both organisations resources and enhanced operational efficiencies.

5. **Strengthening ties with the Geelong community**

The TAC will relocate its operations to Geelong in January 2009. The TAC has taken initiative to establish itself in the Geelong community, ahead of its relocation. An information centre was opened in 2006-07, and the establishment of a Geelong office (operational in October 2007), which now has over 85 TAC employees working from Geelong. Construction commenced in February 2007 on the TAC headquarters in Brougham Street and remains on track for the TAC relocation.

**Treasury Corporation of Victoria**

**Response:**

TCV reported to the Department of Treasury and Finance on five outcomes in 2005–2006 and six outcomes in 2006–2007. The outcomes are in the form of KPIs in a balanced scorecard format. The KPIs are agreed with department through the corporate planning process and reported to the department quarterly. The outcomes are set out below:

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295 Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, pp.19–35
Table 13.6: Performance against corporate plan – year ended 30 June 2006

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance against Financial Institution Value Added (FIVA) measure</td>
<td>FIVA is calculated by subtracting TCV’s cost of capital from net revenue. For the purposes of calculating the cost of capital, TCV’s capital base is split into two components. Economic capital is determined and set each year on the basis of budgeted business activities for the year by estimating the financial risks associated with them, and attracts a charge based on the application of the capital asset pricing model. For TCV the beta coefficient has been deemed to be equal to 0.4, the market risk premium 6.0 per cent and the risk free rate equal to the 5 year government bond rate. Specifically: Cost of Economic Capital = 5 Year Govt Bond Rate + 0.4 * 6.0 per cent. The second component is the capital in excess to the economic capital. The excess capital is calculated by subtracting economic capital from TCV’s total actual capital. This is then charged at a rate equal to the prevailing RBA Cash rate. The summation of these two charges form TCV cost of capital.</td>
<td>&gt; $0</td>
<td>For the 12 months to 30 June 2006, TCV produced a FIVA of $5.2 million, which compares to a FIVA of $8.6 million for the 12 months to 30 June 2005.</td>
</tr>
<tr>
<td>Breaches of Value-at-Risk (VaR) limit</td>
<td>Value at Risk is defined as the expected loss on a series of positions resulting of an adverse movement in financial instrument prices with a specified probability over a nominated period of time under normal market conditions. For TCV the VAR is the maximum 1 day loss that can be expected no more than 1 in 100 trading days. That is, the loss on the core portfolios can be expected to exceed the VAR only 1 out of every 100 trading days under normal market conditions. The limit of TCV’s VAR was set at a level of $1.8 million as at 30 June.</td>
<td>0 breaches</td>
<td>There have been no breaches of the Core portfolio VaR. At the April 2005 Board meeting the Directors approved an increase in the organisations value at risk limit from $1.8 m to $2.1 m pending implementation of credit curves. This change did not come into effect till 1 July 2006.</td>
</tr>
</tbody>
</table>
Table 13.6: Performance against corporate plan – year ended 20 June 2006 (continued)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCV spread to semi-government peers</td>
<td>The spread to swap of the TCV yield curve compared with a theoretical spread to swap for TCV's peer AAA rated semi-government authorities (NSW and QTC, equally weighted)</td>
<td>TCV yield curve to trade at or below the theoretical semi government yield curve benchmark</td>
<td>On average the TCV yield curve closed the year trading at 23.8bps below swap, compared with the March quarter average of 21.8bps. Relative to its peers, TCV's spread to swap has improved from 0.84bps under to 1.28bps under. This improvement in spread is most likely in response to the recent announcements of the funding requirements of both NSW And QTC. NSW in particular have announced a funding program for the 2006-07 year of $7.4 billion, while QTC's funding program is $5.7 billion compared with TCV's $2.3 billion. The per period change is demonstrated in the following chart:</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>The percentage of clients who are highly satisfied by the service provided by TCV</td>
<td>Awaiting Client Survey</td>
<td>Reporting against this measure awaits a formal client survey. This is scheduled for Q1 2006-07 and hence will not be reported against in the current financial year. Informal surveys, taken through interaction with major clients at a variety of levels across the organisation suggest a high degree of satisfaction has been achieved for the year.</td>
</tr>
<tr>
<td>Human Capital Readiness Index</td>
<td>The percentage of existing skills relative to identified skill requirements.</td>
<td>To improve or equal previous quarters rating, set for the first time this quarter at 75 per cent</td>
<td>The Human Capability Index assesses the current and back up status of staff capabilities available to deliver TCV's strategic internal business processes. The indicator measures the percentage of processes in which current and back up capabilities are rated satisfactory to excellent. Processes rated ‘risky’ and ‘poor’ are the subject of specific risk mitigation strategies.</td>
</tr>
</tbody>
</table>
### Table 13.7: Performance against corporate plan – year ended 30 June 2007

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Performance against Financial Institution Value Added (FIVA) measure</strong></td>
<td>FIVA is calculated by subtracting TCV’s cost of capital from net revenue. For the purposes of calculating the cost of capital, TCV’s capital base is split into two components. Economic capital is determined and set each year on the basis of budgeted business activities for the year by estimating the financial risks associated with them, and attracts a charge based on the application of the capital asset pricing model. For TCV the beta coefficient has been deemed to be equal to 0.4, the market risk premium 6.0 per cent and the risk free rate equal to the 5 year government bond rate. Specifically: Cost of Economic Capital = 5 Year Govt Bond Rate + 0.4 * 6.0 per cent The second component is the capital in excess to the economic capital. The excess capital is calculated by subtracting economic capital from TCV’s total actual capital. This is then charged at a rate equal to the prevailing RBA Cash rate. The summation of these two charges form TCV’s cost of capital.</td>
<td>&gt; Corporate Plan target of $4,663,000 per annum</td>
<td>For the year ended 30 June 2007, TCV produced a FIVA of $11.541m, exceeding the annual budget of $4.663m. This result includes $5.4 million day-one profit earned on the inflation linked swap transactions with ABN Amro and Citigroup. Excluding this amount, TCV earned a FIVA of $6.14 million which still exceeded the annual budget. As shown in the fluctuation of the chart above, the $5.4 million one day profit, earned in November 2006, was transferred to suspense in December 2006. Following resolution of the appropriate accounting treatment, the amount was transferred from suspense to treasury operations revenue in May 2007. For the 3 months to 30 June 2007, TCV produced a FIVA of $8.5 million ($3.1 million excluding the $5.4 million referred to above). This compares to a FIVA of $1.1 million for the 3 months to 31 March 2007.</td>
</tr>
<tr>
<td><strong>Breaches of Value-at-Risk (VaR) limit</strong></td>
<td>Value at Risk is defined as the expected loss on a series of positions resulting of an adverse movement in financial instrument prices with a specified probability over a nominated period of time under normal market conditions. For TCV the VAR is the maximum 1 day loss that can be expected no more than 1 in 100 trading days. That is, the loss on the core portfolios can be expected to exceed the VAR only 1 out of every 100 trading days under normal market conditions. The limit of TCV’s VAR was set at a level of $2.1 million as at 30 September 06.</td>
<td>0 breaches</td>
<td>There have been no breaches of the VaR limits.</td>
</tr>
</tbody>
</table>
Table 13.7: Performance against corporate plan – year end June 2007 (continued)

<table>
<thead>
<tr>
<th>Measure</th>
<th>Definition</th>
<th>Target</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>TCV spread to semi-government peers</td>
<td>The spread to swap of the TCV yield curve compared with a theoretical spread to swap for TCV’s peer AAA rated semi-government authorities (NSW and QTC, equally weighted).</td>
<td>TCV yield curve to trade at or below the theoretical semi government yield curve benchmark.</td>
<td>On average the TCV yield curve traded 20.5 basis points below swap, compared with the 30 March 2007 average of 21.2 basis points below swap. Relative to our peers TCV’s spread to swap was relatively unchanged at 0.80 basis points versus 1.08 basis points under swap. This movement is inline with normal market volatility and does not represent a change in TCV’s relative value pricing compared with our peers. The majority of the maturities moved within normal market volatility, although at the ten year maturity, TCV underperformed by 1.5 basis points. This was predominately due to an improvement in the NSW versus TCV spread at this maturity date. The per period change is demonstrated in the following chart:</td>
</tr>
<tr>
<td>Client satisfaction</td>
<td>The percentage of clients who are highly satisfied by the service provided by TCV.</td>
<td>Improvement on Dec 06 survey result of 81 per cent.</td>
<td>No data was collected for the June 07 quarter. Data is collected every two years with the last update in December 06. The independent survey result of 81 per cent recorded in December 06 has been adopted as the benchmark, with the progressive performance target being an improvement on the previous period. The last survey on client satisfaction and its underlying drivers was conducted in August 2006 with a total of 42 people interviewed from 33 organisations. It consisted of a mix of hour-long, face-to-face in-depth interviews and shorter telephone interviews (for regional clients).</td>
</tr>
<tr>
<td>Human Capital Readiness Index</td>
<td>The Human capability Index assesses the current and back up status of staff capabilities available to deliver TCV’s strategic internal business processes. The indicator measures the percentage of processes in which current and back up capabilities are rated satisfactory to excellent. Specific risk mitigation strategies are required for measures rated risky, poor or very poor.</td>
<td>To improve or equal previous ½ yearly rating, measured in September and March. March 07 result 79 per cent.</td>
<td>The overall index, measured half yearly, improved to 79 per cent in March 07 from 71 per cent in September 06. The improvement was driven by -Return to work of a senior TCS resource -Administration division improvements in cross training and procedural documentation -Improved back up strength in corporate plan delivery. The vacant economist position is represented as a shift in 2 measures from risky to very poor. This role has now been filled.</td>
</tr>
<tr>
<td>Project and Structured Finance</td>
<td>To obtain a financing advisory role in all Partnership Victoria projects. The projects under consideration are those where an EOI is due for imminent release and those tendered projects that have not yet reached financial close.</td>
<td>100 per cent success rate.</td>
<td>Commercial Division currently has 3 projects being reviewed or delivered under Partnership Victoria policy: •Royal Children’s Hospital •Barwon Water Bio Solids •Melbourne Markets relocation Of these, TCV has obtained an advisory role in 2, or a success rate of 66 per cent The Melbourne Markets relocation will shortly go to EOI, and TCV remains confident of negotiating a role for this project. This list is unchanged from the March 07 Quarter.</td>
</tr>
</tbody>
</table>
Main five outcomes achieved for 2006-07

1. Strong double digit absolute investment returns for 2006-07 has meant VFMC’s investment performance over the past 5 year period is such that client rolling target returns over inflation are being comfortably met. Funding ratios are very strong and the unfunded component of ESS Super has reduced significantly.

However, performance relative to benchmark has been weak over one year and flat over 5 years, reflecting the effect of the low tracking error approach adopted in the past.

The investment team is taking appropriate steps to improve the relative investment outcomes in future.

2. Progress made in hiring the following senior staff during 2006-07 has been a major highlight.

(i) Leo de Bever joined the Corporation in October 2006 in the joint role of Chief Investment Officer and Head of Investment Strategy. Leo was previously the Chief Strategist at Ontario Teachers Pension Plan, a C$100 billion innovative institutional investor;

(ii) Brett Davidson was appointed Chief Operating Officer of VFMC in September 2006. Prior to this, Brett spent 19 years at Merrill Lynch; and

(iii) Kerrie Howard was appointed Head of Legal and Compliance of VFMC in April 2007. Prior to this, Kerrie spent 14 years at BlackRock Investment Management (Australia) Limited (previously Merrill Lynch Investment Managers).

3. VFMC formally took on strategic asset allocation responsibilities with effect from 1 July 2006.

Watson Wyatt was appointed as VFMC’s asset consultant to perform the asset and liability modeling work required with each client to review current investment strategies in light of the underlying liabilities.

Asset classes were grouped into three main categories, namely short-term (for example, nominal bonds and absolute return), inflation sensitive (for example, CPI bonds, infrastructure and property) and long tail (for example, listed and private equities).

The modeling analysis found that the current investment strategies are largely appropriate but could benefit from further diversification where practical to implement. In particular, an increase in inflation sensitive assets would better match underlying liabilities and a reduction in Australian equities in favour of international assets would reduce portfolio volatility.

4. VFMC has commenced building in-house management capabilities with a target completion date of 30 June 2008.

Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.18–19
In-house management requires adding depth to the investment, operations and legal & compliance teams as appropriate, and the installation of portfolio management and risk measurement systems.

In relation to investment systems, VFMC licensed the Simcorp Dimension portfolio Management platform at the end of June 2007.

5. In June 2007, VFMC located to its new premises in 101 Collins St. This open plan and dynamic space supports VFMC’s new culture, business model, and technology platforms.

**Victorian Managed Insurance Authority**

**Response:**

The five key outcomes achieved for 2006-07 are summarised in the following table:

<table>
<thead>
<tr>
<th>Outcomes</th>
<th>Summary of Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Management</td>
<td>Funded 23 risk management projects across a range of topics to the value of $1.1 million. (a) Introduced the Risk Management Quality Review (RMQR) and conducted a review across 203 public sector entities. Commenced development of risk management (insurable and non-insurable) services to the public sector. Improved client risk management capability through a range of risk management training programs. Improved risk issue awareness through a range of VMIA publications.</td>
</tr>
<tr>
<td>Claims / Insurance</td>
<td>Achieved an average 17 per cent premium reduction for clients. Facilitated an additional $5 billion insurance coverage across state regional rail infrastructure.</td>
</tr>
<tr>
<td>Financial</td>
<td>Achieved $40.2 million favourable performance from insurance operations. Achieved a $113.6 million operating surplus. Achieved 134 per cent solvency. Achieved 13.7 per cent return on investment and 44 per cent return on equity. Achieved $132 million estimated savings to government over the next four years.</td>
</tr>
<tr>
<td>People</td>
<td>Restructured the organisation to deliver on ERC recommendations. Transformed to a client centric business model. Net staff increase of 18 to build internal capability. Established a benchmark for staff satisfaction.</td>
</tr>
<tr>
<td>Clients</td>
<td>Achieved a 15 per cent increase in client satisfaction in risk management services and products. Developed and implemented a segmented team structure to improve client service. Established a benchmark for client engagement.</td>
</tr>
</tbody>
</table>

*Note: (a) co-funding projects have been reported in two ways for this report. In the KPI Report the amount of funding spent and accrued for the 2006-2007 financial year was used as the KPI measure to assess success. In the annual report, and in question 8.6 of this response the amount of total funding for each project approved in 2006-2007 was reported, although a proportion of this approved funding will not be incurred till subsequent financial periods.*

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297 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.23–27
Please quantify achievements wherever possible against planned outcomes/targets, particularly as outlined in the 2006-07 Budget Papers if applicable. The five key outcomes above were supported by the following 34 KPIs which were used in 2006-07 to track and measure performance.

<table>
<thead>
<tr>
<th>No.</th>
<th>Objective</th>
<th>KPI</th>
<th>Target</th>
<th>Revised</th>
<th>Status at 30 June 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Risk Management</td>
<td>Risk Indicators for major clients established to demonstrate reduction</td>
<td>31.10.07</td>
<td>30.06.08</td>
<td>Clients were requested to provide risk indicators via RFQR process. Meaningful indicators not provided. Major project required in 2007-08.</td>
</tr>
<tr>
<td>2</td>
<td>Major Clients report top 5 risks and mitigating activity</td>
<td>31.10.07</td>
<td></td>
<td></td>
<td>In 2006 RFQR report (published 2007) that has been provided to the Minister.</td>
</tr>
<tr>
<td>3</td>
<td>Benchmark Major Clients top 5 risks by sector</td>
<td>31.10.07</td>
<td></td>
<td></td>
<td>Based on 2006 RFQR (published 2007).</td>
</tr>
<tr>
<td>4</td>
<td>Review Risk Management for 18 PNFCs</td>
<td>31.10.07</td>
<td></td>
<td></td>
<td>Agreed with DTF that 14 PNFCs that are not VMIA's clients would be reviewed. Work has been completed and outcomes have been reported to the Minister in May 2007.</td>
</tr>
<tr>
<td>5</td>
<td>Form Risk Advisory Panel</td>
<td>31.01.07</td>
<td>30.06.07</td>
<td></td>
<td>List of current providers along with details of services and costs will be consolidated to be communicated to clients by 30 September 2007.</td>
</tr>
<tr>
<td>6</td>
<td>Develop a comprehensive Risk Management Framework in 2 agencies</td>
<td>30.06.07</td>
<td>30.06.08</td>
<td></td>
<td>Due to the need to feed in the outcomes from the statewide risk management framework review and the extended RFQR process, increased client consultation and development of a comprehensive risk management framework, this work will be rescoped, expanded and undertaken in 2007-08.</td>
</tr>
<tr>
<td>7</td>
<td>Advice</td>
<td>Annual Risk Management Report</td>
<td>31.12.06</td>
<td>9.03.07</td>
<td>DTF briefed and report provided to Minister</td>
</tr>
<tr>
<td>8</td>
<td>Provide to Board the communication program to raise the VMIA profile in risk and insurance</td>
<td>30.11.06</td>
<td>30.06.07</td>
<td></td>
<td>Working papers provided to Board in 02-07. Now road testing the stakeholder engagement plan with Directors, Management and the Client Relationship Managers.</td>
</tr>
<tr>
<td>9</td>
<td>Agree measures to assess primary Insurance &amp; Risk advisor to DTF &amp; Minister</td>
<td>28.02.07</td>
<td>30.06.07</td>
<td></td>
<td>Discussed and agreed with DTF. 2006-07 KPIs will be used to assess performance.</td>
</tr>
<tr>
<td>10</td>
<td>Assess primary insurance and risk advisor standing</td>
<td>30.06.07</td>
<td></td>
<td></td>
<td>Measures sent to DTF (subject to KPI 9). Status of the 2006-07 KPIs to be reported to the Minister in August 2007.</td>
</tr>
<tr>
<td>No.</td>
<td>Objective</td>
<td>KPI</td>
<td>Target</td>
<td>Revised</td>
<td>Status at 30 June 2007</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------------</td>
<td>---------------------------------------------------------------------</td>
<td>-------------------------------</td>
<td>------------------</td>
<td>-----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>11</td>
<td>Client Satisfaction Survey (risk rating from 6.5 to 7 and insurance rating from 7.6 to 8)</td>
<td>70 per cent, 80 per cent</td>
<td></td>
<td>Results may reduce in the short-term due to the change program. Insurance retained at 7.6, Risk Management increased to 7.5.</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Develop Stakeholder Management Plan (government &amp; clients)</td>
<td>30.11.06</td>
<td>30.06.07</td>
<td>Components developed – work in progress.</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Implement Stakeholder Management Plan</td>
<td>30.06.07</td>
<td></td>
<td>Components implemented as part of the change management process.</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td><strong>Product and services</strong></td>
<td>Implement departmental below deductible Incident Reporting System and report on 6 monthly trends</td>
<td>01.07.06</td>
<td>System in place. DTF is negotiating population.</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Client Satisfaction Survey</td>
<td>70 per cent, 80 per cent</td>
<td></td>
<td>Insurance maintained at 7.6, Risk management increased from 6.5 to 7.5</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>3 x Pro-active Value Adding initiatives</td>
<td>30.06.07</td>
<td></td>
<td>FINA, Alfred, RANZCOG</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Approve co-funded Risk Management Projects as per budget</td>
<td>30.06.07</td>
<td></td>
<td>General government budget $500,000 cf to $125,000 expensed (and further $283,000 accrued). Public Healthcare $500,000 in budget cf to $410,000 expensed (and $411,000 accrued). Achieved overall.</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Risk Framework Quality Review results – build additional risk management products and services</td>
<td>31.01.07</td>
<td>30.06.07</td>
<td>Additional products and services identified – top 3 priorities are (i) Risk Register Tool (ii) Aligning Internal Audit and Risk Management and (iii) Development and enhancement of risk reporting for management, board and audit Committee.</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td><strong>Prudent business management</strong></td>
<td>Financial Reserves meet Targets</td>
<td>$55 million plus 115 per cent</td>
<td>$55 million plus 134 per cent capital funding</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>2006-07 Operating Expenses within Budget</td>
<td>$19.9 million</td>
<td></td>
<td>Achieved Target</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Investment Returns meet Target</td>
<td>CPI + 4 per cent</td>
<td></td>
<td>VFMC accountability</td>
<td></td>
</tr>
<tr>
<td>No.</td>
<td>Objective</td>
<td>KPI</td>
<td>Target</td>
<td>Revised</td>
<td>Status at 30 June 2007</td>
</tr>
<tr>
<td>-----</td>
<td>---------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td>-----------------------</td>
<td>-----------</td>
<td>----------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>22</td>
<td>Investment Management in Compliance with government requirements</td>
<td>Prudential statement</td>
<td></td>
<td></td>
<td>VMIA and VFMC accountability</td>
</tr>
<tr>
<td>23</td>
<td>Internal and External Audit</td>
<td>No High Items</td>
<td></td>
<td></td>
<td>Nil High Items</td>
</tr>
<tr>
<td>24</td>
<td>General Insurance Portfolio &amp; Medical Indemnity Premium</td>
<td>&lt;= 95 per cent LR</td>
<td>30.06.07</td>
<td></td>
<td>Within target</td>
</tr>
<tr>
<td>25</td>
<td>Claims management practices conform with the Claims Procedure Manual as</td>
<td>30.06.07 Claims performing to the claims manual. The expectation is</td>
<td></td>
<td></td>
<td>Review completed by contractor Barry Ellis in September 2006. Practices are not</td>
</tr>
<tr>
<td></td>
<td>tested by Internal Audit</td>
<td></td>
<td></td>
<td></td>
<td>optimal although improvement opportunities identified.</td>
</tr>
<tr>
<td>26</td>
<td>Legal and loss adjusting expenses are contained to optimum levels as</td>
<td>30.06.07 Review completed by contractor Barry Ellis in September</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>demonstrated through an independent review.</td>
<td>2006. Practices are not optimal although improvement opportunities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>identified with clear and robust reporting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Determine strategy for the Reinsurance Program and place</td>
<td>31.03.07 Reinsurance strategy confirmed and placed.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>People capability</td>
<td>Implement new Organisational Structure</td>
<td>30.06.07</td>
<td></td>
<td>Completed</td>
</tr>
<tr>
<td>29</td>
<td>Recruit New Positions</td>
<td>30.06.07 Completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Performance Management Program</td>
<td>100 per cent Completed</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Improved result for ‘clarity of direction’ in the 2007 Staff Climate</td>
<td>&gt; 80 per cent</td>
<td>30.06.07 Result was 64 per cent. Executive group was 86 per cent.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Survey (from 67 to over 80)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Leadership Program in Place</td>
<td>31.12.06 30.06.07 Program framework and front-line management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>program in place.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Communications Strategy Implemented</td>
<td>31.12.06 30.06.07 Components implemented as part of the change</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>management process.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Change management program</td>
<td>New client centric model implemented</td>
<td>30.06.07 100 per cent</td>
<td></td>
<td>of clients have been transferred to the responsible team under the new client service</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>model.</td>
</tr>
</tbody>
</table>
Victorian WorkCover Authority

Response:

In 2005-06 and 2006-07 the VWA delivered improved benefits to injured workers, reduced the operating costs for businesses, and increased workplace safety for workers in Victoria.

1. A significant decline in injury rates

Claims per 1000 employees dropped to a historic low – from 13.7 in 2002 to 12.19 in 2005-06 to 11.32 (target 11.13) in 2006-07. The rate of severe injuries also declined from 7.65 per 10,000 workers to 7.22 (target 7.34); and

The number of workers that submitted a claim for workers compensation dropped from 30,327 in 2005-06 to 28,856 in 2006-07.

2. Strong financial results

Performance from Insurance Operations (PFIO) was $475.8 million in 2005-06 and $728.5 million in 2006-07. In 2006-07, this enabled VWA to deliver the fourth successive 10 per cent cut in the average premium rate to the Victorian community.

<table>
<thead>
<tr>
<th>Year</th>
<th>Target ($ million)</th>
<th>Achieved ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005-06</td>
<td>405</td>
<td>475.8</td>
</tr>
<tr>
<td>2006-07</td>
<td>465</td>
<td>728.5</td>
</tr>
</tbody>
</table>

The strong financial performance of the scheme provided VWA with a platform to reduce average premium rates and enhance benefits for injured workers. It also assists to ensure the long-term viability of the scheme.

3. A consolidation and improvement in client satisfaction

Employer and worker satisfaction in relation to our OHS activities improved in 2006-07 with 89 per cent of employee health and safety representatives and 91 per cent of employers, reporting that they were satisfied or very satisfied with their interaction with VWA inspectors.

In 2005-06 significant improvements were recorded in the satisfaction of injured workers with services provided by Agents increasing from 60.5 per cent to 68.8 per cent. The 2005-06 results were consolidated in 2006-07 with a satisfaction rate of 68.7 per cent (target 72.1 per cent) achieved.

Employer satisfaction with services provided by Agents was maintained over the period at 83.5 per cent in 2005-06 and 82.3 per cent (target 83.5 per cent) in 2006-07.

During this same period a quick and informal means of reviewing decisions made by our safety inspectors was implemented. In 2005-06 460 requests were received and 100 per cent finalised in 14 days. In 2006-07, 686 requests were received and 100 per cent finalised in the statutory times.

Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.26–27
4. A reduction in the regulatory burden placed on the community

In 2005-06 and 2006-07 we sought to reduce red tape to Victorian employers by consolidating the OHS regulations from 13 pieces of law into one. This reduced the administrative burden on Victorian employers (see question 2).

The figures provided above demonstrate the sustained improvement in the underlying strength of our operational performance and continued progress in managing claims liabilities to safeguard the long-term health of the scheme.

5. Continued support of workplace safety and return to work initiatives within the Victorian community

In 2005-06 and 2006-07 we continued to provide direct support (grants) to Victorian industry – unions and employers to improve workplace safety and fund return to work initiatives (Section D).

Yarra Valley Water Limited

Response:

Five key achievements for 2006-07

<table>
<thead>
<tr>
<th>Corporate Plan Target</th>
<th>Achievement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td></td>
</tr>
<tr>
<td>1 Our goal for customer satisfaction is to achieve a 'very good' or 'excellent' score amongst 60 per cent of our customers as measured by Yarra Valley Water's Customer Satisfaction Monitor.</td>
<td>Recorded our highest ever customer satisfaction rate, with 59.5 per cent of customers rating the company as 'excellent' or 'very good', and 91 per cent of customers rating the company as 'excellent', 'very good' or 'good' in service delivery, despite the introduction of the most stringent water restrictions seen in Melbourne since the 1970s.</td>
</tr>
<tr>
<td>Environment</td>
<td></td>
</tr>
<tr>
<td>2 We have set a target to reduce average water consumption to below 306 litres per person per day by 2010, which is 80 per cent of our 1990s average total.</td>
<td>Achieved a 26 per cent reduction in water consumption per person since the 1990s through effective water conservation campaigns and initiatives. Consumption is 282 litres per person per day.</td>
</tr>
<tr>
<td>3 Reduce greenhouse gas emissions to below 10,500 tonnes e-CO2 by 2008, which is 50 per cent of our 1990s average total.</td>
<td>Achieved 50 per cent reductions in greenhouse gas emissions over the last three years</td>
</tr>
<tr>
<td>Culture</td>
<td></td>
</tr>
<tr>
<td>4 Continue to measure employee satisfaction and analyse the results to develop improvement plans across the organisation.</td>
<td>Maintained a high employee satisfaction score during a time of unprecedented change. Yarra Valley Water achieved best practice in 15 out of 28 categories in the 2007 Employee Opinion Survey. We also scored above the median in all but one of the categories</td>
</tr>
<tr>
<td>Efficiency</td>
<td></td>
</tr>
<tr>
<td>5 Outperform the 1 per cent per annum operating efficiency target set in YWW’s 2005-08 Water Plan by reducing business costs and improving business processes.</td>
<td>Outperformed the 2005-08 Water Plan operating efficiency target.</td>
</tr>
</tbody>
</table>

299 Yarra Valley Water Limited, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.14
13.12 Parliamentary departments

Response:300

The requested achievements can be found in the annual reports of the Parliamentary departments. The achievement of outcomes against target is also outlined within the department’s annual reports.

Briefly, the main outcomes for each of the Parliamentary departments included:

**All departments**
- closure of the 55th Parliament;
- opening of the 56th Parliament;
- culmination of the Parliament’s 150th Anniversary celebrations;
- first parliamentary staff delegation to visit Jiangsu Province in China; and
- relocation of offices at 35 and 157 Spring Street to new premises at 55 St Andrews Place.

**Legislative Council**
- incorporation of new Joint Standing Orders for the Council and Assembly;
- introduction of Legislative and Select Committees to the 56th Parliament;
- restructuring of the Legislative Council staff to better suit operational needs; and
- publication of the volume Rulings from the Chair 1979 – 2006.

**Legislative Assembly**
- introduction of a number of initiatives to reduce paper consumption;
- organised the inaugural conference of Australian Members of Parliament; and
- major work completed on the re-issue of the Legislative Assembly Practice Manual.

**Department of parliamentary services**
- completion of the first stage stoneworks in the Heritage Asset Management strategy;
- development of a three year IT strategy;
- expansion of the Parliamentary Intern program;
- introduction of a Corporate Wellness program to promote healthy lifestyles;
- completion of the Parliament’s Re-Member database; and
- continued training of Hansard staff on voice activated transcription software.

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300 Parliamentary departments, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part one, received 19 November 2007, pp.13–14
13.13 Victorian Auditor-General’s Office

Response:301

Against a background that 86 per cent of performance audit recommendations for improvement accountability were accepted, key actions included:

Accountability to Parliament

- 2007-08 Annual Plan tabled in Parliament on 20 June 2007;
- gold award received for the Office’s 2005-06 Annual Report;
- three year corporate plan completed; and
- Strategic Plan 2007-08 to 2009-10 developed.

Parliamentary reports and services

- 16 reports tabled in Parliament (target 16); and
- a 90 per cent overall satisfaction rating received from Members of Parliament surveyed about the office’s reports and services.

Audit reports on financial statements

- improved the timeliness of issuing audit opinions with statutory deadlines (from 96 per cent in 2005-06 to 98 per cent in 2006-07); and
- improved the timeliness of issue of management letters within targeted time frame from 70 per cent in 2005-06 to 79 per cent in 2006-07.

Managing the Office

- re-aligned Office structure, and some senior management positions;
- introduced a new corporate identity for the Office;
- upgraded and enhanced audit methodologies;
- progressively enhanced the Office’s people management framework and guidance, and the learning and development program; and
- successfully relocated to new premises, with a focus on reducing the environment impacts of Office activities.

301 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.23
Chapter 13: Portfolio outcome achievements – report card

Financial management

- net financial result for the year was a surplus of $957,836 (a slight increase against the $909,074 surplus achieved in 2005-06);
- financial audit fee income for 2006-07 was $15.7 million ($15.0 million in 2005-06); and
- upgraded the Office’s financial management and reporting software.

Further details on the Office’s achievements in 2006-07 can be found in the Office’s 2006-07 Annual Report.
CHAPTER 14: PERFORMANCE TARGETS

Key findings of the Committee:

14.1 Annual reports are the primary means by which Parliament and the public will assess a department’s performance. Although historical output performance information is published in the Budget Papers, this is seen as secondary to annual reports in terms of reporting performance. Annual reports should provide clear and comprehensive performance information with meaningful analysis to assist the reader to interpret the data.

14.2 A majority of departments provided details on performance against output measures. However, four departments failed to provide a full account of their performance in relation to all of the output performance measures identified in the 2006-07 Service Delivery Budget Paper. As a result they have not complied fully with the requirements of the Financial Management Act 1994 and the Standing Directions of the Minister for Finance.

- The Department of Education and the Department of Innovation, Industry and Regional Development did not report the total cost of delivering their outputs.

- The Department of Justice did not fully report the output measures relating to Victoria Police, the Metropolitan Fire and Emergency Service Board or the Country Fire Authority.

- The Department of Premier and Cabinet made a decision to only report their performance against a limited set of indicators to enhance the readability and accessibility of their report.

14.3 Several Departments relied on estimated or interim data for a number of the measures reported in their annual reports. The Committee is concerned that estimated or interim data may not accurately reflect the actual position and that Parliament and the public may be inadvertently misled into making wrongful assumptions about a department’s performance. The Committee would like all departments to take steps to ensure that they have appropriate and timely measures in place for all outputs.

14.4 Seven departments experienced significant variations in the cost of delivering their outputs. Only the Departments of Premier and Cabinet, Treasury and Finance and Victorian Communities arrived within $50 million of their total target output costs. A number of departments were heavily influenced in this regard by Machinery of Government changes. In general though, the major variations were due to issues such as commonwealth funding which are out with the departments’ control.

14.5 The Committee noted there was a significant number of small variations, in the region of $0-3 million which are unaccounted for. The Committee identified 88 small variations that amounted to $96 million across the ten departments.
14.6 Performance against the quantity, quality and timeliness targets set in the budget was generally good. Half of the departments met or exceeded more than 80 per cent of their targets while the other half all met or exceeded at least 72 per cent of their targets. Where targets were not met, the variations were usually small. For example, no more than 11 per cent of targets were missed by 10 per cent or more in any one department.

14.7 Across the ten departments, the actual performance in more than 20 per cent of the reported measures exceeded the target by at least 10 per cent. In some departments this figure rises dramatically to as high as 41 per cent.

14.1 Background

The government’s annual budget paper on service delivery outlines the service delivery obligations of the ten government departments. Service delivery obligations are themed into output groups and the expected cost, quantity, quality and timeliness of these output groups are detailed as performance targets for the departments.

Part 7 of the Financial Management Act 1994 (FMA) requires that the annual report of a relevant Public Sector Agency comprise a Report of Operations and Financial statements. The Standing Directions of the Minister for Finance under the Financial Management Act 1994 Section 7.2 (k.) state that in relation to the reporting requirements of Part 7 of the FMA ‘A government department must include a comparison of the output targets specified in the State Budget with actual performance against those targets’.

The Model Financial Report developed by the Department of Treasury and Finance in association with the other government departments, includes an illustration of how output performance information should be presented in annual reports.

As part of the Committee’s ongoing focus on improving accountability, this chapter of the report examines the reporting practices of each of the ten departments. Where relevant and appropriate, the Committee has sought information that was not reported in the annual reports, and further clarification of points of interest or concern arising from a review of the available data.

14.2 Human Services

(a) Performance Against Output Performance Targets

The department reported the total output cost for each of its 42 major outputs in its annual report. In general, output costs varied significantly from the target identified in the budget papers. The department spent $406 million more than it indicated in the budget papers302 and 71 per cent of output cost measures reported varied from the target by more than $1 million. On average across all departments, 75 per cent of measures varied by more than $1 million. The department provided clear and full explanations for all significant variations, many of which were out of their direct control. The Committee would like to see departments improve the accuracy of estimating processes and the level of adherence in principle to targets.

302 Budget Paper 3, 2006-07, pp.79-118
The Department of Human Services achieved or exceeded approximately 162 (72 per cent) of its 226 performance targets published in its 2006-07 annual report. It is however, worth noting that only 11 (5 per cent) of the 226 performance targets were missed by more than 10 per cent.

Actual performance varied from the identified target by more than 10 per cent on 28 (12 per cent) occasions. This would indicate that the department is setting accurate and realistic goals during the budget process and is not vastly over or underrating its potential performance.

The reliability of reporting against measures falling under the Disability Services output grouping was limited by the fact that 12 (44 per cent) of the measures were based on interim or estimated data. The Committee is concerned that if the department were to continue to rely heavily on estimated or interim performance data in its annual report, that the true performance may not be subject to a full evaluation. Therefore, the Committee believes that the department should review the Disability Services measures and reporting timeframes to reduce reliance on estimated or interim data for its annual report.

Recommendation 41: To ensure the integrity of data presented, the Department of Human Services should review the Disability Services output performance targets and associated data collection processes to minimise the need to use estimates when reporting performance.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

Table 14.1: Department of Human Services Information Sought by the Committee for Selected Outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disability Services: Primary Support</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carer households satisfied with quality of respite service provided</td>
<td>per cent</td>
<td>80</td>
<td>76(^{304})</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The result provided was an interim result based on was 236 of a possible 700 (34%) surveys returned to the reporting date. The analysis will be completed during 2007-08. The interim findings are currently being used to inform key areas of focus for 2007-08, including supporting families of young people with high and complex needs. In addition, the department will implement the government’s LFS3 commitment to a centralised respite accommodation booking system across the state. The interim analysis of the survey indicated that 65% of the respondents were satisfied with the respite they received. The main area in which respondents (42%) indicated a need for improvement was in being able to access more respite.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Child Protection and Family Services: Child Protection Specialist Services** | per cent | 15 | 0.03\(^{305}\) |
| **Explanation provided by the department**          |                 |                |               |
| The focus on re-referrals to this service was created initially to keep track of how effectively interventions provided by Take Two were impacting on presenting problems - re-referrals were seen to be a proxy of service ineffectiveness. Since its inception, the number of re-referrals to the Take Two has been very small (3 in 2005-06 and 1 in 2006-07). |

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\(^{303}\) Note: This figure does not include the Total Output Cost Measures.

\(^{304}\) Department of Human Services, *Annual Report 2006-07*, p.112

\(^{305}\) Department of Human Services, *Annual Report 2006-07*, p.121
The small number of re-referrals is due to both the long-term nature of the therapeutic interventions and its effectiveness, with the average length of engagement with clients referred by regional Child Protection teams being greater than 12 months. The re-referral target is a measure of the number of services that do not meet the needs of client and necessitate a quick return for additional services. It was recognized that some clients may present with new issues when an effective service had been delivered. The target of 15% was set as the maximum level of re-referrals acceptable for a specialist, intensive service.

### Early Years Services: Child Health Services

<table>
<thead>
<tr>
<th>Explanation provided by the department</th>
</tr>
</thead>
<tbody>
<tr>
<td>The decline was due to unanticipated staff vacancies in Eastern Metropolitan Region and an increase in the number of new students in metropolitan growth corridors in Southern Metropolitan Region. Failure to detect a health problem or parental concern may delay effective early intervention and provision of appropriate care due to reduced capacity of the service to assess a prep aged child. In 2007 this was addressed by providing a targeted referral service for children identified as having a concern/s. In areas where children missed out on a health assessment in 2006, there was provision in 2007 for individual children identified by parents and teachers with a concern/s to be referred to a primary school nurse for a health assessment. The machinery of government changes announced by the Premier on 2 August 2007 involved a shift of a number of program responsibilities for children, including those relating to the school nursing program, to the Department of Education and Early Childhood Development.</td>
</tr>
</tbody>
</table>

### Early Years Services: Kindergarten and Child Care Services

<table>
<thead>
<tr>
<th>Explanation provided by the department</th>
</tr>
</thead>
<tbody>
<tr>
<td>The kindergarten program is not compulsory. Research indicates that children from marginalised and vulnerable families and Indigenous children may be less likely to enrol in kindergarten. Current initiatives including Best Start focus on the inclusion of these groups in universal services such as kindergarten. Participation of Aboriginal children is also supported by the Koori Early Childhood Education Program. From 1 July 2007 the increase in the kindergarten fee subsidy rate to $730 per annum means that 4 year old children from low income families holding a concession card can now access effectively free kindergarten. Research has also demonstrated that the majority of the children not attending kindergarten are in fact accessing an early childhood program at a long day care centre, albeit one that does not employ an early childhood teacher and is thus ineligible for kindergarten funding. In order to increase the number of kindergarten teachers employed in long day care centres two workforce schemes have been developed which will encourage up to 200 qualified kindergarten teachers to take up employment in long day care centres over the next four years. The kindergarten participation rate is also subject to variances in estimating population. The machinery of government changes announced by the Premier on 2 August 2007 involved a shift of a number of program responsibilities for children, including those relating to kindergarten services, to the Department of Education and Early Childhood Development.</td>
</tr>
</tbody>
</table>

### Aged Care Assessment – 2006-07 Waiting Times by Region (Assessments in residential aged care and community settings)

<table>
<thead>
<tr>
<th>Explanation provided by the department</th>
</tr>
</thead>
<tbody>
<tr>
<td>The waiting times for hospital-based assessments and community based assessments reflect (1) the priority given to hospital assessments as a result of hospital demands on ACAS for fast turnaround times and (2) increased referrals for community based assessments due to the ageing population. Targets for ACAS waiting times will be reconsidered following the completion of the Commonwealth national review of the program. The National Review of the program is expected to be completed by May 2009. There are two projects underway that will inform this review: a National Review of Aged Care Assessment Teams and the National ACAT Costing Study. They will contribute to a consideration of the role and function of the program to be undertaken by Aged Care Assessment Program Officials from the Australian Government, states and Territories. Aged Care Assessment – 2006-07 Waiting Times by Region (Assessments in residential aged care and community settings)</td>
</tr>
</tbody>
</table>

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### Chapter 14: Performance targets

#### Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Average Waiting Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barwon South Western</td>
<td>32.5</td>
</tr>
<tr>
<td>Grampians</td>
<td>22.4</td>
</tr>
<tr>
<td>Loddon Mallee</td>
<td>14.4</td>
</tr>
<tr>
<td>Hume</td>
<td>24.7</td>
</tr>
<tr>
<td>Gippsland</td>
<td>43.4</td>
</tr>
<tr>
<td>North &amp; West Metropolitan</td>
<td>19.7</td>
</tr>
<tr>
<td>Eastern Metropolitan</td>
<td>20.2</td>
</tr>
<tr>
<td>Southern Metropolitan</td>
<td>25.0</td>
</tr>
<tr>
<td>State of Victoria</td>
<td>22.1</td>
</tr>
</tbody>
</table>

**Drug Services: Drug prevention and control**

<table>
<thead>
<tr>
<th>GPs trained to prescribe pharmacotherapy</th>
<th>number</th>
<th>60</th>
</tr>
</thead>
</table>

**Explanation provided by the department**

A lower number of GPs were trained in 2006-07 due to the delay in selecting a new training contractor. The shortfall will be offset during 2007-08.

The number of GPs trained to prescribe pharmacotherapy in 2006-07 was influenced by a change in contracting arrangements for training delivery. In previous years contracts had been issued for a 1 year period only. At the expiry of the 2004-05 contract, efficiencies were identified in adopting a tender process for a 3 year contract. This placed the value of the contract at a level that required a more rigorous and longer Request for Tender (RFT) process to be completed, rather than the earlier Request for Quote (RFQ) system.

Source: Department of Human Services, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.11–14

#### (b) Adequacy of the department’s Information Systems

In November 2007, the Auditor-General reported that there were inadequacies in the department’s information systems and the methods used to collect output performance data that could compromise the completeness and accuracy of that data. Data issues that needed to be addressed included:

- the use of manual data entry and paper-based systems that did not incorporate processes to check that all of the information required to be collected has been collected and that recorded information is accurate; and
- the reliability of self-assessed performance data provided by the recipients of grant funds and program participants.

According to the Auditor-General, the department was aware of the need to maintain systems that deliver complete and accurate performance data and was working towards addressing issues identified by the audit.

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309 Department of Human Services, Annual Report 2006-07, p.132
310 Victorian Auditor-General’s Report, Parliamentary Appropriations: Output Measures, November 2007, p.34
311 Victorian Auditor-General’s Report, Parliamentary Appropriations: Output Measures, November 2007, p.34
The department indicated to the Committee that it:  

... continues to work across a number of fronts to streamline and improve data collection arrangements, to ensure greater completeness, accuracy and timeliness of service performance data from services providers, and to better support output performance monitoring and reporting, planning and decision-making needs.

The department’s Information Management and Information Communications Technology (IM&ICT) Strategy, supported by a recently strengthened governance model, provides an overarching framework for the continuous improvement of DHS information management systems and methods, including those used to collect output performance data.

The IM&ICT governance body oversees a range of strategic projects and the renovation and renewal of existing service and corporate systems as appropriate. This occurs in consultation with service providers, providing for more efficient and integrated information management practices and processes. HealthSMART, Housing Integrated Information Program (HiIP), Client Services Model Strategic Project are major projects currently underway. These projects are reducing the need for service providers to produce specific reports to meet departmental accountability requirements and eliminating the need for manual data entry, verification and paper-based systems, and will provide for more complete and accurate output performance data collection in the future.

These projects and strategies have the potential to improve the reliability and accuracy of information and reporting systems. However, the lack of reported information about the milestones and targets associated with these projects and the progress made against them makes it difficult to fully comprehend the nature of the benefits and the timeframes for delivery of them. The Committee believes that the department’s accountability to the public and to Parliament would be significantly improved if it included information about the progress made against the milestones and targets associated with its IM&ICT strategy, HealthSmart, HiIP and Client Service Model Strategic Project in its annual report.

Recommendation 42: 

The Department of Human Services annual report should include details of the progress made against the milestones and targets of its major strategies and programs and should provide commentary on the success of these strategies and programs in achieving their stated objectives.

14.3 Innovation, Industry and Regional Development

(a) Total output costs

The department did not report the total output cost for any of its 15 major outputs in its annual report. While the Committee recognises that this information is also reported in subsequent budget papers, it is concerned that there is a substantial delay between publication of annual reports and budget papers. By the time the department publishes its annual report, this information should be readily available as part of the department’s audited financial statement. Given that the publication

312 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008
of total output costs is a requirement of the Standing Directions of the Minister for Finance, the Committee is disappointed that the department has not addressed this issue and believes that the department should take steps to ensure that the total output costs are included in future annual reports.

The department supplied the Committee with the output cost data that was not included in its annual report. Output costs varied significantly from the targets identified in the budget papers. The department spent $958 million less than it indicated in the budget papers313 and 87 per cent of measures reported varied from the target by more than $1 million. This is significantly higher than the average of 75 per cent of measures across all departments. The department explained that the variations are mainly a result of Machinery of Government changes, additional funding provided to the department and carryover of funds from the previous year.

The Committee recommends that:

**Recommendation 43:** The Department of Innovation, Industry and Regional Development should report the total output costs for all major outputs and provide detailed, comprehensive explanations for all variations from target in future annual reports, as required by the Standing Directions of the Minister for Finance.

**Recommendation 44:** The Department of Treasury and Finance should include in future Model Annual Reports and guidance, clear instruction to departments that they should include in their annual reports, the total costs for all major outputs and detailed, comprehensive explanations for all significant variations from target.

Table 14.2 details the budget, actual and variation for each of the 15 major outputs.

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Table 14.2: Department of Innovation, Industry and Regional Development
Total output cost details for 2006-07

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1) ($ million)</th>
<th>Column (2) ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Facilitation and Attraction</td>
<td>27.4</td>
<td>78.7</td>
<td>187.2</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance relates mainly to additional</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>funding for grants paid under the Investment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support Program $44m and the Grand Plaza</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>project at Docklands $10m.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Promotion</td>
<td>11.0</td>
<td>7.7</td>
<td>-30.0</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance relates mainly to a reduction</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>in the actual carryover of funds into</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005-06 compared with the estimated carry-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>over at the time of the budget papers and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the carryover of unspent 2006-07 funding</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>into 2007-08.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Small Business Support</td>
<td>24.3</td>
<td>21.8</td>
<td>-10.3</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance mainly relates to carryover of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>funding for Small Business initiatives into</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007-08.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service Industries</td>
<td>4.6</td>
<td>6.1</td>
<td>32.6</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance is caused by expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>against funding carried over from 2005-06</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$0.6 and reallocation of Overheads.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Innovative and High Performing Workplaces</td>
<td>13.1</td>
<td>12.4</td>
<td>-5.3</td>
</tr>
<tr>
<td>Science Technology and Innovation</td>
<td>122.7</td>
<td>131.0</td>
<td>6.8</td>
</tr>
<tr>
<td>Advanced Manufacturing</td>
<td>8.1</td>
<td>8.7</td>
<td>7.4</td>
</tr>
<tr>
<td>Creative Industries</td>
<td>21.9</td>
<td>15.9</td>
<td>-27.4</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Paper No. 3 includes, for compara-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>tive purposes, the full year budget for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07 Machinery of Government Changes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The transfer of Film Victoria was effective</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>from 1 January therefore the actual costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>reflect six months of expenditure. The</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>impact of this is $9m. $1.3m of Design</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Sector Strategy funding has also been</td>
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<tr>
<td>carried over into 2007-08. This is partly</td>
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<td></td>
</tr>
<tr>
<td>offset by higher than expected expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>by Film Victoria on externally generated</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>revenue $4.8m.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Policy</td>
<td>5.6</td>
<td>6.9</td>
<td>23.2</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance relates to expenditure</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>against external funds relating to the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Victorian Greenhouse Strategy and National</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing Forum.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICT Policy and Programs</td>
<td>32.6</td>
<td>16.4</td>
<td>-49.7</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Budget Paper No. 3 includes, for compara-</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>tive purposes, the full year budget for</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07 Machinery of Government Changes.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The transfer of Multimedia Victoria was</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>effective from 1 January. Therefore the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>actual costs reflect six months of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>expenditure. The impact of this is $9m.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The rest of the variance relates to</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>carryover of initiatives $6.3m into 2007-08</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Economic Development and Investment</td>
<td>28.6</td>
<td>22.0</td>
<td>-23.1</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance relates to carryover of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>initiatives relating to Provincial Victoria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Fund and Regional Business Investor</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program into 2007-08.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Promotion and Development</td>
<td>25.3</td>
<td>19.3</td>
<td>-23.7</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The variance relates to carryover of</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>funding relating to Provincial Victoria</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Initiatives into 2007-08.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regional Infrastructure Development</td>
<td>92.0</td>
<td>78.3</td>
<td>-14.9</td>
</tr>
</tbody>
</table>
Chapter 14: Performance targets

**Explanation provided by the department**
The variance relates mainly to under expenditure within the Regional Infrastructure Development Fund for large infrastructure projects for which payment is expected to be made over future financial years. This has been partly offset by expenditure on drought initiatives received through Treasurer’s Advance funding.

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tourism</td>
<td>48.5</td>
<td>65.8</td>
<td>35.7</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**
The variance relates mainly to expenditure associated with the South Wharf Shed $8m, received through a Treasurer’s Advance, project management costs associated with the Melbourne Exhibition and Convention Centre $2.7m, funding received for Provincial Victoria Initiatives $3m, and expenditure against prior year funding $2.9m.

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills</td>
<td>1,666.3</td>
<td>683.2(^a)</td>
<td>-58.9</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**
Budget Paper No. 3 includes, for comparative purposes, the full year budget for 2006-07 Machinery of Government Changes. The transfer of the VSC and the TAFE sector was effective from 1 January therefore the actuals reflect six months of expenditure. The impact of this is $817m. The balance of the variance relates to lower than anticipated expenditure in the TAFE sector. The Budget Paper 3 estimates include expenditure by the department and also the TAFE sector.

Source: Department of Innovation, Industry and Regional Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 29 January 2008, p.4-6

Notes: (a) The Committee has noted that the variation in the output cost for the Skills output is -$983.1 million. The department’s explanation only covers a variation of $817 million. This level of accuracy is not adequate and the Committee expects to see a much improved performance in 2007-08

(b) **Performance against output performance targets**

The Department of Innovation, Industry and Regional Development achieved or exceeded approximately 83 (91 per cent) of its 91\(^{314}\) performance targets published in its 2006-07 annual report. It is also worth noting that only 4 (4 per cent) of the 91 performance targets were missed by more than 10 per cent. This is a good improvement over the 2004-05 results where 87 per cent of targets were met or exceeded\(^{315}\).

While this appears to be a strong indicator that the department is performing well in relation to its output targets, performance in 41 (45 per cent) of the 91 measures varied from the target by more than 10 per cent. This indicates that either the targets are highly conservative and do not fully reflect the Department’s ability to deliver its services, or that the department has difficulty in accurately forecasting achievement of its performance outputs.

The Committee recommends that:

**Recommendation 45:** The Department of Innovation, Industry and Regional Development should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful.

The department’s annual report did not explain any variations between actual performance and published targets. The Committee sought further details about selected performance measures and actual outcomes in 2006-07.

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\(^{314}\) Note: This figure does not include the Total Output Cost Measures.

Table 14.3: Department of Innovation, Industry and Regional Development Information sought by the committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment Facilitation and Attraction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment projects under development</td>
<td>number</td>
<td>250</td>
<td>335&lt;sup&gt;316&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The number of investment projects under development relates to those projects which the department has worked on during the year. Not all of these projects will come to fruition as they largely depend on a number of factors, both exogenous and endogenous to the company. The details of projects that are currently under development are commercial in confidence as they relate to sensitive company information. The benefits that will derive from these projects depend on the conversion of those projects to investments facilitated and confirmed.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jobs derived from investments facilitated</td>
<td>number</td>
<td>5,000</td>
<td>8,002&lt;sup&gt;317&lt;/sup&gt;</td>
</tr>
<tr>
<td>New investments facilitated</td>
<td>$ million</td>
<td>1,600</td>
<td>3,541.5&lt;sup&gt;318&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the 2007-08 Budget Papers&lt;sup&gt;319&lt;/sup&gt;, the department stated that due to the volatility of the foreign investment attraction market, the target for these performance measures has not been increased and that it is the department’s preference to maintain a rolling target over a four year period. (a) Please advise the last time the rolling target for these performance measures were revised and when they will next be updated.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The rolling target for investment was implemented as a part of the government's ‘Growing Victoria Together’ statement. The department's targets are reviewed internally on a regular basis. With an economy in close to full-employment, the need for government intervention in the creation of large ‘old economy’ investments is not as great as it once was. The focus on traditional service industry investments with large levels of associated employment is changing to focus on what are generally smaller, but higher value-added investment projects. Therefore, the focus on attracting job intensive investments is declining. Investment attraction is also, at times, opportunistic and the results cannot be predicted from one year to the next.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Export Promotion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies provided with export assistance</td>
<td>number</td>
<td>3,050</td>
<td>4,266&lt;sup&gt;320&lt;/sup&gt;</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This figure is derived by the number of Victorian companies that have utilised the export programs under the Victorian Government’s <em>Opening Doors to Export</em> Plan and also companies that have been provided with more general export assistance such as attendance at seminars and networking functions or who have made an export enquiry via the Export Coordination Unit. The increase in the number of Victorian companies that have been provided with export assistance in 2006-07 can be attributed to a variety of reasons. The <em>Opening Doors to Export</em> Plan has been operating since April 2004. The increase in companies being provided with export assistance has increased year-on-year as the programs being offered are marketed more widely. The increase in marketing activity, particularly seminars and networking functions has also increased the number of companies being exposed to the Victorian Government’s Export Programs. 2006/07 also saw an increase in the number of companies registering for services such as the Export Communication Network. There was also an increase in the number of Victorian companies that were directly involved in a variety of export programs under the <em>Opening Doors to Export</em> Plan, particularly the <em>Access</em> program. The benefits derived from the increased level of activity are that more Victorian companies are aware of the programs and services offered by the Victorian Government to assist them with their export endeavours. It also implies that the companies that have been provided with assistance have more knowledge and are better prepared to enter new export markets.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>316</sup> Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.212  
<sup>317</sup> Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.212  
<sup>318</sup> Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.212  
<sup>319</sup> Budget Paper No.3, 2007-08 Service Delivery, p.137  
<sup>320</sup> Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.213
Chapter 14: Performance targets

Exports facilitated and imports replaced

<table>
<thead>
<tr>
<th></th>
<th>$ million</th>
<th>1,520.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Explanation provided by the department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The outcome reported for ‘exports facilitated and imports replaced’ consists of three components: exports resulting from export programs (such as trade fairs &amp; missions); import replacement primarily facilitated by the Industry Capability Network; and exports resulting from investments. Large variations in investment related exports can occur due to a small number of one off investments facilitated by the department, for example in sectors such as automotive and mining, which generally result in high export outcomes. This was the main reason for the increase in 2006-07. The impact of this will be a larger amount of government facilitated exports.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Comment by the Committee

The Committee did not believe that the department’s generic response to this question provided adequate detail to properly explain such a significant variation. The Committee requested the department to provide details of the specific one off investments facilitated by the department.

The department indicated to the Committee that the details regarding exports facilitated through Investment Attraction are largely commercial in confidence in nature and therefore the department is unable to provide a detailed list of exports derived from investments facilitated in the 2006/07 financial year. However, the department did provide the details of the main sectors that contributed to the ‘exports facilitated and imports replaced’ output, together with the related ‘investment attracted and facilitated’ output for those sectors:

<table>
<thead>
<tr>
<th>Sector</th>
<th>Investment ($m)</th>
<th>Exports &amp; Import Replacement ($m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Manufacturing</td>
<td>49.5</td>
<td>144</td>
</tr>
<tr>
<td>Automotive</td>
<td>508.5</td>
<td>219.5</td>
</tr>
<tr>
<td>Biotech</td>
<td>404</td>
<td>260</td>
</tr>
<tr>
<td>Downstream Mineral Processing (mining)</td>
<td>58.2</td>
<td>144.3</td>
</tr>
<tr>
<td>Food and related industries</td>
<td>411.4</td>
<td>204.6</td>
</tr>
<tr>
<td>Total</td>
<td>1431.6</td>
<td>972.4</td>
</tr>
</tbody>
</table>

The department did not include the number of investment projects as many of these do not have an export outcome and therefore will not relate to the export output and therefore would result in misleading information.

Number of firms participating in individual export specific programs

<table>
<thead>
<tr>
<th></th>
<th>number</th>
<th>600</th>
</tr>
</thead>
</table>

Explanation provided by the department

The significant increase in the number of companies participating in individual export programs is due to a number of reasons. The main reason for the increase is due to the significant increase in the number of Victorian companies utilising the Access program. The Access India office opening in November 2006 plus the increased usage of the other offices provided a significant increase in the number of companies participating in individual export programs.

There were also a slightly higher number of companies that participated in the 2006/07 Trade Fairs & Missions program.

The programs that recorded a significant increase in usage in 2006/07 operated within their set budgets. There was no impact on the cost of these programs due to the increase in participation.

The target estimation was increased for 2006/07 from 450 companies to 600, after the number of companies participating in individual export programs reported in 2005/06 was higher than the set target. After achieving higher participation numbers again in 2006/07, the target has again been increased for the 2007/08 financial year to 700.

The companies that participated in individual export programs in 2006/07 came from a very broad variety of industries. However, some of the industries with increased participation levels included building & construction services, food & beverage and professional services.

Small Business Support

<table>
<thead>
<tr>
<th></th>
<th>number</th>
<th>165</th>
</tr>
</thead>
<tbody>
<tr>
<td>Businesses assisted under the Business Skills for the Future Program</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Explanation provided by the department

Stronger than expected demand for the program in 06/07 (60% above target) resulted in a service provider reaching their contracted allocation of businesses participating in the program ahead of schedule. Contract negotiations with the service provider have been undertaken to ensure that the strong demand is met and the 07/08 targets are achieved.

This has not resulted in an adverse effect on the program costs or administration, due to the late commencement of the program there was allowance in the 2006/2007 budget for additional participant volume.

321 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.213
322 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.214
Innovative and High Performing Workplaces

Respond to general workplace inquiries

number 8,000 15,915

Explaination provided by the department

The majority of enquiries received relate to the Long Service Leave Act 1992 (LSL Act) and the Child Employment Act 2004 (CE Act). More general workplace enquiries are referred to other agencies. There was a significant difference between the target and actual number of enquiries dealt with. This was partly as a result of:

- significant public awareness of industrial relations issues flowing from the Commonwealth’s WorkChoices legislation,
- major changes to commonwealth industrial relations legislation, some of which had a direct effect on long service leave entitlements, and
- amendments to the LSL Act which came into effect in this period

These changes led to a heightened interest in state legislation providing protections and entitlements and therefore an increased demand for information.

The key themes of the inquiries relate to entitlements under the Long Service Leave legislation and reporting of the non-payment of LSL entitlements by individuals, inquiries on compliance requirements under the Child Employment legislation by parents, employers and schools and general workplace inquiries by individuals and employers. The level of inquiries is regularly monitored by senior management to ensure that the function is operating effectively in light of the increase in inquiries. It is not anticipated that the high level of inquiries will continue following improved community awareness of the various new and amended legislation. Information sessions and brochures have been prepared to assist in providing the public with updated information.

Workplace Rights Advocate: information sessions provided

number 20 74

Explaination provided by the department

The principal reason for the increase in the number of sessions provided was the high level of demand for such sessions from both employees and employers. This demand was directly reflective of the continuing concern amongst employees and employers about the complexity, operation and impact of the previous Federal Government’s Work Choices legislation.

The principal benefits associated with the increase in the number of sessions provided were:

1. an increase in the level of knowledge and awareness on the part of employers and employees attending the sessions about the operation and impact of Work Choices. This was achieved through the provision of objective information about Work Choices including its adverse impact on the wages and other conditions of employment of many employees as evidenced by investigations undertaken by the OWRA and the findings of numerous research projects;
2. an increase in the level of knowledge and awareness on the part of employers and employees attending the sessions about the roles and functions of the OWRA.

The cost associated with the increase in the number of sessions provided was minimal. The primary cost was the time devoted to such sessions by the Workplace Rights Advocate or Advisers within the Office of the Workplace Rights Advocate.

Science Technology and Innovation

Businesses/researchers accessing science, technology and innovation (STI) funded infrastructure

number 300 448

Explaination provided by the department

It can be said that this target has been exceeded which indicates that the STI investments have delivered infrastructure that is in demand by businesses and researchers. As this measure is an indirect output measure of STI funding, it is appropriate the 2006-07 Target remained at 300 as the level of activity by the department had not changed from that which was intended when the Target of 300 was set.

The impact of more businesses/researchers accessing STI funded infrastructure than the target is that this infrastructure is operating closer to capacity. The department employs practices to engage closely with stakeholders so as to monitor capacity constraints and enable the government to respond as necessary.

Skills expansion – PhD’s commenced in STI funded projects

number 200 362

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323 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.215
324 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.215
325 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.215
**Chapter 14: Performance targets**

**Explanation provided by the department**

In line with other targets within the STI initiative, the number of PhDs that commenced has also exceeded the original estimated level. As a program, the STI initiative has created research activity greater than anticipated when funding was allocated, thus generating more post-doctoral study opportunities.

As this measure is an indirect output measure of STI funding, it is appropriate the 2007-08 target not to be increased as the level of activity by the department had not changed from that which was intended when the 2007-08 target was set.

**Advanced Manufacturing**

| Design Sector Initiatives: case studies completed | number | 10 |

**Explanation provided by the department**

The service provider engaged to deliver against this target was contracted in August 2007. The delay in contracting was due to changes in governance arrangements, machinery of government changes and negotiations with the service provider. A pilot program of one of the Design Victoria Strategy initiatives was completed in the first half of 2007, and yielded 3 case studies.

**Service Industries**

| Companies assisted through Australian Logistics Assured Program | number | 15 | 50 |

**Explanation provided by the department**

In March 2007, owing to low take up of the grant (only 6 companies had participated despite a target of 15), the ALA program was reviewed and restructured. As a consequence of the restructure, the remaining funds were used to employ a consultant to deliver the Program to a further 50 companies.

**Tourism**

| Visitor expenditure in regional Victoria (domestic) | $ billion | 2.7–3.1 | 3.6 |

**Explanation provided by the department**

1. **Where the money is spent**

The table below provides a breakdown of domestic visitor expenditure in regional Victoria by campaign region for the 2006-07 reference period. Regional visitation estimates are also included.

| Expenditure Breakdown by Domestic Overnight Visitors in Regional Victoria by Campaign Region |
|---------------------------------|---------------------------------|---------------------------------|
| **Visitors (000)** | **Expenditure ($m)** |
| Daylesford & the Macedon Ranges | 421 | 98 |
| Gippsland | 1,515 | 435 |
| Goldfields | 1,317 | 371 |
| Grampians | 672 | 171 |
| Great Ocean Road | 2,519 | 702 |
| Mornington Peninsula | 1,078 | 300 |
| Murray | 2,104 | 692 |
| Phillip Island | 669 | 220 |
| Victoria’s High Country | 935 | 366 |
| Yarra Valley & Dandenong Ranges | 576 | 160 |
| **REGIONAL VICTORIA** | **11,186** | **3,595** |

Source: National Visitor Survey, Tourism Research Australia, year ending March 2007

2. **What the money is spent on**

It is not possible to break-down the expenditure patterns of visitors to regional Victoria due to limitations with the data available from the National Visitor Survey (NVS). However, the NVS does provide information on expenditure at the state level which is detailed in the table below (results are for the year ending December 2006 – the latest available). As noted, the majority of expenditure is directed on food and drink (29%), and accommodation (20%).

Expenditure Breakdown by Domestic Overnight Visitors in Victoria

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327 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.216
328 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.214
329 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.218
### Accommodation 20%
### Food and drink 29%
### Airfares 12%
### Other transport fares 4%
### Fuel 11%
### Shopping 13%
### Entertainment 5%
### Packages 1%
### Other 2%

Source: National Visitor Survey, Tourism Research Australia, year ending December 2006

#### 3. Average spend per person

Domestic overnight visitor expenditure by campaign region (including per trip and per night estimates) for the 2006/07 reference period (year ending March 2007) is detailed below.

#### Expenditure by Domestic Overnight Visitors in Regional Victoria by Campaign Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Expenditure ($m)</th>
<th>Expenditure Per Visitor ($)</th>
<th>Expenditure Per Night ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Daylesford &amp; the Macedon Ranges</td>
<td>98</td>
<td>233</td>
<td>99</td>
</tr>
<tr>
<td>Gippsland</td>
<td>435</td>
<td>267</td>
<td>93</td>
</tr>
<tr>
<td>Goldfields</td>
<td>371</td>
<td>252</td>
<td>129</td>
</tr>
<tr>
<td>Grampians</td>
<td>171</td>
<td>254</td>
<td>75</td>
</tr>
<tr>
<td>Great Ocean Road</td>
<td>762</td>
<td>310</td>
<td>101</td>
</tr>
<tr>
<td>Mornington Peninsula</td>
<td>300</td>
<td>278</td>
<td>90</td>
</tr>
<tr>
<td>Murray</td>
<td>652</td>
<td>329</td>
<td>108</td>
</tr>
<tr>
<td>Phillip Island</td>
<td>220</td>
<td>329</td>
<td>103</td>
</tr>
<tr>
<td>Victoria's High Country</td>
<td>366</td>
<td>391</td>
<td>124</td>
</tr>
<tr>
<td>Yarra Valley &amp; Dandenong Ranges</td>
<td>160</td>
<td>278</td>
<td>114</td>
</tr>
<tr>
<td><strong>REGIONAL VICTORIA</strong></td>
<td><strong>3,595</strong></td>
<td><strong>321</strong></td>
<td><strong>103</strong></td>
</tr>
</tbody>
</table>

Source: National Visitor Survey, Tourism Research Australia, year ending March 2007

*Note that daytrip expenditure was not incorporated within this measure for 2006-07. This was included from 2007-08 onwards.*

#### 4. Visitor demographics including, where they live, age, ethnic origin etc.

The composition of the domestic overnight visitor market to regional Victoria by age, origin market, and lifecycle for the 2006-07 reference period is detailed below (year ending March 2007). Note that proportions reflect share of visitor numbers, rather than share of visitor expenditure.

#### Domestic Overnight Visitors to Regional Victoria by Selected Demographics
Chapter 14: Performance targets

5. Method and inputs used for target estimation.

The data used for performance measurement for tourism is based on results from the National Visitor Survey (NVS), published quarterly by Tourism Research Australia (TRA). The NVS is Australia’s primary measure of domestic tourism activity and is the major source of information on the travel patterns of domestic tourists. The survey is based on a sample of approximately 120,000 Australian residents aged 15 years and over who are interviewed in their homes using random digit dialling and Computer Assisted Telephone Interviewing system. Respondents interviewed in the NVS are randomly sampled to be representative of the Australian population, based on place of residence, age and sex. The NVS is funded by the Australian, state and territory governments under the auspices of the Australian Standing Committee on Tourism (ASCOT).

To derive target estimates, historical data from the NVS is compared with forecast information from the TRA Tourism Forecasting Council (TFC). The TFC forecasts for domestic travel are produced using an iterative process.

In the first iteration, the TRA Forecasting Unit estimates activity and expenditure using econometric models. These models provide forecasts based on price, income, seasonality as well as significant events affecting source markets.

The second iteration involves a sub-Committee (the TFC Technical Committee), made up of senior researchers and economists (usually from TFC-member organisations) as well as independent advisors reviewing the model-based forecasts and applying qualitative adjustments. Any adjustments are made by consensus.

The final iteration involves industry and government experts (the TFC) making final adjustments by consensus.

Visitor expenditure in regional Victoria (international) $ million 250–290 214\(^{330}\)

\(^{330}\) Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.218
Explanation provided by the department

1. What impact of the decrease in international visitor expenditure in regional Victoria on the regional Victorian economy

There is currently no research available to accurately estimate the impact of a decrease in international visitor expenditure in regional Victoria on the regional economy. Tourism is a major contributor to the economy and employment in regional Victoria and plays an important role in the economic development and long-term viability of many regional communities. According to 2003-04 estimates from Access Economics, tourism is currently worth $3.4 billion to regional Victoria’s economy and employs 61,000 people. The Access Economics data is based on the world-recognised Tourism Satellite Account approach.

2. Method and inputs used for target estimation.

The data used for performance measurement for tourism is based on results from the International Visitor Survey (IVS), published quarterly by Tourism Research Australia (TRA). The IVS represents the most comprehensive source of information on international visitors to Australia and is jointly funded by the Commonwealth, state and territory governments under the guidance of the Australian Standing Committee on Tourism.

The IVS samples 40,000 departing, short-term international travellers over the age of 15 years who have been visiting Australia. The survey is conducted by Computer Assisted Personal Interviewing (CAPI) in the departure lounges of the eight major international airports; Sydney, Melbourne, Brisbane, Cairns, Perth, Adelaide, Darwin and the Gold Coast. The International Visitor Survey contains over 96 questions supported by ‘show-cards’ that are used to help the respondent answer particular sections.

To derive target estimates, historical data from the IVS is compared with forecast information from the TRA Tourism Forecasting Council (TFC). The TFC forecasts for international travel are produced using the same iterative process detailed above for domestic forecasts.

Source: Department of Innovation, Industry and Regional Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.18-34

(b) Machinery of government changes

As a result of Machinery of Government changes, a number of output measures were transferred from the Department of Education to the Department of Innovation, Industry and Regional Development. The following table provides the actual results for 2006-07 which were not reported in the department’s 2006-07 annual report.
Table 14.4: Department of Industry, Innovation and Regional Development
Information sought by the committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training and Further Education (Skills)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of people assisted by Parents Returning to Work grants</td>
<td>number</td>
<td>1,275</td>
<td>2,475</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Target is based on an estimation of when the data is received on an annual (calendar) basis.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Participation rate of 15–19 year olds in training and further education in Victoria: Non-Metropolitan Victoria</td>
<td>per cent</td>
<td>31.1</td>
<td>34.3</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This measure was discontinued (See Budget Paper No. 3, 2007-08, Service Delivery, p. 409).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross Sectoral</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAFE students funded through Youth Pathways program with MiPs plan</td>
<td>per cent</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This measure was discontinued as part of the Machinery of Government changes. The Measure was originally established to monitor the initial implementation of the initiative. It has now been replaced with a new measure.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Regulation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Universities participating in cooperative arrangements in regional areas</td>
<td>number</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>This measure monitored cooperative arrangements associated with University Scholarships as part of the regional ICT funding initiative in 2001/2002. Funding ceased in 2004/2005 and the measure is no longer appropriate for continued reporting.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct costs of accrediting private providers recovered through fees</td>
<td>per cent</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transferred to the Victorian Registration and Qualifications Authority 1 July 2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private providers complying with quality standards</td>
<td>per cent</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transferred to the Victorian Registration and Qualifications Authority 1 July 2007</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private provider applications assessed within six months</td>
<td>per cent</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transferred to the Victorian Registration and Qualifications Authority 1 July 2007</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources:  Department of Innovation, Industry and Regional Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.18-34, Budget Paper No.3, 2006-07 Service Delivery, pp.71, 73, 78
14.4 Education

(a) Total output costs

The department did not report the total output cost for any of its major outputs in its annual report. This is the third successive review of Financial and Performance Outcomes by the Committee in which it has raised this issue with the department. The department should take steps to ensure that the total output costs are included in future annual reports.

The department supplied the Committee with the output cost data that was not included in its annual report. Output costs varied significantly from the targets identified in the budget papers. The department spent $479 million less than it indicated in the budget papers\(^{331}\) and 82 per cent of output cost measures reported varied from the target by more than $1 million. This is significantly higher than the average of 75 per cent of measures across all departments. The department explained that the variations are mainly a result of Machinery of Government changes. The department did not provide explanations for variations of less than ten per cent, however, given the materially significant nature of the variances (eg. Early Years variation is $102 million), the Committee believes that they should provide full and clear explanations for all significant variations in next years annual report (eg. to greater than $10 million).

The Committee recommends that:

Recommendation 46: DEECD should report the total output costs for all major outputs.

Recommendation 47: DEECD should provide detailed, comprehensive explanations for material variations from target in future annual reports (eg. greater than $10 million or greater than 10 per cent).

Table 14.2 details the budget, actual and variation for each of the department’s major outputs.

---

331 Budget Paper 3, 2006-07, pp.63-78
Table 14.5: Department of Education
Total output cost details for 2006-07

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1) ($ million)</th>
<th>Column (2) ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early years</td>
<td>2,088.3</td>
<td>2,190.3</td>
<td>4.88%</td>
</tr>
<tr>
<td>Middle years</td>
<td>2,246.7</td>
<td>2,162.4</td>
<td>-3.75%</td>
</tr>
<tr>
<td>Later Years</td>
<td>1,303.0</td>
<td>1,424.4</td>
<td>9.32%</td>
</tr>
<tr>
<td>Training and further education</td>
<td>1,239.2</td>
<td>619.5</td>
<td>-50.01%</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**
Decrease in Output cost is due to Machinery of Government changes, transferring Training and Further Education to DIIRD at 1 January 2007.

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1) ($ million)</th>
<th>Column (2) ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adult and community education</td>
<td>36.8</td>
<td>18.4</td>
<td>-50.00%</td>
</tr>
<tr>
<td>Cross-sectoral</td>
<td>39.2</td>
<td>19.6</td>
<td>-50.00%</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**
Decrease in Output cost is due to Machinery of Government changes, transferring Adult and Community Education to DVC at 1 January 2007.

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1) ($ million)</th>
<th>Column (2) ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services to students</td>
<td>632.9</td>
<td>683.7</td>
<td>8.03%</td>
</tr>
<tr>
<td>Services to Ministers and policy</td>
<td>28.5</td>
<td>26.0</td>
<td>-8.77%</td>
</tr>
<tr>
<td>Regulation</td>
<td>19.0</td>
<td>10.6</td>
<td>-44.21%</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**
Decrease in Output cost is due to Machinery of Government changes, transferring the Victorian Learning and Employment Skills Commission to DIIRD at 1 January 2007.

Source: (a) Budget Paper 3, 2005-06 pp.49 - 78

(b) **Performance against output performance targets**

The Department of Education achieved or exceeded approximately 52 (75 per cent) of its 69 performance targets as published in its 2006-07 annual report. It is however, worth noting that none of the 69 performance targets were missed by more than 10 per cent. The Committee is also pleased to observe that the department has continued to improve performance against output targets from 61 per cent in 2003-04 to the current level of 75 per cent.

Actual performance varied from the identified target by more that 10 per cent on 17 (25 per cent) occasions. This would indicate that the department is setting accurate and realistic goals during the budget process and is not vastly over or underrating its potential performance. However, more could still be done to improve the accuracy of the estimation process.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

---

332 Note: This figure does not include the Total Output Cost Measures.
Table 14.6: Information sought by the committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2005-06</th>
<th>Actual 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Middle Years</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New-arrival students receiving intensive or targeted support: secondary</td>
<td>number</td>
<td>882</td>
<td>1,764</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**
The number of new-arrival students results from Commonwealth immigration policies which are difficult to predict. Numbers have stabilised in the last six months and it is not expected there will be a major increase in 2008.

Increased student numbers have resulted in waiting lists for access to programs in some areas and an increased need for qualified teachers, infrastructure, support staff and professional development in schools. Increased funding will be received in 2008 from the Commonwealth to increase the length of time students can participate in intensive language programs. State funds are being used to increase transition support in mainstream schools, teacher training, professional development, regional coordination and infrastructure support.

| Schools with a 1:5 or better computer to student ratio: secondary | per cent | 95.0 | 89.7 |

**Explanation provided by the department**
Funding for the purchase of curriculum computers is provided by a combination of Student Resource Package and locally raised funds. Schools allocate their operating budget according to local needs and priorities.

The percentage of schools with a computer-to-student-ratio of 1:5 or better has increased from 89.7 per cent in February 2006 to 92.2 per cent in February 2007.

In 2007, the statewide average computer-to-student ratio was 1:3.54.

The department is investigating the establishment of a WoVG panel for curriculum computers and is investigating ways of encouraging schools to prioritise the purchase of curriculum computers.

The Commonwealth Government’s national Digital Revolution initiative is expected to contribute to an increase in the number of curriculum computers available to senior secondary school students in future years.

**Improving the Computer-to-Student Ratio**
The statewide computer to student ratio in government schools has greatly improved in recent years. Over this period the ratio has dropped from 1 computer per 8.9 students to 1 computer per 3.54 students.

**Figure 1**: Average students per computer in Victorian government schools 1996 to 2007

![Average number of students per curriculum computer](image)

The statewide percentage of schools at a ratio of 1:5 in Victorian government schools has greatly improved since 1999. It has increased from 32% to 92%.

**Figure 2**: Percentage of schools achieving 1:5 computer-to-student ratio target 1996 to 2007

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Chapter 14: Performance targets

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>32%</td>
</tr>
<tr>
<td>2000</td>
<td>63%</td>
</tr>
<tr>
<td>2001</td>
<td>72%</td>
</tr>
<tr>
<td>2002</td>
<td>88%</td>
</tr>
<tr>
<td>2003</td>
<td>78%</td>
</tr>
<tr>
<td>2004</td>
<td>83%</td>
</tr>
<tr>
<td>2005</td>
<td>89%</td>
</tr>
<tr>
<td>2006</td>
<td>88%</td>
</tr>
<tr>
<td>2007</td>
<td>92%</td>
</tr>
</tbody>
</table>

Services to Students

Parent satisfaction with secondary schooling on a 100-point scale per cent

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>79</td>
</tr>
<tr>
<td>2000</td>
<td>72</td>
</tr>
</tbody>
</table>

Explanation provided by the department

The difference between parent satisfaction with secondary schooling and parent satisfaction with primary schooling has existed since measurement of parent opinion began in 1996. There has been no research conducted to determine why this variation occurs.

Eligible special school students provided with appropriate travel

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5,800</td>
</tr>
<tr>
<td>2000</td>
<td>6,400</td>
</tr>
</tbody>
</table>
Explanation provided by the department
There has been significant growth in enrolment in special schools since the start of the 2001 school year. Within this growth the department has observed an increasing movement of students into special schools at the secondary school age transition point. This growth has a direct relationship on the number of students eligible for travel assistance. From 2005 to 2006 enrolment growth in special schools was 7.4% (7,219 to 7,756 FTE) and from 2006 to 2007 was 3.2% (7,756 to 8,005 FTE). With the exception of a small number of students living outside the designated transport zone for each special school, all other students are eligible for transport assistance. Not all students who are attending special schools and are eligible for free travel choose to avail themselves of the travel assistance.

| School students (government) supported by conveyance allowance | number | 10,450 | 13,087 |

Explanation provided by the department
The target figure of 10,450 in 2004-05 and 10,716 in 2005-06 does not include special school students receiving conveyance allowance. The total number of government school students receiving conveyance allowance (including special school students) was 13,504 in 2004-05 and 13,082 in 2005-06. The difference between the target and actual figures in 2006-07 is due to the inclusion of special school students in the actual figure.

Source: Department of Education and Early Childhood Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.17-19

(c) Unavailable Data
The reliability of reporting against measures falling under the Early Years and Middle Years output groupings was limited by the fact that the results for 8 (20 per cent) of the measures were not available at the time of publication of the annual report. This is discussed in more detail in Section 23.4.1 of this report.

The following table provides the actual results for 2006-07 which were not reported in the department’s 2006-07 annual report.

Table 14.7: Department of Education Information sought by the committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
<th>Detailed explanation for variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Years336</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Year 3 Indigenous students reaching national benchmarks in numeracy.</td>
<td>per cent</td>
<td>80</td>
<td>90.7 (± 2.8)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Percentage of Year 3 Indigenous students reaching national benchmarks in reading.</td>
<td>per cent</td>
<td>72</td>
<td>81.5 (± 5.1)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Percentage of Year 3 students reaching national benchmarks in numeracy</td>
<td>per cent</td>
<td>95</td>
<td>95.9 (± 0.7)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Percentage of Year 3 students reaching national benchmarks in reading</td>
<td>per cent</td>
<td>92</td>
<td>91.5 (± 2.0)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Middle Years338</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Year 5 Indigenous students reaching national benchmarks in numeracy.</td>
<td>per cent</td>
<td>83</td>
<td>84.4 (± 4.3)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Percentage of Year 5 Indigenous students reaching national benchmarks in reading.</td>
<td>per cent</td>
<td>74</td>
<td>69.7 (± 4.9)</td>
<td>Not applicable</td>
</tr>
<tr>
<td>Percentage of Year 5 students reaching national</td>
<td>per cent</td>
<td>95</td>
<td>94.9 (± 0.9)</td>
<td>Not applicable</td>
</tr>
</tbody>
</table>

335 Department of Education, Annual Report 2006-07, p.23
337 The publication of confidence intervals with the benchmark results reflects the uncertainty associated with the measurement of student achievement and provides a way of making improved inferences about the achievement of students. These confidence intervals account for three components of uncertainty: error associated with the location of the benchmark cut score, sampling error (where applicable) and measurement error.
338 Budget Paper No.3, 2006-07 Service Delivery, pp.67–68
benchmarks in numeracy

| Percentage of Year 5 students reaching national benchmarks in reading | per cent | 92 | 89.9 (± 1.4) | The Victorian figure is similar to the Australian average of 88.4 (± 1.6) |

14.5 Infrastructure

(a) Total output costs

The department reported the total output cost for each of its 14 major outputs in its annual report. In general, output costs varied significantly from the targets identified in the budget papers. The department spent $400 million more than it indicated in the budget papers\(^\text{339}\) and all measures reported varied from the target by more than $1 million. On average, 75 per cent of measures across all departments varied by more than $1 million. While the department provided explanations for all significant variations, many of which were out with their direct control, the Committee requested further information on the following specified projects.

Table 14.8: Department of Infrastructure
Total Output Cost Details for 2006-07

<table>
<thead>
<tr>
<th>Output details</th>
<th>2006-07 Variation between budget and actual</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ million)</td>
<td>(%)</td>
</tr>
<tr>
<td>Rural and Regional Public Transport Services</td>
<td>144.4</td>
<td>27.5(^\text{340})</td>
</tr>
</tbody>
</table>

Explanation provided by the department

This variation reflects initiatives approved post-state budget and the re-classification of activities from capital to operating

(a) What were the main initiatives approved post-state budget?

- Pacific National buyback of regional rail network lease
- Country Rail Network Maintenance
- A Fare Go for Public Transport Users

(b) What were the main activities that were re-classified from capital to operating?

- In part, Pacific National buyback of regional rail network lease
- In part, Country Rail Network Maintenance

Public Transport Infrastructure Development

<table>
<thead>
<tr>
<th></th>
<th>2006-07 Variation between budget and actual</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ million)</td>
<td>(%)</td>
</tr>
<tr>
<td></td>
<td>-70.1</td>
<td>-44.7(^\text{341})</td>
</tr>
</tbody>
</table>

Explanation provided by the department

This variation reflects the revised payment streams for the New Ticketing System (NTS). The revisions to timing and interim payment milestones occurred as a direct result of elements of the software development requiring additional time. With respect to the particulars of the payment streams and the overall impact of these revisions, an extensive review of the status of the NTS is currently being undertaken. Advice will be provided to Government with regards to timing, options, costs and impacts.\(^\text{342}\)

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\(^\text{339}\) Budget Paper 3, 2006-07, pp.119-145
\(^\text{340}\) Department of Infrastructure, 2006-07 Annual Report, p.184
\(^\text{341}\) Department of Infrastructure, 2006-07 Annual Report, p.189
\(^\text{342}\) Department of Infrastructure, email, received 1 May 2008
(b) Performance against output performance targets

The Department of Infrastructure achieved or exceeded approximately 133 (75 per cent) of its 178\(^{343}\) performance targets as published in its 2006-07 annual report. It is also worth noting that only 18 (10 per cent) of the 178 performance targets were missed by more than 10 per cent. This is a marked improvement on the department’s 2004-05 performance when it met or exceeded only 61 per cent of its targets\(^{344}\).

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

Table 14.9: Department of Infrastructure
Information sought by the committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2005-06</th>
<th>Actual 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Transport Safety and Regulation: Train and tram safety</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit non-conformance/compliance addressed within agreed timeframes</td>
<td>per cent</td>
<td>100</td>
<td>74(^{345})</td>
</tr>
</tbody>
</table>

Explanation provided by the department

(a) Please express the percentages in numeric terms that is the number of audits undertaken

42 audits were undertaken in 2006-07.

(b) Please list the particular audits where the issues raised in the train and tram safety audits were not responded to within the agreed timeframes

The Accredited Rail Operator’s which had non-conformance/compliances (NCRs) not addressed within agreed timeframes were:

- Mornington Railway Preservation Society Inc
- Downer EDI Rail Pty Ltd
- Downer EDI Works Pty Ltd
- Connex Melbourne Pty Ltd
- Red Cliffs Historical Steam Railway
- Metrolink Victoria Pty Ltd (Yarra Trams)
- Melbourne Tramcar Preservation Association
- BlueScope Steel Limited
- Tramway Museum Society of Victoria Incorporated
- V/Line Passenger Pty Ltd
- Southern Shorthaul Railroad Pty Ltd
- Australian Rail Historical Society (ACT Div)
- John Holland Pty Ltd

\(^{343}\) Note: This figure does not include the Total Output Cost Measures.

\(^{344}\) Public Accounts and Estimates Committee, Report on the 2004-05 Budget Outcomes, April 2006, p.244

\(^{345}\) Department of Infrastructure, 2006-07 Annual Report, p.177
(c) Please describe how the monitoring and reporting of compliance and audit activities have changed since the new Rail Safety Act came into effect on 1 August 2006

Since the introduction of the Rail Safety Act 2006 (RSA), Public Transport Safety Victoria (PTSV) has taken a more risk based approach to its compliance and audit activities. There are more compliance inspections than prior to the Act’s introduction, which focus on particular trends, issues or incidents based on the degree and nature of the risk they potentially pose. Audits continue to assess accredited operators’ safety management systems, and to date have continued to have been done annually. It is expected that PTSV will perform more targeted compliance inspections and fewer of the traditional safety audits in the future. PTSV still produces audit reports as the result of annual audits. Reports are also produced as the result of compliance inspections. Summaries or extracts may be made available from time to time if there is a view that this is necessary in the interests of public safety. PTSV does not have a statutory right to freely disclose information which it obtains from the rail industry. Nonetheless, it provides data to industry, the public and other parts of government. The quality of this data has improved, in part because of the increase in information obtained from industry as a result of PTSV’s changing compliance activities, and also in part because of the increased reporting requirements placed on industry.

(d) What are the implications for the department and train and tram users in terms of achieving the government’s public transport safety objectives and providing high standards of passenger safety respectively of a quarter of audits not responded to within agreed timeframes?

Generally speaking, non-conformance/compliances (NCRs) are issued during audits where the breach which has been identified is considered not to be of a serious nature. These are aimed at encouraging safety improvements. However, if those NCRs are not followed up and closed out in a manner which is satisfactory, then an improvement notice might be issued. This will also always depend on the nature of the issue and what other action the operator may have taken.

Since the introduction of the RSA, there has been a gradual cultural shift in compliance activity away from reliance on NCRs as industry’s understanding of it and the obligations it imposes has matured. Instead, improvement notices have been issued where the breach identified has been considered to be not minor in nature, or where NCRs have been ignored. PTSV also has the ability to commence a disciplinary inquiry, or to issue a prohibition notice if the issue poses an immediate risk to public safety. However, the emphasis is still on controlling risks to safety within a co-regulatory environment. So PTSV does not always need to issue notices or threaten prosecution in order to achieve a positive safety outcome – it also relies on the information industry provides to work with industry in managing identified risks.

It is expected that PTSV’s ability to issue improvement notices in particular will lead to a far higher close out rate of NCRs in the future.

(e) When was full recruitment and training implemented or planned to be completed?

10 positions were successfully filled during 2006-07. PTSV continues to implement an integrated education and training program for regulatory staff.

### Public Transport Safety and Regulation: Bus Safety

| Audit non-conformance/compliance addressed within agreed timeframes | per cent | 100 | 72  
|---|---|---|---|

**Explanation provided by the department**

(a) Please express the percentages in numeric terms that is the number of audits undertaken

953 bus audits were undertaken in 2006-07.

(b) Please list the particular audits where the issues raised in the bus safety audits were not responded to within the designated timeframe

Of audits conducted in 2006-07 there were 520 non compliance reports issued. It is to be noted that of the 520 non compliances reports, there were a number of multiples issued to the same operator. 152 bus operators issued with NCRs during bus safety audits did not address them within agreed timeframes. The full list of accredited bus operators who did not address NCRs within agreed timeframes was provided to the Committee for review.

(c) What was the outcome of action taken to pursue this issue with bus operators?

PTSV continues to encourage bus operators to address any non conformances and in the few cases where a bus operator refuses to co-operate PTSV uses its very limited legal power to either suspend the operator’s accreditation or to hold a disciplinary inquiry which, if not addressed by the operator, can lead to suspension or cancellation of their accreditation.

(d) What are the implications for the department and bus commuters in terms of achieving the

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346 Department of Infrastructure, 2006-07 Annual Report, p.177
government’s public transport safety objectives and providing high standards of passenger safety respectively of 28 per cent of non-conformance/compliance not responded to within the designated timeframe?

Based on incident data over the last ten years Victorian bus operators have maintained a very high standard of safety. For example, there have been only three fatalities on buses in Victoria since 1997 - one resulting from a minibus car collision in which the car driver was at fault, one when a bus left the road and a passenger was fatally injured and the other being a road run-off of an empty bus in which the bus driver was fatally injured. Both occurred in regional Victoria. In regard to any implications for the department and bus commuters in terms of achieving the government’s public transport safety objectives and providing high standards of safety, the level of non-conformances not addressed with agreed timeframe does not represent a direct risk since the non-conformances are concerned with process deficiencies in operator documentation and not directly related to safety issues. PTSV has no legal power to compel bus operators to address non conformances.

### Road Safety and Regulation

<table>
<thead>
<tr>
<th>Road Safety and Regulation/ Road Safety projects/initiatives completed – safe road users</th>
<th>number</th>
<th>40</th>
<th>36</th>
</tr>
</thead>
</table>

**Explanation provided by the department**

(a) Which projects dealing with safe road users were not completed in 2006-07?

Motorcycle exposure study

Associative learning counter measures – project now completed

Motorcycle hazard perception and response research

Development of new motorcycle knowledge test – project now completed

(b) What are the ramifications of not meeting this target in terms of providing a road safety program that incorporates the ‘Safe System’ approach?

The first three of these projects are research efforts and, as such, there are no immediate ramifications for not completing them in 2006-07.

The initial non-alignment of the motorcycle knowledge test with the recently redeveloped Motorcycle Handbook meant that the questions asked of learner riders were drawn from a smaller pool of questions that linked to the previous version of the handbook.

### Vehicle and Driver Regulation

<table>
<thead>
<tr>
<th>Commercial passenger vehicles audited – taxis, hire cars etc</th>
<th>number</th>
<th>12,000</th>
<th>8,399</th>
</tr>
</thead>
</table>

**Explanation provided by the department**

(a) What do these audits cover?

The audits cover vehicle safety and general roadworthiness checks similar to those undertaken for private vehicle roadworthy checks (tyres, seating, windscreen, lights, body damage, seat belts etc). Audits also include taxi specific requirements such as the taxi security camera, tariff lights and taxi meter operation.

(b) What are the implications of undertaking 30 per cent less vehicle inspections in 2006-07 than targeted in terms of providing an effective regulatory and monitoring system over taxis, hire cars etc?

Vehicle audits are only one component of the regulatory and monitoring system and while there was a reduction in the number of audits undertaken compared with budget, this does not have a significant impact on the standard of taxis operating in the short-term, due to a range of other regulatory requirements.

In addition to random and targeted audits undertaken by the Victorian Taxi Directorate (VTD), taxi owners are required to have their vehicle assessed by a licensed taxi tester for a roadworthy assessment and certificate. Annual inspections are required for taxis aged four years or less with older vehicles requiring assessment every six months. The Victorian Taxi Directorate sends inspection notices to taxi owners and taxi owners are required to submit a roadworthy certificate to the VTD. Failure to provide a roadworthy certificate results in the issuing of an infringement notice (fine) with the potential of loss of licence for serious and ongoing breaches. The age of taxis that can operate is limited to 6 years for conventional vehicles and 10 years for wheelchair accessible taxis.

(c) Does the department plan to undertake additional catch-up inspections in 2007-08?

The VTD is currently recruiting additional Transport Safety Officers in line with Meeting Our Transport Challenges and will double the amount of officers to a total of 36 by the end of the 2007-08 year. The recruitment process will provide the resources to increase the number of audits on vehicles.
Chapter 14: Performance targets

Taxis and tow trucks conform to quality standards per cent >80 70

Explanation provided by the department
(a) What are the main categories of minor infringements that were treated for the first time in 2006-07 as breaches of quality standards rather than only constituting warnings?

Minor infringements include unauthorised fittings such as stickers/decorations, below standard vehicle internal fittings such as door seals, cleanliness of vehicles and incorrect operation of tariff lamps. Officers issue notices at their own discretion for minor infringements.

(b) What is the break-up (for example number and percentage) according to main categories for those that did not conform to quality standards in 2006-07?

The break-up by major categories for vehicles that did not meet quality standards in 2006-07 was:
- Roadworthy requested 542 12%
- Tyres 434 10%
- Security camera 430 9%
- Seating 295 6%
- Number plate / light 278 6%
- Vehicle Body Damage 270 6%
- Seatbelts 226 5%
- Brake lights 194 4%
- Tariff lamps 149 3%

Various minor categories make up the remaining 39% of the break-up.

Multiple infringements are issued in many cases so the figures in the Table above cannot be directly linked to the 2,520 vehicles (30% of the 8,399 audits undertaken) which did not conform to quality standards in 2006-07.

(c) What measures were undertaken in 2006-07 to address the age of the taxi fleet with a view to improving the standard of the industry?

Regulations related to age limits of the taxi fleet are currently in place. The age of taxis that can operate is limited to 6 years for conventional vehicles and 10 years for wheelchair accessible taxis. Taxi Industry Accreditation has been introduced on 31st December 2007 which will raise the professionalism and accountability of the industry, including owners, and improve service quality through complying with service and business standards, including standards related to the condition of the taxi.

Calls answered within 30 seconds in VicRoads call centres per cent 80 53

Explanation provided by the department
(a) How many calls were not answered within 30 seconds?

Approximately 1,442,000

(b) What was the average response time?

3 minutes 20 seconds

(c) What percentage of calls were lost?

15%

Integrated Metropolitan Public Transport Services

<table>
<thead>
<tr>
<th>Passengers carried</th>
<th>number of passengers (million)</th>
<th>Train</th>
<th>Train</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>161.0</td>
<td>178.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>152.0</td>
<td>154.9</td>
</tr>
<tr>
<td></td>
<td></td>
<td>81.0</td>
<td>85.0</td>
</tr>
</tbody>
</table>

349 Department of Infrastructure, 2006-07 Annual Report, p.179
350 Department of Infrastructure, 2006-07 Annual Report, p.179
351 Department of Infrastructure, 2006-07 Annual Report, p.182
Explanation provided by the department

The Committee noted the growth in train, tram and bus patronage in 2006-07 of 12.2 per cent, 3.6 per cent and 7.4 per cent respectively on public transport services.

Please comment on how the department is responding to the growth in patronage

On the back of the Meeting Our Transport Challenges $10.5 billion funding commitment a strategy was developed to address peak hour commuter capacity and deteriorating on-time performance. The strategy includes:

- New timetables delivered in September and October 2006 which included 55 additional weekly services
- New timetable delivered in October 2007 which included 39 additional services each day
- Retention and refurbishment of six older model Hitachi trains
- Provision of additional staff resources to address capacity related delays
- Enhanced and expanded train maintenance facilities and practices
- Procurement of 18 new trains to be progressively delivered from 2009
- Recruitment and training of new train drivers
- Rail infrastructure development and expansion to improve capacity and remove some critical conflict points such as duplication of the Merri Creek Bridge track between Clifton Hill and Westgarth

Public Transport Services

<table>
<thead>
<tr>
<th>Customer satisfaction index: Train</th>
<th>score</th>
<th>&gt;65.4</th>
<th>62.5</th>
</tr>
</thead>
</table>

Explanation provided by the department

Please provide comments about:

(a) The main features and outcomes for 2006-07 of the customer satisfaction index for metropolitan train services; and

Customer satisfaction with metropolitan train services in 2006/07 was rated as - somewhat satisfied to very satisfied.

The customer satisfaction survey identified service delivery and comfort on metropolitan train services as key areas that needed to be improved. Specifically customers expressed concern about late running services, the number of cancellations, frequency of services in the peak and crowding.

Patronage on public transport is experiencing significant growth. Metropolitan train patronage has grown by 23 per cent over the past two years and resulted in crowding on some peak services which have affected service punctuality and passenger comfort which have been major reasons for the decline in customer satisfaction.

(b) The initiatives that are planned for addressing the causal factors and achieving a higher level of customer satisfaction in 2007-08 and beyond?

On the back of the Meeting Our Transport Challenges $10.5 billion funding commitment a strategy was developed to address peak hour commuter capacity and deteriorating on-time performance. The strategy includes:

- New timetables delivered in September and October 2006 which included 55 additional weekly services
- New timetable delivered in October 2007 which included 39 additional services each day
- Retention and refurbishment of six older model Hitachi trains
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- Enhanced and expanded train maintenance facilities and practices
- Procurement of 18 new trains to be progressively delivered from 2009
- Recruitment and training of new train drivers
- Rail infrastructure development and expansion to improve capacity and remove some critical conflict points such as the duplication of the Merri Creek Bridge track between Clifton Hill and Westgarth

In addition:-

- Work is progressing on improving train control and management systems which are essential to operate an efficient safe and reliable train network. The Metropolitan Train Control Facility (METROL) which is used to control and monitor train movements on the metropolitan rail network is being replaced. The Metropolitan Train Communications System project involves replacing the train radio system across the electrified train network.

352 Department of Infrastructure, 2006-07 Annual Report, p.183
• A comprehensive $33.2 million package to improve safety at railway crossings across the state, doubling the financial commitment to level crossing safety over the next two years was announced by the State Government in June 2007. The Level Crossing Safety Package includes:
  - Installing flashing early-warning signs at all 26 highway level crossings, and at a further 27 crossings with a high volume of road traffic
  - Installing ‘rumble strips’ to provide advance warning at 200 crossings
  - New laws and higher penalties for level crossing infringements
  - An updated ‘Don’t Risk It’ advertising campaign
  - Accelerated works to improve ‘line of sight’ at approximately 75 crossings

Nominated capital projects are delivered by private operator within scheduled or subsequent quarter – tram

<table>
<thead>
<tr>
<th>per cent</th>
<th>85</th>
</tr>
</thead>
<tbody>
<tr>
<td>67</td>
<td>353</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**

Please describe the particular problems encountered with the provision of power to sites that contributed to the delay to the Passenger Information Display project

There were three projects required to be delivered by Yarra Trams in 2006/07. Two projects were delivered and the third - The Passenger Information Display project was 95% complete at the end of June. This project involves the provision of Passenger Information Displays at 116 locations. There were a large number of sites which required an underground power source for which, in many cases, there was no readily accessible power supplies. The timing of the provision of power supplies was determined by the power distribution companies and these were delayed at a small number of locations. All sites now have power. Final testing and commissioning is all that is required to complete the project.

**Public Transport Infrastructure Development**

<table>
<thead>
<tr>
<th>per cent</th>
<th>100</th>
</tr>
</thead>
<tbody>
<tr>
<td>71</td>
<td>354</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**

(a) Please provide details to explain the rationale for the Rail Gauge Standardisation and Country Rail Services projects being placed on hold during 2006-07

The Rail Gauge Standardisation project was on hold during 2006-07 pending review and resolution of the project scope, in conjunction with the North East Rail Gauge Standardisation.

In relation to Country Rail Services, it was determined that the Mildura rail line be first restored to a suitable standard for freight operations prior to undertaking further work on the passenger service. The freight project is now in delivery. Meanwhile, an additional rail/road Mildura passenger service was introduced via Swan Hill in April 2006. Development and feasibility studies of South Gippsland / Leongatha rail services have been completed and are being considered by government.

(b) Please detail the budget and expenditure to date on these projects

**Rail Gauge Standardisation**

Funding of $96 million was approved for Rail Gauge Standardisations in the 2001-02 state budget. This funding has been used to deliver the following projects:

<table>
<thead>
<tr>
<th>Standardisation of Regional Freight Lines</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEI $67.5 million</td>
</tr>
<tr>
<td>Expenditure to end 2007 $13.1 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Corio Independent Goods Line</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEI $13.5 million</td>
</tr>
<tr>
<td>Expenditure to end 2007 $2.9 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cliff Street Overpass</th>
</tr>
</thead>
<tbody>
<tr>
<td>TEI $15.0 million</td>
</tr>
<tr>
<td>Expenditure to end 2007 $14.8 million</td>
</tr>
</tbody>
</table>

**Country Rail Services**

TEI $11.7 million
Expenditure to end 2007 $3.3 million

(b) Will a ‘rollover’ of unexpended budget funding for these projects be sought (also refer Q1.3)?

The balance of funding remaining for both of these projects will be required in the future.

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353 Department of Infrastructure, 2006-07 Annual Report, p.183
354 Department of Infrastructure, 2006-07 Annual Report, p.188
Explanation provided by the department
(a) Why was additional time required to be spent on the preparation of tender specifications and project direction during 2006-07?

The project experienced minor delays associated with an adjusted procurement process, in that the original timings were predicated on a single step procurement, whereas this was adjusted to a two step process (ie: an Expression of Interest (EOI) followed by a Request for Tender (RFT)) to ensure that the requirements being sought were clearly developed and appropriately placed to the market.

Further to this, in review of the Public Transport portfolio of activities in the period 2009-10, it is apparent that there will be extreme difficulty in releasing trains at the required times for installation and test activity due to operational needs. It was therefore considered prudent to extend the end date to December 2010.

The EOI has been completed resulting in a short-list of suppliers (three) that are eligible to respond to the RFT. The tender documentation has been released to the short-listed suppliers in November 2007.

(b) How is this project tracking according to the applicable plans and timeframes in 2007-08?

The project is currently tracking to its revised completion date of 31 December 2010 and is operating within its approved budget.

Road System Management

Explanation provided by the department
(a) What five projects throughout regional Victoria were not completed in 2006-07?

1. Great Ocean Rd Sec 1, New Roundabout - Deans Marsh Rd Intersection, Lorne
2. South Gippsland Hwy Sec 3, Road Realignment, Loch to Bena
3. Turtons Track, Road Construction & Sealing, Beech Forest
4. Bass Hwy/White Road. Improve Arterial Road Operations, Wonthaggi
5. Calder Alternative Hwy, Improve Arterial Road Operations, Lockwood Sth to Lockwood

(b) What are the timelines for the completion of these projects

1. Completed in August 2007
2. Completed in July 2007
3. Scheduled for completion in May 2008
4. Scheduled for completion in April 2008
5. Scheduled for completion in June 2008

Traffic and Transport Management

Explanation provided by the department
For each of the five projects rescheduled for completion in the first half of 2007-08, please outline the reasons why they were not completed on time

1. Ramsay Boulevard, Bicycle Path, Inverloch – project delayed as a result of discovery of cultural artefacts
2. Separation St, Pedestrian Traffic Signals, Bell Park – project affected by delays in resolution of funding matters
3. Barnard St, Pedestrian Facilities, Bendigo – project was incorporated into the larger Bendigo Box project because of the economies associated with the joint management of overlapping works
4. Wimmera Hwy, Pedestrian Signals, Edenhope – contract awarded late as the tender prices received were higher than expected
5. Bendigo - Eaglehawk Rd, Bicycle Lanes, Bendigo – contract awarded late as the tender prices received were higher than expected

Freight, Logistics, Ports and Marine Development

Explanation provided by the department
(a) Given that the expected outcome disclosed in the budget papers was for 10 per cent completion to be achieved in 2006-07, please outline the factors that prevented this from happening.

Expected outcome of 10% completion was not achieved due to the late gazettal for land. This delay of

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355 Department of Infrastructure, 2006-07 Annual Report, p.189
356 Department of Infrastructure, 2006-07 Annual Report, p.190
357 Department of Infrastructure, 2006-07 Annual Report, p.192
358 Department of Infrastructure, 2006-07 Annual Report, p.193
approximately 45 days combined with the delay in going to tender (starting construction), contributed to not achieving the target. The tender for construction has since been awarded and construction commenced.

**Chapter 14: Performance targets**

**(b) Please detail the budget and expenditure to date on this project.**

Government funding provided for the Dynon Port Rail Link totals $125.1 million, comprising funding from the state ($15.1 million) and Commonwealth ($110 million), as per Budget Information Paper No.1. In addition, the Port of Melbourne Corporation has funded $12.1 million, giving a total project TEI of $137.2 million.

Expenditure to the end of June 2007 on the project is $13.9 million.

<table>
<thead>
<tr>
<th>Geelong Port Rail Access</th>
<th>per cent</th>
<th>25</th>
<th>0(^{359})</th>
</tr>
</thead>
</table>

**Explanation provided by the department**

(a) Given that the expected outcome disclosed in the budget papers was for 25 per cent completion to be achieved in 2006-07, please outline the factors that prevented this from happening.

The project was on hold pending negotiations with Pacific National on project scope and the subsequent buy back by the state of the regional rail lease.

(b) Please detail the budget and expenditure to date on this project

TEI $13.5 million, expenditure to end June 2007 $2.9 million.

Source: Department of Infrastructure, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.19-34

**14.6 Justice**

**(a) Total output costs**

The department reported the total output cost for each of its 32 major outputs in its annual report. Output costs did not vary as much from the target identified in the budget papers as in some other departments. The department spent $59 million more than it indicated in the budget papers\(^{360}\) and just over half (56 per cent) of the output cost measures reported varied from the target by more than $1 million. This is substantially lower than the average across all departments (75 per cent) and indicates that the department has robust processes for determining costs and has had a relatively stable year. The department was largely unaffected by the machinery of government changes that heavily influenced a number of departments and it provided clear and full explanations for all significant variations, many of which were out with its direct control.

The Department of Justice 2005-06 and 2006-07 Annual Reports both stated that the details of output performance for the Metropolitan Fire and Emergency Services, Country Fire Authority and Victoria Police, were provided in the corresponding Annual Reports for these agencies. Neither the Metropolitan Fire and Emergency Services nor the Country Fire Authority reported output performance in their Annual Reports for 2005-06 or 2006-07. Victoria Police reported performance against all output measures, with output cost performance separately identified in a table titled Resource Allocation to Outputs. This is discussed further in Section 23.4.5 of this report.

The following table details the output cost information for these related agencies that was not provided in the relevant annual reports.

\(^{359}\) Department of Infrastructure, 2006-07 Annual Report, p.193

\(^{360}\) Budget Paper 3, 2006-07, pp.158-192
Table 14.10: Department of Justice
Selected total output cost details for 2006-07

<table>
<thead>
<tr>
<th>Output details 2006-07</th>
<th>Column (1)</th>
<th>Column (2)</th>
<th>Column (2-1)/1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2006-07 Budget (a)</td>
<td>2006-07 Actual</td>
<td>Variation (€)</td>
</tr>
<tr>
<td></td>
<td>($ million)</td>
<td>($ million)</td>
<td>(%)</td>
</tr>
<tr>
<td><strong>Emergency Prevention and Response</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Fire and Emergency Services</td>
<td>32.2</td>
<td>32.1</td>
<td>0.3</td>
</tr>
<tr>
<td>Country Fire Authority</td>
<td>50.5</td>
<td>57.0</td>
<td>12.9</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The increased output cost relates to three factors:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>i) Treasurers Advance provided for the 2007 summer bushfires.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii) Service payments for the commencement of the Emergency Alerting System (EAS).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii) Community Safety Emergency Support Program (CSESP) grants funded from the Community Support Fund.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Reducing Crime Rate</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investigating Crimes</td>
<td>494.5</td>
<td>491.8</td>
<td>0.6</td>
</tr>
<tr>
<td>Facilitating Justice Outcomes</td>
<td>250.4</td>
<td>249.0</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>Reducing the Road Toll and Incidence of Road Trauma</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Targeting Road User Behaviour</td>
<td>154.9</td>
<td>154.0</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>High levels of Community Perceptions of Safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responding to Calls for Assistance</td>
<td>89.2</td>
<td>88.7</td>
<td>0.5</td>
</tr>
<tr>
<td>Community Safety and Support</td>
<td>547.7</td>
<td>544.7</td>
<td>0.5</td>
</tr>
<tr>
<td><strong>High levels of Customer Satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Community Confidence in and Access to Policing Services</td>
<td>28.1</td>
<td>28.0</td>
<td>0.3</td>
</tr>
</tbody>
</table>

(b) Performance against output performance targets

The Department of Justice achieved or exceeded approximately 136 (80 per cent) of its 170 performance targets published in its 2006-07 annual report. It is also worth noting that only 10 (six per cent) of the 170 performance targets were missed by more than 10 per cent. This is a marked improvement on the department’s 2004-05 performance when it met or exceeded only 72 per cent of its targets.

While this appears to be a strong indicator that the department is performing well in relation to its output targets, performance in 49 (29 per cent) of the 170 measures varied from the target by more than 10 per cent. This indicates that the targets may be being set too conservatively and therefore are unable to fully reflect the Departments ability to deliver its services. Targets set should be realistic.

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361 Budget Paper No.3, 2006-07 Service Delivery, p.163
362 Budget Paper No.3, 2006-07 Service Delivery, p.163
363 Budget Paper No.3, 2006-07 Service Delivery, p.165
364 Budget Paper No.3, 2006-07 Service Delivery, pp.165,166
365 Budget Paper No.3, 2006-07 Service Delivery, p.167
366 Budget Paper No.3, 2006-07 Service Delivery, p.168
367 Budget Paper No.3, 2006-07 Service Delivery, p.168, 169
368 Budget Paper No.3, 2006-07 Service Delivery, p.170
369 Note: This figure does not include the Total Output Cost Measures.
Recommendation 48: The Department of Justice should strengthen its approach to reporting performance by undertaking an annual review of the output performance measures it has identified in the Service Delivery Budget Paper to ensure that all measures are relevant and targets are meaningful.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

Table 14.11: Department of Justice
Information sought by the Committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2005-06</th>
<th>Actual 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Public Prosecutions</strong></td>
<td>Number</td>
<td>&lt;40</td>
<td>0</td>
</tr>
<tr>
<td>Number of adjournments sought by the Crown in County Court and Magistrates’ Court on the grounds of insufficient time to prepare</td>
<td>Number</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In the 2006-07 financial year OPP received funding via the budget process which allowed OPP to provide sufficient resources for the preparation of trials and a more stringent preparation process which reduced delays in the trial process.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Matters in the Magistrates’ Court</th>
<th>Per Cent</th>
<th>60</th>
<th>68</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of matters finalised within 12 months - VOCAT</td>
<td>Per Cent</td>
<td>60</td>
<td>68</td>
</tr>
<tr>
<td><strong>Explanation provided by the Department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The reported result of 53% was erroneously included in the Department of Justice’s Annual Report 2006-07. The 53% figure is the clearance rate for 9 months. The final result for the 2006-07 year for the proportion of matters finalised within 12 months is in fact 68%. This rate is reflected in the VOCAT Annual Report 2006-07 tabled on 31 October 2007.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Victorian Legal Aid</th>
<th>Per Cent</th>
<th>80</th>
<th>55</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applications processed: within 1 day</td>
<td>Per Cent</td>
<td>80</td>
<td>55</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In 2006-07 Victorian Legal Aid processed 30,500 applications, up from 28,077 in 2005-06. Increased demand for services occurred during a period of transition which included an organisational restructure and the implementation of a new electronic processing software package to enable online applications. Recruiting, upskilling and settling new staff, together with training users and operationalising the new system has resulted in an increase in processing times for applications. Note, that this measure has been discontinued as the result of an output review. In 2007-08, VLA is reporting on the number of applications processed within 15 days as a more appropriate measure.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Victoria Police</th>
<th>Per Cent</th>
<th>2</th>
<th>-0.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigating Crime</td>
<td>Per Cent</td>
<td>2</td>
<td>-0.1</td>
</tr>
<tr>
<td>Increase in detected crime</td>
<td>Per Cent</td>
<td>2</td>
<td>-0.1</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>‘Detected crime’ results from police-initiated investigations, rather than from the investigation of offences reported to police by community members. The level of detected crime is therefore significantly affected by the availability of local police resources to initiate and undertake proactive investigations. There were a total of 22,458 offences detected by Victoria Police in 2006-07 (compared with 22,479 in 2005-06 and 23,483 in 2004-05.) Note that the variance recorded between 2005-06 and 2006-07 is significantly less than 10%. The 2006-07 target was to detect a total of 22,929 offences. Actual offences detected were 22,458.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

371 Department of Justice Annual Report 2006-07, p.107
373 Department of Justice Annual Report 2006-07, p.123
374 Victoria Police, Annual Report 2005-06, p.23
representing a small decline on 2005-06 detected offences of 471 (0.1 percent).

Tasking of local police resources to proactive investigations is dependent on local priorities and issues; on the level of available resources; and on the level of reported crime in individual local areas.

For further context, it should perhaps be noted that total offences in each of the above years were as follows:

- 2004-05 = 376,432;
- 2005-06 = 373,034; and
- 2006-07 = 375,667.

Offence categories covered by the Detected Crime definition include:

- Handle stolen goods;
- Drug cultivation, manufacture and trafficking and Drug possess and use;
- Going equipped to steal.

### Community confidence in and access to policing services

<table>
<thead>
<tr>
<th>Increase in reporting of sexual assaults</th>
<th>Per Cent</th>
<th>5</th>
<th>-7.2</th>
</tr>
</thead>
</table>

### Explanation provided by the department

The decrease in Sex (non-rape) offences represents a decrease in reported / recorded offences. Victoria Police has no reliable data which would confirm that there has been a decrease in the actual incidence of offending. Available victimisation data tends to focus on the incidence of Rape offences, rather than the incidence of other sex offences, so no reliable data on the underlying incidence of sex (non-rape) offences is available.

Source: Department of Justice, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.21-24

Notes: (a) The Committee observes that the department has provided incomplete data in its annual report. The department should report full 12 month figures. Where interim figures must be used, they should be accompanied by a full and detailed explanation.

### (c) Performance of related agencies

In order to comply fully with the Standing Directions of the Minister for Finance under the Financial Management Act 1994, departments ‘must include a comparison of the output targets specified in the State Budget with actual performance against those targets’. DOJ did not report performance against output targets associated with the Metropolitan Fire and Emergency Services Board, the Country Fire Authority or Victoria Police. The DOJ annual report stated that these figures were reported in the corresponding agencies annual reports. However, the related agencies did not adequately report the required data. This is discussed further in Section 23.4.5 of this report.

The following table details the output performance information for these related agencies that was not provided in the relevant annual reports.

---

375 Victoria Police, Annual Report 2005-06, p.30
376 Standing Directions of the Minister for Finance Under the Financial Management Act 1994, S.4.2
377 Budget Paper 3, 2006-07, p. 165
378 Department of Justice, Annual Report, 2006-07, p.100
Table 14.12: Department of Justice

Information sought by the Committee for portfolio outputs

<table>
<thead>
<tr>
<th>Output/measure 2005-06</th>
<th>Unit of measure</th>
<th>Target 2005-06</th>
<th>Actual 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Fire and Emergency Services</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fire fighters on duty 24 hours a day</td>
<td>Number</td>
<td>&gt;248</td>
<td>248</td>
</tr>
<tr>
<td>Structural fire contained to room of origin</td>
<td>Per Cent</td>
<td>90.0</td>
<td>88</td>
</tr>
<tr>
<td>Response time at the 90th Percentile</td>
<td>Minutes</td>
<td>7.7</td>
<td>3.8</td>
</tr>
<tr>
<td>Country Fire Authority</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service delivery points</td>
<td>Number</td>
<td>1295</td>
<td>1295</td>
</tr>
<tr>
<td>Response to road accident rescue calls meeting benchmark times</td>
<td>Per Cent</td>
<td>90</td>
<td>91</td>
</tr>
</tbody>
</table>

Source: Budget Paper No.3, 2005-06 Service Delivery, p.144
Department of Justice, response to the Committee’s Financial and Performance
Outcomes questionnaire – part two, received 4 February 2008, p.19-20

(d) Promoting and protecting consumer interests

The Committee noted that performance against three out of the five measures for Promoting and Protecting Consumer Interests has been consistently significantly higher than the target (see table 14.13) during the last three years. These measures were introduced in 2005 and have not been revised since this time despite the department significantly exceeding the target every year.

Consumer Affairs Victoria (CAV) is responsible for the implementation of these performance outputs. CAV indicated that they delayed reviewing these output targets while undertaking significant changes to their service delivery modes and organisational processes. They opted to wait until they had enough reliable trend data before establishing new targets. They also indicated that the 2006 Melbourne Commonwealth Games had a significant impact on these indicators as a result of increased compliance activity and extended operating hours.

CAV has assured the Committee that a review of these targets is now underway and that revised output measures and targets are expected to be in place for the 2008-09 reporting cycle.

379 The target for face to face advice provided was lowered in 2006 from the original target of 16 750 to 15 425.
Table 14.13: Consumer Affairs Victoria
Promoting and protecting consumer interests output measures

<table>
<thead>
<tr>
<th>Output/measure 2006-07</th>
<th>Unit of measure</th>
<th>Target All Years</th>
<th>2004-05 Outcome(^{380}) (Variance)</th>
<th>2005-06 Outcome(^{381}) (Variance)</th>
<th>2006-07 Outcome(^{382}) (Variance)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Face to face advice provided(^{383})</td>
<td>number</td>
<td>15 425</td>
<td>13 905 (-10%)</td>
<td>18 466 (20%)</td>
<td>22 950 (49%)</td>
</tr>
<tr>
<td>Inspections, compliance monitoring and enforcement activities</td>
<td>number</td>
<td>7 750</td>
<td>9 369 (21%)</td>
<td>9 734 (26%)</td>
<td>8 575 (11%)</td>
</tr>
<tr>
<td>Registration and licensing transactions</td>
<td>number</td>
<td>540 000</td>
<td>572 000 (6%)</td>
<td>574 000 (6%)</td>
<td>610 350 (13%)</td>
</tr>
<tr>
<td>Telephone advice provided</td>
<td>number</td>
<td>553 350</td>
<td>606 735 (10%)</td>
<td>554 908 (0%)</td>
<td>553 360 (0%)</td>
</tr>
<tr>
<td>Written advice provided</td>
<td>number</td>
<td>16 200</td>
<td>18486 (14%)</td>
<td>22 481 (39%)</td>
<td>22 221 (37%)</td>
</tr>
</tbody>
</table>

(d) Clearance rates in Victorian courts

The Productivity Commission Report on government Services 2007\(^{384}\) provided information on clearance rates for Victorian Courts. As this information is not currently provided in Budget Paper No.3 or the department’s Annual Report, the Committee requested that the department supply the clearance rates for 2006-07 along with explanations for any variances against the estimated targets for each court / item.

The department advised the Committee that 'consideration of clearance rates in isolation from other indicators and for a single year only can be misleading. Clearance rates need to be analysed in association with the trends in lodgements and finalisations, as well as with clearance rates over time. Also targets for clearance rates are not formally set. The desired clearance rate is 100% as this means the court is keeping up with the lodgements coming in.'

The Committee should also note that for the purposes of comparability with other states and territories the Magistrates’ Court CIVIL results include a large number of matters heard in the Victorian Civil and Administrative Tribunal (VCAT).

Clearance Rates as collected for the 2008 Report on Government Services (the Report) (2006/07 data) are detailed in the following table.

---

\(^{380}\) Budget Paper No.3, 2006-07 Service Delivery, p.187

\(^{381}\) Budget Paper No.3, 2007-08 Service Delivery, p.169

\(^{382}\) Department of Justice Annual Report 2006-07, p.118

\(^{383}\) The ‘face to face advice’ output performance measure was merged with the ‘telephone advice’ output performance measure in the 2007-08 Budget Papers.

\(^{384}\) Productivity Commission, Report on Government Services 2007, Volume 1 Part C (Justice) Chapter 6 Court Administration, p.6.35
Table 14.14: Department of Justice
Clearance rates for Victorian courts

<table>
<thead>
<tr>
<th>Clearance Rates 2006-07 (finalisations/lodgements)</th>
<th>Criminal</th>
<th>Civil</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Target</td>
<td>Actual</td>
<td>Target</td>
</tr>
<tr>
<td></td>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Supreme</td>
<td>100</td>
<td>103.3</td>
<td>100</td>
</tr>
</tbody>
</table>

Explanation provided by the department
The Supreme Court continued the improvements of previous years by exceeding 100% clearance rates in 2006/07 through a significant increase in finalisations in both jurisdictions. However it should be noted that the clearance rate for matters finalised in the civil jurisdiction of the Supreme Court is an extraordinary result due to an administrative clean up following the introduction of a new case system and progressive auditing of old civil cases. Moreover, the Productivity Commission Report on Government Services 2008 shows that the Supreme Court is experiencing a considerable level of trial delay and backlog in both the criminal and civil divisions, despite the increase in the court’s clearance rates. The Supreme Court has a significant number of initiatives currently underway that will continue to improve productivity including training and mentoring, increasing court availability, mediation by Masters and a focus on shortened hearings. Further initiatives such as supporting Judges in delegating a range of tasks to Associates and encouraging Judicial cultural shift from the tradition of ‘sole practitioner’ to ‘leveraged team’ are also expected to improve productivity and clearance rates.

County

Explanation provided by the department
The significant contributor to the overall clearance rate of 93.2% was in the criminal (non-appeal) jurisdiction. Lodgments in the criminal (non-appeal) area rose 4.6% from 2,609 in 2005-06 to 2,729 in 2006-07, the highest ever recorded, representing a gradual year-on-year increase averaging over 2% a year since 2002-03. In the same period finalisations have also increased, but at a slower rate averaging just over 1 per cent a year, rising from 2,219 in 2002-03 to 2,262 in the latest year. This has contributed to an overall decline in the clearance rate for the criminal jurisdiction of the County Court to 88.2%. The County Court has recognised this and has changed its work practices to address the issue and expects improved clearance rates in future years. It should also be noted that the overall clearance rate of 88.2% for the criminal jurisdiction is an improvement over the 2005-06 rate of 85%.

Magistrates’ Court

Explanation provided by the department
The major contributor to the overall clearance rate of 88.1% is the civil jurisdiction result of 83.5%. The major factor in this is the underlying rate of civil cases in the Magistrates’ Court that are never finalised within 12 months due to the parties not wishing to progress the cases. These cases however have been recorded as lodgements, but will never be finalised, consequently the level of lodgements will always be more than the level of finalisations. One of the rules in the Report on Government Services is that these cases should be ‘deemed’ as finalisations which then brings clearance rates back to around 100%. The Magistrates’ Court does not do this as the computerised case management system is not able to accommodate this. This will be rectified in the new Integrated Court Management System due to be rolled out in the Magistrates’ Court in late 2008.

It is worth noting that other jurisdictions in Victoria and other states/territories ‘deem’ these cases to be finalised and consequently they have clearance rates that are significantly above the Magistrates’ Court.

While the criminal jurisdiction clearance rate is 6% less than the desired 100% the figure of 94% is the result of an improving clearance rate which was 91% in 2002/03. Also over the same period the court has increased its finalisations rate by 2% each year. This rate is calculated in accordance with the counting rules set for the Report on Government Services, which dictates that an initiation is recorded on the date of registration (that is when the case is lodged in the court). However the Magistrates’ Court does not commence to manage this case until the first hearing takes place in a court. Therefore, the clearance rate includes cases that are still pending awaiting the parties’ readiness to commence. It is worth noting that the Magistrates’ Court has adopted for its own internal use another clearance rate which relies on the ‘first date of hearing’ to count initiations. When applied to the clearance rate calculation, the court’s internal measure results in achievement of a clearance rate in excess of 100% in most months.

Children
Report on the 2006-07 Financial and Performance Outcomes

**Explanation provided by the department**

The high volume of cases and increased workload in both the criminal and family divisions of the court has resulted in the court’s reduced clearance rates. Lodgements in 2006/07 increased by 70% in the criminal jurisdiction and 9% in the Family Division. This increased workload has resulted from legislative changes associated with the change of age jurisdiction from 16 to 17 years, and care and protection orders administered under the *Children, Youth and Families Act 2005*. While the court increased its finalisations it was not enough to reach a 100% clearance rate. More cases being initialised than can be completed results in fewer cases being finalised and lower clearance rates. The court has implemented initiatives in the second half of the financial year that go some way towards addressing the increase in workload in 2007-08. In addition, the department recently engaged Boston Consulting to undertake a review of workload in the court with a view to identifying what additional judicial and other resources are required to address the increase in workload.

<table>
<thead>
<tr>
<th>Electronic</th>
<th>100</th>
<th>175.7</th>
<th>100</th>
<th>n/a</th>
<th>100</th>
<th>175.7</th>
</tr>
</thead>
</table>

**Explanation provided by the department**

Victoria’s electronic court is the Infringements Court. It has been maintaining high clearance rates for the last 5 years. The nature of the process allows for multiple finalisations per lodgement which results in a much higher than 100% clearance rate. This method is consistent with Productivity Commission counting rules.

<table>
<thead>
<tr>
<th>Coroners Court</th>
<th>100</th>
<th>n/a</th>
<th>100</th>
<th>95.5</th>
<th>100</th>
<th>95.5</th>
</tr>
</thead>
</table>

**Explanation provided by the department**

In 2006 the State Coroner’s Office was subject to a number of independent reviews. As a result of these reviews the State Coroner’s Office has undergone a complete restructure in an effort to bring about improvements to practices and business performance. ERC funding has provided additional resources. Significant progress has been made in the overall performance of the State Coroner’s Office functions which is highlighted by its improved performance in the 2008 Reporting of Government Services data. The clearance rate of 95.5% of matters finalised represents the best performance achieved at the State Coroner's Office for 3 years and signals a 2% improvement in performance, with an overall 6.3% improvement in all cases finalised with a particular focus on the closure of backlog cases (over 12 months). This improved performance has been achieved in the face of a steadily increasing rate of lodgments of cases by 4.75% per year since 02/03.

**Source:** Department of Justice, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p. 26-28

14.7 Premier and Cabinet

(a) Performance against output performance targets

The Department of Premier and Cabinet only reported their performance against 41 measures. This represents less than half of the 104 measures identified for the department in Budget Paper 3. The Committee noted that, although aggregate expenses by output group are shown in the department’s annual report, the department has not reported the total output cost for any of its outputs.

The department indicated that it prepared its Annual Report in accordance with the Financial Reporting Directions under the *Financial Reporting Act 1994* and that it opted not to duplicate information available in the budget papers in its annual report in order to reduce its size and to make it more accessible and readable.

The Committee has a number of concerns about the approach adopted by the department as detailed in the following points:

- Part Seven of the Financial Management Act (FMA) requires that the annual report of a relevant Public Sector Agency comprise a Report of Operations and Financial statements. The Standing Directions of the Minister for Finance under the *Financial Management Act 1994* Section 7.2 (k.) goes further to state that in relation to the reporting requirements of

385 Budget Paper 3, 2006-07 pp. 192-204
Part 7 of the FMA ’A government department must include a comparison of the output targets specified in the state Budget with actual performance against those targets’. The department has failed to address this legislative requirement.

- While the Committee recognises that this information is reported in subsequent budget papers, there is a substantial delay of approximately six months between publication of annual reports and budget papers.
- The Committee does not believe that excluding this important information from the annual report improves the accessibility or readability of the report. On the contrary, the Committee believes that this approach significantly reduces the accountability of the department to Parliament and the public. In light of this, the department should take steps to ensure that the total output costs are included in future annual reports.

The Committee recommends that:

**Recommendation 49:** The Department of Premier and Cabinet should report performance against all output performance targets in future annual reports.

The department provided the Committee with details of the total output cost for each of its 12 major outputs. Output costs did not vary as much from the target identified in the budget papers as in some other departments. The department spent $23 million more than it indicated in the budget papers, while just under half (42 per cent) of the output cost measures reported varied from the target by more than $1 million. This is substantially lower than the average across all departments (75 per cent) and indicates that the department has robust processes for determining costs and has had a relatively stable year. The department explained that the variations are mainly a result of carryover funding from 2005-06. Table 14.15 details the budget, actual and variation for each of the major outputs.

**Table 14.15:** Department of Premier and Cabinet
Selected total output cost details for 2006-07

<table>
<thead>
<tr>
<th>Output details</th>
<th>Column (1)</th>
<th>Column (2)</th>
<th>Column (2-1)/1</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07 Budget (a)</td>
<td>2006-07 Actual</td>
<td>Variation</td>
<td></td>
</tr>
<tr>
<td>($ million)</td>
<td>($ million) (%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Policy Advice</td>
<td>29.8</td>
<td>33.8</td>
<td>13.4</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The change is due to carryover of $2.6m, initiatives to combat terrorism and one-off funding of $2.5m for the establishment of a new Jewish Centre.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Strategic Policy Projects</td>
<td>8.0</td>
<td>10.1</td>
<td>26.3</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to carryover of Tsunami Development Reconstruction Fund ($1.8m) and reprioritised funding from other outputs for the creation of the Policy Implementation Unit and NRA/COAG projects.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Information Services and Support</td>
<td>41.1</td>
<td>43.4</td>
<td>5.6</td>
</tr>
<tr>
<td>Protocol and Special Events</td>
<td>1.8</td>
<td>1.9</td>
<td>5.6</td>
</tr>
<tr>
<td>Advice and Support to the Governor</td>
<td>8.8</td>
<td>8.8</td>
<td>0</td>
</tr>
</tbody>
</table>

---

386 See also, DTF Model Financial Report, p.9
387 Budget Paper 3, 2006-07 pp.192-204
<table>
<thead>
<tr>
<th>Service Provider</th>
<th>2005-06</th>
<th>2006-07</th>
<th>2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Services Authority</td>
<td>11.5</td>
<td>12.4</td>
<td>7.8</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to inclusion of carryover funding of $1.5m.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ombudsman Services</td>
<td>5.6</td>
<td>6</td>
<td>7.1</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to capital funding transferred to output for their ICT Program.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Parliamentary Counsel Services</td>
<td>4.1</td>
<td>4.2</td>
<td>2.4</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due to one-off funding for the purchase of the Von Guerard painting ($1.5m), FINA Arts Festival ($2.3m), carryover funding for Strategic Marketing Development ($1.0m) and Brand Victoria funding from Strategic Outputs ($0.7m).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts Development and Access</td>
<td>36.8</td>
<td>44.5</td>
<td>20.9</td>
</tr>
<tr>
<td>Creating Place and Space</td>
<td>91.3</td>
<td>92.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Portfolio Services and Policy</td>
<td>4.4</td>
<td>4.4</td>
<td>0</td>
</tr>
<tr>
<td>Arts Portfolio Agencies</td>
<td>256.0</td>
<td>260.2</td>
<td>1.6</td>
</tr>
</tbody>
</table>

Source: Department of Premier and Cabinet, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p. 1

The Department of Premier and Cabinet achieved or exceeded approximately 31 (76 per cent) of the 41 performance targets published in its 2006-07 annual report. It is also worth noting that only 3 (seven per cent) of the 41 performance targets were missed by more than 10 per cent. This is a marked drop from the department’s 2004-05 performance when it met or exceeded 90 per cent of its targets as reported. The Committee was however, pleased to note that the department has taken note of its previous recommendation to explain key variations between targets and actual achievements for performance measures in its annual report.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2005-06.

---

Note: This figure does not include the Total Output Cost Measures.

Table 14.16: Department of Premier and Cabinet
Information sought by the Committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2005-06</th>
<th>Actual 2005-06</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strategic Policy Projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Whole of government strategic policy projects</td>
<td>Numb er</td>
<td>6</td>
<td>16(^{390})</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**

More projects occurred than originally anticipated due to the successful launch of initiatives supporting the NRA and AFV, etc.

Some of the strategic policy projects include:
- National Mental Health Action Plan
- Moving Forward – Provincial Victoria
- Meeting our Transport Challenges
- Brand Victoria
- Gateway Initiative
- Healthy Futures
- Protecting our Community

The increased number of projects meant more resources were directed to delivering these projects instead of other discretionary research and evaluation projects.

**Government Information Services and Support**

| Communication activities/projects reviewed by the Government Communications Review Group | Numb er | 120 | 235\(^{391}\) |

**Explanation provided by the department**

Increasing awareness amongst departments and agencies of the GCRC and a streamlining of processes has resulted in more communications activities being submitted to the GCRG for review.

The main impact of the increase is to enable more comprehensive and effective monitoring of Victorian Government communications to take place. This improves governance of communications and enhances CCC’s ability to carry out its oversight role.

- **Supported** = 196
- **Not supported** = 35
- **Other** = 4

‘Supported’ includes items which were initially not supported but which, following amendment, were subsequently supported. ‘Other’ includes items which were not considered by GCRG because they were out of scope or were being reported retrospectively.

**Protocol and Special Events**

| Annual special events | Numb er | 4 | 11\(^{392}\) |

**Explanation provided by the department**

**a)** Please list the special events that were held in 2005-06.

- State Funeral – The Hon Alan Wood
- Bali Memorial Launch
- Memorial State Service – The Hon Bruce Chamberlain
- State Funeral for William Allen
- Remembrance Day
- DPC Awards
- Australian Open Tennis
- Commonwealth Games
- Grand Prix
- Governor Landy Retirement Dinner
- Anzac Day Luncheon

(please also see page 51, DPC Annual Report 2005-06)

**b)** What were the additional events that were not included in the target?

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\(^{390}\) Department of Premier and Cabinet, *Annual Report 2005-06*, p.58

\(^{391}\) Department of Premier and Cabinet, *Annual Report 2005-06*, p.58

\(^{392}\) Department of Premier and Cabinet, *Annual Report 2005-06*, p.59
• State Funeral – The Hon Alan Wood
• Bali Memorial Launch
• Memorial State Service – The Hon Bruce Chamberlain AM
• State Funeral for William Allen
• DPC Awards
• Governor Landy’s Retirement Dinner
• Anzac Day Luncheon

(c) What were the benefits and costs of holding each event?
The Protocol and Special Events Branch is responsible for initiating, implementing and monitoring strategic programs, which enhance and protect the dignity for the office of the Premier, while effectively promoting Victoria nationally and internationally. The Branch manages State Funerals when required, on the recommendation of the Premier in recognition of the distinguished Victorian citizen.

The costs are:
• State Funeral - The Hon Alan Wood (7 October 2005) – $7,004
• Bali Memorial Launch (12 October 2005) – $598
• Memorial State Service - The Hon Bruce Chamberlain AM (18 October 2005) – $9,249
• State Funeral for William Allen (25 October 2005) – $16,303
• Remembrance Day (11 November 2005) – $5,508
• DPC Awards (12 December 2005) – $13,867
• Australian Open Tennis (16-29 January 2006) – $736
• Commonwealth Games (17-26 March 2006) – $281,064
• Grand Prix (30 March - 2 April 2006) – $118,412
• Governor Landy Retirement Dinner (4 April 2006) – $69,721
• Anzac Day Luncheon (21 April 2006) – $20,384

Official visitors to Victoria

<table>
<thead>
<tr>
<th>Number</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 (c)</td>
<td></td>
</tr>
</tbody>
</table>

Explanation provided by the department
Over target figures for official visitors due to Commonwealth Games in March

Arts Development and Access

<table>
<thead>
<tr>
<th>Number</th>
<th>50</th>
</tr>
</thead>
<tbody>
<tr>
<td>55 (d)</td>
<td></td>
</tr>
</tbody>
</table>

Explanation provided by the department

(a) Touring activity is funded through an open grant program. Targets for destinations included in the funded projects are set before any submissions are received under the program. The projects funded under the program in 2005-06 were more diversified, in terms of numbers of venues included, than anticipated.

(b) Regional touring of arts product (performances and exhibitions) delivers a range of benefits to local communities.

Economic benefits:
Creativity within a community directly contributes to that community’s economic success (‘The Rise of the Creative Class’ – R.Florida). Victoria’s vibrant arts and culture scene aids its economic success by helping to attract an intellectual workforce to Victoria and enhance its attractiveness as a place to visit. Within individual communities, the presentation of quality arts programs has significant impacts in the ability of those communities to attract new residents and business / industry investment.

Social benefits:
Engagement with arts and culture brings social cohesiveness to all communities. Cultural activities and programs are able to bring diverse elements of a community together and the venues at which the programs occur can become social hubs or meeting points for communities. Quality venues with quality programs also generate community pride that directly enhances the quality of life and attractiveness of a location for both residents and visitors alike. Over-achievement against target for touring destinations results in more Victorian communities gaining these benefits.

Attendances at major performing arts organisations

<table>
<thead>
<tr>
<th>Number</th>
<th>921</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,050 (e)</td>
<td></td>
</tr>
</tbody>
</table>

393 Department of Premier and Cabinet, Annual Report 2005-06, p.59
394 Department of Premier and Cabinet, Annual Report 2005-06, p.94
395 Department of Premier and Cabinet, Annual Report 2005-06, p.94
Chapter 14: Performance targets

Explanation provided by the department
(a) In 2005-06, four of the seven major performing arts organisations had successful seasons which saw them exceed their audience estimate targets for the year. Major performing arts companies included under this performance measure were: Orchestra Victoria, the Australian Ballet, Circus Oz, Melbourne Theatre Company, Opera Australia, Malthouse Theatre, Melbourne Symphony Orchestra

Source: Department of Premier and Cabinet, Annual Report 2005-06, pp.27–95, Department of Premier and Cabinet, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, pp. 8-11

14.8 Primary Industries

(a) Total output costs

The department reported the total output cost for each of its four major outputs in its annual report. Budget Paper 3396 identified five major outputs, but the output costs for two were merged as a result of machinery of government changes. This partly explains the increased expenditure in the Primary Industries Policy Output Group, but the main variation in output costs is in the Sustainable Practice Change Output Group where the department spent $93 million more than the target of $111 million. The department’s annual report attributed this to the additional funding received for drought assistance and bushfire recovery and response.

(b) Performance against output performance targets

The Department of Primary Industries achieved or exceeded approximately 45 (88 per cent) of its 51 performance targets as published in its 2006-07 annual report. It is also worth noting that only two of the 51 performance targets were missed by more than 10 per cent. This is a marked improvement on the department’s 2004-05 performance when it met or exceeded only 72 per cent of its targets398.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

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396 2006-07 BP3 pp.205-213
397 Note: This figure does not include the Total Output Cost Measures.
Table 14.17: Department of Primary Industries
Information sought by the Committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regulation and Compliance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Levels of compliance are maintained to ensure the sustainability of priority fish species</td>
<td>per cent</td>
<td>&gt;90</td>
<td>83&lt;sup&gt;999&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

**Explanations provided by the department**

Fisheries Victoria is using improved intelligence gathering and subsequent targeting of operational and tactical effort to ensure compliance resources are used efficiently. This intelligence has resulted in more efficient monitoring and more non-compliance being found. This discovery of non-compliance has translated into a lower result for this performance score. The main areas of non-compliance detected were:

- Scallops - Operation 'Jamboree' disclosed large scale trading of undeclared product (more than 140 tonne).
- Abalone - Operations 'Algebra', 'Zinc', 'Wave', and 'Kelt' disclosed processing as well as unlicensed take throughout the Metropolitan, Geelong, and Mornington Peninsula areas, with extension along the entire Victorian coastline. Several significant jail terms resulted.
- Native Fish - Operation 'Beecham'.
- Rock Lobster – Tactical operations in the South West led to, amongst other things, the removal of an operator from the fishery.
- Bass Yabbies - intelligence showing linkages to organised inland fisheries crime resulted in the introduction of daily catch limits.

This intelligence based approach continues to develop, and as intelligence holdings become more robust, greater planning ability will extend across all fisheries, not just priority species.

The improved intelligence gathering and targeting of operational and tactical effort has had the following impacts on ensuring the sustainability of priority fish species:

- Intelligence based detection of non-compliance in any particular area enables us to redirect priorities and resources to address areas with a lower level of compliance.
- The greater take up by the public of ‘13FISH’, the after hours offence reporting line, has led to greater intelligence holdings which enables a better focus of efforts through planned operations.
- The restructure of Field Services into a functional model has refocused the Fisheries Officers into their core compliance role, also resulting in improved lodgement of intelligence.
- The increased deterrence as a result of publicity from court cases, particularly in light of the application of indictable offences, has seen an overall reduction in the number of organised groups. It has also shown that fewer individuals are involved in such groups, particularly in relation to priority species.
- In cases like the Western Zone Rock Lobster Fishery, routine inspections at the port have shown that generally the level of compliance is high. Intelligence reports submitted by Fisheries Officers raised doubt in several areas, and a subsequent intelligence based planned operation proved a very low level of compliance in certain activities with appropriate action taken including removal of one operator from the fishery.

Where the overall compliance % figures fall below the target of >90%, it is often as a result of changing the targeting and compliance activities to areas highlighted by analysis of intelligence. These changes also make the planning process for expected targets unpredictable. Where figures are maintained above the target limit, it may indicate that maintenance compliance is required for a short time, with increased effort in lesser compliant areas.

**Sustainable Practice Change**

<table>
<thead>
<tr>
<th>Extension groups used to promote business skills and sustainable farming systems</th>
<th>number</th>
<th>800</th>
<th>1,483&lt;sup&gt;400&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant customer interactions to facilitate export outcomes</td>
<td>number</td>
<td>70</td>
<td>156&lt;sup&gt;401&lt;/sup&gt;</td>
</tr>
</tbody>
</table>

<sup>999</sup> Department of Primary Industries, *Financial statements and Appendices 2006-07*, pp.48–49
<sup>400</sup> Department of Primary Industries, *Financial statements and Appendices 2006-07*, p.51
<sup>401</sup> Department of Primary Industries, *Financial statements and Appendices 2006-07*, p.51
Chapter 14: Performance targets

14.9 Sustainability and Environment

(a) Total output costs

The department reported the total output cost for each of its 7 major outputs in its annual report. The output costs varied significantly from the targets identified in the budget papers. The department spent $292 million more than it indicated in the budget papers\(^{402}\) and all bar one of the measures reported varied from the target by more than $1 million. On average, 75 per cent of measures across all departments varied by more than $1 million. The Departments annual report did not provide explanations for significant variations between budget and actual output costs.

Recommendation 50: The Department of Sustainability and Environment include in its annual report, explanations for material differences between budgeted and actual output costs.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected output cost performance measures and actual outcomes in 2006-07.

Explanation provided by the department

A review of the international market development program is planned for the second quarter of 2008, to review priority markets and specific in-market strategies. This review will, in part, evaluate the effectiveness of 2006-07 significant customer interactions.

Source: Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p. 13-14
Table 14.18: Department of Sustainability and Environment
Total output cost details for 2006-07

<table>
<thead>
<tr>
<th>Output details 2006-07</th>
<th>2006-07 Budget ($ million)</th>
<th>2006-07 Actual ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable water management and supply</td>
<td>162.8</td>
<td>216.9</td>
<td>33</td>
</tr>
<tr>
<td>Sustainable catchment management and biodiversity conservation</td>
<td>171.8</td>
<td>208.1</td>
<td>21</td>
</tr>
<tr>
<td>Management of parks, forests and public land</td>
<td>308.5</td>
<td>341.0</td>
<td>11</td>
</tr>
<tr>
<td>Fire prevention, operations and planning</td>
<td>118.3</td>
<td>288.9</td>
<td>144</td>
</tr>
</tbody>
</table>

The variation of $54.1 million is primarily due to additional funding of $50.3 million being provided for such initiatives as rebates of $30 million for water bills for irrigators and stock and domestic farmers under the drought response package, $4.3 million for pumping the Waranga basin to increase water allocations and $4.0 million for water cartage and supply points.

The variance of $36.3 million is due primarily to an approved carryover of $11.4 million for the National Action Plan and other initiatives, the provision of additional funding of $10 million to Catchment Management Authorities for drought relief initiatives and $2.3 million for Alpine Boards of Management. In addition, a Section 30 transfer of $2.5 million was approved for grant payments to Committees of Management.

The variance of $32.5 million is primarily due to additional fee revenue of $1.6 million collected by Parks Victoria and $11.1 million by VicForests under the Australia Paper Agreement. VicForests took over responsibility for the logging and haulage arrangements from Australia Paper in 2006-07 as advised earlier. Section 30 transfers totalling $5.3 million were approved for payments made to Parks Victoria for repairs and maintenance of assets, Philip Island Nature Reserve and departmental project management costs. Additional funding of $10.2 million was provided for legal costs, the dredging of Lakes Entrance, native title claims and other minor projects.

The variation is due to additional funding of $170.6 million being provided for the cost of major fire suppression during the 2006-07 financial year. The main contributor to this cost was the ‘Great Divide’ campaign fire in Gippsland and the North East.

Source: Department of Sustainability and Environment, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p. 4-5

(a) Performance against output performance targets

The Department of Sustainability and Environment achieved or exceeded approximately 108 (89 per cent) of its 133 performance targets published in its 2006-07 annual report. It is however, worth noting that only 15 (11 per cent) of the 133 performance targets were missed by more than 10 per cent. This is a substantial improvement in the department’s performance over its 2004-05 level when it met or exceeded only 74 per cent of its targets.408

Actual performance varied from the identified target by more that 10 per cent on 39 (29 per cent) occasions. This would indicate that the department still has some work to do to improve the accuracy of its estimating processes. Targets set should be realistic.

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

403 Department of Sustainability and Environment, 2006-07 Annual Report, p.154
404 Department of Sustainability and Environment, 2006-07 Annual Report, p.156
405 Department of Sustainability and Environment, 2006-07 Annual Report, p.158
406 Department of Sustainability and Environment, 2006-07 Annual Report, p.159
407 Note: This figure does not include the Total Output Cost Measures.
Table 14.19: Department of Sustainability and Environment
Information sought by the committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable water management and supply  409</td>
<td></td>
<td>1 100</td>
<td>4 175</td>
</tr>
<tr>
<td>Additional area protected from salinity by sub-surface drainage</td>
<td>ha</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Please explain why this figure is almost 4 times larger than the target. Also, during the last 5 years, the department has protected an additional 21 264 hectares at an average of 4 253 hectares per year 410. In light of this, please explain why, in the 2007-08 budget papers, the target has been set at only 1 000 hectares.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The annual target is based on the assumption that one groundwater pump protects 100 hectares (ha) of area and assumes a base level of activity. It is difficult to predict other factors that may influence additional volumes of groundwater that may be pumped.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As part of the Victorian Government’s drought response, funding for additional groundwater pumps, and subsequent additional ground water use for irrigation was not included in the annual target. This activity increased the additional area protected from salinity.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In addition, the low demand for surface drainage, during the reporting period due to the drought, and subsequent redirection of funding to sub-surface drainage programs increased the additional area protected from salinity.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional area protected from salinity by surface drainage</td>
<td>ha</td>
<td>3 100</td>
<td>730</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Demand for surface drainage during 2006-07 was low due to the drought. Funds from this program were redirected to subsurface drainage protection (see measure above).</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Given a return to normal climatic conditions, over 200,000 (ha) still require surface drainage protection. A review of drainage requirements is scheduled within 12 months that will assess drainage needs under various future climate change scenarios.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additional length of river accessible to native fish</td>
<td>km</td>
<td>710</td>
<td>20</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Please provide details of the 2011 and 2021 statewide targets outlined in the Victorian River Health Strategy (VRHS) and specific planning activities to achieve these targets. Please explain why, if the VRHS target of 2,000km has been achieved with an additional 20km in 2006-07, the output target for 2006-07 was 710km 411.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The Stressed Rivers Initiative expired at the end of 2005-06, and funded programs linked to delivery of this outcome. As specified in ‘Healthy Rivers Healthy Communities and Regional Growth, Victorian River Health Strategy’ (p.36), an increase in length of river accessible to native fish by an additional 2000 km was to be achieved between 2002 and 2005. Actual achieved was 2100 km. In May 2005 when the 2006-07 annual target was set, it was anticipated that proposed ongoing programs would contribute to this outcome during 2006-07. However, a subsequent change in priorities with a focus on in-stream and riparian zone program delivery, resulted in this target not being achieved. The river health program is now focused on programs to deliver the 2011 target, as specified in ‘Healthy Rivers Healthy Communities and Regional Growth, Victorian River Health Strategy’ (p.36) which is to reinstate 600km of in stream habitat.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of rivers with environmental flow improvement programs</td>
<td>number</td>
<td>6</td>
<td>3</td>
</tr>
</tbody>
</table>
An environmental flow improvement program was completed as part of the Central Region Sustainable Water Strategy. These were completed on the Barwon/Leigh, Moorabool and Maribyrnong river systems (3 systems as reported) by the end of June 30, 2007 with the Yarra, Tarago/Bunyip and Thomson river systems completed by October 2007.

| Corporate plans of Water Authorities compliant within guidelines and submitted to the Minister within agreed timeframes | per cent | 100 | 40 |

Corporate Plans of water corporations are due in April of each year. The Corporate Plan submission date was extended to 15 June 2007 to allow the Water Authorities to incorporate the Essential Service Commission’s determinations into their Corporate Plans.

Some Water Authorities were able to submit their Corporate Plans within the original time frames.

All Corporate Plans were submitted to the Minister for Water and Treasurer and were compliant with the Corporate Plan Guidelines.

| Water authorities finalise and adopt Water Supply-Demand Strategies | date | Feb 07 | Jun 07 |

In November 2006, the ‘Central Region Sustainable Water Strategy’, requested two additional contingency scenarios to be included in the Supply-Demand Strategy. These were:

- Medium climate change; and

- Scenario based on the previous ten year historical water flow.

The metropolitan water businesses and Melbourne Water provided a combined Melbourne Water Supply-Demand Strategy in November 2007.

All regional water corporations providing urban water supplies completed their Water Supply-Demand Strategies by June 2007. Water Supply-Demand Strategies are prepared only for urban supplies.

**Liveable cities, sustainable regions, and heritage protection**

| Planning approvals and transactions | number | 65 500 | 41 084 |

This target is forecast based on the average applications lodged in previous years.

The performance measure consolidated three performance indicators, these being:

- Planning certificates issued;
- Development Plans approved; and
- New councils offering pre-lodgement certification.

Land Victoria issued the following number of planning certificates:

- 2003-04 - 42,621
- 2004-05 - 38,749
- 2005-06 - 38,749
- 2006-07 - 41,084

The other components included in the 2006-07 target were delivered by ‘Planning, Urban Design and Housing Affordability’ and ‘Heritage Protection’, that are now a part of the Department of Planning and Community Development.

**Source:** Department of Sustainability and Environment, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p. 15-17

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412 Department of Sustainability and Environment, 2006-07 Annual Report, pp.163–165
14.10 Treasury and Finance

(a) Total output costs

The department reported the total output cost for each of its 17 major outputs in its annual report and there was little variation from the targets identified in the budget papers. In total, the department spent only $5 million more than it indicated in the budget papers\(^ {413}\) and the largest single variation was $2.8 million. This is by far the best performance of any department and is a clear indication of the quality and reliability of the department’s estimation processes.

(a) Performance against output performance targets

The Department of Treasury and Finance achieved or exceeded approximately 100 (89 per cent) of its 112\(^ {414}\) performance targets published in its 2006-07 annual report. It is also worth noting that only 7 (6 per cent) of the 112 performance targets were missed by more than 10 per cent. This again highlights the department’s ability to accurately predict performance and shows that they have maintained the high level of performance against their targets set in 2004-05 when it met or exceeded 90 per cent of its targets\(^ {415}\).

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

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\(^{413}\) Budget Paper 3, 2006-07, pp.214-236

\(^{414}\) Note: This figure does not include the Total Output Cost Measures.

Table 14.20: **Department of Human Services**  
Information sought by the Committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Budget and Financial Policy Advice</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output evaluation and price reviews</td>
<td>Numb er</td>
<td>5</td>
<td>4(^{416})</td>
</tr>
<tr>
<td><strong>Explanation provided by the department</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In total, there were 7 reviews undertaken for the year, which exceeded the target by 2. Of the 7 reviews, 4 were completed for the 2006-07 year which is reflected in the Actual number, and three continue through out 2007-08.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Public Financial Corporations and Balance Sheet Management**  |                 |                |                |
| Public Financial Corporations dividends negotiated             | Numb er         | 7              | 5\(^{417}\)    |
| **Explanation provided by the department**                     |                 |                |                |
| The general government receives dividends from the following Public Financial Corporations: |
| - Transport Accident Commission (TAC) *                         |
| - Treasury Corporation of Victoria (TCV)                        |
| - Rural Finance Corporation                                      |
| - Victorian Funds Management Corporation                       |
| - State Trustees (STL) *                                       |

\(^{416}\) STL and TAC were targeted to pay both an interim and final dividend.

The department made the decision to reprioritise the funds being generated by the interim dividend from the TAC and a special dividend from the TCV, to help cover budget initiatives for these corporations. The impact of not claiming these dividends was predominantly offset by higher than expected returns from the five dividends paid.

*Source: Department of Treasury and Finance Annual Report 2006-07, pp.16–35*

14.11 **Victorian Communities**

(a) **Performance against output performance targets**

The department reported the total output cost for each of its 12 major outputs in its annual report. Output costs did not vary as much from the target identified in the budget papers as in some other departments. The department spent $45 million more than it indicated in the budget papers\(^{418}\) and 67 per cent of measures reported varied from the target by more than $1 million. On average, 75 per cent of measures across all departments varied by more than $1 million. While the department provided clear and full explanations for all significant variations, many of which were out of their direct control, the Committee would like to see all departments improve the accuracy of their estimating process and the level of adherence to targets.

The Department for Victorian Communities achieved or exceeded approximately 102 (93 per cent) of its 110\(^{419}\) performance targets published in its 2006-07 annual report. It is also worth noting that only 3 (3 per cent) of the 110 performance targets were missed by more than 10 per cent. This highlights the department’s ability to accurately predict performance and shows that they have

\(^{416}\) Department of Treasury and Finance, 2006-07 Annual Report, p.20  
\(^{417}\) Department of Treasury and Finance, 2006-07 Annual Report, p.24  
\(^{418}\) Budget Paper 3, 2006-07, pp.255-268  
\(^{419}\) Note: This figure does not include the Total Output Cost Measures.
maintained the high level of performance against their targets set in 2004-05 when it met or exceeded 90 per cent of its targets.\textsuperscript{420}

While information contained in the department’s annual report explained major variations between actual performance and published targets, the Committee sought further details about selected performance measures and actual outcomes in 2006-07.

**Table 14.21: Department of Human Services**  
Information sought by the Committee for selected outputs

<table>
<thead>
<tr>
<th>Output/measure</th>
<th>Unit of measure</th>
<th>Target 2006-07</th>
<th>Actual 2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Strengthening</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Flexible Transport Solutions Grants: number approved</td>
<td>number</td>
<td>15-20</td>
<td>28\textsuperscript{421}</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**

The target number of projects has not been exceeded in terms of project numbers. The expected outcome is a total target of 32 projects. However, 28 projects were approved in 2006-07 leaving a balance of 4 for the coming 2007-08 year. What has been exceeded is the amount approved in the time estimated. More projects were approved than expected in 2006-07. The expected timeline was for 2006-07 15-20 approvals as outlined in BP3 and in 2006-07, 10-15 in BP3 2007-08, which in total, is a possible maximum of 35 projects.

The following outcomes are to be delivered from the 28 grants approved:

- improved existing Transport options;
- innovative solutions to transport disadvantage;
- strong partnerships to deliver services; and
- ongoing community participation in decision-making.

<table>
<thead>
<tr>
<th>Sport and Recreation Sector Development</th>
<th></th>
<th>150</th>
<th>389\textsuperscript{422}</th>
</tr>
</thead>
<tbody>
<tr>
<td>International teams/sports: sports visitations facilitated</td>
<td>number</td>
<td>150</td>
<td>389\textsuperscript{422}</td>
</tr>
</tbody>
</table>

**Explanation provided by the department**

The targeted number for visitations facilitated by international teams/sports in 2006/07 was 150. The final number of 389 exceeded the target by 150%.

The increased number of visitations was essentially due to larger than anticipated numbers of international competitors from the 2007 FINA World Swimming Championships basing their pre-Championship training in Victoria. The Pre-Championship training arrangements were coordinated by the department’s Sport and Recreation Victoria (SRV). SRV in conjunction with Melbourne 2007 (the Event organisers) actively promoted the training arrangements to overseas delegations in the 2 years leading up to the Championships. This promotion was supported by a number of municipalities and host venues further promoting their services and providing tailored services to assist the teams establish their training base.

| Major events facilitated | number | 8-10 | 14\textsuperscript{423} |

\textsuperscript{421} Department for Victorian Communities, *2006-07 Annual Report*, p.49  
\textsuperscript{422} Department for Victorian Communities, *2006-07 Annual Report*, p.52  
\textsuperscript{423} Department for Victorian Communities, *2006-07 Annual Report*, p.52
Explanation provided by the department
The targeted number for major events facilitated in 2006/07 was 8-10. The final number reported was 14.
This increase is directly attributable to the State Government major event strategy and the work of the Victorian Major Events Company which was successful in securing an increased number of sport and recreation events for the State of Victoria.
The table below reports the sporting events hosted by Victoria and the economic impact of these events. The economic benefits of annual events are normally measured every 3 to 4 years.

<table>
<thead>
<tr>
<th>Event</th>
<th>Economic Benefit ($ million)</th>
<th>Study</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007 FINA World Championships</td>
<td>105.0</td>
<td>Price Waterhouse Cooper 2007 Study</td>
</tr>
<tr>
<td>Sail Melbourne International Regatta</td>
<td>3.1</td>
<td>Ernst and Young 2006 Study</td>
</tr>
<tr>
<td>World Superbike Championships</td>
<td>12.5</td>
<td>Ernst and Young 2007 Study</td>
</tr>
<tr>
<td>Skandia Geelong Week</td>
<td>3.1</td>
<td>Ernst and Young 2006 Study</td>
</tr>
<tr>
<td>Women’s World Cup Cycling</td>
<td>2.0</td>
<td>City of Greater Geelong 2006 Study</td>
</tr>
<tr>
<td>Australian Triathlon Championships</td>
<td>2.0</td>
<td>Estimate (VMEC 2005)</td>
</tr>
<tr>
<td>Rugby Union – Australia Vs New Zealand</td>
<td>26.3</td>
<td>Ernst and Young 2007 Study</td>
</tr>
<tr>
<td>Rugby League – State of Origin</td>
<td>17.8</td>
<td>Ernst and Young 2006 Study</td>
</tr>
<tr>
<td>Australian Grand Prix</td>
<td>174.8</td>
<td>2005 NIEIR study</td>
</tr>
<tr>
<td>Moto GP</td>
<td>50.8</td>
<td>2003 NIEIR Study</td>
</tr>
<tr>
<td>2006 Australian DanceSport Championship</td>
<td>3.4</td>
<td>Victoria University 2006 Study</td>
</tr>
<tr>
<td>Rip Curl Pro Surfing</td>
<td>1.8</td>
<td>Matt Pulford 2007 Study</td>
</tr>
<tr>
<td>Roxy Pro Surfing</td>
<td>1.0</td>
<td>Ruth John 2007 Study</td>
</tr>
<tr>
<td>2007 Australian Tennis Open</td>
<td>210.0</td>
<td>NIEIR 2007 Study</td>
</tr>
</tbody>
</table>

Source: Department of Planning and Community Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p. 15-17
CHAPTER 15: ENVIRONMENTAL OUTCOMES

Key findings of the Committee:

15.1 All departments met the June 2006 greenhouse emissions targets of a 15 per cent reduction in energy use in buildings and that 10 per cent of electricity be purchased from green power. The Department of Justice, while not providing accurate data in regard to energy use, advised that they are in the process of developing a new measurement tool to more effectively measure energy use in buildings.

15.2 Four departments did not meet the target set or were unable to provide the Committee with accurate data on their progress towards achieving a 10 per cent reduction in greenhouse gas emissions from the government’s passenger vehicle fleet:

- Department of Sustainability and Environment advised that although they were unable to meet the target of 10 per cent in June 2006, they have currently reduced emissions by a total of 15 per cent since 1999-00;

- Department of Premier and Cabinet indicated that its emissions grew during the designated period as a result of government approved growth in their vehicle fleet;

- Department for Treasury and Finance achieved a 1.5 per cent reduction in emissions. This was attributed to the fact that their fleet is predominantly executive vehicles with a larger engine capacity and vehicle selection is based on driver preference. The Department for Treasury and Finance has the second highest number of executive employees of any department behind the Department of Human Services (see chapter 11); and

- Department for Planning and Community Development was unable to provide accurate data to the Committee on fleet emissions.

15.3 The Committee is concerned that the Department of Premier and Cabinet and the Department of Treasury and Finance in particular did not meet the target and has recommended that both agencies take significant short-term actions to address greenhouse gas emissions related to their passenger fleet. The Committee also recommended that government departments review their approach to setting across-the-board targets such as these greenhouse emissions targets with a view to adopting a more tailored approach to account for any differences in operational matters, employment profiles and portfolio responsibilities in each department.
15.4 Despite the Committee’s recommendation in the Report on the 2004-05 Budget Outcomes that ‘costs and savings (where available) of office based environmental impacts be included in departments annual reports’, departments have not reported this information in their annual reports and none appear to understand fully the basis and calculation of costs or financial savings associated with their environmental savings programs. The information provided to the Committee by departments was inconsistent but the variations in costs and savings made by different departments provides a clear indication to the Committee that it is important for departments to develop a consistent form of monitoring of the financial savings or costs associated with their efforts to make environmental savings.

15.5 Overall, energy consumption and the associated emission of greenhouse gases across the ten departments is falling. Across the ten departments there were significant decreases in the following areas:

- 6.4 per cent decrease in energy consumption;
- 18 per cent decrease in consumption of energy per person;
- 11 per cent decrease in energy use per square metre of office space; and
- 10.7 per cent decrease in office based greenhouse gas emissions across the departments.

15.6 It is likely that a significant factor in the additional decrease in greenhouse gas emissions is the increased purchasing of green power by departments. During 2006-07, departments increased their percentage of power purchased in the form of green power from 12 per cent to 16 per cent. The associated cost of green power purchases across the departments in 2006-07 was $350,637. In particular, the Committee commends the actions of the Department of Sustainability and Environment and the Department for Planning and Community Development who have increased their green power purchases to over 20 per cent during 2006-07.

15.7 Waste production per person across the ten departments fell from 107 kilograms in 2005-06 to 89 kilograms in 2006-07. That represents an average decrease of 17 per cent across all departments. The Department of Innovation, Industry and Regional Development established the biggest improvement with a reduction in waste production of 62 per cent, while waste production at the Department of Treasury and Finance increased by 54 per cent.

15.8 The most significant reduction in the level of paper use per person across all departments in 2006-07 was achieved by the Department of Justice (28 per cent), however, paper use by the Department of Primary Industries rose by eight per cent.
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15.9 The efficient use and conservation of water is of significant importance and government departments need to lift efforts to reduce their water consumption. Only five departments were able to provide information on water consumption. This is mainly because of metering problems, but departments are taking steps to redress this. Of the five that were able to provide information, consumption went down in three, while it rose in the Department of Justice and the Department for Planning and Community Development.

15.10 A number of measures associated with transportation experienced significant overall increases in 2006-07. Fuel consumption rose by 20,000 gigajoules, greenhouse gas emissions associated with transportation rose by 1,000 tonnes of CO₂ equivalent and passenger vehicle travel rose by 2.3 million kilometres. The Department of Education and the Department of Primary Industries were unable to provide detailed comparative data on all measures, and it should also be noted that most of the increases can be attributed to a small number of departments.

15.11 The Department of Human Services and the Department of Justice accounted for 96 per cent of the increase in fuel consumption by departments, while the Department of Justice was the only department to significantly increase greenhouse gas emissions.

15.12 The Department of Justice (96 per cent) and the Department for Planning and Community Development (4 per cent) accounted for all of the increase in travel associated with departmental operations. Travel increased by 3.8 million kilometres in the Department of Justice and 164,000 kilometres in the Department for Planning and Community Development compared with a total reduction of 1.8 million kilometres across the six other departments that provided data.

15.1 Background

In June 2002, the Victorian Government launched the Victorian Greenhouse Strategy (2002) and started a three year program of action to across a range of sectors.

Building on its 2002 commitment to reduce Victoria's greenhouse emissions, the government released an updated Greenhouse Strategy Action Plan in 2005. This built on the action in 2002 and introduced new goals and objectives that reflected the evolution in climate change thinking and policies around the world.

In July 2006, the Government launched an Environmental Sustainability Action Statement known as Our Environment, Our Future. The statement comprised a $200 million package to support the achievement of 150 actions across five main policy areas:

- responding to the challenge of climate change;
- maintaining and restoring our natural assets;
- using our resources more efficiently;
- reducing our everyday environmental impacts; and
- government leadership.
The government leadership set out eleven key activities that would continue to reduce the environmental impact of the Victorian Government.\textsuperscript{424}

FRD 24B – reporting of office based environmental data by government departments, requires all departments to report performance against a number of environmental indicators in the report of operations section of their annual report. The Committee has used FRD 24B as the basis for its evaluation of departmental performance in improving their environmental outcomes. FRD 24B is detailed in section 15.3.

15.2 Reporting progress against Victorian greenhouse strategy mandatory targets

The 2005 Greenhouse Strategy Action Plan set the following energy, efficiency and emission reduction mandatory targets, measured from a baseline of 1999-00, that were to be achieved by June 2006:\textsuperscript{425}

- a 15 per cent reduction in energy use in buildings;
- 10 per cent of electricity to be purchased from green power; and
- a 10 per cent reduction in greenhouse gas emissions from the government’s passenger vehicle fleet.

Generally, departments met the June 2006 greenhouse strategy targets as detailed in table 15.1. However, several departments, namely the Department of Premier and Cabinet, the Department of Sustainability and Environment and the Department for Planning and Community Development did not meet the 10 per cent target for reduction in greenhouse emissions from the government passenger fleet. If the changes were unachievable by some departments, as indicated in their responses in table 15.1, the targets should not have been set uniformly for all departments. The Committee believes that this kind of across the board policy setting is of limited use if departments are not going to make an honest commitment to achieving the targets. In future, it would like to see departments rely less on standardised targets such as these and place greater emphasis on developing meaningful tailored targets that will actually promote organisational change and improve performance.

The Committee recommends that:

**Recommendation 51:**
In future, less reliance could be placed on general, across the board targets applying equally to all departments. Targets should wherever possible, be tailored to suit individual circumstances and encourage improved performance.

**Recommendation 52:**
The Department of Treasury and Finance and the Department of Premier and Cabinet take significant actions to address greenhouse gas emissions related to their passenger fleet, with a targeted plan on how this can be achieved.

\textsuperscript{424} Department of Sustainability and Environment, \textit{Our Environment, Our Future - Sustainability Action statement} 2006, July 2006

\textsuperscript{425} Department of Sustainability and Environment, \textit{Victorian greenhouse strategy action plan update 2005}, April 2005
### Table 15.1: Progress against mandatory targets at June 2006

<table>
<thead>
<tr>
<th>Department</th>
<th>15 per cent reduction in energy use in buildings</th>
<th>10 per cent of electricity to be purchased in the form of green power</th>
<th>10 per cent reduction in greenhouse gas emissions from the government passenger fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Human Services</td>
<td>16.7 (c) (f)</td>
<td>14.5 (a)</td>
<td>14.1 (b)</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>16.8 (c) (f)</td>
<td>12.9 (g)</td>
<td>38 (c)</td>
</tr>
<tr>
<td>Department of Education</td>
<td>12.6 (c) (f)</td>
<td>10 (c)</td>
<td>10 (a)</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>37 (c) (f)</td>
<td>15 (c)</td>
<td>30 (c)</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>Unanswered (c)</td>
<td>12 (c)</td>
<td>11 (c)</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>15.8 (c) (f)</td>
<td>10 (c)</td>
<td>No Reduction (c)</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>15 (c) (f)</td>
<td>10 (c)</td>
<td>10 (g)</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>21.2 (c) (f)</td>
<td>12 (c)</td>
<td>8 (h)</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>14.5 (c) (f)</td>
<td>13.6 (c)</td>
<td>1.45 (i)</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>16 (c) (f)</td>
<td>10 (c)</td>
<td>No Reduction (j)</td>
</tr>
</tbody>
</table>

**Source:** Department responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two

**Notes:**

(a) Department of Education and Early Childhood Development, response – The department did not provide FRD 24 transportation data in 2006-07 due to unreliable data. However in 2005-06, the department achieved a 16 per cent greenhouse gas reduction per kilometre travelled across its fleet. This was due to 75 per cent of the department’s operational fleet being LPG, hybrid or duel fuel vehicles. It is expected that the department would have exceeded this target and that improvements in data management will confirm this in 2007-08

(b) Department of Infrastructure, response – Reduced its greenhouse gas emissions from its fleet from 1106 tonnes CO2 in 2006-07 – a reduction of over 30 per cent

(c) Department of Justice, response – A reporting tool is currently being developed to accurately measure energy use. Note that 2005-06 energy consumption figures provided in response to Q4.1 are an extrapolation of data from 452 Flinders Street, 55 St Andrews Place, 436 Lonsdale Street, 24/80 Collins Street and limited data from 121 Exhibition. 2006-07 data will provide a better base-line for measuring energy use going forward

(d) Department of Justice, response – Greenhouse gas emissions reduced by 11 per cent from 2002-03 to 2005-06 due to increased use of low emission vehicles within the passenger vehicle fleet

(e) Department of Premier and Cabinet, response – While the department’s overall greenhouse gas emissions from its passenger fleet increased, emissions per vehicle (Tonnes of CO2 per vehicle) decreased by 13 per cent as at June 2006

(f) Department of Primary Industries, response – By June 2005, the department had decreased its energy use per square meter (energy intensity) by 15 per cent since the base year of 1999 – 2000, thereby meeting the whole of government EMS energy reduction target. The Department of Primary Industries has experienced a gradual increase in total energy use over the past 3 years, commensurate with the completion of new facilities across the state. The department’s energy use increased in the 2005-06 year, taking the department back to a 10.7 per cent reduction since the base year due largely to higher than average temperatures requiring additional energy to cool glasshouses located at Horsham, Rutherglen, Hamilton and Mildura. In addition, in order to continue fish production and research at Snobs Creek, water was required to be pumped using larger than normal sized hoses, from the Goulburn River rather than the local creek.
(g) Department of Primary Industries, response – the department has achieved a 10 per cent reduction per full-time equivalent (FTE) over the entire ULP/LPG fleet. The Department of Primary Industries does not have a benchmark from 2001-02, for passenger fleet only

(h) Department of Sustainability and Environment, response – The departmental response indicated the level of passenger vehicle emission reductions achieved in 2006-07 was 8 per cent. This outcome is in addition to the 7.5 per cent reduction in passenger vehicle emissions achieved from 2001-02 to 2005-06. Thus, the department has achieved a cumulative reduction in passenger vehicle emissions of 15 per cent since 2001-02. The factors that have contributed to the gain during 2006-07 were a reduction in the number of kilometres travelled in 2006-07 (6.1 million) compared with 2005-06 (6.7 million); and the introduction of additional hybrid, LPG and high environmental performance (HEP) vehicles into the department’s fleet. The department has introduced 60.4 per cent of these vehicles into the fleet by 30 June 2007

(i) Department of Treasury and Finance, response – the department has not achieved a 10 per cent reduction in GHG emissions as its fleet is predominantly Executive vehicles and vehicle selection is based on driver preference. The one operational vehicle being reported in 05-06 is a Hybrid vehicle. The department does not have responsibility for the entire government fleet

(j) Department for Planning and Community Development, response – the department’s increase (9 per cent since 2004-05 – 2006-07) in vehicle-related greenhouse gas emissions has been impacted by increased services due to more community based work, especially in regional centres. While the Department for Planning and Community Development has not achieved the 10 per cent reduction, the department has progressively been changing its fleet mix which will have a positive longer term impact on reducing CO₂ emissions. The number of 4 cylinder vehicles increased from 1 vehicle in 2004-05 to 19 in 2006-07, in addition to the number of hybrid vehicles purchased increasing by 300 per cent (1-4). The number of 6 cylinder vehicles only increased by 5 per cent. The Department for Planning and Community Development will also continue to participate in the government’s offsets program in order to achieve further reductions in CO₂ emissions

15.2.1 Financial savings

In the Report on the 2004-05 Outcomes, the Committee observed that while reducing the environmental impact of departments’ office-based activities are the focus of FRD 24B, it is important that the financial implications arising from environmental impacts are also monitored.

Departments have largely failed to adopt any consistent form of monitoring of the financial savings or costs associated with their efforts to make environmental savings. The lack of a consistent approach means that much of the data provided is not easily comparable between departments and even between years.

Three departments, the Department of Human Services, the Department of Justice and the Department of Premier and Cabinet, provided the following information:

- Department of Human Services – The requested information has been presented using parameter units rather than dollar savings so that consistent comparisons can be readily made between the yearly data and are not skewed due to fluctuations in parameter prices;426

- Department of Justice – The department measures savings in terms of volume rather than cost, in line with Department of Treasury and Finance Financial Reporting Direction 24B – reporting of office based environmental data by government departments, and reporting requirements of the Commissioner for Environmental Sustainability. Cost data and corresponding savings is less reliable as a measure of progress against environmental

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426 Department of Human Services, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.17
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targets as it is impacted by a range of factors including fluctuations in pricing and CPI increases;\(^{427}\) and

- Department of Premier and Cabinet – The department does not report financial savings as they do not reflect real environmental benefits. The Department of Premier and Cabinet’s focus is on reducing consumption of energy and other resources and in some instances, such as in the purchasing of green power, the department may be spending more. Year on year comparisons are not available due to a number of changes including machinery of government and movement of statutory agencies. As these costs can not be accurately apportioned no data is available.\(^{428}\)

The Committee believes that there is value in measuring the financial impact of office based environmental activities. This is supported by data from a number of departments that indicated that there are often substantial costs associated with achieving environmental outcomes. However, the Committee is aware that there are difficulties in measuring the costs associated with some environmental measures.

For example, unit costs associated with water consumption, energy use and paper use are market based and can fluctuate significantly over time. Thus increases in unit costs could result in an overall cost increase, regardless of savings made. Similarly, there are inherent costs associated in the purchase of green energy and recycled paper. Consequently, increasing use of either of these environmentally friendly purchasing practices can have cost implications for departments which if not fully explained are liable to misinterpretation. In circumstances where departments operate out of leased or shared facilities such as the Treasury Precinct, it is often difficult or impossible to determine specific costs associated with waste production or water consumption.

Due to the variations in data collection practices, the cost/savings data provided by departments has not been reported in this report. However, the following points were able to be drawn from the information provided:

- the Department of Education was the only department to make improved cost savings on the cost of energy use in 2006-07, while savings in the Department of Sustainability and Environment fell by 34 per cent. Energy consumption in both departments went up in 2006-07;

- all departments that provided data reported significant improvements in cost savings relating to paper use. The most significant improvements were seen in the Department of Sustainability and Environment and the Department of Infrastructure, despite neither department significantly cutting their overall paper use. This would indicate other factors such as purchasing practices may be influencing these figures; and

- none of the departments were able to provide information to the Committee on the cost savings associated with waste production, although the Department for Planning and Community Development indicated that they were able to reduce costs by $7,048 by purchasing recycled toners and inks.

The Committee noted that in its previous recommendation, that ‘costs and savings (where available) of office based environmental impacts be included in departments’ annual reports’,\(^{429}\) has not resulted in any significant improvement in the quality or quantity of data requested by the Committee. The Committee is still of the opinion that the costs and any savings from environmental programs should be determined by departments.

\(^{427}\) Department of Justice, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.30
\(^{428}\) Department of Premier and Cabinet, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 April 2008, p.18
The Committee recommends that:

**Recommendation 53:** The Department of Treasury and Finance, in association with the other departments and led by the Department of Sustainability and Environment’s Government Leadership Team, review and develop FRD 24B to include set criteria and guidance regarding appropriate inputs to collect and standardise calculations. This would enable departments to report the costs and savings associated with their office based environmental activities.

### 15.3 Environmental reporting directions of the Minister for Finance – FRD 24B

FRD 24B – reporting of office-based environmental data by government departments, requires all departments to report performance against a number of environmental indicators in the Report of Operations section of their annual report. The indicators set the minimum reporting requirements in relation to:

- energy use;
- waste production;
- paper use;
- water consumption;
- transportation (including all forms of fuel); and
- whether and how their purchasing activities are environmentally responsible and support the objectives of the government’s Environmental Purchasing Policy.

The following sections of the report disclose the departments performance in relation to the requirements of FRD 24B.

#### 15.3.1 Energy use

Overall, energy consumption and the associated emission of greenhouse gases across the ten departments is falling. There was an average 6.4 per cent decrease in energy consumption and an average 10.7 per cent decrease in greenhouse gas emissions across the departments. It was notable that the two departments that had made the largest reductions in greenhouse gas emissions both doubled the amount of green power purchased. During 2006-07, departments increased their percentage of power purchased in the form of green power from 12 per cent to 16 per cent. The associated cost of green power purchases across the departments in 2006-07 was $350,637.

The Department of Primary Industries had the highest overall energy consumption, the highest per person energy consumption, the highest energy use to office space ratio (including research facilities), the highest level of greenhouse gas emissions and purchased the lowest amount of green power. The department reported that the energy increase was due to a 6.3 per cent increase in property size and that use per metre squared office space had reduced by 1.03 per cent.\(^{430}\) However, the Committee observed that energy use per person actually rose in 2006-07. In response

\(^{430}\) Department of Primary Industries, *Annual Report 2006-07*, p.66
to the Committee’s further query on future management to improve its energy consumption performance in this regard, the Committee noted that the Department of Primary Industries has developed a four-year plan, the EMS Roadmap to better measure usage across facilities including initiatives to improve energy intensity rates.\textsuperscript{431} The Committee would welcome considerable sustained improvement in performance in coming years.

The Committee was pleased to observe that the Department of Sustainability and Environment, as the highest energy user, was also the biggest purchaser of green power. In 2006-07, the Department of Sustainability and Environment doubled its purchase of green power to 24.5 per cent and, despite increasing consumption, actually managed to reduce its greenhouse gas emissions for the year.

The Department of Human Services, the Department of Primary Industries and the Department of Sustainability and Environment each consume more energy than all other departments collectively. Given this, they also have the greatest potential to significantly reduce the overall greenhouse gas emissions of the Victorian Government. The Committee expects each of these departments to make significant inroads into reducing their greenhouse gas emissions in coming years.

The Department of Justice and the Department of Innovation, Industry and Regional Development both experienced significantly increased energy consumption and greenhouse gas emissions and should carefully consider their approach to managing and reporting energy consumption.

Financial Reporting Direction 24B contains six indicators of energy use:

- total energy usage;
- energy used per employee;
- energy used per square metre of office space;
- total greenhouse gas emissions;
- percentage of electricity purchased as green power; and
- additional cost of purchasing green power.

Detailed analysis of these indicators follows.

\textbf{(a) Total energy use}

The total energy consumption across the ten departments in 2006-07 was 235,647 gigajoules, a decrease of 6.4 per cent from 2005-06. The most significant saving was from the Department for Planning and Community Development, which cut overall consumption by 15,319 gigajoules. Total energy consumption increased in five departments (the Department of Innovation, Industry and Regional Development, the Department of Justice, the Department of Primary Industries and the Department of Treasury and Finance) by a total of 9,158 gigajoules.

The Department of Innovation, Industry and Regional Development explained that machinery of government changes throughout 2006-07 resulted in a 33 per cent increase in the number of FTE staff, while occupied space also rose by 36 per cent. As a result, the total energy consumption increased 18 per cent energy consumption per meter squared reduced by 12 per cent. This is confirmed in table 15.3 which shows that while overall consumption has increased, per person consumption has actually decreased from 2005-06 to 2006-07.

\textsuperscript{431} Department of Primary Industries, response to the Committee’s follow-up questions, received 29 April 2008, p.2
The energy increase in the Department of Justice was explained as a result of more accurate energy calculations and prior under-estimations. The Committee noted that the Department of Justice had the fourth highest energy consumption of any department in 2006-07, yet had only the eighth highest per person consumption of the departments.

The Department of Primary Industries and the Department of Treasury and Finance did not provide any explanation for their respective increases in energy consumption.

### Table 15.2: Comparison of departmental energy consumption

<table>
<thead>
<tr>
<th>Department</th>
<th>Total energy use 2006-07 (gigajoules)</th>
<th>Total energy use 2005-06 (gigajoules)</th>
<th>Variation (gigajoules)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice</td>
<td>11,526</td>
<td>8,420</td>
<td>3,106</td>
<td>37</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>6,965</td>
<td>5,889</td>
<td>1,076</td>
<td>18</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>97,766</td>
<td>92,967</td>
<td>4,799</td>
<td>5</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>5,012</td>
<td>4,835</td>
<td>177</td>
<td>4</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>44,683</td>
<td>46,383</td>
<td>-1,700</td>
<td>-4</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>49,371</td>
<td>54,593</td>
<td>-5,222</td>
<td>-10</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>8,331</td>
<td>9,521</td>
<td>-1,190</td>
<td>-12</td>
</tr>
<tr>
<td>Department of Education</td>
<td>3,898</td>
<td>4,778</td>
<td>-880</td>
<td>-18</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>3,797</td>
<td>4,830</td>
<td>-1,033</td>
<td>-21</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>4,298</td>
<td>19,617</td>
<td>-15,319</td>
<td>-78</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>235,647</strong></td>
<td><strong>251,833</strong></td>
<td><strong>-16,186</strong></td>
<td><strong>-6</strong></td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

### (b) Energy used per employee

The average energy consumption per person (full-time equivalent) across the ten departments in 2006-07 was 10,909 megajoules, a decrease of 18 per cent from 2005-06. The Department for Planning and Community Development reduced energy consumption by 21,800 megajoules per person (from 28,075 megajoules to 6275 megajoules), eclipsing the performance of any other department. In doing so, they reduced their consumption per person to move from being the second highest department to the fourth lowest department.
The Department of Human Services reduced energy consumption per person by 11 per cent and has the lowest average of all departments at 4,282 megajoules per person. Despite a small increase in energy consumption per person, the Department of Education also achieved an excellent average consumption of 4,696 megajoules per person.

Energy consumption per person increased significantly in the Department of Justice, the Department of Premier and Cabinet and the Department of Primary Industries. The energy increase in the Department of Justice was explained as a result of more accurate energy calculations and prior under-estimations. None of the other departments provided reasons for the increases.

The Committee noted that energy consumption per person in the Department of Primary Industries (38,784) was more than double that of any other department and more than three times higher than the average consumption across all departments (10,909 megajoules).

The Department of Primary Industries explained to the Committee that their current infrastructure does not enable them to split out energy use between offices, laboratories, cool rooms, greenhouses, etc. To address this and also establish a framework for continuously improving their environmental performance, they have developed a 4 year plan, the DPI EMS Roadmap. Key deliverables in the roadmap include a program to consolidate and validate meter data, and sub-meter facilities across the state. This will enable direct comparison of the department’s office usage with other departments and it is expected that the veracity of this data will improve as the 4 year program is rolled out.

<table>
<thead>
<tr>
<th>Table 15.3: Comparison of departmental per person energy consumption</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department</td>
</tr>
<tr>
<td>-------------</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
</tr>
<tr>
<td>Department of Education</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
</tr>
<tr>
<td>Department of Human Services</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
</tr>
<tr>
<td>Department of Justice</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
</tr>
<tr>
<td>Average</td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

Department of Justice, Annual Report 2006-07, p.205
(c) **Energy used per square metre of office space**

The average consumption per square metre of office space in 2006-07 was 344 megajoules, following an average decrease of 42 megajoules per square metre from 2005-06. The most notable improvements were from the Department for Planning and Community Development and the Department of Human Services who reported improvements of 33 per cent and 27 per cent respectively. The Department of Human Services explained that to achieve this reduction it had implemented an energy efficiency program which aimed to install energy efficient appliances and fittings in its office fit outs wherever practicable. Key elements of this program included:

- establishing a proactive program to reduce the number of printers;
- installation of motion and daylight light sensors;
- installation of energy efficient fluorescent light fittings;
- purchase of energy efficient white goods; and
- implementing staff behavioural change initiatives.

The Department for Planning and Community Development explained to the Committee that the improvements evidenced in the department are primarily a result of the transfer of the Public Records Office Victorian (PROV) from the Department for Planning and Community Development due to machinery of government changes, stating that PROV was a very high user of energy. The department noted that if PROV’s energy consumption is taken out of both the 2005-06 and 2006-07 data, it has still achieved a slight reduction.

With the exception of the Department of Justice, every department reported a decrease in energy consumption per square metre of office space. The energy increase in the Department of Justice was explained as a result of more accurate energy calculations and prior under-estimations. The Committee commends achievements made by departments in this area.

The Department of Primary Industries had the highest energy consumption at 547 megajoules per square metre of office space. This compares unfavourably with the average across the ten departments of 344 megajoules per square metre and a reduction in consumption per square metre of only 6 megajoules has left the Department of Primary Industries some way behind the performance of other departments.

The Department of Primary Industries advised that even though our property area grew by 6.3 per cent, energy intensity fell by 1.1 per cent in 2006-07 indicating that the department is reducing its impact on the environment.

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### Table 15.4: Comparison of departmental energy consumption per square metre of office space

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units of energy per square metre 2006-07 (megajoules)</td>
<td>288</td>
<td>262</td>
<td>26</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>547</td>
<td>553</td>
<td>-6</td>
<td>-1</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>298</td>
<td>306</td>
<td>-8</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>366</td>
<td>378</td>
<td>-12</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>Department of Education</td>
<td>237</td>
<td>253</td>
<td>-16</td>
<td>-6</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>349</td>
<td>374</td>
<td>-25</td>
<td>-7</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>340</td>
<td>379</td>
<td>-39</td>
<td>-10</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>333</td>
<td>382</td>
<td>-49</td>
<td>-13</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>352</td>
<td>481</td>
<td>-129</td>
<td>-27</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>330</td>
<td>489</td>
<td>-159</td>
<td>-33</td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>344</strong></td>
<td><strong>386</strong></td>
<td><strong>-42</strong></td>
<td><strong>-11</strong></td>
<td></td>
</tr>
</tbody>
</table>

*Source: Departmental annual reports 2005-06 and 2006-07*

#### (d) Greenhouse gas emissions

70,455 tonnes of CO₂ equivalent gases were emitted by the ten departments during 2006-07. This represents a decrease of 11 per cent from 2005-06. The departments with the highest levels of greenhouse gas emissions are the Department of Primary Industries (25,349 tonnes), the Department of Human Services (18,757 tonnes) and the Department for Sustainability and Environment (11,276). This is to be expected, as these departments have the highest overall energy consumption. However, this also indicates the greater scope for these departments to impact the total emissions figure for government through savings and through the purchase of green power. The Committee was disappointed to note that only 11 per cent of the power purchased by the Department of Primary Industries was green power. While this meets the government target of 10 per cent of all electricity to be purchased in the form of green power by June 2006, it is substantially lower than the average across all departments (16 per cent), see table 15.6.

In 2006-07, the Department for Planning and Community Development, the Department of Treasury and Finance and the Department of Premier and Cabinet all reported less than 2,000 tonnes of greenhouse emissions, significantly lower than the cross department average of 7,045 tonnes. The greatest percentage decreases in emissions came from the Department for Planning and Community Development (82 per cent), the Department of Education (36 per cent) and the Department of Premier and Cabinet (25 per cent), although the Department of Sustainability and Environment had the second largest actual decrease in emissions (1,673 tonnes of CO₂ equivalent).

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435 See Table 15.4
The following strategies were utilised by the Department for Planning and Community Development to decrease emissions by 82 per cent:

- commissioned energy audits at designated sites (projected greenhouse gas savings of 20.5 tonnes annually);
- consolidated the purchase of green power across all department local presence offices;
- included environmentally sustainable design principles in new office fit-outs;
- installed programmable timers on all designated IT equipment (projected to save 200kg of greenhouse gas emissions per machine per year);
- provided continuing awareness programs to staff to encourage sustainable energy management practices across all department sites, reinforced through the development of Environmental Action Plans at all local team offices; and
- promoted environmental purchasing considerations for all equipment to include highest energy star ratings and power saving features.

Not unsurprisingly, the three departments where overall energy consumption has increased significantly (the Department of Innovation, Industry and Regional Development, the Department of Justice and the Department of Primary Industries) have also experienced an increase in total greenhouse gas emissions. The combined increase in greenhouse gas emissions from these departments was equivalent to the savings made by the Department of Sustainability and Environment.

Table 15.5: Greenhouse gas emissions associated with departmental activities

<table>
<thead>
<tr>
<th>Department</th>
<th>Greenhouse gas emissions 2006-07 (tonnes of CO₂ equivalent)</th>
<th>Greenhouse gas emissions 2005-06 (tonnes of CO₂ equivalent)</th>
<th>Variation (tonnes of CO₂ equivalent)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>2,204</td>
<td>1,483</td>
<td>721</td>
<td>49</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>3,629</td>
<td>3,452</td>
<td>177</td>
<td>5</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>25,349</td>
<td>24,699</td>
<td>650</td>
<td>3</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>1,938</td>
<td>1,970</td>
<td>-32</td>
<td>-2</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>18,757</td>
<td>19,715</td>
<td>-958</td>
<td>-5</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>11,276</td>
<td>12,949</td>
<td>-1,673</td>
<td>-13</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>3,332</td>
<td>3,808</td>
<td>-476</td>
<td>-13</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>1,468</td>
<td>1,968</td>
<td>-500</td>
<td>-25</td>
</tr>
<tr>
<td>Department of Education</td>
<td>1,229</td>
<td>1,916</td>
<td>-687</td>
<td>-36</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>1,263</td>
<td>6,921</td>
<td>-5,658</td>
<td>-82</td>
</tr>
<tr>
<td>Total</td>
<td>70,445</td>
<td>78,881</td>
<td>-8,436</td>
<td>-11</td>
</tr>
<tr>
<td>Average</td>
<td>7,045</td>
<td>7,888</td>
<td>-844</td>
<td></td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

Department for Victorian Communities, Annual Report 2006-07, October 2007, p.138
All departments met the target of purchasing 10 per cent of their power as green power by June 2006.\textsuperscript{438} Since then, a number of departments have gone on to significantly increase their proportion of green power. In particular, the Committee commends the actions of the Department of Sustainability and Environment and the Department for Planning and Community Development who have increased their green power purchases to over 20 per cent during 2006-07 (See table 15.6).

Table 15.6: Percentage of green power purchased by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Green Power Purchased</td>
<td>Green Power Purchased</td>
<td>Variation</td>
</tr>
<tr>
<td></td>
<td>2006-07 (%)</td>
<td>2005-06 (%)</td>
<td>(%)</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>n/a</td>
<td>15</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>25</td>
<td>12</td>
<td>13</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>20</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>15</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>15</td>
<td>10</td>
<td>5</td>
</tr>
<tr>
<td>Department of Education</td>
<td>14</td>
<td>11</td>
<td>3</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>15</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>15</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>14</td>
<td>13</td>
<td>1</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>11</td>
<td>10</td>
<td>1</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>16</strong></td>
<td><strong>12</strong></td>
<td><strong>5</strong></td>
</tr>
</tbody>
</table>

Sources: Departmental annual reports 2005-06 and 2006-07; Department responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two

The ten Victorian Government departments purchased an average of 16 per cent of their power in the form of Green Power in 2006-07. The total cost of purchasing green power in 2006-07 was $350,637, up $108,000 from 2005-06 (see table 15.7).

Table 15.7: Cost of green power purchased by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost of green</td>
<td>Cost of green</td>
<td>Variation</td>
</tr>
<tr>
<td></td>
<td>power purchased</td>
<td>power purchased</td>
<td>($)</td>
</tr>
<tr>
<td></td>
<td>2006-07</td>
<td>2005-06</td>
<td>(%)</td>
</tr>
<tr>
<td>Department of Education</td>
<td>35,281</td>
<td>7,125</td>
<td>28,156</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>22,288</td>
<td>8,026</td>
<td>14,262</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>95,200</td>
<td>43,959</td>
<td>51,241</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>25,416</td>
<td>17,308</td>
<td>8,108</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>8,291</td>
<td>6,030</td>
<td>2,261</td>
</tr>
<tr>
<td>Department of Innovation, Industry and</td>
<td>11,551</td>
<td>8,522</td>
<td>3,029</td>
</tr>
<tr>
<td>Regional Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>57,830</td>
<td>50,277</td>
<td>7,553</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>6,280</td>
<td>6,024</td>
<td>256</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>78,959</td>
<td>76,030</td>
<td>2,929</td>
</tr>
<tr>
<td>Department for Planning and Community</td>
<td>9,541</td>
<td>18,730</td>
<td>-9,189</td>
</tr>
<tr>
<td>Development</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>350,637</td>
<td>242,031</td>
<td>108,606</td>
</tr>
<tr>
<td>Average</td>
<td>35,064</td>
<td>24,203</td>
<td>10,861</td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

15.3.2 Waste production

The disposal of waste places significant pressures on the environment including land contamination, surface and groundwater pollution, and loss of habitat to landfill excavations. As employers of over 160,000 FTE staff, the government departmental sector has a significant responsibility to minimise waste production and maximise recycling.

Financial Reporting Direction 24B contains two indicators of waste production:

- waste produced per person (kilograms per full-time equivalent person); and
- total waste recycled (kilograms).

Waste production per person across the ten departments fell from 107 kilograms in 2005-06 to 89 kilograms in 2006-07. That represents an average decrease of 17 per cent across all departments. However, there was a high degree of variability in the performance of departments. The Department of Innovation, Industry and Regional Development established the biggest improvement with a reduction in waste production of 62 per cent, while waste production at the Department of Treasury and Finance increased by 54 per cent. The impact of this was that the Department of Treasury and Finance moved from being one of the best performers on this indicator in 2005-06 to being one of the worst by 2006-07.

The Department of Treasury and Finance explained to the Committee that waste audits in the department over the reporting period have been performed on a sampling basis and as such, it may be possible for a sampling error to exist.

439 Departmental responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – data includes school and hospital staff
To this end, the department has worked with the Commissioner for Environmental Sustainability (CES) to develop an alternative measurement method for future waste audits which should limit the impact of sampling errors. This new method has been incorporated into the most recent update to FRD 24C. The Committee is pleased to note this update to FRD 24 and looks forward to reviewing the updated figures from all government departments using this new method in 2008.

On average, employees at the Department of Education, the Department of Treasury and Finance and the Department of Premier and Cabinet produced the greatest amount of waste during 2006-07, producing 124kg, 123kg and 117kg of waste per person respectively. The best performing departments were the Department of Infrastructure and the Department of Primary Industries where only 65kg of waste was produced per person. Departments have not provided explanations for this discrepancy.

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Units of waste produced per person</td>
<td>Units of waste produced per person</td>
<td>Variation</td>
<td>Variation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2006-07</td>
<td>2005-06</td>
<td>(kg)</td>
<td>(kg)</td>
<td>(%)</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>123</td>
<td>80</td>
<td>43</td>
<td>54</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>65</td>
<td>65</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>73</td>
<td>75</td>
<td>-2</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>87</td>
<td>93</td>
<td>-6</td>
<td>-6</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>117</td>
<td>124</td>
<td>-7</td>
<td>-6</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>94</td>
<td>110</td>
<td>-16</td>
<td>-15</td>
<td></td>
</tr>
<tr>
<td>Department of Education</td>
<td>124</td>
<td>147</td>
<td>-23</td>
<td>-16</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>70</td>
<td>80</td>
<td>-10</td>
<td>-13</td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>65</td>
<td>97</td>
<td>-32</td>
<td>-33</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>74</td>
<td>197</td>
<td>-123</td>
<td>-62</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>89</td>
<td>107</td>
<td>-18</td>
<td>-17</td>
<td></td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

A total of 1,096 tonnes of waste was recycled by government departments in 2006-07. The Department of Sustainability and Environment recycled the highest volume of waste during this period (243 tonnes), more than the Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet, the Department of Treasury and Finance and the Department for Planning and Community Development put together.

The Department of Education, the Department of Primary Industries and the Department of Sustainability and Environment all recycle more than 90 per cent of their total waste, while the Department of Innovation, Industry and Regional Development and the Department of Justice recycle 87 per cent and 88 per cent of their total waste respectively. The Department of Human Services indicated that they recycled only 23 per cent of their total waste but noted that they reduced CBD office based landfill waste by 25 per cent from 2005-06 to 2006-07. The Department of Premier and Cabinet and the Department of Infrastructure have not provided overall waste production numbers.
### Table 15.9: Units of waste recycled by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Units of waste recycled 2006-07 (kg)</th>
<th>Units of waste recycled 2005-06 (kg)</th>
<th>Units of waste recycled Variation (kg)</th>
<th>Percentage of total waste recycled 2006-07 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Human Services</td>
<td>178,445</td>
<td>n/a</td>
<td>n/a (a)</td>
<td>23 (b)</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>55,373</td>
<td>104,607</td>
<td>-49,234</td>
<td>87</td>
</tr>
<tr>
<td>Department of Education</td>
<td>121,920</td>
<td>110,628</td>
<td>11,292</td>
<td>90</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>94,241</td>
<td>72,749</td>
<td>21,492</td>
<td>92 (c)</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>113,610</td>
<td>104,370</td>
<td>9,240</td>
<td>88</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>46,933</td>
<td>64,031</td>
<td>-17,098</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>146,442</td>
<td>157,895</td>
<td>-11,453 (d)</td>
<td>90</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>243,065</td>
<td>221,455</td>
<td>21,610</td>
<td>92</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>59,959</td>
<td>43,467</td>
<td>16,492</td>
<td>n/a (e)</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>36,480</td>
<td>33,495</td>
<td>2,985</td>
<td>76</td>
</tr>
<tr>
<td>Total</td>
<td>1,096,468</td>
<td>912,697</td>
<td>183,771</td>
<td></td>
</tr>
</tbody>
</table>

*Source:* Departmental annual reports 2005-06 and 2006-07

*Notes:*

(a) The Department of Human Services did not report the 2005-06 Recycled Waste figure in their 2006-07 annual report. The Committee have therefore omitted this value from the table.

(b) Total waste to landfill is based on extrapolated data provided by 17 single day waste audits in a sample of the Department of Human Services offices. CBD office based landfill waste was reduced by 25 per cent compared with 2005-06 figures, which is at the forefront of the department’s office recycling and waste reduction.

(c) Department of Infrastructure figures are derived from waste audits conducted during each year.

(d) Department of Primary Industries data is based on a two site sample, with different sites audited in 2005-06 and 2006-07.

(e) Department of Treasury and Finance did not measure the total weight of waste not recycled.

### 15.3.3 Paper use

Departments have been encouraged to reduce their paper usage. Financial Reporting Direction 24B contains two indicators of paper use:

- paper used per person (full-time equivalent); and
- total amount of paper used (reams).

One ream (500 sheets) of non-recycled paper uses about 6 per cent of a tree, meaning that one tree is required for every 16.6 reams of paper used. 358,050 reams of paper were used by the ten government departments in 2006-07 which is broadly equivalent to 21,500 trees.\(^{440}\)

During 2006-07 the Department of Human Services used more than double the amount of paper of any other department. Further compounding this is the fact that they were one of five departments where paper use rose in 2006-07. While noting that the Department of Human Services has the

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\(^{440}\) [www.conservatree.com](http://www.conservatree.com), accessed 21 February 2008
lowest ratio of paper use to FTE employee, the Committee is concerned about the high paper usage.

Overall, paper use in the Department of Human Services, the Department of Innovation, Industry and Regional Development, the Department of Primary Industries, the Department of Sustainability and Environment and the Department of Treasury and Finance rose by a combined total of 10,249 reams between the 2005-06 and 2006-07 financial years.

The Department of Innovation, Industry and Regional Development explained that machinery of government changes throughout 2006-07 resulted in a 33 per cent increase in the number of FTE staff, which has resulted in their total paper consumption increasing by 22 per cent. However, the department still managed to reduce paper use per FTE by 7.6 per cent in 2006-07.

The Department of Treasury and Finance explained to the Committee that the total units of paper used in 2006-07 rose in line with the increase in the number of Department of Treasury and Finance staff. As such, the total units of paper used per person remained steady at 19 between 2005-06 and 2006-07. The department has developed plans to reduce this indicator in future years.

The Department of Primary Industries advised that they took measures to reduce paper consumption including defaulting printers to duplex and to encouraging behavioural change to reduce the volume of printing during 2006-07. They also indicated that they will commit further resources in 2007-08 to ensure new printers default to duplex and introduce more staff incentives to reduce printing volume.

The highest per person users of paper are Department of Education (24 reams per person) and the Department of Premier and Cabinet (23 reams per person), while the most significant improvement was made by the Department of Justice who achieved a 28 per cent reduction in usage per person.

The average level of paper use across all departments in 2006-07 was 35,805 reams per year, although when the Department of Human Services is removed from the count, the average use drops to 35,805 reams. The Department of Premier and Cabinet had the lowest level of paper use at 10,463 reams per year, closely followed by the Department of Treasury and Finance (12,849) and the Department for Planning and Community Development (13,163).

Tables 15.10 and 15.11 provide full details of paper use for each department.
### Table 15.10: Reams of paper used by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>17,100</td>
<td>14,061</td>
<td>3,039</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>12,849</td>
<td>11,761</td>
<td>1,088</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>32,209</td>
<td>29,851</td>
<td>2,358</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>137,185</td>
<td>133,784</td>
<td>3,401</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>51,057</td>
<td>50,694</td>
<td>363</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Department of Education</td>
<td>26,158</td>
<td>28,681</td>
<td>-2,523</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>13,163</td>
<td>15,097</td>
<td>-1,934</td>
<td>-13</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>20,544</td>
<td>24,676</td>
<td>-4,132</td>
<td>-17</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>37,322</td>
<td>46,187</td>
<td>-8,865</td>
<td>-19</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>10,463</td>
<td>13,482</td>
<td>-3,019</td>
<td>-22</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>358,050</td>
<td>368,274</td>
<td>-10,224</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>35,805</td>
<td>36,827</td>
<td>-1,022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source:  Departmental annual reports 2005-06 and 2006-07

### Table 15.11: Paper used per person by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Primary Industries</td>
<td>13</td>
<td>12</td>
<td>1</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>12</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>19</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>23</td>
<td>24</td>
<td>-1</td>
<td>-4</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>20</td>
<td>21</td>
<td>-1</td>
<td>-5</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>20</td>
<td>22</td>
<td>-2</td>
<td>-9</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>18</td>
<td>20</td>
<td>-2</td>
<td>-10</td>
<td></td>
</tr>
<tr>
<td>Department of Education</td>
<td>24</td>
<td>28</td>
<td>-4</td>
<td>-14</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>19</td>
<td>22</td>
<td>-3</td>
<td>-14</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>21</td>
<td>29</td>
<td>-8</td>
<td>-28</td>
<td></td>
</tr>
</tbody>
</table>

Source:  Departmental annual reports 2005-06 and 2006-07
15.3.4 Water consumption

The efficient use and conservation of water is an issue of significant importance to the state but government departments have made only limited progress to reduce their water consumption.

Four departments, the Department of Innovation, Industry and Regional Development, the Department of Education, the Department of Premier and Cabinet and the Department of Treasury and Finance were unable to provide details on water consumption because the water reticulation systems on Treasury Reserve do not adequately allow billing consumption to be attributed to buildings or departments. Previous attempts to sub-meter the Treasury Reserve buildings have proven to be inaccurate, however, the Committee has been informed that the Department of Treasury and Finance will be installing smart meters on all buildings and major end users on the treasury reserve to enable accurate annual reporting and ongoing management of water consumption in the future.

The Department of Primary Industries was unable to provide comparative data for 2005-06. The department explained that water consumption figures in their 2005-06 annual report did not align with other departments as they included water usage across all Department of Primary Industries business activities. Figures for 2006-07 were prepared and reported in their annual report for 2006-07 in accordance with the requirements of FRD 24B, but are not suitable for comparison with the 2005-06 figures.\textsuperscript{441}

Financial Reporting Direction 24B contains five indicators of water consumption:

- water sources;
- units of water consumed per FTE (litres per FTE);
- total units of water (litres);
- purpose for which the water is consumed:
  - office / non-office;
  - government owned / leased; and
- data coverage and source.

This report primarily considered the units of water consumed per FTE and the total units of water.

Of the six departments that were able to provide details about their water consumption, the consumption per person ratios were very similar with an average of 12,891 litres per person per year and a maximum variation of 1,824 litres from this norm.

The Department of Human Services was the highest overall water consumer, using more than 45 million litres of water in 2006-07. The department also had the highest rate of consumption per person at 14,700 litres. However, they also achieved the largest per person savings of any department.\textsuperscript{442} The Committee encourages the department to continue their currently successful approach to water conservation and to target a much lower rate of consumptions per person.

The Department of Sustainability and Environment had the largest actual reduction in water use of 26 million litres of water, moving from being the second highest consumer of water to the lowest

\textsuperscript{441} Department of Primary Industries, Annual Report 2006-07, October 2007, pp.66–67
\textsuperscript{442} Department of Human Services, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.18
of all departments. This is an excellent result for the department. The Department of Sustainability and Environment stated that water saving measures have been put in place in almost every building occupied by the department and attributed the improvement in 2006-07 to water saving measures including:

- dual flush toilets and waterless urinals installed in regional sites;
- rainwater tanks and water meters installed in regional sites; and
- dual flush toilets and waterless urinals installed at the Department of Sustainability and Environment head office in East Melbourne.

Tables 15.12 and 15.13 provide full details for each department.

### Table 15.12: Water consumption by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Water consumption 2006-07 (litres)</td>
<td>Water consumption 2005-06 (litres)</td>
<td>Variation (litres)</td>
<td>Variation (%)</td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>27,460,000</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>23,227,915</td>
<td>22,698,137</td>
<td>529,778</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development (a)</td>
<td>8,056,000</td>
<td>9,201,000</td>
<td>-1,145,000</td>
<td>-12</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>14,401,300</td>
<td>16,308,000</td>
<td>-1,906,700</td>
<td>-12</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>45,261,771</td>
<td>61,448,096</td>
<td>-16,186,325</td>
<td>-26</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>13,671,000</td>
<td>39,586,000</td>
<td>-25,915,000</td>
<td>-65</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>132,077,986</td>
<td>149,241,233</td>
<td>-17,163,247</td>
<td>-30</td>
<td></td>
</tr>
</tbody>
</table>

Source: [Departmental annual reports 2005-06 and 2006-07](#)

Note: (a) The Department for Victorian Communities increased the number of sites where accurate metered data is available from three to nine between 2005-06 and 2006-07. The figures included in this table only show consumption across the 3 sites metered in both periods. The figure for all nine sites in 2006-07 is 18,036,534

### Table 15.13: Water consumption per person by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Water Consumption 2006-07 (litres)</td>
<td>Water Consumption 2005-06 (litres)</td>
<td>Variation (litres)</td>
<td>Variation (%)</td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>10,890</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>14,009</td>
<td>14,627</td>
<td>-618</td>
<td>-4</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>12,085</td>
<td>14,169</td>
<td>-2,084</td>
<td>-15</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>14,570</td>
<td>17,831</td>
<td>-3,261</td>
<td>-18</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>14,715</td>
<td>19,021</td>
<td>-4,306</td>
<td>-23</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>11,078</td>
<td>15,290</td>
<td>-4,212</td>
<td>-28</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>12,891</td>
<td>16,188</td>
<td>-3,296</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: [Departmental annual reports 2005-06 and 2006-07](#)
15.3.5 Transportation

During 2006-07, people working for, or on behalf of, nine departments\textsuperscript{443} travelled the equivalent distance to 2,000 trips around the world in passenger vehicles. The associated greenhouse gas emissions topped 17,000 tonnes of CO\textsubscript{2} equivalent. By comparison, the total greenhouse gas emissions from electricity and gas consumption in the same nine departments were 51,688 tonnes of CO\textsubscript{2} equivalent.

The Committee noted with concern, a number of significant increases in 2006-07. Fuel consumption rose by 20,000 gigajoules, greenhouse gas emissions rose by 1,000 tonnes of CO\textsubscript{2} equivalent and passenger vehicle travel rose by 2.3 million kilometres. Most of the increases can be attributed to a small number of departments.

Vehicular fuel consumption by government departments rose by 7 per cent. The largest increase was in the Department of Justice, where fuel consumption rose by 32 per cent while savings were made by the Department of Sustainability and Environment, the Department of Infrastructure, the Department of Treasury and Finance and the Department of Premier and Cabinet.

The Department of Justice indicated that their vehicle fleet increased by 3 per cent due to machinery of government changes during 2006 and the implementation of new programs which deliver extra client services within regional locations.\textsuperscript{444}

Use of alternative modes of transport\textsuperscript{445} to travel to and from work dropped across all departments in 2006-07. The most significant drop (23 per cent) occurred in the Department of Premier and Cabinet, while the Department of Justice and the Department for Planning and Community Development also experienced significant drops in the percentage of employees using alternative modes of transport to travel to and from work. The Committee is concerned that departments may not be doing enough to continue to encourage commuters to travel by alternative means. Some excellent results were achieved in 2005-06, where on average 81 per cent of employees regularly used alternative modes of transport. Departments reported that on average, only 67 per cent of employees regularly used alternative modes of transport to travel to and from work in 2006-07. Departments need to continue a proactive approach to ensure that their employees continue to make best use of alternative transport options.

The Department of Education did not provide any information relating to the transportation indicators in 2006-07.

Financial Reporting Directive 24B contains three indicators relating to transportation:

- energy consumption (gigajoules) and associated greenhouse gas emissions (tonnes of CO\textsubscript{2} equivalent) – total and per FTE;
- passenger vehicle trip kilometres associated with departmental operations – total kilometres and kilometres per FTE; and
- percentage of employees regularly (>75 per cent of work attendance days) using public transport, cycling, or walking to and from work.

Detailed analysis of these indicators follows.

\textsuperscript{443} Department of Education was unable to provide accurate information relating to transportation
\textsuperscript{444} Department of Justice, Annual Report 2006-07, p.206
\textsuperscript{445} Alternative modes of transport include public transport, cycling and walking
(a) Fuel consumption and associated greenhouse gas emissions

During 2006-07, the ten departments consumed a total of 307,444 gigajoules of fuel at an average rate of 34,160 gigajoules per department. This is a notable increase from 2005-06 when only 286,532 gigajoules was consumed at an average of 31,837 gigajoules per department (see table 15.14).

The Department of Human Services, the Department of Justice and the Department of Primary Industries are the biggest three fuel consumers and consumption in all three increased from 2005-06 to 2006-07.

The Department of Human Services explained that service commitments led to an increase in actual kilometres travelled over the year and the inclusion of greater numbers of LPG vehicles resulted in increased fuel consumption. LPG is less efficient than petrol per distance travelled but more efficient in greenhouse gas emissions. The department now operates 386 LPG vehicles and 96 Hybrid/Unleaded vehicles in its fleet. The department plans to continue to reduce fleet greenhouse gas emissions by building on its fleet mix strategy, which has been acknowledged by the Commissioner for Sustainability and Environment.

The single biggest increase occurred in the Department of Justice where consumption rose by 32 per cent from 57,304 gigajoules to 75,624 gigajoules. This increase in consumption is equivalent to the total consumption across the Department of Innovation, Industry and Regional Development, the Department of Premier and Cabinet, the Department of Treasury and Finance and the Department for Planning and Community Development. The Department of Justice annual report noted that due to machinery of government changes and the associated implementation of new programs, its vehicle fleet had increased by 3 per cent. Only two departments achieved any significant reductions in fuel consumption. They were the Department of Infrastructure and the Department of Sustainability and Environment, with a combined reduction of 2674 gigajoules.

Table 15.14: Total fuel consumption by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice</td>
<td>75,624 (gigajoules)</td>
<td>57,304 (gigajoules)</td>
<td>18,320</td>
<td>32!</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>139,231 (gigajoules)</td>
<td>134,660 (gigajoules)</td>
<td>4,571</td>
<td>3!</td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>45,133 (gigajoules)</td>
<td>44,450 (gigajoules)</td>
<td>683</td>
<td>2!</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>7,307 (gigajoules)</td>
<td>7,168 (gigajoules)</td>
<td>139</td>
<td>2!</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>7,890 (gigajoules)</td>
<td>7,869 (gigajoules)</td>
<td>21</td>
<td>0!</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>19,391 (gigajoules)</td>
<td>20,871 (gigajoules)</td>
<td>-1,480</td>
<td>-7!</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>12,524 (gigajoules)</td>
<td>13,718 (gigajoules)</td>
<td>-1,194</td>
<td>-9!</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>207 (gigajoules)</td>
<td>253 (gigajoules)</td>
<td>-46</td>
<td>-18!</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>137 (gigajoules)</td>
<td>239 (gigajoules)</td>
<td>-102</td>
<td>-43!</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>307,444 (gigajoules)</td>
<td>286,532 (gigajoules)</td>
<td>20,912</td>
<td>7!</td>
<td></td>
</tr>
<tr>
<td>Average</td>
<td>21,027 (gigajoules)</td>
<td>31,837 (gigajoules)</td>
<td>2,091</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

Note: Department of Education failed to provide transport related performance information in their 2006-07 annual reports
On average, the ‘per person’ consumption of fuel across all departments was 9 gigajoules. This represents a modest overall reduction from 9.2 gigajoules in 2005-06. The department with the highest per person consumption was the Department of Primary Industries, at 17.9 gigajoules.

The biggest per person increase in consumption was at the Department of Innovation, Industry and Regional Development, where consumption went up by 2.8 gigajoules per person during 2006-07. Three departments experienced modest decreases in consumption totalling 2.5 gigajoules. The net effect of these changes was that there was little change to the overall figure. More could be done to improve this.

Table 15.15: Fuel consumption per person by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Fuel</td>
<td>Fuel</td>
<td>(gigajoules</td>
<td>(%)</td>
</tr>
<tr>
<td></td>
<td>Consumption</td>
<td>Consumption</td>
<td>per person)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2006-07</td>
<td>2005-06</td>
<td>(gigajoules</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(gigajoules</td>
<td>(gigajoules</td>
<td>per person)</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>11.3</td>
<td>10.2</td>
<td>1.1</td>
<td>11</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>12.0</td>
<td>11.0</td>
<td>1.0</td>
<td>9</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>10.6</td>
<td>10.2</td>
<td>0.4</td>
<td>4</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>17.9</td>
<td>17.9</td>
<td>0.0</td>
<td>0</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>12.6</td>
<td>12.8</td>
<td>-0.2</td>
<td>-2</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>6.9</td>
<td>8.0</td>
<td>-1.1</td>
<td>-14</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>9.1</td>
<td>11.9</td>
<td>-2.8</td>
<td>-24</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>0.3</td>
<td>0.4</td>
<td>-0.1</td>
<td>-25</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>0.3</td>
<td>0.4</td>
<td>-0.1</td>
<td>-25</td>
</tr>
<tr>
<td>Average</td>
<td>9</td>
<td>9.2</td>
<td>-0.2</td>
<td>-7</td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07
Note: Department of Education failed to provide transport related performance information in their 2006-07 annual reports

The combined greenhouse gas emissions from vehicles across all departments was 17,437 tonnes of CO₂ equivalent.446 This is an increase of 6 per cent over the 2005-06 emissions. The increase in emissions is almost entirely the responsibility of the Department of Justice. As previously noted, the Department of Justice annual report stated that this was due to a 3 per cent increase in the department’s vehicle fleet.447

The highest levels of emissions were from the Department of Human Services and the Department of Justice, both well above the average for all departments.

Table 15.17 shows that emissions from vehicles per full-time equivalent person fell across all departments except the Department of Justice and the Department for Planning and Community Development which both experienced small increases.

446 Figure excludes Department of Primary Industries and Department of Education due to inadequate data
447 Department of Justice, Annual Report 2006-07, p.206
## Table 15.16: Total associated greenhouse gas emissions from vehicles by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Greenhouse gas emissions 2006-07 (tonnes co₂ equivalent)</td>
<td>Greenhouse gas emissions 2005-06 (tonnes co₂ equivalent)</td>
<td>Variation (tonnes co₂ equivalent)</td>
<td>(%)</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>5,665</td>
<td>4,170</td>
<td>1,495</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>592</td>
<td>575</td>
<td>17</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>553</td>
<td>536</td>
<td>17</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>8,406</td>
<td>8,594</td>
<td>-188</td>
<td>-2</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>1,453</td>
<td>1,579</td>
<td>-126</td>
<td>-8</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>16</td>
<td>19</td>
<td>-3</td>
<td>-16</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>741</td>
<td>897</td>
<td>-156</td>
<td>-17</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>11</td>
<td>19</td>
<td>-8</td>
<td>-42</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>17,437</td>
<td>16,389</td>
<td>1,048</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>2,180</td>
<td>2,049</td>
<td>131</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Departmental annual reports 2005-06 and 2006-07

**Notes:** Department of Education failed to provide transport related performance information in their 2006-07 annual reports

Department of Primary Industries was excluded from comparative analysis because they changed their formula for calculating emissions between 2005-06 and 2006-07 to comply with the requirements of FRD 24B, making the data provided for 2005-06 and 2006-07 incomparable. Additional information can be found in the Department of Primary Industries Annual Report 2006-07 p.71
### Table 15.17: Total associated greenhouse gas emissions from vehicles per person by department

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Greenhouse gas emissions 2006-07</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(tonnes CO₂ equivalent per person)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>0.84</td>
<td>0.74</td>
<td>0.10</td>
<td>14</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>0.80</td>
<td>0.76</td>
<td>0.04</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>0.03</td>
<td>0.03</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>0.03</td>
<td>0.03</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>0.74</td>
<td>0.83</td>
<td>-0.09</td>
<td>-11</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>0.73</td>
<td>0.85</td>
<td>-0.12</td>
<td>-14</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>0.52</td>
<td>0.61</td>
<td>-0.09</td>
<td>-15</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>0.68</td>
<td>0.87</td>
<td>-0.19</td>
<td>-22</td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>0.55</td>
<td>0.59</td>
<td>-0.04</td>
<td>-12</td>
<td></td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

Notes: Department of Education failed to provide transport related performance information in their 2006-07 annual reports. Department of Primary Industries were excluded from comparative analysis because they changed their formula for calculating emissions between 2005-06 and 2006-07 to comply with the requirements of FRD 24B, making the data provided for 2005-06 and 2006-07 incomparable. Additional information can be found in the Department of Primary Industries Annual Report 2006-07 p.71

(b) **Travel associated with departmental operations**

During 2006-07, travel associated with departmental operations topped 80 million kilometres. Eighty million kilometres is roughly the equivalent of travelling around the world 2000 times. The total travel associated with departmental operations in 2006-07 averaged to 2,298 kilometres per person (FTE). This is the equivalent of every person in every department driving from Melbourne to Alice Springs once a year.

Excluding the Department of Primary Industries\(^{448}\) there has been an increase in travel associated with departmental operations of 2.3 million kilometres between 2005-06 and 2006-07.

The Department of Human Services had the most significant mileage at 36 million kilometres in 2006-07 followed by the Department of Justice and the Department of Primary Industries. The Department of Premier and Cabinet and the Department of Treasury and Finance had the lowest

\(^{448}\) Department of Primary Industries were excluded from comparative analysis because they changed their formula for calculating travel between 2005-06 and 2006-07 to comply with the requirements of FRD 24B, making the data provided for 2005-06 and 2006-07 incomparable. Additional information can be found in the Department of Primary Industries, *Annual Report 2006-07*, p.71
total distances travelled and the lowest per person mileage of all departments by some considerable margin. The Department of Primary Industries had the highest per person mileage during 2006-07 at 5,353 kilometres per person, 2,962 kilometres higher than the average for all departments for the same period.

Tables 15.18 and 15.19 provide full details for each department.

### Table 15.18: Travel associated with departmental operations

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Travel associated with departmental operations 2006-07 (km)</td>
<td>Travel associated with departmental operations 2005-06 (km)</td>
<td>Variation (km)</td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>13,494,062</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>17,429,514</td>
<td>13,562,754</td>
<td>3,866,760</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>1,904,559</td>
<td>1,740,908</td>
<td>163,651</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>2,232,152</td>
<td>2,233,475</td>
<td>-1,323</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>72,615</td>
<td>73,683</td>
<td>-1,068</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>36,160,859</td>
<td>36,912,283</td>
<td>-751,424</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>6,096,384</td>
<td>6,672,134</td>
<td>-575,750</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>2,676,774</td>
<td>3,093,888</td>
<td>-417,114</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>44,992</td>
<td>77,939</td>
<td>-32,947</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>80,111,911</td>
<td>64,367,064</td>
<td>2,250,785</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>8,901,323</td>
<td>8,045,883</td>
<td>281,348</td>
</tr>
</tbody>
</table>

*Source: Departmental annual reports 2005-06 and 2006-07*

*Notes: Department of Education failed to provide transport related performance information in their 2006-07 annual reports*
## Table 15.19: Travel per person associated with departmental operations

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1</th>
<th>Column 2</th>
<th>Column 1-2</th>
<th>Variation</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per person travel associated with departmental operations 2006-07 (km)</td>
<td>Per person travel associated with departmental operations 2005-06 (km)</td>
<td>Variation (km)</td>
<td>Variation (%)</td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>5,353</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td></td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>2,780</td>
<td>2,490</td>
<td>290</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>Department of Justice</td>
<td>2,594</td>
<td>2,408</td>
<td>186</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>3,140</td>
<td>3,253</td>
<td>-113</td>
<td>-3</td>
<td></td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>116</td>
<td>121</td>
<td>-5</td>
<td>-4</td>
<td></td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>2,690</td>
<td>2,880</td>
<td>-190</td>
<td>-7</td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>2,172</td>
<td>2,577</td>
<td>-405</td>
<td>-16</td>
<td></td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>2,572</td>
<td>3,386</td>
<td>-814</td>
<td>-24</td>
<td></td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>107</td>
<td>141</td>
<td>-34</td>
<td>-24</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>21,524</strong></td>
<td><strong>17,256</strong></td>
<td><strong>-1,085</strong></td>
<td><strong>-6</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>2,391</strong></td>
<td><strong>2,157</strong></td>
<td><strong>234</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Departmental annual reports 2005-06 and 2006-07

Notes: Department of Education failed to provide transport related performance information in their 2006-07 annual reports

(c) Employees regularly (>75 per cent) using public transport, cycling or walking to and from work

On average, 67 per cent of departmental employees regularly used public transport, cycling or walking (alternative modes of transport) to travel to and from work during 2006-07. However, this figure is heavily skewed by the performance of the Department of Primary Industries (36 per cent). Together with the Department of Sustainability and Environment (59 per cent), they were the only department to record a result below the average for all departments. The Department of Primary Industries’ annual report identified that 75 per cent of its CBD staff travel by alternative modes of transport, but that 77 per cent of its staff work in outer metropolitan or rural locations, highlighting the benefits of access to public transport for city-based staff.  

Every department that provided information for 2005-06 and 2006-07 experienced a decrease in the percentage of employees using alternative modes of transport. This was most noticeable in the Department of Premier and Cabinet where the figure fell from 90 per cent of employees to 67 per cent of employees using alternative modes of transport from 2005-06 to 2006-07.

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449 Department of Primary Industries, *Annual Report 2006-07*, p.68
The Department of Treasury and Finance explained to the Committee that the collection of data regarding alternative modes of transport was improved during 2006-07. Previously data relating to staff travel to work had been collected on a single day (a Wednesday), whereas the 2006-07 data included information collected over a full working week. As a result, the 2006-07 data is expected to more accurately reflect the actual travel habits of staff than previous years.

Departments assured the Committee that they are taking steps to encourage the use of alternative modes of transport and identified a number of barriers to further improvements:

- the Department of Human Services has initiated, through its Environmental Management Unit, a Sustainable Transport policy and has supported a department Sustainable Transport day in 2008 to encourage staff to consider sustainable transport alternatives. The department also supports Bicycle User Groups, which are active across a number of the department’s offices, providing infrastructure and amenity where possible;
- the Department of Sustainability and Environment has initiated a number of programs that encourage employees to use environmentally friendly forms of transport including Active Bicycle User Groups and a gymnasium facility at 8 Nicholson Street that provides shower and change facilities for bicycle riders, runners or walkers;
- as part of the Department of Innovation, Industry and Regional Development’s Environment Management Program, the department participates and promotes Ride to Work and Walk to Work days to staff and regularly promotes the department’s Commuter Club MET tickets, which offers a discount on annual Met tickets;
- the Department of Human Services were unable to explain to the Committee the reason for the drop in the numbers of employees who regularly use alternative modes of transport to travel to and from work in their central office and explained that the number of employees who regularly use alternative modes of transport to travel to and from work in their regional offices was reported for the first time at 12 per cent this year. They explained that this figure is very low because the public transport infrastructure in rural Victoria is currently inadequate and that ample provision of car parking at regional offices in rural and suburban Melbourne provides no incentive for employees to find alternate transportation. The department informed the Committee that it is currently working with Department of Infrastructure to consider implementation of carpooling software;
- the Department for Planning and Community Development indicated it has reviewed its ‘Transport Access Plan’ and will continue to promote its Bicycle User Group, and the availability of Met tickets for CBD business meeting rather than taking other forms of vehicle transport;
- the Department for Primary Industries advised that 77 per cent of their staff work in outer metropolitan or rural locations where there is minimal or no public transport available. The department’s CBD staff reported 75 per cent travel by sustainable modes of transport, highlighting the benefits of access to public transport for city-based staff. The Department of Primary Industries are preparing a green travel plan to identify programs to encourage more sustainable travel by staff to and from work; and
- a Travel Plan has been drafted within the Department of Infrastructure and will be finalised before the end of the financial year. The plan focuses on the way people travel and develops a strategic approach to changing travel behaviour. The plan sets out actions to make it easier for staff to choose alternative modes of transport.
Table 15.20 provides full details for each department.

**Table 15.20: Travel associated with departmental operations**

<table>
<thead>
<tr>
<th>Department</th>
<th>Column 1 (%)</th>
<th>Column 2 (%)</th>
<th>Column 1-2 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees regularly using public transport, cycling or walking 2006-07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Primary Industries</td>
<td>36</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Department of Infrastructure</td>
<td>77</td>
<td>79</td>
<td>-2</td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td>59</td>
<td>62</td>
<td>-3</td>
</tr>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>74</td>
<td>79</td>
<td>-5</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>76</td>
<td>84</td>
<td>-8</td>
</tr>
<tr>
<td>Department of Treasury and Finance</td>
<td>75</td>
<td>84</td>
<td>-9</td>
</tr>
<tr>
<td>Department of Justice</td>
<td>75</td>
<td>86</td>
<td>-11</td>
</tr>
<tr>
<td>Department for Planning and Community Development</td>
<td>75</td>
<td>86</td>
<td>-11</td>
</tr>
<tr>
<td>Department of Premier and Cabinet</td>
<td>67</td>
<td>90</td>
<td>-23</td>
</tr>
</tbody>
</table>

**Source:** Departmental annual reports 2005-06 and 2006-07

**Notes:**
- Department of Education did not provide transport related performance information in their 2006-07 annual reports
- Department of Human Services data includes only CBD data. Only 9 per cent of regional employees regularly used alternative modes of transport to travel to and from work.
CHAPTER 16: REGIONAL AND RURAL OUTCOMES

Key findings of the Committee:

16.1 In November 2005, the Victorian Government announced a new plan to develop, grow and strengthen regional Victoria, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*. The plan committed $502 million across 15 major actions including establishing a new $100 million Provincial Victoria Growth Fund and extending the Regional Infrastructure Development Fund by $200 million. Expenditure of these funds, in the form of Grants, is outlined in the annual report of Regional Development Victoria. More detailed information should be provided in future reports.

16.2 The Department of Innovation, Industry and Regional Development indicated to the Committee that that the surplus of $33.3 million reported in their 2006-07 annual report was attributed to two main outputs within the department. They explained that the main surplus was caused by large infrastructure projects running into multiple financial years and that the funds are available in the RIDF to meet these commitments.

16.3 Waiting periods for general dental appointments in regional Victoria have generally decreased although they are, on average, 6.4 months longer than waiting times in metropolitan Melbourne. The longest waiting times during 2006-07 were in Hume, Barwon and Gippsland. Hume was the only region of Victoria where waiting times increased from 2005-06 to 2006-07.

16.4 The Department of Human Services has adopted a number of long-term strategies to lower waiting periods in regional Victoria. While the Committee commends this approach, it urges the department continue to invest in shorter term strategies targeted at specific regional problems.

16.5 In June 2007, the Auditor-General tabled a *Report on the Administration of Non-judicial Functions of the Magistrates' Court of Victoria*. The report identified that while the Melbourne Magistrates’ Court and the Children’s Court locations have advanced electronic security surveillance, the other 50 metropolitan and country court locations have limited security infrastructure.

16.6 The Committee noted that a number of steps had been taken to address the issues raised by the Auditor-General.

16.7 In December 2000, a heads of agreement was signed between the NSW, Victorian and Commonwealth Governments to implement the outcome from the Snowy Water inquiry. The agreement committed the three governments to work together to improve the health of the Snowy and Murray Rivers through a series of short, medium and long-term measures.

16.8 The Committee established that the Victorian Government has made savings in line with the 2005 interim target and has indicated the savings anticipated from ongoing and future projects should be adequate to meet the 2012 target of 212 gigalitres for the Snowy river and 70 gigalitres for the Murray river.
16.9 The Committee was disappointed to note that it took over five years to establish the Snowy Scientific Committee and that there had been insufficient reporting of progress.

16.10 The Department of Sustainability and Environment has undertaken a ‘whole of landscape’ modelling project to better map the quality and location of native vegetation, as well as the land-use patterns of these areas. The Committee found that although this project has incurred delays to its implementation, these were due to the 2006-07 bushfires and were out with the control of the department.

16.11 In May 2007, the Treasurer stated in his budget speech that the state has invested, as part of the state budget, ‘$1.7 billion in water and catchment projects, along with more than $3 billion committed by water authorities’.

16.12 The Committee found it difficult to achieve a detailed picture of total water infrastructure and capital expenditure from annual reports. It would appreciate receiving in a centralised form, comprehensive details of capital expenditure by the department and water authorities.

16.1 Background

Regional and rural Victoria is home to 1.4 million people encompassing eight major towns across eleven regions. Australian Bureau of Statistics data shows that employment growth in provincial Victoria is outstripping the national average and the towns of Mildura, Bendigo, Ballarat and Shepparton represent four of Australia’s fastest growing inland regions.

However, 2006-07 was a difficult year for regional and rural Victoria, with the worst drought conditions experienced in over 100 years and bushfires that burnt 1.1 million hectares of agricultural land, national parks, state forests and softwood plantations. These environmental factors, combined with ageing populations and a shortage of a skilled labour force have prompted the Victorian Government to initiate a number of significant long-term programs to ensure a successful future for regional and rural Victoria.

Some of the issues regarding regional and rural Victoria, such as drought relief, are dealt with elsewhere in this report, and many other relevant issues are adequately reported in departmental and other government annual reports. After reviewing the annual reports and early questionnaire responses of the departments, the Committee decided to focus the inquiry on the following seven areas that are of importance to regional and rural Victoria and which relate to three of the five Growing Victoria Together Visions:

- Thriving Economy
  - Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest;
  - Regional Development Output Group – surplus for 2006-07;
- Caring Communities
  - dental treatment waiting periods;
  - managing and maintaining court security;
• Healthy Environment
  − the Snowy Water Inquiry Outcome Implementation;
  − implementation of the Whole of Landscape Modelling Project; and
  − investment in Water and Catchment Projects.

### 16.1.1 Moving Forward: Making Provincial Victoria the best place to live, work and invest – Department of Innovation, Industry and Regional Development

In November 2005, the Victorian Government announced a new plan to develop, grow and strengthen regional Victoria, *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest*. Responsibility for delivering the plan rests with Regional Development Victoria, a branch of the Department of Innovation, Industry and Regional Development.

The plan committed the government to investing $502 million across 15 major actions. Two of those actions involved establishing a new $100 million Provincial Victoria Growth Fund (PVGF) and extending the Regional Infrastructure Development Fund (RIDF) by $200 million. The remaining thirteen actions committed the government to 45 specific initiatives such as growing regional arts and starting new planning cadetships. The government committed $383 million towards these initiatives, with $181 million of this to be funded from the new PVGF and RIDF funds.

During 2005-06, $3.1 million was provided in the form of grants to seven organisations. The largest single grant ($1.5 million) was provided to Tourism Victoria, while four government departments shared $1.4 million as part of the Moving Forward initiative.450

During 2006-07, $11.1 million was provided in the form of grants to 95 organisations. The largest single grant was $2.5 million to Tourism Victoria. 68 per cent of the grants were less than $50,000 with a further 18 per cent under $100,000. Only four organisations received grants in excess of $1 million and three of these were government departments.451 A further $1.1 million was spent on administering the funds during 2006-07.

Table 16.1 shows the number of grants provided to by the PVGF during 2006-07.

**Table 16.1:** Provincial Victoria growth fund grants provided in 2006-07

<table>
<thead>
<tr>
<th>Total value of grants received in 2006-07 ($)</th>
<th>Total organisations (number)</th>
<th>Local government (number)</th>
<th>Government departments (number)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 50,000</td>
<td>65</td>
<td>26</td>
<td>0</td>
</tr>
<tr>
<td>50,000 – 100,000</td>
<td>17</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>100,000 – 200,000</td>
<td>6</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>200,000 – 500,000</td>
<td>3</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>500,000 – 1,000,000</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>1,000,000 plus</td>
<td>4</td>
<td>0</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>95</strong></td>
<td><strong>38</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

Source: Regional Development Victoria Annual Reports 2006-07

450 Regional Development Victoria, *Annual Report 2005-06*, p.41
During 2005-06, $67.8 million in financial assistance was provided to ten organisations from the RIDF. Of this, $25 million was provided to RDV to renew the Small Towns Development Fund, while a further $25 million was provided to Central Gippsland Region Water Authority towards the development of the Gippsland Water Factory.

During 2006-07, $17.9 million in financial assistance was provided to 14 organisations from the RIDF for Moving Forward programs. This included $4 million to ten local government organisations for road improvements, $5.8 million to 4 organisations to upgrade local ports and a further $8.1 million to 4 organisations to improve arts infrastructure, intermodal freight hubs and provincial pathways. In addition to the Moving Forward programs, a further $20.4 million was provided from the RIDF to 13 organisations. According to information supplied by the Department of Innovation, Industry and Regional Development, a further $1.7 million was spent on administering the funds during 2006-07.

Table 16.2 shows the total expenditure for each of the Moving Forward actions during 2006-07.

Table 16.2: Provincial Victoria growth fund grants provided in 2006-07

<table>
<thead>
<tr>
<th>Moving forward investment</th>
<th>Expenditure 2006/07 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action 1 Creating A New Provincial Victoria Growth Fund</td>
<td>12.2</td>
</tr>
<tr>
<td>Action 2 Renewing and Enhancing The Regional Infrastructure Development Fund</td>
<td>19.6</td>
</tr>
<tr>
<td><strong>Moving Forward Specific Initiatives</strong></td>
<td></td>
</tr>
<tr>
<td>Action 3 Attracting more people to live, work and invest in provincial Victoria</td>
<td>1.6</td>
</tr>
<tr>
<td>Action 4 Managing growth in regional communities</td>
<td>0.7</td>
</tr>
<tr>
<td>Action 5 Delivering greater support for small towns</td>
<td>12.5</td>
</tr>
<tr>
<td>Action 6 Boosting regional arts, cultural and recreational facilities</td>
<td>2.6</td>
</tr>
<tr>
<td>Action 7 Attracting investment and promoting exports</td>
<td>1.6</td>
</tr>
<tr>
<td>Action 8 Building a skilled provincial workforce</td>
<td>5.9</td>
</tr>
<tr>
<td>Action 9 Driving growth and competitiveness in primary industries</td>
<td>18.8</td>
</tr>
<tr>
<td>Action 10 Meeting new challenges in key regional industries</td>
<td>4.0</td>
</tr>
<tr>
<td>Action 11 Promoting sustainable development and better land management</td>
<td>4.0</td>
</tr>
<tr>
<td>Action 12 Creating new bus and transport connections</td>
<td>11.0</td>
</tr>
<tr>
<td>Action 13 Delivering a new deal for local ports</td>
<td>8.3</td>
</tr>
<tr>
<td>Action 14 Improving access to broadband</td>
<td>0.0</td>
</tr>
<tr>
<td>Action 15 Building better freight and supply chain links</td>
<td>0.0</td>
</tr>
</tbody>
</table>

Source: Department of Innovation, Industry and Regional Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 29 January 2008, p.46

The department plans to undertake a mid-term review of the plan during the second half of 2008 and the Committee looks forward to the opportunity to assess the progress and achievements of the project at this time. The Committee would appreciate more detailed reporting of this major government initiative in the annual report of RDV in coming years. The 2006-07 report contained limited comment on the progress of the plan, and the financial information provided did not clearly attribute expenditure to specific initiatives under various actions in the plan. Financial information could clearly attribute the specific initiatives funding to the PVGF, RIDF or other sources.
The Committee recommends that:

**Recommendation 54:** Regional Development Victoria should include in its annual report, a detailed breakdown of expenditure on each of the initiatives and more detailed analysis of performance against the actions in the *Moving Forward: Making Provincial Victoria the Best Place to Live, Work and Invest* plan.

### 16.1.2 Surplus in the regional development output group – Department of Innovation, Industry and Regional Development

The Auditor-General reported in December 2007, that the $35.8 million surplus reported by the Department of Innovation, Industry and Regional Development for 2006-07 (a surplus of $8.3 million was reported in 2005-06) came from under-spending in the regional development output group of $33.3 million (21 per cent of the output group budget) and under-spending in the developing innovative industries output group of $4.8 million (2 per cent of the output group budget).\(^{452}\) The Committee asked the department to explain the reasons for this under-spend.

The department indicated to the Committee that that the surplus was attributed to two main outputs within the department.

They explained that the surplus of $33.3 million in the Regional Development Output Group represents funding allocated to approved projects for which payments will be made in future financial years and that the funding is available in the Regional Infrastructure Development Fund (RIDF) Trust to meet these future commitments. The variance reflects the fact that the RIDF supports large infrastructure projects that are typically delivered over multiple financial years, and any under-spend in a given year will cause a surplus in the output. Likewise in future years as expenditure from the trust is higher than revenue, then this output will show a deficit.

They also explained that the surplus in the Innovative Industries output group is related to income in a number of small trust funds which will be spent in the coming financial years.

While accepting the explanation for under expenditure in the Regional Infrastructure Development Fund, the Committee will monitor performance in future years.

### 16.1.3 Dental treatment waiting periods – Department of Human Services

The Rural and Regional Health and Aged Care Services Division manages $1.8 billion in output funding, with lead responsibility for public health, aged care, primary and community health and dental health programs across the state.

The Rural and Regional Health and Aged Care Services Division in the Department of Human Services managed $1.8 billion in output funding in 2006-07. The division is responsible for the delivery of three of the department’s 14 output groups, public health, aged care, primary and dental health. The primary and dental health output group includes the delivery of in-home, community-based, community, primary health and dental services designed to promote health and

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wellbeing and prevent the onset of more serious illness. In 2006-07 they delivered 812,000 community, school, preschool and specialist services, an increase of 20,000 over 2005-06. These services reached 70 per cent of disadvantaged students across the state.

Waiting times for general care and for denture care vary significantly across the state ranging from 33 months for general care in Gippsland to 13 months in Loddon Mallee. Table 16.1 provides the full regional breakdown for public dental services for 2005-06 and 2006-07.

On average during 2006-07, residents in Victoria waited 22 months for a general care appointment in Victoria, with those in regional Victoria waiting an average of 25.7 months and those in metropolitan Melbourne waiting 19.37 months. On average, residents in regional Victoria waited 6.4 months longer for a general dental care appointment than their counterparts in Melbourne.

Within regional Victoria, Barwon, Hume and Gippsland waiting times were significantly higher than Grampians and Loddon Mallee. Waiting times improved in all regions except Hume, where they extended out to over 2.5 years in 2006-07.

Waiting times for denture care are generally lower (averaging 21.3 months in regional Victoria) and indeed several regions recorded significantly lower waiting times for denture care than in metropolitan Melbourne.

<table>
<thead>
<tr>
<th>Table 16.3: Average waiting times for public dental services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Region</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Regional Victoria</td>
</tr>
<tr>
<td>Barwon</td>
</tr>
<tr>
<td>Grampians</td>
</tr>
<tr>
<td>Loddon Mallee</td>
</tr>
<tr>
<td>Hume</td>
</tr>
<tr>
<td>Gippsland</td>
</tr>
<tr>
<td>Regional averages</td>
</tr>
<tr>
<td>Metropolitan Melbourne</td>
</tr>
<tr>
<td>North and West</td>
</tr>
<tr>
<td>Eastern</td>
</tr>
<tr>
<td>Southern</td>
</tr>
<tr>
<td>Metropolitan averages</td>
</tr>
<tr>
<td>State averages</td>
</tr>
</tbody>
</table>

Source: Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p. 19

The department indicated that in the last seven years, the government has increased annual investment in public oral health services by $97.2 million. The total output cost for Dental Services in 2006-07 was $134 million. This money has been spent on a combination of increased resources for general treatment and dentures as well as capital investment to build new, modern and expanded clinics and fluoridate rural water supplies. Between December 2005 and December 2007,
the government opened seven new community dental clinics across the state, bringing the total number to 69.

The department explained that waiting list increases are a result of workforce shortages, particularly in regional areas, and that the government has a number of strategies in place to address this. The department outlined the following specific actions to address waiting lists:

- the new dental school at La Trobe will address these shortages, but not until 2012. An increase in waiting list from one year to another, in most cases, is the result of the loss of a dentist. It is worth noting that additional clients were treated and more complex care provided in this period;
- the establishment of the Bachelor of Oral Health Science course at Latrobe University Bendigo and the renewed support for the Bachelor course of Oral Health at University of Melbourne will see oral health therapists graduating at the end of 2008. Some of these students will have taken advantage of scholarships offered, which mean they will be bonded to work in the public system;
- the establishment of the rural dental school at Goulburn Valley Health is also giving students a training experience in rural areas, which increases the likelihood of these students seeking employment in rural areas; and
- any increase in resources is allocated to areas with the longest waiting times. In addition the department is exploring alternative service models to address specific waitlists.

The Committee noted that the government has identified positive long-term strategies to combat waiting times in rural Victoria. The Committee would also like to see the department continue to invest in shorter term strategies such as the scholarship program, targeted at specific hot spots such as Barwon, Hume and Gippsland.

16.1.4 Magistrates Court security – Department of Justice

The Magistrates’ Court of Victoria handles approximately 90 per cent of all cases which come before Victorian courts each year. The court deals with about 250,000 criminal and civil cases every year and includes four specialist courts, the Koori Court, Victims of Crime Assistance Tribunal, Family Violence Court and Drug Court. It operates across eleven metropolitan locations and 41 regional locations throughout Victoria.

In June 2007, the Auditor-General tabled a Report on the Administration of Non-judicial Functions of the Magistrates’ Court of Victoria. The Auditor-General’s report identified that while the Melbourne Magistrates’ Court and the Children’s Court locations have advanced electronic security surveillance, the other 50 metropolitan and country court locations have limited security infrastructure. Specifically, the Auditor-General identified that:

- none of the country courts have a protective services officer presence and that court users and staff are at greater potential risk when there is neither police nor PSO presence, particularly at isolated, single person courts in country locations;
- 41 courts do not have security cameras;
- 43 courts do not have access to electronic hand wands; and

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454 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp. 19-20
455 Victorian Auditor-General’s Office, Administration of Non-judicial Functions of the Magistrates' Court of Victoria, June 2007
3 isolated court locations do not have duress alarms.\textsuperscript{456}

The Secretary of the Department of Justice responded to the Auditor-General’s report, stating that ‘A tender is to be issued on 1 June 2007 for professional advice to assist the government in developing a safe and cost-effective solution’ to the challenge of applying of enhanced security and weapons detection technology across Victoria’s courts.\textsuperscript{457} The Committee requested an update on the actions and activities undertaken to acquire this professional advice and any interim actions taken to improve security, particularly in isolated and single person courts in country locations.

The department appointed Sinclair Knight Merz (SKM) in August 2007 to review 17 courts (Metropolitan, Regional, larger country and small country) and assess:

\begin{itemize}
  \item the appropriateness of the security policies in place;
  \item the adequacy of risk management processes in place regarding the operations of courts;
  \item the nature of facilities and security systems in place;
  \item the arrangements in place for staff training and supervision in relation to dynamic safety and security processes; and
  \item opportunities for improving the management of identified risks.
\end{itemize}

The risk profiles of each of the 17 courts examined were categorised as high, significant, medium or low and the risk assessments was used to form the basis of a budget submission and a treatment plan.

The department used these risk assessments to inform their deliberations on what actions to take generally and in suburban and country courts.

The department indicated that the following interim steps have been taken to improve security at CBD, suburban and country courts:

\begin{itemize}
  \item investigating the option of court staff working ‘two up’ on visiting days either with another court officer or sharing the office with staff from other DoJ work units;
  \item reviewing courts compliance in respect of essential services maintenance;
  \item reviewing individual smaller courts for perimeter security blind spots near entrances, location of bins, etc;
  \item ensuring all staff visiting/managing isolated small courts have undergone training in security, such as managing potentially violent customers;
  \item testing all duress alarms;
  \item commencing site specific training including magistrates, staff, police, agencies and court users;
  \item referring high security cases to courts with appropriate security measures in place;
  \item ensuring \textit{Taking Responsibility} initiatives are in place and reviewed regularly;
  \item standardising reporting of incidents;
  \item reviewing signage; and
\end{itemize}

\textsuperscript{456} Victorian Auditor-General’s Office, \textit{Administration of Non-judicial Functions of the Magistrates’ Court of Victoria}, June 2007 pp.32, 33

\textsuperscript{457} Victorian Auditor-General’s Office, \textit{Administration of Non-judicial Functions of the Magistrates’ Court of Victoria}, June 2007 p.6
• new listing practices commencing in April 2008 will provide the courts with greater control of who and when users attend court, thus eliminating the 10.00am bottleneck. 458

16.1.5 Snowy Water inquiry outcome implementation – Department of Sustainability and Environment

In December 2000, a heads of agreement was signed between the NSW, Victorian and Commonwealth Governments to implement the outcome from the Snowy Water inquiry. The agreement committed the three governments to work together to improve the health of the Snowy and Murray Rivers through a series of short, medium and long-term measures.

The Committee requested the Department of Sustainability and Environment to provide details of the projects undertaken or planned (in full or in part) by the Victorian Government, the corresponding monetary investment and the actual additional annual volume of water provided to the Snowy and Murray rivers on a year by year basis in relation to the targets identified in the heads of agreement.

The department informed the Committee that the Victorian Government committed to contribute $15 million per annum over a ten year period from 2002 towards the implementation of the outcomes of the Snowy Water inquiry. This funding is used for the Joint Government Enterprise, Water for Rivers (WFR).

WFR has a charter to achieve specified targets of water savings by way of water efficiency infrastructure projects, innovation and technology and where appropriate, by acquisition of water entitlements, all of which will in turn enable those savings to provide increased environmental flows to the Snowy River and River Murray systems. 459

The objective of WFR, in accordance with the Snowy Water Inquiry Outcomes Implementation Deed (SWIOID) is to help to improve the health of the Snowy and Murray rivers by acquiring water efficiency savings to enable additional dedicated environmental flows of 212 gigalitres for the Snowy River and 70 gigalitres for the River Murray by the end of June 2012. While the Deed does not include specific targets for Victoria or NSW, Victoria proposes to deliver 102.3 gigalitres (36 per cent) by June 2012.

The SWIOID established an interim target of 38 gigalitres for the Snowy River and 19 gigalitres for the Murray River to be delivered by June 2005. NSW and Victoria achieved these savings, with Victoria saving 21.8 gigalitres through the first three projects identified in table 16.4.

The next target established by the SWIOID is for 142 gigalitres to be delivered to the Snowy River and 70 gigalitres to the Murray River by June 2009. Currently, Victoria is contributing 22.8 gigalitres annually and anticipates allocating a further 36 gigalitres to SWIOID during 2009. This amounts to 28 per cent of the required 212 gigalitres. 460

Table 16.4 identifies those projects currently completed or under way.

458 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p. 33
460 Department of Sustainability and Environment, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p. 19
Table 16.4: Snowy Water inquiry implementation costs and savings

<table>
<thead>
<tr>
<th>Projects</th>
<th>Date of completion</th>
<th>Water savings available</th>
<th>Project cost</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total (gigalitre)</td>
<td>Allocated to SWIOID (gigalitre)</td>
</tr>
<tr>
<td>Completed projects</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woorinen Pipeline</td>
<td>2004</td>
<td>1.50</td>
<td>1.50</td>
</tr>
<tr>
<td>Normanville Pipeline</td>
<td>2004</td>
<td>3.90</td>
<td>3.90</td>
</tr>
<tr>
<td>Goulburn Murray Improved Measurement of Small Volume Supplies in Irrigation Districts</td>
<td>2005</td>
<td>16.40</td>
<td>16.40</td>
</tr>
<tr>
<td>Lake Mokoan/Casey's Weir Stage 1 (Broken Licence Purchase)</td>
<td>2007</td>
<td>1.00</td>
<td>1.00</td>
</tr>
<tr>
<td><strong>Total for completed projects at June 2007</strong></td>
<td></td>
<td><strong>22.80</strong></td>
<td><strong>22.80</strong></td>
</tr>
<tr>
<td>Projects in progress</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Central Goulburn Channels 1-4</td>
<td>2009</td>
<td>18.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Lake Mokoan/Casey's Weir (Including Tungamah)</td>
<td>2009</td>
<td>53.00</td>
<td>18.00</td>
</tr>
<tr>
<td>Shepparton ID Modernisation</td>
<td>2012</td>
<td>52.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Strategic Measurement Goulburn Murray Irrigation District</td>
<td>2008</td>
<td>3.00</td>
<td>3.00</td>
</tr>
<tr>
<td><strong>Total for projects in progress</strong></td>
<td></td>
<td><strong>126.00</strong></td>
<td><strong>44.00</strong></td>
</tr>
</tbody>
</table>

Source: Department of Sustainability and Environment’s response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p. 20

The expected total water savings available from all projects identified in table 16.4 for the Snowy and Murray Rivers is 148.8 gigalitres. However, only 66.8 gigalitres of this are to be allocated to the SWIOID.

Victoria has identified a further shared project with the Murray Darling Basin Commission’s Living Murray Initiative to modernise Goulburn Murray Water’s Shepparton Irrigation Area. This project involves a mix of channel automation, meter upgrades, targeted channel automation, and pipelining where viable. The department expects this project to make 35.5 gigalitres of water savings available for allocation to the Snowy River by 2012.461

This would bring the Victorian Government’s total contribution towards the target of 282 gigalitres by 2012 to 102.3 gigalitres (36 per cent).

The department commented that Snowy Hydro Ltd is responsible for the release of the environmental flows sourced by WFR and the release of these flows is governed by the Snowy Water Licence and oversighted by the NSW Department of Water and Energy.

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461 Department of Sustainability and Environment, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p. 20
A key component in the reporting of water releases is section 57 of the *Snowy Hydro Corporatisation Act 1997*. This established a body corporate with the corporate name of the Snowy Scientific Committee (SSC) with the principle functions:

- to advise the Water Administration Ministerial Corporation each year on the regime for the release of water for environmental reasons under the Snowy water licence; and

- to advise that Corporation from time to time on the adequacy of those releases and the programs for management and restoration of the catchments (and the Snowy River and other rivers and streams) receiving water from those releases, including the arrangements for consultation, monitoring and ongoing research about those programs.

The SSC was also to produce an annual public state of the environment report on the catchments (and the Snowy River and other rivers and streams) affected by the Snowy Mountains Hydro-electric Scheme.

In late 2007, the NSW Government finally established the Snowy Scientific Committee on which Victoria has two representatives. While the Victorian government is not responsible for the establishment of the SSC, the Committee is disappointed by the long lead time.

The Committee is concerned about insufficient reporting and would like greater assurance to be provided to the public and to Parliament, that the documented savings are actually being converted into increased environmental flows and that the proposed projects are progressing in accordance with planned timelines and budgets.

The Committee recommends that:

**Recommendation 55:** The Victorian Government should ensure more detailed reporting by Water for Rivers and Snowy Hydro regarding the implementation of water saving projects and the achievement of environmental savings and releases associated with the implementation of the findings of the Snowy Water Inquiry.

### 16.1.6 Native vegetation condition modelling project – Department of Sustainability and Environment

The Department of Sustainability and Environment has undertaken a whole of landscape modelling project to better map the quality and location of native vegetation, as well as the land-use patterns of these areas. The Native Vegetation Condition Modelling Project is funded under the National Action Plan for Salinity and Water Quality. The total budget for this project is $1.0 million, with around 40 per cent of these costs attributable to the collection of field and site data.

The Native Vegetation Condition Modelling Project was scheduled to begin in September 2006 and finish in December 2007. However, the department indicated to the Committee that the project

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462 *Snowy Hydro Corporatisation Act 1997*, Section 57
had been delayed by several months as a result of the Great Divide Bushfires during the 2006-07 fire season. The project is now expected to be completed in early 2008.463

Table 16.5 provides an overview of the key milestones associated with the Native Vegetation Condition Modelling Project.

### Table 16.5: Native vegetation condition modelling project – key milestones

<table>
<thead>
<tr>
<th>Project milestone</th>
<th>Comment from department</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Final draft of native vegetation extent layer ready for feedback</td>
<td>Draft prepared in late 2006, with regional feedback received in early 2007, due to the significant bushfire season</td>
</tr>
<tr>
<td>2. Final native vegetation extent layer ready for the Corporate Geospatial Data Library (CGDL)</td>
<td>Final layer prepared in mid 2007, and incorporated into the CGDL in late 2007</td>
</tr>
<tr>
<td>3. Completion of collection of quality-assured field data</td>
<td>Site data collected during the 2006-07 field season, with additional field data from other sources included</td>
</tr>
<tr>
<td>4. Completion of final condition model for Victoria, and included in the CGDL</td>
<td>The final model is currently being incorporated into the CGDL, and summary maps and narratives have already been provided for the 2007 VCMC Catchment Condition Report, and for the forthcoming state of Environment Report</td>
</tr>
<tr>
<td>5. Develop and Finalise Net Gain Trajectory Model</td>
<td>Net Gain analyses were prepared in mid 2007, with a Net Gain first approximation report due for release in early 2008</td>
</tr>
<tr>
<td>6. Final Project Report</td>
<td>The final report and accompanying scientific papers are currently in preparation.</td>
</tr>
</tbody>
</table>

Source: Department of Sustainability and Environment response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p. 21

The Committee is satisfied that the delays experienced on this project were outside the department’s control and that the project has progressed in an adequate fashion.

### 16.1.7 Investment in water and catchment projects – Department of Treasury and Finance

In May 2007, the Treasurer stated in his budget speech that the state has invested, as part of the state budget, ‘$1.7 billion in water and catchment projects, along with more than $3 billion committed by water authorities’.464

During the 2007-08 Budget Estimates process, the Committee indicated that it would seek further information from the Treasurer about the details of the projects that form part of this program of work as part of the Financial and Performance Outcomes process.465

The Committee asked the Department of Treasury and Finance to provide:

- a brief summary of the purpose of each project with expenditure or commitments greater than $10 million;
- a timeline for when outcomes are expected to flow from each project; and

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463 Department of Sustainability and Environment, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p. 21
a breakdown of the budget commitments and expenditure for each project over $10 million including details of the year the expenditure or commitment was incurred and who incurred the expenditure (the government or water authority).

The department was unable to provide the Committee with the full details requested. The department indicated that the $1.7 billion government investment comprised 54 projects and included the $320 million Victorian Water Trust and the $225 million Our Water Our Future Environmental Contribution Levy. However, the department was unable to provide any more detailed information on the nature of the expenditure or the purpose or status of the projects identified.

Table 16.6 lists the water expenditure projects that equate to the $1.7 billion investment referred to by the Treasurer.

Table 16.6: Water expenditure projects

<table>
<thead>
<tr>
<th>Victorian Water Trust ($320 million):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water Smart Gardens &amp; Homes</td>
</tr>
<tr>
<td>Smart Farms</td>
</tr>
<tr>
<td>Healthy Rivers</td>
</tr>
<tr>
<td>Research in Water Conservation &amp; Recycling</td>
</tr>
<tr>
<td>Water Conservation Assistance Program</td>
</tr>
<tr>
<td>Country Towns Water Supply &amp; Sewerage</td>
</tr>
<tr>
<td>Goulburn &amp; Broken Rivers Irrigation Systems Upgrade</td>
</tr>
<tr>
<td>Sunraysia Irrigation Systems Upgrade</td>
</tr>
<tr>
<td>Gippsland Lakes &amp; Macalister River Irrigation Systems Upgrade</td>
</tr>
<tr>
<td>Werribee Plains</td>
</tr>
<tr>
<td>Gippsland Water Factory</td>
</tr>
<tr>
<td>Mount Hotham Wastewater Reuse &amp; Water Conservation</td>
</tr>
<tr>
<td>Mount Buller Recycling &amp; Conservation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Protecting &amp; Repairing our Water Sources</td>
</tr>
<tr>
<td>Smart Urban Water Initiative and Recycling</td>
</tr>
<tr>
<td>Smart Farms Sustainable Irrigation</td>
</tr>
<tr>
<td>Water Security for Cities, Towns &amp; the Environment</td>
</tr>
<tr>
<td>CoAG Living Murray</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other state Budget Funded initiatives (DSE):</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wimmera Mallee Pipeline</td>
</tr>
<tr>
<td>Water Security – Bendigo Pipeline</td>
</tr>
<tr>
<td>Victoria’s Payments to Murray Darling Basin Commission</td>
</tr>
<tr>
<td>Barmah Choke Interconnect Feasibility Study</td>
</tr>
<tr>
<td>Northern Irrigation Revitalisation Design Works</td>
</tr>
<tr>
<td>Campaspe Pipeline to Waranga Channel</td>
</tr>
<tr>
<td>Northern Mallee Pipeline</td>
</tr>
<tr>
<td>Gippsland Lakes Rescue Package</td>
</tr>
<tr>
<td>New Town Sewerage Program</td>
</tr>
<tr>
<td>Irrigation Efficiency Program</td>
</tr>
<tr>
<td>Catchment and Waterway Grants</td>
</tr>
<tr>
<td>Waterways – Restoring Environmental Flows (Snowy)</td>
</tr>
<tr>
<td>River Murray Environmental Flows</td>
</tr>
<tr>
<td>Water-related Bushfire Recovery</td>
</tr>
</tbody>
</table>
Similarly, the department was unable to provide the Committee with a full list of water projects that account for the $3 billion committed by the water authorities. However, the department was able to provide the Committee with the total annual capital expenditure by water authorities from 2001-02 to 2005-06, stating that ‘the $3 billion is outlined in the relevant annual reports of the water authorities’. This is outlined in Table 16.7.

**Table 16.7: Water authorities’ capital expenditure**

<table>
<thead>
<tr>
<th>Year</th>
<th>2001/02</th>
<th>2002/03</th>
<th>2003/04</th>
<th>2004/05</th>
<th>2005/06</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
<td>($ million)</td>
</tr>
<tr>
<td>Water authorities’ expenditure (capital)</td>
<td>451.3</td>
<td>506.2</td>
<td>596.3</td>
<td>830.2</td>
<td>1046.6</td>
<td>3430.6</td>
</tr>
</tbody>
</table>

The Committee noted that capital expenditure by Water Authorities has more than doubled since 2001-02.
The Committee would appreciate fuller reporting on all types of water projects (water supply, sewerage, irrigation, upgrades to infrastructure, flood mitigation works, lake and dam maintenance etc.) so that it can achieve a full picture of capital expenditure in this sector, as it found it difficult to achieve a full picture of total water infrastructure and capital expenditure from annual reports.

The Committee believes that water authority expenditure on infrastructure should be fully reported eg. in the financial report on capital expenditure. This would serve to enhance transparency and make for full reporting.

The Committee recommends that:

**Recommendation 56:** The Victorian Government should provide in a centralised form (e.g. the annual capital expenditure report), comprehensive details of capital expenditure by water authorities.
CHAPTER 17: ADVERTISING AND PROMOTION

Key findings of the Committee:

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>17.1</td>
<td>Based on information submitted to the Committee, advertising and promotion expenditure by departments in 2006-07 totalled $70 million. Comparative figures for 2005-06 were not available from all departments.</td>
</tr>
<tr>
<td>17.2</td>
<td>Information on advertising and promotion expenditure by 25 statutory agencies was submitted to the Committee. The highest level of expenditure in 2006-07 and 2005-06, $30.1 million and $25.9 million respectively, was incurred by the Transport Accident Commission.</td>
</tr>
<tr>
<td>17.3</td>
<td>Nine advertising programs incurred expenditure greater than $2.5 million in the two year period 2005-06 to 2006-07, with the highest level of expenditure, $8.3 million, associated with the Our Water Our Future program.</td>
</tr>
<tr>
<td>17.4</td>
<td>The Committee noted that there are differing understandings on accounting for advertising and promotion and there are differences between figures on advertising expenditure reported by the Auditor-General and information provided to the Committee. Following recent evidence from the Heads of the Department of Premier and Cabinet and the Department of Treasury and Finance, it accepts that the baseline figure for contracted advertising under various programs is now centrally organised through the whole of government Master Agency Media Services (MAMS) contract.</td>
</tr>
<tr>
<td>17.5</td>
<td>The MAMS contract accounted for $109.5 million in advertising expenditure in 2006-07. Further expenditure is incurred by departments and agencies in respect to minor information and promotional activities. Such costs are usually embedded in general management expenditure. The Committee will comment further on government advertising in its forthcoming report on its inquiry on the follow-up of reports of the Auditor-General tabled in 2006 and 2007.</td>
</tr>
<tr>
<td>17.6</td>
<td>The Committee sought evidence on the effectiveness of advertising programs. The Department of Innovation, Industry and Regional Development and the Department for Planning and Community Development provided information on outcomes associated with advertising campaigns. The Committee believes all advertising campaigns should include key performance indicators on outcomes.</td>
</tr>
<tr>
<td>17.7</td>
<td>The Department of Treasury and Finance should widen the reporting obligations of government bodies for advertising and promotion programs to incorporate information on the effectiveness of programs in achieving expected outcomes.</td>
</tr>
</tbody>
</table>
17.1 Introduction

During its 2007-08 budget estimates inquiry, the Committee considered a number of issues concerning the magnitude of public funds expended on advertising and promotion and the adequacy of public reporting on the subject. It reported to Parliament on these matters in September 2007. In its report, the Committee’s analysis addressed:

- the importance of government regularly reviewing guidelines in place for advertising and communications, given the propensity of government advertising to attract recurring political and media attention;
- the benefit of government widening reporting requirements on advertising and promotion programs to encompass all statutory authorities as a means of achieving full transparency;
- a need for all public sector agencies to report annually on performance against advertising budgets, identifying key components of expenditure such as government wide or agency specific publicity campaigns; and
- a recommendation that the Auditor-General consider incorporating advertising and promotion expenditure within the scope of future performance audits of government programs.

Pending its consideration of action initiated by the government and the Auditor-General on its September 2007 recommendations, the Committee sought, as part of its 2006-07 outcomes inquiry, the following information from departments and selected statutory agencies:

- the total cost of publicly funded advertising and promotion in 2005-06 and 2006-07; and
- details of advertising and promotion programs with expenditure in excess of $100,000 in 2005-06 and 2006-07.

The information sought from departments and agencies included the key objectives of each program and a comparison of expenditure against budget, with an explanation for variances over 10 per cent.

The Committee also had available to it evidence provided by the Heads of the Department of Premier and Cabinet and the Department of Treasury and Finance on advertising as part of its 2008 follow-up inquiry on reports of the Auditor-General tabled in 2006 and 2007. Evidence from the public hearings is available on the Committee’s website at www.Parliament.vic.gov.au/paec

17.2 Publicly funded advertising and promotion

17.2.1 Aggregate advertising and promotion costs in departments and selected statutory agencies

Tables 17.1 and 17.2 set out the aggregate advertising and promotion costs incurred by departments and selected statutory agencies in 2006-07 and 2005-06, based on information furnished to the Committee.
Table 17.1: Aggregate advertising and promotion costs in departments in 2006-07 and 2005-06

<table>
<thead>
<tr>
<th>Departments</th>
<th>2006-07 Actual ($ million)</th>
<th>2005-06 Actual ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>2.2</td>
<td>2.8</td>
<td>-21.4</td>
</tr>
<tr>
<td>Human Services</td>
<td>18.1</td>
<td>15.1</td>
<td>19.9</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>2.7</td>
<td>5.7</td>
<td>-52.6</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development</td>
<td>10.7</td>
<td>7.9</td>
<td>35.4</td>
</tr>
<tr>
<td>Justice (a)</td>
<td>14.9</td>
<td>6.0</td>
<td>-</td>
</tr>
<tr>
<td>Premier and Cabinet (b)</td>
<td>3.6</td>
<td>4.0</td>
<td>-0.1</td>
</tr>
<tr>
<td>Primary Industries</td>
<td>6.3</td>
<td>5.8</td>
<td>8.6</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>6.1</td>
<td>5.6</td>
<td>8.9</td>
</tr>
<tr>
<td>Treasury and Finance (c)</td>
<td>1.6</td>
<td>1.6</td>
<td>-</td>
</tr>
<tr>
<td>Victorian Communities</td>
<td>3.8</td>
<td>3.6</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>70.0</strong></td>
<td><strong>58.1</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

Notes:  
(a) includes for 2006-07 advertising costs incurred by Victoria Police. Figure submitted by the department for 2005-06 relates only to major campaigns as the department’s systems for that year were not able to identify total costs  
(b) includes advertising costs incurred by Arts Victoria  
(c) includes advertising costs incurred by State Revenue Office and the Essential Services Commission

Table 17.1 shows that advertising and promotion costs in departments in 2006-07 totalled $70 million. Fully comparative figures for 2005-06 were not available from the Department of Justice.

Table 17.2 sets out the information received by the Committee on advertising and promotion costs incurred in 2005-06 and 2006-07 in 25 statutory agencies. This information was submitted either directly from agencies or via the relevant department.
Table 17.2: Aggregate advertising and promotion costs in selected statutory agencies in 2006-07 and 2005-06

<table>
<thead>
<tr>
<th>Agency</th>
<th>2006-07 Actual ($ million)</th>
<th>2005-06 Actual ($ million)</th>
<th>Variation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Human Services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bayside Health</td>
<td>0.8</td>
<td>0.6</td>
<td>33.3</td>
</tr>
<tr>
<td>Eastern Health</td>
<td>0.5</td>
<td>0.5</td>
<td>-</td>
</tr>
<tr>
<td>Melbourne Health</td>
<td>0.4</td>
<td>0.3</td>
<td>33.3</td>
</tr>
<tr>
<td>Western Health</td>
<td>0.3</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Southern Health</td>
<td>0.7</td>
<td>2.0</td>
<td>65.0</td>
</tr>
<tr>
<td>Royal Children's Hospital</td>
<td>0.2</td>
<td>0.2</td>
<td>-</td>
</tr>
<tr>
<td>Barwon Health</td>
<td>0.4</td>
<td>0.5</td>
<td>-20.0</td>
</tr>
<tr>
<td><strong>Infrastructure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southern Cross Station Authority</td>
<td>0.1</td>
<td>0.5</td>
<td>-80.0</td>
</tr>
<tr>
<td>Southern and Eastern Integrated Transport Authority</td>
<td>0.3</td>
<td>0.4</td>
<td>-25.0</td>
</tr>
<tr>
<td>VicRoads</td>
<td>4.1</td>
<td>2.5</td>
<td>64.0</td>
</tr>
<tr>
<td><strong>Innovation, Industry and Regional Development</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism Victoria</td>
<td>4.7</td>
<td>3.1</td>
<td>51.6</td>
</tr>
<tr>
<td>Victorian Learning &amp; Employment Skills Commission</td>
<td>0.8</td>
<td>0.2</td>
<td>300.00</td>
</tr>
<tr>
<td><strong>Justice</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Metropolitan Fire and Emergency Services Board</td>
<td>0.3</td>
<td>0.2</td>
<td>50.0</td>
</tr>
<tr>
<td><strong>Premier and Cabinet</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Gallery of Victoria</td>
<td>1.8</td>
<td>1.4</td>
<td>28.5</td>
</tr>
<tr>
<td><strong>Sustainability and Environment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Parks Victoria</td>
<td>1.2</td>
<td>0.4</td>
<td>200.0</td>
</tr>
<tr>
<td>Barwon Water</td>
<td>0.6</td>
<td>0.5</td>
<td>20.0</td>
</tr>
<tr>
<td>Goulburn – Murray Rural Water Authority</td>
<td>0.5</td>
<td>0.3</td>
<td>66.6</td>
</tr>
<tr>
<td>Melbourne Water</td>
<td>0.6</td>
<td>1.0</td>
<td>40.0</td>
</tr>
<tr>
<td><strong>Treasury and Finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>City West Water</td>
<td>3.8</td>
<td>3.1</td>
<td>22.6</td>
</tr>
<tr>
<td>Rural Finance Corporation</td>
<td>0.7</td>
<td>0.7</td>
<td>-</td>
</tr>
<tr>
<td>South East Water</td>
<td>2.3</td>
<td>1.9</td>
<td>21.0</td>
</tr>
<tr>
<td>Transport Accident Commission</td>
<td>30.1</td>
<td>25.9</td>
<td>16.2</td>
</tr>
<tr>
<td>Treasury Corporation of Victoria</td>
<td>0.3</td>
<td>0.3</td>
<td>-</td>
</tr>
<tr>
<td>Victorian WorkCover Authority</td>
<td>16.4</td>
<td>13.8</td>
<td>18.8</td>
</tr>
<tr>
<td>Yarra Valley Water</td>
<td>0.4</td>
<td>0.7</td>
<td>-42.8</td>
</tr>
</tbody>
</table>

It can be seen from table 17.2 that 5 statutory agencies, VicRoads, Tourism Victoria, City West Water, Transport Accident Commission and Victorian WorkCover Authority, incurred advertising and promotion expenditure in excess of $3 million in 2006-07, with the Transport Accident Commission clearly incurring the highest level of expenditure. The Commission furnished a listing for each year of amounts allocated to its key marketing and road safety budgeted plans and advised the Committee that it publishes its marketing and road safety expenditure in its Annual Report.

The Department for Planning and Community Development advised the Committee that advertising expenditure in excess of $7 million was booked under the auspices of the former
Department for Victorian Communities through the central MAMS contract by the Melbourne 2006 Games Corporation. Further commentary on this expenditure is included in Chapter 22 of this report.

### 17.2.2 Advertising and promotion programs in departments and selected statutory agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07

Table 17.4 at the end of this chapter sets out details of advertising and promotion programs with costs greater than $500,000 managed within departments and selected agencies in 2005-06 and 2006-07, as advised to the Committee. The Committee’s analysis of this information identified that:

- departments managed 34 advertising and promotion programs in 2006-07 with expenditure in excess of $100,000, of which 13 involved expenditure greater than $500,000;
- departments managed 33 advertising and promotion programs in 2005-06 with expenditure in excess of $100,000, of which 13 involved expenditure greater than $500,000; and
- a total of 23 advertising programs, 14 in departments and 9 in statutory agencies, incurred aggregate expenditure greater than $1 million over the two year period 2005-06 to 2006-07, with nine programs involving significant levels of expenditure of between $2.5 million and $8.3 million.

The nine advertising programs with costs greater than $2.5 million in the period 2005-06 to 2006-07 are listed in dollar value order in table 17.3. These programs illustrate the magnitude of public funds that can be absorbed in the management of individual advertising activities in the public sector.
Table 17.3: Advertising and promotion programs in departments and agencies with costs greater than $2.5 million in the period 2005-06 to 2006-07

<table>
<thead>
<tr>
<th>Department/agency</th>
<th>Advertising/promotion program</th>
<th>Expenditure in 2005-06 ($)</th>
<th>Expenditure in 2006-07 ($)</th>
<th>Total expenditure in 2005-06 and 2006-07 ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainability and Environment</td>
<td>Our Water Our Future</td>
<td>4,797,402</td>
<td>3,500,044</td>
<td>8,297,446</td>
</tr>
<tr>
<td>Justice</td>
<td>Problem Gambling Communication Campaign</td>
<td>4,750,000</td>
<td>3,090,000</td>
<td>7,840,000</td>
</tr>
<tr>
<td>Human Services</td>
<td>Health Services Patient Information and Education Communication Strategy</td>
<td>2,859,301</td>
<td>3,289,589</td>
<td>6,148,890</td>
</tr>
<tr>
<td>Victorian WorkCover Authority</td>
<td>Homecomings integrated campaign (including development and launch)</td>
<td>3,825,627</td>
<td>2,101,414</td>
<td>5,927,041</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>Building a World Class Victoria</td>
<td>4,100,000</td>
<td>-</td>
<td>4,100,000</td>
</tr>
<tr>
<td>Education</td>
<td>TAFE Way to go</td>
<td>567,127</td>
<td>3,490,905</td>
<td>4,058,032</td>
</tr>
<tr>
<td>Victorian WorkCover Authority</td>
<td>WorkSafe Week &amp; Awards</td>
<td>1,886,220</td>
<td>1,880,424</td>
<td>3,766,644</td>
</tr>
<tr>
<td>Innovation, Industry and Regional Development (Tourism Victoria)</td>
<td>Melbourne It's easy to lose yourself in Melbourne</td>
<td>-</td>
<td>2,997,466</td>
<td>2,997,466</td>
</tr>
<tr>
<td>Sustainability and Environment</td>
<td>Energy Savings Campaign</td>
<td>500,000</td>
<td>2,396,117</td>
<td>2,896,117</td>
</tr>
</tbody>
</table>

Source: Department and agency responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire

The Committee noted that it received in April evidence from the heads of the Department of Premier and Cabinet and Department of Treasury and Finance, in regard to advertising expenditure. The evidence included an explanation of the whole of government Master Agency Media Services (MAMS) contract managed within the Department of Premier and Cabinet. Under this contract, two media buying agencies, one providing campaign and non-campaign advertising and the other recruitment advertising, undertake media planning, buying and related services for all government bodies in Victoria. The Committee was informed that advertising expenditure under MAMS in 2006-07 totalled $109.5 million.

Following consideration of this evidence, the Committee accepts that the baseline figure for contracted advertising under various programs is now centrally organised through MAMS. Other incidental costs incurred by departments and agencies for minor information and promotional purposes form part of general management expenditure.

The Committee recognises that it is not always possible for departments and agencies to fully plan for advertising and promotion campaigns as, on occasion, circumstances demand urgent public information campaigns (for example bushfires, water restrictions, floods etc.). However, for many agencies and departments there are regular and recurring information and advertising campaigns which can be planned and budgeted for in advance (for example Transport Accident Commission, Victorian WorkCover Authority, Department of Primary Industries etc.). The Committee expects, where this is the case, departments and agencies should be able to give an account of actual performance against budgeted objectives.
17.2.3 Importance of departments and agencies reporting on the effectiveness of advertising programs

The magnitude of expenditure incurred in the management of government advertising and promotion programs, as illustrated in table 17.3, accentuates the importance of government bodies reporting adequately on the extent to which programs achieve their objectives.

In submitting its information on advertising programs to the Committee, the Department of Innovation, Industry and Regional Development provided details of the key performance indicators (KPIs) it had established to measure the effectiveness of each program. The material furnished by the department covered a wide range of KPIs and included factors such as evidence of increased awareness of particular issues or regions, results of surveys linked to a program’s objectives, movements in numbers of direct inquiries associated with the focus of a program, visits to websites, number of small businesses registered for seminars etc.

A further example of outcomes derived from an advertising program was given by the Department for Planning and Community Development (for the former Department for Victorian Communities) in respect of its Skilled Migration Program. The department advised that the operation of this program in 2005-06 and 2006-07 resulted in:

an increase in the number of visitors from an average of 10,000 to 60,000 per month [to the Live in Victoria website], and there has been a 25 per cent increase in the number of applications for visa sponsorship by the Victorian Government.

The Committee welcomes the information on the effectiveness of advertising programs submitted by these two departments. As a means of ensuring full transparency and reporting in an area of public administration with increasing parliamentary and public interest, the Committee considers the external reporting requirements of government bodies for advertising programs should be widened to incorporate information on expected and actual outcomes. The expanded reporting regime should provide for disclosure of KPIs established for each program in the year of commencement and a comparison of actual with expected results in the year of completion. The Department of Treasury and Finance should initiate the necessary action on this matter.

The Committee recommends that:

**Recommendation 57:** The Department of Treasury and Finance expand the external reporting obligations of government bodies for public sector advertising programs to incorporate information on the cost of programs and their effectiveness in achieving expected outcomes.
### Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Education</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TAFE Way to Go</td>
<td>Multifaceted campaign promoting vocational education and training options.</td>
<td>Promote VET options to enhance Victoria’s skills base</td>
<td>567,127 (2005-06) 3,490,905 (2006-07)</td>
</tr>
<tr>
<td>Student Report Card</td>
<td>Information campaign explaining new student report cards to parents.</td>
<td>To support the smooth introduction of student report cards</td>
<td>1,134,477 (2005-06)</td>
</tr>
<tr>
<td><strong>Department of Human Services (a)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Health Services Patient Information and Education Communication Strategy (including rural &amp; metro newspaper &amp; television advertising)</td>
<td>Public information program that aims to inform Victorians about how the health system works, how models of care are changing and how to access appropriate services.</td>
<td>Increase awareness of Victoria’s changing public health system. Encourage appropriate and sustainable use of health services.</td>
<td>2,859,301 (2005-06) 3,289,589 (2006-07)</td>
</tr>
<tr>
<td>Go for your life – get healthy and active (including television campaign and schools program and Go for your life mobile education centres)</td>
<td>Australia has the second highest levels of obesity in the world. Key learnings about behavior change in relation to getting Victorians to be more active and the topic of obesity led DHS to understand that the next stage of the Go for your life ‘Get active and be healthy’ program must centre on encouragement and positive reinforcement. This campaign urged the community to get out and do something healthy.</td>
<td>Communicate to a mass audience ways that Victorian’s can get out and get active. Make the target market think about the message ‘eat better do more exercise’. Create a program based around a mobile education centre that can build capacity amongst school children and the general community.</td>
<td>766,517 (2006-07)</td>
</tr>
</tbody>
</table>
Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building a World Class Victoria</td>
<td>Building a World Class Victoria campaign was designed to highlight the government's infrastructure projects being delivered and the benefits and opportunities they provide all Victorians as well as build enthusiasm for Victoria's economic prospects, strengths and opportunities. It used multiple tactics to reach target audiences both at a statewide and local level including television and metropolitan and local press, stakeholder relations including a newsletter, industry breakfast and an Open Day of various infrastructure projects</td>
<td>Communicate the progress, opportunities and benefits these infrastructure projects provide both to business and the community.</td>
<td>4,100,000 (2005-06)</td>
</tr>
<tr>
<td>Don't Risk It! Phase 1 and 2</td>
<td>Don't risk it! is a multi-pronged safety campaign to encourage motorists, heavy vehicle drivers and pedestrians to think about what they are doing when approaching and using railway crossings. The campaign tactics have included statewide television, press, radio and outdoor advertising. Printed collateral including brochures (do's and don'ts) and fact sheets were distributed; along with a CD-ROM targeting primary school children. All communications materials and safety messages were promoted online on the DOI website.</td>
<td>To encourage motorists, heavy vehicle drivers and pedestrians to think about what they are doing when approaching and using railway crossings. To raise awareness of the dangers of level crossings.</td>
<td>1,400,000 (2005-06) 1,000,000 (2006-07)</td>
</tr>
<tr>
<td>Department of Infrastructure (VicRoads)</td>
<td></td>
<td>To explain the new GLS to all current and prospective novice drivers so they understand the requirements to progress successfully through the system.</td>
<td>740,000</td>
</tr>
<tr>
<td>2006-07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VicRoads – Graduated Licensing System</td>
<td>The Graduated Licensing System has been introduced to improve the road safety of young drivers. The new system introduces extra stages and restrictions as the young driver moves from learner permit through to full licence.</td>
<td>To explain the new GLS to all current and prospective novice drivers so they understand the requirements to progress successfully through the system.</td>
<td>740,000</td>
</tr>
<tr>
<td>VicRoads – Speed Limits</td>
<td>The review by the Speed Limits Advisory Group recommended a community awareness and education program be conducted to help Victorian motorists better understand some of the speed limits. TAC &amp; VicRoads jointly funded a campaign consisting of television, radio, newspaper and online advertising.</td>
<td>Before the start of each school term motorists are aware that school is about to commence and reduced speed limits apply. To reduce driver confusion about school speed limits and the urban default speed limit of 50 km/h.</td>
<td>1,023,983</td>
</tr>
</tbody>
</table>
Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Innovation, Industry and Regional Development</td>
<td>TV/regional press/internet</td>
<td>To correct misconceptions of rural and regional Victoria held by Melbourne residents To demonstrate that rural and regional Victoria has job and investment opportunities and could sustain business across all sectors To promote a fresh name/identity for rural and regional Victoria</td>
<td>573,648</td>
</tr>
<tr>
<td>Vic Workers Advocate (IRV)</td>
<td>Metro/regional press/radio/regional TV/transit and ethnic</td>
<td>• To promote a new service providing information to Victorian workers who have been asked to sign an AWA • To promote fair workplace practices • To highlight significant changes to federal industrial relations laws • To track impact of IR changes on Victorian working families</td>
<td>657,112</td>
</tr>
<tr>
<td>Invest Provincial Vic (RDV)</td>
<td>Metro/regional press/radio/regional TV/transit and ethnic</td>
<td>• To demonstrate that rural and regional Victoria has job and investment opportunities and could sustain business across all sectors.</td>
<td>765,057</td>
</tr>
</tbody>
</table>
Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Innovation, Industry and Regional Development (Tourism Victoria)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2005-06</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Yarra Valley campaign</td>
<td>Run Rabbit Run</td>
<td>The campaign positions the region as a stylish and sophisticated destination and highlights its food and wine products.</td>
<td>Position the region as Victoria’s hero wine and food destination on Melbourne’s doorstep.</td>
</tr>
<tr>
<td>Goldfields touring campaign</td>
<td>There are still treasures to be found in the region</td>
<td>The campaign encourages visitors to discover the region’s treasures and continued throughout 2005-06 with brand and tactical cinema, print and online advertising.</td>
<td>To position the Goldfields as Australia’s premier gold heritage region</td>
</tr>
<tr>
<td>New Zealand brand campaign</td>
<td>Uncover a different side of Melbourne</td>
<td>The campaign encourages visitors to explore Melbourne</td>
<td>To stimulate awareness of Melbourne and increase international visitation</td>
</tr>
<tr>
<td><strong>2006-07</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gippsland</td>
<td>Inspired by Gippsland</td>
<td>'Inspired by Gippsland' positions the region as one with diverse and inspiring natural experiences.</td>
<td>Encourage visitors from Melbourne and Canberra to tour and explore Gippsland by car</td>
</tr>
<tr>
<td>Melbourne</td>
<td>It’s easy to lose yourself in Melbourne</td>
<td>The campaign emphasises Melbourne’s depth, diversity and difference by focusing on the key strengths of precincts, people, arcades and laneways, boutiques, galleries, fine food and wine, arts, culture and architecture.</td>
<td>Evolve Melbourne’s current brand reputation as a stylish, sophisticated and romantic city to a city of creativity</td>
</tr>
</tbody>
</table>
Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Justice (b)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Problem Gambling Communication Campaign  | Television, press, radio, outdoor, convenience advertising | • Create greater understanding of the risks associated with problem gambling  
  • Create self diagnosis of at-risk or problem behaviour associated with gambling  
  • Maintain a level of awareness for Gambler’s Help Services  
  Continue to build community recognition of the campaign as an effective government strategy to minimise the impact and level of problem gambling in Victoria | 4,750,000 (2005-06) 3,090,000 2006-07) |
| Fair and Firmer Fines                    | Press, radio and online advertising campaign | • Communicate changes to the law to the community  
  • Communicate the fine fee waiver and instalment payment plans (Oct 2005)  
  • Communicate commencement of new penalties | 1,430,000 (2005-06) |
| Crime Smart                             | Television, radio, press and online advertising. | • Provide Victorians with practical crime prevention ‘tips’ to help them play their part | 1,980,000 (2005-06) |
### Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Working with Children Check              | Press, radio and online advertising, website, website, collateral/ brochures, information sessions. | • To protect children  
• To ensure people who work or volunteer with children are aware of their obligations under the new legislation.  
• To inform employers of their obligations under the Working with Children Check and assist them in communicating this to their employees. | 900,500 |
| Fire Ready Victoria 2006                 | Television, radio and press advertising | • To increase understanding of how to mitigate risk and the adoption of preparedness measures amongst residents of high bushfire risk areas  
• To educate about the role of fuel reduction burning, to encourage people to be prepared  
• To save lives | 1,030,000 |
| Real Estate                              | Direct Response Advertising Campaign | Create awareness of the Guide among consumers in the real estate market  
Encourage consumers to obtain a copy of the Guide  
Encourage estate agents to stock the Guide and distribute it to potential buyers and sellers of residential property | 1,511,271 |
Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department of Premier and Cabinet</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Premier’s Water Statement</td>
<td>TV advertising campaign, supported by web pages</td>
<td>To raise awareness and understanding of the government’s plans to respond to the water shortage situation.</td>
<td>1,566,709</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Department of Sustainability and Environment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Savings Campaign</td>
<td>A Victoria wide energy efficiency campaign (‘Black Balloons Campaign’) to encourage households to reduce their greenhouse gas emissions</td>
<td>To increase awareness among Victorian householders of the actions they can take to reduce energy use.</td>
<td>500,000 (2005-06) 2,396,117 (2006-07)</td>
</tr>
<tr>
<td>Our Water Our Future</td>
<td>A behavioural change campaign to reduce water consumption in homes and gardens across metropolitan Melbourne</td>
<td>To encourage Melbournians to reduce their water consumption by raising awareness of the importance of saving water and how to reduce their consumption.</td>
<td>4,797,402 (2005-06) 3,500,044 (2006-07) (Funded by Melbourne’s water retailers and Melbourne Water)</td>
</tr>
<tr>
<td>Department of Treasury and Finance (South East Water)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006-07</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Water Restrictions</td>
<td>Communication to inform target audience of the different stages of restrictions throughout 2006-07.</td>
<td>For target audience to understand, support and comply with the restriction rules under the different stages of restrictions.</td>
<td>500,000</td>
</tr>
</tbody>
</table>
### Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Department of Treasury and Finance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>(Victorian WorkCover Authority)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>2005-06</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>WorkSafe Week &amp; Awards</td>
<td>Promotion, seminars and events regarding OHS</td>
<td>Increase employer/employee awareness of safety issues; Reward best safety solutions, share knowledge</td>
<td>1,886,220 (2005-06) 1,880,424 (2006-07)</td>
</tr>
<tr>
<td>Consulting Advertising</td>
<td>Direct mail, press, online</td>
<td>Alert employers of new legislative requirement to consult</td>
<td>801,643</td>
</tr>
<tr>
<td>Consultation Advertising</td>
<td>TV, outdoor, radio, press</td>
<td>Remind employers of new requirement to consult &amp; alert employees</td>
<td>1,872,081</td>
</tr>
<tr>
<td>Homecomings integrated campaign development &amp; launch</td>
<td>TV, Press, radio, outdoor, cinema, direct mail all employers, posters</td>
<td>Set moral justification &amp; elevate importance of OHS; position WorkSafe as authoritative yet approachable</td>
<td>3,825,627 (2005-06)</td>
</tr>
<tr>
<td>Homecomings</td>
<td>TV, radio, outdoor</td>
<td></td>
<td>2,101,414 (2006-07)</td>
</tr>
<tr>
<td>Sponsorship of Vic Country Football League</td>
<td>Sponsorship fee, advertising, events, branding</td>
<td>Improve relationship with regional Vic; communicate safety messages</td>
<td>1,045,347 (2005-06) 722,669 (2006-07)</td>
</tr>
<tr>
<td><strong>2006-07</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return to Work</td>
<td>TV, press</td>
<td>Drive improved return to work outcomes</td>
<td>2,388,366</td>
</tr>
<tr>
<td>Inspectors</td>
<td>TV</td>
<td>Promote role of inspectors, alert to new guidance material</td>
<td>505,604</td>
</tr>
<tr>
<td>Consultation (Safety Talk)</td>
<td>TV, radio, outdoor</td>
<td>Promote consultation in the workplace</td>
<td>2,196,953</td>
</tr>
</tbody>
</table>
Table 17.4: Advertising and promotion programs in departments and agencies with expenditure in excess of $500,000 in 2005-06 and 2006-07 (continued)

<table>
<thead>
<tr>
<th>Name of advertising and promotion program</th>
<th>Description</th>
<th>Key objectives</th>
<th>Expenditure for year ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department for Victorian Communities (c)</td>
<td>Publications, media relations, magazine advertising, web, call centre (statewide)</td>
<td>Increase the number of unique visitors to the Live In Victoria website in order to increase the number of skilled and business migrants to Victoria.</td>
<td>722,000 (2005-06) 500,000 (2006-07)</td>
</tr>
</tbody>
</table>

Notes:  
(a) the Department of Human Services advised the Committee that ‘the designated budget for advertising and promotion for programs is allocated on a case by case basis, via rigorous whole of government approval processes including the Government Communications Review Group (GCRG) attached to the Communications Committee of Cabinet. This process ensures there is little or no variance between budget and actual expenditure’

(b) the Department of Justice stated to the Committee that it ‘does not maintain a central advertising and promotion budget. Budgets are included within specific programs. The process in the Department of Justice for procuring advertising and promotion does not give rise to a variance between budgeted and actual expenditure since the competitive tendering and specification process ensures that the advertising and promotion activity procured does not exceed the funding provided for such activity in the program budget’

(c) the Department for Planning and Community Development (on behalf of the former Department for Victorian Communities) informed the Committee that ‘there is no variation to the budgets provided as the department does not allocate an overall yearly advertising and promotion budget across the department. Instead, communications strategies are developed for program areas and activities and allocations are developed to meet these strategies. These strategies were adhered to’

Source: Department and agency responses to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire
CHAPTER 18: THRIVING ECONOMY

Key findings of the Committee:

18.1 The 2004-05 actual for ‘exports facilitated and imports replaced’ was $1,123 million. In 2005-06 and 2006-07, exports facilitated and imports replaced were $864.7 million and $1.5 billion, respectively. The reason for the lower outcome in 2005-06 was due to the department facilitating a lower number of investment projects with significant projected export outcomes associated with them.

18.2 The Showgrounds Redevelopment Project spent $3.6 million and $15.8 million in 2005-06 and 2006-07. Expenditure and progress of the project was on budget and in accordance with the established timelines for the project.

18.3 Victoria’s food and fibre exports for 2006-07 were valued at $6.9 billion compared with Victoria’s food and fibre export target of $12 billion to be achieved by the year 2010. The Committee was advised by the Department of Primary Industries that progress towards meeting Victoria's food and fibre export target has been slowed by circumstances beyond the government's control, in particular low rainfall and a high exchange rate which have significantly impacted export volumes and returns. All aspirational targets are subject to review at appropriate times in the light of progress and government's priorities. However, no revision of the food and fibre export target has occurred to date.

18.4 In relation to implementing the government’s Reducing the Regulatory Burden initiative, while no interim targets have been set for the three year period to July 2009, a range of initiatives have been identified that will contribute to the reduction target of $154 million.

18.5 The Committee noted that of the new farm lending totalling $234 million that occurred in 2006-07, the North East region of Victoria attracted the largest proportion of new loans which totalled $62 million (or 26.5 per cent of all new farm lending). The main purpose for acquiring loans in the North East region, which mirrored the situation across the state as a whole, was for the purchase of additional land or to advance the working capital position of farms.

18.6 South East Water Limited has implemented an employees volunteering program. Benefits of the program enable the company to better understand the community that it serves, build the capacity of community organisations and provide employees with unique personal and professional development opportunities.

18.7 Growth in the Victorian economy in 2006-07 of 2.7 per cent was the strongest of the non-resource states, well above New South Wales (1.8 per cent). Over the past five years, Victoria’s Gross State Product has grown at an average annual rate of 2.9 per cent – again, the highest of the non-resource states.
18.8 Manufacturing output in Victoria has grown consistently from $24.3 billion in 2001-02 to $30.2 billion in 2006-07. Manufacturing employment has grown from 316,000 in November 2006 to 329,000 in November 2007, and exports of manufactures have grown more significantly over the last year from $9.6 billion to $10.7 billion. The Committee recommends that an authoritative inquiry be undertaken into Victoria’s manufacturing industry.

18.9 According to the Department of Treasury and Finance, substantial progress had been made in relation to implementing the options suggested by the Victorian Competition and Efficiency Commission from its inquiry into Managing Urban Transport Congestion.

18.1 Introduction

As part of the process of inquiring into financial and performance outcomes for 2006-07 (2005-06 where considered appropriate), the Committee raised various questions which emanated primarily from an analysis of information contained in the annual reports of departments and certain related agencies as well as a wide range of other material that included previous budget papers, government policies/initiatives, Auditor-General’s reports and departmental plans.

These lines of inquiry contained in the Committee’s outcomes questionnaire together with the responses provided by government agencies have been categorised by the Committee and reported according to the various elements of the government’s policy vision – Growing Victoria Together to which they relate.

This style of reporting on financial and performance outcomes continues the initiative taken by the Committee in the presentation of material in its Report on the 2007-08 Budget Estimates – Part Three, whereby linkages were drawn between the government’s Growing Victoria Together initiative and the state’s budget, the Auditor-General’s Annual Plan and the Committee’s reporting responsibilities in terms of inquiring into the budget estimates and relates outcomes. As such, the direction taken by the Committee completes the trilogy of aligning government policy with the delivery of government outcomes, external audit and parliamentary oversight.

18.2 Linkage of issues examined to the government’s Growing Victoria Together initiative

This chapter, which covers the Thriving Economy vision of the government’s Growing Victoria Together (GVT) initiative, contains outcome-related comments pertaining to eight issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will provide an avenue for promoting debate and lay the basis for further follow-up as part of the impending inquiry by the Committee into the 2008-09 budget estimates.

Issues selected by the Committee for examination aligned to the GVT goals cover the following topics:
More quality jobs and thriving, innovative industries across Victoria

- exports facilitated and imports replaced – fluctuating performance between 2004-05 and 2006-07;
- the Showgrounds Redevelopment Project – progress against budget and timelines;
- food and fibre exports – target setting;
- reducing the regulatory burden – reviews underway;
- new farm lending; and
- employee volunteering.

Growing and linking all of Victoria

- population movements, manufacturing job trends and Victoria’s competitiveness in terms of attracting and retaining workers; and
- managing urban transport congestion.

More quality jobs and thriving, innovative industries across Victoria

18.3 Department of Innovation, Industry and Regional Development

18.3.1 Exports facilitated and imports replaced – fluctuating performance between 2004-05 and 2006-07

Question

The 2004-05 actual for ‘exports facilitated and imports replaced’ was $1.1 billion\(^{467}\). In 2005-06 and 2006-07, exports facilitated and imports replaced were $864.7 million\(^{468}\) and $1.5 billion\(^{469}\), respectively. Please explain the factors that resulted in the fluctuating performance between 2004-05 and 2006-07.

Response

The outcome reported for ‘exports facilitated and imports replaced’ consists of three components: exports resulting from export program (such as trade fairs and missions); exports resulting from import replacement (primarily facilitated by the Industry Capability Network); and exports resulting from investments.

The export outcomes resulting from export programs such as trade fairs and missions and the import replacement facilitated by the Industry Capability Network did not show any significant fluctuations over the period 2004-05 to 2006-07.

The main cause of fluctuation in the outcome was due to the investment related export component. Large variations in investment related exports can occur due to a small number of one off investments facilitated by the department, in sectors such as automotive and mining, which report high export outcomes. The reason for the lower outcome in 2005-06 was due to the department facilitating a lower number of investment projects with significant projected export outcomes associated with them.470

18.4 Department of Primary Industries

18.4.1 The Showgrounds Redevelopment Project – progress against budget and timelines

Question

Please provide an update on the progress made in 2005-06 and 2006-07 in relation to the Showgrounds Redevelopment Project according to the following:471

(a) expenditure under various components and stages (for example planning, building, commissioning etc) compared with the five year cash flow for the redevelopment; and
(b) progress made against the anticipated milestones for the particular stages of the project.

Response

The redevelopment of the Showgrounds was procured under the Partnerships Victoria (PV) method involving contracted payments over a 25 year concession period. The construction phase of the project commenced in June 2005 on execution of the PV documents and was completed on 24 August 2006, at which time the operations phase began (25 year concession period).

Expenditure from the appropriated project funding (excluding GST) was $3,641,557 in 2005-06 and $15,079,066 in 2006-07. Total project expenditure from 2002-03 to 2006-07 was $32,285,418 and is currently on budget.472

The private sector consortia appointed under the Partnerships Victoria (PV) procurement framework (PPP Solutions (Showgrounds) Nominee P/L), who is known as the Showgrounds Concessionaire, completed both stages in accordance with the project timetable. Royal Melbourne Shows were then successfully held in September 2005, following completion of first stage works, and in September 2006, following completion of the new facilities.473

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470 Department of Innovation, Industry and Regional Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 29 January 2008, p.20
472 Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.18
473 Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.9
18.4.2 Food and fibre exports – target setting

Question
The Committee noted that Victoria’s food and fibre exports for 2006-07 were valued at $6.9 billion.474

(a) please comment on whether any revision has taken place in relation to Victoria’s food and fibre export target of $12 billion to be achieved by the year 2010;475

(b) please outline the initiatives that are in place to achieve the food and fibre export target for Victoria; and

(c) what performance measures were in place at 30 June 2007 to facilitate achievement of the Victoria’s food and fibre export target?

Response
Progress towards meeting Victoria's food and fibre export target has been slowed by circumstances beyond the government's control, in particular low rainfall and a high exchange rate which have significantly impacted export volumes and returns.

All aspirational targets are subject to review at appropriate times in the light of progress and government's priorities. However, no revision of the food and fibre export target has occurred to date.476

Much of the research, development, and practice change work undertaken by the Department of Primary Industries was directed at sustainable productivity improvement and enhanced international competitiveness within the dairy, meat, grains and horticulture industries, and thus contribute to the achievement of the food and fibre export target. Similarly, the food industry development work undertaken within the Food Group of Regional Development Victoria was directed at business growth and development, and also contribute to the achievement of the food and fibre export target.

The Department of Primary Industries has a range of performance measures directed to increasing exports, in the form of output measures for projects that aim to increase productivity and establish or strengthen supply chains and market access. The impact of these was necessarily only one factor driving export performance.477

476 Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.19; Department of Primary Industries, email, received 30 April 2008
477 Department of Primary Industries, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.19; Department of Primary Industries, email, received 30 April 2008
Committee comment

The Committee reiterates the following recommendations contained in its Report on the 2007-08 Budget Estimates – Part Three:478

- when setting long-term targets that can be prone to variations from external factors, the government keep under continual review such targets, particularly if circumstances materially change over time; and
- the Department of Primary Industries review whether there is a need to revise Victoria’s food and export target of $12 billion to be achieved by the year 2010, given that the level of exports in 2006 was $7.2 billion and that Victoria has been subject to extreme drought and water shortages.

The Committee noted the government’s response to the Committee’s recommendations which is set out below:479

In the 2006–07 financial year, Victorian food and fibre exports were valued at $6.9 billion; a level relatively consistent with the value of exports over the past three years. Despite the challenges of drought, a weak global economy, a strong domestic economy and a high exchange rate for the Australian dollar, Victoria has maintained its position as Australia’s largest state exporter, with over 26 per cent Australian total food and fibre exports.

At this stage it is unlikely that the $12 billion export target will be met. While international prices are at record highs for grain and dairy commodities, the pressures of climate change and drought will place ongoing constraints on production, which will flow on to affect exports. This is exacerbated by the strength of the Australian dollar, which continues to fluctuate at high levels and by increasing competition from low-cost producers such as China and South America.

The confluence of climate change, drought and water allocation has also led to increased scrutiny on agricultural water use and has, in some quarters, led to some debate about future food security.

The Department of Primary Industries will review and provide advice on factors influencing the $12 billion export target.

The department will continue to focus its attention on research, development and practice change activities which are aimed at improving productivity growth in Victoria’s agriculture sector.

The Department of Primary Industries will also continue to deliver a targeted market development program to help the Victorian agriculture sector capture market opportunities in key export markets.

The Committee will pursue with the government the measures contemplated for meeting Victoria’s food and fibre exports target in future inquiries.

18.5 Department of Treasury and Finance

18.5.1 Reducing the regulatory burden – reviews underway

Question

(a) The purpose of the Reducing the Regulatory Burden initiative is to identify areas where there is scope for simplifying and streamlining regulation while achieving policy objectives. The government has committed to cut the existing administrative burden of regulation as at 1 July 2006 by 15 per cent over three years and 25 per cent over the next five years. The Department of Treasury and Finance has estimated that the administrative burden of regulation imposed by state regulation is $1.03 billion per annum. Based on this estimate, a 15 per cent reduction in the burden will deliver ongoing savings to Victorian businesses and not-for-profits of $154 million per annum and a 25 per cent reduction will result in savings of $256 million per annum.480

(i) Given that according to the government’s report card, provisional estimates indicate a net reduction in the administrative burden of $29.6 million per annum, how does this estimate compare with any interim targets, if any, that may have been set for the three period to 2009;

(ii) Please outline the progress made in 2006-07 in relation to the government’s commitment to develop “a comprehensive and coherent range of initiatives to reduce the burden”;481

(b) The department has undertaken to ensure the administrative burden of any new regulation is met by an ‘offsetting simplification’ in the same or related area.482 In the department’s 2006-07 Progress Report on Reducing the Regulatory Burden, it reported that the regulatory burden for Aboriginal heritage management has increased to $5.7 million per year.483 However, no explanation was provided regarding any offsetting simplification in the same or related area.; and

(i) Please provide an explanation for the offsetting simplification in the same or related area regarding this increase in regulatory burden.

Response

No interim targets have been set for the three year period to July 2009. A range of initiatives have been identified that will contribute to achievement of the July 2009 administrative burden reduction target of $154 million.

All departments have developed comprehensive Three Year Burden Reduction Plans that outline a package of reviews and implementation actions that will contribute to achievement of the July

482 Department of Treasury and Finance, Reducing the Regulatory Burden: The Victorian Government’s Plan to Reduce Red Tape 2006, p.3
2009 target. A range of priority reviews have been funded in 2006-07 through the Reducing the Regulatory Burden Incentive Fund. (These are outlined in Chapter 5 of this report).

The government has also commissioned the following whole of government reviews that are expected to identify administrative burden reduction opportunities: the Victorian Competition and Efficiency Commission’s (VCEC) Inquiry into Food Regulation in Victoria and the State Services Authority Review of Not-for-Profit Regulation.

From 1 July 2006, the administrative burden of any new regulation should be met by an offsetting simplification in the same or related area. In this manner, with each new increase being offset by a decrease, there would be no net increase in new administrative burden. This means that by meeting the state level administrative burden reduction target of a net reduction by 15 per cent in three years and ultimately, 25 per cent in five years, all offsetting requirements will be implicitly met, but not necessarily on a one-on-one basis.

Accordingly, while efforts are made to offset specific increases such as the Aboriginal Heritage Regulations, the focus is on achieving the overall state level target.484

**Committee comment**

Review and analysis of the reduction in red tape in Victoria is contained in Chapter 5 of this report.

### 18.6 Rural Finance Corporation

#### 18.6.1 Farm lending

**Question**

In terms of new farm lending, the Committee noted that loans totalling $234 million were made during 2006-07, an increase of $32 million on the previous year.

Please provide a breakdown of:

(a) the value of loans granted per region for 2005-06 and 2006-07; and

(b) the loan purposes according to each region for 2005-06 and 2006-07.

**Response**

Table 18.1 provides a summary of Gross Approvals for 2006-07 by region and purpose. Rural Finance advised the Committee that a breakdown by region for 2005-06 is not held, but the annual statewide figures are shown in the far right column of the table.

**Committee comment**

484 Department of Treasury and Finance, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, pp.19–20
The Committee noted that of the new farm lending totalling $234 million that occurred in 2006-07, the North East region of Victoria attracted the largest proportion of new loans which totalled $62 million (or 26.5 per cent of all new farm lending). The main purpose for acquiring loans in the North East region, which mirrored the situation across the state as a whole, was for the purchase of additional land or to advance the working capital position of farms.
Table 18.1: Rural Finance Corporation – new farm lending 2006-07

<table>
<thead>
<tr>
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<tr>
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<td>($</td>
<td>(%)</td>
<td>($</td>
<td>(%)</td>
<td>($</td>
<td>(%)</td>
<td>($</td>
<td>(%)</td>
</tr>
<tr>
<td>Farm purchase</td>
<td>4,867,149</td>
<td>12.7</td>
<td>17,420,437</td>
<td>45.6</td>
<td>3,582,652</td>
<td>9.4</td>
<td>9,284,711</td>
<td>24.3</td>
</tr>
<tr>
<td>Additional Land</td>
<td>10,285,275</td>
<td>25.6</td>
<td>10,568,447</td>
<td>16.2</td>
<td>13,209,357</td>
<td>20.2</td>
<td>14,489,492</td>
<td>22.2</td>
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<tr>
<td>Refinance other Lender</td>
<td>3,162,990</td>
<td>10.1</td>
<td>5,817,356</td>
<td>18.6</td>
<td>5,000,111</td>
<td>16.0</td>
<td>9,677,929</td>
<td>30.9</td>
</tr>
<tr>
<td>Development</td>
<td>1,674,748</td>
<td>14.4</td>
<td>2,398,746</td>
<td>20.6</td>
<td>1,743,110</td>
<td>15.0</td>
<td>4,822,989</td>
<td>41.5</td>
</tr>
<tr>
<td>Working Capital/Carryon</td>
<td>3,350,212</td>
<td>5.4</td>
<td>11,138,410</td>
<td>18.0</td>
<td>8,679,857</td>
<td>14.1</td>
<td>15,417,828</td>
<td>25.0</td>
</tr>
<tr>
<td>Livestock</td>
<td>908,830</td>
<td>37.2</td>
<td>788,802</td>
<td>32.3</td>
<td>19,685</td>
<td>0.8</td>
<td>677,723</td>
<td>27.8</td>
</tr>
<tr>
<td>Vehicles and equipment</td>
<td>939,907</td>
<td>12.6</td>
<td>1,421,241</td>
<td>19.1</td>
<td>1,719,775</td>
<td>23.1</td>
<td>2,283,088</td>
<td>30.7</td>
</tr>
<tr>
<td>Off farm Investment</td>
<td>1,167,033</td>
<td>11.7</td>
<td>2,526,229</td>
<td>25.4</td>
<td>702,095</td>
<td>7.1</td>
<td>4,827,618</td>
<td>43.1</td>
</tr>
<tr>
<td>Fishing</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Housing</td>
<td>867,073</td>
<td>15.2</td>
<td>763,962</td>
<td>13.4</td>
<td>957,061</td>
<td>16.8</td>
<td>1,033,714</td>
<td>18.1</td>
</tr>
<tr>
<td>Total</td>
<td>27,223,219</td>
<td>11.7</td>
<td>52,869,877</td>
<td>22.6</td>
<td>35,613,703</td>
<td>15.2</td>
<td>61,975,091</td>
<td>26.5</td>
</tr>
</tbody>
</table>

Notes: the working capital/carryon figure includes the provision of working capital limits which clients are able to draw up and down against to meet their day to day operational requirements. The popularity of this facility has grown following the introduction of a cheque book attached to the facility in July 2005 and is likely to grow further following the recent introduction of Bpay and the imminent introduction of a debit card.

The lending figures reported in the annual report are net of cancellations that occur for various reasons following approval. The information we hold by region and purpose are gross approval figures. In providing the above figures we have netted off the value of cancellations on a pro rata basis.

Source: Rural Finance Corporation, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.14
18.7 South East Water Limited

18.7.1 Employee volunteering

**Question**

The Committee noted that employee volunteering well exceeded the targets for 2006-07 with 19 per cent of staff participating in a community service program compared with the target of 10 per cent, while 824 hours of service was used for this purpose compared with a target of 320 hours. Employees are entitled to take two days paid volunteering time.

Please describe the tangible social and economic outcomes that have been derived from employee volunteering in terms of contributing to community organisations and the relationship between South East Water and the community.

**Response**

The purpose of South East Water’s employee volunteering program is to help:

- attract and retain employees;
- engage and build relationships in our community;
- enhance employee culture and capability; and
- enhance brand & image.

Volunteering forms one pillar of the Company’s Community Relations program, which seeks to develop and deliver targeted community initiatives that are of mutual benefit to the Company and community organisations. The volunteering program is an important consultation channel allowing the Company to better understand its communities and their differing needs through an open communication process. The insights gained can help to inform future program development and shape the way in which the organisation delivers key services, for example, financial hardship programs. In this way, volunteering provides an important platform for the Company’s Corporate Social Responsibility policy.

Internally, the volunteering program provides South East Water’s employees with unique personal and professional development opportunities as well as bringing employees closer to the communities in which they serve. We believe this assists in the recognition of different customer needs and the delivery of excellent customer service.

It should also be noted that South East Water’s employee volunteering program has been developed around national and international best practice volunteering principles.
Employee volunteering has provided the following social outcomes:

- building the capability and capacity of community organisations by providing them with access to business acumen and resources ordinarily outside their reach due to time constraints, limited personnel, resources and limited economic capacity. Examples include:
  - working with the Media Workshop and Media & Marketing Kit Development Workshop;
  - change management and leader development workshops; and
  - Information Technology Support.

- Providing community organisations with the information and tools they need to better meet demand for their services in their local environments. The benefit of receiving a ‘different perspective’ through this engagement can also heighten social awareness of water and community issues for both employees and the community, resulting in a greater understanding of each others needs. This provides a natural pathway to creating positive relationships of mutual benefit;

- Collaboration and participation with like minded businesses in community initiatives that would have not occurred in the course of normal business partnerships include the following examples:
  - Comic Relief Australia – Grants Program;
  - Stephanie Alexander Kitchen Garden Foundation – Food Education Program;
  - Victoria Police – Youth Education Program;
  - Salvation Army – Passport to Work Program; and
  - VicRelief/Foodbank – Christmas Hamper Project.

Through direct ‘grass roots’ contact with the community outside normal business operations, employees receive personal and professional development opportunities. The volunteering program was developed in recognition of a strong social responsibility culture and drive from employees to contribute to the community through community engagement. In 2006, a staff survey was designed to assess the value employees placed on volunteering. In the survey, 97 per cent of employees reported that they believed volunteering to be a worthwhile activity and 92 per cent indicated that they would support a company endorsed program.

Social and community investment programs can be difficult to measure by nature, particularly in terms of economic benefit. However, South East Water believes that by developing meaningful relationships with its the communities that we are better able to develop and deliver programs of real long–term benefit as opposed to a ‘one-size-fits-all’ approach. This can impact positively on both program and service delivery and help to create a workplace culture which recognises and embraces different communities and their needs, as well as the unique skills and contributions individual employees make to the community outside of their day-to-day jobs.

From a community organisation perspective, employee volunteering has supported a number of economic outcomes, such as the redirection of resources. For example, by providing resource support and business acumen to community organisations, those organisations can redirect and invest their limited economic and people resources into core services for their clients. Additionally, by increasing the community organisation’s ability to raise their profile within the community (and
the business sector) they have greater potential to market themselves effectively to generate increased support and sponsorship.485

Committee comment

The Committee commends the volunteering initiative which is also becoming more common in corporations throughout Victoria and Australia. It commends this model to other Victorian Government Business Enterprises and State Owned Enterprises.

Recommendation 58: Government Business Enterprises and State Owned Enterprises consider adopting a similar volunteering program to that which is in operation at South East Water Ltd.

Growing and linking all of Victoria

18.8 Department of Innovation, Industry and Regional Development

18.8.1 Population movements, manufacturing job trends and Victoria’s competitiveness in terms of attracting and retaining workers

Question

On 29 November 2006, The Age reported that in the Centre of Population and Urban Research’s publication, Melbourne’s Second Speed Economy, found that manufacturing jobs in Victoria have decreased from 285,100 in 2000-01 to 249,400 by 2005-06, a decrease of 12.5 per cent.486 The publication also noted that, in light of the resources boom, there has been a possible net exodus of Victorians to Queensland and Western Australia.

What measures does the department utilise to monitor population movements and what steps has the department taken to address the decline in manufacturing jobs in Victoria and ensure Victoria remains competitive in terms of attracting and retaining workers?

Response

Population monitoring

The department used the regular analysis and briefings prepared by the Macroeconomics, Forecasting and Fiscal Strategy Division (Department of Treasury and Finance) and the Department for Planning and Community Development to monitor population movements, and to

485 South East Water, response to the Committee’s Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.23–24
inform its industry policy development. This is supplemented, as needed, by more in-depth analysis of population data collected by the Australian Bureau of Statistics.

The department monitored key issues such as population growth rates between the states and between the local government areas of Victoria, as well as the elements of population change – natural increase, overseas migration and interstate migration. Population growth is a key driver of economic growth, and both are drivers of job growth.

A key focus of the department was the continued effort in encouraging population growth in regional areas through the Make It Happen in Provincial Victoria campaign, in partnership with the state’s 48 rural and regional councils. The campaign has contributed significantly to the population growth in provincial Victoria, especially in regional centres of Bendigo, Shepparton, Ballarat and Mildura which are the top four fastest growing inland regional areas in Australia, according to ABS data released in February 2007.

**Manufacturing jobs**

The 2007-08 state budget committed significant amounts of money for industry development and exports over the next four years, including $9.9 million to expand open doors to export, $5.4 million for expanded Industry Capability Network, $2.1 million for Tiger Teams, a new Victorian Abroad Program, and $8.1 million to boost the Strategic Industry Development Program which focuses on competitive strengths such as defence.

Through initiatives such as the Make It Happen in Provincial Victoria, the department has contributed to the creation of 2,395 jobs in regional Victoria.

Contrary to press reports, manufacturing output in Victoria has grown consistently from $24.3 billion in 2001-02 to $30.2 billion in 2006-07. Manufacturing employment has grown from 316,000 in November 2006 to 329,000 in November 2007, and exports of manufactures have grown more significantly over the last year from $9.6 billion to $10.7 billion.

In addition, growth in the Victorian economy in 2006-07 of 2.7 per cent was the strongest of the non-resource states, well above New South Wales (1.8 per cent). Over the past five years, Victoria’s Gross State Product has grown at an average annual rate of 2.9 per cent – again, the highest of the non-resource states.

**Competitiveness of Victoria**

In 2006-07, the department addressed the issue of competitiveness and skilled workers through a number of initiatives, including:

- the $310 million Science, Technology and Innovation Second Generation initiative that focused on supporting and building Victorian innovation capability, including keeping and attracting talented Victorians;
- the Community Regional Skills and the Regional Innovation Clusters programs which aimed to increase the number of innovative enterprises in provincial Victoria;
- the development of Global Skills for Victoria initiative – the next stage of the Victorian Government's Skilled Migration Strategy – announced in October 2007, which included Global Skills for Provincial Victoria;
- the Workforce Participation Strategy that included initiatives (such as the Workforce Participation Partnerships) that enable business and communities to address labour supply and demand through increased workforce participation; and
• the Working Families Program and the Better Performing Workplaces Program that promoted flexibility in the workplace to achieve higher productivity.487

Committee comment

The Committee noted in particular the positive response on manufacturing output and employment. However, in the light of conflicting estimates on manufacturing employment trends in Victoria, the Committee believes it would be timely for authoritative investigation and reporting into the manufacturing industry and its prospects in Victoria e.g. by a parliamentary committee, the Department of Treasury and Finance or the Victorian Competition and Efficiency Commission.

Recommendation 59: An authoritative review should be undertaken of Victoria’s manufacturing industry and its prospects by the Victorian Competition and Efficiency Commission, the Department of Treasury and Finance or a parliamentary committee.

18.9 Department of Treasury and Finance

18.9.1 Managing urban transport congestion

Question

According to the department’s 2006-07 Annual Report, in September 2006, ‘the government accepted in full or in principle 52 of the Victorian Competition and Efficiency Commission’s (VCEC’s) 58 [Urban Transport Congestion Inquiry’s] recommendations’.488

Please outline the progress that has been made in response to implementing the recommendations and options identified in the report.

Response

The VCEC’s report on Options to Manage Urban Transport Congestion was received by the government in September 2006 and was released publicly with the government’s response in March 2007.

The options in the report focused on the following key issues:

• improving efficiency (through traffic management measures and incident management);
• transport infrastructure expansion (additions to the road and rail network and upgrade of bus services);
• demand management (trial time of day charging on CityLink and EastLink and high occupancy vehicle lanes, and undertake a road use charging feasibility study); and

487 Department of Innovation, Industry and Regional Development, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 29 January 2008, pp.47–48
488 Department of Treasury and Finance, Annual Report 2006-07, p.31
• reforming institutional arrangements (enhancing the Department of Infrastructure’s project appraisal process, improving information and coordination between agencies).

The government commenced the implementation process in 2007 and has according to the Department of Treasury and Finance made substantial progress with the options. In particular, four key options are already being implemented, with many more in the early stages of investigation or implementation. These four options are outlined below.

Improving efficiency – Option 6 – Improve the efficiency of the rail system including the North Melbourne and Richmond interchanges and signalling in the City Loop.

The Department of Infrastructure has already begun construction worth $34.9 million at North Melbourne station to improve the interchange.

Transport infrastructure expansion – Option 9 – Selected road infrastructure expansion focused on major bottlenecks.

Upgrades to the West Gate-CityLink-Monash Freeway route are currently under construction and this, according to the Department of Treasury and Finance, will improve traffic flow and safety by widening road sections and improving entry/exit points. The entire West Gate-CityLink-Monash upgrade project is scheduled for completion in late 2010.

Coordination within the transport portfolio – Option 28 – Develop a unifying set of objectives for transport legislation.

The Department of Infrastructure is currently conducting the first comprehensive review of transport legislation, including an extensive review of the objectives of the current transport legislation. A discussion paper was released in October 2007 and has been followed by an extensive stakeholder consultation and submission program. The submission process closed on 14 December 2007.

Demand management – Option 22 – Reduce off-peak fares for public transport

In October 2007, the government commenced the ‘Early Bird’ initiative on the Sydenham and Frankston metropolitan lines to ease crowding on the metropolitan train system. The Early Bird trial is providing free travel for passengers travelling inbound, outbound or between stations on the Sydenham and Frankston lines, if their train is scheduled to arrive at its destination by 7am.

Passengers can obtain a 10 x Early Bird ticket for free at premium stations on the Frankston and Sydenham lines as well as CBD stations. Each card is valid for 10 morning trips. The free Early Bird ticket means a zone 1 and 2 trip scheduled to arrive at its destination by 7am is free, saving passengers up to $52 a fortnight on the normal cost of a 10 x 2 hourly Metcard. It is estimated that a regular traveller using this system could save up to $1,100 per annum.489

Committee comment

The Committee noted that the Early Bird initiative has now been rolled out across the metropolitan network and that the government has announced a $112.7 million congestion plan for inner Melbourne.

489 Department of Treasury and Finance, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, pp.21–22
The Committee is aware that urban transport congestion is a significant issue facing the Victorian public. It is for this reason that keeping the public informed of progress made in addressing this problem is an essential element of introducing major public sector reforms. As such, the Department of Infrastructure should report on a regular basis the outcomes delivered under the four key issues identified by the Victorian Competition and Efficiency Commission in its inquiry into Urban Transport Congestion.

The Committee recommends that:

**Recommendation 60:** The Department of Infrastructure report on a progressive basis the outcomes delivered from the options being implemented to address transport congestion in urban areas.
CHAPTER 19: QUALITY HEALTH AND EDUCATION

Key findings of the Committee:

19.1 The target for an additional 4,500 elective surgery patients to be treated in 2006-07 above the average prior to the Elective surgery Blitz in 2005-06 was achieved (during 2006-07, 131,669 patients on the elective surgery list received their surgery compared with the average number of admissions of approximately 126,000 per annum between 2002 and 2005).

19.2 The elective surgery blitz to admit long waiting patients impacted on semi-urgent patients waiting less than 90 days (75 per cent as at 30 June 2007) compared with the target of 80 per cent. The Committee noted that the number of patients admitted for semi-urgent elective surgery in 2006-07 of 62,906 was nearly four times the waiting list for semi-urgent elective surgery at 30 June 2007 (16,721 patients).

19.3 There has been a higher than anticipated growth in demand for treatment in short stay units, medihotels and day treatment centres (in 2006-07 an additional 41,612 patients were treated in these type of services compared with the original estimate of an additional 35,000 hospital patients).

19.4 Of the 1,302,730 patients who attended Victorian public hospital emergency departments in 2006-07 (excluding ‘did not wait’ presentations), the highest categories of individual illnesses were as follows:

- injuries to the shoulder, arm, wrist and hand 104,104
- injuries to the hip, thigh, knee, lower leg and foot 70,870
- injuries to the head and neck 65,509
- influenza, pneumonia & other acute respiratory infections 63,473
- systems & signs involving the digestive system and abdomen 62,729
- symptoms & signs involving the circulatory and respiratory systems 60,649
- diseases of the circulatory system 58,073

19.5 Due to a continued increase in demand on their services, various emergency department targets were not met during 2006-07 (that is urgent patients seen within 30 minutes; patients attending emergency departments transferred to a bed within eight hours; and non-admitted patients with a stay of less than four hours)

19.6 Use of Victorian Child and Adolescent Monitoring System outcomes and indicators to assist redevelopment of Departmentally-funded programs is expected to happen gradually where and when service reform or redevelopment is a priority. Examples include projects across local government, as part of Victoria’s child protection system and in connection with Victoria Police.
19.7 In the alcohol and other drug sector, reliable data should be gathered to assess whether the sector is experiencing increasing client complexity, including the treatment of increasing numbers of clients with dual diagnosis such as those suffering from co-occurring psychiatric conditions and, if so, the impact on future policy responses and funding decisions in this area.

19.8 More clients with drug issues were referred by courts to, and assessed by, the Community Offenders Advice and Treatment Service and subsequently referred to drug treatment through the forensic drug treatment system than planned in 2006-07.

19.9 Since the completion of the School Maintenance Audit in 2006, the government has invested $191 million to address important maintenance issues and the refurbishment of school toilets.

19.10 School fires caused damage to the value of $2,656,926 in 2006-07 ($1,727,292 in 2005-06).

19.11 From 2004 to 2006, the year 12 or equivalent completion rate increased by 1.5 percentage points (this outcome has arisen from an increase in completion results in the Victorian Certificate of Applied Learning and Vocational Education and Training certificates and a slight decline in the contribution from Victorian Certificate of Education completions).

19.12 A study to identify unmet industry demand for university graduates and the impact on the Victorian economy revealed that:

- Victoria, in requiring 694,000 graduates by 2022, will have a shortfall of 49,000 graduates;
- the projected shortfall will be experienced in two key disciple areas, namely sciences, agriculture and the environment; and engineering, architecture and building; and
- Victoria requires 18,000 more postgraduate commencements (1,200 per year) and 137,000 bachelor degrees (9,000 per year) between 2008 and 2022.

Overview

19.1 Introduction

As part of the process of inquiring into financial and performance outcomes for 2006-07 (2005-06 where considered appropriate), the Committee raised various questions which emanated primarily from an analysis of information contained in the annual reports of departments and certain related agencies as well as a wide range of other material that included previous budget papers, government policies/initiatives, Auditor-General’s reports and departmental plans.
These lines of inquiry contained in the Committee’s outcomes questionnaire together with the responses provided by government agencies have been categorised by the Committee and reported according to the various elements of the government’s policy vision – Growing Victoria Together to which they relate.

This style of reporting on financial and performance outcomes continues the initiative taken by the Committee in the presentation of material in its Report on the 2007-08 Budget Estimates – Part Three whereby linkages were drawn between the government’s Growing Victoria Together initiative and the state’s budget, the Auditor-General’s Annual Plan and the Committee’s reporting responsibilities in terms of inquiring into the budget estimates and relates outcomes. As such, the direction taken by the Committee completes the trilogy of aligning government policy with the delivery of government outcomes, external audit and parliamentary oversight.

19.2 Linkage of issues examined to the government’s Growing Victoria Together initiative

This chapter, which covers the Quality Health and Education vision of the government’s Growing Victoria Together (GVT) initiative, contains outcome-related comments pertaining to 13 issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will provide an avenue for promoting debate and lay the basis for further follow-up as part of the impending inquiry by the Committee into the 2008-09 budget estimates.

Issues selected by the Committee for examination aligned to the GVT goals cover the following topics:

**High quality, accessible health and community services**
- access to elective surgery – patients treated and timeframes;
- patients treated in short stay units;
- access to emergency departments – patients treated and timeframes;
- children’s outcomes – safety, health, development, learning and well-being;
- access to services – people with a disability;
- alcohol and other drug related services – prevention and treatment; and
- health research undertaken under the Victorian Neurotrauma Initiative.

**High quality education and training for lifelong learning**
- school maintenance;
- fire safety at government schools;
- proportion of young people who have completed Year 12 or equivalent;
- school revenue;
- unmet industry demand for university graduates – impact on the economy; and
- Progress achieved in implementing the strategy sLV21 – Creating the Library of the 21st Century.
High quality, accessible health and community services

19.3 Department of Human Services

19.3.1 Access to elective surgery – patient throughput

(a) Question

The Department of Human Services’ departmental plan for 2006-07 called for the need to improve public hospital patient access to elective surgery service. A target was set to treat an additional 4,500 elective surgery patients by June 2007.490

How many additional elective surgery patients were treated by June 2007? Please provide an explanation for any variance in performance compared with this target, both overall and by region.

Response

In 2005-06, the Elective Surgery Blitz provided additional capacity in the system and increased admissions substantially. Prior to this initiative, the average number of admissions for the previous three years (2002-05) was approximately 126,000 per annum. During 2006-07, 131,669 patients on the elective surgery list received their surgery.

In 2006-07, further funding was allocated for additional elective surgery. It was estimated that this funding would enable the system to treat an additional 4,500 patients above the average prior to the Elective Surgery Blitz. This was achieved.

The department monitors elective surgery performance on a health service basis and does not produce information on a regional basis.491

Committee comment

The Committee noted that the Department of Human Services delivers services through eight geographical regions that comprise three metropolitan regions and five rural regions.492 Regions are responsible for planning, funding and the delivery of services.493

The Committee believes that to enhance monitoring performance against regional plans, value could be derived by complementing the collation of information relating to elective surgery performance on a health service basis by maintaining such information on a regional basis. Analysing the performance of the department in terms of treating additional patients in need of elective surgery against targets on a regional basis would also create useful accountability linkages between actual performance and regional plans and the overall departmental plan.

490 Department of Human Services, Departmental Plan 2006-07, p.18
491 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.23–24
The Committee recommends that:

**Recommendation 61:** The Department of Human Services allocate any future targets set in its annual departmental plan for the treatment of additional elective patients according to its regions so that there are appropriate linkages to regional plans for the purpose of enhancing accountability.

### 19.3.2 Semi-urgent elective patients treated within 90 days

**(a) Question**

Please provide a full account of why the following target for 2006-07 was not met:

- Semi-urgent elective patients treated within 90 days – target 80 per cent: actual 75 per cent.\(^{494}\)

**Response**

At 30 June 2007, 75 per cent of admitted Category 2 semi-urgent patients had waited less than 90 days. This compares to 72 per cent in 2005-06. The end of year target was 80 per cent.

The achievement of the admitted patient target has been impacted by the intentional and concerted effort to admit long waiting patients. As more patients who have waited for an extended time are treated, the proportion of patients treated within target wait times decreases.\(^{495}\)

**Committee comment**

At the 2007-08 estimates hearing for the health portfolio, the Minister for Health advised the Committee that:\(^{496}\)

> We are achieving results. I said that we have seen a huge growth in the number of admissions and that top line (as shown in figure 19.1) in fact reflects that. The bottom line reflects the total number of people on waiting lists for elective surgery. As the number of admissions is rising and rising, our performance is improving, and in a sense the gap between those is the productivity that you are seeing in hospitals. They are getting more resources but they are increasingly more productive. You can see that we now have the second lowest waiting list in nine years. Just put that in perspective, since 1999, 920 000 Victorians have had elective surgery. So even though elective surgery only makes up about 15 per cent of the overall activity within the acute health system, it is a sector that is performing well in the context of a huge growth in admissions.

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\(^{494}\) Your hospitals: *A report on Victoria’s public hospitals*, July 2006 to June 2007, p.22

\(^{495}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.24

\(^{496}\) Hon. B Pike MP, Minister for Health, 2007-08 Budget Estimates hearing, transcript of evidence, 8 May 2007, p.3
The Committee’s analysis of the waiting list figures as at 30 June 2007 revealed that the total of 38,109 patients listed for elective surgery comprised the following:\textsuperscript{497}

- **Urgent patients**: 969
- **Semi-urgent**: 16,721 (686 more than were listed at 30 June 2006)
- **Non-urgent**: 20,419

The Committee noted that the number of patients admitted for semi-urgent elective surgery in 2006-07 of 62,906 (nearly four times the waiting list for semi-urgent elective surgery at 30 June 2007) had decreased by 231 or 0.4 per cent over the previous year and that the waiting list had increased by some 4 per cent compared with the previous year.\textsuperscript{498} The blitz on long waiting list patients while successful impacted on the results for semi-urgent patients.

The Committee noted that, while there is a focus on treating long wait elective patients, it will be difficult for the government to make meaningful inroads into treating the targeted level of semi-urgent elective patients within clinically desirable waiting times, unless targeted funding is provided and/or greater efficiencies can be harnessed in terms of reducing the length of patient stays in hospital.

\textsuperscript{497} Your hospitals: A report on Victoria’s public hospitals, July 2006-June 2007, pp.21–23
\textsuperscript{498} Your hospitals: A report on Victoria’s public hospitals, July 2006-June 2007, p.22
(b) **Question**

In relation to specific hospitals, please provide an explanation for each of the following hospitals’ performance in not meeting the semi-urgent elective patient target for 2006-07:

- Austin Hospital: Actual 58 per cent;\(^{499}\)
- Box Hill: Actual 50 per cent;\(^{500}\)
- Dandenong: Actual 58 per cent;\(^{501}\)
- Frankston: Actual 37 per cent;\(^{502}\)
- Royal Melbourne: Actual 56 per cent; and\(^{503}\)
- St Vincent’s: Actual 53 per cent.\(^{504}\)

**Response**

The achievement of the admitted Category 2 semi-urgent patient target at these hospitals has been impacted by the effort to treat long waiting patients.

As more patients who have waited for an extended time are treated, the proportion of patients treated within target wait times decreases. This does not affect the total number of patients treated.\(^{505}\)

**Committee comment**

While the Committee noted this generic response, it will be looking in future for more comprehensive analysis in terms of any local factors as well as information on differences in numbers of elective surgery patients treated compared with previous years.

(c) **Question**

What has been the impact on patient outcomes of not meeting the above target statewide and, in particular, for the above hospitals?

**Response**

There have been no reported adverse patient outcomes resulting from not meeting the performance target. These hospitals have focused on admitting long wait patients who have already exceeded these wait times.\(^{506}\)

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499 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.47
500 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.48
501 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.48
502 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.48
503 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.50
504 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.50
505 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.25
19.3.3  **Extent of hospital patients treated in short stay units, medihotels and day treatment centres**

**(a) Question**

The department’s departmental plan for 2006-07 set a target for an additional 35,000 hospital patients to be treated by establishing short stay units, medihotels and day treatment centres by June 2007.  

What progress was achieved in 2006-07 against this target? Please provide an explanation for any variance in performance compared with this target.

**Response**

In 2006-07 an additional 41,612 patients were treated in Day stay units, Medihotels and short stay units. This increase above the original estimate of 35,000 hospital patients reflects a higher than anticipated growth in demand for these types of services.

19.3.4  **Attendances at emergency departments of public hospitals**

In 2006-07, 1,302,730 patients attended Victorian public hospitals with reporting emergency departments – an increase of 55,670 or 4.5 per cent compared with 2005-06.

**(a) Question**

Please prepare of breakdown of attendances at Victorian public hospitals for 2005-06 and 2006-07 with reporting emergency departments according to type of cases/categories of illness/reasons for treatment for example gastroenteritis and influenza, alcohol or drug related etc

**Response**

A breakdown of patients attending Victorian public hospitals with reporting emergency departments for 2005-06 and 2006-07 according to categories of illness is shown in table 19.2.

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506 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.25
507 Department of Human Services, Departmental Plan 2006-07, p.19
508 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.25
509 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.11
Table 19.2: Breakdown of patients attending Victorian public hospitals with reporting emergency departments according to categories of illness 2005-06 and 2006-07

<table>
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<th>Diagnosis</th>
<th>2005-06</th>
<th>2006-07</th>
<th>Total</th>
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<tbody>
<tr>
<td>Gastroenteritis</td>
<td>34,995</td>
<td>37,377</td>
<td>72,372</td>
</tr>
<tr>
<td>Other Infectious and Parasitic Diseases</td>
<td>38,624</td>
<td>35,506</td>
<td>74,130</td>
</tr>
<tr>
<td>Neoplasms</td>
<td>3,840</td>
<td>4,186</td>
<td>8,026</td>
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<tr>
<td>Diseases of the Blood and Blood-Forming Organs and Certain Disorders Involving the Immune Mechanism</td>
<td>6,745</td>
<td>7,436</td>
<td>14,181</td>
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<td>Endocrine Nutritional and Metabolic Diseases</td>
<td>10,092</td>
<td>10,458</td>
<td>20,550</td>
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<tr>
<td>Alcohol and Drug Related</td>
<td>7,491</td>
<td>8,802</td>
<td>16,293</td>
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<td>Other Mental and Behavioural Disorders</td>
<td>23,838</td>
<td>24,941</td>
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<td>Diseases of the Nervous System</td>
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<td>25,441</td>
<td>50,091</td>
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<td>Diseases of the Ear and Mastoid Process</td>
<td>23,422</td>
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<td>Diseases of the Circulatory System</td>
<td>54,632</td>
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<tr>
<td>Influenza, Pneumonia &amp; Other Acute Respiratory Infections</td>
<td>68,507</td>
<td>63,473</td>
<td>131,980</td>
</tr>
<tr>
<td>Other Diseases of the Respiratory System</td>
<td>34,802</td>
<td>34,314</td>
<td>69,116</td>
</tr>
<tr>
<td>Other Diseases of the Digestive System</td>
<td>58,848</td>
<td>63,024</td>
<td>121,872</td>
</tr>
<tr>
<td>Diseases of the Skin and Subcutaneous Tissue</td>
<td>45,415</td>
<td>46,189</td>
<td>91,604</td>
</tr>
<tr>
<td>Diseases of the Musculoskeletal System and Connective Tissue</td>
<td>49,181</td>
<td>52,501</td>
<td>101,682</td>
</tr>
<tr>
<td>Diseases of the Genitourinary System</td>
<td>52,219</td>
<td>54,762</td>
<td>106,981</td>
</tr>
<tr>
<td>Pregnancy Childbirth and the Puerperium</td>
<td>34,210</td>
<td>37,556</td>
<td>71,766</td>
</tr>
<tr>
<td>Certain Conditions Originating in the Perinatal Period</td>
<td>2,333</td>
<td>2,591</td>
<td>4,924</td>
</tr>
<tr>
<td>Congenital Malformations Deformations and Chromosomal Abnormalities</td>
<td>243</td>
<td>332</td>
<td>575</td>
</tr>
<tr>
<td>Symptoms &amp; Signs involving the Circulatory and Respiratory Systems</td>
<td>56,916</td>
<td>60,649</td>
<td>117,565</td>
</tr>
<tr>
<td>Symptoms &amp; Signs involving the Digestive System and Abdomen</td>
<td>61,297</td>
<td>62,729</td>
<td>124,026</td>
</tr>
<tr>
<td>Other Symptoms Signs and Abnormal Clinical Laboratory Findings NEC</td>
<td>73,229</td>
<td>76,278</td>
<td>149,507</td>
</tr>
<tr>
<td>Injuries to the head and neck</td>
<td>63,454</td>
<td>65,509</td>
<td>128,963</td>
</tr>
<tr>
<td>Injuries to the shoulder, arm, wrist and hand</td>
<td>98,452</td>
<td>104,104</td>
<td>202,556</td>
</tr>
<tr>
<td>Injuries to the hip, thigh, knee, lower leg and foot</td>
<td>65,066</td>
<td>70,870</td>
<td>135,936</td>
</tr>
<tr>
<td>Other Injuries</td>
<td>37,839</td>
<td>39,841</td>
<td>77,680</td>
</tr>
<tr>
<td>Poisoning and Certain Other Consequences of External Causes</td>
<td>53,689</td>
<td>55,284</td>
<td>108,973</td>
</tr>
<tr>
<td>Other incl. Factors Influencing Health Status and Contact with Health Services</td>
<td>140,482</td>
<td>154,559</td>
<td>295,041</td>
</tr>
<tr>
<td><strong>Total presentations</strong></td>
<td><strong>1,247,060</strong></td>
<td><strong>1,302,730</strong></td>
<td><strong>2,549,790</strong></td>
</tr>
</tbody>
</table>

Note: data compiled from Victorian Emergency Minimum Dataset

Source: Department of Human Services, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, pp.27–28
Committee comment

The Committee noted with concern the over 17 per cent rise in patients attending emergency departments with alcohol and drug related issues.

The Committee recommends that:

Recommendation 62: Further analysis be undertaken by the Department of Human Services on the composition of the cohorts attending emergency departments for alcohol and drug related issues with a view to contributing to further policy development and action to reduce the incidence of such attendances.

The Committee also noted the 10 per cent rise in pregnancy and childbirth attendances as well as an over 30 per cent rise in those attending emergency with congenital malformations.

(b) Question

Please prepare of breakdown of attendances at Victorian public hospitals for 2005-06 and 2006-07 with reporting emergency departments according to age groups.

Response

A breakdown of emergency department presentations at Victoria’s public hospitals drawn from the Victorian Emergency Minimum Dataset is shown in table 19.3.

Table 19.3: Emergency department presentations at Victoria’s public hospitals according to age group 2005-06 to 2006-07

<table>
<thead>
<tr>
<th>Age group</th>
<th>2005-06 Presentations*</th>
<th>2006-07 Presentations*</th>
</tr>
</thead>
<tbody>
<tr>
<td>00-14</td>
<td>279,749</td>
<td>282,993</td>
</tr>
<tr>
<td>15-64</td>
<td>736,811</td>
<td>776,887</td>
</tr>
<tr>
<td>65-84</td>
<td>185,274</td>
<td>193,984</td>
</tr>
<tr>
<td>85+</td>
<td>45,226</td>
<td>48,866</td>
</tr>
<tr>
<td>Total</td>
<td>1,247,060</td>
<td>1,302,730</td>
</tr>
</tbody>
</table>

Note: * excludes dead on arrival and ‘did not wait’ presentations
Source: Department of Human Services, response to the Committee’s Financial and Performance Outcomes questionnaire – part two, p.29

Committee comment

The Committee noted that the above figures underestimated the number of presentations at emergency departments as they do not include ‘did not wait’ presentations. Drawing on the
findings of performance audit titled *Managing emergency demand in public hospitals*, the Victorian Auditor-General reported in May 2004 that: 510

... every year, around 30,000 patients are registered and triaged but leave metropolitan emergency departments before being treated by a doctor or nurse. This is about 6 per cent of all presenting patients.

and 511

... While some patients who do not wait may have been an inappropriate presentation, a percentage will be at risk medically. This is especially so for those patients who do not inform the triage nurse before leaving, do not get advice regarding alternative treatment options and do not have potential risk factors identified by medical staff.

and 512

... it is likely that minimal supervision and feedback given to waiting room patients is one reason that patients leave the emergency department without waiting for attention. However, the lack of useful data on this group limits current understanding of the problem and the development of strategies to address it. More information is needed so that hospitals can better differentiate between patients who leave because they seek alternative sources of care, and patients who may be medically at-risk.

In responding to the report, the Department of Human Services accepted the recommendation that the departments and hospitals should develop protocols to identify and follow-up with patients who do not wait and who are in clinical groups identified as high-risk. The department indicated that there is correlation between prolonged waiting times and increased numbers of patients who do not wait. In noting the recommendation, the department confirmed that it would work with health services to establish protocols and reporting frameworks.

The Committee maintains that to improve the management of patients presenting at emergency departments in Victoria’s public hospitals, the Department of Human Services should include the number of patients who leave emergency departments without waiting for attention in the collation of emergency department presentation figures.

The Committee recommends that:

**Recommendation 63:** With a view to enhancing the management of patients presenting at emergency departments across Victoria’s public hospital system, the Department of Human Services:

(a) include in reported information dealing with emergency department presentations, the number who leave without waiting for attention; and

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512 Auditor-General Victoria, *Managing emergency demand in public hospitals*, May 2004, p.64
(b) collect information about the extent of emergency department patients in high risk clinical groups who leave emergency departments without being treated by a doctor.

(c) Question

In relation to the performance of emergency departments, please provide a full account of the reasons why the following targets were not met in 2006-07:

- Urgent patients seen within 30 minutes – target 75 per cent: actual 71 per cent;\(^{513}\)
- Patients attending emergency departments transferred to a bed within eight hours – target 80 per cent: actual 71 per cent;\(^{514}\) and
- Non-admitted patients with a stay of less than four hours – target 80 per cent: actual 77 per cent.\(^{515}\)

Response

Victoria’s emergency departments experienced a continued increase in demand on their services in terms of the number of presentations, acuity and level of care. Emergency performance indicators were impacted at all the major 21 emergency departments by this increase in demand. Health services reported significant winter pressure on emergency departments as a result of difficulties accessing inpatient beds as a consequence of a combination of factors including, an outbreak of viral gastroenteritis and an increase in the incidence of influenza.

The most urgent patients are always given priority for care in Victorian emergency departments. Victoria continues to perform better than the national average in time to treatment for all triage categories in emergency departments. In Victoria, the median waiting time for care or treatment in an emergency department is 19 minutes. This is the best performance in Australia; against a national average of 24 minutes.\(^{516}\)

Committee comment

In terms of comparisons to other Australian jurisdictions, the Committee also noted that according to the Department of Health and Ageing, Victoria had the highest percentage of people (77 per cent) seen by Emergency Departments within the recommended time in 2005-06. The national average was 69 per cent.\(^{517}\)

(d) Question

What has been the impact on patient outcomes of not meeting the above targets on a statewide basis?

\(^{513}\) Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.18
\(^{514}\) Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.19
\(^{515}\) Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.19
\(^{516}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.29
\(^{517}\) Department of Health and Ageing, The state of our public hospitals report, June 2007, p.7
Response

While emergency department patients may wait longer for treatment, discharge home or admission to a ward, patient condition is regularly reviewed and triage categories revised as necessary. No sentinel events have been reported due to extended emergency department waiting, nor is there evidence that waiting results in adverse outcomes. This does not discount the inconvenience and discomfort experienced by people waiting for treatment in emergency departments; however, emergency departments have taken significant steps to develop communication skills for frontline staff, and to improve the comfort and amenities in emergency department waiting rooms.518

(e) Question

What strategies have been implemented for these targets to be met in future?

Response

To ensure the health system best meets the emergency care needs of the Victorian community, the department has developed the Better Faster Emergency Care Strategy, which outlines strategic directions for continued reform and performance improvement in the area of emergency access over the next five years. It also identifies the need for ongoing support for service delivery that promotes quality clinical care and a positive patient experience.

In 2007-08 and in future years, the department will continue to work closely with health services to expand new models of care and reduce pressures on emergency departments. In 2007, an Emergency Care Clinical Network has been established. The network will have a key role in working across organisational boundaries to develop initiatives to enhance the quality, accessibility and effectiveness of emergency department care, and to promote patient-centred care and evidence-based service provision.

In 2006-07, the department examined the feasibility of an integrated statewide bed management system in Victoria that will provide public health services with the capability for ‘real time’ organisation wide monitoring and management of bed capacity, which will assist in managing patient flow. While a pilot project was initially planned to commence in three health services in early 2008519, the Committee was subsequently advised that:520

The DHS Bed Board pilot is scheduled to begin in the second half of 2008. A licensing agreement has been successfully negotiated between DHS and NSW Health for use and adaptation of the software but awaits signature. The contractual negotiations between state health services have taken longer than anticipated, delaying planned implementation. The three pilot sites, St Vincent's Health, Western Health, and Southern Health, are ready to proceed once the agreement and health service sub-licences are signed.

518 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.29
519 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.29–30
520 Department of Human Services, email, received 25 March 2008
Committee comment

In noting that processes are underway for the commencement of a pilot project to examine the feasibility of introducing an integrated statewide bed management system for Victoria, the Committee supports the introduction of the pilot in a timely manner. The extent to which the health system effectively meets the emergency care needs of the community is an area that will continue to be monitored by the Committee.

19.3.5 Urgent emergency department patients not seen within 30 minutes

(a) Question

In relation to the indicator urgent emergency department patients seen within 30 minutes, please explain the factors that contributed to the target of 75 per cent of urgent patients being seen within the desirable treatment time of 30 minutes not being met by the following hospitals during 2006-07:

- Box Hill – Actual 57 per cent;521
- Mercy Werribee – Actual 53 per cent;522
- Monash Medical Centre – Actual 60 per cent;523
- Sandringham Hospital – Actual 60 per cent; and524
- Sunshine Hospital – Actual 55 per cent.525

Response

- Box Hill: Patients admitted to the ward from the emergency department increased by 11.8 per cent for 2006-07. This represents significant increase in workload on emergency department staff and resources;
- Mercy Werribee: Mercy Werribee experienced a 14.5 per cent increase in high acuity presentations, as well as an 18 per cent increase in ambulance arrivals. A significant number of mental health patients were also cared for in Mercy Werribee emergency department during this period;
- Monash Medical Centre: Presentations increased by 6.2 per cent and there was a 15 per cent increase in admitted patients. Ambulance presentations increased by 9 per cent;
- Changes in triage process at Sandringham led to unintended delays in clerical processing which impacted on the accuracy of this data; and
- Sunshine experienced a 6.5 per cent increase in high-acuity presentations, triage category 1-3, for this period.526

521 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.48
522 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.49
523 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.49
524 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.50
525 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.51
526 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.30
19.3.6 Patients attending emergency departments not transferred to a bed within eight hours

(a) Question

In relation to the indicator Patients attending emergency departments transferred to a bed within eight hours, please explain the factors that contributed to the target of 80 per cent not being met by the following hospitals during 2006-07:

- Alfred Hospital – Actual 63 per cent;\textsuperscript{527}
- Austin Hospital – Actual 63 per cent;\textsuperscript{528}
- Frankston Hospital – Actual 63 per cent;\textsuperscript{529}
- Maroondah Hospital – Actual 62 per cent;\textsuperscript{530}
- Northern Hospital – Actual 57 per cent; and\textsuperscript{531}
- Royal Melbourne Hospital – Actual 58 per cent.\textsuperscript{532}

Response

- The Alfred experienced growth in Emergency department (ED) presentations of 6 per cent for 2006-07, and ward admissions growth of 13.8 per cent;
- The Austin experienced a 10.5 per cent growth in presentations for 2006-07, as well as an increased number of ward admits (6.6 per cent) and high sustained growth in presentations since opening the new ED in April 2005;
- Peninsula Health had a 1.3 per cent increase in presentations. Major building works occurred in the ED during this period that disrupted operation which affected performance;
- Maroondah Hospital experienced presentation growth of 5 per cent. They have had continued high numbers of long-staying mental health patients in ED. There was a 13 per cent average monthly increase in category 1 to 3 presentations;
- Northern Hospital experienced increased numbers of high acuity presentations in 2006-07 and 2007-08. Renovations occurred in the ED during this period; and
- Royal Melbourne Hospital had average daily presentations increase by 7 per cent. They also experienced increases in ward admissions by an average of 3 per day. Major building works undertaken on site affected performance.

\textsuperscript{527} Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.47
\textsuperscript{528} Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.47
\textsuperscript{529} Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.48
\textsuperscript{530} Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.49
\textsuperscript{531} Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.49
\textsuperscript{532} Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.50
19.3.7 Non-admitted emergency patients with a length of stay of more than four hours

(a) Question

In relation to the indicator non-admitted emergency patients with a length of stay less than four hours, please explain the factors that contributed to the target of 80 per cent not being met by the following hospitals during 2006-07:

- Barwon Health (Geelong Hospital) – Actual 54 per cent; and
- Box Hill Hospital – Actual 59 per cent.

Response

- Barwon Health (Geelong Hospital): The number of high acuity patients increased by 23 per cent for 2006-07 and the number of hospital admissions increased by 18.3 per cent. Average daily number and mental health presentations increased as well; and
- Box Hill Hospital: General presentations increased by 1.8 per cent while the number of patients admitted to inpatient wards from the emergency department increased by 11.8 per cent for 2006-07.

19.3.8 Impact on patient outcomes: non-achievement of emergency department targets

(a) Question

What has been the impact on patient outcomes of not meeting the above targets (see sections 19.3.5, 19.3.6 and 19.3.7) for the above hospitals?

Response

No sentinel events have been reported due to extended emergency department waits. Emergency departments prioritise action according to patient condition, however it is also recognised that inconvenience and discomfort may be experienced by people waiting, and significant steps have been taken to develop communication skills for frontline staff, and to improve the comfort and amenities in emergency department waiting rooms. While some emergency department patients may wait longer for treatment, discharge home or admission to a ward, patient condition is regularly reviewed and triage categories revised as necessary.

533 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.47
534 Your hospitals: A report on Victoria’s public hospitals, July 2006 to June 2007, p.48
535 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.33
536 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.30
19.3.9 Strategies implemented to meet emergency department targets

(a) Question

What strategies have been implemented for the above emergency department targets (see sections 19.3.5, 19.3.6 and 19.3.7) to be met in future?

Response

To ensure the health system best meets the emergency care needs of the Victorian community, the department has developed the Better Faster Emergency Care Strategy, which outlines strategic directions for continued reform and performance improvement in the area of emergency access over the next five years. It also identifies the need for ongoing support for service delivery that promotes quality clinical care and a positive patient experience.

In 2007-08 and in future years, the department will continue to work closely with health services to expand new models of care and reduce pressures on emergency departments. In 2007 an Emergency Care Clinical Network has been established. The network will have a key role in working across organisational boundaries to develop initiatives to enhance the quality, accessibility and effectiveness of emergency department care, and to promote patient-centred care and evidence-based service provision.

In 2006-07, the department examined the feasibility of an integrated statewide bed management system in Victoria that will provide public health services with the capability for ‘real time’ organisation wide monitoring and management of bed capacity which will assist in managing patient flow. As indicated earlier, while a pilot project was initially planned to commence in three health services in early 2008,537 the Committee was subsequently advised that due to various delays associated with contractual negotiations the Department of Human Services Bed Board pilot is now scheduled to begin in the second half of 2008.538

19.3.10 Victorian children’s outcomes related to safety, health, development, learning and wellbeing

(a) Question

The progress report in the 2006-07 budget papers on the Growing Victoria Together vision, Quality Health and Education, referred to the work then underway by the Office for Children in developing a suite of indicators which will measure Victorian children’s outcomes related to safety, health, development, learning and wellbeing.539 A selection of the indicators developed by the Office for Children was included in the progress report included in the 2007-08 budget papers.

537 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.31
538 Department of Human Services, email, received 25 March 2008
539 Budget Paper No.3, 2006-07 Service Delivery, p.361
Please identify details of all of the specific outcomes for children developed under this exercise and of the indicators that will be used to measure progress towards achievement of each outcome.

**Response**

The Victorian Child and Adolescent Monitoring System (VCAMS) is a comprehensive, across-government system to monitor and report on the safety, health, development, learning and wellbeing of children and young people in Victoria. The system is based on a set of 35 outcomes that are known to be of immediate or longer-term importance in the lives of all children and young people. The 35 outcomes include four that focus on the community in which the child lives, 7 that focus on supports and services available to the child and their family, eight that focus on the circumstances of the family, and 16 that focus directly on the individual child. There are 150 associated indicators through which the government can monitor how children and young people are faring, both across the whole population and within priority population groups of children and families. The final suite of indicators was selected by an Interdepartmental Data Working Group and endorsed by the Children’s Services Coordination Board in October 2007.\(^{540}\)

**Committee comment**

The Committee believes that a more comprehensive and informative response could have been provided to this question. Consideration will be given to seeking more details relating to outcomes associated with the lives of children and young people during subsequent inquiries.

**(b) Question**

What timelines have been established for attainment of each outcome?

**Response**

The Victorian Child and Adolescent Monitoring System outcomes and indicators are intended to underpin planning for improvement at a program, local government and statewide level, as well as to inform research and evaluation to generate new evidence on effectiveness. As indicated in part (a) the importance of this work ranges from immediate to longer-term outcomes. The indicators are not stated as explicit targets, nor has the government adopted explicit targets other than those articulated in existing government policy frameworks such as *Growing Victoria Together*.\(^{541}\)

**Committee comment**

The Committee is of the view that in order to effectively monitor the achievement of outcomes, consideration should be given to assessing whether there is a need for a more explicit suite of targets to be developed in order to complement the large number of indicators that are already in place as part of the Victorian Child and Adolescent Monitoring System.

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\(^{540}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.34

\(^{541}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.34
The Committee recommends that:

**Recommendation 64:** The Department of Human Services consider the development of a set of explicit targets as part of the Victorian Child and Adolescent Monitoring System.

(c) Question

Please outline the nature of the modifications that have been made to the objectives and direction of the various existing programs for children in place across government to ensure service delivery is in line with the developed outcomes.

Response

Use of Victorian Child and Adolescent Monitoring System (VCAMS) outcomes and indicators to assist redevelopment of Departmentally-funded programs is expected to happen gradually where and when service reform or redevelopment is a priority. Examples to date include:

- Best Start projects in 25 local government authorities (LGAs), and Council municipal early years planners across the whole of Victoria, are being provided with early childhood profiles of the municipality (allowing them identify and prioritise issues) and also a catalogue of evidence-based interventions, strategies for improving outcomes for young children, support service development;
- Reforms to Victoria’s child protection, out of home care and family support services, resulting from the implementation of the *Children Youth and Families Act 2005*, is taking advantage of VCAMS to provide a clearer focus on the outcomes sought from these services, the responsibilities of professionals and carers, and the reporting required by the department; and
- Victoria Police is using VCAMS indicators as a framework for assessing vulnerability for ‘at risk youth’.

(d) Question

What procedures have been established for ensuring that Parliament is periodically informed of progress made each year against all of the indicators relating to improved outcomes for children now in place?

Response

The *Child Wellbeing and Safety Act 2005* requires the Children’s Services Coordination Board ‘to review annually and report to the Minister on the outcomes of government actions in relation to children’. The first such report, *The State of Victoria’s children*, was submitted to the Minister and subsequently published in October 2006. Future reports will report trends over time against more indicators as data becomes more available.

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542 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.34
The machinery of government changes announced by the Premier on 2 August 2007 involved a shift of a number of program responsibilities for children, including those relating to the support of the Children’s Services Coordination Board and the monitoring of child outcomes through VCAMS, to a new Department of Education and Early Childhood Development.543

19.3.11 Accessible services to Victorians with a disability

The 2006-07 budget provided funding of $41.6 million over four years from 2006-07, with $10 million allocated in 2006-07, for delivery of ‘a comprehensive range of accessible services to Victorians with a disability, by implementing new approaches to better meet their needs and developing innovative support responses to meet the challenges of the future’.544

(a) Question

Please provide details of the new service delivery approaches implemented during 2006-07, including costs, as the first year of this budget initiative and the approaches planned for 2007-08 and beyond.

Response

The 2006-07 budget commitment of $10 million in 2006-07 ($41.6 million over four years) supported the continuing reform and development of disability services to increase independence and choice, support community living, and provide more appropriate accommodation for young people living in residential aged care facilities. Specific initiatives included:545

- $1 million in 2006-07 ($4.15 million over four years) for Changing Days, an initiative to enhance day services by establishing partnerships within the community sector to increase opportunities for people with a disability to participate in arts, cultural, sport and leisure activities and employment opportunities in their community;
- $3.05 million in 2006-07 ($12.66 over four years) to support additional participants in the Futures for Young Adults program to transition to ongoing day activities;
- $4.89 million in 2006-07 ($20.3 million over four years) for additional Individualised Support and Choice Packages that promote access for additional people with disabilities to a wide range of flexible accommodation and support options based on their individual choice and need; and
- $1.06 million in 2006-07 ($4.4 million over four years) for a new mobile attendant care program (Nightlife) to assist people across metropolitan Melbourne with physical disabilities and neurological conditions who have night-time care and support needs, such as turning during the night, to enable them to maintain their independence in the community.

543  Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.34
544  Budget Paper No.3, 2006-07 Service Delivery, pp.296–298
545  Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.35
Question

What outcome indicators were established at the commencement of this initiative to measure the effectiveness of the use of the funding in meeting the needs of Victorians with a disability and the challenges of the future? Please also identify the progress made in 2006-07 towards achievement of the outcomes?

Response

The outcomes identified for the Changing Days initiative are people attending disability day services having a greater say in the types of activities they would like to be involved in, and a greater emphasis on people with a disability accessing activities within their local community. In 2006-07, Disability Day Service providers were invited to submit for funding based on these outcomes. Ten projects were subsequently funded across both metropolitan and rural areas of the state. Further details about this initiative are available on the Department of Human Services website at the following address: http://nps718.dhs.vic.gov.au/ds/disabilitysite.nsf/sectionfour/changing_days

The Futures for Young Adults (FFYA) program provides targeted support for young people with disabilities aged 18 – 21 years over three years so that they have the best opportunity of realising their post school goals and aspirations and can make the transition from school to further education, training, pre-employment, active participation in the community or, where required, disability supports. Transition planning and pre-employment initiatives provided under the FFYA program have assisted around 300 participants over the past two years to access employment, further education or other community supports. In 2006-07, the department provided 200 new support packages for ongoing day activities to Futures For Young Adults participants.

Support and Choice is a continuing initiative, launched in 2003, to provide more individually tailored support, so as to give people with a disability more choices, control over their lives and opportunities. An initial evaluation of Support and Choice by Lime Management Group found that significant outcomes are being achieved, including:

- re-location to new housing of their choice by three quarters of the participants wanting to move from shared supported accommodation;
- reduction in family stress for families caring for children with disabilities;
- increasing skills and opportunity for community inclusion;
- additional supports provided to enable independent living;
- collaboration across programs to pool resources and develop tailored responses; and
- flexible and creative options to meet identified goals for individuals.

As reported in the department’s 2006-07 Annual Report, the service model for implementation of the Nightlife initiative is being refined to allow for industry development to occur concurrently and so ensure that the industry has the necessary capacity to deliver a night-time mobile attendant care program.
Measurement of these outcomes indicators will be undertaken as part of the planned evaluation activities of the programs. 546

(c) Question

Have any changes to the outcome indicators subsequent to 2006-07 been necessary to align with the policy and planning framework for disability services embodied in the Disability Act 2006?

Response

The outcomes of these initiatives align with the policy and planning framework for disability services embodied in the Disability Act 2006. 547

19.3.12 Alcohol and other drug services – prevention and treatment

(a) Question

What were the main challenges and risks facing the alcohol and other drug sector during 2005-06 and 2006-07? In particular, please provide comment on whether there is increasing complexity of client presentations and the incidence of dual or multiple diagnosis.

Response

Key challenges facing the alcohol and other drugs sector during 2005-06 and 2006-07 highlighted in a blueprint discussion paper released in 2007 included:

- challenge of appropriately responding to changes in substances used among clients, including increasing prevalence of clients using alcohol, cannabis and amphetamines and less people using services for heroin problems;
- the increasing number of clients presenting with amphetamines as their primary drug when there is currently only limited evidence of what works in the effective treatment for amphetamine use; and
- polydrug use with clients using a number of substances at the same time.

On the issue of whether there has been an increase in the complexity of client presentations and the incidence of dual or multiple diagnoses:

- there are anecdotal reports of increasing client complexity, but there is limited data supporting this. Across the sector there is debate as to whether client complexity is increasing, or whether there is heightened awareness and reporting of the range of co-occurring issues that clients may experience and therefore increased identification of dual or multiple diagnoses and complexities;
- there is increased reporting of clients with a co-occurring psychiatric condition rising approximately 2 per cent each year to 30 per cent of all clients in 2006-07. This data

546 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.35–36
547 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.36
reporting is not mandatory and the increase in reporting may be a result of increased awareness of mental health issues through programs like the Victorian Dual Diagnosis Initiative (VDDI). The VDDI has provided training and capacity building across the sector over the last four years to improve awareness of mental health issues in clients and to provide skills for responding appropriately. Most services now have clinicians that have, or are developing, the skills to identify and assess clients with a dual diagnosis. Other concurrent conditions that can be reported in the Alcohol and Drug Information System (ADIS) have remained relatively constant over the last two years:

- other medical (18-19 per cent each year);
- chronic pain (4 per cent each year);
- physical disability (1 per cent each year); and
- acquired Brain Injury diagnosis (1 per cent each year).

**Committee comment**

To ensure that policy and funding is directed at key challenges facing the alcohol and other drug sector, the Committee maintains that research should be directed at determining whether there is an increasing complexity of client presentations and incidence of multiple diagnosis, including clients with co-occurring psychiatric conditions.

The Committee noted the 17 per cent increase in presentations at emergency departments of patients with alcohol and drug related issues (refer section 19.3.4).

The Committee also looks forward to the timely finalisation of the blueprint discussion paper titled ‘Towards a New Blueprint for Alcohol and Other Drug Treatment Services’, which outlines plans for responding more effectively to the needs of Victorians who have alcohol and other drug problems over the next five years and into the future. The Committee noted that almost a year has elapsed since submissions closed on 18 May 2007 for receiving input into this discussion paper.

The Committee recommends that:

**Recommendation 65:** The Department of Human Services commission a research project to ascertain whether the incidence of client complexity is increasing across the alcohol and other drug sector to ensure that the government response, including funding decisions, are soundly based into the future.

**(b) Question**

What key priorities and associated funding initiatives were established by the department for alcohol and other drug prevention and treatment services in 2005-06 and 2006-07?

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548 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.20–21
Response

The Victorian Government has made significant progress in addressing drug use in Victoria through its partnerships with the community, service providers and families. Since coming into office in 1999, the government has allocated an additional $255 million for a whole of government program that is aimed at deterring young people from taking up drugs, getting those who need help into an appropriate treatment setting, tackling drug-related crime and reducing drug-related harms. Known as the Victorian Drug Strategy, it is designed to both strengthen existing services and to deliver a flexible and innovative range of service responses to drug and alcohol use in the Victorian community.

The Victorian Government has recently re-committed funding for a further four years to continue delivery of the Victorian Drug Strategy through to 2010-11.

Key priorities and associated funding initiatives established in 2005-06

- Managing increased demand in forensic drug treatment services. This provides increased opportunities for the rehabilitation of offenders with drug use issues. In particular, increased availability of places in the Community Offenders Advice and Treatment Service (COATS) program enabled the continued provision of drug treatment services to community-based sentenced offenders and persons leaving prison or on parole.

Key priorities and associated funding initiatives established in 2006-07

- Managing increased demand in forensic drug treatment services remained a priority in 2006-07. Increased opportunities were provided for the rehabilitation of offenders with drug use issues. In particular, increased availability of places in the COATS program enabled the continued provision of drug treatment services to community-based sentenced offenders and persons leaving prison or on parole;

- Capacity building in 11 key provincial communities to help agencies develop local drug and alcohol action plans to address issues particular to their community. These programs are similar to the programs funded in the five local drug hot spots in Melbourne and complement the prevention, early intervention and treatment services already provided; and

- Improving amenity and safety of agency facilities and services for both workers and clients. Over 60 agencies were assisted under this initiative.549

(c) Question

What outcomes were achieved by the department during 2005-06 and 2006-07 in relation to these key alcohol and other drug related priorities aimed at providing services to adults and young people?

Response

The Tobacco Amendment Bill 2005 was passed by the Victorian Parliament on 10 August 2005 in order to address the serious harms caused by smoking. The amendments to the Tobacco Act 1987 will:

549 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.21
• prohibit smoking in enclosed workplaces, at underage ‘music/dance’ events, and in covered areas of train station platforms, tram shelters and bus shelters;
• prohibit the display and sale of tobacco products at underage ‘music/dance’ events;
• strengthen cigarette sales to minors laws; and
• prohibit ‘buzz marketing’ and non-branded tobacco advertising.

The department conducted a targeted heroin overdose education and prevention campaign, developed in consultation with key stakeholders and injecting drug users. The campaign, which was undertaken between November 2005 and April 2006, consisted of five key messages addressing the risks associated with injecting drug use.

*Connectus*, an initiative of the Premier’s Drug Prevention Council, aims to reconnect young people aged 16–20 years who are at risk of disengagement with education, training or employment opportunities in their local communities. *Connectus* has commenced delivery of second phase priorities, including:

• a four-week accredited training course in Certificate 1 General Education, which includes life skills, wilderness training and employability skills training;
• greater engagement of the business community in the *Connectus* mentor training and support program; and
• new partnerships with government, community and employment programs to ensure that *Connectus* adds value to the sector.

The Premier’s Drug Prevention Council funded the development of a ‘toolkit’ to assist communities to identify and address local alcohol and drug issues. The toolkit provides communities with a guide to help local networks embed drug prevention in their existing activities.

In March 2007, the Minister for Mental Health convened a taskforce of leading experts to guide the government’s strategy on ‘ice’ and amphetamines. The taskforce works to provide high-level policy advice to the government on the development of a strategy to prevent and reduce use of amphetamines-type stimulants in Victoria, and to respond effectively to problems related to the use of these drugs. The taskforce focuses on a cross-sectoral approach to addressing drug and alcohol issues in Victoria.

Increasing numbers of offenders are being referred from the criminal justice system into drug treatment services via the Community Offenders Advice and Treatment Service (COATS). Offenders are referred from the courts, Corrections Victoria, Youth Justice and the Parole Boards and, following assessment, COATS discusses drug treatment options, develops individual treatment plans and refers individuals to appropriate alcohol and drug treatment services.

To develop and maintain a consistently competent and professional alcohol and drug workforce, workers in the mental health and alcohol and other drug sectors are being offered the opportunity to participate in the Reciprocal Rotations Project (156 placements over three years) as a way of transferring knowledge and skills and promoting closer working relationships between the two sectors. In 2006-07, 52 people completed the placement, and this target is expected to be reached again in 2007-08. Three courses in the core competencies for Certificate IV in alcohol and other drug studies have been delivered.

In April 2007, the Victorian Government launched a discussion paper, *Towards a New Blueprint for Alcohol and Other Drug Treatment Services*. The discussion paper sets out a vision for alcohol and other drug treatment services and promoted a client centred approach with the following priority areas:
• responding to the needs of young people;
• improving interventions and services for adults and young people; and
• building partnerships.

The discussion paper outlined key directions and priorities for responding more effectively to Victorians who have alcohol or drug problems, including consideration of ways to intervene earlier and promote prevention efforts for young people at highest risk of developing alcohol or other drug problems.

The department commenced the Koori Youth Alcohol and Drug Healing Service – an interim six-bed statewide residential rehabilitation facility located in Bittern in the Mornington Peninsula - to help Koori youth recover from substance abuse issues. This is the first treatment service in Australia to address health, social, cultural and vocational issues with an emphasis on spiritual healing. Ngwala Willumbong Co-operative Ltd., a key service provider offering specialist alcohol and drug residential rehabilitation and outreach support to the Aboriginal communities of Victoria, together with the Youth Substance Abuse Service, operate the healing service, with experienced and trained staff rostered over 24 hours a day, seven days a week.550

(d) Question

The department’s plan for 2006-07 called for diverting more clients with drug issues from the criminal justice system into drug treatment services through additional forensic treatment referral services. The target set by the department was to accept up to 6,800 clients referred by courts to the forensic drug treatment system via the Community Offenders Advice and Treatment Service (COATS) brokerage by June 2007.

How many clients were accepted by the drug treatment system compared with the target for 2006-07? Please provide an explanation for any variance in performance compared with this target.

Response

In 2006-07:

• 8,128 clients were referred to COATS by the Department of Justice - post-sentence and post prison;
• 7,237 clients were assessed by COATS - post-sentence and post prison; and
• 7,061 clients were referred to drug treatment by COATS –post-sentence and post prison. All the clients referred have been accepted by the drug treatment system.

The target set in the departmental plan for 2006-7 has been:

• exceeded by 1,328 - referrals accepted by COATS from the Department of Justice;
• exceeded by 437 - assessments by COATS; and
• exceeded by 261 – referrals to Drug Treatment Services by COATS and accepted by the drug treatment system.

550 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.21–23
The Community Offenders Advice and Treatment Service (COATS) is dependent on Department of Justice referrals to meet the set target and in 2006-7 (as indicated earlier, referrals were in excess of the set target). The Department of Human Services advised that the Committee should note that, although COATS was able to meet this increased demand, any further increases in the future will lead to increased financial pressures on COATS.551

19.4 Transport Accident Commission

19.4.1 Health research undertaken under the Victorian Neurotrauma Initiative

(a) Question

The Victorian Neurotrauma Initiative was announced by the government in June 2005 to fund research into brain and spinal nerve injuries (Neurotrauma is any damage to nerve pathways and usually involves trauma to the brain and/or spine). Under the initiative, the Transport Accident Commission was to provide $60 million with the Victorian Government contributing another $3 million over five years to fund the initiative. 552

The Annual Report disclosed that the Transport Accident Commission’s (TAC’s) support for the Victorian Neurotrauma Initiative saw 24 research projects funded to the value of $16.3 million in 2006-07 (more than $12.6 million in funding approved for 17 projects in 2005-06). 553

What evaluation is undertaken to assess the effectiveness of expenditure associated with health research under this initiative?

Please describe the outcomes realised in 2006-07.

Response

The Committee was informed that the Victorian Neurotrauma Initiative (VNI) employs a rigorous selection and evaluation process to determine where it commits its funding. During 2006-07, the VNI completed its first round of research funding and initiated its second 'round' of funding. Both funding rounds involved the following key steps:

- advertisement of the funding opportunity amongst the Victorian and Australian research and neuroscience community;
- acceptance of Expressions of Interest (EOI) from researchers;
- evaluation of those EOI according to pre-defined criteria unique to each funding round and selection of researchers to submit a Full Funding Application (FFA); and
- evaluation of the FFA against pre-defined criteria and priority themes.

551 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.23
552 Office of the Premier, New $63 million neurotrauma initiative for Victoria, media release, 20 June 2005
553 Transport Accident Commission, 2007 Annual Report, pp.7, 19
The VNI receives advice and assistance in this process by an Evaluation Committee (EC) comprised of individuals with relevant expertise. All submitted grant applications are also evaluated by two independent expert reviewers. Funding decisions are made by the VNI Board of Directors on the basis of the expert reviews and the recommendations of the EC.

For Round 1, 55 EOI were received and a total of 22 (40 per cent) of applications received funding. For Round 2, 92 EOI were received and a total of 13 (14 per cent) applications received funding. According to the Transport Accident Commission, the VNI is a highly competitive funding scheme in comparison with other health research funds in Australia. For example, approximately 13-15 per cent of project applications to the National Health & Medical Research Council (NH&MRC-the nation's peak research funding agency) receive funding. This competitiveness ensures that VNI's funding is directed towards the highest quality research projects.

The majority of the projects funded during 2006-07 are of two to three years’ duration, and therefore none were completed during the financial year. The first of these projects will be completed during 2007-08, with the majority reaching completion during 2008-09 and 2009-10.

The VNI has recently established a Monitoring and Evaluation Framework, the purpose of which is to evaluate the effectiveness of the VNI program in 3 major areas: (1) health outcomes of the neurotrauma community; (2) academic outcomes among the Victorian neurotrauma research sector; and (3) economic outcomes. This framework will be progressively implemented throughout 2008, and this will enable the VNI to report its progress towards achieving these outcomes on a regular basis. The first complete evaluation of the VNI funding program is scheduled for first quarter of 2008-09.\footnote{Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 29 February 2008, p.18}

\textit{Committee comment}

The Committee, in acknowledging the Monitoring and Evaluation Framework established to evaluate the effectiveness of the Victorian Neurotrauma Initiative, looks forward to reviewing progress made in terms of achieving the desired outcomes over the ensuing period.

\textbf{High quality education and training for lifelong learning}

\textbf{19.5 \hspace{0.5em} Department of Education and Training}

\textbf{19.5.1 \hspace{0.5em} School maintenance}

\textbf{(a) \hspace{0.5em} Question}

On 25 June 2007, the Minister for Education issued a media release to announce an additional $16 million for maintenance of Victorian Schools\footnote{Minister for Education, $16 million Maintenance Funding Boost For Victorian Schools, media release, 25 June 2007}. In the media release, the Minister refers to a detailed maintenance audit undertaken in 2006 which identified schools with the most urgent maintenance needs.
Please provide an overview of the main findings of the maintenance audit and the strategies enacted by the department to address these findings.

**Response**

Independent contractors were engaged by the Department of Education to assess the relative condition of schools in 2005-06. The auditors were required to assess the potential maintenance issues for their effect on educational outcomes and identified potential maintenance issues in the order of $250 million.

The independent contractors engaged by the department for the 2006 School Maintenance Audit were required to assess potential maintenance issues on the basis of their effect on educational outcomes. For completeness they were also required to assess both planned maintenance items and items that are a school’s responsibility.

The total value of these issues ranked from 1 (important and likely to need works in the near term) to 120 (showing signs of wear but unlikely to require works within the next three to five years) amounts to some $250 million.

Since 1999, the Victorian Government has invested over $481 million in school maintenance and a further $2.3 billion on capital investment in schools, including the renovation or rebuilding of 400 schools. This includes $191 million since the completion of the 2006 School Maintenance Audit to address the important maintenance issues and to refurbish school toilets.

The department allocates $41 million per annum to schools for regular maintenance, $29 million of which is distributed to schools as a quarterly grant for both planned maintenance, as identified in the School Maintenance System, and urgent or unplanned maintenance. The remaining $12 million is used to provide supplementary funding to schools that do not have the resources to deal with an urgent maintenance issue.

Departmental policy provides that any school with a serious maintenance issue that is not being addressed via a capital works project can contact its regional office to have the matter investigated. Where appropriate, the region would prepare submissions for the department’s Facilities and Infrastructure Branch. 556

**Committee comment**

The Committee noted that on the basis of the figures provided by the department, at least a further $59 million is required in 2006 prices to address the remainder of maintenance issues outstanding from the 2006 school maintenance audit.

**19.5.2 Fire safety at government schools**

**(a) Question**

The Department of Education Annual Report 2006-07 states that there were 12 significant school fires in 2006-07 which caused approximately $3.2 million damage557. In 2004, the Department of

556 Department of Education, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 5 February 2008, pp.25–26
557 Department of Education Annual Report 2006-07, p.37
Education and Training funded a three year research project by the Victorian University of Technology to improve fire safety at government schools.

Please provide an update on the status of the research project, including:

- the terms of reference for the project;
- the expected completion date; and
- any findings delivered to date.

Please provide details of the number of school fires during the last two years, their cause, severity, the cost of the damage inflicted in each case and the year by year total cost of school fire damage for the same period.

Please also provide details of fire prevention and management initiatives initiated during the last two years.

**Response**

**School Fires for 2005-06 and 2006-07**

Details of school fires for 2005-06 and 2006-07, including the cause of the fires where known, are shown in tables 19.4 and 19.5. The figures are actual figures for the cost of reinstatement works compared with the estimates that were included in the 2006-07 Annual Report.
Table 19.4: Details of school fires – 2005-06

<table>
<thead>
<tr>
<th>School</th>
<th>Description</th>
<th>Incident date</th>
<th>Total cost (works + fees) ($)</th>
<th>Reason for incident</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kilmore Primary School</td>
<td>Fire damage</td>
<td>02/07/05</td>
<td>8,800</td>
<td>Electrical</td>
</tr>
<tr>
<td>Templestow Park Primary School</td>
<td>Fire damage</td>
<td>04/07/05</td>
<td>9,000</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Keilor Heights Primary School</td>
<td>Fire damage</td>
<td>10/07/2005</td>
<td>11,393</td>
<td>Arson</td>
</tr>
<tr>
<td>Sunbury West Primary School</td>
<td>Fire damage</td>
<td>4/08/2005</td>
<td>55,335</td>
<td>Arson</td>
</tr>
<tr>
<td>Springvale West Primary School</td>
<td>Fire damage</td>
<td>14/09/2005</td>
<td>13,500</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Montmorency Primary School</td>
<td>Fire damage</td>
<td>15/09/05</td>
<td>6,510</td>
<td>Arson</td>
</tr>
<tr>
<td>Blackburn High School</td>
<td>Fire damage</td>
<td>17/09/2005</td>
<td>16,500</td>
<td>Arson</td>
</tr>
<tr>
<td>Hampton Primary School</td>
<td>Fire damage</td>
<td>19/09/2005</td>
<td>131,682</td>
<td>Arson</td>
</tr>
<tr>
<td>Tarwin Valley Primary School</td>
<td>Fire damage</td>
<td>23/09/2005</td>
<td>118,265</td>
<td>Arson</td>
</tr>
<tr>
<td>Dallas Primary School</td>
<td>Fire damage</td>
<td>24/10/2005</td>
<td>86,800</td>
<td>Arson</td>
</tr>
<tr>
<td>Mill Park Secondary College</td>
<td>Fire damage</td>
<td>2/11/2005</td>
<td>10,850</td>
<td>Arson</td>
</tr>
<tr>
<td>Ringwood Secondary College</td>
<td>Fire damage</td>
<td>14/11/2005</td>
<td>37,975</td>
<td>Arson</td>
</tr>
<tr>
<td>Hamlyn Banks Primary School</td>
<td>Fire damage</td>
<td>8/12/2005</td>
<td>23,328</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Rangeview Primary School</td>
<td>Fire damage</td>
<td>8/12/2005</td>
<td>30,380</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Eaglehawk North Primary School</td>
<td>Fire damage</td>
<td>12/12/2005</td>
<td>13,020</td>
<td>Arson</td>
</tr>
<tr>
<td>Gowrie Street Primary School Shepparton</td>
<td>Fire damage</td>
<td>28/12/2005</td>
<td>184,450</td>
<td>Arson</td>
</tr>
<tr>
<td>Ringwood Secondary College</td>
<td>Fire damage</td>
<td>12/01/2006</td>
<td>30,380</td>
<td>Arson</td>
</tr>
<tr>
<td>Warrnambool Primary School</td>
<td>Fire damage</td>
<td>6/02/2006</td>
<td>21,700</td>
<td>Arson</td>
</tr>
<tr>
<td>Highton Primary School</td>
<td>Fire damage</td>
<td>27/02/2006</td>
<td>69,440</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Wandin North Primary School</td>
<td>Fire damage</td>
<td>11/03/2006</td>
<td>106,981</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Traralgon Secondary College</td>
<td>Fire damage</td>
<td>21/03/2006</td>
<td>27,125</td>
<td>Arson</td>
</tr>
<tr>
<td>Boronia Primary School</td>
<td>Fire damage</td>
<td>1/04/2006</td>
<td>238,877</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Wangaratta West Primary School</td>
<td>Fire damage</td>
<td>11/05/2006</td>
<td>180,000</td>
<td>Arson</td>
</tr>
<tr>
<td>McKinnon Secondary College</td>
<td>Fire damage</td>
<td>2/06/2006</td>
<td>157,749</td>
<td>Arson</td>
</tr>
<tr>
<td>Traralgon Secondary College(East Campus)</td>
<td>Fire damage</td>
<td>15/06/2006</td>
<td>137,253</td>
<td>Arson</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>1,727,292</strong></td>
<td></td>
</tr>
</tbody>
</table>
### Table 19.5 Details of School Fires – 2006-07

<table>
<thead>
<tr>
<th>School</th>
<th>Description</th>
<th>Incident date</th>
<th>Total cost (works + fees) ($)</th>
<th>Reason for incident</th>
</tr>
</thead>
<tbody>
<tr>
<td>McKinnon Secondary College</td>
<td>Fire damage</td>
<td>2/07/2006</td>
<td>157,749</td>
<td>Arson</td>
</tr>
<tr>
<td>Box Hill Senior Secondary College</td>
<td>Fire damage</td>
<td>2/08/2006</td>
<td>101,990</td>
<td>Arson</td>
</tr>
<tr>
<td>Eltham North Primary School</td>
<td>Fire damage</td>
<td>3/08/2006</td>
<td>51,972</td>
<td>Arson</td>
</tr>
<tr>
<td>Swinburne Secondary College</td>
<td>Fire damage</td>
<td>7/08/2006</td>
<td>217,000</td>
<td>Electrical</td>
</tr>
<tr>
<td>Westall Secondary College</td>
<td>Fire damage</td>
<td>12/08/2006</td>
<td>24,955</td>
<td>Arson</td>
</tr>
<tr>
<td>Rosedale Primary School</td>
<td>Fire damage</td>
<td>26/09/2006</td>
<td>25,064</td>
<td>Not suspicious - mfb</td>
</tr>
<tr>
<td>Merrilands College</td>
<td>Fire damage</td>
<td>20/10/2006</td>
<td>9,400</td>
<td>Arson</td>
</tr>
<tr>
<td>Camp Hill Primary School</td>
<td>Fire damage</td>
<td>13/11/2006</td>
<td>97,650</td>
<td>Accidental</td>
</tr>
<tr>
<td>Doncaster Secondary College</td>
<td>Fire damage</td>
<td>20/11/2006</td>
<td>14,055</td>
<td>Arson</td>
</tr>
<tr>
<td>Newlands Primary School</td>
<td>Fire damage</td>
<td>28/11/2006</td>
<td>74,214</td>
<td>Arson</td>
</tr>
<tr>
<td>McKinnon Secondary College</td>
<td>Fire damage</td>
<td>14/12/2006</td>
<td>160,082</td>
<td>Arson</td>
</tr>
<tr>
<td>Belmont High School</td>
<td>Fire damage</td>
<td>15/01/2007</td>
<td>28,210</td>
<td>Accidental</td>
</tr>
<tr>
<td>Bimbadeen Heights Primary School</td>
<td>Fire damage</td>
<td>19/01/2007</td>
<td>302,715</td>
<td>Arson</td>
</tr>
<tr>
<td>Debney Meadows Primary School</td>
<td>Fire damage</td>
<td>28/01/2007</td>
<td>451,360</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Moe South Street Primary School</td>
<td>Fire damage</td>
<td>10/02/2007</td>
<td>164,812</td>
<td>Arson</td>
</tr>
<tr>
<td>Keilor Downs Secondary College</td>
<td>Fire damage</td>
<td>17/02/2007</td>
<td>56,963</td>
<td>Arson</td>
</tr>
<tr>
<td>Corio South Primary School</td>
<td>Fire damage</td>
<td>2/03/2007</td>
<td>11,078</td>
<td>Arson</td>
</tr>
<tr>
<td>Fountain Gate Primary School</td>
<td>Fire damage</td>
<td>1/04/2007</td>
<td>127,596</td>
<td>Arson</td>
</tr>
<tr>
<td>Traralgon College (East Campus)</td>
<td>Fire damage</td>
<td>6/04/2007</td>
<td>77,035</td>
<td>Arson</td>
</tr>
<tr>
<td>Yarram Secondary College</td>
<td>Fire damage</td>
<td>10/04/2007</td>
<td>52,080</td>
<td>Arson</td>
</tr>
<tr>
<td>Waverley Meadows Primary School</td>
<td>Fire damage</td>
<td>17/04/2007</td>
<td>6,185</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Horsham West Primary School</td>
<td>Fire damage</td>
<td>27/04/2007</td>
<td>36,348</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Sunbury College</td>
<td>Fire damage</td>
<td>2/05/2007</td>
<td>54,250</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Donburn Primary School</td>
<td>Fire damage</td>
<td>8/05/2007</td>
<td>45,570</td>
<td>Electrical</td>
</tr>
<tr>
<td>Thomas Mitchell Primary School</td>
<td>Fire damage</td>
<td>24/05/2007</td>
<td>24,000</td>
<td>Arson</td>
</tr>
<tr>
<td>Wodonga Senior Secondary College</td>
<td>Fire damage</td>
<td>24/05/2007</td>
<td>20,073</td>
<td>Arson</td>
</tr>
<tr>
<td>Bacchus Marsh Primary School</td>
<td>Fire damage</td>
<td>3/06/2007</td>
<td>0</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Viewbank College</td>
<td>Fire damage</td>
<td>3/06/2007</td>
<td>163,835</td>
<td>Arson</td>
</tr>
<tr>
<td>Mount Beauty Secondary College</td>
<td>Fire damage</td>
<td>10/06/2007</td>
<td>40,145</td>
<td>Cause unknown</td>
</tr>
<tr>
<td>Newlands Primary School</td>
<td>Fire damage</td>
<td>18/06/2007</td>
<td>30,380</td>
<td>Electrical</td>
</tr>
<tr>
<td>Eumemmerring Secondary College</td>
<td>Fire damage</td>
<td>26/06/2007</td>
<td>30,163</td>
<td>Arson</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>2,656,926</strong></td>
<td></td>
</tr>
</tbody>
</table>

The department advised the Committee that the research project proposed in March 2004 did not proceed. Consequently the department implemented a range of other initiatives.

### Fire prevention/management initiatives

In July 2006, the department commenced formalising security risk assessments for schools (112 school sites inspected to date). Risk management strategies for school fires are:

- management and securing wheelie/dumpster/rubbish bins; and
- inspection of underfloor of school buildings, particularly portable classrooms, and the removal of all debris.
Other strategies specific to fire risk are:

- fire mains upgrade – ongoing program involving the testing of hydraulic fire systems in schools and the repair or re-construction of fire mains and hydrants;
- investigation of fire protection systems for several new schools to develop the appropriate cost-effective fire protection to reduce the potential property loss. The report was completed and recommended the trial of a non-standard sprinkler system in a new school;
- a non-standard sprinkler system has been installed in stage 1 of The Lakes South Morang P-9 School in accordance with the recommendations of the above report. The full installation is programmed to be completed as part of the completion of Stage 2 of the school in term 2, 2008;
- an investigation is being completed to analyse the sprinkler installation at The Lakes South Morang P-9 School and to determine if the system is feasible for installation in future new schools;
- a Bushfire Safety Checklist was developed for schools in fire prone areas – October 2006;
- a replacement Incident Reporting Management System for improved analysis of data on incidents occurring in schools was commissioned - September 2006; and
- targeted security patrols of schools that were subjected to repeated incidents of vandalism, property damage and graffiti were introduced. These schools are also considered as high risk for arson attack - patrols commenced November 2007. 558

19.5.3 Proportion of young people who have completed year 12 or equivalent

(a) Question

In 2005, the government released an update to Growing Victoria Together, which set a target that by 2010, 90 per cent of young people in Victoria will successfully complete Year 12 or its educational equivalent. The department’s Annual Report indicates that there has been a steady increase in the percentage of young people who have completed year 12 or equivalent since 2001. If growth continues at the same rate for the coming years, it appears that the target will be met. 559

Please provide details of the programs that have contributed to these increases and indicate the specific demographics where growth has been experienced, including but not limited to:

- male / female;
- geographic region (suburb, rural / metro etc.);
- socio-economic groups; and
- ethnic background.

558  Department of Education, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 5 February 2008, pp.26–29
559  Department of Education Annual Report 2006-07, p.15
Please also provide details of how the department intends to improve completion rates in schools or regions where there has been less or no growth.

**Response**

The rate of completion of Year 12 or its educational equivalent by young people is calculated by the Australian Bureau of Statistics (ABS) from its sample Survey of Education and Work. The ABS has advised that its survey sample will not support the breakdown of the rate of completion below the whole of state level, for example by region or other demographic characteristic.

The department also reports completion of Year 12 or equivalent completion at age 19 in the Annual Report. This measure is sourced from Victorian Certificate of Education (VCE) and Victorian Certificate of Applied Learning (VCAL) completion results from the Victorian Curriculum Assessment Authority and Vocational Education and Training (VET) certificate completion results from the Department of Innovation, Industry and Regional Development. It is possible using this measure to provide further breakdowns on the following specific demographics where growth has been experienced on this measure:

- the increase in the Year 12 or equivalent completion rate has been approximately the same for both males and females. However, the rate for females remains higher than that for males;
- in metropolitan Melbourne, the department’s Eastern Metropolitan and the Northern Metropolitan Regions have shown strong increases in their local Year 12 or equivalent completion rates. In non-metropolitan Victoria, the same is true of the Barwon South West and Hume Regions;
- from 2004 to 2006, the Year 12 or equivalent completion rate increased by 1.5 percentage points, this increase coming from an increase in completion in VCAL and VET certificates and a slight decline in the contribution from VCE completions; and
- in 2006, approximately 50 per cent of young people aged 19 years, who had not completed Year 12 or its equivalent, were located in just 15 (of Victoria’s 79) Local Government Areas. These Local Government Areas were associated with lower socio-economic status, urban fringe areas and provincial cities.

Statewide programs that have contributed to the increase in Year 12 or equivalent completion rates are:

**Expanding provision**

The expansion of the options available to young people in the senior secondary years has been a key approach to improving Year 12 completion rates. The approach has included:

- ongoing reform of the VCE to allow the inclusion of a very broad range of VET in Schools options and the capacity for these to contribute to a student’s university entrance score;
- the introduction of the applied senior secondary certificate, VCAL; and
- supporting young people wanting to pursue a trade with an improved number of pre-apprenticeship programs.

VET in Schools programs comprise nationally recognised VET certificates undertaken by students as part of their VCE or the VCAL. The VET units count towards both the completion of the VCE or VCAL and towards the attainment of a VET qualification. The department’s recent statement on...
Forward Directions for Vocational Learning in Schools reaffirms its ongoing commitment to VET in Schools as an important option for young people in the senior secondary years.

The VCAL was introduced as a second senior secondary certificate in 2003, to provide an applied learning program of studies for students seeking destinations in apprenticeships, traineeships, further vocational training or employment. VET in Schools is a compulsory component of the Intermediate and Senior levels of VCAL and also a popular option for many students undertaking the VCE. VCAL and VET in Schools programs are now provided in most government schools.

### Managed individual pathways

The Managed Individual Pathways (MIPs) program ensures that all students 15 years and older in government schools have current individual pathway plans and associated support to enable a successful transition through the post compulsory years to further education, training or full-time employment. It includes additional support for students at risk of disengaging or not making a successful transition.

The Students at Risk Mapping Tool was developed to support MIPs by assisting schools to identify students who have characteristics that are known to increase the risk of early school leaving. The Mapping Tool uses data from the school CASES21 database, including data on attendance, literacy and numeracy, and assists schools to map and evaluate the support they are providing.

To further strengthen the Mapping Tool, the department has commissioned a research project to investigate the intervention strategies that are most effective at re-engaging and supporting students at risk of early school leaving.

### Youth transition support initiative

The Youth Transition Support Initiative provides funding for the employment of 24 transition support workers across 12 Local Learning and Employment Network areas in Victoria. Transition support workers provide personalised assistance to disengaged young people aged 15 to 19. The aim of the assistance is for the young person to achieve a sustainable education, training or employment outcome.

### Local learning and employment networks

Local Learning and Employment Networks (LLENs) are a key initiative of the Victorian Government. The statewide network of 31 LLENs was established in 2001 and 2002 to bring together a range of local stakeholders including education providers, industry and local government to broker partnerships and initiatives aimed at improving the education, training and employment outcomes of young people 15 to 19 years of age particularly those most at risk. The Minister recently confirmed that the LLEN initiative will be funded for a further three years (2009-2011).

### Regional youth commitments

Regional Youth Commitments are in various stages of development in eight of the nine departmental regions. These commitments aim to put in place local integrated arrangements to ensure all young people aged 15 to 19 years of age are engaged in education or training until they attain Year 12 or equivalent qualification. A formative evaluation of Regional Youth Commitments is being conducted in 2008.
The department’s Office for Government School Education’s primary objective is to improve the educational outcomes of every student in every government school, irrespective of their economic or social circumstances, or geographic location.

As such, the core work of the Office is focused on building the capacity of each level of the government school system (teachers, leaders, regional and central office personnel) to more effectively support the delivery of high quality instruction designed to improve the performance of all Victorian students.

Enhancing the educational offer is critical to retaining Victorian students in some form of education until Year 12 or equivalent. Building the capacity of school leaders to actively support the learning and development of teachers is a central element of the department’s school improvement strategy. The knowledge and skills of teachers is the critical factor in delivering high quality instruction that engages students and increases the likelihood that they will learn and remain within a school setting and complete Year 12.

This school improvement strategy is supported by a comprehensive suite of programs and policies such as Managed Individual Pathways, Local Learning and Employment Networks and Regional Youth Commitments. According to the department they together provide Victoria with the best opportunity to meet its Growing Victoria Together target by 2010.

The nine regional offices are actively implementing the department’s school improvement strategy and championing the various initiatives that expand the education and training options available to students in their senior secondary years, such as pre-apprenticeship programs, VET and VCAL.

**Committee comment**

The Committee noted the increase in the Year 12 or equivalent completion rate by 1.5 percentage points between 2004 and 2006 with an increased contribution from VET and VCAL. The Committee believes the department will need to monitor the declining trend in the contribution from VCE completions over this period.

The Committee also noted that the department needs to continue to adapt regional and sub-regional strategies to ensure continued improvement in completion rates in all areas across Victoria.

### 19.5.4 Increase in school revenue

**(a) Question**

The department reported a 50 per cent increase ($231 million) in income from ‘School Revenue’ from 2005-06 to 2006-07. Please explain the nature of school revenue and the reason for this substantial increase.

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561 Department of Education Annual Report 2006-07, p.78
Response

School Revenue, as reported in the annual accounts, represents the consolidated total gross receipts from all school activities. It includes cash received for Subject Contributions, camps, excursions and related activities, donations and fundraising activities and the numerous school trading operations. The income is recorded as a gross figure, with the costs associated with the activities included in supplies and services expenditure figure in the Operating statement. The supplies and services figure is further broken down as part of Note 3 (f) to the Accounts.

The charges for Subject Contributions and class materials are set at the school level by the School Council in accordance with the department’s published guidelines. Similarly charges for camps, excursions and other activities are also set at the school level and the School Council is responsible for the conduct of any fundraising activities.

The policy in relation to the disclosure of the school bank account balance in the annual financial statements was amended for the 2006-07 financial year. Previously the balance reported represented the balance as at the preceding December 31, being the date at which the accounts of the individual schools had been audited. For the 2006-07 year the balance reported was the balance as at June 30, being the department’s reporting date. This change was supported by both the Department of Treasury and Finance and the Victorian Auditor-General’s Office.

For the years where the December account balance was disclosed, the impact of any adjustment to amend the ledger figure to align with the December figure was processed against the School Revenue figure. In 2006-07, no such adjustment was made and the impact of this on the revenue value reported, and the final operating result recorded, is disclosed in the ‘statement of Recognised Income and Expenses’ and Note 5 to the accounts.

The result of this change in Accounting Policy was to make the growth in the reported School Revenue figure appear significantly larger than the actual increase in the consolidated funds received by schools. 562

19.6 Department of Innovation, Industry and Regional Development

19.6.1 Unmet industry demand for university graduates – impact on the economy

(a) Question

In January 2007, the Minister for Skills commissioned a study to identify unmet industry demand for university graduates and the impact of this on the Victorian economy. 563

Please provide the terms of reference for this study along with details of key milestones and progress achieved. Please also provide details of any preliminary or final findings of the study and identify the steps taken by the department to address them.

562 Department of Education, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 5 February 2008, p.33
563 Department of Innovation, Industry and Regional Development, Annual Report 2006-07, p.39
Response

The study was commissioned to:

- identify the number and type of higher education graduates Victorian industry requires to meet its skill needs (demand);
- identify how many graduates, on the basis of current higher education delivery, will be equipped with the skills necessary to meeting industry need (supply); and
- undertake a gap analysis of industry demand for graduates relative to graduate supply.

Timelines are set out in table 19.6

Table 19.6  Unmet industry demand for university graduates – impact on the economy
Timelines for completing the study

<table>
<thead>
<tr>
<th>Timelines</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2007</td>
<td>Tenderer selected and analysis commenced</td>
</tr>
<tr>
<td>June 2007</td>
<td>Consultation with Industry Reference Group</td>
</tr>
<tr>
<td>11 October 2007</td>
<td>Study report publicly released (a)</td>
</tr>
</tbody>
</table>


The department advised that:

- the study forecasts that by 2022, Victoria will require that 78 per cent of the workforce to have a post-school qualification (36 per cent required to have a higher education qualification and 42 per cent a VET qualification); and
- it is forecasted that Victoria will require 694,000 graduates by 2022 and will have a shortfall of 49,000 graduates by 2022 (441,000 domestic graduates and 204,000 graduates from other sources = 645,000)

The study reports projected shortfalls in two key discipline areas:

- sciences, agriculture and environment; and
- engineering, architecture and building.

Victoria therefore requires 18,000 more postgraduate commencements (1,200 per year) and 137,000 bachelor degrees (9,000 per year) between 2008 and 2022.

The Committee was advised that the study’s findings are informing discussions with the Commonwealth over greater allocation of Commonwealth supported higher education places and the need for a new industry-based funding allocation framework.\(^{564}\)

\(^{564}\) Department of Innovation, Industry and Regional Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 29 January 2008, p.50
19.7 Department of Premier and Cabinet

19.7.1 Progress achieved in implementing the strategy slv21 – Creating the Library of the 21st Century

(a) Question

The 2006-07 budget allocated $25.2 million over four years, with $5.8 million provided in 2006-07, for the State Library of Victoria: Creating the Library of the 21st Century. The funding is to be used ‘to implement a digitised service model, including extending existing services to customers, both online and on-site, and increasing the range and quality of information available to all Victorians through the State Library of Victoria.’

Please outline the planned tasks and related time and cost targets for the initial use of this funding in 2006-07 together with the actual position at 30 June 2007.

Response

The strategy slv21 – Creating the Library of the 21st Century is being delivered by the State Library of Victoria through nine interconnected strategic initiatives. A range of projects and programs were implemented in 2006-07 including acceleration of digitising heritage items for online access; acquisition of electronic resources; and delivery of programs to encourage greater community engagement and participation.

The majority of the 2006-07 slv21 budget was expended by 30 June 2007 with $0.7 million carried over to 2007-08 to complete a number of projects delayed due to recruitment and procurement. This is not expected to impact significantly on the overall slv21 program or costs.

Committee comment

The Committee will look for a comprehensive report on progress in implementing this initiative as it monitors it over the remaining period of the project.

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565 Budget Paper No.3, 2006-07 Service Delivery, pp.325–326
566 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 April 2008, p.19
CHAPTER 20: HEALTHY ENVIRONMENT

Key findings of the Committee:

20.1 The Office of Climate Change (OCC) was established to develop and drive a whole of economy approach to climate change early in 2007. The OCC has developed a Declaration on Climate Change that was adopted by all state and territory leaders in February 2007 and has coordinated Victoria’s whole of government input into the establishment of a National Emissions Trading Scheme.

20.2 Funds totalling $182 million have been committed to grants under the Energy Technology Innovation Strategy out of a funding allocation of $191.7 million. The emphasis of these grants is on early stage research and development of new energy technologies relating to brown coal and carbon capture and storage. Implementation of initiatives under the Strategy will gather momentum during the period 2007-08 to 2009-10 in line with the timing of allocated funds.

20.3 The Towards Zero Waste Strategy was launched in September 2005 and committed Sustainability Victoria to provide annual assessments of its progress towards achieving the objectives of the strategy. The progress report for 2005-06 was released during November 2007. Sustainability Victoria indicated that complex collection and verification methods used to ensure accurate data were responsible for the delay and informed the Committee that data collection processes have been streamlined to reduce the time lag.

20.4 As a result of the prolonged hot dry period of hot weather experienced during 2006-07, City West Water (CWW) experienced an increased number of water related faults. CWW increased maintenance resources, revised the management of lower priority jobs and modified their approach to water main shutdowns. This additional activity resulted in an additional $1.9 million in costs. The Committee noted that steps taken to reduce overall water loss from bursts and leaks have resulted in some timeliness targets being exceeded.

20.5 South East Water (SEW) experienced an approximate 25 per cent increase in bursts and leaks during 2006-07. SEW met its timeliness targets for priority one bursts and leaks but did not meet targets for priority two or three bursts and leaks. SEW explained to the Committee that the increased response times for priority two bursts and leaks was a direct result of the increased workload and was also impacted by legislative changes regarding traffic management. The Committee observed that SEW has taken significant action to reduce the time taken to respond to priority three bursts and leaks and has reduced the average response time by 352 minutes.

20.6 Yarra Valley Water (YVW) indicated to the Committee that despite an increase in water burst and leak volumes during 2006-07, their response times fell by 3.2 per cent for major bursts and leaks and 2.4 per cent for minor leaks.
20.7 SEW assured the Committee that the Flinders Backlog Sewerage project which aims to bring reticulated sewerage to 800 residential and commercial properties on the Mornington Peninsula is tracking in line with the initial timelines and that no amendments have been made to the initial budget or timelines. The total estimated cost of this project is $33.7 million.

20.8 Water industry complaints to the Energy and Water Ombudsman of Victoria (EWOV) have increased by approximately 20 per cent from 2004-05 to 2006-07. SEW informed the Committee that this is considered to be due to a greater awareness of EWOV rather than any change to practices of approach to complaints handling. During 20060-07, 57 per cent of level three complaints received in relation to SEW related to billing and land issues.

20.9 Seventeen YVW customers experienced more than three sewer blockages during 2006-07. YVW informed the Committee that as a result of the dry weather, tree roots are more aggressively seeking moisture through pipe joints in the sewerage system. YVW has targeted customers experiencing two or more blockages during the last 12 months for investigation and rehabilitation.

20.1 Introduction

As part of the process of inquiring into financial and performance outcomes for 2006-07 (2005-06 where considered appropriate), the Committee raised various questions which emanated primarily from an analysis of information contained in the annual reports of departments and certain related agencies as well as a wide range of other material that included previous budget papers, government policies/initiatives, Auditor-General’s reports and departmental plans.

These lines of inquiry contained in the Committee’s outcomes questionnaire together with the responses provided by government agencies have been categorised by the Committee and reported according to the various elements of the government’s policy vision – Growing Victoria Together to which they relate.

This style of reporting on financial and performance outcomes continues the initiative taken by the Committee in the presentation of material in its Report on the 2007-08 Budget Estimates – Part Three whereby linkages were drawn between the government’s Growing Victoria Together initiative and the state’s budget, the Auditor-General’s Annual Plan and the Committee’s reporting responsibilities in terms of inquiring into the budget estimates and relates outcomes. As such, the direction taken by the Committee completes the trilogy of aligning government policy with the delivery of government outcomes, external audit and parliamentary oversight.

20.2 Linkage of issues examined to the government’s Growing Victoria Together initiative

This chapter, which covers the Healthy Environment vision of the government’s Growing Victoria Together (GVT) initiative, contains outcome-related comments pertaining to 9 issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will provide an avenue for promoting debate and lay the basis for further follow-up as part of the impending inquiry by the Committee into the 2008-09 budget estimates.
Issues selected by the Committee for examination aligned to the GVT goals cover the following topics:

**Protecting the environment for future generations**
- office of climate change activities and cross departmental coordination; and
- development of water management plans by top water users.

**Efficient use of natural resources**
- energy technology innovation strategy grants;
- towards zero waste strategy;
- water main burst and leak response measures;
- unplanned water supply interruptions;
- sewerage issues;
- energy and water ombudsman of Victoria complaints and disputes; and
- customer service outcomes.

**Protecting the environment for future generations**

20.3 Department of Premier and Cabinet

20.3.1 Office of Climate Change activities and cross departmental coordination

(a) Question

The Department of Premier and Cabinet indicated that the Office of Climate Change (OCC) is leading a whole of government approach to climate change issues and is working collaboratively with government departments to make action on climate change a priority.567

Please outline the mechanisms and procedures established by OCC for ensuring effective interactions with the various departments and for achieving agreement on the content of climate change policies with operating units across government up to 30 June 2007.

Response

OCC commenced operation in early 2007 and is overseen by a Deputy Secretary and a Director.

OCC was established to develop and drive a whole of government, whole of economy approach to climate change. OCC seeks to integrate climate change policy across the Victorian government to ensure that climate change is addressed as a core issue within economic, social and environmental

567 Department of Premier and Cabinet, 2006-07 Annual Report, p.23
policy development. OCC is focused on policy development and coordination and does not have direct programmatic responsibilities. Programs are delivered by a range of government agencies.

OCC regularly provides advice to the Premier, and the Minister for Environment, Climate Change and Innovation. OCC works closely with the Garnaut Climate Change Review secretariat, a joint project with other states and territories, located in the Victorian Department of Premier and Cabinet.

OCC is responsible for policy coordination with other state governments as well as the Commonwealth Government of Australia. In support of these objectives, OCC is:

- examining the physical impacts of climate change and the impacts of carbon constraint on sectors and regions across Victoria;
- determining the most appropriate policy levers for the Victorian Government to use; and
- playing an advocacy role within a national policy context.

Some of OCC’s achievements in 2006-07 include:

- developing a Declaration on Climate Change that was adopted by all state and territory leaders in February 2007;
- working with Californian counterparts to develop a Memorandum of Understanding that was signed by the former Premier, the Hon. Steve Bracks and Governor Arnold Schwarzenegger in May 2007; and
- coordinating Victoria’s whole of government input into the establishment of a National Emissions Trading Scheme. 568

20.4 Development of water management plans by top water users

20.4.1 City West Water

(a) Question

In relation to the development of water management plans by the top water users, please provide the reasons why the following customers, while indicating that they will participate in the WaterMAPs program, had not developed a water MAP in 2006-07: 569

- Mrs Crocketts Properties Pty Ltd;
- Myer Pty Ltd (NB Lonsdale Pty Ltd); and
- QV Property Management Pty Ltd.

568 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 April 2008, pp.19–20
569 City West Water Limited, 2007 annual report, pp.13–14
Response

The Pathways to Sustainability program for Melbourne’s Top 200 water users was initiated in 2003.

At that time the highest 200 non-residential water users across the three Melbourne retail water companies were selected to participate in a voluntary program to prepare water management action plans (waterMAP). Of these 200, CWW had 104 customers operating in its area.

Of the three customers mentioned, only Myer Pty Ltd (NB Lonsdale Pty Ltd) was selected to participate in the original top 200 program because its water consumption at the time placed it in Melbourne’s Top 200 non-residential users. Mrs Crockets Properties Pty Ltd and QV Property Management Pty Ltd were not part of the original top 200 program as their consumption was not sufficient to be in the Top 200.

As of June 2007 CWW had received waterMAPs from all of its customers in the top 200 group except Myer.

In August 2007, the retail water companies’ Permanent Water Saving Plans (PWSP) (under the provisions of the Water Industry Act 1994) were amended to make mandatory the preparation of waterMAPs for all customers using 10 million litres per year or more of potable water.

CWW has subsequently worked with all three customers under the mandatory PWSP requirements and both Mrs Crockets Properties Pty Ltd and QV Property Management Pty Ltd submitted waterMAPs by the due date of 31 December 2007. Myer Pty Ltd (NB Lonsdale Pty Ltd) has submitted a draft waterMAP and continues to work with CWW to develop the water MAP.570

20.4.2 South East Water

(a) Question

In relation to the extent to which South East Water’s (SEW) major customers’ had participated in water conservation programs, please provide the reasons why the following customers had not developed a water management plan in 2006-07:

- Cadbury Schweppes Pty Ltd;
- Ernest Smith Contracts Ltd; and
- Ridders Fresh Pty Ltd.

570 City West Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, pp.23–24
Response

Subsequent to the finalisation of the 2006-07 annual report, the above-mentioned customers have completed and submitted their respective water management plans to SEW.\textsuperscript{571}

Committee comment

The Committee noted the progress achieved with the development of savings plans for the top water users (initially the top 200 and subsequently users of 10 million litres or more per year). It is surprised that, nearly five years after the introduction of waterMap, Myer Pty Ltd (NB Lonsdale Pty Ltd has failed to finalise a plan.

The Committee recommends that:

Recommendation 66: City West Water should require Myer Pty Ltd (NB Lonsdale Pty Ltd) to finalise and implement its waterMAP by 30 June 2008.

Efficient use of natural resources

20.5 Department of Primary Industries

20.5.1 Energy technology innovation strategy grants

(a) Question

In 2006-07, the Department of Primary Industries committed funding towards Energy Technology Innovation Strategy (ETIS) grants. Recipients of the grants were required to comply with a number of reporting requirements, such as meeting the project objectives and milestones as determined by their annual project plan.

In relation to climate change, the Department of Primary Industries committed funds to a number of grants under the Energy Technology Innovation Strategy for projects to develop clean coal technologies.\textsuperscript{572} The Committee asked the following three questions:

- what was the total funding for 2006-07;
- please list the 10 largest recipients; and
- please describe the framework that has been put in place for assessing outcomes delivered from this funding for example deliverables, timelines and targets.

\textsuperscript{571} South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.16
\textsuperscript{572} Department of Primary Industries, Annual Report 2006-07, p.6
Response

What was the total funding for 2006-07?

After consideration of the department’s initial response to this question, the Committee sought additional information which is reflected in the information presented in the following paragraphs.

The 2005-06 budget allocated funds totalling $103.5 million over the five year period to 2009-10 to the Energy Technology Innovation Strategy. The major portion of this funding, $85.1 million, was provided for spending during the period 2007-08 to 2009-10. Since the 2005-06 budget, additional funding of $88.2 million had been provided for initiatives under the Strategy, resulting in a total funding allocation of $191.7 million. A further $127.4 million was announced on 30 April 2008 as part of a second generation ETIS.

Funds now committed to grants under the Strategy total $182 million and include allocations totalling $130 million for the following large scale technology demonstration projects:

- $50 million – HRL Integrated Drying and Gasification Combined Cycle;
- $30 million – Hazelwood 2030 International Power; and
- $50 million Solar Systems.

The difference between funds available and funds committed, $9.7 million, represents the estimated base operating costs over the life of the Strategy’s commitments, which is around 5 per cent of total funds.

Expenditure relating to the Strategy in 2005-06 and 2006-07 amounted to $20.5 million.

Commitments totalling $93.6 million were approved by the department in 2006-07 and related to the initial funding allocation of $103.5 million identified in the 2005-06 budget.

Please list the 10 largest recipients

The 10 largest grants to develop clean coal technologies committed in 2006-07 are detailed in table 20.1

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573 Budget Paper No 3, 2005-06 Service Delivery, p.296
### Table 20.1: Energy Technology Innovation Strategy grants committed during 2006-07

<table>
<thead>
<tr>
<th>Recipient</th>
<th>Amount ($ million)</th>
<th>Project</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Two Large Scale Technology Demonstration Projects (LSDPS)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HRL Development</td>
<td>50.0</td>
<td>Proposed 400MW Integrated Drying &amp; Gasification Combined Cycle (IDGCC) technology clean coal demonstration project.</td>
</tr>
<tr>
<td><strong>Ten Brown Coal Research Grants</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loy Yang Power &amp; CO2CRC</td>
<td>2.5</td>
<td>Latrobe Valley Post Combustion Carbon Dioxide Capture Project.</td>
</tr>
<tr>
<td>Cooperative Research Centre for Greenhouse Gas technologies (CO2CRC)</td>
<td>2.1</td>
<td>Pre-Combustion Carbon Dioxide Capture Technologies for Brown Coal Power Generation.</td>
</tr>
<tr>
<td>Monash University</td>
<td>1.3</td>
<td>Oxy-Fuel Combustion of Victorian Brown Coal.</td>
</tr>
<tr>
<td></td>
<td>0.6</td>
<td>Lignite for sludge dewatering, drying and waste-water clean-up</td>
</tr>
<tr>
<td></td>
<td>0.3</td>
<td>An Advanced Gasification Technology for Victorian Brown Coal.</td>
</tr>
<tr>
<td>HRL Technology</td>
<td>0.5</td>
<td>Advanced Materials Assessment – application and assessment of high chromium ferritic boiler steels and the use of creep resistant flux core weld repair procedures</td>
</tr>
<tr>
<td></td>
<td>0.5</td>
<td>Advanced detection of flaws in critical components of brown coal boilers with phased array.</td>
</tr>
<tr>
<td></td>
<td>0.4</td>
<td>Boiler Optimisation through management of coal flow in burner ducts using microwave technology and measurement of improvements to boiler efficiency.</td>
</tr>
<tr>
<td>AquEx</td>
<td>0.8</td>
<td>AquEx Brown Coal Dewatering Process</td>
</tr>
<tr>
<td>CSIRO Minerals</td>
<td>0.6</td>
<td>Modelling and Experimental Study of Dried Brown Coal Combustion.</td>
</tr>
<tr>
<td><strong>Carbon Dioxide Storage Trial</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CO2CRC Management Pty Ltd</td>
<td>4.0</td>
<td>CO2CRC Otway Project</td>
</tr>
</tbody>
</table>

Sources: Department of Primary Industries, response to the Committee's 2006-07 Financial and Performance Outcomes questionnaire – part two, p.22; supplementary material received by the Committee

Please describe the framework that has been put in place for assessing outcomes delivered from this funding for example deliverables, timelines and targets.

Outcomes from funding for Energy Technology Innovation Strategy grants for LSDP and the Brown Coal Research and Development grants are assessed according to the following reporting mechanisms incorporated into the agreement signed between the Victorian Government and the proponent:

- annual project plan – each applicant must provide an annual project plan outlining the framework for completion of the project, project milestones and budget, which must be implemented;
- review process – the parties are required to meet quarterly to review progress of the project. Variations to the Annual Project Plan require the department's consent;
• reporting requirements – each applicant is required to submit a number of reports throughout the project life (for example half-yearly reports, final report, post grant reports) for the purposes of tracking progress of the project. An audit opinion is also required to confirm receipt of contributions to the project from project participants, and expenditure on the project; and
• audit and inspection – the department is entitled to audit moneys expended from the grant and to inspect the records of separate agreements entered into for the project.

The Cooperative Research Centre for Greenhouse Gas Technologies (CO2CRC) Otway Project is managed by the CO2CRC for which the state government is a participant and is represented on the Board of management by the Department of Primary Industries. In relation to the CO2 storage pilot project, reporting against key milestones is provided to the department prior to the allocation of any progress payments and in addition there is separate reporting on the status of the project on a regular basis. Milestone reports are independently audited and departmental officers are regularly briefed on key issues pertaining to the project. The department has also played a key facilitation role in terms of supporting the project and assisting with key regulatory approvals. The results of this world class trial will provide critical information for understanding the application of carbon, capture and storage (CCS) within Victoria and is a crucial step in the development of this technology.574

Committee comment

The Committee is satisfied that adequate controls are in place to govern the administration of Energy Technology Innovation Strategy grants and the delivery of projects in receipt of grant funding.

Implementation of initiatives under the Strategy will gather momentum during the period 2007-08 to 2009-10 in line with the timing of allocated funding. The Committee looks forward to considering accelerated expenditure under the Strategy during these outyears.

20.6 Department of Sustainability and Environment

20.6.1 Towards zero waste strategy update

(a) Question

In September 2005, the Towards Zero Waste (TZW) strategy was launched. This 10 year strategy identified targets and strategies for Victorians, ranging from households to businesses and schools, to changes the way that waste is managed, so that fewer useable resources end up as landfill.

The TZW strategy committed Sustainability Victoria to prepare annual assessments of its progress in achieving the strategy’s targets, with results being communicated to all stakeholders via the internet and other channels.575

574 Department of Primary Industries, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.23
Please provide details of the 2005-06 and 2006-07 annual assessment reports and advise where stakeholders may access the reports.

Response

The Towards Zero Waste Strategy 2005-06 Progress Report was released on 19 November 2007, and can be found on Sustainability Victoria’s website – www.sustainability.vic.gov.au. This report is the most recent report available.

The time lag in releasing Progress Reports is due to the complex collection and verification methods used to ensure accurate data. Work is currently underway to streamline the data collection process in conjunction with local governments, regional waste management groups and reprocessors to reduce this time lag.  

20.7 Water main burst and leak response measures

20.7.1 City West Water

(a) Question

City West Water (CWW) burst and leak activities for the year were significantly above target set of 2006-07 and the previous year’s level as a result of the prolonged period of hot dry weather. Despite this increased workload, CWW was able to attend to bursts and leaks in an average timeframe that was less than the target for each of the three priority areas in 2006-07 (for example the average time taken to attend priority 1 bursts and leaks was 24.5 minutes compared with the target of 26 minutes). The Committee requested the following information from CWW:

- please outline the response measures implemented to achieve these outcomes for 2006-07, given the prolonged period of hot dry weather that was experienced; and
- what were the financial/resourcing implications involved in achieving these response timeframes in 2006-07?

Response

A significant increase in water related faults occurred over the 2006-07 summer as shown in the following figure 20.2

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576 Department of Sustainability and Environment, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 15 February 2008, p.22
577 City West Water Limited, 2007 Annual Report, p.6
578 City West Water Limited, 2007 Annual Report, p.7
In response to the increased activity levels, CWW increased maintenance resources, revised management of lower priority jobs and modified the approach to water main shutdowns.

The increase in the resources included the following:

- civil maintenance contractor engaging additional subcontractors to support maintenance staff;
- engaging additional staff in the Operational Control Centre to manage increased call volumes and also after-hours calls regarding water restrictions;
- utilising sewer maintenance personnel to undertake water main repairs, and supplementing sewer crews with subcontractors;
- engaging leak detection specialists to speed up the location of reported leaks;
- encouraging existing civil maintenance contractor field staff to volunteer for overtime to improve coverage on weekends and public holidays;
- assistance (where required) from CWW Engineering staff with site auditing and management of road reinstatements; and
- engaging hydro-excavation equipment to reduce time required to expose water mains.

Management of lower priority P3 jobs (for example slow leaks or leaking meters) was achieved by the establishment of a dedicated team to manage these works. This was undertaken to ensure that the focus of responding to high-priority (P1 and P2) bursts/leaks did not result in P3’s being overlooked.
The increased activity levels resulted in higher than anticipated costs totalling $1.9 M for the repair of burst mains, leaking mains and domestic services (property connections).

20.7.2 South East Water

(a) Question

The time taken to respond to priority three bursts is disclosed in the annual report on a monthly basis for 2006-07.

Please quantify the average time taken to respond to priority one, two and three bursts and leaks compared with target for 2006-07, together with an explanation for any variations that exceed 10 per cent.

Response

A burst or leak is defined by the ESC as ‘an unplanned event in which water is lost which is attributable to failure of a pipe, hydrant, valve, fitting or joint material (being the mains and trunk infrastructure, excluding the mains to meter connections) regardless of cause. A burst or leak may not necessarily result in loss of supply’. The ESC has also set three types of priority for bursts and leaks and these are defined in table 20.3.

Table 20.3: South East Water
Target and Actual Results for Priority 1-3 Bursts and Leaks

<table>
<thead>
<tr>
<th>Burst and leaks</th>
<th>2005-08 Water plan target</th>
<th>2005-06 Result</th>
<th>2006-07 Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority 1 means a burst or leak which causes, or has the potential to cause,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>substantial damage or harm to customers, water quality, flow rate, property or</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>the environment.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>40.5</td>
<td>37.1</td>
<td>37.0</td>
</tr>
<tr>
<td>Priority 2 means a burst or leak which causes, or has the potential to cause,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>minor damage or harm to customers, water quality, flow rate, property or the</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>environment.</td>
<td>119.6</td>
<td>100.5</td>
<td>126.6</td>
</tr>
<tr>
<td>Priority 3 means a burst or leak which is causing no discernible impacts on</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>customers, property or the environment.</td>
<td>655</td>
<td>1,385</td>
<td>1,033</td>
</tr>
</tbody>
</table>

Source: South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.25

Priority 2 response times rose over the 2006-07 summer period due to an approximate 25% increase in bursts and leaks when compared with previous years. This increase in bursts was attributed to the ongoing impact of the drought on ground conditions which results in ground movement and cracking, tree root expansion etc, which in turn places pressure on pipes and other infrastructure. In addition, more extensive traffic management control is now required by Victorian legislation which can cause unexpected delays and a corresponding increase in response times.

579 City West Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, pp.19–20
Prior to January 2007, South East Water's practice was not to inspect Priority 3 leaks when they were reported. The focus was on good over-the-phone diagnosis and then to concentrate on actually rectifying the leak rather than just inspecting. However, in the first half of 2006-07, we reviewed our approach due to:

- increased media focus on our response times during a period of drought;
- the impact of advertising indicating the importance of saving water; and
- customer expectations and questions through our call centres.

With the increased focus in these areas it was considered appropriate to introduce a more proactive approach to attending to Priority 3 bursts and leaks. As a result, three fuel efficient and safe SMART vehicles were introduced. These appropriately identified and equipped vehicles were able to quickly attend and rectify, where practical, minor leaks. The vehicles have the technology and equipment to support and complement the existing teams but are more visual and independent of major burst and leak works undertaken by the trucks currently responding in these areas.\(^{580}\)

### 20.7.3 Yarra Valley Water

**(a) Question**

In terms of Yarra Valley Water providing a quality service to its customers, please quantify/describe:\(^{581}\)

- the additional field resources that were applied to responding to water main bursts and leaks in 2006-07 and the new methods of service response that were developed\(^{582}\); and
- the impact that the additional resources had in terms of improving response times for attending to water main bursts and leaks (please provide comparative data for 2005-06 and 2006-07).

**Response**

We closely monitored the level of repair activity and increased our resources by 30% over the 2005-06 summer. In partnership with our maintenance contractor, Bilfinger Berger Services (BBS), existing resources were maximised and additional resources engaged as follows:

- three additional sub-contractor crews were engaged to focus on repairs over weekends and public holidays;
- four additional sub-contractor crews assisted with burst and leak repairs and attend leaking domestic services;
- three crews from BBS gas industry were brought over to assist with bursts and leaks;
- four BBS construction crews were diverted to water maintenance works;
- three additional assessors were engaged which were specific personnel to assess reports of bursts and leaks; and

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\(^{580}\) South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.26


• work priorities were shifted for two sewer crews that moved on a semi-permanent basis to water maintenance work.

New methods of service response included:

• staggering crew start times to provide maximum coverage across the day;
• newly purchased trucks and equipment minimising downtime; and
• instigating improved communication processes to keep customers informed of the progress of works.583

Despite an increase in water burst and leaks volumes between 2005-06 and 2006-07, our response times improved as indicated in table 20.4:

<table>
<thead>
<tr>
<th>Table 20.4: Yarra Valley Water Response times to bursts and leaks</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Volumes</strong></td>
</tr>
<tr>
<td>Minor leaks</td>
</tr>
<tr>
<td><strong>Total response times (min)</strong></td>
</tr>
<tr>
<td>Minor leaks</td>
</tr>
<tr>
<td><strong>Average response times (min)</strong></td>
</tr>
<tr>
<td>Minor leaks</td>
</tr>
</tbody>
</table>

Source: Yarra Valley Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.11

20.7.4 Committee comment

The Committee noted that, in spite of an increased incidence of leaks due largely to drought, the water authorities overall improved response times with the exception of South East Water for priority 2 leaks.

20.8 City West Water: unplanned water supply interruptions

(a) Question

Please explain the factors that contributed to the average time of unplanned water supply interruption of 118.8 minutes during 2006-07 exceeding the target of 106 minutes (96 minutes achieved in 2005-06)584,585

583 Yarra Valley Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.10
584 City West Water Limited, 2006 Annual Report, p.3
585 City West Water Limited, 2007 Annual Report, p.7
Response

In light of the drought conditions over summer and the increased focus on water loss, a change in practice when responding to burst water mains was implemented in late January so that water is turned off immediately – as opposed to the pre-existing practice whereby flow was restricted, but not turned off until a crew arrived to commence repairs, unless there is a threat to public health or significant community or business disruption.

The change of practice resulted in fewer calls to the Operational Control Centre from customers wishing to report a leak that had already been reported, and also addressed community concerns regarding the extent of water losses from burst mains.

This change in practice had an impact on two KPI’s (Unplanned water interruptions restored within 5 hours and Average duration of unplanned water supplied interruptions). The Essential Services Commission was notified of this change in practice and meetings were held with local media and advertisements placed in local papers to explain this change in practice. 586

Committee comment

The Committee is pleased to observe that CWW has implemented measures to reduce overall water loss and accepts that this may in turn increase the duration of the interruption.

20.9 South East Water: Flinders backlog sewerage project update

(a) Question

The SEW annual report discloses that the Flinders Backlog Sewerage Project will bring reticulated sewerage to some 800 residential and commercial properties on the Mornington Peninsula. The project also includes the construction of a 16 kilometre pressure main to transfer wastewater to the Somers Sewage Treatment Plant and an extra pumping station near Shoreham. Please provide the Committee with breakdown of the status of this project.

Response

The Flinders Backlog Sewerage Project is still in progress. The total budget for this project as approved by the Treasurer and the actual costs incurred as at 30 June 2007 are as outlined in table 20.5.

586 City West Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, pp.20–21
Table 20.5: South East Water 
Flinders backlog sewerage project budget and expenditure 2006-07

<table>
<thead>
<tr>
<th>Project element</th>
<th>Total budget Per Treasurer’s approval ($ million)</th>
<th>Actual at 30 June 2007 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reticulated Pipework [Flinders, Shoreham and Point Leo]</td>
<td>21.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Transfer System</td>
<td>11.9</td>
<td>3.5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>33.7</strong></td>
<td><strong>5.5</strong></td>
</tr>
</tbody>
</table>

Source: South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.17

Consistent with the actual costs incurred as at 30 June 2007, each major phase of the project was in line with initial timelines and no amendments have been made to the initial budget and timelines. No properties were connected to reticulated sewerage as at 30 June 2007 as the project was still in its early stages.\(^{587}\)

20.10 South East Water: Energy and Water Ombudsman of Victoria complaints and disputes

(a) Question

With regard to disputes between customers and providers, the annual report discloses that cases investigated by the Energy and Water Ombudsman (Victoria) have grown about 20 per cent since 2005. The Committee requested the following information from SEW:

- please quantify the number of complaints to the Energy and Water Ombudsman (Victoria) in 2004-05, 2005-06 and 2006-07;
- please provide a summary of the common features of the nature of complaints received;
- what has been the most usual form of corrective action taken to resolve these disputes? and
- of the complaints received in 2004-05, 2005-06 and 2006-07, please outline the proportion that have been satisfactory resolved and those where the investigation is still in progress.

Response

The Energy and Water Ombudsman (Victoria) (EWOV) takes cases at three basic levels. These are:

Level 1 – if a customer has not contacted the company, EOWV will either answer the enquiry or refer the caller back to the company’s call centre. EOWV will not deal with a matter that the company has not had an opportunity to address. In many cases this involves a customer simply confirming with EOWV that the water business has been accurate in the information they have provided.

\(^{587}\) South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.17
Level 2 – if the customer has contacted the company once, but only via the general enquiries line, EWOV requires the company to contact the customer within 24 hours to resolve the issue.

Level 3 – the customer has raised the matter at a higher level within the company and it remains unresolved. In these cases the company is only allowed to deal with the customer through EWOV and has to provide a written response to the matter to EWOV.

EWOV measures complaints against each company’s market share. In South East Water’s case, we have a 39% share of the customers in Melbourne and therefore we are benchmarked against that 39% for all complaint cases. Comparisons of our complaint numbers against our market share and the other metropolitan water retailers are provided in tables 20.6 and 20.7. At no stage has South East Water received more than its market share of complaints.588

| Table 20.6: South East Water EWOV level 3 cases 2004-05 to 2006-07 |
|----------------------|----------------|----------------|----------------|----------------|
|                      | Market share | 2004-05 (%)   | 2005-06 (%)    | 2006-07 (%)    |
|                      | (%)          | (number)      | (%)            | (number)       |
| SE Water             | 39           | 27            | 29             | 46             |
| CW Water             | 20           | 27            | 29             | 78             |
| YV Water             | 41           | 40            | 42             | 48             |
| Total                | 100          | 94            | 100            | 172            |

| Table 20.7: South East Water EWOV total cases 2004-05 to 2006-07 |
|----------------------|----------------|----------------|----------------|
|                      | Market Share | 2004-05 (%)   | 2005-06 (%)    | 2006-07 (%)    |
|                      | (%)          | (number)      | (%)            | (number)       |
| SE Water             | 39           | 185           | 27             | 209            |
| CW Water             | 20           | 167           | 25             | 374            |
| YV Water             | 41           | 326           | 48             | 208            |
| Total                | 100          | 678           | 100            | 791            |

When comparing complaint numbers to the other utilities under the jurisdiction of EWOV, the water industry fares very well as shown in table 20.8. As can be seen from the table, water industry complaints have increased some 20% over the three year period (similar to South East Water’s increase over the same period). This increase is considered to be due to a greater awareness amongst customers of the existence of EWOV rather than any change to practices or approach to complaints handling.589

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588 South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.21
589 South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.22
Table 20.8: South East Water
Total complaints by industry sector 2004-05 to 2006-07

<table>
<thead>
<tr>
<th>Complaints</th>
<th>Water</th>
<th>Gas</th>
<th>Electricity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004-05</td>
<td>1,256</td>
<td>3,882</td>
<td>13,491</td>
</tr>
<tr>
<td>2005-06</td>
<td>1,303</td>
<td>3,528</td>
<td>12,636</td>
</tr>
<tr>
<td>2006-07</td>
<td>1,484</td>
<td>3,888</td>
<td>11,909</td>
</tr>
</tbody>
</table>

Level 3 complaints received during 2006-07 are categorised in table 20.9.

Table 20.9: South East Water
Level 3 complaints received during 2006-07

<table>
<thead>
<tr>
<th>Issue</th>
<th>Complaints received (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billing (meter accuracy, unexplained high usage)</td>
<td>34</td>
</tr>
<tr>
<td>Credit (arrears follow-ups, payment plans)</td>
<td>13</td>
</tr>
<tr>
<td>Land (property damage from bursts, easement issues)</td>
<td>23</td>
</tr>
<tr>
<td>Service provision (new connections, developer issues)</td>
<td>14</td>
</tr>
<tr>
<td>Supply (water quality, supply reliability, water restriction rules)</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.22

All cases are resolved separately. However, where South East Water is at fault and the customer has suffered an inconvenience because of the fault, a service gesture (generally less than $100) is sometimes offered. South East Water has established a small management group, with an independent customer advocate, to review all EWOV cases for systemic issues to minimise the likelihood of similar complaints in the future.

The 2007 EWOV Annual Report shows that South East Water took an average of 50 days to close level 3 complaints compared with a metropolitan retail average of 51 days.

At 30 June 2007, five cases were unresolved (four of these were received in June 2007).590

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590 South East Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.22
20.11 Yarra Valley Water: Response to Problems

20.11.1 Meeting customer service targets

(a) Question

In terms of setting new targets in customer service, Yarra Valley Water has set an objective to achieve a significant reduction in the number of customers experiencing repeat service problems in water supply, water quality and sewerage services.\(^{591}\)

- please quantify the extent of customers that experienced repeat service problems in 2006-07 and 2005-06 compared with the target for each year;
- if the targets have been exceeded, please outline the contributing factors and action taken to rectify this situation; and
- what is the new target for 2007-08?

Response

The question is in reference to our strategic objective in relation to ‘customers experiencing repeat service problems’. These are new measures which had no targets in previous years and are detailed in table 20.10.

Table 20.10: Yarra Valley Water
New measures in relation to repeat service problems

<table>
<thead>
<tr>
<th>Service level</th>
<th>Measure</th>
<th>2005-06 Target</th>
<th>2005-06 Actual</th>
<th>2006-07 Target</th>
<th>2006-07 Actual</th>
<th>2007-08 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sewerage service interruptions</td>
<td>0 &gt; 2 in 12 months</td>
<td>n/a</td>
<td>87</td>
<td>n/a</td>
<td>132</td>
<td>30 (2010 target)</td>
</tr>
<tr>
<td>Water quality complaints</td>
<td>0 &gt; 3 in 12 months</td>
<td>n/a</td>
<td>9</td>
<td>n/a</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Unplanned water supply interruptions</td>
<td>0 &gt; 4 in 12 months</td>
<td>n/a</td>
<td>1172</td>
<td>n/a</td>
<td>916</td>
<td>1200</td>
</tr>
</tbody>
</table>

Source: Yarra Valley Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.12

20.11.2 Sewer blockages

(a) Question

Seventeen Yarra Valley Water customers experienced more than three sewer blockages in 2006-07 compared with the target of 10. The Committee requested the following information:

\(^{591}\) Yarra Valley Water, A Focus on the Future, Sustainability Report 2006-07, p.20
• What factors contributed to this outcome? and
• What action has been taken or is proposed to improve this outcome in 2006-07.

Response

The continuing extreme dry weather has caused a significant increase in the number of sewer blockages occurring. This is mainly due to tree roots aggressively seeking moisture through pipe joints in the sewerage system.

We have extended our proactive assessment of assets for renewal by targeting customers with 2 sewer blockages within the previous 12 months. The relevant assets that serve these customers are investigated by camera inspections and where appropriate, assets are programmed to be rehabilitated before a 3rd or 4th blockage occurs.\(^{592}\)

20.11.3 Completion of sewerage system emergency overflow structures

(a) Question

Yarra Valley Water aims to have 68 per cent of its sewerage system emergency overflow structures compliant with the required EPA standards in 2007-08. The organisation reported that in comparison to this target for 2006-07, delays occurred at one location and, as a result, it achieved compliance for 66.3 per cent of the structures in 2006-07.\(^{593}\) The Committee asked Yarra Valley Water to outline the particular location in question and the nature of the delay that was experienced.

Response

The Preston Branch Main, which affects non-compliant Emergency Relief Structures Nos. 3 and 83, was a two year construction project that remains in construction at this time. It was expected that two of these structures would have become compliant within the 2006-07 period, however this was not achieved. Due to changing business priorities, this project is now scheduled for completion in the 2008-09 financial year.\(^{594}\)

\(^{592}\) Yarra Valley Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.11
\(^{593}\) Yarra Valley Water, A Focus on the Future, Sustainability Report 2006-07, pp.31, 41
\(^{594}\) Yarra Valley Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.13
CHAPTER 21: CARING COMMUNITIES

Key findings of the Committee:

21.1 The Department for Planning and Community Development provides grants to support community initiatives through the Community Support Fund. Three Community Support Fund grants, approved during 2005-06, were later withdrawn after being declined by the applicants. During 2006-07, only one grant was withdrawn, again at the request of the applicant. The department has instigated a new on-line achievement audit tool to improve the reporting of agencies in receipt of grants.

21.2 The Department of Justice annual report indicated that crime against the person and assault offences have risen by 12.3 per cent and 23.2 per cent respectively since 2001-02. The department indicated that the greater part of the increase in recorded Assault offences is attributable to the introduction of a new Code of Practice for the Investigation of Family Violence (CoPIFV) introduced in August 2004. The department views the increase in recorded results as a positive outcome of the CoPIFV. Steps taken by the department to reduce rising crime rates include targeted enforcement initiatives such as Operation Gasket, the Victoria Police Safer Streets Taskforce and legislative amendments to address alcohol related violence in Melbourne’s entertainment precincts.

21.3 The Victoria Police annual report indicated that despite a small rise during 2006 and 2007, road trauma in Victoria fell by significantly 24.5 per cent between 2001 and 2007. The most significant reductions in road fatalities has been in metropolitan areas, which Victoria Police attributed to the introduction of lower speed limits in suburban streets. They also informed the Committee that most fatal collisions involve excessive speed relative to road conditions, alcohol or drug concentrations in excess of prescribed limits and driver fatigue.

21.4 Prisoner on prisoner assault rates are at the highest level for five years. The Department of Justice analysis suggests a correlation between increased assaults and disruption at the larger ‘front end’ prisons caused by the opening of the Metropolitan Remand Centre. The Department of Justice stated that both the Metropolitan Remand Centre and Port Phillip Prison populations settled considerably once the fill-up of the new prison was complete.

21.5 Other factors influencing the number of assaults include a greater number of prisoners in the early stages of drug withdrawal being received into the prison system and improved barrier controls preventing drugs from entering the prison system.

21.6 The Department of Justice informed the Committee that the size of existing prisons and the nature of Victorian public sector prison officers enterprise bargaining agreement are major factors in public prisons having a higher average daily recurrent cost than private prisons. New public prison facilities at Marngoneet and Melbourne Remand Centre have utilised new design principles to improve the efficiency of these facilities.

21.7 Performance against the three objectives of Towards an Integrated Victorian Housing Strategy actions are being implemented by a number of Victorian
Government departments and are progressing in accordance with planned milestones.

21.8 Whilst 32 people lost their lives at work in 2006-07, over the last five years the workplace injury rate has reduced by 19 per cent. Workplace fatalities have reduced by 16 per cent and the rate of hospitalized claims has also decreased since 2002, down 19 per cent. During 2006-07 the construction industry saw the greatest number of lives lost with a total of eight in the year. Falls from heights (4), contact with electricity (2), and crushed by mobile plant (2) were the causes of these deaths. VWA is leading an Australian wide compliance and enforcement campaign focusing on compliance with falls prevention requirements in the housing and small to medium general construction sectors.

21.9 The Return to Work Sustainability Survey was introduced by the Victorian WorkCover Authority to provide an internal benchmarking tool to track its improvement in the sustainability of return to work outcomes. The results for 2005-06 indicated that 75.5 per cent of workers who had at least 10 days off work returned to work within 14-19 months after this injury. The 2006-07 survey result indicated 75.8 per cent, which represents a slight improvement in this measure.

21.10 Every year, the Transport Accident Commission (TAC) commissions an independent survey of 2,500 clients to measure their level of satisfaction with the TAC’s service. During 2005-06, the TAC client satisfaction feedback score result was 7.44 out of 10, compared with a target of 7.35. In 2006-07, its client satisfaction feedback score result dropped slightly to 7.40 (compared with a target of 7.45). There were no instances of TAC service KPI performance varying from target by 10 per cent or more.

21.11 The TAC has a number of Key Performance Indicators to measure the impact of their activities on road safety outcomes including road toll, acute hospitalised claims and total accepted no-fault claims. In most cases, the TAC’s performance was better than target for each of these measures and there were no instances of variations exceeding 10 per cent.

21.12 In the 2005-06 budget, $50.5 million was allocated to increasing access to affordable housing. These funds were allocated in the following ways:

- $25.5 million to deliver an additional 130 new homes for low income Victorians in 2007-08; and
- $25.0 million for the 2006-07 public housing physical improvement budget.

21.13 The delivery of 130 new social housing units were scheduled for delivery in 2007-08 and the department is presently on track to deliver them within this timeframe. The public housing physical improvement program delivered on expenditure targets and met all upgrade, maintenance and property infrastructure milestones during 2006-07. An additional $300 million was allocated in 2006-07 for social housing – the largest single injection of one-off funding for housing. It will be allocated for projects involving housing associations.

21.14 The Committee is pleased to note that the Department of Human Services has identified a number of priority issues based on issues identified in The State of Victoria’s Children report and in the Child Safety Commissioner’s annual report.
21.1 Introduction

As part of the process of inquiring into financial and performance outcomes for 2006-07 (2005-06 where considered appropriate), the Committee raised various questions which emanated primarily from an analysis of information contained in the annual reports of departments and certain related agencies as well as a wide range of other material that included previous budget papers, government policies/initiatives, Auditor-General’s reports and departmental plans.

These lines of inquiry contained in the Committee’s outcomes questionnaire together with the responses provided by government agencies have been categorised by the Committee and reported according to the various elements of the government’s policy vision – Growing Victoria Together to which they relate.

This style of reporting on financial and performance outcomes continues the initiative taken by the Committee in the presentation of material in its *Report on the 2007-08 Budget Estimates – Part Three* whereby linkages were drawn between the government’s Growing Victoria Together initiative and the state’s budget, the Auditor-General’s Annual Plan and the Committee’s reporting responsibilities in terms of inquiring into the budget estimates and relates outcomes. As such, the direction taken by the Committee completes the trilogy of aligning government policy with the delivery of government outcomes, external audit and parliamentary oversight.

21.2 Linkage of issues examined to the government’s Growing Victoria Together initiative

This chapter, which covers the Caring Communities vision of the government’s Growing Victoria Together (GVT) initiative, contains outcome-related comments pertaining to 22 issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will provide an avenue for promoting debate and lay the basis for further follow-up as part of the impending inquiry by the Committee into the 2008-09 budget estimates.

Issues selected by the Committee for examination aligned to the GVT goals cover the following topics:

**Building friendly, confident and safe communities**

- Community Support Fund – withdrawn funding, expenditure of grants and evaluation;
- key crime trends;
- fatal road collisions;
- assault rate for prisoner-on-prisoner assaults;
- cost of housing prisoners in public and private facilities;
- Victorian WorkCover Authority:
  - fatalities in Victorian workplaces;
  - public sector and community services industry workplace inspections;
  - multi-party complex investigations;
− WorkSafe program – innovation and collaboration between industry stakeholders on occupational health and safety;
− client satisfaction relating to the delivery of injured workers’ entitlements by agents; and
− return to Work outcomes and performance;

• Victorian Managed Insurance Authority:
− activities in relation to non-insurable risk;
− site risk survey program;

• Transport Accident Commission:
− processing compensation claims;
− reducing the incidence of transport accidents;
− programs for improving return to work outcomes for Transport Accident Commission clients;
− train and tram accidents; and
− sick leave bank.

A fairer society that reduces disadvantage and respects diversity
• progress in implementing the Towards an Integrated Victorian Housing Strategy;
• affordable housing;
• the State of Victoria’s Children report 2006 – actions taken and planned; and
• issues identified by the Child Services Commissioner – action taken by the department.

Building friendly, confident and safe communities

21.3 Department of Planning and Community Development

21.3.1 Community Support Fund – withdrawn funding, expenditure of grants and evaluation

(a) Question

The Community Support Fund provides funding to support communities to become stronger, better resourced and more inclusive places to live and work. The Committee requested information regarding grants which had been withdrawn, the expenditure of specific grants and the Department for Planning and Community Development’s evaluation of projects to ensure that the funding has been spent efficiently and effectively.

Response

595 Department for Planning and Community Development, Victorian Community Support Grants – Guidelines and Application, revised, May 2006
One of the conditions of the Community Support Fund is that if the project has not commenced within one year after the offer of the grant has been made, the department reserves the right to review the offer and may withdraw the offer.\[596\] The following projects were withdrawn during the 2005-06 year after approval:

- Mary Ryan OAM Centre;
- Underbool Recreation Reserve; and
- Gold Time – A Five Year Plan.

In all three cases the grant offer was declined by the applicant and, thus, was withdrawn at the request of the applicant.\[597\]

During 2006-07, an offer of $8,000 for the Warragul Community House was withdrawn.\[598\] After the grant offer was made, the Warragul Community House Management Committee subsequently advised that due to changes that the Community House was undergoing at the time, and given the need to redefine their goals for the future, they would decline the offer of the grant with the prospect of reapplying at a later stage.

All funded projects provide regular progress reports as per pre-established project milestones in the Terms and Conditions of the grant on which grant fund payment is contingent. At the completion of each project, a certified income and expenditure statement is submitted as a requirement of grant acquittal along with a final report. An on-line achievement audit tool has recently been developed and is intended to be implemented in 2008. This will complement existing evaluation practices.\[599\]

21.4 Department of Justice

21.4.1 Key crime trends

(a) Question

The Victoria Police’ Annual Report indicated that Victoria’s overall crime rate has dropped by 15.3 per cent since June 2003.\[600\] However, it appears from the information provided that the crime rate rose during the first two quarters of 2007. It also stated that motor vehicle theft and theft from motor vehicles are the only identified ‘Key Crime Trends’\[601\] that have improved from 2005-06 to 2006-07. Crime against the person and assault offences have risen by 12.3 per cent and 23.2 per cent respectively since 2001-02.

Please explain the reasons for these increasing levels of crime and what steps have been taken to address rising crime rates in these ‘Key Crime Trends’, including the expenditure on these projects and the quantifiable success of such projects to date in terms of delivery and achievement of outcomes.

\[597\] Department of Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.15
\[599\] Department of Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.15
\[600\] Victoria Police *Annual Report 2006-07*, p.19
\[601\] Victoria Police *Annual Report 2006-07*, p.20
Response

Total crime

The question seems to reflect some mis-reading of the data provided in the Annual Report. The total reduction of 15.3 per cent since June 2003 is calculated on a financial year basis and therefore includes the results for the first two quarters of the 2007 calendar year. It is not correct to infer that total crime has risen since the calculation of the 15.3 per cent reduction.

It should also be noted that any increase in those two quarters still encompasses a very significant overall reduction – as noted in the Annual Report, the rate per 100,000 population represents the lowest recorded crime rate since computerised recording commenced in 1993. It should also be noted that at the end of September 2007, the rate per 100,000 had dropped again and the total reduction since June 2003 was 16.6 per cent.602

Key crime trends

It should be noted that, in addition to the very significant reductions in motor vehicle theft and theft from motor vehicle identified in the question, very significant reductions have also been achieved in the category of residential burglary (a total of 35.8 per cent reduction since 2001-02). The 0.9 per cent increase between 2005-06 and 2006-07 is not considered significant in the context of the total reduction over time. In addition, it does not reflect any sustained reversal of the longer term trend.603

Crime against the person

The increase in Crime against the Person is directly attributable to the increase in recorded Assault offences. Assault is one of the offence categories within the broader Crime against the Person classification and Assault offences comprise some 75 per cent of total Crimes against the Person. Any increase in Assault offences will therefore have a potentially disproportionate effect on the total Crimes against the Person.604

Assault offences

The greater part of the increase in recorded Assault offences is attributable to the introduction of the Code of Practice for the Investigation of Family Violence (CoPIFV) in August 2004605. The largest part (14.2 per cent) of the total increase took place between the end of the 2003-04 year and the end of the 2004-05 year, with a further flow-on increase of 2.8 per cent in the 2005-06 year.

There was a further increase (7.1 per cent) recorded between 2005-06 and 2006-07. This is largely attributable to a significant rise in the number of assaults recorded in and around licensed premises and other places of entertainment. There is substantial evidence to indicate that the situation has been exacerbated by the presence of large groups of at least partially intoxicated smokers spilling

602 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.34
603 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.34
604 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.34
605 Victoria Police Annual Report 2006-07, Notes on relationship between family violence and assault, p.22
onto footpaths etc outside venues and then entering into disputes with passers by and other patrons.\textsuperscript{606}

**Steps taken to address rising crime rates in these ‘Key Crime Trends’:**

The introduction of the ‘CoPIFV’ has led to an increase in recorded assaults attributable to attendance at Family Violence Incidents and is considered to be a successful outcome. That increase was anticipated and reflects an increase in recording of offences rather than an increase in the actual incidence of offending. The overall objective of the CoPIFV is to encourage reporting of family violence so that, in the longer term, its incidence and impact on the community is reduced.

Targeted enforcement initiatives, such as Operation Gasket, aim to reduce violence in and around licensed premises. Initiatives were introduced towards the end of the reporting period, once the underlying issue was identified and scoped. Some such initiatives have been introduced on a pilot or trial basis, to assess which mix of strategies will produce the most effective intervention. It is still too early to quantify the success of particular initiatives, especially where different approaches are still being assessed for their effectiveness and most efficient use of available resources.

The Victoria Police Safer Streets Taskforce was established by the Chief Commissioner in October 2007 to combat alcohol related assaults in Melbourne’s entertainment precincts. The Taskforce operates in the Central Business District, and in Prahran and Geelong to deal with public order and alcohol related antisocial problems. The Taskforce can be deployed anywhere it is needed.

The Chief Commissioner of Police has announced that Critical Incident Response Teams will be deployed to provide support to operational members dealing with anti-social behaviour when required. These teams are trained in anti-terrorist strategies with a permanent allocation of fully trained police personnel available to attend incidents in trouble spots. One hundred and twenty police officers are currently being trained in critical incident response tactics.

In addition, legislation was passed to address alcohol related violence in Melbourne’s entertainment precincts to enable Victoria Police to take a proactive approach to public violence in Melbourne from January 2008. The new legislation provides police with the power to shut down licensed premises immediately for 24 hours in the event of violence occurring which could risk public safety. Police can also immediately issue notices to ban individuals who are drunk and disorderly, or behaving in a riotous or disorderly manner to prevent them from remaining in the area, and from re-entering a licensed premises or a designated area for a 24 hour period.\textsuperscript{607}

\textsuperscript{606} Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, pp.34–35

\textsuperscript{607} Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.35
21.4.2 Fatal road collisions

(a) Question

Road Trauma in Victoria has fallen by 24.5 per cent since the 2001 calendar year. However, following a steady period of decline through 2002 and 2003, the incidences of road trauma have increased through 2006 and 2007.\textsuperscript{608}

Please explain the nature of the road accidents recorded since 2001, distinguishing metropolitan and rural regional figures and detailing any changing patterns of accident type or cause. Please also provide a detailed breakdown of steps taken to reduce the road toll and the incidence of road trauma since 2001, including expenditure on these projects or programs and the success of such projects or programs to date in terms of delivery and achievement of outcomes.

The scope of this question was confined to an analysis of fatality collisions, rather than all ‘road accidents’. PAEC also requested links to any other relevant data which would enable it to develop a more comprehensive understanding of the factors affecting fatal collisions.

Response

The Department of Justice provided the following tables in response to the Committee’s request for information:

Table 21.1: Department of Justice Metropolitan fatal collisions

<table>
<thead>
<tr>
<th></th>
<th>Car driver</th>
<th>Passenger</th>
<th>Pedestrian</th>
<th>Motorcyclist</th>
<th>Pillion</th>
<th>Bicyclist</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>95</td>
<td>55</td>
<td>68</td>
<td>41</td>
<td>2</td>
<td>6</td>
<td>267</td>
</tr>
<tr>
<td>2002</td>
<td>80</td>
<td>47</td>
<td>45</td>
<td>34</td>
<td>2</td>
<td>2</td>
<td>210</td>
</tr>
<tr>
<td>2003</td>
<td>67</td>
<td>33</td>
<td>29</td>
<td>25</td>
<td>1</td>
<td>4</td>
<td>159</td>
</tr>
<tr>
<td>2004</td>
<td>73</td>
<td>42</td>
<td>36</td>
<td>19</td>
<td>0</td>
<td>3</td>
<td>173</td>
</tr>
<tr>
<td>2005</td>
<td>84</td>
<td>38</td>
<td>35</td>
<td>29</td>
<td>0</td>
<td>5</td>
<td>191</td>
</tr>
<tr>
<td>2006</td>
<td>61</td>
<td>22</td>
<td>37</td>
<td>27</td>
<td>1</td>
<td>8</td>
<td>156</td>
</tr>
<tr>
<td>2007</td>
<td>67</td>
<td>31</td>
<td>34</td>
<td>28</td>
<td>1</td>
<td>5</td>
<td>166</td>
</tr>
</tbody>
</table>

Source: Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.36

\textsuperscript{608} Victoria Police Annual Report 2006-07, p.24
Chapter 21: Caring communities

Table 21.2: Department of Justice
Country fatal collisions

<table>
<thead>
<tr>
<th>Year</th>
<th>Driver</th>
<th>Passenger</th>
<th>Pedestrian</th>
<th>Motorcyclist</th>
<th>Pillion</th>
<th>Bicyclist</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>113</td>
<td>30</td>
<td>13</td>
<td>21</td>
<td>0</td>
<td>0</td>
<td>177</td>
</tr>
<tr>
<td>2002</td>
<td>106</td>
<td>43</td>
<td>13</td>
<td>20</td>
<td>0</td>
<td>5</td>
<td>187</td>
</tr>
<tr>
<td>2003</td>
<td>96</td>
<td>50</td>
<td>12</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>171</td>
</tr>
<tr>
<td>2004</td>
<td>98</td>
<td>35</td>
<td>13</td>
<td>17</td>
<td>1</td>
<td>6</td>
<td>170</td>
</tr>
<tr>
<td>2005</td>
<td>80</td>
<td>41</td>
<td>13</td>
<td>19</td>
<td>0</td>
<td>2</td>
<td>155</td>
</tr>
<tr>
<td>2006</td>
<td>93</td>
<td>42</td>
<td>21</td>
<td>17</td>
<td>2</td>
<td>6</td>
<td>181</td>
</tr>
<tr>
<td>2007</td>
<td>106</td>
<td>36</td>
<td>7</td>
<td>15</td>
<td>1</td>
<td>1</td>
<td>166</td>
</tr>
</tbody>
</table>

Source: Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.36

Note: the metropolitan /country data is based on the location of the fatal collision, not the residential address of the victim(s)

Table 21.3: Department of Justice
Total fatal collisions

<table>
<thead>
<tr>
<th>Year</th>
<th>Driver</th>
<th>Passenger</th>
<th>Pedestrian</th>
<th>Motorcyclist</th>
<th>Pillion</th>
<th>Bicyclist</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>208</td>
<td>85</td>
<td>81</td>
<td>62</td>
<td>2</td>
<td>6</td>
<td>444</td>
</tr>
<tr>
<td>2002</td>
<td>186</td>
<td>90</td>
<td>58</td>
<td>54</td>
<td>2</td>
<td>7</td>
<td>397</td>
</tr>
<tr>
<td>2003</td>
<td>163</td>
<td>83</td>
<td>41</td>
<td>38</td>
<td>1</td>
<td>4</td>
<td>330</td>
</tr>
<tr>
<td>2004</td>
<td>171</td>
<td>77</td>
<td>49</td>
<td>36</td>
<td>1</td>
<td>9</td>
<td>343</td>
</tr>
<tr>
<td>2005</td>
<td>164</td>
<td>79</td>
<td>48</td>
<td>48</td>
<td>0</td>
<td>7</td>
<td>346</td>
</tr>
<tr>
<td>2006</td>
<td>154</td>
<td>64</td>
<td>58</td>
<td>44</td>
<td>3</td>
<td>14</td>
<td>337</td>
</tr>
<tr>
<td>2007</td>
<td>173</td>
<td>67</td>
<td>41</td>
<td>43</td>
<td>2</td>
<td>6</td>
<td>332</td>
</tr>
</tbody>
</table>

Source: Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.36

While there is some variation on a single year basis, the overall trend across the period 2001-2007 reflects a significant reduction in total fatality collisions. The reduction across the period 2001-2007 is 25 per cent.

When Victoria reached a historic low road toll in 2003, there were fewer vehicles on the road. Despite the total number of deaths rising slightly in 2004 and 2005, and falling again in 2006 and 2007, the number of registered vehicles in Victoria continued to increase. Accordingly, as a percentage of vehicles registered, there have been relatively fewer fatalities, with Victoria recording its lowest ever result (deaths per registered vehicles) in 2007.609

In 2003, when the annual road toll reached the low of 330, there were 0.97 deaths per 10,000 registered vehicles in Victoria (12 months to November 2003).610 Despite the 2007 road toll reaching 332 deaths, the rate per 10,000 registered vehicles was 0.86 (12 months to November 2007).611

609 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, pp.36–37
610 Transport Accident Commission, Monthly Road Safety Summary, December 2003, p.20
611 Transport Accident Commission, Monthly Road Safety Summary, December 2007, p.16
The data must be reviewed in terms of the longer term trend, as the total in any single period (year or quarter) may be significantly impacted on by such factors as the incidence of multiple-fatality collisions.

Clearly the greatest reductions in total fatal collisions over the period have been achieved in the metropolitan area (some 38 per cent) compared with a 6 per cent reduction in country fatal collisions.

Analysis of the available data indicates that the greater reductions in metropolitan areas are largely attributable to the introduction of lower speed limits in suburban streets (50 kph); to greater capacity to monitor and penalise drivers travelling at excessive speed and to the greater prevalence of Booze Buses and other alcohol and drug testing facilities.

Reducing overall speed reduces the likelihood of fatality collisions. Collisions which occur in country locations generally occur at higher speeds and are more likely to result in fatalities.

Increasing drivers’ perceptions of the likelihood that they will be alcohol and/or drug tested (prevalence of testing) decreases the likelihood that they will drive while affected.

There have not been any significant changes in the identified causes of fatal collisions across the specified period – most fatal collisions involve excessive speed relative to road conditions, alcohol and/or drug concentrations in excess of prescribed limits and driver fatigue or inattention. Reductions in the incidence of fatal collisions over the period are at least partly attributable to modifications in road user behaviour brought about by effective road traffic law enforcement.

**Strategies/programs to reduce fatal collisions**

Victoria Police actions designed to reduce the incidence of road trauma are developed in accordance with over-arching national and state strategic plans. Road safety is one of Victoria Police’s core business outputs and the individual strategies and programs are not separately costed.

At the national level, Victoria is a partner in the over-arching National Road Safety Action Plan for 2007 and 2008. (Previous National Road Safety Action Plans have been issued every two years). The priorities for 2007 and 2008 identified in the National Action Plan are ‘safer speeds, safer roads and road sides, safer vehicles, safer road users and safer behaviours’.

Victoria Police, together with the Department of Justice, Vic Roads and the Transport Accident Commission is a key partner in the whole of government Arrive Alive! road safety strategy. The principal objective of arrive alive 2002-2007 was to reduce road fatalities in Victoria by 20 per cent over the five year period. This objective was achieved (see above). Victoria’s next road safety strategy is to be released in 2008 and will aim for further reductions in the incidence of fatal collisions and road trauma.

Police commitment to the objectives and strategies contained in arrive alive! is underpinned by their inclusion as a key commitment in the Victoria Police strategic plan – The Way Ahead 2003-2008 and in the soon to be released successor The Way Ahead 2008-2013.

*The Way Ahead* is supported by the Victoria Police Road Policing Strategy, which was launched in May 2006. The Strategy is based on linking all the key players in road safety, both within Victoria Police and externally and aims to reduce road trauma in an integrated and effective manner.

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612 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.37
613 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.37
Implementation of the Strategy is based on 13 key themes: partnerships; enhanced crash data; road policing intelligence; media support; road user education; speed and speeding; drug and alcohol impaired driving; fatigue; seat belts; vulnerable road users; country road toll; heavy vehicle enforcement; and road violence. Within the Strategy, each of these areas has specific objectives, strategies and performance indicators.

The Strategy also supports a statewide Calendar of road traffic law enforcement initiatives, based on the development of locally based initiatives and strategies designed to address identified local problems.614

**National comparisons:**

The full range of national road fatality collision data is available on the Australian Transport Safety Bureau (ATSB) website.615 The ‘Monthly Bulletin’ includes comparative data for location and victim type across all Australian jurisdictions, as well as national trend data.616

### 21.4.3 Assault rate for prisoner-on-prisoner assaults

**Question**

The Department of Justice reported that the assault rate for prisoner on prisoner assaults was at its highest for 5 years in 2006-07. The report stated that the factors attributing to the assault rate included the opening of the Metropolitan Remand Centre and the subsequent increase in the number of prisoners in the early stages of drug withdrawal and the flow-on effects of increased seizures of prescription medications at prison locations.

The department also reported that the assault rate for prisoner on prisoner assaults was at its highest for 5 years in 2006-07617. The Committee asked the department to explain the factors contributing to this result and the steps taken by the department to address this.

**Response**

Analysis of the rise in the rate of prisoner-on-prisoner assaults during 2006-07 suggests a correlation between the increased assaults and some disruption at the larger ‘front-end’ prisons. This temporary instability was due to the opening of the Metropolitan Remand Centre (MRC) and the consequent impact on Port Phillip Prison, which transferred most of its remand population to the new prison. Furthermore, with the reduction in the average length of time prisoners spent in Police cells during 2006-07, following the opening of the MRC, a greater number of prisoners in the early stages of drug withdrawal were received into the system, and it is believed that this may have contributed to some escalation in assault rates. In light of the increased seizures of prescription medications (from both prisoners and visitors) at prison locations it seems likely that a proportion of the increased number of assaults might be linked to the effectiveness of barrier controls and the prevention of drug supply within the system; as supply of illicit drugs reduces, the demand for licit drugs (such as methadone and buprenorphine, diverted from the intended recipient) with associated standovers is likely to increase.

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614  Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.38
615  http://www.atsb.gov.au
616  Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.38
617  Department of Justice Annual Report 2006-07, p.125
It should be noted that while the overall rate of assaults across the system increased during 2006-07, the number and rate of serious assaults declined.

Both the MRC and Port Phillip Prison populations settled considerably once the fill-up of the new prison was complete. The opening of the high security Melaleuca Unit at Barwon prison in September 2007 has since given the prison system much greater capacity to remove prisoners (for example gang-affiliated, gangland, and assaultive prisoners) from the prison mainstream where their activities or influence are seen to be contrary to the good order of the prison system.618

21.4.4 Cost of housing prisoners in public and private facilities

(a) Question

The Minister for Corrections provided the Committee with details of the annual daily recurrent cost of housing prisoners during the 2007-08 Budget Estimates hearings.619 From this information, it is apparent that the average daily recurrent cost is lower for private prisons than public prisons. Please provide details of any evaluative work undertaken by the department or other agency to examine the issue of the cost of housing prisoners in public or private facilities. Please also provide any information on the comparative quality of services provided by public and private prisons.

Response

The department undertakes regular evaluative work to examine the cost of housing prisoners in public and private facilities. This work has identified that the two main variances between the cost of the public and private prisons is scale and facility design efficiency and employment conditions and entitlements.

The two private prisons both house over 600 prisoners (compared with approximately 300 for the existing Corrections Victoria public prisons), which is a more efficient size to amortise (on a unit cost per bed basis) certain fixed costs of a facility (for example control room, gate house, etc). They were also designed with bigger unit sizes than had traditionally been used in the public prisons. These design principles have since been used for the recently constructed Marrangoneet and Melbourne Remand Centre correctional facilities, and will be utilised for any future prison builds or augmentations of existing facilities.

The other main drivers of the cost variance between the public and private prisons are employment conditions and entitlements for custodial staff. One major difference between the public and private prison is that the private prison operators make extensive use of 12 hour shifts in their staffing rosters, whereas, the public system rosters make only minimal use of 12 hour shifts (that is one or two 12 hour shifts per fortnight), and they have not been agreed (industrially) for use at all locations. 12 hour shifts are more efficient as they reduce overlaps at shift change-overs, they align more optimally with the 12 hour out of cell standard for most Victorian prisons, and are convenient for staff, as it reduces the number of shifts and/or days that they need to attend work each roster cycle. The other variance is that the EBA that applies for Prison Officers, is the same one that applies to the general Victoria public service, so it not tailored directly to the needs of the 24/7 environment that prisons operate under.

618 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, p.38
In general, the private prisons also have lower costs for conditions and entitlements such as overtime, penalty rates (for weekend, afternoon, night shifts and public holidays) and casual loadings – which apply for a material proportion of staff working hours in a prison. Another factor is that employees in the public system are eligible for three months long service leave after 10 years, whilst 15 years service is required by staff in the private prisons – this is an impact of approximately 1 per cent per annum. Noting that labour costs are 70 to 75 per cent of the direct operating costs of a prison, these variances in employee conditions and entitlements are a significant factor in the variance of the bed costs between the public and private prisons.

Both public and private prisons are required to operate under the same standards for the provision of correctional services. There are common standards, the Prison Management Standards, which are set by the Correctional Services Commissioner that all prisons are required to adhere to. Additionally, there are common Service Delivery Outcomes (SDO) that each prison, public and private, are measured against on a monthly basis. The benchmarks for each SDO is approved by the Correctional Services Commissioner, and performance against the benchmarks is reported and monitored monthly, and validated on an annual basis, by the Office of Correctional Services Review.620

21.5 Victorian WorkCover Authority

21.5.1 Fatalities in Victorian workplaces

(a) Question

The number of injury and illness claims reduced from 30,327 in 2005-06 to 28,856 in 2006-07.621 However, according to the Victorian WorkCover Authority (VWA) annual report, ‘during 2006-07, tragically, 32 people lost their lives at work, a sharp increase after the historic low of 21 in the previous year’.622

Commenting on safety related issues, the Chair of VWA indicated that ‘while we achieved record low levels of claims, we still had more than 28,000 Victorians injured at work last year, and any fatality is one too many – there is still much to be done in relation to OHS in Victoria’.623

The Committee asked VWA to provide the following information:

- categorise the number of fatalities in 2004-05, 2005-06 and 2006-07 according to the industries involved;
- quantify the total costs incurred by the Victorian WorkCover Authority (VWA) for each year in relation to these fatalities; and
- outline key measures that have been introduced to make workplaces safer in Victoria.

620 Department of Justice, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 4 February 2008, pp.39–40
621 Victorian WorkCover Authority, Annual Report 2007, p.18
622 Victorian WorkCover Authority, Annual Report 2007, p.18
623 Victorian WorkCover Authority, Annual Report 2007, p.4
Response

VWA provided the following table in response to the Committee’s request.

Table 21.4: Victorian WorkCover Authority Fatalities by industry

<table>
<thead>
<tr>
<th>Industry</th>
<th>2004-05</th>
<th>2005-06</th>
<th>2006-07</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>6</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Construction</td>
<td>5</td>
<td>4</td>
<td>8</td>
</tr>
<tr>
<td>Community Services</td>
<td>3</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>Electricity, Gas &amp; Water</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance, Property &amp; Business Services</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Mining</td>
<td></td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Public Administration</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Recreation, Personal &amp; Other Services</td>
<td>1</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Trade</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Transport &amp; Storage</td>
<td>2</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22</strong></td>
<td><strong>21</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>

Source: Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.16

The estimated or projected incurred claim costs for the fatalities reported to date are:

- 2004-05 – $3.67 million;
- 2005-06 – $3.34 million; and
- 2006-07 – $5.34 million.

These figures exclude internal costs for inspections, investigations, prosecutions, administration etc. 624

VWA is at the halfway mark of the ten year National Occupational Health and Safety strategy. Targets under the strategy include a reduction in workplace injuries of 40 per cent and reduction in workplace fatalities of 20 per cent over ten years.

Whilst 32 people lost their lives at work in 2006-07, over the last five years the workplace injury rate has reduced by 19 per cent, confirming that Victoria is the safest state to work in Australia. Workplace fatalities have reduced by 16 per cent and the rate of hospitalized claims has also decreased since 2002, down 19 per cent.

In 2006-07 the construction industry saw the greatest number of lives lost with a total of eight in the year. Falls from heights (4), contact with electricity (2), and crushed by mobile plant (2) were the causes of these deaths. Currently the VWA is implementing a new chapter in the Occupational Health and Safety Regulations focused specifically on the Construction industry to come into effect 1 July 2008. This will codify and increase the safety standards for all construction work.

624 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.16
VWA is leading an Australian wide compliance and enforcement campaign focusing on compliance with falls prevention requirements in the housing and small to medium general construction sectors. The VWA has a close cooperative relationship with EnergySafe Victoria and VicRoads in the development of safety initiatives on electricity and roadsite worksites in the construction industry. The VWA supports and promotes safety standards and initiatives through our communication and enforcement activity.

Five fatalities were from the Manufacturing industry and six fatalities from the Transport industry. Many of these resulted from tasks associated with the maintenance, repair, inspection, service or cleaning (MRISC) of plant. An MRISC initiative was introduced in 2007-08 in direct response to these fatalities. This initiative includes the development of simple guidance and free workshops for employers and workers. Compliance and enforcement activities are also focusing on how workplaces are managing MRISC activities.

Traffic management, especially involving industrial forklifts, elevated work platforms and other mobile plant, continues to be a significant contributor to workplace fatality in the transport industry. Inspector visits focus on these risks and the VWA has adopted a zero tolerance approach to workplaces that fail to meet minimum standards.

Five fatalities were from the agriculture industry, three of which were tractor or other vehicle related. VWA works closely with, and contributes funding to, the FarmSafe Alliance (comprising Victorian Farmers Federation, Department Human Services, Australian Workers Union, VWA and Department of Primary Industries), and through our Safe Farms project will conduct 12 agricultural field days, four conferences and ten farm safety workshops in 2007-08. New guidance on ‘Tractors and Farms’ is currently being developed, and tractor safety is a key focus of inspector visits to agricultural workplaces. In addition our sponsorship of the WorkSafe Victorian Country Football League and country netball is used to promote OH&S in regional Victoria.625

21.5.2 Public sector and community services industry workplace inspections

(a) Question

With regard to the public sector and community services industry, why did the number of workplace visits decline from 7,329 conducted in 2005-06626 to 6,939 in 2006-07627 and what are the implications in terms of workplace safety, if any, of this reduced level of coverage?

Response

When the Return to Work Inspectorate was established in November 2006, a decision was taken to resource it with existing inspectors with return to work skills. Four of the seven positions we filled from the public sector inspectorate with a consequent impact on visits, offset in part by productivity improvements. These positions are being progressively replaced in annual inspector intakes.

625 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.17
626 Victorian WorkCover Authority, Annual Report 2006, p.29
627 Victorian WorkCover Authority, Annual Report 2007 p.23
The reduction of visits to PSCS workplaces has not resulted in a diminution of safety standards. In 2006-07, notwithstanding the small reduction in visits, enforcement activity in terms of inspector notices increased by 29 per cent and claims per 1000 employees decreased by 7.9 per cent.\textsuperscript{628}

\textbf{21.5.3 Multi-party complex investigations}

\textbf{(a) Question}

Please describe the nature of multi-party complex investigations in terms of safety and outline what outcomes were realised from the decision to increase the number of multi-party complex investigations in 2006-07?\textsuperscript{629}

\textbf{Response}

In terms of safety investigations, a multi-party complex investigation arises where there are multiple duty holders under the \textit{OHS Act 2004} involved in an incident or significant alleged breach who are each investigated to consider whether they have complied with their respective obligations under the act. For instance in a fatality, persons under investigation may include suppliers, designers or manufacturers as well as employers, officers or other employees. This increases the complexity of inquiries and processes required to complete an investigation as each party may engage separate lawyers during the investigation. If prosecution is recommended a multi-party prosecution can also be expected to require more court time to hear as each party is separately legally represented and entitled to defend the proceedings. In some cases, hearings are separate and repeated for each separate defendant. In recent years, the number of investigations and prosecutions involving multiple parties has increased.

There has been no deliberate ‘decision’ to increase the number of multi-party complex investigations. The increase has emerged over time due to three factors:

\begin{itemize}
\item the emergence of contracting and on-hire;
\item increased sophistication of safety investigations and competency of investigation staff exploring systemic causes of incidents; and
\item a greater focus of VWA investigations on preventative findings including eliminating hazards at the design and manufacturing phase.
\end{itemize}

Some industries, notably construction, involve projects being undertaken by workers employed by multiple contractors and employers in a ‘contractual chain’. It is rare in this industry to find a ‘single employer’ workplace. In the event of an incident or significant breach, VWA is required to investigate each party involved to consider whether they have complied with the \textit{OHS Act 2004}. In some recent cases up to 6 parties have been subject to an investigation. As the law in this area has evolved, VWA investigations have broadened their scope to consider whether ‘upstream duty holders’ such as designers and manufacturers and individuals such as officers or employees have contributed to an incident or breach.

The outcomes realised from this trend to more complex multi-party investigations and prosecutions are that of preventing potential incidents and injuries. These cases enforce the overlapping duties on workplace parties to prevent incidents and control risks to health and safety and deter those duty

\textsuperscript{628} Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.18

\textsuperscript{629} Victorian WorkCover Authority, \textit{Annual Report 2007}, p.22
holders who would take the risk of not complying with their respective obligations under the law. They also demonstrate that it is not possible for employers under Victorian law to ‘contract out’ safety obligations by entering into sub-contracting or on-hire arrangements.

It is VWA’s view that its willingness to enforce the law and capacity to investigate and prosecute such matters in appropriate cases has contributed to the reduction in workplace injuries in Victoria since 2001.630

21.5.4 WorkSafe program – innovation and collaboration between industry stakeholders on occupational health and safety

(a) Question

Worksafe provided $6 million to boost innovation and collaboration between industry stakeholders on OHS. Please outline what outcomes have flowed from this funding and detail the extent to which these outcomes meet expectations.

Response

VWA believes that the active participation of employers and workers, and their respective representatives, associations, and unions has been fundamental to our success in recent years. VWA has a number of funding arrangements in place that are designed to facilitate stakeholder partnerships and innovation (e.g., the Workplace Injury Insurance Safety Fund, Information and Education Fund, Safety Development Fund, Return to Work Fund, Union Assist, other industry grants, and research support for initiatives like the Victorian Trauma Foundation). Each funding arrangement is accompanied by a contract setting out specific outcomes and objectives to be delivered, and is evaluated to ensure that the objectives of the program are met. Some examples of the OHS programs are detailed below.

The Workplace Injury Insurance Safety Fund supports employer associations and unions to work collaboratively to implement innovative health and safety improvement plans for industry sectors with poor claims management records. For example, this Fund supported a highly innovative project in the Independent Service Station Industry in Victoria to benchmark key OHS risks, develop best practice controls to roll-out across the industry and provide practical OHS advice to small employers and workers in the independent service station industry. The project included large and small service station operators, the VACC, the Shop Distributive and Allied Employees Association, metropolitan and country fire authorities and the Victoria Police.

The Information and Education Fund funds collaborative and innovative health and safety information and education projects. For example, this Fund supported the ‘Farm Safety Education within the Community’ project to deliver innovative farm safety information sessions to communities in Gippsland, fulfilling a recommendation of the Rural and Regional Services and Development Committee’s 2003-2005 inquiry into the cause of fatality and injury on Victorian farms. Information sessions as part of the program, increased farming communities’ awareness of those OHS issues (such as manual handling, falls from heights, chemical and machine safety, and occupational noise) in a way that was accessible to the community.

The Safety Development Fund also supports projects that require employer associations and unions to work together to identify and implement innovative health and safety solutions. For

630 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.19
example, this Fund supported a Safe Handling of Chemicals in the Automotive Industry project, a partnership of employer associations, unions and industry specialists. The project aimed to implement better risk management approaches for handling chemicals in the automotive industry, disseminate appropriate guidance material and encourage the adoption of a Safe Handling of Chemicals Management System to assist companies to integrate health and safety in their daily activities.

The Small Business Free Three Hour Program provides funding which allows small businesses to receive expert OHS advice at their workplaces. During 2006-07, 1826 small businesses from a range of industries received free health and safety advice from independent health and safety consultants. The consultants work with each small business to identify the critical safety issues that need to be addressed at the workplace and give practical advice on a Safety Action Plan for them to implement.

The HSR Support Program works with unions to promote the representation of employees in workplace health and safety. HSR Support Officers have been funded to encourage more effective workplace consultation with employers and to support HSRs by increasing their access to OHS knowledge, training, and peer support. Eleven unions were funded during 2006-07. As at June 2007, the program had resulted in a 38 per cent increase in the number of elected HSRs in targeted industries and an increase in the number of HSRs attending approved OHS training. 631

21.5.5 Client satisfaction relating to the delivery of injured workers’ entitlements by agents

(a) Question

During 2006-07 the client satisfaction rating of Gallagher Bassett regarding the delivery of injured workers’ entitlements, fell from 71.6 per cent satisfaction to 62.9 per cent. Please outline:

- the factors behind this decline;
- the service areas showed the greatest decline; and
- the measures in place to improve the level of satisfaction with the service provided.

Response

Within the scheme there are several experiences that increase the risk of dissatisfaction with an Agent’s service including attending an independent medical examination, involvement in conciliation or the termination of a payment.

Gallagher Bassett’s decline in satisfaction can partially be attributed to more workers attending an independent medical examination. The service satisfaction survey showed that injured workers who recalled attending an independent medical examination were more dissatisfied with the service provided by their Agent than those who did not recall attending an examination.

631 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.20–21
Gallagher Bassett has put in place a program aimed at more effective use of independent medical examinations. This includes:

- closer scrutiny of which injured workers are required to attending an examine;
- improved communication with the worker prior to the examine to explain the process and outline what to expect; and
- improved communication following an examine to assist the worker to understand the outcome and clarify any questions they may have.

In addition, year-on-year comparisons indicate that phone quality has deteriorated and injured workers are less inclined to feel Gallagher Bassett employees are listening to their point of view or treating them with dignity and respect. Gallagher Bassett is focusing upon improving phone quality through telephone call coaching. Both of these service improvement initiatives are being monitored by VWA.

In addition, Agents are paid up to $10 million per annum in bonus and penalties based on their injured worker survey result. In 2006-07 Gallagher Bassett’s remuneration was reduced substantially as a consequence of their poor performance in this area.

Between 2005-06 and 2006-07 perceptions of service remained stable (from 68.7 to 68.6 per cent). Although the decline of 0.1 per cent is not statistically significant, we do know that the attending an independent medical examination is a major dissatisfier for an injured worker.

The injured worker survey shows that workers who did not recall attending an independent medical exam had a satisfaction rating of 76.3 per cent. By comparison the workers who did recall attending an independent medical examination had a satisfaction rating of 62.1 per cent.

Medical exams are a necessary part of claims management. The service issue is for Agents to avoid unnecessary exams and to improve communication regarding the exam process. VWA has several initiatives in place with our Agents to improve performance in this area.

Areas of service decline relate closely to individual Agent performance. CGU performance declined from 71.5 per cent to 67.3 per cent and GBS declined from 71.6 per cent to 62.9 per cent. The performance of all other Agents improved.

In addition to independent medical examinations, recent exposure to a denial or a late payment has a significant impact of satisfaction with the service provided. Results from the 2006-07 Injured Worker Satisfaction Survey showed that where workers were not exposed to any of these processes, satisfaction was at 88.9 per cent.

As workers became exposed to any of these processes, particularly in combination, the likelihood of satisfaction decreases dramatically.

In the past five years injured worker service satisfaction has gone from 60.4 per cent in 2002-03 to 68.6 per cent in 2006-07 (see Figure 21.5). In the same period, there have been 4 consecutive 10 per cent premium cuts and employer satisfaction has improved from 64.7 per cent to 82.3 per cent (see Figure 21.6).

The challenge is always one of balancing the cost of the scheme with worker and employer service. In most privatised schemes the focus is one sided with most emphasis on the employer as ‘premium payer’. Victoria is the only Agent/insurer scheme in the world with any significant incentives for improved service for injured workers. Agents are paid up to $10 million per annum in bonus and penalties based on their injured worker survey result. In 2006-07 GBS for example suffered a substantial penalty.
To continue to improve service delivery each Agent has signed up to three service initiatives that have been identified as key dissatisfiers in the annual service satisfaction survey. Not all Agents are undertaking the same initiatives as they are focusing on the areas where the survey suggests they can make the most improvement.

Key service improvement initiatives include:

- independent medical examination selection and communication;
- improved quality of communication around decisions that result in a reduction of benefits received by an injured worker;
- an emphasis on telephone call coaching to improve the quality of service provided over the phone;
- better communication supporting case manager changes; and/or
- improving the timely payment of weekly payments, and medical and like payments.

In addition, the above is supported by various cultural initiatives in each Agent and a scheme wide award program encouraging improved service delivery amongst claims staff.

**Figure 21.5:** Victorian WorkCover Authority

Injured worker satisfaction with the injured worker service

![Injured Worker Satisfaction Over Time for Scheme](chart)

Source: Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.23
21.5.6 Return to work outcomes and performance

(a) Question

In 2006-07, 75.8 per cent of workers who had at least 10 days off work returned to work within 14-19 months after injury. The Committee asked three questions relating to this topic:

- Does the VWA have any benchmarks to measure this result against? If so, please provide details or an explanation of the way in which management determines the acceptability of this level of performance in terms of Return to Work (RTW) outcomes.
- What objectives and performance measures have been established for the Return to Work Inspectorate that commenced in November 2006?
- Given the inspectorate was to be piloted for 12 months what outcomes were evident from its activities as at 30 June 2007?

Response

Does the VWA have any benchmarks to measure this result against?

The Return to Work Sustainability Survey was introduced to provide VWA with an internal benchmarking tool to track its improvement in the sustainability of return to work outcomes.

The survey was first trialed in its current form in 2005-06. The results for 2005-06 indicated that 75.5 per cent of workers who had at least 10 days off work returned to work within 14-19 months after this injury. This survey has provided the baseline for setting our return to work targets – 2,000 injured workers are surveyed each year which enables accurate measurement of performance at Agent and industry level.
The 2006-07 survey result indicated 75.8 per cent, which represents a slight improvement in this measure.

As part of our five year strategy we have set a target of achieving a 30 per cent improvement in return to work outcomes among the group of workers who currently do not return to work within 14-19 months after an injury. (This equates to a sustainable RTW rate of 83 per cent by 2012).

There is a similar national survey but its sample size is very small (300) and, at six to seven months post injury, it measures too early in the life of a claim to test sustainability. Victoria performs slightly under the Australian average on this measure.

We continue to invest in RTW initiatives to further improve return to work outcomes for injured workers and their employers. This includes:

- a return to work coordinator training program;
- employer networks to improve sharing of best practice;
- increased Agent RTW incentives;
- Agent case planning audits;
- outcome incentives for Occupation Rehabilitation providers; and
- a $10 million investment in a return to work fund aimed at identifying innovative ways of assisting injured workers to return to work.

What objectives and performance measures have been established for the Return to Work Inspectorate that commenced in November 2006?

Objectives of the RTW Inspectorate pilot, which commenced in November 2006, were:

- to improve return to work outcomes for injured workers, through promotion of the benefits of returning to work;
- to provide support to employers to understand their obligations regarding return to work, as outlined in Part IV of the Accident Compensation Act (Vic) 1985 (the act);
- to increase employer compliance with Part IV of the act; and
- to provide support to employers to establish systems to improve return to work outcomes for workers that may be injured in the future.

The performance measures for the pilot were:

- number and quality of return to work plans in place within required timeframes;
- number of RTW Inspector visits where the visit directly resulted in a return to work outcome;
- percentage of non-compliances with the act that were resolved prior to the follow-up RTW Inspector visit;
- number of Occupational Rehabilitation programs established following a RTW Inspector visit;
- number of Risk Management programs established following a RTW Inspector visit;

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633 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.23–24
• employer level of satisfaction with the RTW Inspectorate; and
• worker level of satisfaction with the RTW Inspectorate.634

Given the inspectorate was to be piloted for 12 months what outcomes were evident from its activities as at 30 June 2007?

At 30 June 2007 the following data had been collected on the activities of the RTW pilot:

• 292 RTW Inspector visits were conducted to 30 June 2007;
• 25 per cent of employers did not have RTW plans in place which fully complied with the Accident Compensation Act. Following the advice provided by the RTW Inspector 100 per cent compliance was achieved by the time of the follow-up visit;
• 53 per cent of employers did not have occupational rehabilitation programs in place that fully complied with the act. Following the advice provided by the RTW Inspector 100 per cent compliance was achieved by the time of the follow-up visit; and
• 41 per cent of employers did not have risk management plans in place that complied with the Accident Compensation Act. Following the advice provided by the RTW Inspector 100 per cent compliance was achieved by the time of the follow-up visit.

VWA’s view is that the RTW Inspectorate has a key role within a broader strategy for improving return to work outcomes for Victorian’s injured at work. VWA has increased the scale of the RTW Inspectorate pilot in 2007-08 and is refining the scope and focus of its operations to further improve RTW results for all employers. A final decision on the size and coverage of the RTW Inspectorate will be made following consultation with relevant stakeholders towards the conclusion of the pilot in mid-2009.635

21.6 Victorian Managed Insurance Authority

21.6.1 Victorian Managed Insurance Authority activities in relation to non-insurable risk

(a) Question

The Committee noted that the Victorian Government Risk Management Framework identified the Victorian Managed Insurance Authority (VMIA) as having a key role to play as a central adviser and source of support for the Victorian State Government in relation to non-insurable and insurable risk.636

• please outline the key activities of the VMIA that took place in 2006-07 in relation to non-insurable risk; and
• in relation to non-insurable risk activities of the VMIA, please outline how the authority performed in 2006-07 compared with objectives and expected outcomes from this function of the authority.

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634 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.24
635 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.24–25
636 Victorian Managed Insurance Authority, Annual Report 2007, p.4
Response

Key activities included:

- risk framework quality reviews;
- risk framework advisory services and support;
- clinical risk support services & publications;
- education and training programs; and
- publications including risky business, risk updates.637

Risk framework quality reviews

The Risk Framework Quality Review (RFQR) was developed and introduced in 2006 as an enhanced version of the previous RIMPAT system. The RFQR supports both clients and the State by assessing public sector risk management. The RFQR, in various formats, was delivered to 208 clients across Victoria and assisted the VMIA to meet our corporate objectives, identifying client needs and development of new products and services. The introduction of the RFQR was successful and the process will continue to be refined.

Risk framework advisory services and support

At 30 June 2007 the VMIA had six of a budgeted eight Risk Management Advisors. The Risk Management Advisors role is to support clients in the establishment and ongoing improvement of their risk management frameworks. Services are available to clients based through our client relationship teams. Priority activities are related to identified deficiencies through the RFQR process.

Clinical risk support services & publications

During 2006/07 the VMIA employed two part-time doctors in the capacity of Health Risk Consultants. The doctors provided clinical educational support to the hospitals and medical input into the VMIA’s management of public hospital claims.

The VMIA also supported the development of a Standard Clinical Trial Agreement and First Time In Humans Template during 2006. Insurance was also provided for clinical trials involving several hundred clients throughout the year.

The VMIA issued the first edition of an annual publication ‘Clinical Risk Review’, which reports specialist advice, lessons from losses and reports of co-funded initiatives.

A range of co-funding initiatives addressed separately under question 8.6 also supported FY06/07 activities. The clinical risk management strategy 2007/2010, documents the VMIA’s contribution to improved patient safety.

637  Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.11
Education and training programs

The client-training program for 2006/07 was adversely impacted by the implementation of a new VMIA structure that commenced in late 2006. During 2006/07 we conducted 16 courses run with an average attendance of 18 people.

Since the appointment of a new client training manager in May 2007, the VMIA has introduced a comprehensive range of client training programs and seminars which are advertised on the VMIA website. For the period June 2007 to December 2007 we conducted 51 sessions with 1021 participants with an average attendance of 20 people per session.

Publications including risky business, risk updates.

Publications included:

- The first of a bi-annual risk management report prepared for the Minister for Finance;
- Four editions of the quarterly VMIA publication ‘Risky Business’; and
- ‘Risk Updates’ to address topical news items for example flood alerts/emergency response.638

21.6.2 Site risk survey program

(a) Question

The Committee noted that each year, as part of the authority’s Site Risk Survey Program, locations are chosen via a systematic process in which the major State risks are identified and prioritised. Through the conduct of engineering risk surveys at various insured State asset sites that are designed to assist in identifying potential risks and mitigate against losses, recommendations are made in the form of risk treatment options with Risk Engineers providing follow-up advice to clients on risk treatment implementation strategies.639

- what were the major State risks in priority order that were identified in 2006-07 at the various insured State asset sites?
- as the VMIA reported that this service has proven to be a success with 33 per cent of the identified 2006-07 risks already mitigated by clients in the same year,640 is the VMIA satisfied that all major risks have subsequently been adequately mitigated? If not, please explain the status and implications if still outstanding.

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638 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, pp.11–12
639 Victorian Managed Insurance Authority, Annual Report 2007, p.21
640 Victorian Managed Insurance Authority, Annual Report 2007, p.22
Response

The major state risks that were identified in 2006-07 at the various insured state asset sites in priority order were as follows:

1. lack of adequate automatic sprinkler protection at key facilities;
2. poor management of contractors;
3. lack of human element programs (for example no hot work or fire impairment procedures);
4. lack of cohesive business continuity plans; and
5. lack of electrical infrastructure redundancy and maintenance.

The VMIA is satisfied that all major risks have been subsequently mitigated. The VMIA verifies the completion of all issued recommendations via a physical survey or via documentation that confirms that a recommendation has been completed. Recommendations are not closed until evidence is provided that the risk has been mitigated. Where necessary issues are escalated until satisfactory resolution is achieved.641

21.7 Transport Accident Commission

21.7.1 Processing compensation claims

(a) Question

One of the responsibilities of the Transport Accident Commission is to determine claims for compensation speedily and efficiently.642

For 2005-06 and 2006-07, please disclose:

- the performance indicators in place to assess claims handling performance;
- actual performance versus targets established for each indicator;
- explanations for variances that exceed 10 per cent;
- any measures introduced in 2005-06 and 2006-07 designed to improve the timeliness of handling claims; and
- comparisons against established benchmarks.

Response

The Transport Accident Commission’s (TAC) core responsibility is to provide the highest standards of service and support to those Victorians whose lives have been affected by road trauma. The TAC’s key performance indicator (KPI) used to measure service provided to injured Victorian motorists is the client satisfaction feedback score.

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641 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.16
642 Transport Accident Commission, 2007 Annual Report, p.5
Every year, the TAC commissions an independent survey of 2,500 clients to measure their level of satisfaction with the TAC’s service.

During 2005/06, the TAC achieved its highest ever client feedback score result (7.44 out of 10 compared with a target of 7.35). In 2006/07, our client satisfaction feedback score result remained stable at 7.40 (compared with a target of 7.45).

This high score was achieved alongside significant internal organisational change in preparation for our relocation to Geelong. Two major service delivery initiatives that supported ongoing strong service delivery results included:

- a new service delivery model focused on a life of claim approach to claims management, tailoring client support and communication to their goals as they progress through the various phases of recovery; and
- establishment of a ‘Client Zone’ approach to bring the TAC clients’ perspective of service delivery to life for TAC employees.

Comparisons to other benchmarks and similar entities are made difficult because of different organisational focus areas, survey sampling and construction techniques.

Other client service KPIs monitored during 2005/06 and 2006/07 included:

- timeline to income first payments (lodgement to payment);
- timeline to resolve Victorian common law claims (application to resolution); and
- the total no-fault disputation rate.

The TAC exceeded its target of 80 per cent income first payments within 28 days and improved performance between 2005/06, (82 per cent paid within 28 days of accident) and 2006/07 (84 per cent paid within 28 days of accident).

Benefit delivery timelines for Victorian common law claims were better than target in 2006/07, with 40 per cent of claims resolved within 12 months compared with a target of 33 per cent. This result improved on 2005/06 where just 24 per cent of claims were resolved within 12 months of application. The protocols TAC developed in 2005 in collaboration with the Law Institute of Victoria and the Australian Lawyers Alliance have helped to reduce the time taken to resolve common law claims.

The total no-fault disputation rate reflects the TAC’s overall dispute activity as a proportion of our active claim population (claims lodged or with a payment made in the last six months). For 2005/06, the TAC met its target for this measure with a total no-fault disputation rate of 4.3 per cent. A scheme viability focus on the tail of claims in receipt of paramedical benefits saw the no-fault disputation rate increase to above target levels in 2006/07 (5 per cent versus a target of 4.5 per cent).

There were no instances of TAC service KPI performance varying from target by 10 per cent or more.\(^{643}\)

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\(^{643}\) Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire. received 29 February 2008, pp.14–15
21.7.2   Reducing the incidence of transport accidents

(a)   Question

In terms of reducing the incidence of transport accidents,\textsuperscript{644} for 2005-06 and 2006-07 please disclose:

- the performance indicators in place to assess the effectiveness of the initiatives introduced by TAC that are designed to have an impact on reducing the incidence of transport accidents;
- actual performance versus targets established for each indicator;
- explanations for variances that exceed 10 per cent; and
- any measures introduced in 2005-06 and 2006-07 designed to reduce the incidence of transport accidents.

Response

The reduction of road trauma has enormous social benefits for the Victorian community and contributes to the long-term strength of the TAC scheme. The TAC contributes to Victoria’s \textit{arrive alive!} strategy in collaboration with Victoria Police, VicRoads and the Department of Justice. A ‘safe system’ approach has been adopted, addressing three key areas: safer cars, safer roads and safer road user behaviour.

During 2005/06, the TAC continued with targeted public education campaigns on the main causes of road trauma. The TAC also launched a major road safety campaign highlighting the ‘hidden toll’ associated with road trauma. The Hidden Toll campaign explained that on average one person dies on the state’s roads every day while a further 46 are injured. In addition to the personal and emotional impact of the hidden toll, the high level of serious injuries also represents a huge cost to the community (approximately $4.5M per day).

The TAC also continued its strong investment in safety-based infrastructure improvements to Victoria’s road network in 2005/06, and made a further commitment of $60M per year (indexed) over the next 10 years, towards a range of safety projects on Victoria’s roads under the Safer Roads Infrastructure Program (SRIP), commencing in 2007/08.

During 2006/07, planning commenced for new SRIP initiatives, including roundabout upgrades, tactile centre lines and flexible barrier systems on roadsides. At the same time, the TAC’s public safety campaigns tackled new themes, including driver distraction and the dangers of drug driving. Car buyers were targeted with a campaign urging them to prioritise safety and demand curtain airbags and electronic stability control.

The TAC has a number of Key Performance Indicators (KPI) used to measure the impact of our activities on road safety outcomes. These include:

- the road toll;
- acute hospitalised claims; and
- total accepted no-fault claims.

\textsuperscript{644} Transport Accident Commission, \textit{2007 Annual Report}, p.5
In most cases, the TAC’s performance was better than target for each of these measures and there were no instances of variations exceeding 10 per cent.

Victoria’s road toll reached a record low in 2005/06 of 323 fatalities, which was maintained in a relatively low 336 fatalities in 2006/07.

The number of acute hospitalised claims were in line with targets in both 2005/06 2006/07 (2,871 versus a target of 2,883) and 2006/07 (3,011 versus a target of 3,007), but 5 per cent worse than target in 2005/06 (3,385 versus a target of 3,215).

Total accepted no-fault claims were marginally above target in 2005/06 (17,968 versus a target of 17,555), but improved and reduced to below target levels in 2006/07 (16,685 versus a target of 17,545). The total accepted no-fault claim rate was 42.2 per 10,000 vehicles in 2006/07, an improvement on the rate of 45.7 achieved in 2005/06.645

21.7.3 Programs for improving return to work outcomes for Transport Accident Commission clients

(a) Question

What are the performance indicators in place for assessing the effectiveness of TAC programs for improving return to work outcomes for TAC clients?646 For each indicator, please describe TAC’s performance against targets for 2005-06 and 2006-07 including explanations for variances that exceed 10 per cent

Response

Typically, almost one-third of TAC clients are employed at the time of their accident.

Historically the TAC has worked with clients and their employers to establish return-to-work goals, programs and timelines.

During 2005/06 and 2006/07 the TAC increased its focus on working collaboratively with clients’ medical and rehabilitation treaters so that vocational goals are incorporated into the recovery process. The TAC also developed a new ‘job checklist’ to assist clients’ previous or potential employers to determine appropriate duties and, if required, workplace modifications. The TAC and WorkSafe Victoria Health Services Group is expected to further improve client outcomes through a range of future joint activities and strategies.

In terms of return to work KPI outcomes, no significant issues were identified by PriceWaterhouseCoopers in comparing the TAC’s claims experience to actuarial projections as at both the June 30 2006 and June 30 2007 assessments.

Two new KPIs have been introduced for 2007/08 which track return to work outcomes more specifically at 12 and 18 months post accident.647

645 Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 29 February 2008, p.16
646 Transport Accident Commission, 2007 Annual Report, p.7
647 Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 29 February 2008, p.17
21.7.4 Train and tram accidents

(a) Question

The Annual Report discloses that TAC also covers people injured in train and tram accidents. Please provide a trend analysis of the number of people injured in train and tram accidents during 2004-05, 2005-06 and 2006-07 and the compensation involved.

Response

Table 21.7: Transport Accident Commission
Accepted no fault claims

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of claims</th>
<th>Train</th>
<th>Tram</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004/05</td>
<td>41</td>
<td>136</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paid to date</td>
<td>$1,364,296</td>
<td>$1,518,448</td>
</tr>
<tr>
<td>2005/06</td>
<td>70</td>
<td>107</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paid to date</td>
<td>$1,778,169</td>
<td>$761,581</td>
</tr>
<tr>
<td>2006/07</td>
<td>82</td>
<td>97</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Paid to date</td>
<td>$2,470,387</td>
<td>$506,236</td>
</tr>
</tbody>
</table>

Source: Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.19

Note: data as at December 2007

21.7.5 Sick leave bank

(a) Question

The Annual Report reveals that ‘a sick leave bank was established for employees in 2006-07. This gives employees with long-term or chronic health conditions, or those caring for an immediate family member with a long-term or chronic health condition, an option to access additional paid leave from the sick leave bank once their personal leave has been used’. Please outline for the Committee:

- a description of the way in which the sick leave bank operates;
- the balance of leave at the inception of the bank in 2006-07;
- the total amount of leave accessed in 2006-07; and
- the cost to the organisation.

648 Transport Accident Commission, 2007 Annual Report, p.26
649 Transport Accident Commission, 2007 Annual Report, p.33
Response

The Sick Leave Bank is designed to assist employees who have a serious illness. The employee with the illness will be given an amount of extra sick leave to alleviate the financial burden and loss of service issues around an extended illness.

To qualify for access to the bank, the employee with the illness will need to have the appropriate certificates from the appropriate medical practitioner. These certificates and illness severity will be evaluated by the TAC’s Return to Work Coordinator. Once evaluated, the Return to Work Coordinator will either agree (and recommend an appropriate amount of time) or disagree to give the employee access to the Sick Leave Bank.

The balance at the inception was 0 days. The bank only builds when employees ‘give’ their excess sick leave to the bank. When this occurs, the TAC matches the donation day for day (eg. If an employee gives the bank 40 days, the TAC will also put in 40 days, meaning a total of 80 days is added to the bank)

No leave was accessed during 2006-07 and there was no cost to TAC during 2006-07.650

A fairer society that reduces disadvantage and respects diversity

21.8 Department of Human Services

21.8.1 Progress in implementing the towards an integrated Victorian housing strategy

(a) Question

The government’s Towards an Integrated Victorian Housing Strategy was launched by the Minister on 26 September 2006. Through a new whole of government approach to housing policy, the strategy aims to improve housing outcomes for Victorians in three key areas:

- to facilitate the operation of the housing market;
- to ensure housing and residential development supports the government’s wider economic, social and environmental sustainability objectives; and
- to minimise housing stress.

The strategy identifies government achievements to date, emerging challenges and priorities for future action. Several priority actions were earmarked in the strategy for completion in 2006-07 with others cited as having ongoing significance. The Committee asked the Department of Human Services to:

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650 Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 29 February 2008, pp.19–20
• outline the action taken in 2006-07 for each of the priorities planned for completion in the year under the housing strategy, together with action taken in 2006-07 on those matters requiring ongoing attention; and

• specify the extent to which housing outcomes in the above key areas were enhanced as a consequence of 2006-07 achievements and indicate the improvements to outcomes targeted for future years from continued implementation of the strategy.

Response

The three objectives of *Towards an Integrated Victorian Housing Strategy* were supported by a number of actions to progress the Strategy. These actions are on track and are being implemented by a number of Victorian Government departments. Significant progress has been made towards the three key action areas, as demonstrated below.

**Facilitate the efficient operation of the housing market**

A project aimed at streamlining Victoria’s development approval process was undertaken in 2005-06. The outcome of this work, ‘Cutting Red Tape in Planning’, is now being implemented. Of the 43 actions recommended in the Report, the majority are complete or are currently being implemented.

In October 2007, the Minister for Planning announced a review of Victoria’s residential zones (arising out of the *Making Local Policy Stronger* report). An expert group comprising representatives of the Department of Planning and Community Development, Local Government and the Municipal Association of Victoria has been appointed to prepare a suite of new residential zones and accompanying discussion paper for public consultation (anticipated in early 2008), to consider public submissions and recommend the final form of the residential zones for the Minister for Planning's consideration.

The government is assisting the housing industry by providing better information on market activity. In 2006, the ‘Victorian Urban Development Program Report’ and *Melbourne Atlas* were published. Work has also commenced on ‘Victoria in Future’ population projections.

In 2006, the *State Planning Policy Framework* was revised to include reference to statewide affordable housing objectives, in order to ensure that affordable housing policy is consistently implemented across Victoria.

**Ensure housing and residential development supports the government’s wider social, economic and environmental sustainability objectives**

The government is implementing market-based strategies through VicUrban to deliver a range of well-located, diverse and affordable land and housing opportunities. The Ownhome Affordable Housing Pilot was launched in February 2007. The Pilot comprises 100 affordable house and land packages delivered in partnership with Burbank Homes with ten of these house and land packages available for purchase at 75 per cent of market price by first home buyers who are selected by Ballot. Other eligibility conditions apply, including being eligible for the First Home Buyers Grant, and the income of the applicant (and partner/spouse) must be between $54,000 and $60,000 per annum.
Ownhome pilots innovation through the use of a Second Mortgage, held by VicUrban, to reduce the cost of home purchase. The Second Mortgage does not incur interest and will realise funds for reinvestment in affordable housing when the purchaser sells or deals in the property. During 2007-08, VicUrban will complete the Pilot and share evaluation findings with government.

In September 2006, the Growth Areas Authority (GAA) was established under the Planning and Environment (Growth Areas Authority) Act 2006 (the Act) to lead implementation of the Victorian Government’s policy framework, A plan for Melbourne’s growth areas. A plan for Melbourne’s growth areas charges the GAA to facilitate the delivery of services and infrastructure earlier in the growth areas through the streamlining of planning processes and better sequencing of development.

The government continues to support Neighbourhood Renewal (NR). During 2005-06, NR was implemented in four new sites at West Heidelberg, East Reservoir, Hastings and Delacombe. The NR program now operates in 19 sites across Victoria. Evaluation of NR undertaken to date shows significant progress against a number of key indicators such as housing, environment, employment, education, social enterprise, crime and safety and community pride and participation.

A project steering Committee and working group have been formed to progress development of a Second Generation Five Star standard for water and energy in new housing. Options for minimum standards for water and energy efficiency have been developed, and will form the basis for final standards. New water sustainability provisions for new residential subdivisions were introduced into all planning schemes in Victoria in October 2006.

Minimise housing stress

The Victorian Government is committed to providing assistance to households who are have difficulty accessing the private rental market. Record levels of government funding are being invested to strengthen the not-for-profit sector and Housing Associations through the Strategy for Growth in Housing for Low Income Victorians and to increase the supply of affordable housing strategic partnerships with the private sector.

Since the establishment of the Office of the Registrar of Housing Agencies in 2005-06, the department has continued to expand and strengthen the Housing Association sector as a vehicle to increase affordable housing supply. A registration pilot was launched in 2006-07 inviting agencies to register as Housing Associations or Providers under the Housing Act 1983. By December 2007, eight agencies were registered as Housing Associations. Housing associations are expected to grow social housing by leveraging government funding and their existing property portfolio.

In 2006-07, the department developed a Housing Provider Framework to strengthen and streamline funding and accountability arrangements with long-term community housing providers. The framework, which involves five-year leases for housing providers, will improve the efficiency and viability of the long-term community housing sector.

A number of reforms have been introduced to maximise government investment and improve the underlying viability of the social housing system. The department is maximising revenue from public housing tenants and increasing administrative efficiencies through a restructured rent policy, covering:

- increased assessment of Family Tax Benefits in 1 per cent increments over four years from 11 per cent to 15 per cent. This is likely to generate revenue gains of $6.9 million per annum once the 15 per cent charge has been reached in 2012;
• the introduction of fixed rents for 26 week periods in conjunction with automated income confirmation through Centrelink to minimise rent arrears, reduce administrative costs and reduce workforce disincentives and poverty traps in the longer term; and
• the introduction of mandatory direct debit for tenants in arrears.

The department has developed an Asset Management Strategy underpinned by the twin objectives of public housing sustainability and overall social housing growth. The Strategy consists of five major activities:

• the disposal of stock that is of poor quality in areas of low demand;
• acquisition of new stock that is more appropriately configured to suit the needs of tenants;
• redevelopment of older stock to achieve more efficient use of sites and better-profiled housing, in particular to meet the needs of singles and smaller families;
• upgrades of stock to improve the standard and amenity of existing public housing properties; and
• the increased involvement of registered Housing Associations in the ownership and management of social housing.

The department is expanding joined up responses for people with mental illness who are vulnerable to becoming homeless. In December 2006, a submission process for service delivery for Housing-Mental Health Pathways was undertaken. Service delivery commenced in early 2007.

To further improve homelessness service system responses for young people, the department launched Creating Connections: Youth Homelessness Action Plan Stage 2. Creating Connections provides the platform to undertake strategic development of homelessness responses for young people. Initiatives under the action plan will help young people access education, employment or accommodation opportunities, move towards independence when they leave state care; and reconnect to family, school or the community.

Victoria is leading the development of a national not-for-profit sector development plan. An outline for a draft plan was endorsed by Housing Ministers in September 2006, giving priority to the development of a national approach to regulation and initiatives directed at building sector capacity. The Phase One Plan, endorsed by the Housing Ministers’ Advisory Committee in November 2006, is being progressed focusing on the creation of a supportive nationally consistent regulatory and policy environment and by building sector capacity.

In addition, a number of actions under the Integrated Victorian Housing Strategy are being progressed in the context of wider work around National Action on Affordable Housing and the negotiation of the next Commonwealth-State Housing Agreement.651

21.8.2 Affordable housing

(a) Question

The 2006-07 budget papers identified that funding of $50.5 million was allocated in 2005-06 to boost access to affordable housing.652 This significant level of new budget funding was provided

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652 Budget Paper No.3, 2006-07 Service Delivery, pp.296, 298
'for boosting access to affordable housing and measures to better match social housing stock to
the needs of social housing tenants to increase access to affordable housing, including through
further investment in the maintenance, upgrade and replacement of housing stock, and further
assistance to non-government housing associations to provide social housing'. The Committee
asked the Department of Human Services to provide the following information:

- details of actions taken and costs incurred for the various components of this funding
  initiative against planned timelines and budgets; and
- illustrate in both quantitative and qualitative terms how housing outcomes were enhanced
during 2005-06 and 2006-07 against plans and targets as a consequence of the
management strategies pursued under the funding initiative.

**Response**

In the 2005-06 budget, $50.5 million was allocated to increasing access to affordable housing.
These funds were allocated in the following ways:

- $25.5 million to deliver an additional 130 new homes for low income Victorians in
  2007-08; and
- $25.0 million for the 2006-07 public housing physical improvement budget.

The delivery of 130 new social housing units using the $25.5 million, allocated over the 2006-07
and 2007-08 periods, will contribute to modest growth in overall long-term social housing stock
numbers. Units were scheduled for delivery in 2007-08, due to the longer lead times associated
with the completion of capital projects involving partnerships with the private and non-government
sector. The department is presently on track to deliver the 130 social housing units by the end of
2007-08. In the 2007-08 budget, $300 million was allocated for social housing from 2006-07 funds
– the largest single injection of one-off funds into housing in Victoria. It will be allocated for
projects involving housing associations to increase the yield of social housing.

In 2006-07, the Victorian Government invested a total of $182.8 million (including $25.0 million
from the 2005-06 budget), towards upgrades and physical improvements to the quality of existing
social housing in Victoria. The physical improvement budget targeted the following:

- reducing backlog maintenance to address structural and Occupational Health & Safety
  issues;
- progressing the upgrade and renewal strategy in relation to low-rise buildings;
- maintaining existing public housing estates to prevent further deterioration; and
- re-profiling stock to better match client need.

This investment has improved the amenity and safety of public housing stock, assisted the
government to deliver on its obligation to provide decent housing to public housing tenants, and
maintain the value of the state’s $14 billion social housing asset.

The program successfully delivered on expenditure targets, and met all upgrade, maintenance and
property infrastructure milestones planned for 2006-07. A total of 2,933 major units upgrades were
undertaken in 2006-07, an increase of 326 upgrades compared with 2005-06.653

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653 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes
questionnaire – part two, received 22 February 2008, pp.40–41
21.8.3 The State of Victoria’s Children report 2006 – actions taken and planned

(a) Question

In October 2006 the Children’s Services Coordination Board released The State of Victoria’s Children report 2006. The board reviews and reports annually to the Minister on the outcomes of government actions in relation to children, particularly the most vulnerable children in the community. The Department of Human Services indicated that the 2006 report found that:654

... while children and young people in Victoria are faring well against a broad range of outcomes, there are some persistent and newly emerging areas of concern. The report allows the government to adapt and to sharpen its focus on these problem areas and on those children and families who are faring less well.

Please outline the particular areas of concern identified in the board’s 2006 report as well as action taken by the department in 2006-07, and planned for 2007-08 and beyond, on matters falling within its responsibility.

Response

Until machinery of government changes announced by the Premier on 2 August 2007, the department was responsible for supporting the Children’s Services Coordination Board and for interdepartmental collaboration to prepare an annual report to the Minister on how children are faring in Victoria.

The State of Victoria’s Children report, released in October 2006, identified a range of areas in which children and young people are faring less well than the community might expect:

- mothers’ drinking alcohol in pregnancy;
- smoking in early stages of pregnancy;
- vaccination rates at 72-75 months below the agreed minimum;
- prevalence of asthma;
- poorer oral health than general health reported by parents;
- an increase in injury hospitalisation for 15-18 year olds;
- an increase in prevalence of childhood obesity;
- continuing levels of poor family functioning; and
- continuing levels of self-harm among 15-18 year olds.

The report also indicates where children in particular population groups are doing much less well than across the whole population in terms of one or more important outcomes. These groups include Aboriginal families, children with a disability, children from culturally and linguistically diverse backgrounds, children in out of home care and those in families suffering chronic disadvantage.

654 Department of Human Services, 2006-07 Annual Report, pp.33, 34
In some of the areas identified by the report, and for a number of the priority population groups for whom outcomes are relatively poorer, the department has established programs or strategies in place. In light of the report, the department has examined those areas where additional work might be needed:

- in the case of immunisation, 2007 data indicates that the statewide rate is now above the 90 per cent minimum. The current level of action will be maintained;
- in the case of oral health, the most cost-effective response continues to be extension of fluoridation to cover more rural Victorians. The 2007-08 budget provided further funding to lift coverage to 79 per cent of the state’s children. Victoria’s public dental system will strengthen its focus on children from lower-income groups, where incidence of poor oral health is higher;
- future program responses are being considered to address alcohol use in pregnancy, smoking during pregnancy, and asthma rates; and
- a number of areas of concern are being addressed through whole of government strategies. These include the ‘Go for Your Life’ responses to obesity, the Victorian mental health strategy, currently under development, and action plans to improve a number of outcomes for Aboriginal children in line with the Victorian Indigenous Affairs Framework.

The machinery of government changes announced by the Premier on 2 August 2007 involved a shift of a number of program responsibilities for children, particularly those around early childhood services, to a new Department of Education and Early Childhood Development. The Children’s Services Coordination Board will continue to ensure that work is undertaken between The Department of Education and Early Childhood Development and the Department of Human Services, as well as other departments, to identify where additional policy responses may be needed.655

### 21.8.4 Issues identified by the Child Services Commissioner – action taken by the department

**(a) Question**

Please outline the main issues identified during 2006-07 by the Child Services Commissioner that have implications for the department’s responsibilities for children. Please indicate, where relevant, the resultant action taken by the department.

**Response**

In his Annual Report 2006-07, the Child Safety Commissioner (CSC) identified:

- ‘listening to the voices of young people is central to understanding their experiences in care’;
- a Charter for children in out-of-home care, has been developed by the CSC together with the CREATE Foundation and over 100 children who have lived in out-of-home care as well carers and associated professional groups. The Charter, endorsed by the Department of Human Services Secretary and recently launched by the Minister for Community

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655 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.41–42
Services, is currently being promoted to service providers and decision-makers as a guide to what any child in care should expect, including that their views will be valued;

- as part of reviewing the deaths of children known to child protection, the CSC has a ‘key role in managing the essential child death data and tracking and monitoring the implementation of the [Victorian Child Death Review Committee’s recommendations’;
- a system has been developed between the Office of the Child Safety Commissioner and the Department of Human Services to facilitate this important process;
- the Commissioner’s ‘call for the creation of a code of ethical practice for youth workers, [that] has been well received’;
- the code was developed by YACVIC (youth services peak body), with support from the Office for Youth and was launched by the Child Safety Commissioner in November 2007;
- the ‘development of a suite of resources to support parents and carers to make wise choices about who they should entrust to look after their children’, based on a national framework, has been undertaken by the CSC;
- a cross agency government working group has been established to progress the promotion of child-safe policies for organisations that deliver services or activities to children; and
- ‘Calmer Classrooms – A guide to working with traumatised children’ was launched in December 2007.

The resource developed for all Victorian teachers to support the learning needs of traumatised children, examines trauma and attachment disorders and their impact on a child's emotional, physical and cognitive development. It compliments the work being undertaken to revitalise the Partnering Agreement – a collaborative process between the Department of Human Services and the Department of Education and Early Childhood Development to practically enhance and support school integration and learning opportunities of marginalised children, particularly those in out-of-home care.656

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656 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.42–43
CHAPTER 22: VIBRANT DEMOCRACY

Key findings of the Committee:

22.1 The State Services Authority undertook 15 reviews during 2006-07. The results of nine of these were made public. While some reviews may of their nature be intended to individual departments, a clear process should be implemented in regard to decision-making as to whether reports should be made public.

22.2 The financial status of public hospitals in rural Victoria deteriorated in 2006-07 compared with the previous year. For the year ended 30 June 2007, 28 hospitals (nine metropolitan and 19 rural hospitals) requested letters of comfort from the department. For the year ended 30 June 2006, 23 hospitals (nine metropolitan and 14 rural hospitals) were in this category.

22.3 The Metropolitan Ambulance Service incurred an operating deficit of $1.2 million in 2006-07 compared with an operating surplus of $2.5 million in 2005-06. This decrease was due to the re-investment of significant efficiency savings achieved in previous years in operational enhancement initiatives. The Committee noted that operating deficits in any given year do not necessarily indicate by themselves adverse financial situations.

22.4 The Rural Ambulance Victoria reported an operating surplus of $19,000 in 2006-07; down from a surplus of $1.8 million in 2005-06. This decrease was mainly due to additional costs associated with employee benefits and other expenses.

22.5 In the light of changed world circumstances, the security budget for the Melbourne 2006 Commonwealth Games was increased from $46 million to $119 million. The Committee was advised that much of this planning and security arrangements for the Games had significant legacy benefits for overall security in Victoria. Against the revised budget of $119 million, the government incurred $90 million on security arrangements associated with staging the Commonwealth Games. The major areas of savings with the Police budget were connected with operational requirements involving accommodation and equipment ($9 million); and Village security, traffic/motorcades, the International Broadcast Centre and media operations ($3 million).

22.6 In relation to the staging of the Commonwealth Games, the M2006 Corporation final budget for the components included under Marketing and Communications was $28.3 million which was underspent by $600,000. Similarly, the Office of Commonwealth Games Coordination’s final budget on such items of $9 million was underspent by $1.6 million.

22.7 The Committee sought, but did not receive on the grounds of commercial confidentiality, a breakdown of sponsorship revenue for the Commonwealth Games totalling $95.1 million.
The Commonwealth Games business and corporate hosting program was managed jointly between the M2006 Corporation and the Office of Commonwealth Games Coordination. The total value of tickets purchased for this purpose was $596,704. The business hosting program was organised through the Department of Innovation, Industry and Regional Development to support the specific business development programs of that department. The cost of these tickets was included in the total expenditure for business and VIP hosting announced by the government prior to the Games.

An amount of $14.8 million was added to the Commonwealth Games Village budget to support additional costs crystallised at the time of the change to the accommodation plan. This was incorporated into the approved expenditure budget and was not specifically hypothecated to any item in the village budget. The village was delivered within the amended budget.

In relation to the operations of the Victorian Managed Insurance Authority, $8.3 million was allowed in case estimates for damage arising from the 2006-2007 bushfire season. For the purposes of the insurance liabilities valuation, $18.7 million was allowed in relation to the Gippsland Floods, based on the information available at that time. In addition, a favourable movement was experienced in the gross central estimate for medical indemnity claims with a favourable below cap (claims <$500,000) claim development of $38.9 million for the year. This arose from lower than expected reported claims and lower net costs of claims finalised. The total claims costs outstanding in 2010 are projected at $1,081,401,000 of which medical indemnity claims are projected to constitute $720,871,000, or 66.7 per cent.

With regard to the operations undertaken by the Victorian WorkCover Authority, total restitution of funds obtained through fraudulent means, as ordered by the court, amounted to $187,803 in 2006-07 (2005-06, $173,745).

Introduction

As part of the process of inquiring into financial and performance outcomes for 2006-07 (2005-06 where considered appropriate), the Committee raised various questions which emanated primarily from an analysis of information contained in the annual reports of departments and certain related agencies as well as a wide range of other material that included previous budget papers, government policies/initiatives, Auditor-General’s reports and departmental plans.

These lines of inquiry contained in the Committee’s outcomes questionnaire together with the responses provided by government agencies have been categorised by the Committee and reported according to the various elements of the government’s policy vision – Growing Victoria Together to which they relate.

This style of reporting on financial and performance outcomes continues the initiative taken by the Committee in the presentation of material in its Report on the 2007-08 Budget Estimates – Part Three whereby linkages were drawn between the government’s Growing Victoria Together initiative and the state’s budget, the Auditor-General’s Annual Plan and the Committee’s reporting responsibilities in terms of inquiring into the budget estimates and relates outcomes. As such, the direction taken by the Committee completes the trilogy of aligning government policy with the delivery of government outcomes, external audit and Parliamentary oversight.
22.2 **Linkage of issues examined to the government’s Growing Victoria Together initiative**

This chapter, which covers the Vibrant Democracy vision of the government’s Growing Victoria Together (GVT) initiative, contains outcome-related comments pertaining to 36 issues categorised according to each relevant agency. As well as serving to enhance accountability, the Committee believes that this information will provide an avenue for promoting debate and lay the basis for further follow-up as part of the impending inquiry by the Committee into the 2008-09 budget estimates.

Issues selected by the Committee for examination aligned to the GVT goals cover the following topics:

**Greater public participation and more accountable government**

- reviews undertaken by the State Services Authority – disclosure of findings and implementation of recommendations;
- performance and output reporting – reporting the extent to which output delivery has contributed to departmental objectives and government policy outcomes;
- timely lodgement of annual reports;
- annual reporting – cost and management of government advertising and promotion; and
- Transport Accident Commission – operational performance information contained in annual report.

**Sound financial management**

- public hospitals – financial performance and sustainability;
- ambulance services – financial performance; and
- Commonwealth Games:
  - security budget;
  - marketing and communications costs;
  - contingent liability for the athletes’ village;
  - revenue from the sale of property;
  - wrap-up costs for the Office of the Commonwealth Games Coordination;
  - sponsorship revenue;
  - ticketing revenue; and
  - whole of government budgeted contingency;
- City West Water – increase in total borrowings; and
- Rural Finance:
  - concessional loans – uptake;
  - FarmBis – evaluation; and
  - credit risks;
• Treasury Corporation of Victoria:
  – operational risks;
  – operational risk management;
  – remuneration of Directors;
  – indemnity arrangements with the State of Victoria; and
  – fraud management;

• Victorian Funds Management Corporation:
  – expanded investment strategy role;
  – investment performance;
  – timeliness of reporting to clients;
  – funds under management per client; and
  – increase in legal fees;

• Victorian Managed Insurance Authority:
  – performance from insurance operations;
  – risk management frameworks of public sector agencies;
  – risk management projects; and
  – measuring claims handling performance;

• Victorian WorkCover Authority:
  – funds obtained through fraudulent means;

• State Electricity Commission Victoria:
  – decline in dividends from the Snowy Hydro Ltd in 2006-07; and
  – guarantee issued in favour of the National Electricity Market Management Company Limited (NEMMCO).
Greater public participation and more accountable government

22.3 Department of Premier and Cabinet

22.3.1 Reviews undertaken by the State Services Authority – disclosure of findings and implementation of recommendations

(a) Question

The department has identified that, during 2006-07, the State Services Authority commenced 13 reviews and completed six in relation to improving the delivery and integration of government services.657

Please outline the key findings and recommendations for each completed review. What procedures are in place for confirming that appropriate action has been taken by agencies on the Authority’s recommendations?

Response

The State Services Authority (SSA) exists to foster the development of an efficient, integrated and responsive public sector which is highly ethical, accountable and professional in the way it delivers services to the Victorian community. To this end, it undertakes reviews to identify opportunities to improve the delivery and integration of government services and report on service delivery outcomes and standards.

The SSA undertakes these reviews from within the Executive. Its function, therefore, is not to inform the public or Parliament about the public sector but to provide advice to the Executive about how best to enhance the governance and effectiveness of public sector entities. As the SSA’s recommendations have no binding status, Ministers have discretion about how to respond to recommendations that the SSA might make in a review. Whether to release the findings and recommendations of reports is a matter for the individual Minister.

A further consequence of this is that the SSA does not monitor agencies’ use of review recommendations. It would be inappropriate for the SSA to insist on the implementation of recommendations or to attempt to hold a Minister to account for how recommendations are acted on. Decisions on how to use review findings rest with Ministers and agency administrators.

Table 22.1 outlines the reviews the State Services Authority undertook during 2006-07. Full versions of publicly available reports are on the SSA’s website: www.ssa.vic.gov.au.658

657 Department of Premier and Cabinet, 2006-07 Annual Report, p.43
658 Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 April 2008, p.21
Committee comment

In the view of the Committee, given that information is made public for some reviews undertaken by the SSA while in other cases information is not made publicly available, accountability would be enhanced if there was a clear process of decision making in respect to the handling of reports and whether to make them publicly available.

Transparency of decision making would be enhanced if criteria was formulated and made public governing the release or otherwise of reporting by the SSA. The Committee suggests that the tabling of significant reports in Parliament would be one way of ensuring greater public awareness and understanding of the contemporary public sector governance issues.

The Committee recommends that:

Recommendation 67: The Department of Premier and Cabinet develop a set of criteria to govern the handling of reports by the State Services Authority including their publication.
### Table 22.1: Reviews undertaken by the State Services Authority – 2006-07

<table>
<thead>
<tr>
<th>Review name</th>
<th>Reference received</th>
<th>Completion date 2006 / 07</th>
<th>Due for completion / completed</th>
<th>Publicly available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barriers to Indigenous Employment</td>
<td>September 2005</td>
<td>March 2006</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Infrastructure Project Management Capability</td>
<td>October 2005</td>
<td>April 2007</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Non-executive Director Remuneration for Members of Boards of Victorian Entities</td>
<td>July 2006</td>
<td></td>
<td>December 2007</td>
<td>No</td>
</tr>
<tr>
<td>Workforce Planning Challenges Facing the Victorian public sector</td>
<td>Annual Plan pursuant to section 73 of the Act</td>
<td>June 2007</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Leadership Development in the Victorian public sector</td>
<td>Annual Plan pursuant to section 73 of the Act</td>
<td>September 2006</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Victorian public sector Graduate Recruitment Scheme</td>
<td>Annual Plan pursuant to section 73 of the Act</td>
<td>September 2006</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Labour Market Program Schemes in the Public Sector</td>
<td>Annual Plan pursuant to section 73 of the Act</td>
<td>December 2006</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Not-for-Profit Regulation</td>
<td>September 2006</td>
<td>September 2007</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Victorian Approaches to Joined up government</td>
<td>Annual Plan pursuant to section 73 of the Act</td>
<td>November 2007</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Governance and Effectiveness of Regional Management Forums</td>
<td>March 2007</td>
<td>November 2007</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Commuting Incentives and Arrangements for Public Sector Senior Officers</td>
<td>April 2007</td>
<td>November 2007</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Victorian public service Continuous Improvement Network</td>
<td>April 2007</td>
<td>September 2007</td>
<td></td>
<td>No</td>
</tr>
<tr>
<td>Separation of Policy and Regulatory Functions of the Building Commission and Plumbing Industry Commission</td>
<td>March 2006</td>
<td>December 2006</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Governance and Effectiveness of Rural Ambulance Victoria</td>
<td>April 2006</td>
<td>December 2006</td>
<td></td>
<td>Yes</td>
</tr>
<tr>
<td>Governance and Effectiveness of Victorian Cemetery Trusts</td>
<td>October 2006</td>
<td>June 2007</td>
<td></td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Department of Premier and Cabinet, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p. 22
22.4  Department of Treasury and Finance

22.4.1  Performance and output reporting

(a)  Question

The Auditor-General recommended in his November 2007 report on Parliamentary Appropriations: Output Measures that the disclosure of actual output performance in departmental annual reports be accompanied by an assessment of the extent to which output delivery has contributed to achievement of departmental objectives and government outcomes.\(^{659}\)

The Committee observed that the Department of Treasury and Finance noted this recommendation in the report.

Could the department please advise the Committee whether it intends to incorporate this principle into the annual reporting requirements?

Response

Existing financial reporting directions issued by the Minister for Finance including FRD 22B outlines that a government department must include a comparison of the output targets specified in the state budget with actual performance against those targets. In addition to this guidance, each year the Department of Treasury and Finance (DTF) issues a Model Financial Report for Victorian Government departments to assist departments when preparing and presenting their annual report. The Department of Treasury and Finance is in the process of preparing the 2007-08 Model Financial Report to assist departments and provide guidance on the preparation of annual reports in relation to financial and non-financial information.\(^{660}\)

Committee comment

The Committee supports the recommendation made by the Auditor-General that departmental annual reports contain an assessment of the extent to which output delivery has contributed to achievement of departmental objectives and government outcomes. The Committee believes that incorporation of such an assessment into annual reporting would provide a valuable link between performance in terms of output delivery and meeting organisation objectives and the government wider policy outcomes.

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\(^{659}\)  Victorian Auditor-General’s Report, Parliamentary Appropriations: Output Measures, p.3

\(^{660}\)  Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.23
The Committee recommends that:

**Recommendation 68:** The Department of Treasury and Finance incorporate into the 2007-08 Model Financial Report guidance to departments about how to disclose in annual reports an assessment of the way in which output performance has contributed to the achievement of objectives and outcomes.

### 22.4.2 Timely lodgement of annual reports

**Question**

The Committee noted that leading up to the 2006 Victorian state election and the proroguing of the 55th Parliament on 31 October, annual reports for 2005-06 were tabled prior to 4 October 2006. The Committee also noted that in relation to the tabling of 2006-07 annual reports, many were tabled towards the latter part of October 2007 or early November 2007 (for example the annual reports for the Department of Human Services and health services were tabled on 1 November 2007).

In terms of timeliness of reporting, what is the Department of Treasury and Finance’s view of the timing of lodgement of annual reports for 2006-07?

**Response**

The department, while recognising that producing an Annual Report involves the gathering of detailed data (including both financial and broader non-financial corporate information), is committed to continually improving the reporting process. The reporting timeframes mandated by the *Financial Management Act 1994* (the Act) recognises that it takes considerable time and effort to produce a high quality Annual Report which meets required public accountability obligations.

According to the department, the quality of Annual Report information should not be compromised because of tabling timeframes. In 2006-07, the vast majority of VPS agencies met the tabling timeframes required by the Act.

**Committee comment**

Detailed comments by the Committee on the topic of annual reporting are contained in Chapter 23 of this report. The Committee noted that both the Auditor-General and the Ombudsman were able to have their annual reports tabled significantly in advance of any department or agency. It believes that many annual reports should and could be tabled up to month before the required date without affecting quality of reporting.

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661 Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.23
22.4.3 Annual reports – government advertising and promotional programs

(a) Question

In its Report on the 2004-05 Budget Outcomes, the Committee recommended that the Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs.\(^662\) The Auditor-General indicated in September 2006 that the adoption of the recommendation would provide for greater public transparency.\(^663\) The government’s response of October 2006 to the Committee’s outcomes report accepted in principle the Committee’s recommendation.\(^664\)

Please detail what has been achieved in terms of implementing the recommendation over 2006-07.

Response

The Financial Reporting Direction 22 provides that information on major promotional, public relations and marketing activities are retained by a department and made available on request.\(^665\)

Committee comment

Detailed comment by the Committee on the need to account for spending on advertising and promotion is outlined in chapter 17 of this report. The Committee will also report later in 2008 on this matter as part of its follow-up to reports by the Auditor-General.

22.5 Transport Accident Commission

22.5.1 Annual report – performance reporting

(a) Question

Please indicate whether the Transport Accident Commission (TAC) intends to disclose more operational performance information against targets in its annual report in future.

Response

While the TAC meets its statutory requirements in terms of disclosure, the TAC does evaluate its annual report on a yearly basis to determine what additional information could be provided to improve the Victorian community’s understanding of the benefits derived from the TAC scheme.\(^666\)

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\(^{665}\) Department of Treasury and Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 1 February 2008, p.24
Sound financial management

22.6 Department of Human Services

22.6.1 Public hospitals – financial performance and sustainability

(a) Question

The Auditor-General found that, in terms of public hospital financial performance and sustainability, certain indicators had shown consistent unfavourable trends or results over a six year period to 2006, such as working capital positions, cash holdings and operating results, pointing to some short-term solvency issues and also some longer-term financial sustainability challenges.667

The Department of Human Services concluded in 2006 that 23 public hospitals did not technically comply with the ‘going concern’ test in the Australian accounting standards, including nine major metropolitan hospitals, which account for over 60 per cent of the total turnover of all Victoria public hospitals.668

What was the position at 30 June 2007 across the public hospital system in terms of financial viability of individual hospitals? In providing a response to this question, please indicate which particular financial sustainability indicators have been applied by the department.

Response

For the year ended 30 June 2006, 23 hospitals comprising 14 rural and nine metropolitan hospitals requested letters of comfort from the department. These are provided because the health service has advised that they do not technically comply with the ‘going concern’ test provided in the accounting standard AASB101. For the year ended 30 June 2007, 28 hospitals comprising 19 rural and nine metropolitan hospitals requested letters of comfort from the department.

The department advised the Committee that while AASB 101 is not explicit about the 'test', the financial indicators hospitals will consider are the following:

- adverse performance against key financial ratios (current ratio, working capital, net profit margin, asset turnover ratio);
- net liability or net current liability position;
- negative operating cash flows indicated by historical or prospective financial statements; and
- substantial operating losses.669

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666 Transport Accident Commission, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – received 29 February 2008, p.20
667 Victorian Auditor-General’s Office, Public Hospital Financial Performance and Sustainability, June 2007, p.2
668 Victorian Auditor-General’s Office, Public Hospital Financial Performance and Sustainability, June 2007, p.2
669 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.45
(b) **Question**

What action has been taken by the department to address the Auditor-General’s recommendation, accepted by the department, that it needs to build on, and expand, existing budgetary and management initiatives to establish greater financial sustainability across the hospital sector? 670

**Response**

As part of the Performance Monitoring Framework for public health services, the department reviews the financial indicators included in the Statement of Priorities annually to ensure that the monitoring system is appropriately focused. Under this framework, the department meets regularly with health services to discuss their performance, and has regular meetings with health services with specific performance issues. A performance intervention framework has been developed to assist in determining how often these meetings are held. In addition to these finance and activity indicators, the department has also established a set of key financial benchmarks which are shared with the sector on a quarterly basis.

Building on the successful Rural Health Boards of Management Development program, the department has contracted consultants to develop and deliver the Victorian Health Boards Governance Program. The program is designed to strengthen the capacity of board members of hospitals and community health centres in metropolitan and regional Victoria.

In partnership with the rural sector, the department has developed a set of governance indicators for rural and regional health service boards that will enable benchmarking across the rural sector. The indicators will help agencies measure both individual performance against all other participating health services at a point in time and measure extended performance against a peer average over a period of time.

In addition, the department undertakes an annual review of, and refines, its performance management tools to better understand the financial position of rural agencies deemed to be ‘at risk’. 671

**Committee comment**

The Committee noted that the financial status of a further five rural hospitals deteriorated in 2006-07.

The Committee believes that in accordance with the Auditor-General’s recommendations, the government needs to implement initiatives directed at those public hospitals considered ‘at risk’ in order to establish greater financial stability across the sector, especially in rural areas.

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670 Victorian Auditor-General’s Office, *Public Hospital Financial Performance and Sustainability*, June 2007, p.3

671 Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.45–46
The Committee recommends that:

**Recommendation 69:** The government needs to implement initiatives across various vulnerable elements of the public hospital system, especially in rural areas, to assist in addressing certain short-term solvency issues experienced by a number of hospitals and some longer-term financial sustainability challenges.

### 22.6.2 Ambulance services – financial performance

The Department of Human Services advised that in 2006-07, the Metropolitan Ambulance Service reported an operating deficit, while Rural Ambulance Victoria and the Alexandra District Ambulance Service reported operating surpluses. The department advised that operating deficits in any given year are not considered of themselves to indicate adverse financial situations and considered that all Ambulance Services to be in satisfactory financial positions.

**(a) Question**

Please provide a financial analysis of the financial results of the ambulance services in Victoria for 2005-06 and 2006-07.

**Response**

Metropolitan Ambulance Service (MAS) revenue for 2006-07 increased $8.4 million (3.3 per cent) to $260.4 million, while expenses increased $12.1 million (4.8 per cent) to $261.6 million. Membership revenue generated an increase of $4.8 million and transport fees an increase of $4.2 million.

MAS reported an operating deficit of $1.2 million in 2006-07. This is down from an operating surplus of $2.5 million in 2005-06 when revenue increased 12.6 per cent to $252.1 million and expenses increased 17.1 per cent to $249.6 million. The 2006-07 operating deficit is due to the re-investment of significant efficiency savings achieved in previous years in operational enhancement initiatives.

Rural Ambulance Victoria (RAV) revenue for 2006-07 increased $5.3 million (3.3 per cent) to $165.0 million, while expenses increased $7.1 million (4.5 per cent) to $165.0 million. Membership revenue generated an increase of $2.6 million and transport fees an increase of $2.4 million.

RAV reported an operating surplus of $19,000 in 2006-07. This is down from a surplus of $1.8 million in 2005-06 when revenue increased 10.5 per cent to $159.7 million and expenses increased 15.6 per cent to $157.9 million. This decrease is mainly due to additional costs associated with employee benefits and other expenses.

Alexandra District Ambulance Service revenue for 2006-07 increased $300,000 (43 per cent) to $1.0 million, while expenses increased $220,000 (31 per cent) to $940,000. Transport fees revenue increased $170,000 with employee benefits expense increasing $180,000. The Service reported an operating surplus of $61,137 in 2006-07.
Operating deficits in any given year are not considered of themselves to indicate adverse financial situations.\(^{672}\)

(b) Question

Please comment on the reasons for any deficits that have occurred and action proposed to improve the operating result in future.

Response

The Metropolitan Ambulance Service had a small operating deficit of $1.2 million in 2006-07. This was due to the reinvestment of significant efficiency savings achieved in previous years in operational enhancement initiatives. The Service had accumulated cash reserves and was above the department’s recommended liquidity level. Reserves may be applied to future investment and application of such funds may result in operating deficits in any given year but this does not of itself indicate an unsatisfactory financial position.

The Alexandra District Ambulance Service had a minor operating deficit of $18,452 in 2005-06. This was primarily due to increases in salary and wages and contractual payments.

All Ambulance Services are considered by the department to be in satisfactory financial positions.\(^{673}\)

22.7 Department for Planning and Community Development (formerly Department for Victorian Communities)

22.7.1 Commonwealth Games security budget

(a) Question

Please outline a description of the specific elements of the revision to the security budget for the Commonwealth Games that occurred in 2004, following the review of security arrangements that took place in the light of changed world circumstances, which resulted in the security budget increasing from $46 million to $119 million.\(^{674}\)

Response

The original budget for security for the Melbourne 2006 Commonwealth Games was based on ‘Grand Final’ security measures plus dignitary protection in accordance with the risk assessment at the time the budget was prepared. At the time of budget approval, it was noted that a further review of the security budget would be required in the light of changing world circumstances.

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\(^{672}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, pp.46–47

\(^{673}\) Department of Human Services, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 22 February 2008, p.47

That review, conducted with input from intelligence, security and emergency response experts, resulted in security planning involving the complete ‘lock down’ of the Village, the MCG and the Melbourne Sports and Aquatic Centre and substantially enhanced security screening at all other venues. Emergency response planning was also enhanced.

Much of this planning and the security arrangements for the Games has had significant legacy benefits for overall security in Victoria.675

(b) Question

In terms of the expenditure outcomes relating to the total security budget of $119 million for the Commonwealth Games, please provide a financial statement showing expenditure compared with the various components of the budget (please itemise expenditure on security according to the key elements)

Response

Table 22.2 sets out an itemisation of the increased security budget for the Melbourne 2006 Commonwealth Games compared with the expenditure incurred on security.

Table 22.2: Melbourne 2006 Commonwealth Games itemisation of security budget increase compared with actual expenditure

<table>
<thead>
<tr>
<th></th>
<th>Original budget March 2003 ($ million)</th>
<th>Revised budget 2004 ($ million)</th>
<th>Expenditure ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Victoria Police</td>
<td>27</td>
<td>49</td>
<td>34</td>
</tr>
<tr>
<td>Contract Security</td>
<td>13</td>
<td>39</td>
<td>37</td>
</tr>
<tr>
<td>Melbourne 2006 Corporation</td>
<td></td>
<td>8</td>
<td>7</td>
</tr>
<tr>
<td>Emergency Health</td>
<td></td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Emergency Services</td>
<td></td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Other/Contingency</td>
<td></td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>46</td>
<td>119</td>
</tr>
</tbody>
</table>

Source: Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.22

Committee comment

The Committee noted that the government incurred $90 million on security arrangements for staging the Commonwealth Games compared with the revised budget of $119 million.

(c) Question

At an itemised level, please provide detailed explanations for any variations between actual and budget that exceeded 10 per cent.

675 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.22
Response

The savings to the security budget reflected careful planning, excellent project risk management, highly effective early intervention in relation to security threats and the absence of major security incidents.

The major areas of savings with the Police budget were in Village security, Traffic/Motorcades, the International Broadcast Centre and the Media Operations Centre ($3 million); Specialist Support including tactical technical intelligence ($2 million); Operational requirements involving accommodation and equipment ($9 million) and strategic coordination ($1 million).

Savings in relation to Other/Contingency reflected a lack of call on contingency ($9 million) and savings on security equipment because of negotiated sponsorship.676

22.7.2 Commonwealth Games – marketing and communications costs

(a) Question

Net outlays incurred by the Victorian Government connected with Marketing and Communications costs for the Commonwealth Games amounted to $35.1 million (excluding security).677 This category includes the communications, information, advertising and promotion costs for the Games such as costs associated with raising general awareness as well as ticket sales campaigns, launches and publicity.678

Please provide a financial statement for this item showing expenditure compared with the various components of the budget (please itemise expenditure on Marketing and Communications according to the key elements).

Response

The expenditure on marketing and communications for the Melbourne 2006 Commonwealth Games (M2006 Corporation) was 3.3 per cent of the total expenditure of the Games.

Of the total expenditure, M2006 Corporation spent $27.7 million and the Office of Commonwealth Games Coordination $7.4 million. A summary of the main components of this expenditure is set out in table 22.3.

676 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.23
### Table 22.3: Melbourne 2006 Commonwealth Games

Summary of expenditure on marketing and communications

<table>
<thead>
<tr>
<th>Activity</th>
<th>($ million)</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M2006 Corporation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing Staffing</td>
<td>4.2</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>10.9</td>
<td></td>
</tr>
<tr>
<td>Promotions</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Publications</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td>Look (a)</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Communications Staffing</td>
<td>1.7</td>
<td></td>
</tr>
<tr>
<td>Publicity</td>
<td>3.2</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>27.7</strong></td>
<td><strong>27.7</strong></td>
</tr>
<tr>
<td>Office of the Commonwealth Games</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coordination</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Domain (including traffic</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>and transport advice)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Communications</td>
<td>3.4</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>7.4</strong></td>
<td><strong>7.4</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>35.1</strong></td>
<td></td>
</tr>
</tbody>
</table>

Note: ‘Look’ is the physical presentation of an event. It includes directional and wayfaring signage, event branding, fence screening, flags, banners, posters and the general colour scheme and theme applied to each venue and the event city.

Source: Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.24

The M2006 Corporation final budget for the components included under Marketing and Communications was $28.3 million which was underspent by $600,000. The Committee was informed that this outcome was achieved because of careful planning, excellent project risk management and the absence of unexpected calls on the budget.

The Office of Commonwealth Games Coordination’s final budget for Marketing and Communications of $9 million was underspent by $1.6 million. This result was also according to the department due to careful planning, excellent project risk management and the absence of unexpected calls on the budget.\(^{679}\)

#### 22.7.3 Commonwealth Games – Contingent liability for the Athletes’ Village

**(a) Question**

The government’s Special Purpose Report for the Commonwealth Games disclosed a contingent liability relating to the Athletes Village. The report states that ‘Negotiations are underway with the developer regarding final settlement of issues in relation to the development of the heritage precinct. The developer’s claim is that it should reimburse the state for less than the sum originally agreed on. It is anticipated that this matter will be resolved by the end of September 2006.’

To the extent that the following matters are not covered by commercial-in-confidence agreements, what were the particular issues in question with the developer relating to the development of the heritage precinct?

\(^{679}\) Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.24
Report on the 2006-07 Financial and Performance Outcomes

**Response**

The contingent liability in relation to the developer’s reimbursement of the state’s costs for the heritage precinct was finally resolved in March 2007. The settlement was within the provisions made by the state for this liability at the time of the audit of the Special Purpose Report on the Games finances in August 2006 and within the budget for the Village. 680

**(b) Question**

To the extent that the following matters are not covered by commercial-in-confidence agreements, what was the outcome of this outstanding matter? Please detail the financial and commercial implications to the state of settlement relating to this matter.

**Response**

There are no further liabilities for the state in relation to this matter. 681

22.7.4 Commonwealth Games – revenue from the sale of property

**(a) Question**

In relation to operating revenue associated with the Athletes Village amounting to $81 million, 682 the government’s Special Purpose Report for the Commonwealth Games disclosed that “Revenue has been recorded based on moneys received and due to be received from the sale of houses, apartments, demountable units and the aged care and heritage precincts. It includes actual revenues to 31 August 2006 of $4.6 million and revenues estimated to be received of $76.4 million.” 683

(a) What level of revenue has been received from the sale of property, up to 30 June 2007, compared with the estimate of the amount due of $76.4 million at 31 August 2006?

**Response**

Land payments to 30 June 2007 were $27.5 million, which was ahead of estimates and budget for the project. 684

**(b) Question**

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680 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.25
681 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.25
684 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.25
What were the actual costs incurred in the planning, refurbishment and preparation of these properties (including marketing) for sale?

**Response**

The actual cost of planning, refurbishment, preparation and marketing of Village properties was $2.6 million – consistent with estimates and budget.685

### 22.7.5 Commonwealth Games – wrap-up costs for the Office of Commonwealth Games coordination

**(a) Question**

The government’s Special Purpose Report for the Commonwealth Games disclosed that ‘provision has been made for costs associated with the wrap-up of the Office of Commonwealth Games Coordination’.686

Please outline the provision that was made for the costs associated with the wrap-up of the Office of Commonwealth Games Coordination and the actual costs incurred.

**Response**

The provision for wrap up of Office of Commonwealth Games Coordination was $2.5 million, most of which was in salaries, long service leave provisions and redundancy provisions. Costs have been within budget.687

### 22.7.6 Commonwealth Games – sponsorship revenue

**(a) Question**

In relation to the sponsorship revenue amounting to $95.1 million,688 please provide:

- a breakdown of this revenue item according to the major sponsors;
- a comparison to budget; and
- detailed explanations for any variance of more than 10 per cent between actual and budget.

**Response**

685  Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.25
687  Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.25
The department advised the Committee that the level of support for the Commonwealth Games from the corporate sector was remarkable.

Corporate sector support included eight Partner Sponsors, 16 Sponsors, 31 Providers, four Broadcast Partners and one Goodwill Partner.

Details of the sponsorship arrangements including the amounts provided are commercial in confidence.

The M2006 Corporation revenue target for the Games was $241 million. The department informed the Committee that this target was exceeded by 5 per cent because of the strong level of support generated for the Games in the corporate sector and the general population.  

22.7.7 Commonwealth Games – ticketing revenue

(a) Question

In relation to ticketing revenue amounting to $79.3 million, please provide a comparison to budget and detailed explanations for any variance of more than 10 per cent between actual and budget.

Response

M2006 Corporation revenue targets for the Games were exceeded by 5 per cent because of the strong level of support generated for the Games in the corporate sector and the general population.

(b) Question

In relation to ticketing revenue amounting to $79.3 million, please provide the value of tickets purchased by government (according to department involved).

Response

One of the major legacies of the Games was generated through the business and corporate hosting program. This program was managed jointly between the M2006 Corporation and the Office of Commonwealth Games Coordination and guests were jointly invited to attend events by the Chairman of M2006 Corporation and the Premier.

The total value of the tickets purchased for this purpose was $596,704. This included the business hosting program organised through the Department of Innovation, Industry and Regional Development to support the specific business development programs of that department. The cost

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689 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.26
691 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.26

of these tickets was included in the total expenditure for business and VIP hosting announced by the government prior to the Games.693

**Committee’s overall comment**

The Committee noted that operating revenues were higher than budget by $4.7 million (actual of $453.2 million compared with the original budget of $448.5 million).694 The various components of operating revenue collected from the Games were:695

- Commonwealth Government grants and funding $112.9 million
- Sponsorship $95.1 million
- Athletes Village $81.0 million
- Ticketing $79.3 million
- Broadcast rights $62.4 million
- Interest received $10.2 million
- Merchandising, donations & other revenue $9.3 million
- Local Government grants and funding $3 million

### 22.7.8 Commonwealth Games – whole of games budgeted contingency

**(a) Question**

In relation to the approved whole of games budgeted contingency of $60 million, please provide a detailed schedule of the expenditure incurred from this contingency provision on infrastructure and facilities – capital works.696

**Response**

Table 22.4 discloses a summary of expenditure incurred from the whole of games budgeted contingency of $60 million.

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693 Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, received 12 February 2008, p.27
Table 22.4: Melbourne 2006 Commonwealth Games
Summary of expenditure incurred from the whole of games budgeted contingency infrastructure and facilities

<table>
<thead>
<tr>
<th>Infrastructure and facilities – capital works</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yarra Precinct Pedestrian Link</td>
<td>4.9</td>
</tr>
<tr>
<td>Melbourne Sports and Aquatic Centre</td>
<td>15.1</td>
</tr>
<tr>
<td></td>
<td>20.0</td>
</tr>
</tbody>
</table>

Source: Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.27

(b) Question

In relation to the approved whole of games budgeted contingency of $60 million, please provide a detailed schedule of the expenditure incurred from this contingency provision on village accommodation.697

Response

In relation to the village accommodation, $14.8 million was added to the village budget to support additional costs crystallised at the time of the change to the accommodation plan. This was incorporated into the approved expenditure budget and was not specifically hypothecated to any item in the village budget. The village was delivered within budget.

(c) Question

In relation to the approved whole of games budgeted contingency of $60 million, please provide a detailed schedule of the expenditure incurred from this contingency provision on operating infrastructure and overlay costs.698

Response

Table 22.5 shows the expenditure incurred on operating infrastructure and overlay costs met from the whole of games budgeted contingency of $60 million.

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Table 22.5: Melbourne 2006 Commonwealth Games
Summary of expenditure incurred from the whole of games
budgeted contingency
Operating infrastructure and overlay costs

<table>
<thead>
<tr>
<th>Operating infrastructure and overlay costs</th>
<th>($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yarra River Pontoons</td>
<td>1.2</td>
</tr>
<tr>
<td>Temporary Athletics Track</td>
<td>3.0</td>
</tr>
<tr>
<td>Venue Costs</td>
<td>1.5</td>
</tr>
<tr>
<td>Public Domain – additional areas, cleaning and staffing</td>
<td>6.0</td>
</tr>
<tr>
<td></td>
<td><strong>11.7</strong></td>
</tr>
</tbody>
</table>

Source: Department for Planning and Community Development, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire – part two, p.27

22.8 City West Water

22.8.1 Increased total borrowings

(a) Question

Given that total borrowings increased by 18.6 per cent or $50.0 million during 2006-07, please outline the need for the company to increase its debt level.

Response

The company’s borrowing increase for 2006-07 was influenced by the following factors:

- increased investment in the company’s infrastructure assets; and
- increased costs associated with the drought which resulted in a high level of burst and leak activities; water restrictions and compliance related costs; and increased treatment plant costs from the redeveloped treatment plant at Altona.

Committee comment

Detailed comment by the Committee on the topic of Drought Relief is included in Chapter 10 of this report.

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699 City West Water Limited, 2007 annual report, p.21
700 City West Water, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.24
22.9  Rural Finance

22.9.1  Concessional loans – uptake

(a)  Question

According to the Corporation, subsequent to the government’s announcement in December 2006 of the availability of concessional loans to farmers etc following the 2006-07 summer bushfires, there has been a limited response for loans with only seven applications received to 30 June 2007 of which five had been approved for $390,000.

Could the Corporation explain to the Committee the likely factors that would have had a bearing on the slow uptake of the bushfire lending opportunities offered by the government?

Response

Concessional loans are available to commercial scale farmers who were in need of support after allowing for insurance recoveries and other resources available to them.

There are a number of reasons for the slow uptake:

- in January 2007, the Australian and Victorian Governments introduced clean up and restoration grants of up to $15,000. While not a large amount, many farmers have preferred this type of support to borrowing;
- having been through difficult seasons, some farmers would have decided to contain borrowings and effect replacements over time as cash flows permit;
- with Exceptional Circumstances drought support also available, some have sought an interest subsidy on existing borrowings to generate cash flow as an alternative to further borrowing; and
- in the Gippsland fire, there were higher numbers of lifestyle farmers than fires in other areas and lifestylers are not eligible for concessional loan support.\(^{701}\)

(b)  Question

Are any changes envisaged in lending arrangements in future periods of seasonal adversity as a result of this experience?

Response

The facility is ongoing and is unlikely to be varied as it is part of the Commonwealth/State Natural Disaster Relief and Recovery Arrangements. The Committee was advised by the Corporation that the terms are generous, with an interest rate of 2.9 per cent per annum for the first five years. Take

\(^{701}\)  Rural Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.15
up varies depending on the severity of the fire, insurance coverage held by the victims and the scale of the farm operation.\textsuperscript{702}

\subsection*{22.9.2 FarmBis – evaluation}

\textbf{(a) Question}

Given that the 30 June 2007 marked the conclusion of the FarmBis program with 55,000 participants provided assistance to attend management training programs since its inception in July 1998 (subsidy payments totalling $26.7 million), has the Corporation undertaken any evaluation of the program post completion to assess whether the objectives of the various stages of the program have been met and the intended outcomes have been achieved, such as whether the increased adoption by participants of management practices has led to greater resource sustainability, profitability and competitiveness?

If so, please provide a summary of the results.

\textbf{Response}

FarmBis is a National Program operated in partnership between the Australian and Victorian Governments and funded on a dollar for dollar basis.

Rural Finance administered the FarmBis Program as contractor to the Department of Primary Industries (DPI) on a fee for service.

A State Planning Group (SPG) was established by the Department of Primary Industries to oversee the delivery of FarmBis in Victoria.

The SPG established objectives and priorities for the allocation of funding and monitored performance.

The Department of Primary Industries in turn reported on a quarterly basis to the Commonwealth Department of Agriculture Fisheries and Forestry.

The Corporation informed the Committee that it was aware that a Mid-term evaluation of the latest phase of the Program was undertaken in November 2006 by PriceWaterhouseCoopers on behalf of the Department of Agriculture Fisheries and Forestry but was not provided with a copy of their report.\textsuperscript{703}

\begin{footnotesize}
\begin{itemize}
\item \textsuperscript{702} Rural Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.15
\item \textsuperscript{703} Rural Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.16
\end{itemize}
\end{footnotesize}
22.9.3 Credit risks

(a) Question

In reviewing the role of the Board Committees, it was noted that one of the roles of the Audit Committee was to oversee the operation and implementation of the risk management systems framework. It was also observed that the Credit Committee, among other things, ensures that credit risk policies reflect best practice credit risk principles.

Given that Victoria experienced one of its worst droughts in 2006-07, could the Corporation explain to the Committee, what were the major risks faced by the Corporation during 2006-07 and how were these risks managed?

Response

Rural Finance identified two areas of major risks, these being (1) Clients defaulting on repayments and (2) Falling land values affecting client’s equity and the Corporation’s security cover.

Risk (1) was managed by:

- writing to all our affected clients early in the drought, encouraging them to contact the Corporation to discuss their situation, in particular in relation to their repayments and ongoing working capital requirements;
- regional staff making personal contact with clients that the Corporation believed would be hardest hit by the drought;
- regional lending staff being given specialised training to deal with people during difficult times; and
- clients were encouraged to seek government assistance through Centrelink and the Exceptional Circumstances Interest Rate Subsidy Scheme.

Risk (2) was managed as follows:

The value of agricultural land across the state is closely monitored by the Corporation’s Risk and Compliance unit which includes three qualified valuers. The Corporation brought to the Committee’s notice that fortunately there has been no evidence of any falls of significance as a result of the 2006-07 drought. The number of rural property sales throughout Victoria, however, was substantially less than previous years, given the difficult seasonal conditions.704

(b) Question

Given that Victoria experienced one of its worst droughts in 2006-07, could the Corporation explain to the Committee: how did the Corporation ensure that during 2006-07 its credit risk policies reflected best practice credit risk principles?

704 Rural Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.17
Response

In regard to loan repayments, Rural Finance undertook a considerable amount of work by:

- placing loans on interest only;
- deferring principal repayments;
- restructuring loans; and
- providing additional working capital

The majority of Rural Finance’s clients met interest payments and, while the corporation’s exposure to many clients increased as a result of the drought, the Committee was advised that Rural Finance’s book overall remains in very good order.

Detailed reports on highly geared clients are provided to the corporation’s Credit Committee on a monthly basis under the following headings:

- ‘clients who have defaulted on loan repayments’; and
- ‘clients who had repayments restructured’.

The Credit Committee also receives advice regarding loan approvals for the more highly geared clients.705

Committee comment

Detailed comment by the Committee on the topic of Drought Relief is included in Chapter 10 and on Regional and Rural outcomes in Chapter 16 of this report.

22.10 Treasury Corporation of Victoria

22.10.1 Operational risks

(a) Question

According to the annual report for 2006-07, the Treasury Corporation of Victoria (TCV) uses a scorecard approach to regularly map and evaluate its operational risk profile, assessing the likelihood and consequence of identified risks. Plans are then developed to manage these risks and actions monitored on a quarterly basis.

After considering likelihood and consequences, please describe the three greatest risks that were identified in 2006-07 in terms of the risk of indirect or direct loss resulting from inadequate or failed internal processes, people and systems or from external events.

705 Rural Finance, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 1 February 2008, p.17
Response

The three greatest operational risks identified in 2006-07 (and in 2005-06) were:

1. fraud – Treasury
2. employee occupational health and safety incident
3. incorrect pricing or risk measurement (particularly in relation to a new product)

(b) Question

How were these risks managed?

Response

These risks are managed within the operational risk framework, outlined in the TCV annual report. Each risk is self-assessed annually via a scorecard process, to identify the potential causes and consequences of the risk, evaluate the controls in place and identify any actions to further mitigate the risk. The Operational Risk Committee meets quarterly to review the scorecards, monitor the progress of action plans and review any operational risk events or errors that have occurred during the quarter. A report on operational risk management is reported to the Board quarterly.

A summary of specific risk management strategies as advised by TAC follows:

(1) Fraud – Treasury
   - TCV’s Risk Performance and Measurement Unit independently oversees the activities of the Treasury unit through daily monitoring and analysis of comprehensive risk management controls, trading activity and profit and loss results;
   - market rates and valuation models are sourced independently of Treasury staff;
   - no Treasury staff have access to settlement and valuation systems; and
   - TCV has strong settlement controls over deal confirmation and settlement.

(2) Employee Occupational Health and Safety incident

TCV has comprehensive Occupational Health and Safety Policy, a TCV Board Committee and a TCV Management Committee comprising both employee and employer representatives.

(3) Incorrect pricing or risk measurement (particularly in relation to a new product)

The introduction of a new product is governed by the New Product Approval Policy comprising of Part A – Approval of the business case and Part B – Checklist to ensure that all systems and processes can accommodate the new product.

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706 Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.13
Where possible, all products are captured and valued within core systems. Any internally developed models are thoroughly tested and validated in accordance with the model validation policy.

TCV has a conservative corporate approach, dealing in well established and understood financial products supported by conservative and comprehensive risk management controls.707

**(c) Question**

If any gaps remain where a significant risk still remains, please describe.

**Response**

Management consider all operational risks to be well controlled. While operational risk cannot be totally eliminated, management continues to focus on these risks to ensure high levels of control are maintained. This approach is endorsed and regularly overseen through the prudential supervision process.708

**(d) Question**

What are the main operational risks from external events that were evident in 2006-07 and how did TCV minimise its exposure to these risks?

**Response**

The main operational risks from external events identified in 2006-07 (and 2005-06) were:

- threat to business continuity through external disaster/event;
- deliberate penetration of IT networks for the purpose of fraud or malicious damage;
- a comprehensive business continuity and disaster recovery plan; and
- a comprehensive range of IT system controls, including multiple firewalls and virus scanners, annual independent penetration testing and separation of payment systems from other interfaces.709

TCV minimises its exposure to these risks through:710

- a comprehensive business continuity and disaster recovery plan; and
- a comprehensive range of IT system controls, including multiple firewalls and virus scanners, annual independent penetration testing and separation of payment systems from other interfaces.

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707  Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.13
708  Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.14
709  Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.15
710  Treasury Corporation of Victoria, email, received from 16 April 2008
22.10.2 Operational risk management

(a) Question

The Committee noted that the Operational Risk Management Committee meets quarterly to address operational risk management issues and to review actual operational risk incidents. A report on operational risk management is presented to the Board quarterly, while any significant operational risk or near loss events are reported to the Board monthly. Details of such events are captured in an internal operational risk database.

Please outline the circumstances surrounding the operational risk incidents that occurred in 2006-07 and what were the consequences of these incidents.

Response

Two operational risk events were reported to the Board during 2006-07, incurring no financial loss (2005-06: four events with a combined loss of approximately $23,028).

Nineteen operational risk errors were recorded during 2006-07 incurring a combined financial loss of approximately $1,200 (2005-06: 24 errors with a combined loss of $4,403).711

(b) Question

How were the incidents handled by TCV?

Response

While a detailed response was provided to this question, details relating to the two operational risk events and one of the errors selected by the Committee for disclosing are shown in table 22.6

711 Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.15
### Table 22.6:
**Operational risk events and errors (one example only) – 2006-07**

<table>
<thead>
<tr>
<th>Date</th>
<th>Event class</th>
<th>Event summary</th>
<th>Control failure</th>
<th>Mitigating controls</th>
<th>Recommended action</th>
<th>Current Status</th>
<th>Financial cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>23-May-07</td>
<td>Event</td>
<td>3. Designated Investor Bonds were issued with incorrect terms to maturity.</td>
<td>Human error in setup of bond over transition period (March 03 to Sep 05).</td>
<td>Initial error advised to TCV by DIAC. TCV then conducted an internal check of all bonds issued post March 03 to confirm terms against underlying DIMIA forms.</td>
<td>After consultation with DIAC, the funds that matured on 10/05/07 have been relodged by the investor with TCV and will be treated by DIAC as being of a continuous 4 year duration. The remaining two issues were resolved by December 07.</td>
<td>Closed Dec 07</td>
<td>Nil</td>
</tr>
<tr>
<td>12-Oct-06</td>
<td>Error</td>
<td>An internal review identified that TCV has underpaid GST of $106,333.</td>
<td>TCV engaged a major accounting firm in 2004 to undertake a review of its GST position. This review did not identify the issue. The issue was also not identified by the ATO review in 2004.</td>
<td>Given that the error has been identified internally and TCV has made voluntary disclosure to the ATO of the underpayment, penalties are not anticipated.</td>
<td>Board has been advised throughout this issue. Current procedures have been updated to ensure correct calculation of GST going forward.</td>
<td>Closed</td>
<td>No penalties. Backpayment of GST of $106,333</td>
</tr>
<tr>
<td>29-Sep-06</td>
<td>Event</td>
<td>Midas back office System produced incorrect end of month (EOM) interest cheques</td>
<td>An error was made at Midas setup whereby the deal range was configured at 20,000 rather than 2,000,000. This resulted in the re-use of historical deal numbers with historical information attaching to new deals</td>
<td>The error was observed by Settlements prior to payment and manually corrected</td>
<td>1. Statements and cheques have been rerun correctly. 2) deal numbering has been restarted in the range 020,000 to 2,000,000 (3) Incorrect interest history records have been purged.</td>
<td>Closed</td>
<td>Nil</td>
</tr>
</tbody>
</table>

*Source: Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, pp.21–26*


**Committee comment**

The detection of the error shown in table 22.6 demonstrates the importance of implementing sound internal review procedures in an organisation that complements external review processes.

22.10.3 Remuneration – directors

(a) Question

Given that in relation to 2006-2007, the income band for Directors’ compensation ranged from $470,000 – $480,000 (one Director), $80,000 – $90,000 (one Director), $40,000 – $49,999 (four Directors) and $0 (one Director), please outline the differing responsibilities between Directors that led to the significant variation in the level of compensation paid to Directors.

Response

All directors are remunerated in compliance with government Sector Executive Remuneration Panel (GSERP) and Treasury Guidelines. The differing responsibilities relating to Directors are set out in table 22.7.

Table 22.7: Treasury Corporation of Victoria
Operational risk events and errors (one example only) – 2006-07

<table>
<thead>
<tr>
<th>Remuneration band</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>$470,000 – $480,000</td>
<td>This is the position of Managing Director</td>
</tr>
<tr>
<td>$80,000 – $90,000</td>
<td>This is the position of Board Chairman</td>
</tr>
<tr>
<td>$40,000 – $49,999</td>
<td>These are four regular non–executive Directors</td>
</tr>
<tr>
<td>$0</td>
<td>This is an unpaid Director’s position held by the Secretary of the Department of Treasury and Finance</td>
</tr>
</tbody>
</table>

Source: Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.16

22.10.4 Indemnity arrangements with the State of Victoria

(a) Question

In terms of contingent liabilities/commitments, the notes to the financial statements disclose that from time to time, TCV has incurred contingent liabilities as part of its general function to engage in activities relating to the finances of the Victorian public sector.

In this regard, indemnities have been provided by TCV to third parties involved in financing arrangements with TCV, which relate to the maintenance of the financial outcome expected to be available to those parties over the term of the transaction. TCV’s exposure arising as a
result of indemnities and other financial obligations of this type is itself either guaranteed or otherwise fully indemnified by the State of Victoria.

Please provide an indication of the value of these supporting indemnification arrangements with the State of Victoria for 2006-07 and 2005-06.

Response

TCV has a commitment to provide funding to Participating Authorities to the extent of the Treasurer’s approval limits. At 30 June 2007, the un-drawn commitment (that is the amount of loans approved by the Treasurer but not fully drawn), was $69 million (30 June 2006 $33 million). No other financial arrangement indemnities were provided.

In order for the State Electricity Commission of Victoria (SECV) to participate in the national electricity market administered by National Electricity Market Management Company Limited (NEMMCO), a guarantee must be provided to NEMMCO by an acceptable financial institution. TCV has provided such a guarantee, whereby it undertakes to pay to NEMMCO on demand any and all amounts to an aggregate amount not exceeding $95,000,000 as at 30 June 2007 ($95,000,000 as at 30 June 2006) as security for the obligations of SECV to NEMMCO. The guarantee is issued pursuant to section 9 (1) of the TCV Act and is approved by the Treasurer. The guarantee is fully supported by an indemnity from SECV and by non-withdrawable deposits which SECV is obliged to maintain with TCV at an amount of 101 per cent of the amount guaranteed.\textsuperscript{712}

22.10.5 Fraud management

(a) Question

The Committee noted that the Auditor-General found that several agencies did not have specific fraud management plans and procedures, designed to mitigate the likelihood of fraud, and accordingly recommended that all public sector agencies review the adequacy of their fraud management practices.

Please outline TCV’s overall high level approach to addressing the concept of fraud with regard to its operations

Response

TCV’s high level approach to fraud management is to address the concept of fraud as part of its holistic risk management strategy. TCV manages the concept of fraud specifically within its operational risk program. TCV maintains a Risk Assurance Register that identifies and categorises its risks into financial market risks, operational risks (including fraud) and strategic risks. The register records and evaluates the following high level information for each identified risk:

- a description of the risk;
- the relevant internal process;

\textsuperscript{712} Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.17
• the key controls in place to control the risk;
• the relevant internal audit tests;
• the relevant audit testing by other bodies such as Prudential Supervisor;
• additional management oversight;
• additional Board oversight; and
• rankings of control effectiveness, risk likelihood and risk consequence.

This register is updated and presented to the Board Audit Committee annually and is instrumental in updating TCV’s internal audit and operational risk management programs.713

(b) Question

Please outline whether TCV has developed a fraud control plan.

Response

TCV’s fraud control plan is incorporated within its operational risk program and fraud has been identified as the greatest operational risk impacting TCV. Through its annual operational risk self assessment process, TCV specifically evaluates and updates seven scorecards relating to fraud, which are listed below:

• fraud – treasury;
• fraud – settlements;
• executive fraud;
• fraud – accounts payable;
• IT security fraud – internal or external;
• breach of premises security and theft; and
• unauthorised change to data

Each of these risks is captured in TCV’s overall Risk Assurance Register referred to in the response above. 714

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713 Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.17
714 Treasury Corporation of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 8 February 2008, p.18
22.11 Victorian Funds Management Corporation

22.11.1 Expanded investment strategy role

(a) Question

The Committee noted that in 2005 the Department of Treasury and Finance conducted a strategic review of the Victorian Funds Management Corporation (VFMC). A key outcome was that from 1 July 2006, VFMC took on the expanded responsibility of setting the strategic asset allocation on behalf of its clients. Clients retain responsibility for setting investment objectives appropriate to their liabilities.\(^{715}\)

What key performance indicators were established to assess the effectiveness of VFMC in undertaking the expanded investment strategy role in 2006-07?

Response

VFMC has developed investment strategies for its clients which are consistent with their respective long-term liabilities. The key performance indicators to determine the effectiveness of VFMC’s expanded strategy role are:\(^{716}\)

- VFMC is able to employ the requisite skills, experience and resources to enable it to undertake consultation with clients and model various asset liability scenarios;
- that strategies developed were/are consistent with the investment objectives set by clients; and
- that recommended strategies were endorsed by clients and approved by the Department of Treasury and Finance.

(b) Question

What was the performance outcome for 2006-07 against targets?

Response

Client investment objectives were met in 2006-07 (although it should be noted that these are long-term objectives and one year is too short a time period to assess the effectiveness of the strategies).

The following tables compare specific longer term return objectives against fund performance for each of the mandated clients.\(^{717}\)

\(^{715}\) Victorian Funds Management Corporation, 2006-07 Annual Report, p.1
\(^{716}\) Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.10
\(^{717}\) Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.10
State Superannuation Fund (SSF) real rate of return

The fund objective is to achieve a real rate of return of 5.5 per cent per annum above CPI over rolling five year periods.

Rolling 5 year returns have increased over the past 12 months. The real return for the fund for the five years ending June 2007 was 10.4 per cent per annum. The fund returned 13 per cent per annum (after fees) against an estimated CPI growth of 2.6 per cent per annum. Over the rolling 5 year period the Fund outperformed by 4.9 per cent against the CPI +5.5 per cent objective.

TAC real rate of return

The fund objective is to outperform CPI (Melbourne) +5 per cent over Rolling 10 Year Periods.

Over the ten years to June 2007, the CPI (Melbourne) has increased by 2.6 per cent per annum relative to an investment return of 8.5 per cent per annum hence a real return of 5.9 per cent per annum has been achieved. Excluding the one-off impact of the GST, the CPI (Melbourne) has risen by 2.25 per cent per annum, providing a 6.25 per cent per annum real return.
**VWA real rate of return**

The fund objective is to target AWE +4 per cent over rolling 5 year periods.

Over the 5 years to June 2007 the fund returned 11.54 per cent per annum (after fees) relative to estimated AWE growth of 4.3 per cent per annum.

![VWA Real Return against Actual Return](image)

The VWA Investment Objective to exceed AWE growth by 4 per cent per annum over 5 Years has been achieved, the fund has attained an estimated 7.25 per cent real return and 3.2 per cent above VWA’s investment objective.

**VMIA real rate of return**

The fund objective is to exceed CPI by 4 per cent per annum over rolling 5 year periods.

Rolling 5 year returns have increased over the past 12 months.

Over the 5 years to June 2007 the CPI rose by 2.6 per cent per annum, whilst the net VMIA return was 10.4 per cent. Hence, over the 5 years, VMIA is estimated to have achieved a 7.8 per cent real return. Over the 5 years to June 2007, the fund is 3.8 per cent above the CPI + 4 per cent objective.

![VMIA Rolling 5 Year Return Vs CPI](image)
Emergency Services Superannuation Defined Benefit Scheme (ESS DB) real rate of return

The fund objective is to achieve a real rate of return of 5 per cent per annum above CPI over rolling five year periods.

Rolling 5 year returns have increased over the past 12 months.

For the 5 years to June 2007, the fund (DB component) returned 13.94 per cent per annum (before fees) against an estimated CPI growth of 2.6 per cent per annum Over the 5 years to June 2007, the fund outperformed by 6.30 per cent against the CPI +5 per cent objective.

Parliamentary Contributory Superannuation Fund (PCSF) real rate of return

The fund objective is to outperform Average Weekly Ordinary Times Earnings (AWOTE) +2 per cent over Rolling 4 Year Periods.

Over the 4 years to June 2007 the fund has returned 15.14 per cent per annum (after fees) relative to an estimated AWOTE growth of 4.02 per cent per annum.
Compared with the target AWOTE +2 per cent objective, the fund is 9.1 per cent ahead over the rolling 4 year period

(c) Question

In terms of one of the stated mission statements of the VFMC to maximise long-term returns on State assets, could a situation arise where the VFMC sees it as necessary to make comment on the adequacy of investment objectives relative to liabilities that have been set by a client, even though historically this is a role to be undertaken by client agencies? If so, were there any examples of such intervention in 2006-07? Please provide details.

Response

It may well be appropriate for VFMC to clarify client investment objectives from time to time – either in terms of internal consistency or in terms of rank ordering. It may also be that client expectations of risk and return are not consistent with those of VFMC. In these cases, VFMC expects that it would work with its clients in order that there is greater clarity in objective setting and a realistic understanding of what was achievable from investment markets over the time period specified. There was no ‘intervention’ as such in 2006-07, but as this was the first formal approach of objective setting, there was significant and constructive two way discussion between VFMC and its clients throughout the process.\textsuperscript{718}

22.11.2 Investment performance

(a) Question

In terms of investment performance, the annual report for 2006-07 disclosed that ‘performance relative to benchmark has been weak over one year and flat over five years, reflecting the effect of the low tracking error approach adopted in the past’.\textsuperscript{719}

(i) Could the VFMC provide an explanation of the ‘low tracking error approach’ and associated impacts?

Response

The low tracking error approach is used where the fund desires an investment outcome very close to the benchmark. For example if the benchmark return is 10 per cent for a given year a low tracking error approach should result in the fund generating an actual return around 10 per cent – say 9.5–10.5 per cent. This compares to a high tracking approach where the fund’s return band would be around 6–14 per cent.\textsuperscript{720}

(ii) Please quantify performance compared with benchmarks for key indicators

\textsuperscript{718} Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.14
\textsuperscript{719} Victorian Funds Management Corporation, 2006-07 Annual Report, p.4
\textsuperscript{720} Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.14
Response

The following table provides a comparison of fund returns against benchmark for each of the mandated clients. The analysis breaks down the total value added into the two components, asset class/manager value added and asset allocation contribution, which are each analysed by asset class.

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>SSF</th>
<th>TAC</th>
<th>VWA</th>
<th>VMIA</th>
<th>ESSS</th>
<th>PCSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strategic Benchmark Return</td>
<td>18.11</td>
<td>14.66</td>
<td>15.94</td>
<td>13.41</td>
<td>17.39</td>
<td>16.56</td>
</tr>
<tr>
<td>Asset Class/Manager Value Added (1)=</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0.01</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Cash Plus</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ Indexed Bonds</td>
<td>-0.01</td>
<td>0.00</td>
<td>0.01</td>
<td>0.02</td>
<td>-0.01</td>
<td>0.00</td>
</tr>
<tr>
<td>Diversified Fixed Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ Australian Fixed Interest</td>
<td>-0.02</td>
<td>0.00</td>
<td>-0.03</td>
<td>0.02</td>
<td></td>
<td>0.01</td>
</tr>
<tr>
<td>+ International Fixed Interest</td>
<td>-0.04</td>
<td></td>
<td>-0.05</td>
<td></td>
<td></td>
<td>-0.06</td>
</tr>
<tr>
<td>+ Australian Equities</td>
<td>-0.61</td>
<td>-0.44</td>
<td>-0.62</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
</tr>
<tr>
<td>+ International Equities</td>
<td>-0.03</td>
<td>0.01</td>
<td>-0.16</td>
<td>0.03</td>
<td>0.94</td>
<td>-0.07</td>
</tr>
<tr>
<td>+ Property</td>
<td>-0.11</td>
<td>0.03</td>
<td>0.05</td>
<td></td>
<td>-0.02</td>
<td>-0.03</td>
</tr>
<tr>
<td>+ Private Equity</td>
<td>-0.09</td>
<td>-0.15</td>
<td>0.16</td>
<td></td>
<td></td>
<td>-0.09</td>
</tr>
<tr>
<td>+ Infrastructure</td>
<td>0.00</td>
<td>0.02</td>
<td>0.01</td>
<td>-0.03</td>
<td>0.18</td>
<td>0.00</td>
</tr>
<tr>
<td>+ Hedge Funds</td>
<td>-0.01</td>
<td>-0.03</td>
<td>0.05</td>
<td></td>
<td>-0.15</td>
<td>-0.03</td>
</tr>
<tr>
<td>Total Asset Class Value Added</td>
<td>-0.93</td>
<td>-0.56</td>
<td>-0.57</td>
<td>0.06</td>
<td>0.89</td>
<td>-0.17</td>
</tr>
<tr>
<td>Asset Allocation Contribution (2)=</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0.01</td>
<td>-0.03</td>
<td>-0.01</td>
<td>0.04</td>
<td>-0.43</td>
<td>0.03</td>
</tr>
<tr>
<td>+ Cash Plus</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>+ Indexed Bonds</td>
<td>-0.04</td>
<td>-0.05</td>
<td>0.13</td>
<td>0.07</td>
<td>0.11</td>
<td>0.07</td>
</tr>
<tr>
<td>+ Australian Fixed Interest</td>
<td>-0.02</td>
<td>0.13</td>
<td>-0.05</td>
<td>0.01</td>
<td></td>
<td>0.08</td>
</tr>
<tr>
<td>+ International Fixed Interest</td>
<td>0.05</td>
<td>0.04</td>
<td></td>
<td></td>
<td></td>
<td>0.05</td>
</tr>
<tr>
<td>Diversified Fixed Interest</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.31</td>
</tr>
<tr>
<td>+ Australian Equities</td>
<td>0.20</td>
<td>0.05</td>
<td>0.11</td>
<td>0.11</td>
<td>0.31</td>
<td>0.1</td>
</tr>
<tr>
<td>+ International Equities</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.00</td>
<td>0.04</td>
<td>-0.02</td>
</tr>
<tr>
<td>+ Property</td>
<td>0.02</td>
<td>0.00</td>
<td>-0.01</td>
<td></td>
<td>0.05</td>
<td>0.02</td>
</tr>
<tr>
<td>+ Private Equity</td>
<td>-0.09</td>
<td>0.00</td>
<td>-0.02</td>
<td></td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td>+ Infrastructure</td>
<td>-0.04</td>
<td>-0.02</td>
<td>-0.01</td>
<td>-0.03</td>
<td>0.09</td>
<td>-0.04</td>
</tr>
<tr>
<td>+ Hedge Funds</td>
<td>-0.03</td>
<td>-0.05</td>
<td>-0.08</td>
<td></td>
<td>0.04</td>
<td>-0.02</td>
</tr>
<tr>
<td>Total Asset Allocation Contribution</td>
<td>0.12</td>
<td>0.05</td>
<td>0.10</td>
<td>0.21</td>
<td>0.52</td>
<td>0.29</td>
</tr>
<tr>
<td>Actual Return (before fees)</td>
<td>17.30</td>
<td>14.15</td>
<td>15.48</td>
<td>13.68</td>
<td>18.73</td>
<td>16.67</td>
</tr>
<tr>
<td>Total Fees</td>
<td>-0.35</td>
<td>-0.33</td>
<td>-0.35</td>
<td>-0.26</td>
<td>-0.35</td>
<td>-0.34</td>
</tr>
<tr>
<td>Total Value Added (after fees)</td>
<td>-1.16</td>
<td>-0.84</td>
<td>-0.82</td>
<td>0.01</td>
<td>1.06</td>
<td>-0.23</td>
</tr>
<tr>
<td>Actual Return (after fees)</td>
<td>16.94</td>
<td>13.82</td>
<td>15.13</td>
<td>13.41</td>
<td>18.38</td>
<td>16.33</td>
</tr>
</tbody>
</table>

Note: ‘Asset Class/Manager Value Added’ shows the impact of the asset classes/managers performance relative to the asset class benchmark

Asset Allocation Contribution’ shows the impact of the funds asset allocation being different to its stated benchmark allocation, that is if the fund has a higher allocation than target in the better performing asset classes then there will be a positive impact on total fund returns

Source: Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.15
(iii) What impact did this level of investment return have in terms of meeting planned performance outcomes?

Investment markets have been very strong over the past year and 5 years. Hence client investment return targets have been achieved despite falling short of benchmark returns.

<table>
<thead>
<tr>
<th></th>
<th>Fund return</th>
<th>Benchmark return</th>
<th>Value add v benchmark</th>
<th>Objective</th>
<th>Numerical objective</th>
<th>Value add v objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>SSF</td>
<td>16.94</td>
<td>18.11</td>
<td>-1.17</td>
<td>CPI +5.5%</td>
<td>7.60</td>
<td>9.34</td>
</tr>
<tr>
<td>TAC</td>
<td>13.82</td>
<td>14.66</td>
<td>-0.84</td>
<td>CPI +5%</td>
<td>7.10</td>
<td>6.72</td>
</tr>
<tr>
<td>VWA</td>
<td>15.13</td>
<td>15.94</td>
<td>-0.82</td>
<td>AWE +4%</td>
<td>7.10</td>
<td>8.03</td>
</tr>
<tr>
<td>VMIA</td>
<td>13.41</td>
<td>13.41</td>
<td>0.01</td>
<td>CPI +4%</td>
<td>6.10</td>
<td>7.31</td>
</tr>
<tr>
<td>ESSS</td>
<td>18.38</td>
<td>17.39</td>
<td>0.99</td>
<td>CPI +5%</td>
<td>7.10</td>
<td>11.28</td>
</tr>
<tr>
<td>PCSF</td>
<td>16.33</td>
<td>16.56</td>
<td>-0.23</td>
<td>AWOTE +2%</td>
<td>6.50</td>
<td>9.83</td>
</tr>
</tbody>
</table>

Source: Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.16

(b) Question

The Committee also noted that ‘the investment team is taking appropriate steps to improve the relative investment outcomes in future’.721

Please summarise the measures that are being taken to improve the relative investment outcomes in future.

The key steps are: 722

- deepen the resources made available to the investment team both in terms of personnel and systems;
- take a more active approach – that is increase the tracking error within the portfolio; and
- look at a broader array of investment opportunities.

22.11.3 Timeliness of reporting to clients

(a) Question

The annual report disclosed that turnaround time for reporting to clients was around 5-7 days for accounting and 10-12 days for investment performance reports.723

How did performance in terms of timeliness of reporting compare to targets set for 2006-07 and associated benchmarks?

---

721 Victorian Funds Management Corporation, 2006-07 Annual Report, p.4
722 Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.16
Response

VFMC met its reporting timelines for accounting and investment information as per the benchmarks specified.724

22.11.4 Funds under management per client

(a) Question

Given that the annual report disclosed that over 2006-07, VMFC was responsible for implementing investment policy for 14 clients and total funds under management amounted to $41,319 million at 30 June 2007725, could the VMFC provide to the Committee a breakdown of this aggregate figure according to each client as at 30 June 2007?

A breakdown of funds under management per client is set out in table 22.8.

Table 22.8 Victorian Funds Management Corporation
Funds under management per client
30 June 2007

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>2007 ($ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emergency Services Superannuation Scheme</td>
<td>19,181</td>
</tr>
<tr>
<td>Victorian WorkCover Authority</td>
<td>10,830</td>
</tr>
<tr>
<td>Transport Accident Commission</td>
<td>7,736</td>
</tr>
<tr>
<td>University of Melbourne</td>
<td>1,447</td>
</tr>
<tr>
<td>Victorian Managed Insurance Authority</td>
<td>1,108</td>
</tr>
<tr>
<td>Residential Tenancies Bond Authority</td>
<td>395</td>
</tr>
<tr>
<td>Parliamentary Trustee</td>
<td>308</td>
</tr>
<tr>
<td>Swinbumne University</td>
<td>118</td>
</tr>
<tr>
<td>Metropolitan Fire and Emergency Services Board</td>
<td>84</td>
</tr>
<tr>
<td>National Gallery of Victoria</td>
<td>43</td>
</tr>
<tr>
<td>Department of Human Services</td>
<td>27</td>
</tr>
<tr>
<td>Royal Children’s Hospital</td>
<td>13</td>
</tr>
<tr>
<td>Royal Women’s Hospital</td>
<td>15</td>
</tr>
<tr>
<td>Victorian Arts Centre Trust</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>41,319</strong></td>
</tr>
</tbody>
</table>

Source: Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.17

724 Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.17
725 Victorian Funds Management Corporation, 2006-07 Annual Report, p.19
22.11.5 Legal fees – increase in 2006-07

(a) Question

A review of the financial statements for 2006-07 shows that legal fees rose from $5,705 in 2005-06 to $543,660 in 2006-07. What factors led to this increase in 2006-07?

Response

An increase in legal fees was due to increase in the breadth and complexity of investment activities.

22.12 Victorian Managed Insurance Authority

22.12.1 Performance from insurance operations

(a) Question

In relation to performance from Insurance Operations, the Committee noted that performance for 2006-07 was close to target, with some large claims for losses from bushfires and floods offset by improved expectations in medical indemnity claims.

(a) In terms of the favourable performance from insurance operations of $40.2 million, please quantify the specific components relating to:

- claims for losses from bushfires;

Response

As at 30 June 2007, $8.3 million was allowed in case estimates in relation to damage arising from the 2006-2007 bushfire season.

- claims for losses from floods;

726 Victorian Funds Management Corporation, 2006-07 Annual Report, p.29
727 Victorian Funds Management Corporation, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.17
728 Victorian Managed Insurance Authority, Annual Report 2007, p.5
729 Victorian Managed Insurance Authority, Annual Report 2007, p.4
730 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.14
Response

For the purposes of the insurance liabilities valuation, $18.7 million was allowed in relation to the Gippsland Floods, based on the information available at that time.731

- improved expectations in medical indemnity claims

Response

The following movements were experienced in the gross central estimate for medical indemnity claims resulting in a net improvement:

- favourable below cap (claims <$500,000) claim development of $38.9 million for the year arising from lower than expected reported claims and lower net costs of claims finalised; and

- adverse large claims resulted in a strengthening of the central estimate by $12.6 million. There were four large claims recorded with high case estimates.

Note: Medical Indemnity premiums increased from 2005-06 to 2006-07 as a result of higher than expected claim numbers and average claims sizes. These prices are set up to 15 months prior to the completion of the financial year (in this case 30 June 2007). What has transpired was an unanticipated reduction in both claim numbers and average claim sizes which has resulted in a better than budgeted result.732

(b) Question

Elsewhere in the annual report the comment is made that ‘medical indemnity liabilities are currently growing and in three years it is estimated they will constitute approximately 66 per cent of the VMIA’s claims liabilities. This will be an increase from the current level of 40 per cent’.733

Please quantify the current and future level of medical indemnity liabilities in three years time.

Response

The total current and non-current VMIA gross claims liabilities as shown on the VMIA balance sheet as at 30 June 2007 were $760,229,000 of which (see note 6(e)) net claims outstanding within the Public Health Insurance Program at 30 June 2007 constituted $308,985,000, or 40.6 per cent..

731 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.14
732 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.14
733 Victorian Managed Insurance Authority, Annual Report 2007, p.8
The total claims costs outstanding in 2010 are projected at $1,081,401,000 of which medical indemnity claims are projected to constitute $720,871,000, or 66.7 per cent of total claims cost outstanding.\footnote{Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15}

\section*{22.12.2 Risk management frameworks of public sector agencies}

(a) \textit{Question}

In relation to the finding that 10 per cent of the risk management frameworks in place at 79 public sector agencies surveyed in 2006-07 needed significant improvement:\footnote{Victorian Managed Insurance Authority, \textit{Annual Report 2007}, p.17}

Please categorise these agencies according to industry sectors.

\textit{Response}

There were eight clients identified (of 76) who needed significant improvement. These can be categorised as follows:\footnote{Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15}

- education (2);
- medical support service (1);
- regional health (3); and
- small statutory authorities (2).

(b) \textit{Question}

For each of these organisations/sectors, what are the consequences in terms of risk exposures of not having adequate risk management frameworks in place?

\textit{Response}

Risk management techniques provide management, at all levels, with a systematic approach to managing the risks that are integral parts of the business. Some of the specific benefits of effective enterprise risk management include:\footnote{Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15}

- clarity regarding the risks associated with the strategic priorities;
- fewer surprises;
- exploitation of opportunities;
- improved planning, performance and effectiveness;
- improved economy and efficiency;

\begin{thebibliography}{9}
\bibitem[374]{}Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15
\bibitem[375]{}Victorian Managed Insurance Authority, \textit{Annual Report 2007}, p.17
\bibitem[376]{}Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15
\bibitem[377]{}Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15
\end{thebibliography}
• improved stakeholder relationships
• improved information for decision-making;
• enhanced reputation;
• achievement of objectives; and
• accountability, assurance and governance.

The consequences in terms of risk exposures of not having adequate risk management frameworks in place are potential weaknesses or failures in the above and the associated potential for adverse events to occur.\textsuperscript{738}

\section*{22.12.3 Risk management projects}

\textbf{(a) Question}

For the 23 risk management projects that were in operation in 2006-07 at a cost of $1 million,\textsuperscript{739} please list these projects together with their respective costs.

\textbf{Response}

The 23 projects commenced in 2006-07 are summarised in the tables 22.9 and 22.10. Table 22.9 describes the 10 projects undertaken with or in relation to public healthcare clients to a total cost of $585,500, while table 22.10 details the 13 projects approved in relation to general government portfolio of clients to a value of $515,244.\textsuperscript{740}

\textsuperscript{738} Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.15

\textsuperscript{739} Victorian Managed Insurance Authority, \textit{Annual Report 2007}, p.23

\textsuperscript{740} Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.16
Table 22.9: Public healthcare co funded projects approved for funding in 2006-07

<table>
<thead>
<tr>
<th>Project overview</th>
<th>Funding ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Closed Psychiatric Claim File Review (VMIA)</td>
<td>60,000</td>
</tr>
<tr>
<td>A number of selected psychiatric files were reviewed with the aim of identifying systematic issues relating to psychiatric claims in the public healthcare system.</td>
<td></td>
</tr>
<tr>
<td>2. Integrated Anaesthetic Incident Reporting to the Victorian Consultative Council on Anaesthetic Mortality and Morbidity (VCCAMM)</td>
<td>126,000</td>
</tr>
<tr>
<td>Development and implementation of palm pilot incident reporting and collation of data on anaesthetic incidents through to VCCAMM.</td>
<td></td>
</tr>
<tr>
<td>3. Assessment of Perineal Trauma During Childbirth (Box Hill Hospital)</td>
<td>84,000</td>
</tr>
<tr>
<td>Trial of transvaginal ultra sounding to determine trauma to the perineal musculature during childbirth. This will allow for early diagnosis &amp; treatment of any injuries.</td>
<td></td>
</tr>
<tr>
<td>4. Review of the Uptake of Risk Reduction with Paediatric Sedative Anaesthesia in Emergency Departments (Royal Children’s Hospital)</td>
<td>34,500</td>
</tr>
<tr>
<td>This project seeks to identify whether changes in practice have been sustained and the extent of uptake by other health care providers. It also involves a review of the documentation to determine if it requires updating to stay relevant to changes and advances.</td>
<td></td>
</tr>
<tr>
<td>5. Risk Management Training for Risk Coordinators (DHS)</td>
<td>30,000</td>
</tr>
<tr>
<td>Development and implementation of tailored risk management training for identified DHS Risk ‘Champions’ to assist with instilling a risk management culture and practice across the organisation.</td>
<td></td>
</tr>
<tr>
<td>6. Development and Implementation of a Business Continuity Management Framework for Metropolitan Hospitals (Mercy, Austin and Northern Healthcare)</td>
<td>41,000</td>
</tr>
<tr>
<td>To develop and implement a business continuity management plan for one functional area of each hospital in order to develop a business continuity management program for public healthcare in Victoria.</td>
<td></td>
</tr>
<tr>
<td>7. Clinical Risk Management for Community Healthcare Organisations. (DHS in conjunction with Victorian Hospitals Association and 96 Community Healthcare clients.)</td>
<td>103,000</td>
</tr>
<tr>
<td>Development and implementation of a clinical risk management program across all public community healthcare organisations.</td>
<td></td>
</tr>
<tr>
<td>8. Establishment of Clinical Trail Standard Operating Procedures (Nucleus Network)</td>
<td>60,000</td>
</tr>
<tr>
<td>Development and deployment of 13 Standard Operating Procedures to facilitate compliance with International Conference on Harmonisation – Good clinical Practice (ICH-GCP) requirements.</td>
<td></td>
</tr>
<tr>
<td>9. General Practitioner Anaesthetic Training Program (Rural Workforce Agency Victoria)</td>
<td>45,000</td>
</tr>
<tr>
<td>Development and implementation of a General Practitioners Anaesthetic Training Program for Rural GP’s including post course evaluations.</td>
<td></td>
</tr>
<tr>
<td>10. Risk Register Workshops (Metropolitan Ambulance Service)</td>
<td>1,800</td>
</tr>
<tr>
<td>Development and implementation of risk workshops to facilitate the review of the risk register for the Metropolitan Ambulance Service.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.17
Table 22.10: General government co-funded projects approved for funding in 2006-07

<table>
<thead>
<tr>
<th>Project overview</th>
<th>Funding ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Aquatic Facility Swimming Pool Assessments (Department of Sustainability and Environment)</td>
<td>8,400</td>
</tr>
<tr>
<td>This project looked to develop assessments to facilitate practical risk management advice to swimming pool entities in order to make them aware of the risks associated with their occupancies and to deliver solutions to mitigate these risks, with the aim of reducing risk to the public.</td>
<td></td>
</tr>
<tr>
<td>2. Board Risk Management Reporting and Risk Assessment Method (Metropolitan Fire and Emergency Services Board)</td>
<td>36,424</td>
</tr>
<tr>
<td>Development and implementation or risk management assessment to determine strategic and operational risks for the organisation and development of risk reporting to ensure ongoing integration within the culture and operation of the client.</td>
<td></td>
</tr>
<tr>
<td>3. Review of Sprinkler Protection at the Royal Exhibition Building (Museum Victoria)</td>
<td>90,000</td>
</tr>
<tr>
<td>The Royal Exhibition Building is Victoria’s (and Australia’s) only world heritage listed building and this project undertook to review the adequacy of fire protection at the site. This has led to the commitment of additional funding in 2007-08 following the report from this project to upgrade the systems in place.</td>
<td></td>
</tr>
<tr>
<td>4. Embedding Risk Management at State Library of Victoria (State Library)</td>
<td>21,818</td>
</tr>
<tr>
<td>Facilitation of risk management workshops at State Library of Victoria as a result of the 2006 risk framework quality review (RFQR) which identified opportunities for improvement in the risk management framework in place within the State Library.</td>
<td></td>
</tr>
<tr>
<td>5. Australasian Police Audit Conference 2008 (Vic Police)</td>
<td>10,000</td>
</tr>
<tr>
<td>Co sponsorship of the 2008 Police conference to increase the knowledge across Police forces of the role of audit and its relationship with risk management.</td>
<td></td>
</tr>
<tr>
<td>6. State Bushfire Management Framework (Dept of Sustainability and Environment)</td>
<td>140,000</td>
</tr>
<tr>
<td>Establishment of a bushfire risk management framework for all rail agencies following on from the 2007 Coronial Inquest into the Macedon Ranges (Bendigo line) fires in 2005.</td>
<td></td>
</tr>
<tr>
<td>To develop and implement a business continuity management plan for the State Library and VicForests and to test a business continuity management framework for potential application across the government sector as a VMIA tool.</td>
<td></td>
</tr>
<tr>
<td>8. Review of Risk Reporting (Vic Police)</td>
<td>7,315</td>
</tr>
<tr>
<td>As a result of the 2006 RFQR, KPMG was contracted to help deliver recommendations in relation to a review of risk reporting framework and risk roles &amp; responsibilities within Vic Police.</td>
<td></td>
</tr>
</tbody>
</table>
Table 22.10: General government co–funded projects approved for funding in 2006-07 (continued)

<table>
<thead>
<tr>
<th>Project overview</th>
<th>Funding ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Registration and Licensing Risk Assessment (VicRoads)</td>
<td>37,500</td>
</tr>
<tr>
<td>Analysis of strategic risks in the registration and licensing area.</td>
<td></td>
</tr>
<tr>
<td>10. Training for TAFE Boards (TAFE sector Boards in conjunction with DoE and OTTE)</td>
<td>37,875</td>
</tr>
<tr>
<td>Development of a risk management template for use across the client base and implementation via training aimed at Board level to increase their awareness of risk management and their responsibilities.</td>
<td></td>
</tr>
<tr>
<td>11. Risk Management Training for Alpine Management Boards (Alpine Management Boards)</td>
<td>48,000</td>
</tr>
<tr>
<td>Development of a risk management template for use across the client base and implementation via training aimed at Board level to increase their awareness of risk management and their responsibilities.</td>
<td></td>
</tr>
<tr>
<td>12. Induction and Risk Management Training Package development and implementation (Melbourne Sports and Aquatic Centre and State Sport Centre Trust)</td>
<td>9,800</td>
</tr>
<tr>
<td>Development and implementation of a training package for staff to increase their awareness of risk management and specific risk management procedures related to their organisation, particularly in relation to major events scheduled for 2006 and 2007, such as the Swimming Championship and Tennis Open.</td>
<td></td>
</tr>
<tr>
<td>13. Risk Assessment of the Barwon River (Corangamite Catchment Management Authority)</td>
<td>9,500</td>
</tr>
<tr>
<td>Risk assessment conducted by GeoTech to identify the risks involved with management of this river.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, p.18–19
22.12.4 Measuring claims handling performance

(a) Question

In terms of measuring claims handling performance for 2005-06 and 2006-07, please disclose:

(i) the performance indicators in place to assess claims handling performance
(ii) actual performance versus targets established for each indicator
(iii) explanations for variances that exceed 10 per cent

Response

There were no internal key performance indicators that were specifically relevant to claims handling performance throughout these periods. Claims performance was measured performance against actuarial expectations and settlement versus estimate for each stream.741

(iv) any measures introduced in 2005-06 and 2006-07 designed to improve the timeliness of handling claims

Response

Towards the end of 2006-2007, a number of measures were introduced to improve claims handling efficiency and to promote the early and cost effective resolution of claims. These included:742

- co-locating claims staff within client focused multi disciplinary teams;
- streaming claims by risk, and by identifying high quantum claims as strategically significant, and recruiting dedicated resources to specifically focus on catastrophic injury claims resolution;
- introducing rolling case reviews and legal panel peer reviews to actively promote early resolution, by settlement or verdict; and
- monthly claims activity reporting, including detailed data analysis, including reporting on changes in the time from adverse incident reporting to claim closure.

(v) comparisons against established benchmarks

Response

No comparisons were made against external benchmarks.743

741 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.21
742 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.21
743 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.22
(b) Question

Does the VMIA intend disclosing any objectives in this area together with performance information in its annual report in future?

Response

The VMIA will include this information in annual reports in future. The level of detail is yet to be finalised, but may include number of claims, quantum and timeliness to resolution. 744

Committee comment

The Committee supports the inclusion of this type of information in annual reports.

22.13 Victorian WorkCover Authority

22.13.1 Funds obtained through fraudulent means

(a) Question

The annual report of the Victorian WorkCover Authority (VWA) reveals that ‘a Geelong woman was convicted, fined $6,000 and given a six month suspended sentence, for fraudulently obtaining more than $54,400 in workplace injury compensation payments and for providing false information’.

What has been the total value of funds obtained through fraudulent means in 2005-06 and 2006-07?

Response

In 2005-06, total restitution of funds obtained through fraudulent means, as ordered by the court was $173,744.59

In 2006-07, total restitution of funds obtained through fraudulent means, as ordered by the court was $187,803.15 745

(b) Question

Please outline in board terms VWA's approach to fraud management that is designed to mitigate such occurrences in future?

744 Victorian Managed Insurance Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.22

745 Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.18
Response

The VWA has a comprehensive database of all claims which it periodically scans to detect trends in claim types and to identify possible fraud.

Regular meetings are held with Commonwealth and interstate schemes to gather intelligence on possible trends/fraud. This interchange of information also includes contact with other agencies such as Transport Accident bodies, Centrelink and Australian Federal Police.

In addition, the VWA receives approximately 650 allegations of fraud or over servicing from a number of sources. Each of these is investigated.

The VWA also has a strategy to publicise cases of fraud that have been successfully prosecuted to convey a fraud deterrence message to the community.746

22.14 State Electricity Commission of Victoria

22.14.1 Decline in dividends from the Snowy Hydro Ltd in 2006-07

(a) Question

The annual financial statements for 2006-07 disclose that the State Electricity Commission Victoria (SECV) has:

- recognised a $11.9 million share of the net profit from Snowy Hydro Ltd for the year ended 30 June 2007 (2006, $37.5 million); and
- received $14.5 million in dividends from Snowy Hydro Ltd for the year ended 30 June 2007 (2006, $20.3 million).

Please explain the reasons for the declining return from SECV’s 29 per cent equity holding (on behalf of the Victorian Government) in Snowy Hydro Ltd.

Response

Snowy Hydro Ltd is the corporatised owner of the Snowy Mountains Hydro-electric Scheme operating as an independent electricity generator within the NEM. Its operations consist of the generation and marketing of flexible and renewable electrical energy, ancillary services and related electricity products/derivatives, and the storage and diversion of bulk water to the Murray and Murrumbidgee Rivers. Its fully owned subsidiaries, Red Energy Ltd, retails electricity and operates in the NEM, and Valley Power Pty Ltd owns and operates a 300MW gas peaking power station located in Victoria.

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746  Victorian WorkCover Authority, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 4 February 2008, p.18
Extract from Snowy Hydro Ltd 2006-07 Annual Report states:

‘Snowy Hydro’s operating environment for the 2007 financial year was characterised by both depressed NEM volatility (for almost the entire year) and record low water inflows. The fact that these events occurred simultaneously greatly exacerbated their impact.’

The 2006-07 financial year was a difficult year for Snowy Hydro as a result of the severe drought and depressed market conditions. This resulted in a significant increase in direct costs as a percentage of revenue for Snowy Hydro leading to a drop in profitability.

The SECV had budgeted (as part of the Corporate Plan 2006) to receive $31.9 million in dividends from Snowy Hydro in 2006-07. Only the first interim dividend of $14.5 million was paid on 29 September 2006.

The SECV no longer has direct involvement in the Snowy Hydro Ltd business and relies on the Department of Treasury and Finance for advice on profitability and dividends.747

22.14.2 Guarantee issued in favour of National Electricity Market Management Company Limited

(a) Question

The annual report for 2006-07 revealed that at 30 June 2007, the SECV had Treasurer approval for the issue of guarantees by Treasury Corporation of Victoria to a limit of $150 million in favour of the National Electricity Market Management Company Limited (NEMMCO). A guarantee of $95 million has been issued in favour of NEMMCO effective 11 April 2007.

Please describe the nature of this guarantee including the circumstances in which the guarantee could be called on.

Response

The SECV is a participant in the National Electricity Market (NEM) and as such administered by National Electricity Market Management Company Limited (NEMMCO).

The NEM is governed by the National Electricity Rules (Rules) under which NEMMCO acts as a clearing house for market participants. As a market participant therefore, the SECV is required to comply with certain prudential requirements, which is to provide financial security for NEMMCO and other participants in the NEM in respect of the electricity trading activities.

As part of the guarantee, TCV unconditionally and irrevocably undertakes to pay to NEMMCO on written demand any and all amounts to a maximum of the guarantee level.

747 State Electricity Commission of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 22 January 2008, p.7
Instances where this guarantee may be called on are where SECV may fail to meet weekly electricity settlement payments. Such an event may constitute a default within the provisions of the Rules and NEM Settlement Process requirements issued and administered by NEMMCO. Under a default, NEMMCO can draw on credit support (guarantee) in order to honour obligations and meet settlement commitments of the participant.748

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748 State Electricity Commission of Victoria, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 22 January 2008, p.6
CHAPTER 23: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

Key findings of the Committee:

23.1 The ten government departments have significantly improved the quality of their annual reports since the 2004-05 Budget Outcomes review. Their compliance with the Financial Reporting Directives has improved dramatically across all of the departments, although the Committee would still like to see less focus on reporting highlights and achievements and more focus on achievement of corporate and business plan objectives.

23.2 Seven reports, from Barwon Water, Melbourne Water, Yarra Valley Water, South East Water, Port of Melbourne Corporation, VicRoads and the Victorian Auditor-General’s Office, contained a wide range of best practice performance reporting methods and their thorough, open and accountable approach stood out from the other annual reports.

23.3 The standard of annual reporting in the other government agencies was highly variable. Of the sample of 47 annual reports reviewed by the Committee, all non-departmental agencies failed to adequately report against at least one of the requirements of the Financial Management Act, Standing Orders and Financial Reporting Directives of the Minister for Finance. Few agencies reported performance in relation to their corporate or business plan objectives and none effectively set their performance within the context of their contribution to the achievement of the government’s stated objectives.

23.4 During 2007, the Department of Treasury and Finance prepared a model financial report and a set of guidelines to assist agencies to prepare their annual reports. However, few agencies have fully applied these guidelines to the development of their annual reports, resulting in a huge variety of report structures and styles, many of which lacked clear purpose and were confusing to read.

23.5 A large proportion of reports reviewed failed to provide any historical data or benchmarking information to supplement and support the performance information provided for this year. Agencies often reported that they were the best at certain deliverables or that they were the first to undertake a particular action, without providing evidence to support their claims or relating their claim the achievement of government objectives.

23.6 In the Report on the 2004-05 Budget Outcomes, the Committee expressed concern that annual reports are seen by many agencies as merely a compliance and public relations tool, with an emphasis on delivering good news rather than being an instrument of accountability. It would appear from the reports examined during this review, that there has been little improvement across the board with several annual reports failing to provide any good quality performance information.
23.7 While acknowledging the positive steps taken by the ten departments since the last review and the high standards of reporting achieved by a limited number of agencies, the Committee believes that there is still significant room for improvement in the quality of the annual reports presented by government agencies.

23.8 The Committee is willing to work with the IPA and DTF/DPC on an Annual Reports Awards Program that provides recognition for excellence in reporting and accountability.

23.1 Introduction

Annual reports of public sector agencies are prepared in accordance with the requirements of the Financial Management Act 1994 (FMA) and the Standing Directions and Financial Reporting Directions issued by the Minister for Finance. Public sector agencies are required to provide both general and financial information about their operations and performance together with an assessment of results and financial position. The FMA requires that the annual reports of relevant Public Sector Agencies comprise a Report of Operations and Financial Statements. The Financial Statements of all government entities are independently audited by the Victorian Auditor-General.

The annual reports of public sector agencies are an important source of publicly reported performance information. They should enable the reader understand the extent to which government resources have been spent, and that government services have been delivered, in an efficient and effective manner.

In recognition of the growing importance of open and accountable government practices, the Committee has decided to broaden its review of annual reporting within the Victorian public sector to include a total of 47 government agencies. The agencies selected for review include the ten government departments, parliamentary departments, the Victorian Auditor-General’s office, eight major health authorities and public hospitals, six water companies and a range of other materially significant government entities.

Following on from the Report on the 2004-05 Budget Outcomes, the Committee has retained the focus of this review on performance reporting and compliance with the disclosure requirements of the FMA and the Standing Directions and Financial Reporting Directions issued by the Minister for Finance.

23.2 Reporting principles and review criteria

The Committee generally expects that each annual report will encompass the principles of relevance, reliability, comparability and clarity. In order to determine this, agencies have been assessed against the following categories:

- reporting performance;
- reporting activities;
- presentation; and
- compliance with legislation.

749 Standing Direction 4.2
23.2.1 Reporting performance

The Reporting Performance category focused on how agencies publicly reported their performance. The Committee expected annual reports to provide a detailed analysis of the performance of the agency, its programs and projects, against targets and objectives set by the agency and by the government. The following specific review criteria were applied by the Committee in relation to reporting performance:

- annual reports should provide an effective and detailed review of an agency’s performance. To effectively review and report on its performance, an agency’s annual report should identify and provide detailed analysis of performance against milestones, outcomes and budget targets for significant projects and programs;
- annual reports should include historical performance information. The inclusion of historical data provides a more comprehensive understanding of the performance of the agency. To allow for meaningful comparisons to be drawn, annual reports should, where possible, include at least three years worth of historical data for key projects and reporting items. Analysis of the current data should include reference to the historical data and identify significant factors affecting the results;
- to determine whether their processes can be improved, annual reports should include the results of benchmarking against local, national or international best practices. Including benchmarking data improves the objectivity of the reports and validates the data presented;
- departments are expected to report against the departmental output targets specified in the state budget and provide clear and detailed explanations for variations from target. Explanations should identify the factors that caused the variance and discuss the implications of this in relation to the output;
- all annual reports should provide clear and detailed explanations where actual performance varies significantly from the target or the previous years result. Explanations should identify the factors that caused the variance and the implications of this in relation to the agency achieving its stated output/objective; and
- in order to effectively interpret performance data it is necessary to understand the nature of the intended outcome. To effectively communicate an agency’s performance, annual reports should clearly identify and report performance against, the goals and objectives established in the agencies plans.

23.2.2 Reporting activities

The Reporting Activities category focused on the information disclosed in annual reports that enabled the reader to understand the responsibilities, objectives and activities of the agency. This information also provided the necessary context to analyse and discuss performance. The following specific review criteria were applied in relation to reporting activities:

- annual reports should provide a balanced and reflective review of activities and performance for the year. They should include performance information that relates to the goals and objectives of the organisation and should not read as a list of achievements. A summary of the agencies activities for the year should be included in the CEO’s report with further detailed analysis of key activities throughout the report. A key indicator of how balanced an agency’s annual report is, is the extent to which it discusses the setbacks and challenges faced during the year;
- Growing Victoria Together (GVT) is a ten year vision that articulates the priorities that the government has set in order to build a better society. It presents the primary objectives,
goals and measures of the Victorian Government. In this context, all annual reports should outline the agencies’ responsibilities in relation to GVT and report their performance against the specific policy deliverables flowing from the GVT framework, for example, Meeting Our Transport Challenges and A Fairer Victoria are also assessed against action plans reported by agencies;

• annual reports should explain the agency’s objectives and include a detailed analysis of performance against these objectives. In doing so, it will enable readers to understand the responsibilities of the agency and how well it is performing against them; and

• in order to convey an adequate understanding of an agency’s operations and performance, annual reports should include a detailed analysis of the context (eg political, social, economic and environmental) that it operates within. The information should not simply state what the context was, but include analysis as to how it affected the agency’s ability to meet their targets and objectives during the year.

23.2.3 Presentation

This category assessed the clarity presentation and considered the use of graphical representations, photographs and innovative and environmentally-friendly presentation strategies in the annual reports. The following specific review criteria were applied in relation to reporting performance:

• given the volume of the information contained in an annual report, appropriate use of graphical data representation (eg charts, diagrams and tables) can significantly improve the accessibility and readability of the report. To be fully effective, graphical representation of data must be accompanied by a detailed analysis of the data;

• as annual reports tend to be lengthy documents, photographs and graphics are often used to add visual interest and to illustrate the information that is contained in the reports. However, excessive use of photographs and graphics that have little or no relevance to the text can distract readers from the content of the report. Photographs and graphics should be used sparingly, be captioned and bear direct relevance to the surrounding text; and

• consistent with the FRD 24B, it important that agencies adopt environmentally-friendly strategies in the preparation and presentation of their reports. Such strategies can include, among other things, reducing the number of pages in the annual report, reducing the amount of excessive packaging, reducing the use of glossy paper and colour ink, using recycled paper and adhering to environmentally friendly printing processes.

23.2.4 Compliance with legislation

This category focuses on the extent to which departments and agencies have complied with legislative requirements specific to annual reporting. The following specific review criteria were applied to annual reports in relation to Compliance with Legislation:

• departments were assessed on their compliance with FRDs 8, 10, 12A, 15B, 24B, 25 and 29, while related agencies were assessed against FRDs 10, 24 and 29. All departments and agencies should be aware of their relevant legislative reporting requirements and as such, should be fully complying with each aspect of the FRDs; and

• departments and related agencies are also required to comply with FRD 22B and Standing Direction 4.2 under the FMA which relay a more generic set of criteria for inclusion in the annual report. Similar to the above criterion, all departments and agencies should be aware of their legislative reporting requirements and as such, should be fully complying with each aspect of FRD 22B and SD 4.2.
23.3 Major findings

23.3.1 Reporting against departmental output targets specified in the state budget

According to the Standing Directions of the Minister for Finance under the FMA\textsuperscript{751} ‘a government department [annual report] must include a comparison of the output targets specified in the state budget with actual performance against those targets’.

The output targets for each department are reported in the budget papers\textsuperscript{752} and include quantity, quality, timeliness and cost measures. In the 2005-06 Budget Papers, the ten departments, Parliamentary departments and the Victorian Auditor-General’s Office identified 1485 individual output targets.

While none of the departments met all of the Committee’s expectations regarding reporting of output target measures, the reports of the Departments of Treasury and Finance, Sustainability and Environment and Victorian Communities included some exemplary practices which should be considered for adoption by other departments.

During 2006-07 there were two major machinery of government changes that resulted in the transfer of a number of responsibilities from one department to another\textsuperscript{753}. As a result of these changes a number of output targets were also moved between departments. The Department of Education’s (DOE) annual report indicated that responsibility for reporting against 19 output targets had been transferred to the Department of Innovation, Industry and Regional Development (DIIRD), and seven targets had been transferred to the Department for Victorian Communities (DVC)\textsuperscript{754}. While all of the measures transferred to DVC were reported accurately in the DVC annual report, only 13 of the 19 measures transferred to DIIRD were reported in the DIIRD annual report.

Similarly, the Department of Justice’ annual report stated that the output target figures relating to the Metropolitan Fire and Emergency Services Board, the Country Fire Authority and Victoria Police were reported in the corresponding agencies annual reports\textsuperscript{755}. The figures were not reported adequately in the annual reports of these agencies.

The Committee wishes to remind all departments that it is their responsibility to ensure that output target figures are reported in a complete, accurate and timely manner and that where output target reporting responsibilities are transferred between departments during the year, for any reason, it is the responsibility of both departments to ensure that the measures are correctly reported.

The Committee was disappointed to find that DIIRD, DOE and the Department of Premier and Cabinet (DPC) had not reported any of the output cost measures identified in the budget papers. It also observed that DPC did not report performance against a further 35 output targets identified in the 2006-07 Budget Papers.

High quality performance reporting involves more than just reporting the numbers and the Committee expects departments to provide:

\textsuperscript{751} Standing Directions of the Minister for Finance under the Financial Management Act 1994, Section 4.2, pp.71–73
\textsuperscript{752} Budget Paper No.3, 2006-07 Service Delivery, pp.61–278
\textsuperscript{753} Department of Premier and Cabinet, Annual Report 2006-07, p.93
\textsuperscript{754} Department of Education, Annual Report 2006-07, pp.20–25
\textsuperscript{755} Department of Justice, Annual Report, p.100
adequate contextual information to enable the reader to understand the nature and importance of the measures;

• clear and detailed explanations for significant variations from targets and;

• at least three years of historical data for comparative purposes.

Three departments provided no contextual information to support and their output target measures756. Five departments provided only basic contextual information757, e.g. a brief explanation of the area being measured. Only the Department of Treasury and Finance (DTF) and DVC provided detailed contextual information to explain and support the output target measures reported in their annual reports.

Most departments provided basic explanations for significant variations from targets, but the Committee had to request further information about inadequate or missing explanations from all departments. In particular, the Committee felt that DOI, DPC, DIIRD and DSE could have provided more detailed explanations for variances.

Only two departments, DPI and DVC have provided any historical data relating to their output target measures. Reporting historical information significantly improves accountability by allowing the reader to determine how a department’s performance has changed over time. As such, the Committee recommends that all departments include a minimum of three years of historical data in future annual reports.

The Committee recommends that:

Recommendation 70: All government agencies that are required to report performance against output targets specified in the state budget should report performance against all measures including output cost, and provide a minimum of three years of performance data for comparison.

Recommendation 71: All government agencies that are required to report performance against output targets specified in the state budget should provide detailed explanations for any variations of 10 per cent or more from target.

Recommendation 72: That departments develop controls to ensure that all portfolio agencies adequately report performance against relevant output targets specified in the state budget.

756 Department of Sustainability and Environment, Department of Human Services and Department of Premier and Cabinet
757 Department of Education, Department of Infrastructure, Department of Innovation, Industry and Regional Development, Department of Justice and Department of Primary Industries
Chapter 23: Review of annual reports of departments and agencies

23.3.2 Compliance with the Financial Management Act and the Standing Orders and Financial Reporting Directives of the Minister for Finance

The Committee was pleased to note that the standard of information reported in relation to the FMA, Standing Orders and FRD’s of the Minister for Finance among departments has improved significantly since the Report on the 2004-05 Budget Outcomes. However, the standard of reporting by government agencies was below this standard, with a large number failing to report all of the information required.

Within the departmental annual reports, only one area stood out as requiring major further development. This was the reporting of Occupational Health and Safety matters requirement of FRD 22B. It states that entities Report of Operations must include a statement on occupational health and safety matters that ‘should identify the performance indicators adopted to monitor such matters, and outline the entity’s performance against those indicators’. Only two departments (Education and Justice) identified performance indicators and reported performance against targets.

Non-departmental government agencies were only required to report against four FRD’s. However, the Committee’s review of 37 non-departmental agency annual reports from across all portfolios identified that most had failed to address one or more directive. This is a very low level of compliance and is of considerable concern to the Committee. The following are the main areas of non-compliance:

- the greatest concentration of non-compliance (27 agencies [73 per cent] failed to fully address this directive) stemmed from FRD 29 – Workforce Data Disclosures in the Report of Operations. Most agencies failed to meet the full range of reporting requirements of this directive which is especially disappointing given that the directive includes detailed information about the minimum reporting requirements and presents sample tables to illustrate how the information could be presented;
- nineteen agencies (51 per cent) failed to adequately report on the implementation of the Victorian Industry Participation Policy (VIPP). Most of these included a statement that they complied with the VIPP, but none adhered to the full disclosure requirements of this directive. The Committee is aware that some agencies may not have had any data to disclose in relation to this directive, but unless this is clearly stated in the agencies annual report this cannot be assumed;
- eighteen agencies (49 per cent) failed to adequately report the Occupational Health and Safety requirements of FRD 22B;
- thirteen agencies (35 per cent) failed to adequately address the Environmental Performance reporting requirements of FRD 22B;
- ten agencies (27 per cent) failed to report comparative information for the previous four years in their summary of financial results; and
- the Disclosure Index’ of many of the reports included references to out of date legislation, for example referencing FRD 22A instead of FRD22B, and referred the reader to the incorrect page. This is in itself a failure to comply with the requirements of FRD 10.

The Committee recommends that:

**Recommendation 73:** That all government agencies annually review their reporting responsibilities in relation to the Financial Management Act and the Standing Directives and Financial Reporting Directive of the Minister for Finance, and put in place controls to ensure that all relevant requirements are addressed.

**Recommendation 74:** That all government agencies identify and report against the full range of performance indicators adopted to monitor Occupational Health and Safety matters, in future annual reports.

**Recommendation 75:** Where specific Financial Reporting Directives do not apply to agencies, this should be clearly indicated in their annual report, including an explanation as to why they do not apply.

### 23.3.3 Performance reporting

The quality and quantity of performance information reported was generally poor, but there were a small number of agencies and departments that have adopted excellent performance reporting practices.

Aside from the requirements of the Financial Reporting Directives and the output targets from the budget process, most reports include little or no information about their performance during the year. Most reports focus primarily on reporting activities and projects, rather than achievement of objectives.

If agencies are going to persist with providing vast quantities of information about actions and projects, the Committee would recommend that the reports are structured around the agency’s strategic or corporate objectives. Doing this would enhance the accountability of the reports by tying the activities and projects to the major objectives of the agency. This has been done exceptionally well by DSE, DOJ, Yarra Valley Water and VicRoads. The DSE annual report contains a brief review of the year, nine chapters covering the nine DSE outcomes and a section covering organisational performance. The budget output targets for the department are also arranged under the same outcome headings. The result of this is that the departmental objectives, output measures and activities and projects are all tied together.

Structure aside, the quality of performance information provided in most annual reports is very poor and would appear to reflect a degree of confusion by agencies about the purpose and nature of annual reporting. Annual reports should be about enhancing the accountability of agencies but many appear to view them as little more than a public relations exercise. The Committee noted the following issues relating to the quality of performance reporting in annual reports:

- few agencies have reported performance against milestones and targets when writing about activities and projects they have undertaken. Without this information it is very difficult for the reader to understand how efficiently and effectively projects have been implemented;
• the planned objectives of activities and projects are rarely established. Providing adequate contextual information about objectives provides a focus against which performance outcomes and the effectiveness of service delivery can be gauged;

• none of the annual reports reviewed made good use of benchmarking data despite several making the point that they had participated in benchmarking programs. The inclusion of high quality benchmarking data is one of the most effective means of reporting performance with a high degree of accountability; and

• where agencies have included performance data it is often presented on its own without reference to the performance in previous years. Most of the reports could make better use of historical information to reflect trends and changing performance over time. A particularly good example of using historical data to enhance the report is in the Victoria Police Annual Report. Section three of the report, Our Performance, includes 17 non-financial measures with at least four years of data and analysis.

The Barwon Water annual report had some of the most comprehensive performance information of any agency. The introductory chapters provided a range of information about the roles, responsibilities, strategic plans and activities of the agency. This was followed by a year in review chapter which included results against the corporate strategy and 18 other graphs and charts that provided contextual and performance information relating to the strategy. Further chapters were structured around the key functional areas of the agency and each included a table with detailed performance information and analysis relating to their key result areas. This is an excellent example of the nature and standard of performance reporting that the Committee expects to see from all government agencies.

South East Water, Yarra Valley Water and City West Water alongside Melbourne Water, have all adopted the Global Reporting Initiative (GRI) principles of Sustainability Reporting into their working practices. GRI is a not for profit international network focused on developing a set of sustainability reporting guidelines that cover an organisation's economic, environmental and social performance. This practice has had a significant positive impact on the quality of reporting by these agencies and is to be commended.

One key feature of Sustainability Reporting is that non-financial measures are independently verified. Current annual reporting requirements do not require departments or agencies to have their non-financial report of operations information independently verified. There is an inherent risk therefore, that inadequate data management and reporting processes could lead to inconsistent or incorrect data being reported. Independent verification of these systems would improve public confidence around the non-financial information reported in annual reports.

The Committee was also pleased to note that Melbourne Water detailed their performance targets for the next three years in their annual report and Yarra Valley Water included areas for improvement in their annual report. These will help to improve accountability and are considered in high regard by the Committee.

The Committee recommends that:

**Recommendation 76:** Government departments and agencies include, where possible, in their annual reports, details of their targets and objectives for the following three years and opportunities to improve performance.

A major weakness of most annual reports reviewed is that they focus on positive activities and highlights. Annual reports should present a balanced review of the year, which includes where things did not go according to plan, where delays occurred and where the end result was not as
good as was hoped for. Melbourne Water was one of the few agencies which annual report included details of the goals, key achievements, disappointments and challenges for each of its reporting areas.

Each year the Department of Treasury and Finance (DTF) publishes a model annual report and in 2007 it also published a guide to assist annual report project managers. However, the Committee believes that the guidance for providing performance information in annual reports is an area of major weakness in the Model Report.

In the Committee’s Report on the 2004-05 Budget Outcomes it recommended that ‘DTF develop an annual reporting manual with best practice guidance, in collaboration with line agencies, to provide tools and resources for preparing reports’. In the government’s response to the recommendation, it accepted the recommendation in principle indicating that it had a number of ongoing activities that would address this issue. While the Committee is pleased that the department is taking action to improve the standard of annual reporting practices in the Victorian public service, it would like to see DTF place greater emphasis on performance reporting.

The Committee recommends that:

**Recommendation 77:** The Department of Treasury and Finance should include in their Model financial report and Annual report preparation guide, more detailed principles and guidance on preparing and presenting high quality performance information including the use of historical and benchmarking data.

**Recommendation 78:** The Department of Treasury and Finance implement an education program across all government agencies to clarify the purpose and recommended structure of annual reports, with an emphasis on reporting performance relation to agency and government objectives, in accordance with best practice.

### 23.3.4 Annual report appearance, structure and content

The 47 annual reports reviewed represented the diverse range of organisations that makes up the Victorian public sector, ranging from the National Gallery of Victoria, to the Royal Children’s Hospital to the Department of Infrastructure. The appearance, structure and content of the annual reports was as varied as the nature of the organisations they represented. While the Committee recognises that agencies may wish to use differing structures and formats to present their annual reports, the lack of a consistent approach has meant that a large number of reports have not provided sufficient and robust performance information.

761 Department of Treasury and Finance, Annual report preparation guide, June 2007
Generally, the departmental reports have a clearer, more robust structure with a greater focus on the achievement of corporate objectives and are far more compliant with legislative reporting requirements. The Committee found that the water companies, in particular Barwon Water and Melbourne Water, were well structured with a clear sense of purpose, while the Health Authority reports were often difficult to read and lacked focus.

The Department of Treasury and Finance (DTF) model annual report\footnote{Department of Treasury and Finance, Model Report For Victorian Government Departments: Model Financial Report and Report of Operations guidance for reporting period ending 30 June 2007} and guide to assist annual report project managers\footnote{Department of Treasury and Finance, Annual report preparation guide, June 2007} are targeted primarily at departments and consequently many non-departmental agencies appear to have prepared their annual reports without taking account of the guidance provided. The Committee believes that all agencies should review their annual report structure and content against the DTF model before preparing their 2007-08 annual reports. The Committee would specifically like to draw attention to the structure provided in the DTF report preparation guidelines\footnote{Department of Treasury and Finance, Annual report preparation guide, June 2007, pp.5–12}:

- year in Review;
- governance and Organisational structure;
- performance against objectives; and
- financial review and 5 year financial summary.

The Committee also has some concern about the length of some of the Report’s of Operations. Too many agencies have prepared over long documents that focus almost exclusively on reporting activities and projects undertaken during the year, without reporting performance against corporate objectives and government objectives. This is often compounded by excessive use of large or full page photographs or graphics which do not directly relate to or enhance the report content. The Committee would like to see agencies making better use of graphical data representation such as charts, graphs and maps and a more sparing use of photographs and unnecessary graphics. Where used, photographs should be fully referenced and linked directly to the accompanying text.

Many of the reports reviewed were printed in high gloss, full colour and on high quality card or paper. The Committee believes that this is not required to prepare a high quality annual report and suggests that to further enhance the accountability of the reports, agencies should indicate the cost of preparing their annual reports and should clearly indicate steps that they have take to reduce the environmental impact of preparing their annual reports.

The Committee considers that a Victorian Government awards scheme from annual reporting should be established to provide recognition for excellence in reporting and accountability. The scheme could be jointly co-ordinated by DPC and DTF with the assistance of external organisations such as the Institute of Public Administration and the Australian Reporting Awards organisation. The Committee is committed to work with these agencies and organisations to develop a reporting awards program for Victoria.

The Committee recommends that:

**Recommendation 79:** The Committee is willing to work with the IPA and DTF/DPC on an Annual Reports Awards Program that provides recognition for excellence in reporting and accountability.
Recommendation 80: That agencies should provide information on the cost of preparing their annual reports (including use of all resources, contractors, specialist advisers, designers and printing costs) and indicate steps taken to reduce environmental wastage in preparing their annual reports.

Recommendation 81: That all government agencies use the Department of Treasury and Finance model financial report to ensure that their reports are well structured and address the core requirements of annual reporting.

23.4 Detailed results of the review

23.4.1 Education

(a) Detailed review of the Department of Education

The 2006-07 annual report for the Department of Education was tabled on 31 October 2007.

The standard of performance reporting was reasonable. Better use of performance data to support the report content would have helped give the report a more balanced outlook.

Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act was consistently of a high standard.

Reporting performance

The department’s annual report includes a section (Outputs and Performance) that reports performance against the financial and performance outcomes identified in the budget papers. However, this reporting was complicated by the machinery of government changes that took place during the year. As a result of these changes, 18 per cent of the measures were transferred to the Department of Innovation, Industry and Regional Development and 7 per cent of the measures were transferred to the Department for Victorian Communities. A number of these measures, for which responsibility had transferred to other departments, were not fully reported. While these measures are no longer a direct responsibility of the Department of Education, the Committee believes that the departments hold a shared responsibility for reporting these measures. Where future machinery of government changes affects departments, there is a need to ensure the measures continue to be reported adequately.

A further eight performance outcome measures were identified for which the result was not reported. These measures disclosed the percentage of year three and year five students who reached national benchmarks in numeracy and reading. The report stated that this information was not available because the national benchmark results had not been released at the time the report was prepared. This was also the case in the 2005-06 annual report. It would aid continuity and completeness of reporting if the department reported the targets and results for the previous year as well as including an explanation as to why the results for the present year were not included.

Department of Education, Annual Report, pp.17–18
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The department did not include any historical data in the Outputs and Performance section. While not a legislative requirement, the inclusion of historical data can significantly improve the readers’ understanding of the results and can be a helpful indicator of developing trends.

Other than the Outputs and Performance section of the annual report, the department did not provide detailed information about performance against targets and milestones. This makes it difficult for the reader to determine the extent to which its activities have been undertaken in an efficient and effective manner. The four chapters that followed the Outputs and Performance Section discussed activities relating to a range of important initiatives such as the Blueprint for government Schools. However, the information was provided in the form of highlights, rather than a more extended analysis. For example, the report indicated that 150 schools participated in the Principles of Learning and Teaching professional learning program, bringing the total number of over the past three years to 53 per cent of government schools. However, this was not related to progress against targets for such a program.

The report did not make adequate use of benchmarking information to support and enhance its performance information. National Benchmarks identified in the Outputs and Performance section were not reported and in other areas where benchmarking data was available, the data was not presented in the annual report. For example, the Human Resources section of the report included details about how the ‘Your Job Your Say’ survey was implemented and how the results were used, but it did not report any of the results. Where benchmarking data is available and relevant, it should be used to support the findings presented in the report.

Reporting activities

The Committee believes that it is important that all annual reports should be balanced documents that report actual performance, including any difficulties or drawbacks experienced during the reporting period.

The report clearly identifies relevant GVT targets and reports performance (historical and current) against these targets. It also includes a brief commentary on the figures. However, the report does establish a clear link between the vision, goals and measures of GVT and the activities and highlights contained in the body of the report of operations. The Committee suggests that the relationships between key activities and highlights and the vision, goals and measures of GVT be clearly established in future annual reports.

Generally the contextual information provided in the report allows the reader to understand the nature of the programs and activities being discussed.

Presentation

The report is one of a minority which does not make use of large colour photographs or glossy paper. However, the Committee would like to see more performance information in the report and believes that the department could increase the accessibility of the report through greater use of charts, maps and other diagrams to illustrate the text based information.

Compliance with legislation

The report demonstrated a high degree of compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The only minor omission occurred under the Workforce Data Disclosure. Under this directive, entities are required to report

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the headcount and full-time equivalent numbers for a range of employment categories. The Department of Education has only provided headcount information for VPS staff. Headcount information should also be included for teaching staff and non-teaching staff employed outside the VPS agreement.

23.4.2 Human Services

(a) Overview

The 2006-07 annual reports for the Department of Human Services (DHS), Austin Health, Barwon Health, Bayside Health, Eastern Health, Melbourne Health, Royal Childrens Hospital (RCH), Southern Health and Western Health were all tabled on 1 November 2007. Section 53A(6) of the Financial Management Act states that the relevant Minister must cause the annual report to be laid before each House of the Parliament on or before 31 October each year or, if a House is not then sitting, on the first sitting day of that House after 31 October.

The standard of performance reporting by DHS was good, but the general standard of the reports of the related agencies was some way below this. While some were informative, others contained little content beyond the minimum legislative requirements. None of the reports, including DHS, comprehensively reported performance against meaningful targets and measures.

The DHS annual report demonstrated a high degree of compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act. However, across the related agencies, compliance with the same legislative requirements was consistently weaker. Most agencies failed to adequately report environmental performance, workforce data, occupational health and safety data and Victorian Industry Participation Policy requirements.

(b) Detailed review of the Department of Human Services

Reporting performance

Performance reporting in the DHS annual report follows, in the main, the performance outputs identified in the budget papers. Performance information was detailed in an appendix to the main report and structured around the major functional areas of the department. In general, the standard of reporting against these outputs is reasonable, with explanations for significant variances but no historical data to set the context. The report appendices also report the requirements of the Financial Management Act and the supporting Financial Reporting Directives.

The main body of the Report of Operations focused on describing a range of activities and programs undertaken during the year. While this information is comprehensive and detailed, the report does not identify the targets and milestones associated with these activities and programs. More detailed information, targets and milestones would make it easier for the reader to assess the department’s efforts.

For example, the section titled Healthier and Stronger Aboriginal Families and Communities indicates that in 2006-07, the department continued to develop indigenous family violence healing and time out services. The report indicated that healing services were being established in new areas, but more detailed information on program objectives and how these were being met was lacking. The Committee believes that the report would be improved if it provided more
information along such lines for a limited number of key programs. These could be related to case studies (see below).

Except where explicitly required to in Financial Reporting Directives, the annual report does not make any use of historical or benchmarking data. Including historical data allows trends to be identified and monitored, while benchmarking data adds transparency and allows performance to be set within the context of similar organisations.

**Reporting activities**

The Report of Operations is structured around the department’s objectives. The report introduction explains the objectives and sets them within the context of the government’s stated policies and objectives. The main chapters of the report reflect on the achievements made under each objective and include interesting case studies which serve to illustrate specific services and programs run by the department.

Almost all performance information in the report is restricted to the appendices. This makes it difficult for the reader to make a connection between the performance information and the activities and highlights in the Report of Operations. This issue is made more significant because the performance outputs identified in the appendices are reported under functional areas, while the Report of Operations is structured according to objectives and there is no clear means of cross reference.

The Report of Operations focused on reporting on a large range of activities and projects undertaken during the year. Given to exploring the challenges facing the department. It would benefit the reader greatly if, for example, each chapter included an overview that set out the context for the work being done in that area, and the future outlooks section focused more on the challenges faced and how they would be met than simply outlining planned activities for the next 12 months.

**Presentation**

The report made little use of graphical representations to display performance or other information. There was also little separation of sections of the report which made it difficult to find the desired information.

One positive feature of the report is the use of appendices to store the substantial volume of information needed to meet the requirements of the Financial Reporting Directives. This makes the Report of Operations more accessible, but the department must take care to ensure that this information maintains clear linkages to the content of the Report of Operations.

**Compliance with legislation**

The report showed a high degree of compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The only significant omission was the lack of Occupational Health and Safety targets as required by FRD 22B.
(c) Detailed review of related agencies (Human Services)

The related agencies reviewed within Human Services were Austin Health, Barwon Health, Bayside Health, Eastern Health, Melbourne Health, Royal Childrens Hospital (RCH), Southern Health and Western Health.

Reporting performance

The standard of performance reporting across the eight agencies reviewed under the Human Services portfolio was variable, with Austin Health, Eastern Health and Barwon Health setting the benchmark. All reports contained key performance indicators which related to the numbers of patients and the types of admissions. However, these performance indicators were often not accompanied by historical data or any type of benchmarking comparison.

Few of the Health Authorities, directly reported the performance of individual hospitals under their charge. While the Committee recognises that there are separate comprehensive reporting mechanisms for such data, it believes that the agencies should report a range of key performance indicators for individual hospitals.

Eastern Health incorporated their Quality of Care report into their annual report. This has increased the quantity and quality of performance information contained within the report substantially over most other reports within this portfolio and is something that should be considered by other agencies.

Limited use was made in reports of benchmarking information. Several reports indicated their participation in benchmarking programs, including the Royal Children’s Hospital which indicated that it participated in the Victorian Managed Insurance Authority healthcare program site risk survey. Where benchmarking information is available it could be used more extensively in annual reports to help validate results and lend credence to the reporting.

Reporting activities

Few other than Barwon Health provided any detailed information about the targets and milestones relating to their planned activities for their year. Barwon, on the other hand, presented their strategic directions and priorities in a concise table at the start of the report. This allowed the reader to quickly establish the nature of their activities and the things which were of most importance to the department.

None of the agencies made any significant reference to achievements of the visions and goals within Growing Victoria Together, and few related their programs and activities to the larger government objectives under which they operate. The Committee believes it is important that annual reports establish the relationships between the agencies’ performance and how it contributes to achieving the government’s goals and objectives.

Presentation

The standard of reporting in Austin Health, Barwon Health, Eastern Health, and Melbourne Health was significantly higher than in the other agencies and their reports were well structured, clear and easy to read.

Several reports reviewed were difficult to follow and did not appear to follow a clear and logical format. More can be done by agencies to ensure that their annual reports present relevant performance information in a clear, concise and logical manner.
How agencies structure their reports is of their choosing, but the Committee believes that many of the Human Services portfolio agencies should look at best practice in regard to the nature and format of their annual reports.

**Compliance with legislation**

The reports did not demonstrate a high degree of compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The Committee identified several areas for improved compliance reporting:

- occupational health and safety issues targets to judge performance against;
- summary of environmental performance; and
- information about Victorian Industry Participation Policy contracts (nil returns should be noted in the annual report).

23.4.3 **Infrastructure**

(a) **Overview**

The 2006-07 annual reports for the Department of Infrastructure (DOI), Southern Cross Station Authority (SCSA), Victorian Urban Development Authority (VicUrban), Victorian Rail Track (VicTrack), Port of Melbourne Corporation (POMC) and Roads Corporation of Victoria (VicRoads) were all tabled on 31 October 2007.

The reports for DOI, SCSA, VicUrban and VicTrack were generally descriptive in nature and contained only limited performance reporting. The reports for VicRoads and POMC included more detailed performance information. Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act varied across the agencies.

(b) **Detailed review of the Department of Infrastructure**

**Reporting performance**

DOI’s annual report included a section that reported performance against the performance measures identified in the budget papers. This information was reported in detail and clear explanations were provided for variances from target. The Report of Operations had a heavy focus on reporting initiatives and projects undertaken during the year. This type of reporting is enhanced if performance is against targets, milestones or budgets.

DOI’s report made good use of historical data that extended to eight years in some instances. The inclusion of historical information is useful and illustrative. For example, the report charted the number of offences on public transport between 1998-99 and 2006-07. While there is some discussion on the number of offences that occurred between 2005-06 and 2006-07, additional discussion about the nature of offences or the impact of the department’s actions on the figures would have added to the report.
The report made little use of benchmarking information. The inclusion of benchmarking information would provide a deeper understanding of the projects and enhance the accountability of the report. Although the report made reference to Victoria being leaders in particular fields, it did not provide any discussion about the nature of their leadership and the benefits that Victorians can expect from it. For example, the annual report stated that Victoria is ‘one of the world leaders in road safety’\(^{772}\) and that ‘Victoria is now leading Australia in train driver recruitment and training’\(^{773}\). However, the report provided little information to support or explain these claims.

**Reporting activities**

Many of DOI’s activities and programs were clearly linked to the achievement of government policies, such as Meeting Our Transport Challenges, Melbourne 2030 and GVT. However, the report could have benefited from additional discussion regarding how the department’s outcomes contributed to the achievement of MOTC and GVT. Given the wide ranging nature of the government policies, it would have been useful for if the report included a graphical representation of how the various policies relate to each other and how DOI’s activities are related to them.

The annual report had limited contextual information to assist the reader to develop an understanding of the political, social and economic environment in which the department delivered its services. The report could have been improved by including more detailed contextual information on the challenges that it faced and the extent to which activities met them.

**Presentation**

The report was generally well presented, clear and logical. However, it could have made better use of graphical representations to display information regarding the trends and progress of its many projects. This would have enabled the department to include historical information in an easy and straightforward manner.

**Compliance with legislation**

The report was fully compliant with the requirements of the *Financial Management Act* and the Financial Reporting Directives of the Minister for Finance. The Committee was impressed with the inclusion of three prior years of data in relation to its environmental performance reporting (FRD 24B Reporting of Office-based Environmental Data)\(^{774}\).

**(c) Detailed review of related agencies (Infrastructure)**

For the purposes of this review, Southern Cross Station Authority (SCSA), Victorian Urban Development Authority (VicUrban), Victorian Rail Track (VicTrack), Port of Melbourne Corporation (POMC) and Roads Corporation of Victoria (VicRoads) were reviewed.

**Reporting performance**

The quality of the related agencies’ annual reports varied greatly from VicRoads, which was one of the better reports reviewed, to SCSA, VicTrack and VicUrban, which provided only very rudimentary performance information and focused primarily on reporting their achievements.

\(^{772}\) Department of Infrastructure, 2006-07 *Annual Report*, p.vi

\(^{773}\) Department of Infrastructure, 2006-07 *Annual Report*, p.40

\(^{774}\) Department of Infrastructure, 2006-07 *Annual Report*, pp.196–198
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The VicRoads report contained significant performance information. Although the information primarily focused on VicRoads’ achievements, it also included comparative performance data against budgets and estimated completion dates.\footnote{See for example, Roads Corporation of Victoria, 2006-07 Annual Report, pp.37–41}

VicRoads also reported against key performance indicators for each of its five objectives\footnote{Refer chapters on ‘Road Safety,’ ‘Economic and Regional Development,’ ‘Integrated and Sustainable Transport,’ ‘Protecting the Environment,’ and ‘Customer Service’ in Roads Corporation of Victoria, 2006-07 Annual Report.} including up to six years historical data in some cases. The transparency of the VicRoads annual report greatly assisted reader to develop a more comprehensive understanding of its operations.

The SCSA, VicTrack and VicUrban reports predominately focused on reporting their achievements with minimal comparative data or analysis. For example, the VicTrack report, stated that it ‘had not only met [but] at times exceeded its targets’\footnote{Victorian Rail Track, 2006-07 Annual Report, p.6} without providing details. Similarly, the Committee considered that it would be useful SCSA provided further discussion and analysis of its focus on ‘achieving best practice monitoring to ensure that [SCSA’s private sector partner, Southern Cross Station Authority Pty Ltd] meets its operational and asset management responsibilities’\footnote{Southern Cross Station Authority, 2006-07 Annual Report, p.2}. The disclosure of the SCSA, VicTrack and VicUrban targets and performance results would have significantly enhanced the transparency of their performance reporting.

The POMC report included a specific section covering performance reporting. The Report of Operations also included performance information about the activities and programs it was describing although the Committee would have liked to see the report identify challenges and setbacks encountered during the year.

The Committee considers that the performance reporting of most of these reports could be improved if they systematically outlined the targets for each of their outcomes/objectives and analysed their actual performance against these targets.

**Reporting activities**

The VicRoads report was one of the better reports reviewed. It provided solid contextual information and performance data that related to the discussion of its activities. For example the report identified KPIs, explained why VicRoads undertook particular actions such as customer surveys, and discussed the results and the actions taken\footnote{Roads Corporation of Victoria, 2006-07 Annual Report, pp.67–70}. VicRoads made limited reference to Growing Victoria Together but did include some contextual information in the form of its ‘External Environment’ section\footnote{Roads Corporation of Victoria, 2006-07 Annual Report, p.9}.

Although POMC and VicTrack’s reports included basic performance information about their projects, the information was primarily related to their achievements and upcoming projects. Discussion of the challenges encountered would have improved reporting.

In relation to the SCSA, the Committee believes that it would have been useful if it reported directly against its key objectives in its annual report and provided a systematic, detailed discussion and analysis of its performance against them. As it stands, SCSA’s report reported achievements and provided limited discussion of its key objectives.

The VicUrban report included a summary of information regarding 23 housing projects\footnote{Victorian Urban Development Authority, 2006-07 Annual Report, foldout section, pp.10–11}. However, the outline of projects included minimal performance information.
Presentation

All of the related agencies’ reports made use of photographs to support the written content of their reports. VicUrban’s report also included a four-page foldout section that depicted the geographic locations of its housing projects which was very helpful in understanding the nature and breadth of their work. POMC and VicRoads’ reports also made use of graphs in their reports.

Compliance with legislation

The reports provided limited compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The Committee identified several areas for improved compliance reporting:

- summary of the financial results, with comparative information for the preceding four reporting periods;
- workforce data for the current and previous reporting period; and
- information about Victorian Industry Participation Policy contracts (nil returns should be noted in the annual report).

24.3.4 Innovation, Industry and Regional Development

(a) Overview

The 2006-07 annual reports for the Department of Innovation, Industry and Regional Development (DIIRD) and the Victorian Learning and Employment Skills Commission (VLESC) were tabled on 31 October 2007.

The standard of DIIRD and VLESC’s performance reporting was reasonable as each report provided information on achievements for the year.

Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act was consistently of a good standard across both agencies.

(b) Detailed review of the Department of Innovation, Industry and Regional Development

Reporting performance

DIIRD’s annual report coverage of the Victorian Industry Participation Policy (FRD 25) was clear and provided sufficient detail for the reader to understand the contracts that it engaged.

To further enhance accountability, the Committee has identified a number of ways in which the existing performance reporting approach could be modified in the future:
• Departments are required to include a comparison of the output targets specified in the state budget with actual performance against those targets. DIIRD was the only department that did not report against the cost targets identified in the budget papers.

• The annual report also did not include any discussion regarding variance from target. For example, there was greater than 10 per cent variation from target in a number of instances including Design Sector Case Studies Completed and Responses to General Workplace Inquiries, yet none were accompanied by any form of explanation for the variance. The discussion of significant variances would have improved the accountability and transparency of the annual report.

In its Report on the 2004-05 Budget Outcomes, the Committee recommended that DIIRD include in its annual report, explanations for significant differences (for example, more than 10 per cent) between targeted and actual performance. The government rejected this recommendation stating that ‘Departmental Annual Reports are prepared in accordance with section 45 of the Financial Management Act 1994 (the Act), Standing Direction 4.2 issued pursuant to the Act, applicable Financial Reporting Directions, Australian Accounting Standards and other mandatory professional reporting requirements. DTF will ensure departments continue to report on program and project outcomes as required under the agreed budget process’.

The Committee noted that this is a practice adopted by six of the ten departments and reiterates its previous comment that in the interest of transparency and accountability, the department should provide explanations in its annual report for the more significant variations (for example, more than 10 per cent) in terms of both performance and cost compared with target.

**Reporting activities**

DIIRD’s annual report identified linkages between the reporting of its activities and programs to its performance outputs, and in turn, illustrate how that contributed to the achievement of its strategic objectives and Growing Victoria Together. Further elaboration of the department’s goals in relation to the GVT goals of ‘Thriving Economy,’ ‘Quality Health and Education,’ ‘Caring Communities’ and ‘Vibrant Democracy’ would have assisted.

**Presentation**

The Committee commends DIIRD’s innovative practice of reducing environmental impacts and paper usage by presenting the financial report and appendices on a CD-ROM. This practice reduced the number of pages printed for each copy of the report by 160 pages. DIIRD was the only agency that adopted this practice.

**Compliance with legislation**

The report generally complied with the requirements of the Financial Management Act and the FRDs. Compliance could be improved in a number of areas:

- FRD 15B, Executive Officer Disclosures – departments are required to report disaggregated information regarding executive officers. The DIIRD annual report only reported the total number of EOs and did not disaggregate the data according to the

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782 Standing Order of the Minister for Finance, Section 4.2
783 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.216
784 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.215
787 Department of Innovation, Industry and Regional Development, 2006-07 Annual Report, p.14
The Committee considers that care should be taken by departments when they are required to report information concerning their related agencies. For example, the VLESC stated in its annual report that DIIRD would report its occupational health and safety matters under FRD 22B and its workforce disclosure data under FRD 29 in its annual report. However, the DIIRD annual report did not explicitly state that it had included information regarding the VLESC.

(c) Detailed review of related agencies (DIIRD)

For the purposes of this review, only one related agency, the Victorian Learning Employment and Skills Commission (VLESC), was reviewed.

Reporting performance

The VLESC provided limited performance reporting in their annual reports and the Committee made the following observations:

- The VLESC report primarily contained high-level summaries of projects and did not include any performance information. For example, the objective of the Youth Transition Support initiative is for disengaged young people to achieve a sustainable education, training or employment outcome. However, the report did not provide any information regarding the number of students it assisted and whether or not they have achieved a sustainable outcome.

- It would have been useful and informative for readers if the VLESC included some historical data on the various projects and initiatives that it is responsible for. For example, graphs on the number of participants involved in the Skill Up program over the last five years and on how many of the participants secured new jobs as a result of the program.

- There are six priorities within the VLESC’s strategic plan. However, only five of the priorities were discussed in the report. The ‘develop strategic partnerships’ priority was not discussed in the report.

Reporting activities

The report provided clear information about VLESC’s strategic plan and how it related to GVT. However, this discussion could have been improved by providing detailed discussion on how VLESC’s responsibilities related to GVT and including any relevant performance data.
Compliance with legislation

The VLESC’s report was fully compliant with the requirements of the Financial Management Act and the related Financial Reporting Directives. However, it is unclear whether the Occupational Health and Safety Measures and the Workforce Disclosure Data was actually reported in the DIIRD annual report as indicated\(^797\).

23.4.5 Justice

(a) Overview

The 2006-07 annual reports for the Department of Justice (DOJ) and the Victorian Casino and Gaming Authority (VCGA) were tabled on 30 October 2007, while the annual reports for the Metropolitan Fire and Emergency Services Board (MFESB) and Victoria Police were tabled on 31 October 2007.

The standard of performance reporting was reasonable, providing extensive information, but all reports suffered from a lack of comparison with meaningful targets and measures. The reports provided substantial information on achievements for the year but none fully reflected on opportunities for improvement or lessons learnt.

Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act was consistently of a high standard across each of the agencies. However, the failure to report the performance output measures identified in the budget papers for the MFESB\(^798\) and the Country Fire Authority\(^799\) is a major omission.

(b) Detailed review of the Department of Justice

Reporting performance

The DOJ annual report is generally of a high standard and contains a number of useful performance reporting features. For example, it has one of the most comprehensive output reporting sections of any department. It reported against over 200 individual measures and provided clear and concise explanations for the majority of significant variances from target.

Reporting activities

There could be greater discussion of the challenges facing the department. It would benefit the reader greatly if for example, each chapter included an introductory overview that set out the context for the work being done in that area.

Presentation

The report made excellent use of an array of graphical representations to display complex information in an easy to understand manner. It also made good use of historical data to represent trends and changes over time, including up to seven years of data in some instances.

\(^797\) Victorian Learning and Employment Skills Commission, 2006-07 Annual Report, p.52
\(^798\) Budget Paper No.3, 2006-07 Service Delivery, p.163
\(^799\) Budget Paper No.3, 2006-07 Service Delivery, p.163
Compliance with legislation

The report complied fully with the requirements of the FMA and the related FRD’s.

(c) Detailed review of related agencies (Justice)

The related agencies reviewed within Justice were Victoria Police, the Metropolitan Fire and Emergency Services Board (MFESB) and the Victorian Commission for Gambling Regulation (VCGR).

Reporting performance

VCGR and the MFESB have provided only limited performance reporting in their annual reports and the Committee made the following observation:

- MFESB reported against 13 measures, however only eight actually related to performance, with the others providing contextual information such as they type of fires dealt with. The MFESB also did not relate any performance information to implementation, outcome or budget targets.

Victoria Police provided extensive performance information in their annual report. It generally reported progress against its strategic plan and identified baseline measures for crime trends and related performance to these measures.

Reporting activities

The Committee considers that the reports of these agencies could have been improved if they developed further discussion on their operating environments and how these factors affected each agency’s ability to achieve their outcomes during the year.

Presentation

MFESB and Victoria Police both made good use of graphical data representation and generally included several years of historical data. VCGR did not make any use of graphical data representation.

Compliance with legislation

The reports were generally compliant with the requirements of the Financial Management Act and the related Financial Reporting Directives. The Committee identified several areas for improved compliance reporting:

- occupational health and safety issues targets to judge performance against;
- information about Victorian Industry Participation Policy contracts (nil returns should be noted in the annual report).
23.4.6  **Premier and Cabinet**

**(a) Overview**

The 2006-07 annual report for the Department of Premier and Cabinet was tabled on 31 October, while the Council of Trustees of the National Gallery of Victoria annual report was tabled on 1 November 2007.

**(b) Detailed review of the Department of Premier and Cabinet**

**Reporting Performance**

The Department of Premier and Cabinet reported against the outcome measures identified in the budget papers and the requirements of the Financial Reporting Directives of the Minister for Finance.

The report provided extensive information about actions and projects undertaken during the year. The outlining of targets and milestones would enhance reporting.

**Reporting activities**

The report provided a concise summary of the roles and activities for each of the major functional divisions of the department and outlined the future plans and challenges for 2007-08. The report also used person focused case studies to good effect to illustrate some of the work done by the department.

**Presentation**

The report is structured around the four main corporate objectives, with a detailed overview section providing information about the department’s activities, structure and staff. The performance and legislative measurements are all contained within a series of appendices. This separation makes the report of operations concise and easy to read, but does mean that the information reported in the report of operations is separated from the performance information.

**Compliance with legislation**

The report was compliant with the requirements of the Financial Management Act and the related Financial Reporting Directives. There was one minor area for improvement:

- while occupational health and safety issues were discussed at a high level and a number of measures were reported no targets were identified to judge performance against.
(c) Detailed review of related agencies (Premier and Cabinet)

The related agency reviewed within Premier and Cabinet was the National Gallery of Victoria (NGV).

Reporting performance

The report of operations was structured around the four strategic goals of the NGV. Each main chapter deals with a specific goal and includes information about key achievements against each goal, performance indicators and information about the year ahead. Each section also includes an illustrative case study. However, the report made only limited use of benchmarking and historical information.

Reporting activities

The report has been well constructed, mixing performance information with achievements and future plans. Inclusion of information relating to challenges faced during the year would provide for a fuller report appear more balanced and reflective of actual performance.

Presentation

The report was well presented, with good use made of pictorial information to convey the nature and quality of exhibitions and events organised by the NGV. However, the report made little use of graphical data representation of performance information.

Compliance with legislation

The report demonstrated general compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The Committee’s review identified the following areas for compliance improvement:

- occupational health and safety issues targets to judge performance against; and
- workforce data for the current and previous reporting period.

23.4.7 Primary Industries

(a) Overview

The 2006-07 annual report for the Victorian Energies Network Corporation was tabled on 11 October, while the annual report of the Department of Primary Industries (DPI) was tabled on 30 October 2007.

Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act was good although there is scope for improving compliance with health and safety and workforce data reporting requirements.
(b) Detailed review of the Department of Primary Industries

Reporting Performance

Performance information, apart from a brief summary of financial performance was contained within a series of appendices. While this allows the large volume of output performance information to be neatly segregated and makes it easy to locate and read, more discussion of performance in the main body of the report would be welcome. The appendices included the full range of standardised information required to meet the requirements of the Financial Reporting Directives of the Minister for Finance including environmental performance, workforce data and occupational health and safety data.

The report made periodic use of benchmarking information, for example, stating that DPI was rated third of all state government departments in its approach to risk management according to the Victorian Managed Insurance Authority’s (VMIA) Risk Framework Quality Review. However, it would have been useful if the report had included background information on the VMIA criteria used, the number of departmental participants and relevant industry quality benchmarks used in the review.

The report makes excellent use of historical information to support the performance information provided in the appendices. The Committee particularly commends the use of historical information when reporting against budget paper output performance measures.

Reporting activities

The report of operations presented comprehensive contextual information, including illustrating the linkages between the department’s purpose, strategies, values behaviours and outcomes, and the government’s Growing Victoria Together commitments. The strategic review section of the report presented the highlights of key programs and activities undertaken during the year within the framework of the department’s six corporate strategies with discussion on problems and difficulties alongside achievements. The Committee also commends the balance of information provided.

Presentation

The report is presented as two books, the first containing the report of operations and the second containing the financial statements and appendices. Splitting the performance information and legislative requirements out of the report of operations has made it easier to read.

Compliance with legislation

The report was compliant with the requirements of the FMA and the related Financial Reporting Directives. There were two areas for improved compliance reporting:

- occupational health and safety issues targets to judge performance against; and
- workforce data for the current and previous reporting period.
(c) Detailed review of related agencies (Primary Industries)

The related agency reviewed within the Primary Industries was the Victorian Energies Network Corporation (VENCorp).

Reporting performance

Performance information in the report was a summary table showing performance against the targets set in the 2006-07 operational plan. The report of operations contained several other indicators such as the gas market average price, but these reflected market conditions rather than actual VENCorp performance. The report made little use of benchmarking or historical data to support the discussions.

Reporting activities

The report outlines the key outputs for 2007-08 as defined in the Corporate Strategic Plan. While the report of operations is structured around the main strategic drivers in the plan, it would have more impact in future if the Report on Operations reflected on the performance of the agency against the objectives identified in the Corporate Strategic Plan.

The report of operations presented a brief, overview of key activities and programs that relate to the strategic drivers identified in the Corporate Strategic Plan. It also contained some highly relevant contextual information. More attention could have been given to explaining the objectives of the Corporate Strategic Plan for the year as well as discussion of all challenges faced.

Presentation

The report is well presented, with good use made of graphical data representation to illustrate key points. The summary table of performance against operational plan targets summarised a number of indicators.

Compliance with legislation

The report was compliant with the requirements of the FMA and the related Financial Reporting Directives. There were two areas for improved compliance reporting:

- occupational health and safety issues targets to judge performance against; and
- workforce data for the current and previous reporting period.

23.4.8 Sustainability and Environment

(a) Overview

The 2006-07 annual reports for the Department of Sustainability and Environment, Barwon Water, Goulburn Murray Water, Melbourne Water and Parks Victoria were all tabled on 31 October 2007.

The standard of performance reporting was high, with Barwon Water and Melbourne Water standing out as two of the best reports reviewed as part of this exercise.
The Department of Sustainability and Environment provided one of the most concise and easy to read report of operations of any agency and reported comprehensively against the financial and performance measures indicated in the budget papers.

Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act was consistently of a high standard across each of the agencies.

(b) Detailed review of the Department of Sustainability and Environment

Reporting performance

Financial and performance measures as identified in the budget papers were reported in Appendix 18 of the report. These measures were reported fully, with three years worth of data and the target for 2006-07. Full and detailed explanations were provided for every variance except output costs. The Committee would recommend that in future reports, the department should include explanations for financial variations in its report on financial and performance measures.

The report did not make use of benchmarking data. The inclusion of benchmarking information in the report of operations could be used to illustrate performance against other government departments and against good practice relating specifically to programs or activities.

Reporting activities

The report of operations was presented in a concise manner. The main chapters briefly outlined key projects that related to the sub-outcomes for the chapter. Much of the information required to meet legislative requirements was placed in appendices. This approach represents a significant and refreshing change from the bulk of government annual reports that are often filled with unnecessarily detailed information about actions or activities that are of minor significance to the core objectives of the department or agency.

The report made good use of case studies to illustrate key points and to provide important contextual information to inform the reader about important issues.

The report made a number of references to Growing Victoria Together (GVT) and a clear link can be drawn between the measures and goals of GVT and the chapter content of the annual report. However, the report did not directly report performance against the measures in GVT.

Presentation

The Committee believes that the report could be improved by including detailed references between the report of operations and the relevant performance information in the appendices, and by including select information relating to key goals in the report of operations.

Compliance with legislation

The report demonstrated a high degree of compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The only area for improvement was that while occupational health and safety issues were discussed at a high level, no indicators or targets were identified to judge performance against.
(c) Detailed review of related agencies (Sustainability and Environment)

The related agencies reviewed within Sustainability and Environment were Barwon Water, Goulburn Murray Water (GM Water), Melbourne Water and Parks Victoria. Overall, the standard of these annual reports was very high, with the reports of Barwon Water and Melbourne Water in particular providing a number of exemplary reporting practices.

Reporting performance

The annual reports of Barwon Water and Melbourne Water both contained extensive, high quality information about the performance of these agencies during 2006-07. These reports set a high benchmark in annual reporting and other agencies should consider adopting some of the features of these reports. One key feature of both reports was the use of key performance indicator tables in each chapter which summarised performance in core areas in a concise and easy to understand manner.

GM Water and Parks Victoria have also produced high quality annual reports, although they lack the in-depth performance reporting seen from Barwon Water and Melbourne Water. One of the highlights of both of these reports was the inclusion of an overall at-a-glance table that showed performance against high level corporate performance measures.

All four reports might have made better use of benchmarking data. The inclusion of actual, detailed benchmarking data can provide further analysis against selected performance measures.

Reporting activities

Barwon Water, GM Water and Melbourne Water all presented well balanced reports that displayed a welcome.

All four agencies provided clear and detailed contextual information to introduce and support their activities. However, Parks Victoria provided very little information about the challenges they faced in delivering their services.

A key feature of the Melbourne Water annual report is the summary page at the beginning of each chapter. This is one of the best examples of clear, succinct and balanced reporting in any annual report reviewed.

Presentation

Barwon Water, GM Water and Melbourne Water have all made excellent use of a variety of maps, tables and charts to illustrate and highlight key results and findings throughout their reports.

The report from Barwon Water adopted a very effective tool, presenting the details of the relevant executive officers at the start of the chapter they held responsibility for.

The Committee noted that Melbourne Water combined its Sustainability Report and its Annual Report into one document. This appears to be a logical approach, given that the reports cover similar and complimentary areas.

Melbourne Water also detailed their performance targets for the next three years.
Compliance with legislation

The reports did not demonstrate a high degree of compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The Committee identified several areas for improved compliance reporting:

- occupational health and safety issues targets to judge performance against;
- summary of environmental performance; and
- information about Victorian Industry Participation Policy contracts (nil returns should be noted in the annual report).

23.4.9 Treasury and Finance

(a) Overview

The 2006-07 annual reports for Rural Finance, State Electricity Commission of Victoria (SECV), Victorian Funds Management Corporation (VFMC), Victorian Managed Insurance Authority (VMIA) and the Victorian WorkCover Authority (WorkCover) were tabled on 30 October 2007.

The 2006-07 annual reports for the Department of Treasury and Finance (DTF), South East Water (SEW), Yarra Valley Water (YVW), Treasury Corporation of Victoria (TCV), Transport Accident Commission (TAC) and City West Water (CWW) were tabled on 31 October 2007.

The standard of reporting varied greatly among the agencies reviewed. The annual reports for YVW and SEW demonstrated very good performance reporting. The Rural Finance and DTF reports were of a good standard while the remaining agencies’ reports were of a poor to fair standard.

The standard of performance reporting and compliance with the FRD requirements varied greatly among the related agencies.

(b) Detailed review of the Department of Treasury and Finance

Reporting performance

The DTF annual report adhered closely to the structure of the model annual report. Consequently it was concise, easy to read and focused on the departments performance in relation to its output measures. Structurally, this was the clearest and most detailed report of performance against output performance measures of any department.

However, although the report provided succinct explanations for material variances, the Committee is of the view that the explanations could have been further developed to provide more useful information.

The DTF report did not include any historical or comparative data that would assist further understanding of its performance. Inclusion of such data can enable readers to understand the major trends affecting output performance.
Reporting activities

While the DTF annual report focused primarily on reporting its performance in relation to its output measures, it included in this, some very useful commentary on the key projects and initiatives undertaken by the department.

The Secretary’s Report also provided high-level discussion of DTF’s whole of government, cross portfolio and Commonwealth-State initiatives. Given the significance of these initiatives, it would have been useful to have had more detailed analysis about the challenges that faced the department in these areas and the actions taken to overcome them. The Committee noted in its 2004-05 Outcomes report, that it would be useful for DTF to have a separate section dealing with the policy context and environment in which it operates, and the Committee is still of the opinion that this would be a useful addition to the DTF annual report.

Presentation

As previously mentioned, the DTF annual report closely follows the structure established in the Model Financial Report. The result of this is a well structured report that reads easily and with purpose.

Compliance with legislation

DTF’s report was fully compliant with the requirements of the Financial Management Act and the related Financial Reporting Directives.

(c) Detailed review of related agencies (Treasury and Finance)

Reporting Performance

The annual reports of SEW and YVW contained very good performance information on their activities. Similar to the annual reports of Barwon Water and Melbourne Water, in Sustainability and Environment, these two reports set a high benchmark in annual reporting and many other agencies would benefit from adopting some of the features of these reports. In general, the standard of performance reporting among the DTF portfolio agencies was good and the Committee noted the following points:

- SEW and YVW included key performance indicator tables in each chapter of their reports which summarised their performance in core performance areas in a concise and easy to understand manner.
- SEW, YVW and CWW alongside Melbourne Water, have all adopted the Global Reporting Initiative (GRI) principles of Sustainability Reporting into their working practices.
- For each of its four outcomes, YVW not only included information about its achievements and what it planed to do in the future, but also included details on ‘areas for improvement’.

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800 Department of Treasury and Finance, 2006-07 Annual Report, pp.4–7
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- CWW reported actual and target results for its performance measures\(^{802}\), although, it did not elaborate on the results. It also reported a range of statistics, such as Bulk Water Entitlements, which included explanations for the various data\(^ {803}\).
- YVW and SEW included some elements of benchmarking information in their annual reports.
- YVW, SEW, TVC, TAC, rural finance and WorkCover all included discussion of historical trends of their activities. In particular, the YVW report made good use of graphs to illustrate historical information, which included up to five years of prior data.
- The reports for VMIA, CWW, SECV and VFMC included limited amounts of historical information.

Reporting activities

The standard of reporting activities varied significantly among the agencies. The Committee noted the following points of note:

- SEW, YVW, VMIA and Rural Finance all identified challenges faced and provided detailed responses to these challenges throughout the reports. In particular, the Rural Finance report discussed in detail how the various seasonal adversities impacted on farmers\(^ {804}\). However, the other agencies’ (SECV, VFMC, WorkCover, TCV, TAC and CWW) reports of their activities focused primarily on their achievements with limited information regarding the challenges they faced during the past financial year.
- YVW, CWW and Rural Finance were the only agencies that included detailed contextual information throughout their annual reports.
- Of the 10 agencies, SECV’s report was noted for its brevity. While the Committee does not wish to prescribe a minimum length for an annual report, SECV’s report of operations totalled five pages,\(^ {805}\) with the remaining 29 pages relating to the financial statements. The Committee considers that in this instance that further discussion on SECV’s activities would have been useful in gaining meaningful understanding of its operations.

Presentation

In preparing their reports, all agencies except for SECV and TCV made good use of photographs. With the exception of the SECV, all agencies used graphs to depict a range of data.

The language used in the VFMC’s report tended to be technical in nature. Coupled with the fact that VFMC’s report did not include much contextual and background information, it was therefore difficult to gain a thorough understanding of its activities. The Committee suggests that for the purpose of ensuring that all readers can understand the content of an annual report, that all agencies take care to write in plain English and include a glossary where appropriate.

The structure of the VMIA’s report was excellent. The FRD items were reported under clear headings in the report of operations. Some agencies used different headings in their Disclosure Index and in their report of operations for the same reporting item. The Committee would encourage all agencies to use consistent headings in their Disclosure Index and throughout their reports of Operations.

\(^{802}\) City West Water, 2006-07 Annual Report, p.7

\(^{803}\) City West Water, 2006-07 Annual Report, pp.14–15

\(^{804}\) See for example, Rural Finance, 2006-07 Annual Report, pp.2–4, 24–26

\(^{805}\) State Electricity Commission of Victoria, 2006-07 Annual Report, pp.2–6
Compliance with legislation

None of the agencies fully complied with the requirements of the Financial Management Act and the related Financial Reporting Directives. In particular City West Water, South East Water and The Committee identified several areas for improved compliance reporting:

- occupational health and safety issues targets to judge performance against;
- summary of environmental performance; and
- information about Victorian Industry Participation Policy contracts (nil returns should be noted in the annual report);
- disclosure of workforce data

23.4.10 Victorian Communities

(a) Detailed review of the Department for Victorian Communities

The 2006-07 annual report for the Department for Victorian Communities was tabled on the 31 October 2007.

The standard of performance reporting was reasonable with reporting against budget paper outcomes of a high standard. Use of additional performance data to support the report content would have added to the robustness of the report.

Compliance with the legislative requirements of the Financial Reporting Directives and Standing Directions under the Financial Management Act was of a high standard.

Reporting performance

Reporting against the outcomes identified in the budget papers was of a high standard, with good contextual information supporting the figures presented in tabular format. However, other than the workforce data contained in chapter four, the report did not provide other performance information regarding the efficiency and effectiveness of activities and programs.

Other than within the financial report, the annual report made limited use of historical data or benchmarking data.

Reporting activities

A major strength of this report was that the information in the report was closely aligned to corporate objectives and to major government objectives such as GVT. However, the report does not effectively convey the operating environment in which the department was working nor external challenges that may have impacted on its ability to deliver its programs and activities in an efficient and effective manner.
Chapter 23: Review of annual reports of departments and agencies

Presentation

The report tied the budget paper outcomes to the organisations objectives and to the GVT vision, goals and measures. However, the Committee would like to see more performance information in the report and believes that the department could increase the accessibility of the report through greater use of charts, maps and other diagrams.

Compliance with legislation

The report demonstrated a high degree of compliance with the requirements of the Financial Management Act and the related Financial Reporting Directives. The only significant area for improvement was occupational health and safety.

23.4.11 Parliamentary departments

(a) Overview

The 2006-07 annual reports for the Department of Parliamentary Services, Department of Legislative Assembly and Department of Legislative Council were tabled on the 31 October 2007.

(b) Detailed review of the Parliamentary departments

Reporting performance

Each of the three Parliamentary department reports included very limited quantitative performance information. Performance information was, on the whole, limited to reporting against the Output Targets identified in the budget\(^\text{806}\). While this information met the minimum requirements under the Financial Management Act 1994, but did not meet the Committee’s expectations for reporting variances from target or the total output cost information.

The Committee also noted that the Department of Legislative Council and the Department of Parliamentary Services both presented their Output Target information in the same format as the budget papers. The Department of Legislative Assembly did not present its information under the Quantity, Quality, Timeliness and Cost categories used in the budget papers.

Reporting activities

The reports of the departments of the Legislative Assembly and Council both structured the body of their reports around their main corporate objectives. However, neither report included details of the actual targets associated with these departmental goals and objectives. Similarly, the Department of Parliamentary Services included a significant volume of information about activities and projects undertaken during the year, although this was not structured around their corporate goals and objectives.

\(^{806}\) Budget Paper No.3, 2006-07 Service Delivery, pp.269–276
Presentation

All three reports were well structured and easy to read. However, the Committee would like to see more consistency in the nature and content of the reports. In particular, the reports should all report performance against core corporate targets and measures.

All three reports could have made better use of graphical data representations such as tables, charts and maps to illustrate performance.

Compliance with legislation

The Committee also noted that the reports did not comply fully with any of the Financial Reporting Directives (FRD). As with other government agencies, the Committee would like to see the three Parliamentary departments make better use of the guidelines and model reports provided by the Department of Treasury and Finance to structure their reports, improve performance reporting and address the FRD’s and other requirements of the Financial Management Act.

23.4.12 Victorian Auditor-General’s Office

(a) Overview

The 2006-07 annual report for the Victorian Auditor-General’s Office (VAGO), tabled on 23 August 2007, was one of the earliest annual reports to be tabled in Parliament.

The standard of performance reporting and compliance with the FRD requirements was very good.

(b) Detailed review of the Victorian Auditor-General’s Office

Reporting performance

VAGO’s annual report was of a very high standard. It provided performance measurement details and explanations for variances from target. The Committee noted the following aspects of VAGO’s report:

- VAGO’s report identified its performance against its output targets. Where there were variances between the target and actual amount, the report clearly referred the reader to the relevant section of the chapter that provided a discussion on the matter.

- VAGO’s report also included good use of tables and graphs that depicted the historical trends of various performance targets. These graphs are useful in that they not only identified the performance targets’ results but also the targets in the previous years. The Committee noted the inclusion of a ‘five-year statistics’ table in the back cover of VAGO’s report.\(^\text{807}\) This is an interesting and informative way of providing a quick snapshot of VAGO’s work and performance over the five years.

\(^{807}\) Victorian Auditor-General Office, 2006-07 Annual Report, inner back cover.
Reporting activities

VAGO’s standard of reporting was very good. As mentioned above, throughout the report, it identified areas where VAGO did not meet its targets and clearly explained the reasons for missing the target and how it planned to address the issue. The Committee would encourage all agencies to discuss and analyse their setbacks in a systematic manner such as this.

VAGO’s report also included a copy of its 2004-05 to 2006-07 Corporate Plan and reported its achievements against the stated targets. However, to balance the report, it would have been useful for VAGO to identify any challenges and lessons learnt in the process of achieving the targets.

Presentation

The presentation of VAGO’s report was straightforward and logical, with the bulk of the report dedicated to its report of operations, and the remaining sections dedicated to its financial statements and appendixes. Photographs and graphs in VAGO’s report were used appropriately.

Compliance with legislation

With the exception of omitting an entry for FRD 29 in its Disclosure Index, VAGO fully complied with the requirements of the Financial Management Act and the related Financial Reporting Directives.
CHAPTER 24: VICTORIAN AUDITOR-GENERAL’S OFFICE

Key findings of the Committee:

24.1 The external performance auditor of the Victorian Auditor-General’s Office revealed in November 2007 that the Office was complying with its legislative mandate and achieving its corporate objectives. The performance auditor reached the overall conclusion that the Office was operating effectively, economically and efficiently by reference to Audit Offices in other Australian jurisdictions.

24.2 The Committee also noted that the performance auditor of the Office found that various new initiatives were substantially in place. These included:

- a more transparent approach to strategic planning, including extensive agency consultation;
- a more sophisticated topic selection framework geared towards risk and materiality; and
- a sound financial audit method and a complete performance audit method.

24.3 In terms of the annual audit of the Office’s financial statements for 2006-07, the independent auditor found that the financial report was prepared in accordance with the Financial Management Act 1994. In doing so, the auditor formed the opinion that the financial report gave a true and fair view of the Office’s financial position at 30 June 2007 and its performance for the year ended on that date and complied with Australian accounting standards, the Financial Management Act 1994 and the International Financial Reporting Standards.

24.4 Output expenditure incurred by the Victorian Auditor-General’s Office for 2006-07 was $27.0 million, $200,000 (or 0.7 per cent) above the budgeted cost of $26.8 million.

24.5 The Office achieved or exceeded two of the nine performance targets (22.2 per cent).

24.6 The two performance measures that attracted the largest variations related to:

- finishing reports within time frames, which occurred in 81 per cent of cases compared with a target of 100 per cent; and
- issuing management letters relating to financial statement audits within set time frames, which occurred in 79 per cent of cases compared with a target of 100 per cent.
In relation to the costs involved in completing 13 performance audits in 2006-07:

- the initial cost budget established for 11 performance audit reports tabled in 2006-07 (84.6 per cent of completed performance audits in 2006-07) was required to be revised;
- the initial or revised cost budget was exceeded in 10 cases (76.9 per cent);
- the total cost of completing the 13 performance audit reports tabled in 2006-07 amounted to $7,704,226, which exceeded the aggregate initial budget cost of $5,912,688 by $1,791,538 or 30.3 per cent;
- six performance audit reports (46.1 per cent) each cost more than $700,000 to complete; and
- the report titled *Managing Risk Across the Public Sector: Toward Good Practice* (June 2007) was the least cost efficient audit compared with budget (69.1 per cent more than the revised budget)

The large variation between initial and revised budgets was attributable to the previous practice whereby initial, but notional, budgets were formulated at the early stage of topic nomination.

While the Office claimed in its annual report that the tabling of 16 reports in Parliament against the target of 16 was a highlight for 2006-07, only one of the 13 performance audit reports earmarked for tabling in 2006-07 (the report titled *Administration of non-judicial functions of the Magistrates’ Court of Victoria*) was tabled in that year. The Office sought to deliver on the backlog of outstanding audits from prior years. These audits were equivalent to broad scope performance audits. The Committee noted that this form of annual reporting in isolation has the potential to mislead the uninformed into believing that all targeted reports for tabling in 2006-07 were in fact delivered in that year.

Compared with a target of 100 per cent, 81 per cent of reports were completed within time frames during 2006-07, an improvement on the outcome of 69 per cent in 2005-06. According to the information disclosed in the Office’s annual report, there were a variety of reasons for this, including audits encountering unforeseen complexity, there being greater engagement from auditees during the clearance process than anticipated and unplanned audits being given priority. The Auditor-General’s advised the Committee that, while it is the nature of auditing, particularly for major audits, it is not possible to reliably predict how much time will be required to complete an audit to the requisite standard, the Office will continue to work towards finding more efficient ways to conduct audits so that stretch timeliness targets are reached over time.

The Committee noted that the timeliness of the Office issuing audit opinions on financial statements within statutory deadlines improved from 96 per cent in 2005-06 to 98 per cent in 2006-07.
24.12 Only 44 per cent of education sector agencies with 31 December 2006 balance dates were able to finalise their financial statements within their statutory deadlines (54 per cent in 2005), compared with 85 per cent of agencies with 30 June 2006 balance dates. In terms of the education and training sector, the Auditor-General found that the major causes for the deterioration of reporting timeliness in 2006 were subsidiary and associated entities taking longer to finalise their financial statements, and entity board meetings to consider and adopt financial statements not being appropriately scheduled to meet the reporting timelines.

24.13 The Office advised that as the organisation underwent significant changes at senior management levels, a decision was made to defer further work on the 2006 staff survey outcomes until a new senior management group was in place. This work commenced in June 2007 and as of November 2007 the Office was developing action plans in consultation with staff.

24.14 According to the performance auditor’s November 2007 report on the Office, exit questionnaires completed by 31 of the staff who left the Office during the past 18 months showed that a large number cited lack of opportunities for career development as their principal reason for moving on.

24.15 In terms of surveys of members of Parliament relating to the operations of the Office, 38 Parliamentarians (or 30 per cent) responded to the Office survey, while only 18 (or 14 per cent) responded to the survey conducted by the performance auditor of the Office. The Committee strongly endorses a higher response rate in future surveys.

24.16 The Committee is supportive of the increased interest shown by members of Parliament in the work of the Auditor-General, as evidenced by the increased attendances at briefings held by the Auditor-General after the tabling of his reports in Parliament (around five to six Parliamentary members on average are estimated to have attended such briefings in 2006-07; this number has increased to around 7 to 12 members per briefing to date in 2007-08).

24.1 Financial analysis – comparison with budget

The Victorian Auditor-General’s Office was responsible for delivering two outputs during 2006-07 at a budgeted cost of $26.8 million. Output expenditure incurred by the Office for 2006-07 was $27.0 million, $200,000 (or 0.7 per cent) above the budget estimates.

24.2 Performance information

Mr John Phillips of Acumen Alliance, who completed the recent external performance audit of the Office in November 2007, found that the Office was complying with its legislative mandate and achieving its corporate objectives. The performance auditor reached the overall conclusion that the Office was operating effectively, economically and efficiently by reference to Audit Offices in...
other Australian jurisdictions.\footnote{Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.6} The Committee welcomes this change from the conclusion reached from the previous performance audit of the Office,\footnote{Acumen Alliance, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, December 2004, p.6} and noted that there is clear evidence of management change for the better in the Victorian Auditor-General’s Office.

The Committee also noted that the performance auditor of the Office found that various new initiatives were substantially in place that included:\footnote{Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.4}

- a more transparent approach to strategic planning, including extensive agency consultation;
- a more sophisticated topic selection framework geared towards risk and materiality; and
- a sound financial audit method and a complete performance audit method.

Specifically relating to the performance measures published in the 2006-07 Budget Papers, the Office achieved or exceeded two of the nine performance targets (22.2 per cent).\footnote{Victorian Auditor-General’s Office, 2006-07 Annual Report, pp.13, 33; Budget Paper No.3, 2006-07 Service Delivery, p.277} The two performance measures that attracted the largest variations related to:

- finishing reports within time frames, which occurred in 81 per cent of cases compared with a target of 100 per cent;\footnote{Victorian Auditor-General’s Office, 2006-07 Annual Report, p.13} and
- issuing management letters relating to financial statement audits within set time frames, which occurred in 79 per cent of cases compared with a target of 100 per cent.\footnote{Victorian Auditor-General’s Office, 2006-07 Annual Report, p.13}

In terms of the annual audit of the Office’s financial statements for 2006-07, the independent auditor (Mr Terry Benfold of Pitcher Partners) found that the financial report, which was prepared in accordance with the 	extit{Financial Management Act 1994}, gave a true and fair view of the Office’s financial position at 30 June 2007 and its performance for the year ended on that date and complied with Australian Accounting Standards, the 	extit{Financial Management Act 1994} and the International Financial Reporting Standards.

### 24.3 Outcome achievements

Against a background that 86 per cent of performance audit recommendations for improvement accountability were accepted, the Office advised the Committee that its key actions included:\footnote{Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.23}

#### Accountability to Parliament

- Tabling the Office’s 2007-08 Annual Plan in Parliament on 20 June 2007
- Receiving of a gold award for its 2005-06 Annual Report
- Completing the Office’s 3-year corporate plan
- Developing the 	extit{Strategic Plan 2007-08 to 2009-10}
Parliamentary reports and services

- Tabling 16 reports in Parliament (target 16)
- Achieving a 90 per cent overall satisfaction rating from members of Parliament surveyed about the Office’s reports and services

Audit reports on financial statements

- Improving the timeliness of issuing audit opinions within statutory deadlines (from 96 per cent in 2005-06 to 98 per cent in 2006-07)
- Improving the timeliness of issuing management letters within the targeted time frame from 70 per cent in 2005-06 to 79 per cent in 2006-07

Managing the office

- Re-aligning the Office structure and some senior management positions
- Introducing a new corporate identity for the Office
- Upgrading and enhancing audit methodologies
- Progressively enhancing people management framework and guidance, and the Office’s learning and development program
- Successfully relocating to new premises, with a focus on reducing the environmental impacts of the Office’s activities

Financial management

- Achieving a net financial result for the year of a surplus amounting to $957,836 (an slight increase against the $909,074 surplus achieved in 2005-06)
- Raising $15.7 million in financial audit fee income for 2006-07 ($15.0 million in 2005-06)
- Upgrading the Office’s financial management and reporting software

Through its interactions with the Office, the Committee has observed a number of commendable achievements which is deserving of special mention. These include the following:

- the Office’s annual plan includes an indicative forward looking program of prospective areas of performance audit interest covering a three year timeframe as well as the aligning of topics to key strategic areas identified in the government Growing Victoria Together vision;
- the decision to discontinue undertaking ‘special reviews’ in favour of ‘limited scope performance audits’ promotes greater transparency between the Auditor-General’s dealings with key stakeholders because the former approach enabled the Office to bypass the involvement of the Public accounts and Estimates Committee;
- the securing of proper consultation with the Parliament through the Public Accounts and Estimates Committee; and
- the focus on financial and performance audits in line with the Audit Act 1994 (as amended).
24.4 Identified issues

The Committee identified a number of issues relating to the financial and performance outcomes of the Victorian Auditor-General’s Office that are explained in the following sections of this chapter. In developing these issues on an outcomes basis, the Committee has taken into account the stated purpose, key outcome and key strategies for the Office as outlined in the Office’s 2004-05 to 2006-07 Corporate Plan (see table 24.1) and the relevant findings contained in the recent performance audit of the Office.

Table 24.1: Auditor General Victoria Corporate Plan 2004-05 to 2006-07

<table>
<thead>
<tr>
<th>Corporate Purpose</th>
<th>Improving performance and accountability in the Victorian public sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key outcome</td>
<td>Parliament, executive government and agencies have greater confidence in the accountability and performance of public sector agencies</td>
</tr>
<tr>
<td>Key strategies</td>
<td>• Improved reporting</td>
</tr>
<tr>
<td></td>
<td>• Delivering an effective product mix</td>
</tr>
<tr>
<td></td>
<td>• Shaping awareness and direction in the public sector</td>
</tr>
<tr>
<td></td>
<td>• Working with agencies to optimise the Office’s effectiveness</td>
</tr>
<tr>
<td></td>
<td>• Strengthening the business processes and organisational capability</td>
</tr>
</tbody>
</table>

Source: Auditor-General Victoria, Corporate Plan, 2004-05 to 2006-07

24.4.1 Commentary – performance audits

In reviewing the findings from the external performance audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office that was presented to Parliament on 5 December 2007, the Committee noted that with regard to performance audits, most of the audit commentary was favourable in terms of the Office’s policies and practices, although the auditor reported that some (unnamed) ‘performance audits undertaken during the review period have not been conducted as efficiently and as effectively as VAGO would have liked, particularly in the areas of scope and definition of assessment criteria, control of cost and timelines and management of communications with agencies.’ 818

Certain information requested by the Committee as part of its review into financial and performance outcomes for 2006-07, prior to the release of the performance audit findings, is set out below.

Cost of performance audits

For each of the 13 performance audits completed in 2006-07819, the Committee sought details relating to:

818 Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.76
the total cost including a breakdown between in-house staff and contractors/specialists; and
- a comparison between total cost, the initial budget, the revised budget (if applicable) and an explanation for any variances over 10 per cent between actual and budget.

The response from the Victorian Auditor-General’s Office is presented in table 24.2.

Analysis of this information revealed that (please note that for the purpose of the analysis, an omnibus report covering more than one performance audit is regarded as one performance audit):

- the initial cost budget established for 11 performance audit reports tabled in 2006-07 (84.6 per cent of completed performance audits in 2006-07) was required to be revised;
- the initial or revised cost budget was exceeded in 10 cases (76.9 per cent);
- the total cost of completing the 13 performance audit reports tabled in 2006-07 amounted to $7,704,226, which exceeded the aggregate initial budget cost of $5,912,688 by $1,791,538 or 30.3 per cent;
- six performance audit reports (46.1 per cent) each cost more than $700,000 to complete; and
- of the 13 performance audit reports completed in 2006-07, in terms of the most/least cost efficient audits:
  - the report titled Administration of Non-judicial Functions of the Magistrates’ Court of Victoria (June 2007) was the most cost efficient audit compared with budget (21.4 per cent less than the initial budget);
  - the report titled Managing Risk Across the Public Sector: Toward Good Practice (June 2007) was the least cost efficient audit compared with budget (69.1 per cent more than the revised budget).

The Committee learned that the large variation between initial and revised budgets was attributable to the previous practice whereby initial, but notional, budgets were formulated at the early stage of topic nomination.820

According to the Office, a more rigorous approach has now been instigated by having the operational area of VAGO develop the budgets for performance audits to be undertaken, as part of developing the audit specifications.821 Once budgets are approved, audit teams are held accountable via business plans and individual performance plans for all subsequent variations.822 It is anticipated significant budget variances should decrease and more robust explanations of variances will be available.823

The Committee believes that it will be important for the Office to devote sufficient time and resources to the planning phase of each performance audit so that budgets disclosed in audit specifications are realistic and not understated in future. Guidance in relation to the amount of time and resources to devote to planning including budget setting should be obtained from other audit jurisdictions that have a similar performance audit mandate.

The Committee recommends that:

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820 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.6
821 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.6
822 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.6
823 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.6
Recommendation 82: The Victorian Auditor-General’s Office devote sufficient time and resources to performance audit planning to ensure that budgets are realistic and achievable.
## Table 24.2
Performance audits completed in 2006-07
Costs versus budget

<table>
<thead>
<tr>
<th>Title</th>
<th>Initial budget (a) ($)</th>
<th>Revised budget (b) ($)</th>
<th>Total cost ($)</th>
<th>Variation Total cost to revised budget (%)</th>
<th>Reason for variance</th>
<th>VAGO costs ($)</th>
<th>External costs ($)</th>
<th>Other costs (c) ($)</th>
<th>Finished on-time (d) (Y or N)</th>
<th>Reason for lateness</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Condition of Public Sector Residential Aged Care Facilities (August 2006)</td>
<td>580,00 6</td>
<td>834,816</td>
<td>833,197</td>
<td>-0.2 n/a</td>
<td></td>
<td>624,253</td>
<td>208.9 45</td>
<td>-</td>
<td>N</td>
<td>Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>2. Giving Victorian Children the Best Start in Life (May 2007)</td>
<td>576,02 0</td>
<td>728,035</td>
<td>793,514</td>
<td>9.0 n/a</td>
<td></td>
<td>665,667</td>
<td>122.6 98</td>
<td>5.14 9</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>3. Promoting Better Health Through Healthy Eating and Physical Activity (June 2007)</td>
<td>630,00 0</td>
<td>656,000</td>
<td>713,766</td>
<td>8.8 n/a</td>
<td></td>
<td>696,073</td>
<td>9,723</td>
<td>7.97 0</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>4. Public Hospital Financial Performance and Sustainability (June 2007)</td>
<td>188,45 0</td>
<td>240,000</td>
<td>250,000</td>
<td>4.2 n/a</td>
<td></td>
<td>245,000</td>
<td>5,000</td>
<td>-</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>5. Maintaining Victoria's Rail Infrastructure Assets (May 2007)</td>
<td>660,69 0</td>
<td>802,950</td>
<td>844,897</td>
<td>5.2 n/a</td>
<td></td>
<td>628,376</td>
<td>206,421</td>
<td>10.1 00</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>6. Contracting and Tendering Practices in Selected Agencies (June 2007)</td>
<td>706,69 4</td>
<td>758,957</td>
<td>772,809</td>
<td>1.8 n/a</td>
<td></td>
<td>759,875</td>
<td>12.93 4</td>
<td>-</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>7. Follow-up of Selected Performance Audits Tabled in 2003 and 2004 (June 2007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Managing medical equipment in public hospitals</td>
<td>34,000</td>
<td>–</td>
<td>98,696</td>
<td>190.3 Equipment audit: Original budget underestimated. It was based on a standard follow-up audit</td>
<td></td>
<td>96,8 24</td>
<td>–</td>
<td>1,87 2</td>
<td>Y</td>
<td></td>
</tr>
<tr>
<td>• Managing emergency demand in public hospitals</td>
<td>146,07 5</td>
<td>–</td>
<td>145,284</td>
<td>-0.5 n/a</td>
<td></td>
<td>143,412</td>
<td>–</td>
<td>1,87 2</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>
### Table 24.2

#### Performance audits completed in 2006-07

<table>
<thead>
<tr>
<th>Title</th>
<th>Initial budget (a) ($)</th>
<th>Revised budget (b) ($)</th>
<th>Total cost ($)</th>
<th>Variation Total cost to revised budget (%)</th>
<th>Reason for variance</th>
<th>VAGO costs ($)</th>
<th>External costs ($)</th>
<th>Other costs (c) ($)</th>
<th>Finished on-time (d) (Y or N)</th>
<th>Reason for lateness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Addressing the needs of Victorian prisoners</td>
<td>142,010</td>
<td>–</td>
<td>154,749</td>
<td>9.0</td>
<td>n/a</td>
<td>152,677</td>
<td>–</td>
<td>1,872</td>
<td>Y</td>
<td>n/a</td>
</tr>
<tr>
<td>• Maintaining public housing stock</td>
<td>202,260</td>
<td>–</td>
<td>200,297</td>
<td>0.0</td>
<td>n/a</td>
<td>198,423</td>
<td>–</td>
<td>1,874</td>
<td>Y</td>
<td>n/a</td>
</tr>
<tr>
<td>8. Government Advertising (September 2006)</td>
<td>310,000</td>
<td>381,000</td>
<td>384,347</td>
<td>0.9</td>
<td>n/a</td>
<td>365,364</td>
<td>18,983</td>
<td>–</td>
<td>N</td>
<td>Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>9. State Investment in Major Events (May 2007)</td>
<td>550,000</td>
<td>708,040</td>
<td>705,584</td>
<td>-0.3</td>
<td>n/a</td>
<td>495,752</td>
<td>195,470</td>
<td>14,362</td>
<td>Y</td>
<td>n/a</td>
</tr>
<tr>
<td>10. Managing Risk Across the Public Sector: Toward Good Practice (June 2007)</td>
<td>135,000</td>
<td>195,301</td>
<td>330,260</td>
<td>69.1</td>
<td>Unforeseen complexity of the audit</td>
<td>266,378</td>
<td>58,190</td>
<td>5,692</td>
<td>Y</td>
<td>n/a</td>
</tr>
<tr>
<td>11. Administration of Non-judicial Functions of the Magistrates' Court of Victoria (June 2007)</td>
<td>478,350</td>
<td>–</td>
<td>375,985</td>
<td>-21.4</td>
<td>Client relationship needed to be managed efficiently</td>
<td>370,355</td>
<td>-</td>
<td>5,630</td>
<td>Y</td>
<td>n/a</td>
</tr>
<tr>
<td>12. Results of Audits (June 2007)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• Purchase of Contaminated Land by the Melbourne Port Corporation</td>
<td>71,060</td>
<td>72,060</td>
<td>63,336</td>
<td>-12.1</td>
<td>n/a</td>
<td>63,336</td>
<td>–</td>
<td>–</td>
<td>Y</td>
<td>n/a</td>
</tr>
<tr>
<td>• Raising and Collection of Fees and Charges by departments Corporation</td>
<td>200,000</td>
<td>333,000</td>
<td>348,921</td>
<td>4.8</td>
<td>n/a</td>
<td>348,921</td>
<td>–</td>
<td>–</td>
<td>Y</td>
<td>n/a</td>
</tr>
</tbody>
</table>
### Table 24.2

**Performance audits completed in 2006-07**

**Costs versus budget (continued)**

<table>
<thead>
<tr>
<th>Title</th>
<th>Initial budget (a) ($)</th>
<th>Revised budget (b) ($)</th>
<th>Total cost (c) ($)</th>
<th>Variation Total cost to revised budget (%) (if &gt; 10%)</th>
<th>Reason for variance</th>
<th>VAGO costs ($)</th>
<th>External costs ($)</th>
<th>Other costs (c) ($)</th>
<th>Finished on-time (d) (Y or N)</th>
<th>Reason for lateness (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Results of Special Audits and Other Investigations (August 2006)</td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• introduction of fast rail services to regional centres</td>
<td>58,660</td>
<td>289,000</td>
<td>293,310</td>
<td>1.5</td>
<td>n/a</td>
<td>283,310</td>
<td></td>
<td></td>
<td>N</td>
<td>Fast Rail:</td>
</tr>
<tr>
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<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Unforeseen complexity of the audit</td>
</tr>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>n/a for other audits</td>
</tr>
<tr>
<td>• conversion of Victorian regional freight lines to a common, standard gauge compatible with the national rail network</td>
<td>58,660</td>
<td>181,280</td>
<td>172,844</td>
<td>-.46</td>
<td>n/a</td>
<td>172,844</td>
<td></td>
<td></td>
<td>Y</td>
<td>n/a for other audits</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>• the financial support provided by the state to the developer of the Docklands film and television studios</td>
<td>52,373</td>
<td>55,654</td>
<td>64,465</td>
<td>15.8</td>
<td>Protracted report clearance process due to significant issues identified</td>
<td>64,465</td>
<td></td>
<td></td>
<td>Y</td>
<td>n/a for other audits</td>
</tr>
<tr>
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<td></td>
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<td></td>
</tr>
<tr>
<td>• aspects of administration and management at the Westernport Region Water Authority</td>
<td>130,000</td>
<td>n/a</td>
<td>157,965</td>
<td>21.5</td>
<td>Protracted report clearance process due to nature of issues identified</td>
<td>137,506</td>
<td>20.45</td>
<td></td>
<td>Y</td>
<td>n/a for other audits</td>
</tr>
</tbody>
</table>
Table 24.2

Performance audits completed in 2006-07
Costs versus budget (continued)

<table>
<thead>
<tr>
<th>Title</th>
<th>Initial budget (a) ($)</th>
<th>Revised budget (b) ($)</th>
<th>Total cost ($)</th>
<th>Variation Total cost to revised budget (%)</th>
<th>Reason for variance (if &gt; 10%) ($)</th>
<th>VAGO costs ($)</th>
<th>External costs ($)</th>
<th>Other costs (c) ($)</th>
<th>Finished on-time (d) (Y or N)</th>
<th>Reason for lateness (if applicable)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• the extent to which the state’s interests associated with the provision of public funding are protected by the funding and service agreements established between the Department of Human Services and non-government organisations.</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Totals (e)</td>
<td>5,912,688</td>
<td>7,704,226</td>
<td>30.3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>n/a for other audits</td>
</tr>
</tbody>
</table>

Notes:
(a) previously set by the former Strategic Audit, Policy and Planning group at the nomination stage and before preparation of the audit specification
(b) previously comprised specification stage budget and scope variations
(c) other costs pertain to costs that are not easily traceable to either internal or external sources
(d) measuring timeliness of reporting is based on the following assumptions/criteria.524
  • For audits tabled to December 2006, as previously reported to the Committee
  • From December 2006, timeliness is judged with reference to the proposed reporting timetable developed for the 2007 calendar year and conveyed to the Committee on 20 February 2007 whereby the proposed tabling date for a number of reports was extended by between 9 months and a year
  • A report is counted as being on time if it was tabled by the end of the quarter in which the indicated month fell
(e) Calculated by the Public Accounts and Estimates Committee

Source: Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, pp.25–28 (Attachment A)

524 Victorian Auditor-General’s Office, email, received 14 January 2008


**Performance audit reports tabled compared with target**

According to the Office’s annual report, 13 performance audit reports were tabled in 2006-07 compared with the target of 13.\(^{825}\)

The Committee sought to ascertain whether the 13 reports tabled in 2006-07 were the same 13 that were earmarked for tabling when the target for 2006-07 was established. If not, the Committee requested to be advised of those that were brought forward from 2005-06 and those carried over to 2007-08.

The Committee found that only one report earmarked for tabling in 2006-07 (*Administration of non-judicial functions of the Magistrates’ Court of Victoria*) was tabled.\(^{826}\) As discussed with the Committee during the development of the 2007-08 *Annual Plan*, the Office sought to deliver on the backlog of outstanding audits from prior years.\(^{827}\) These audits were equivalent to broad scope performance audits.\(^{828}\)

The Committee’s believes that the following extract from the performance auditor’s report on the Office is relevant to understanding the effect that the management and culture prevailing since the latter part of 2005-06 had on the output of the Office:\(^{829}\)

*From the time the Premier announced in March 2006 that Wayne Cameron’s 7 year term as AG would conclude in September, VAGO went through a period of management uncertainty followed by change.*

*The 2006 staff survey conducted in May 2006 indicated broad pockets of anxiety and discontent across the Office. When Des Pearson took office in October 2006, he set about restructuring the organisation. Senior positions were re-defined and a new senior management group was formed.*

*It is clear from our reviews of working papers and correspondence that there was some inefficiency during the transition period. Changes in staff inevitably slowed the progress of a number of broad scope performance audits. One major audit that had been underway for some time was re-scoped. Some investigations-in-progress were re-shaped in consultation with the PAEC and ‘replaced’ by limited scope performance audits. Parliament went into recess in late 2006 pending the state election. For some months therefore the AG was not in a position to table any reports.*

*After an initial settling in period, the AG focused on ensuring the backlog in VAGO’s 2006-07 performance audit program was cleared. In May-June 2007, he tabled in Parliament the bulk (seven) of the year’s reports.*

The areas of audit interest identified in the *2005-06 Annual Plan* that were delivered in 2006-07 were:\(^{830}\)

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\(^{826}\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.6

\(^{827}\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, received 5 November 2007, p.7

\(^{828}\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, received 5 November 2007, p.7


\(^{830}\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.7
• Condition of public sector residential aged care facilities;
• Giving Victorian children the best start in life;
• State investment in major events;
• Maintaining Victoria’s rail infrastructure assets;
• Promoting better health through healthy eating and physical activity; and
• Contracting and tendering practices in selected agencies.

One area of audit interest identified in the 2006-07 Annual Plan that was delivered in 2006-07 related to the following performance audit:

• Administration of non-judicial functions of the Magistrates’ Court of Victoria

The following audits comprise the remainder of the 13 performance audits:

• Follow-up of selected performance audits tabled in 2003 and 2004;
• Managing risk across the Public Sector: Toward Good Practice;
• Government advertising; and
• Results of audits:
  – Purchase of contaminated land by the Melbourne Port Corporation; and
  – Raising and collection of fees and charges by departments;
• Public Hospital Financial Performance and Sustainability; and
• Results of special audits and other investigations.

In addition to the Report on the Annual Financial Report of the State of Victoria, 2005-06, the ‘other’ reports that make up the Office’s total of 16 reports tabled in the Parliament during 2006-07 comprise:

• Results of Financial Statement Audits for Agencies with 30 June 2006 Balance Dates; and
• Results of Financial Statement Audits for Agencies with other than 30 June 2006 Balance Dates.

Three reports tabled in July 2006 have not been counted as part of the 16 reports tabled for the 2006-07 year, namely:

• Vocational education and training: Meeting the skill needs of the manufacturing industry (carried forward from the 2004-05 annual plan);
• Making travel safer: Victoria’s speed enforcement program; and
• Review of major public cemeteries.
For 2005-06 reporting purposes, these three reports were included in the tally of performance audits of 12 for 2005-06 as completed in 2005-06, while as disclosed in the annual report the related reports were available for tabling in July 2006.831 The Committee noted that the information disclosed against the performance measure reported in the 2005-06 annual report, which covered the number of major audit reports relating to the Output Parliamentary Reports and Services, was based on the number of reports completed in that year rather than the number of reports tabled which was the criterion used for 2006-07. The Committee believes that the Office should consistently follow the practice of reporting on the number of reports tabled in each financial year.

The areas of audit interest identified in the 2006-07 Annual Plan that have been, or will be, tabled in 2007-08 are.832

- Improving our schools: monitoring and support (formerly known as School performance – student learning outcomes) – tabled 10 October 2007;
- Agricultural research, investment, monitoring and reporting (formerly known as Primary industry research). (Originally identified in the 2005-06 Annual Plan) – scheduled for tabling in February 2008;
- Planning for Water Infrastructure in Victoria (formerly known as Maintenance and replacement of water infrastructure) – scheduled for tabling in February 2008;
- Accommodation for people with a disability (formerly known as Housing and accommodation support services for people with a disability) – scheduled for tabling in March 2008;
- Records Management (formerly known as Records Management in the public sector) – scheduled for tabling in March 2008;
- Victoria’s Planning Framework for Land Use and Development (formerly known as Urban Planning) – scheduled for tabling in April 2008;
- Maintaining the state’s regional arterial road network – scheduled for tabling in June 2008; and
- Services to young offenders – scheduled for tabling in the fourth quarter of 2007-08.

The Committee views with interest the claim by the Office in its annual report that the tabling of 16 reports in Parliament (including 13 performance audits which was an improvement on the previous year of 12833) against the target of 16 was a highlight for 2006-07834, when in fact only one of the performance audit reports earmarked for tabling in the year was tabled, albeit that this was due to the need to deliver on the backlog of outstanding audits from prior years. The Committee noted that this form of annual reporting in isolation has the potential to mislead the uninformed into believing that all targeted reports for tabling in 2006-07 were in fact delivered in that year.

While it is important for the Office to strive to meet its budgets and reporting timelines and avoid the build up of a large backlog of audits, the Committee views that the ‘auditing in the public interest’ objective of the Office should prevail at all times with audit reports produced that are objective, technically excellent and value adding as advocated by the Auditor-General.835 The need to meet deadlines should not compromise report quality and breadth; if there was a risk of this

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831 Victorian Auditor-General’s Office, 2005-06 Annual Report, pp.17–18
833 Victorian Auditor-General’s Office, 2005-06 Annual Report, p.14
834 Victorian Auditor-General’s Office, 2006-07 Annual Report, p.2
835 Victorian Auditor-General’s Office, Strategic Plan, 2007-08 to 2009-10
occurring, consideration should be given to extending the budget and timelines in the interest of meeting the commitments made by the Auditor-General concerning report quality.

The Committee recommends that:

**Recommendation 83:** For reporting actual performance against quantity targets relating to reports tabled in Parliament in future:

(a) the annual report of the Victorian Auditor-General’s Office disclose:

(i) a clear link between the number of specific reports earmarked for tabling in a given year compared with how the Office performed in terms of tabling these particular reports;

(ii) any factors that impeded the Office from meeting planned tabling timelines for particular reports; and

(b) the Victorian Auditor-General’s Office follow the practice of reporting on the number of reports actually tabled in each financial year.

**Parliamentary reports – proposed versus actual tabling dates**

The Office’s 2006-07 Annual Report reveals that 81 per cent of reports were completed within time frames compared with the target of 100 per cent (69 per cent in 2005-06\(^{836}\)). Among a variety of reasons to explain this outcome, the annual report reveals that in some cases audits encountered unforeseen complexity, there was greater engagement from auditees during the clearance process than anticipated and unplanned audits were given priority.\(^{838}\) According to the Auditor-General:\(^{839}\)

\[\ldots\] it is the nature of auditing, particularly for major audits, that it is not possible to reliably predict how much time will be required to complete an audit to the requisite standard \ldots\ We continue to work towards finding more efficient ways to conduct audits so that our stretch timeliness targets are reached over time.

Tables 24.3 and 24.4 divulge the proposed and actual tabling dates for parliamentary reports that were not finished within parliamentary milestones and the reasons for the delay.

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Table 24.3: 2005-06 parliamentary reports – actual compared with proposed tabling date

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Proposed tabling date</th>
<th>Actual tabling date</th>
<th>Reason for Delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to specialist medical outpatient care</td>
<td>April 2006</td>
<td>June 2006</td>
<td>• Unforeseen complexity requiring additional unplanned work</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>Vocational education and training: Meeting the skill needs of the manufacturing industry</td>
<td>June 2005 (originally identified in the 2004-05 Annual Plan)</td>
<td>July 2006</td>
<td>• Considerable re-work required by VAGO due to poor quality contractor work.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>Making travel safer: Victoria’s speed enforcement program</td>
<td>June 2006</td>
<td>July 2006</td>
<td>• Delay associated with staffing constraints</td>
</tr>
<tr>
<td>(included as a 2005-06 project as it was substantially completed by June 2006)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Protecting our environment and community from failing septic tanks</td>
<td>March 2006</td>
<td>June 2006</td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>Rail gauge standardisation project (included as a 2005-06 project as it was substantially completed by June 2006)</td>
<td>Autumn 2006</td>
<td>August 2006</td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
</tbody>
</table>

Source: Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, pp.19–20

Table 24.4: 2006-07 parliamentary reports – actual compared with proposed tabling date

<table>
<thead>
<tr>
<th>Audit Title</th>
<th>Proposed Tabling date</th>
<th>Actual Tabling Date</th>
<th>Reason for Delay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condition of Public Sector Residential Aged Care Facilities</td>
<td>May 2006</td>
<td>August 2006</td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>Government Advertising</td>
<td>July 2006</td>
<td>September 2006</td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
<tr>
<td>Introduction of fast rail services to regional centres</td>
<td>Autumn 2006</td>
<td>August 2006</td>
<td>• Unforeseen complexity of the audit</td>
</tr>
<tr>
<td>(contained in the Results of Special Audits and Other Investigations)</td>
<td></td>
<td></td>
<td>• Protracted discussions with auditees during the draft report clearance phase</td>
</tr>
</tbody>
</table>

Source: Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, p.20
The Committee acknowledges that performance audits, by their very nature, can cover sensitive topics and involve issues of a complex and technical nature. While the importance of accurate, fair and balanced reporting is essential in order to achieve meaningful outcomes from the audit process, which may entail a lengthy report clearance phase with multiple agencies, the Committee believes the Office should:

- examine avenues for minimising delays in the reporting process that result from protracted discussions during the draft report clearance phase; and
- in the planning phase, factor into the process of setting timelines, adequate provision for the possibility of delays that may arise in the finalisation of audits that address sensitive issues and involve multiple stakeholders and larger departments and agencies.

The Committee recommends that:

**Recommendation 84:** With a view to ensuring that performance audit findings are conveyed to the Parliament and the community in a timely manner and delays are minimised, the Victorian Auditor-General’s Office:

(a) explore avenues for reducing the extent of protracted discussions occurring in the clearance process involved in finalising report material; and
(b) establish practical timelines for particular audits that may involve a lengthy report clearance process.

**External review of performance audits commissioned by the Victorian Auditor-General’s Office**

While an external review of a sample of performance audits assured the Office that its performance audits complied with Australian auditing standards and met the requirements of the Audit Act 1994, the annual report of the Office revealed that ‘there were areas for potential improvements, including closer adherence to internal guidelines for performance audits’.

The following areas were identified for attention:

- better cross referencing within work papers;
- better documentation of cost monitoring and project management;
- better documentation of approval of changes to the audit approach; and
- avoiding changes to key audit staff during the life of a project.

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840 Victorian Auditor-General’s Office, 2006-07 Annual Report, p.54
841 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.8
The Committee was advised that the findings were being addressed through operational management, training programs and amendments to the audit method.\textsuperscript{842} The Committee acknowledges that soon after Mr Des Pearson took office as Victoria’s Auditor-General in October 2006, a new Senior Management Group was established and, as reported by the Mr John Phillips of Acumen Alliance in November 2007, a broad range of initiatives were being introduced to bring about permanent improvement in the quality of the Office’s service to the state in accordance with the Auditor-General’s statutory objectives.\textsuperscript{843}

### 24.4.2 Financial audits

#### The Office’s Integrated Public Sector Audit Method – outcomes delivered

The Office’s new audit toolset known as IPSAM (Integrated Public Sector Audit Method) was formally launched in November 2005 with full rollout for the June 2006 audits.\textsuperscript{844} Representing a major overhaul of the Office’s financial audit method, this integrated financial audit toolset embedded the Office’s method in an electronic medium and provided easy access to policy, guidance procedures and work papers.\textsuperscript{845}

While the external performance auditor of the Office reported in November 2007 that IPSAM appeared to be adequately facilitating the execution of financial audits and it appeared that the method was being followed,\textsuperscript{846} the Committee was interested to obtain quantification, where possible, of the outcomes that had been realised from the introduction of the new financial audit method.

The planned project outcomes for IPSAM were the development of an audit toolset to:\textsuperscript{847}

- enhance the efficiency and productivity of the conduct of the financial statement audit;
- improve the level of integration between the planning, compliance, substantive and reporting phases of the audit.
- provide appropriate coverage for consideration of probity, propriety, compliance and wastage issues.
- be capable of meeting emerging changes in the auditing profession.

According to results from an IPSAM user satisfaction survey conducted by the Office that called for a rating system that ranged from ‘excellent’ to ‘below average’, staff rated the ability of IPSAM to enhance the efficiency and productivity of the conduct of the financial statement audit to be ‘good’. The ability of IPSAM to improve the level of integration between planning, compliance, substantive and reporting phases of the audit was also considered to be ‘good’.\textsuperscript{848}

\textsuperscript{842} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.8
\textsuperscript{843} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.4
\textsuperscript{844} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.60
\textsuperscript{845} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, pp.59–60
\textsuperscript{846} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.60
\textsuperscript{847} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.9
\textsuperscript{848} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, p.9
In addition, the report on the cold review process for audits with balance dates ended during 2006 noted the following:

*With the introduction of IPSAM, a more structured process has been applied to audits, particularly in the areas of risk linkage, planning and audit strategy.*

According to the Office there was adequate consideration of probity, propriety, compliance and wastage issues in both the IPSAM library of audit procedures and the associated policy and guidance material.

In terms of being capable of meeting emerging changes in the auditing profession, this was addressed through the design of the policy and guidance database, which allows for update and release of amended material to users.

**Audit opinions on financial statements issued within statutory deadlines**

The Committee noted that against a background of departments and other public sector agencies having a legislative requirement to submit their annual financial statements to the Auditor-General within eight weeks of the financial year-end and the Auditor-General having to express an opinion on the financial statements within four weeks of their receipt, the Office issued 98 per cent (96 per cent in 2005-06) of audit opinions within the four week statutory deadline. The Committee welcomes this improved outcome.

The need to resolve accounting and disclosure issues for certain entities prevented the target from being achieved. In particular, the Auditor-General drew attention in his annual report to impact that the requirement for all agencies to fully adopt the Australian equivalents to International Financial Reporting Standards for the first time for the year ended 30 June 2006 had on his Office not being able to meet the 100 target.

In terms of improving timeliness of financial reporting by agencies, the Auditor-General reported that the audited financial statements of 76 per cent of public sector agencies were completed within 12 weeks of the balance date (70 per cent in 2005-06). The Auditor-General indicated that the improvement in timeliness of reporting by agencies with 30 June balance dates can be largely attributed to the request by the former Premier that all these agencies have their annual reports tabled by 4 October 2006, which was 27 days earlier than required by statute.

However, only 44 per cent of education sector agencies with 31 December 2006 balance dates were able to finalise their statements within their statutory deadlines (54 per cent in 2005), compared with 85 per cent of agencies with 30 June 2006 balance dates. In terms of the education and training sector, the Auditor-General found that the major causes for the deterioration of reporting timeliness in 2006 were subsidiary and associated entities taking longer to finalise their financial statements, and entity board meetings to consider and adopt financial statements not being appropriately scheduled to meet the reporting timelines. In response to the Auditor-General’s findings, the Department of Innovation, Industry and Regional Development

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849 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, p.9
850 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Budget Outcomes questionnaire, p.9
851 Victorian Auditor-General’s Office, 2005-06 Annual Report, p.36
852 Victorian Auditor-General’s Office, 2005-06 Annual Report, p.36
853 Victorian Auditor-General’s Office, 2005-06 Annual Report, p.36
854 Victorian Auditor-General’s Office, 2005-06 Annual Report, p.36
855 Victorian Auditor-General, Results of Financial Statement Audits for Agencies with other than 30 June 2006 Balance Dates, June 2007, p.12
indicated that it would address this issue with all universities and TAFE institutes requesting compliance to timelines.\textsuperscript{856}

The extent to which the measures designed to ensure that audited financial statements in the education and training sector are finalised in a timely manner have been effective will be pursued by the Committee in its forthcoming inquiry into financial reporting in the public sector.

Given the performance achieved by the Victorian Auditor-General’s Office and the Office of the Ombudsman in having their annual reports tabled very early in the Spring session of Parliament, the Committee sees no reason why all public sector agencies cannot report in an earlier timeframe which, if achievable, would avoid the rush that generally occurs at the end of October for annual reports to be tabled.

The Committee believes that to improve the timeliness of reporting, consideration should be given to examining whether scope exists for streamlining the processes involved in the revenue certification process whereby the Department of Treasury and Finance assesses the departmental appropriation claims for the twelve months ended June, based on the provision of outputs in terms of agreed performance standards published in Budget Paper No.3, and recommends to the Minister for Finance and the Treasurer the amounts to be formally certified or rejected.

The Committee recommends that:

\textbf{Recommendation 85:} The Committee urges the Premier to seek an earlier tabling timeframe for annual reports of public sector agencies.

\textbf{Recommendation 86:} The Department of Treasury and Finance examine whether scope exists for streamlining the Appropriation Certification process at year end.

\textbf{Accountability of Community Health Centres – audit arrangements}

The Victorian Auditor-General reported in December 2007 that the issue of whether stand-alone community health centres met the definition of a ‘public statutory authority’ under the \textit{Audit Act 1994} and the \textit{Financial Management Act 1994} was subject to varying legal opinions with the Victorian Government Solicitor remaining of the opinion that the centres are public statutory authorities under the legislation.\textsuperscript{857} Most centres had expressed a concern that designation as a public statutory authority may put at risk their concessional and/or exempt taxation status.\textsuperscript{858} Taxation benefits include GST concessions and exemptions from income tax, payroll tax, land tax, stamp duty and fringe benefits tax.\textsuperscript{859}

Transitional arrangements were put in place for the 2006-07 financial year, whereby the Auditor-General appointed the existing auditors of the community health centres as audit service

\textsuperscript{856} Victorian Auditor-General, Results of Financial Statement Audits for Agencies with other than 30 June 2006 Balance Dates, June 2007, p.14

\textsuperscript{857} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.15

\textsuperscript{858} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.15

\textsuperscript{859} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.15
providers of the Auditor-General to facilitate the audit process and avoid duplication of effort.\textsuperscript{860} However as of 26 November 2007, nine centres advised that they would not, or did not, submit their 2006-07 financial statements for audit by the Auditor-General, and presumably had elected to continue with their existing arrangements with their auditors appointed under the \textit{Associations Incorporations Act 1981}.\textsuperscript{861} In view of these circumstances, the Auditor-General reported that that these community health centres remained unaccountable to Parliament.\textsuperscript{862}

In its response to the report, the Secretary of the Department of Human Services stated that:\textsuperscript{863}

\begin{quote}
\textit{It is noted that while the Victorian Government Solicitor continues to maintain that stand-alone CHCs are public statutory authorities, there is ‘lively debate’ about this matter. It is likely that those CHCs who did not submit their 2006-07 financial statements did not consider that they were legally bound to do so. Given the uncertainty surrounding this issue, I have sought the assistance of the Secretary, Department of Treasury and Finance to seek the Minister for Finance to exercise a power under the Financial Management Act 1994 to declare stand-alone CHCs to be subject to that Act, to put the matter beyond doubt.}
\end{quote}

The Committee noted the recent announcement by the Victorian Government to review the governance and accountability arrangements for Victoria’s standalone community health centres in the wake of the decision in the New South Wales Ambulance Case and the Australian Taxation Office’s decision to apply that court decision to the public benevolent institution status of the health centres.\textsuperscript{864}

The Committee supports the need for the public accountability responsibilities of community health centres to be strengthened, an issue that was first raised by the Auditor-General in a 1999 report to Parliament. In that report, the Auditor-General identified a need for the reporting framework of stand-alone community health centres to be enhanced to ensure appropriate accountability to Parliament.\textsuperscript{865} The Committee will view with interest the outcome of the government’s review of governance and accountability arrangements for Victoria’s standalone community health centres.

\begin{itemize}
\item \textsuperscript{860} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.16
\item \textsuperscript{861} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.16
\item \textsuperscript{862} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.1
\item \textsuperscript{863} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.17
\item \textsuperscript{864} Department of Human Services, \textit{Community Health Centre governance to be reviewed}, media release, 27 March 2008
\item \textsuperscript{865} Victorian Auditor-General’s Office, Results of Financial Statement Audits for agencies with 30 June 2007 Balance Dates, p.14
\end{itemize}
24.4.3 Shaping awareness and direction in the public sector

The Office’s Corporate Plan (2004-05 to 2006-07) included a target to: 866

... be leaders by using our knowledge and expertise to achieve long-term improvement in public sector performance.

The Office’s 2006-07 Annual Report identifies the following as an achievement against this target: 867

... staff are often sought out as guest speakers and presenters at both conferences and forums. International delegations visit to explore topics related to public sector auditing and how they affect public sector performance.

The Committee, in seeking outcome-related information against this strategic target, requested the Office to provide examples of where the Office has used its knowledge and expertise to achieve demonstrable outcomes in terms of achieving long-term improvement in public sector performance.

The Auditor-General informed the Committee that as the independent auditor of public sector agencies, the Office cannot mandate actions by public sector agencies, but to report matters of significance to Parliament and influence improvement in the public sector. 868

Within this context, evidence of the Office’s ability to improve public sector performance is reflected according to the Auditor-General in agencies’ level of agreement with audit recommendations identified in the Office’s parliamentary reports. 869 By way of example, he advised that analysis of the Response by the Minister for Finance to the Auditor-General’s Reports issued during 2005-06 reveals that an overwhelming proportion of the Auditor-General’s recommendations were generally accepted and many others under consideration by agencies. 870 Furthermore, for performance audits tabled in 2006-07, approximately 86 per cent of recommendations were agreed to by agencies, a strong result supporting the ongoing relevance of Auditor-General reports and services. 871

In addition, the Auditor-General informed the Committee’s that as part of the Office’s Strategic Plan 2007-08 to 2009-10, the Office is focussing its efforts on strengthening relationships with audit clients through: 872

- better informing clients about audit activities;
- engaging early and consistently on audit issues and findings; and
- promoting continuous improvement in the Victorian public sector.

866 Auditor-General Victoria, Corporate Plan 2004-05 to 2006-07, p.4
867 Victorian Auditor-General’s Office, 2006-07 Annual Report, p.10
868 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.10
869 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.10
870 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.10
871 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.10
872 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.10
In addition, the Office liaised with the Department of Treasury and Finance, Chairs of departmental audit committees and Chairs of audit committees in the health sector to foster and encourage improvements.\(^873\)

Some of the specific actions the Office undertook in 2006-07 to encourage improvement in public sector performance included external presentations and a range of other initiatives that included:\(^874\)

- issuing newsletters to agencies about current and topical public administration and government matters, and the results of recent major audits;
- reviewing and providing feedback on model financial reports and reporting guidelines for technical and further education institutes, government departments, local governments, ambulance services and public hospitals; and
- developing and providing model financial reports to water authorities and university subsidiary companies.

While the Auditor-General assured the Committee that he was confident that the above actions, when considered together with the Office’s reports and recommendations, had a positive impact on public sector performance, the Committee believes that there is a continuing need for the Office to be able to demonstrate what improvements in public sector performance have been influenced by its actions. In reaching this view, the Committee is conscious of the new direction of the Auditor-General to promote continuous improvements in the public sector rather than following on from past practice that was designed to improve performance which can be seen from the following comments made to the Committee by the Auditor-General when discussions occurred on the content of the draft annual plan for the Office for 2007-08:\(^875\)

\[\text{In past plans one of the goals of the Auditor-General’s Office has been to improve performance and accountability in the public sector. While I aspire to that goal, I personally have a query whether that is the role of the independent auditor who is auditing and reporting impartially to the Parliament. I would argue that the responsibility for improvement rests executive government and other agencies, but they are the sort of things I propose we might debate going forward to the 2008-09 plan.}\]

Quantifying value added is an issue that has been raised by the Committee in past budget outcomes reports and remains unresolved. The Committee considers this matter needs to be revisited again, especially since the Office’s Strategic Plan for 2007-08 to 2009-10 covers the concepts of value adding reports and services and the commitment to promote continuous improvement in agency performance. An emphasis such as this calls for more than evaluating the acceptance rate of audit recommendations, making presentations and advocating better processes for improving resource management, operational procedures and accountability and transparency. Measuring how improved public sector performance has been influenced by the work of the Auditor-General’s Office is clearly called for if the Parliament and the community are to be able to be confident that value-added outcomes are being derived from the Office and, in particular, performance audits. This is further supported by the following findings of the performance auditor of the Office:\(^876\)

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\(^873\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.10

\(^874\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.11

\(^875\) Mr D Pearson, Victorian Auditor-General, 2007-08 Victorian Auditor-General’s Office Annual Plan hearing, transcript of evidence, 30 April 2007, p.2

• of the overall small number (24 or 17.9 per cent) of CEO survey respondents that were subject to a performance audit in the past three years, 42 per cent were satisfied that it helped to improve performance of their organisation while 45 per cent were undecided; and

• according to the overall view as expressed by Parliamentarians in their responses to the survey, 61 expressed satisfaction that the Auditor-General had helped to improve performance of the Victorian public sector with a further 33 per cent undecided (it should be noted, however, that only 18 or 14 per cent of Parliamentarians responded to the performance auditor’s survey).

The Committee recommends that:

**Recommendation 87:** Quantified impacts emanating in full or in part from the work of the Victorian Auditor-General’s Office be disclosed in the Office’s annual report.

### 24.4.4 Staff turnover

Given that the Office’s 2006-07 Annual Report disclosed an overall voluntary staff turnover for 2006-07 of 21.7 per cent (an increase of 6.7 per cent over the previous year) compared with the target of 16 per cent\(^{877}\), the Committee sought details of how this level of staff turnover compared with other comparable jurisdictions/benchmarks.

The Committee learnt that the most relevant benchmark is sourced from the **Australasian Council of Auditors-General (ACAG) Macro Benchmarking Survey** for the financial year 2005-06. This survey measures overall attrition as a percentage of FTE, for permanent staff only, and therefore does not compare directly to the Office’s figures in the 2006-07 Annual Report.

To provide a relevant comparison, the Office’s 2006-07 overall attrition as a percentage of FTE, for ongoing staff only, was 19 per cent, which is the same as the average attrition rate amongst all Audit Offices nationally (in 2005-06, the Office recorded 16 per cent against a national average for audit offices of 19 per cent).

In terms of particular age groups, a review of the employee profile of the Office showed that at 30 June 2006 there were 53 employees in the 25–34 age bracket, which decreased to 39 employees at 30 June 2007.\(^{878}\) This trend is however being arrested.\(^{879}\) By September 2007, 49 employees were in the 25-34 year age bracket, generally due to older staff departing and being replaced with younger employees.\(^{880}\)

Of the Office’s total staff of 149 at the start of September 2007, the performance auditor of the Office found that almost half (46 per cent) had been with the Office for less than 12 months.\(^{881}\)

\(^{877}\) Victorian Auditor-General’s Office, 2006-07 Annual Report, p.58

\(^{878}\) Victorian Auditor-General’s Office, 2006-07 Annual Report, p.57

\(^{879}\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.14

\(^{880}\) Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.14

\(^{881}\) Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.88
The performance auditor also found that:

- even by the high levels of attrition typically experienced by private sector firms (it has not been unusual for audit firms to operate with an annual staff turnover of 20 per cent\textsuperscript{882}), the Office has suffered a disconcertingly high staff turnover in the past 18 months\textsuperscript{883};
- between 1 January 2006 and 30 June 2007, the financial audit group experienced 33 departures (43 per cent of employees), while the performance audit group experienced 13 departures (38 per cent of employees)\textsuperscript{884}; and
- the Office needs to critically examine the adequacy of its strategies to recruit, train, remunerate and retain suitably qualified and skilled staff to achieve its objectives\textsuperscript{885}.

According to the performance auditor, exit questionnaires completed by 31 of the staff who left the Office during the past 18 months showed that a large number cited lack of opportunities for career development as their principal reason for moving on\textsuperscript{886}.

The Committee also noted from the performance auditor’s report that\textsuperscript{887}:

\textit{To assess the depth of the HR issues confronting the 2 audit delivery groups, we took their staff profiles at 30 June 2006 and undertook 3-year forward projections based on the departure rate for the past twelve months. These projections indicate that without sustained increases in recruiting activity over the next two years, the financial audit group in particular will face an even more acute shortage of experienced mid-level staff in 2010 than it has this year. In the absence of major change in economic conditions and/or HR management policies and procedures, we believe there is good reason to expect financial audit to continue to lose more than 20 per cent of its younger staff each year. As well as working to arrest this trend, Victorian Auditor-General’s Office is going to have to devote considerable effort to its recruitment programs.}

The VAGO Strategic Plan 2007-08 to 2009-10, has People as one of its Key Result Areas, with a strategic objective of ‘Being an employer of choice’\textsuperscript{888}. Under this broad objective, the Office advised that it is currently working on several strategies and activities around more effective people management, including\textsuperscript{889}:

- an improved focus on recruitment and retention;
- development of a learning and development framework; and
- development of an improved Graduate Recruitment program.

\textsuperscript{882} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.90
\textsuperscript{883} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.92
\textsuperscript{884} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.88
\textsuperscript{885} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.91
\textsuperscript{886} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, p.91
\textsuperscript{887} Mr John Phillips, Performance Audit of the Victorian Auditor-General and the Victorian Auditor-General’s Office, November 2007, pp.93–94
\textsuperscript{888} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.14
\textsuperscript{889} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.14
In addition, links with university business schools are also being developed to provide work experience opportunities for students and guest lectures by Office staff.\textsuperscript{890}

The Committee recommends that:

**Recommendation 88:** With an aim of improving staff retention rates, the Victorian Auditor-General’s Office ensure that it has progressive policies in place to deal with all issues surrounding the career development of its staff for the purpose of retaining, in particular, those employees who have developed valuable experience and skills in the Office.

### 24.4.5 Servicing the Parliament

**(a) Surveys of members of Parliament**

As indicated in the Office’s 2006-07 Annual Report, the survey:\textsuperscript{891}

*Returned overall positive results, with all respondents agreeing that the Auditor-General’s reports and services provided valuable information on public sector performance*.\textsuperscript{891}

The annual report reveals, among other things, that ‘94 per cent agreed that the Auditor-General provided high quality reports and services’.\textsuperscript{891}

In response to the Committee’s inquiries about the statistical validity of the surveys of members of Parliament undertaken by the Office, the Committee was informed that the survey was conducted by an independent research house, Orima Research, which conducts similar surveys across state and Commonwealth audit offices.\textsuperscript{892} It advised that the results for the Office’s survey were statistically valid, having a degree of sampling error at the 90 per cent level of statistical confidence of (at most) 12 percentage points.\textsuperscript{893}

The response to the Office survey from 38 Parliamentarians represented a response rate of 30 per cent (17 respondents were members of the government, 12 were members of the Opposition, seven were members of a minor party or an Independent member and two did not provide this information).\textsuperscript{894} Given that members of the government were under-represented in the sample compared with their share of the Parliamentary population, the research consultants used a weighting technique to correct for under-representation of government members in the sample.\textsuperscript{895}

\textsuperscript{890} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.14
\textsuperscript{891} Victorian Auditor-General’s Office, 2006-07 Annual Report, p.24
\textsuperscript{892} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.21
\textsuperscript{893} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.21
\textsuperscript{894} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.21
\textsuperscript{895} Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.21
As the independent auditor seeks to serve the Parliament as a whole, the survey data received is not combined on a party basis.  

The Committee also noted the extremely poor response rate of only 14 per cent from parliamentarians to the survey conducted by the performance auditor of the Office, which ironically was undertaken on behalf of the Parliament itself.

The Committee was pleased to find that the Office has implemented strategies to encourage stronger participation to the 2007-08 survey. These include:

- providing the survey at a more appropriate time to Parliamentary members;
- building the profile of the Office and the survey throughout the year; and
- building on existing parliamentary relationships to encourage greater participation.

The Committee strongly supports greater participation from parliamentarians in surveys conducted by either the Office or Parliament’s performance auditor in future. Without meaningful input from Parliament as the Office’s major client, it is exceedingly difficult to evaluate the effectiveness of the Office in servicing Parliament and providing value for money from its activities. The following extract from the Office’s Strategic Plan for 2007-08 to 2009-10 clearly demonstrates the primary purpose of the Office and its relationship with Parliament:

> Externally, we have reaffirmed our relationship with the Victorian Parliament, our primary client. We have recommitted to delivering to delivering to Parliament and its committees, audit reports and related services which will be objective, technically excellent and value-adding.

> By doing this, we will fulfil our overriding purpose of providing independent assurance to Parliament on the accountability and performance of the Victorian public sector.

**Briefings to members of Parliament – Post-tabling report briefings**

The Office’s 2006-07 Annual Report discloses that:

> The 2006-07 parliamentary survey shows that 42 per cent of all contacts between members and the Auditor-General have been via attendance at these briefings. Feedback on the usefulness of the briefings is always positive, and attendance has been progressively increasing.

The 2006-07 Parliamentary Survey conducted by the Office identified that over one-third (13 members) of the respondents reported having dealings with the Office in the 12 months prior to the survey, other than reading the Auditor-General’s reports (of these, five members or 42 per cent...
attended the Parliamentary briefing that the Auditor-General held after the tabling of his reports in Parliament).

Consistent with the Strategic Plan 2007-08 to 2009-10, the Auditor-General has commenced a process of regularly meeting with key Parliamentarians to canvass the relevance and appropriateness of audits. In addition, correspondence is regularly received from Parliamentarians on potential areas of audit interest that are considered as part of the development of the Annual Plan for the Office. The latter is prepared in consultation with the Committee.

Of the 13 respondents who reported having dealings with the Office in the 12 months prior to the survey, all rated the responsiveness of the Auditor-General or his Office as good or very good, and 11 rated as ‘Good’ or ‘Very Good’ the extent to which the advice/information provided by the Auditor-General or his Office addressed their needs.

Of the five comments provided on these direct dealings, four were positive, noting that the Auditor-General initiated contact, was clear and easy to understand and that he was responsive in dealing with concerns of the Committee. One respondent commented that the Auditor-General could improve the provision of requested information.

According to the Office, around five to six Parliamentary members on average are estimated to have attended such briefings in 2006-07. However, this number has increased to around 7 to 12 members per briefing to date in 2007-08.

The Committee is supportive of the increased interest shown by members of Parliament in the work of the Auditor-General and his Office, as evidenced by the increased attendances at briefings held by the Auditor-General after the tabling of his reports in Parliament.

24.4.6 Reviewing the budget estimates of the Victorian Auditor-General’s Office

In its 2006-07 Annual Report, the Public Accounts and Estimates Committee signalled its intention to consider aligning its review of the budget estimates of the Victorian Auditor-General’s Office with the processes used at the federal level by the Joint Committee of Public Accounts and Audit.

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900 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
901 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
902 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
903 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
904 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
905 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
906 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
907 Victorian Auditor-General’s Office, response to the Committee’s 2006-07 Financial and Performance Outcomes questionnaire, received 5 November 2007, p.22
908 Public Accounts and Estimates Committee, 2006-07 Annual Report, p.18
The role of the Joint Committee of Public Accounts and Audit (JCPAA) in reviewing the budget allocation of the Australian National Audit Office (ANAO) and associated processes are summarised below:

- one the duties of the JCPAA is to review, on behalf of the Parliament, the adequacy of the Auditor-General’s budget;

- section 8 of the Public Accounts and Audit Committee Act 1951 stipulates that the JCPAA shall: consider the resources of the ANAO, including funding; consider the ‘draft estimates’ for the ANAO (effectively, the ANAO’s budget submission); and make recommendations to both House of Parliament on those draft estimates;

- as with other Commonwealth public sector agencies, the ANAO is funded each year through the federal budget process – the JCPAA does not directly set the budget of the Auditor-General. However, over the second half of the financial year the Auditor-General briefs the JCPAA on the funds he will be seeking in the budget and why, and the ANAO’s informal understanding of which of its proposals are likely to be successful or unsuccessful. In support of this process, section 53 of the Auditor-General Act 1997 stipulates that the Auditor-General shall disclose to the JCPAA, before the federal budget, the draft estimates for the ANAO;

- early in the calendar year the Auditor-General sends his budget submission to the JCPAA on a confidential basis, and make himself available to the JCPAA to explain in detail any new funding proposals (and respond to questioning on same), and the consequences for the ANAO’s work program if the funding sought is not received in the budget;

- the JCPAA then makes formal representations to the government if thought necessary (for example, setting out the consequences that the JCPAA believes will eventuate if certain funding proposals are not supported);

- immediately before the federal budget is delivered to the Parliament, the ANAO briefs the JCPAA on its confirmed appropriation. The Chair of the JCPAA then makes a statement to the Parliament, on budget day, on whether the JCPAA believes the ANAO has been given sufficient funding to carry out its functions. The speech to the House of Representatives is also an opportunity for the JCPAA to flag emerging areas of concern in terms of the Auditor-General’s budget in forward years. A corresponding statement is delivered to the Senate by one of the JCPAA’s government Senators; and

- the Auditor-General is given the opportunity to update the JCPAA during the financial year on the state of his budget (for example, if the ANAO is seeking funding through the Additional Estimates process).

The Public Accounts and Estimates Committee will contemplate modelling its future processes to be applied when considering the budget estimates of the Victorian Auditor-General’s Office on the practices adopted by the Joint Committee of Public Accounts and Audit in reviewing the adequacy of the Auditor-General’s budget at the federal level.

909  Mr R Chafer, Committee Secretary, Joint Committee of Public Accounts and Audit, email, received 3 April 2008
## APPENDIX 1: ACRONYMS AND ABBREVIATIONS

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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>AAA</td>
<td>Agriculture – Advancing Australia</td>
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<tr>
<td>AASB</td>
<td>Australian Accounting Standards Board</td>
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<td>ABARE</td>
<td>Australian Bureau of Agricultural &amp; Resource Economics</td>
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<td>ABS</td>
<td>Australian Bureau of Statistics</td>
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<td>ACE</td>
<td>Adult Community Education</td>
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<td>ADCOT</td>
<td>Australian Standing Committee on Tourism</td>
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<td>ADIS</td>
<td>Alcohol and Drug Information System</td>
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<td>ADR</td>
<td>Alternative Dispute Resolution</td>
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<td>AEDI</td>
<td>Australian Early Development Index</td>
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<td>AEMC</td>
<td>Australian Energy Market Commission</td>
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<td>AER</td>
<td>Australian Energy Regulator</td>
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<td>AFS</td>
<td>Annual Financial Statement</td>
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<td>A-IFRS</td>
<td>Australian equivalents to International Financial Reporting Standards</td>
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<td>AMI</td>
<td>Advanced Metering Infrastructure</td>
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<td>ANAO</td>
<td>Australian National Audit Office</td>
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<td>ANT</td>
<td>Automated Names Test</td>
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<td>ARC</td>
<td>Australian Research Council</td>
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<td>ASCC</td>
<td>Australian Safety and Compensation Council</td>
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<td>ASCo</td>
<td>Australian Synchrotron Company</td>
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<td>ASM</td>
<td>Asset Management Plan</td>
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<td>BIA</td>
<td>Business Impact Assessment</td>
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<td>BLA</td>
<td>Business Licensing Authority</td>
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<td>CAPI</td>
<td>Computer Assisted Personal Interviewing</td>
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<td>CASA</td>
<td>Centres Against Sexual Assault</td>
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<td>CAV</td>
<td>Consumer Affairs Victoria</td>
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<td>CBS</td>
<td>Community Benefit Statements</td>
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<td>CCS</td>
<td>Carbon Capture Storage</td>
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<td>CES</td>
<td>Commissioner for Environmental Sustainability</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>CFNP</td>
<td>Country Football and Netball Program</td>
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<td>CGDL</td>
<td>Corporate Geospatial Data Library</td>
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<td>COAG</td>
<td>Council of Australian Governments</td>
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<td>COATS</td>
<td>Community Offenders Advice and Treatment Service</td>
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<td>CoPIFV</td>
<td>Code of Practice for the Investigation of Family Violence</td>
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<td>CRC</td>
<td>COAG Reform Council</td>
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<td>CRRT</td>
<td>COAG Road Reform Taskforce</td>
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<td>CSC</td>
<td>Consumer Service Centre</td>
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<td>CSO</td>
<td>Community Service Obligation</td>
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<td>CV</td>
<td>Corrections Victoria</td>
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<td>CWW</td>
<td>City West Water</td>
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<td>DA</td>
<td>Development Assessment</td>
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<td>DCL</td>
<td>Departmental Contribution Levy</td>
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<td>DEECD</td>
<td>Department of Education and Early Childhood Development</td>
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<td>DHS</td>
<td>Department of Human Services</td>
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<td>DIIRD</td>
<td>Department of Innovation, Industry and Regional Development</td>
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<td>DOE</td>
<td>Department of Education</td>
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<td>DOI</td>
<td>Department of Infrastructure</td>
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<td>DOJ</td>
<td>Department of Justice</td>
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<td>DPC</td>
<td>Department of Premier and Cabinet</td>
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<td>DPCD</td>
<td>Department for Planning and Community Development</td>
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<td>DPFC</td>
<td>Dame Phyllis Frost Centre</td>
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<td>DPI</td>
<td>Department of Primary Industries</td>
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<td>DRCSP</td>
<td>Drought Relief for Country Sports Program</td>
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<td>DRCSRP</td>
<td>Drought Relief for Community Sport and Recreation Program</td>
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<td>DSE</td>
<td>Department of Sustainability and Environment</td>
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<td>DTF</td>
<td>Department of Treasury and Finance</td>
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<td>DVC</td>
<td>Department for Victorian Communities</td>
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<td>EAS</td>
<td>Emergency Alerting System</td>
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<td>EC</td>
<td>Electronic Conveyancing</td>
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<tr>
<td>Acronym</td>
<td>Definition</td>
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<tr>
<td>EC</td>
<td>Exceptional Circumstances</td>
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<td>ED</td>
<td>Emergency Department</td>
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<td>eDA</td>
<td>Electric Development Assessment</td>
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<td>EFT</td>
<td>Equivalent Full-Time</td>
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<td>EMS</td>
<td>Environmental Management System</td>
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<td>EO</td>
<td>Executive Officer</td>
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<td>EOI</td>
<td>Expression of Interest</td>
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<td>EPA</td>
<td>Environment Protection Agency</td>
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<td>ESC</td>
<td>Essential Services Commission</td>
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<td>ESTA</td>
<td>Emergency Services Telecommunications Authority</td>
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<td>ETIS</td>
<td>Energy Technology Innovation Strategy</td>
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<td>FACS</td>
<td>Fisheries Activity Costing System</td>
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<td>FFA</td>
<td>Full Funding Application</td>
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<td>FFYA</td>
<td>Futures for Young Adults</td>
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<td>FMA</td>
<td>Financial Management Act</td>
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<td>FRD</td>
<td>Financial Reporting Directives</td>
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<td>FTE</td>
<td>Full Time Equivalent</td>
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<td>GAT</td>
<td>Government Accommodation Trust</td>
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<td>GCRG</td>
<td>Government Communications Review Group</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>GSERP</td>
<td>Government Sector Executive Remuneration Panel</td>
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<td>GSP</td>
<td>Gross State Product</td>
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<td>GVT</td>
<td>Growing Victoria Together</td>
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<td>HCC</td>
<td>Health Care Card</td>
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<td>HEP</td>
<td>High Environmental Performance</td>
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<td>HiIP</td>
<td>Housing Integrated Information Program</td>
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<td>IDGCC</td>
<td>Integrated Drying &amp; Gasification Combined Cycle</td>
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<td>IM&amp;ICT</td>
<td>Information Management and Information Technology</td>
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<td>IMT</td>
<td>Incident Management Teams</td>
</tr>
<tr>
<td>IPSASB</td>
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</tr>
<tr>
<td>Acronym</td>
<td>Description</td>
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<tr>
<td>IVS</td>
<td>International Visitor Survey</td>
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<tr>
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<td>KPI</td>
<td>Key Performance Indicators</td>
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<td>LAAP</td>
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<td>LCAC</td>
<td>Liquor Control Advisory Council</td>
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<td>LFS</td>
<td>Labour's Financial Statement</td>
</tr>
<tr>
<td>LGA</td>
<td>local government authorities</td>
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<td>LLEN</td>
<td>Local Learning and Employment Networks</td>
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<td>MAMS</td>
<td>Master Agency Media Services</td>
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<td>MAP</td>
<td>Melbourne Assessment Prison</td>
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<tr>
<td>MARS</td>
<td>Management and Reporting System</td>
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<td>MAS</td>
<td>Metropolitan Ambulance Services</td>
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<td>MCCA</td>
<td>Ministerial Council on Consumer Affairs</td>
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<td>MCE</td>
<td>Ministerial Council on Energy</td>
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<td>MCH</td>
<td>Maternal and Child Health</td>
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<td>Multi-Function Devices</td>
</tr>
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</tr>
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<td>MIP</td>
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<td>Metropolitan Mobile Radio</td>
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<td>Metropolitan Remand Centre</td>
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<td>Melbourne Recital Centre</td>
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<td>National Agricultural Monitoring System</td>
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<td>National Emissions Trading Scheme</td>
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<td>Description</td>
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<td>National Visitor Survey</td>
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<td>OCC</td>
<td>Office of Climate Change</td>
</tr>
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<td>OCPC</td>
<td>Office of Chief Parliamentary Counsel</td>
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<td>OECD</td>
<td>Organisation for Economic Cooperation and Development</td>
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<td>OESC</td>
<td>Office of the Emergency Services Commissioner</td>
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<td>Productivity Commission</td>
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<td>PCC</td>
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<td>Performance from Insurance Operations</td>
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<td>Primary Industries Ministerial Council</td>
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<td>Register of Encumbered Vehicles</td>
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<td>Request for Quote</td>
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<td>Request for Tender</td>
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<td>Regulatory Impact Assessment</td>
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<td>Regional Infrastructure Development Fund</td>
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<td>RIS</td>
<td>Regulatory Impact statement</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<td>RMQR</td>
<td>Risk Management Quality Review</td>
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<td>Review of Government Services</td>
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<td>RRB</td>
<td>Reducing the Regulatory Burden</td>
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<td>RSA</td>
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<td>Supported Accommodation Assistance Program</td>
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<td>The Standing Committee of Attorneys General</td>
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<td>SCM</td>
<td>Standard Cost Model</td>
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<td>SCNT</td>
<td>Somatic cell nuclear transfer</td>
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<td>Standing Committee of Officials of Consumer Affairs</td>
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<td>Southern Cross Station Authority</td>
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<td>SDO</td>
<td>Service Delivery Outcomes</td>
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<td>SECV</td>
<td>State Electricity Commission of Victoria</td>
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<td>SEITA</td>
<td>Southern and Eastern Integrated Transport Authority</td>
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<td>Security and Emergency Services Group</td>
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<td>SEW</td>
<td>South East Water</td>
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<td>SKM</td>
<td>Sinclair Knight Merz</td>
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<td>SMG</td>
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<td>SOP</td>
<td>Standard Operating Procedures</td>
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<td>SoP</td>
<td>Statement of Priorities</td>
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<td>SPC</td>
<td>State Purchase Contracts</td>
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<tr>
<td>SPEAR</td>
<td>Streamlined Planning through Electronic Applications and Referrals</td>
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<td>State Planning Group</td>
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<td>SPPs</td>
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<td>Snowy Scientific Committee</td>
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<td>STL</td>
<td>State Trustees</td>
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<td>SV</td>
<td>Sustainability Victoria</td>
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<tr>
<td>Acronym</td>
<td>Description</td>
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<td>SWIOID</td>
<td>Snowy Water Inquiry Outcomes Implementation Deed</td>
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<td>TAC</td>
<td>Transport Accident Commission</td>
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<td>TCV</td>
<td>Treasury Corporation of Victoria</td>
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<td>TEI</td>
<td>Total Estimated Investment</td>
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<td>TFC</td>
<td>Tourism Forecasting Council</td>
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<td>TRA</td>
<td>Tourism Research Australia</td>
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<td>TZW</td>
<td>Towards Zero Waste</td>
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<td>VACRO</td>
<td>Victoria Association for the Care and Resettlement of Offenders</td>
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<td>VAGO</td>
<td>Victorian Auditor-General’s Office</td>
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<td>Victorian Certificate of Applied Learning</td>
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<td>VCAMS</td>
<td>Victorian Child and Adolescent Monitoring System</td>
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<td>VCASS</td>
<td>Victorian College of the Arts Secondary School</td>
</tr>
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<td>VCAT</td>
<td>Victorian Civil and Administrative Tribunal</td>
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<td>VCE</td>
<td>Victorian Certificate of Education</td>
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<td>VCEC</td>
<td>Victorian Competition and Efficiency Commission</td>
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<tr>
<td>VCGA</td>
<td>Victorian Casino and Gaming Authority</td>
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<td>VCGR</td>
<td>Victorian Commission for Gambling Regulation</td>
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<td>VDDI</td>
<td>Victorian Dual Diagnosis Initiative</td>
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<td>VenCorp</td>
<td>Victorian Energies Network Corporation</td>
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<td>VENC Corp</td>
<td>Victorian Energies Network Corporation</td>
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<td>VET</td>
<td>Vocational Education and Training</td>
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<td>VFMC</td>
<td>Victorian Funds Management Corporation</td>
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<td>VHS</td>
<td>Victorian Homelessness Strategy</td>
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<td>VicRoads</td>
<td>Roads Corporation</td>
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<td>VicUrban</td>
<td>Victorian Urban Development Authority</td>
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<td>VIPP</td>
<td>Victorian Industry Participation Policy</td>
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<td>Victorian Learning and Employment Skills Commission</td>
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<td>VMIA</td>
<td>Victorian Managed Insurance Authority</td>
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<td>VNI</td>
<td>Victorian Neurotrauma Initiative</td>
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<td>VPS</td>
<td>Victorian Public Sector</td>
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<td>Acronym</td>
<td>Description</td>
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<td>VRET</td>
<td>Victorian Renewable Energy Target</td>
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<td>VRHS</td>
<td>Victorian River Health Strategy</td>
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<td>Victorian Taxi Directorate</td>
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<td>VWA</td>
<td>Victorian WorkCover Authority</td>
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<td>WET</td>
<td>Wine Equalisation Tax</td>
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<td>Water for Rivers</td>
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<td>YES</td>
<td>Youth Employment Scheme</td>
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<td>YHAP1</td>
<td>Youth Homelessness Action Plan Stage 1</td>
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<td>YVW</td>
<td>Yarra Valley Water</td>
</tr>
</tbody>
</table>
APPENDIX 2: REPORT ON THE 2004-05 BUDGET OUTCOMES – FOLLOW-UP OF ACTION TAKEN BY THE GOVERNMENT

Key findings of the Committee:
A2.1 The government has provided an update of the actions that it has taken in relation to 70 of the 92 recommendations that were made in the 2004-05 Budget Outcomes report. The 70 recommendations are those that were accepted fully, accepted in principle and under review.

A2.1 Introduction

On 27 April 2006, the Committee tabled its Report on the 2004-05 Budget Outcomes. The report reviewed the financial outcomes of the government and made 92 recommendations. After considering the Committee’s recommendations, the government tabled its response to the report on 3 October 2006. Of the 92 recommendations:

- 23 were accepted;
- 38 accepted in principle;
- 9 were under review;
- 13 accepted in part (ie rejected in part); and
- 9 were rejected.

As part of its Report on the 2006-07 Budget Outcomes, the Committee requested the government to provide a progress report on the 2004-05 Budget Outcomes recommendations that it had accepted, accepted in principle and under review. Recommendations that were accepted in part or rejected were not followed up by the Committee.

Table 25.1 shows the Committee’s recommendations, the government’s response, ‘action taken to date’ and ‘further action planned’. The government has identified the actions that it has taken in regards to the recommendations under the sections ‘departmental response: action taken’.

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## Table A2.1: Committee’s recommendations, the government’s response, action taken to date and further action planned

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>The financial report of the Parliamentary Departments disclose appropriation transfers between output groups.</td>
<td>Accept in Principle</td>
<td>Transfers between groups have not previously been shown.</td>
<td>As the output groups have now been aligned with the Parliamentary Departments, any appropriation transfers will be disclosed within financial reports as required under section 31 of the Financial Management Act 1994.</td>
</tr>
</tbody>
</table>

**Departmental response: action taken**

To date, no transfers have taken place between output groups. If transfers take place in future between output groups, they will be disclosed within the financial reports.

<table>
<thead>
<tr>
<th>Recommendation 2 (page 68)</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Department of Treasury and Finance amend section 4.2, paragraph (k) of the Standing Directions of the Minister for Finance to clearly specify the output targets to be included in annual reports.</td>
<td>Accept in Principle</td>
<td>The Standing Directions of the Minister for Finance 4.2 (k) require government departments to include a comparison of all output targets specified in the state Budget with actual performance against those targets. Currently, all departments comply with this requirement, with actual output performance measure results (for quantity, quality, timeliness and cost measures) reported against published output targets in departments’ 2004-05 Annual Reports. In addition, all departments are required to disclose detailed financial statements (including revenue and expenses) on an output basis consistent with AAS29 and the requirements set out in DTF’s Model Financial Report for Victorian Government Departments. However, DTF has noted that there may be some scope for a difference in interpretation of the Standing Direction 4.2 (k), given that in 2004-05, two departments did not report output cost targets and associated output cost results in the section of their annual report where they reported their output performance measure results.</td>
<td>The Department of Treasury and Finance will review the existing Standing Direction 4.2(k) to determine whether further clarification is required.</td>
</tr>
</tbody>
</table>
CHAPTER 1: INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT (continued)

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
</tr>
</thead>
</table>

**Departmental response: action taken**

The Department of Treasury and Finance (DTF) has reviewed section 4.2(k) of the Standing Directions of the Minister for Finance and considers that further clarification is not required. DTF is currently in the process of finalising the 2007-08 Victorian Model Financial Report for government departments and, as part of this process, will reinforce the requirements of Standing Directions of the Minister for Finance Section 4.2 (k).

**Recommendation 3 (page 68)**

| The Department of Treasury and Finance issue guidance to departments clarifying their responsibility for reporting in their annual reports, performance targets for outputs delivered by portfolio agencies. | Accept in Principle | Outputs reflect the aggregate of goods and services which are either produced or delivered by, or on behalf of, a department and its agencies, including its portfolio agencies. As such, the quantity, quality, timeliness and cost performance measures reported are intended to help assess each department’s performance in service delivery. Portfolio agencies are separate reporting entities and guidance currently exists around the timing, extent and nature of the annual reports that they are required to prepare. This guidance, set out in Australian equivalents to International Financial Reporting Standards, Standing Directions and the Victorian Model Financial Report for government departments, prescribes the level of information in relation to their financial and operational performance, including any service delivery targets that may be relevant in that particular year. | The Department of Treasury and Finance will review existing guidance and determine whether further clarification is required or whether additional guidance may be required. |

**Departmental response: action taken**

The Department of Treasury and Finance (DTF) is currently in the process of finalising the 2007-08 Victorian Model Financial Report for government departments, which provides guidance to departments and agencies when preparing and presenting their 2007-08 annual report. As part of this process, DTF is endeavouring to provide further guidance and clarification in relation to the extent and level of performance information to be provided, particularly in the Report of Operations, including reinforcing the requirements of the Standing Directions of the Minister for Finance Section 4.2 (k).
### Recommendation 4 (page 69)

The Department of Treasury and Finance issue instructions to departments about specifying the threshold for disclosing explanations for significant variations between output targets and actual performance in their annual reports.

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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</thead>
<tbody>
<tr>
<td>Accept in Principle</td>
<td>Standing Directions of the Minister for Finance 4.2 (k) require departments to provide a ‘comparison’ between output targets and actual performance against those targets. In their 2004-05 Annual Reports, many departments provided explanations where significant or material variances in expected performance occurred. In addition, in the Departmental output statements which are published in Budget Paper Number 3 Service Delivery, the Actual performance measure result is published alongside the estimates for the next two financial years. In the 2006-07 Budget, the Department of Treasury and Finance (DTF) worked closely with departments to enhance the level of information disclosed in relation to movements in targets and actual results between budget years. In particular, DTF issued clear guidance in Budget and Financial Management Information Request No 30 Final Information Requirements and Timelines for the 2006-07 Budget that required departments to consider providing a footnote where there is a movement in the performance measure which is materially or otherwise significant, which is generally any movement above 5-10 per cent.</td>
<td>The Department of Treasury and Finance will continue to work with departments to enhance and improve the level and nature of disclosure of variations in performance results.</td>
<td></td>
</tr>
</tbody>
</table>

#### Departmental response: action taken

Since the 2006-07 Budget, DTF has and will continue to issue clear guidance in the Budget and Financial Management Information Requests relating to the annual state Budget that require departments to consider providing a footnote where there is a movement in targets between years which is materially or otherwise significant.
## CHAPTER 1: INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT (continued)

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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</thead>
<tbody>
<tr>
<td><strong>Recommendation 6 (page 71)</strong></td>
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<tr>
<td>The Department of Treasury and Finance include in Financial Reporting Direction 22 a requirement for departments to provide explanations for year-on-year movements in non-executive officer positions.</td>
<td>Under Review</td>
<td>Financial Reporting Direction 22A Standard Disclosures in the Report of Operations sets out the information disclosure requirements for entities in their Annual Report. These requirements include the disclosure of workforce data specific to Victorian public sector (VPS) employees (non-executive officer positions). In November 2005, a working group, comprising the State Services Authority, the Department of Premier and Cabinet and the Department of Treasury and Finance, undertook a review of the disclosure of workforce data by Departments.</td>
<td>Proposed variations to disclosure requirements are the subject of consultations with Departments.</td>
</tr>
</tbody>
</table>

**Departmental response: action taken**

FRD 29 Workforce Data Disclosures in the Report of Operations – Public Service Employees was issued in June 2006 and applies to those entities which employ staff under Part 3 of the *Public Administration Act 2004*. This FRD requires prescribed entities to disclose relevant workforce data including year on year comparative data and significant variance disclosures.

This FRD was developed as a result of work largely led by the State Services Authority with input from the Department of Premier and Cabinet and the Department of Treasury and Finance.

FRD 29 significantly improves the level of workforce data disclosures included in Victorian public sector annual reports.
### CHAPTER 1: INTRODUCTION AND RESPONSES TO PREVIOUS BUDGET OUTCOMES REPORT (continued)

<table>
<thead>
<tr>
<th>Recommendation 7 (page 71)</th>
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<tbody>
<tr>
<td><strong>PAEC recommendation</strong></td>
</tr>
<tr>
<td>The Department of Treasury and Finance amend the Standing Directions to require agencies to make the disclosure recommended by the Committee in recommendation no.68 in its Report on the 2003-04 Budget Outcomes.</td>
</tr>
</tbody>
</table>

**Departmental response: action taken**

Each reporting entity must determine and include in its annual report, accounting policy disclosures that are appropriate and relevant in its particular circumstances. For example, in accordance with the previous PAEC recommendation, the 2006-07 Annual Report of Museum Victorian included an additional disclosure that ‘the revenue received from government does not fund depreciation, and accordingly Museum Victoria shows a deficit result from operations for the year’911. The purpose of this disclosure was to provide Museum Victoria annual report users with additional information in relation to its financial situation which may be of relevance. To assist entities in making appropriate disclosures, the Department of Treasury and Finance (DTF) has provided best practice guidance though FRD 103B Non-Current Physical Assets (a revised FRD 103C is currently being developed and will be issued shortly) and the annual Model Financial Report for Victorian Government Departments (the 2008 working draft is currently available from the DTF website: www.dtf.vic.gov.au). This material is revised regularly to ensure that departments and entities continue to meet modern financial reporting requirements. If a particular department or entity wishes to make additional disclosures which go beyond the requirements of the Financial Reporting Directions or the Model Financial Report for Victorian Government Departments they are encouraged to do so, particularly where such disclosures are of relevance and add value to users of their annual report.

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911 Museum Victoria, *2006-07 Annual Report*, p.82
### CHAPTER 3: NEW VPS STAFFING STRUCTURE; STRESS CLAIMS; AND PERFORMANCE BONUSES

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<tbody>
<tr>
<td><strong>Recommendation 8 (page 89)</strong></td>
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<tr>
<td>The State Services Authority, or the Victorian WorkCover Authority:</td>
<td></td>
<td>The government advises that the State Services Authority expects to undertake work in this area over 2006 – 2007 pertaining to the functions of the Public Sector Standards Commissioner (PSSC).</td>
<td>The PSSC has noted Recommendation 8 of the PAEC Report and will consider this in scoping work in this area.</td>
</tr>
<tr>
<td>(a) undertake further research on workplace bullying in the Victorian public sector;</td>
<td>Under Review</td>
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<tr>
<td>(b) evaluate the effectiveness of existing deterrent strategies; and</td>
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<tr>
<td>(c) if necessary, develop further strategies to address these problems.</td>
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<tr>
<td></td>
<td>Departmental response: action taken</td>
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</tr>
<tr>
<td>(a) Further research was undertaken in 2006 to evaluate Victorian public sector data against external benchmarks. This included a review of relevant research from other public sector and international sources.</td>
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<tr>
<td>(b) An investigation of current practices was also undertaken, based on a sample of Victorian public sector organisations.</td>
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<td>(c) Based on the above research, a project was commenced in 2007 to develop a strategic approach and set of resources, based on organisation development principles. These materials are currently being finalised for publication.</td>
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<tr>
<td><strong>Recommendation 9 (page 93)</strong></td>
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<tr>
<td>The State Services Authority, or the Victorian WorkCover Authority, continue to conduct evaluations of departmental strategies to promote early return to work following a stress related claim.</td>
<td>Accept in Principle</td>
<td>During 2004-05, WorkSafe in consultation with government departments and public sector unions developed and implemented a pilot stress prevention program in 2 departments.</td>
<td>WorkSafe is evaluating the findings from the pilot program on the effectiveness of risk management approaches and will be developing guidance material during 2006.</td>
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<tr>
<td><strong>Departmental response: action taken</strong></td>
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<tr>
<td>Guidance material ‘Stresswise’ was finalised and released. Worksafe is continuing to work with departments to reduce stress related claims.</td>
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</table>
### CHAPTER 3: NEW VPS STAFFING STRUCTURE; STRESS CLAIMS; AND PERFORMANCE BONUSES (continued)

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<tbody>
<tr>
<td><strong>Recommendation 10 (page 94)</strong></td>
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<tr>
<td>The State Services Authority, or the Victorian WorkCover Authority, continue to conduct research into the factors contributing to stress related workers compensation claims in the Victorian public sector.</td>
<td>Accept in Principle</td>
<td>During 2004-05, WorkSafe in consultation with government departments and public sector unions developed and implemented a pilot stress prevention program in 2 departments.</td>
<td>WorkSafe is evaluating the findings from the pilot program on the effectiveness of risk management approaches and will be developing guidance material during 2006.</td>
</tr>
</tbody>
</table>

**Departmental response: action taken**

Guidance material ‘Stresswise’ was finalised and released. Worksafe is continuing to work with departments to reduce stress related claims.

| **Recommendation 11 (page 96)** |  |  |  |
| To ensure that processes established for executive performance assessment and allocation of performance pay across government agencies are fair and provide bonus ranges that are generally consistent across the Victorian public sector, the State Services Authority encourage all agencies to make performance incentive payments that fall within the bands specified by the government. | Accept | The current policy provides a template for performance management outcomes that ensures that only performance at the superior or outstanding level is rewarded with a bonus. Agencies are able to develop their own systems of performance management and assessment provided that the threshold for awarding a bonus is performance at a level above ‘satisfactory’ or ‘competent’. As a result of the development of agency specific systems the percentage bonus parameters in the generic policy may not fit if a local system has more than four assessment levels. Variations, between Agencies, of percentage bonuses awarded could therefore occur for a level of performance above the threshold level. | The SSA/DPC will reiterate that bonuses are only payable at the threshold performance level. |

**Departmental response: action taken**

The State Services Authority (SSA) re-issued the Executive Employment policy handbook in August 2007 which contains the executive performance policy. Department of Premier and Cabinet issues instructions on performance bonus reporting on an annual basis, that reinforces the policy on payment of performance bonuses.
### Recommendation 14 (page 104)

Where the performance of executives has been assessed as superior or exceptional, performance criteria and targets be made more challenging for the following year.

<table>
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<tr>
<th>Recommendation 14 (page 104)</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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</thead>
<tbody>
<tr>
<td>Accept</td>
<td>Performance criteria should be set at a challenging but achievable level.</td>
<td>SSA/DPC to remind Agencies that performance targets for executives should be set at an appropriate level considering the classification of the employee.</td>
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</table>

**Departmental response: action taken**

The SSA re-issued the Executive Employment policy handbook in August 2007 which contains the executive performance policy providing advice on the performance level for achievement of a bonus outcome.
### Recommendation 15 (page 106)

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<th>PAEC recommendation</th>
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<tbody>
<tr>
<td>The financial statements and annual reports of all public sector agencies disclose full details of remuneration packages paid to the most senior executives in those organisations, including the payment of performance bonuses.</td>
<td>Accept in Principle</td>
<td>Financial Reporting Direction 21A Responsible Person and Executive Officer Disclosures in the Financial Report section 2(a) and (b) set out clear guidance to public sector agencies in relation to the disclosure of meaningful information to explain executive officer remuneration. In particular Section 2(a) requires that ‘additional information may need to be disclosed about the nature of such remuneration, for example, annual bonuses’ and Section 2(b) requires that ‘base remuneration should be disclosed separately from actual remuneration. Any significant variations between total and base remuneration (ie annual bonuses) should be supported by explanatory commentary’.</td>
<td>The Department of Treasury and Finance will continue to work together with Departments to ensure compliance with FRD 21A, particularly in relation to providing commentary that sufficiently balances transparency and accountability with privacy for the individual.</td>
</tr>
</tbody>
</table>

#### Departmental response: action taken

The Department of Treasury and Finance (DTF) continues to work with departments on Responsible Person and Executive Officer disclosures. A recent example includes DTF and the Department of Premier and Cabinet developing an additional Financial Reporting Direction, FRD 29 Workforce Data Disclosures – Public Service Employees to standardise the approach various entities use in publishing workforce data.
### CHAPTER 4: ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE

<table>
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<th>PAEC recommendation</th>
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<tr>
<td>Recommendation 16 (page 119)</td>
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<td>The Department of Treasury and Finance will continue to work with departments to improve the level and quality of information reported in respect to environmental impacts. In addition, the Department of Treasury and Finance, with the relevant environmental agencies, will continue to explore opportunities to improve the level and extent of environmental reporting.</td>
</tr>
<tr>
<td>The Minister for Finance amend Financial Reporting Direction 24 or establish a new Financial Reporting Direction mandating that annual reports of government departments and agencies include:</td>
<td>Accept in Principle</td>
<td>Financial Reporting Direction 24 Reporting of Office-based Environmental Data by government (FRD 24) sets out the minimum reporting requirements for departments in relation to its office-based environmental impacts. FRD 24 has an operative date of 1 July 2005 and is therefore applicable to annual reports from 2005-06. The FRD addresses (a) in the first instance.</td>
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<td>(a) targets in areas such as paper use and water consumption to assess agency performance in reducing environmental impacts;</td>
<td></td>
<td>FRD 24 sections 3 and 4 are explicit about the paper and water use disclosures required and make specific reference to the measurement of paper use and water consumption, including what should be measured. In addition, the Commissioner for Environmental Sustainability Review of Procurement recently recommended target setting for a small number of goods and services, and that these targets be considered for reporting in FRD 24. The government has accepted this recommendation with the view that any targets set do not compromise the principle of ensuring value for money.</td>
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<tr>
<td>(b) costs and savings (where available) of office-based environmental impacts, as well as the comparative data from the previous financial year; and</td>
<td></td>
<td>At this stage, the FRD does not request information in relation to costs and savings. Given that the process of measuring and reporting environmental impact information is relatively new, the quantification of associated costs and savings, as well as other environmental impacts, is contingent on the collection of quality data.</td>
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<tr>
<td>(c) an environmental auditor’s verification statement on the reliability and accuracy of data used for environmental reporting.</td>
<td></td>
<td>The Environment Protection Act 1970 requires departments to have their Environmental Management System (EMS) audited annually by an environmental auditor. At this stage the auditor’s statement is not required to be included in departments’ annual reports. Since the EMS process is relatively new the appropriate level and extent of accountability is still under consideration.</td>
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</table>
CHAPTER 4: ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE (continued)

<table>
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<td><strong>Departmental response: action taken</strong></td>
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The Department of Treasury and Finance (DTF) has updated Financial Reporting Direction 24 Reporting of Office-based Environmental data by government, now superseded by Financial Reporting Direction 24B with effect from 1 July 2006. Appendix A of the Guidance which accompanies FRD 24B sets out whole of government targets in the areas of energy use, waste production, paper use, water consumption and transportation use. FRD 24B now also incorporates recommendations made in the Commissioner for Environmental Sustainability Review of Procurement.

The current focus of reporting in FRD 24B is on reporting office-based environmental impacts. The inclusion of voluntary disclosure of costs and savings of office-based environmental impacts has been considered by the Department of Sustainability and Environment (DSE). Further consideration as to the feasibility of mandating these disclosures will be given once environmental reporting has matured.

The **Environmental Protection Act 1970** requires departments to have their Environmental Management System (EMS) audited annually by an Environmental Protection Authority-accredited environmental auditor. The Commissioner for Environmental Sustainability also provides an independent, strategic Audit of government EMS performance, including an analysis of reported data. Having said this, DSE is continuing work on improving the level and extent of environmental reporting required by FRD 24B.

FRD 24B is currently being reviewed by DSE to ensure that attainable best practice reporting standards continue to be set. Consultation on the future direction of FRD 24B is currently being undertaken with relevant departments and entities, including the DTF.

**Recommendation 17 (page 119)**

The government, when determining future action to be taken beyond the June 2006 greenhouse targets:

(a) examine the potential to redefine existing mandatory targets such as expanding the existing target on greenhouse gas emissions from the government vehicle fleet to include total energy use; and

| Accept in Principle | Within its Departmental Annual Report, the Department of Sustainability and Environment (DSE) currently reports a triple bottom line framework, underpinned by a framework of economic, social and environmental indicators. | The Department of Treasury and Finance supports DSE’s triple bottom line reporting and believes that DSE is a leader in triple bottom line reporting in the Victorian public sector. | The Department of Treasury and Finance will continue to work with DSE to assist them where possible to enhance their existing triple bottom line reporting framework, with a view to encouraging application of the reporting framework by other departments as appropriate. The government is examining the potential to redefine and expand targets to include total energy use. In Our Environment Our Future (Sustainability Action Statement 2006) – Section 16: government leading by example, outlines the government commitment to expansion of the Environmental Management System (16.1), Sustainable Government Decision Making (16.2) and Resource Efficiency (16.11). |

| **The government, when determining future action to be taken beyond the June 2006 greenhouse targets:** | | | |

Within its Departmental Annual Report, the Department of Sustainability and Environment (DSE) currently reports a triple bottom line framework, underpinned by a framework of economic, social and environmental indicators.

The Department of Treasury and Finance supports DSE’s triple bottom line reporting and believes that DSE is a leader in triple bottom line reporting in the Victorian public sector.

The Department of Treasury and Finance will continue to work with DSE to assist them where possible to enhance their existing triple bottom line reporting framework, with a view to encouraging application of the reporting framework by other departments as appropriate. The government is examining the potential to redefine and expand targets to include total energy use. In Our Environment Our Future (Sustainability Action Statement 2006) – Section 16: government leading by example, outlines the government commitment to expansion of the Environmental Management System (16.1), Sustainable Government Decision Making (16.2) and Resource Efficiency (16.11).
### CHAPTER 4: ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE (continued)

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<tr>
<td>(b) include a requirement that agencies report in their annual reports progress on the degree to which mandatory greenhouse targets have been achieved against baseline data.</td>
<td>Some Office based agencies currently report on Government Energy Targets.</td>
<td>This will be discussed with the Department of Treasury and Finance.</td>
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**Departmental response: action taken**

The following action has been taken in relation to each point above:

The government has set further Energy Efficiency and Green power targets, committing to cut Government energy use by a further 5% by 2010, and increase the governments use of Green power to 25% by 2010. At this stage, no commitment has been made on further mandatory targets; and

Government Departments and Statutory authorities report annually to Sustainability Victoria (SV) regarding progress against government sustainable energy targets. SV has released a public document reporting on the Victorian Government agencies achievements against targets. The 2006 energy efficiency and green power targets have been achieved.

**Recommendation 18 (page 120)**

The Victorian Government develop a policy for the progressive introduction of reporting of non office based environmental impacts within annual reports of departments and agencies.

- **Under Review**
  - The department is currently developing a Sustainability Report – the decision to broaden this out across government would not be made by DSE alone.

**Departmental response: action taken**

The department is continuing to cooperate with the central agencies in the development of reporting of non office based environmental impacts within annual reports.

**Recommendation 19 (page 122)**

The Department of Sustainability and Environment:

- (a) be designated and supported as the first Victorian department to move to triple bottom line reporting; and

- **Accept in Principle**
  - The department has continued to improve its Triple Bottom Line (TBL) reporting in the Annual Report over the last three years.

- A further refinement of TBL will be included in the 2005-06 Annual Report consistent with the Global Reporting Initiative (GRI). The department is working the Public Sector Agency for Sustainability Reporting to support the department’s TBL development.
### CHAPTER 4: ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE (continued)

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<tr>
<td>(b) in conjunction with the Department of Treasury and Finance, have the lead responsibility for encouraging and assisting other departments in adopting triple bottom line reporting.</td>
<td>Through the department’s participation with the Public Sector Agency for Sustainability Reporting, the department is leading the development of TBL reporting within the Victorian public sector. The department assists the Commissioner for Environmental Sustainability to conduct his strategic EMS audits by providing performance information. The department also follows the Minister for Finance’s Direction (FRD24A) on office based environmental reporting.</td>
<td>The department will continue to work with the Public Sector Agency for Sustainability Reporting on the development of TBL reporting within the Victorian public sector.</td>
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**Departmental response: action taken**

The department continues to support the application of, and compliance with, the Department of Treasury and Finance policy framework governing Triple Bottom Line reporting. This information is reported by the department in its annual report under the heading ‘Organisational Performance’. This section of the annual report provides an overview of the department’s management practices and performance in relation to its environmental, social and economic responsibilities (refer pages 46 to 63 of the 2006-07 annual report).

**Recommendation 20 (page 136)**

The Department of Premier and Cabinet expand the guidelines for government advertising and communication to reflect the government quotas for the proportion of departmental advertising expenditure to be dedicated each year to:

- (a) culturally and linguistically diverse activities; and
- (b) activities associated with rural and regional audiences in Victoria.

| Accept in Principle | Implementation of a new master advertising media buying framework will enable better and more timely internal reporting on expenditure components so that feedback on performance to date can be provided to departments prior to year-end. There have been improvements in training and development for government communications staff on use of specialist media to reach CALD and regional audiences. | DPC will review current guidelines, and mechanisms which encourage or enforce compliance with guidelines. |
CHAPTER 4: ENVIRONMENTAL REPORTING; PROJECT ROSETTA; ADVERTISING AND PROMOTIONAL EXPENDITURE (continued)

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**Departmental response: action taken**

- The current Advertising and Communications Guidelines specify the requirement for communications activities to comply with quotas and targets set by government in respect of specific groups such as culturally and linguistically diverse (CALD) audiences, regional and rural communities and others.
- Separate guidelines, incorporating quotas, exist for both CALD (Multicultural Communications Policy) and rural/regional audiences (Regional Communications Policy). DPC reminds departments of these requirements on a regular basis.
- In addition, DPC has established a Regional Media Consultative Group, with cross-government representation, which meets regularly to address issues related to regional communications.

GCRG process improvements to ensure compliance with these guidelines have been developed and are currently pending.

**Recommendation 21 (page 136)**

The Department of Premier and Cabinet widen the guidelines for government advertising and communication to ensure that achieving value for money is a criterion for engaging in advertising activities.

| Accept | Definition of value for money has several dimensions, but the establish of the Government Communications Review Group has established a strong peer review culture across departments which now assesses proposed communication activities in relation to:  
- Appropriate and proportionate use of resources;  
- Clear statement of objectives;  
- Unambiguous means of evaluation performance against stated objective. | A review of GCRG compliance mechanisms that improve and expand the ability of government to further encourage or enforce value for money outcomes. |

**Departmental response: action taken**

- The GCRG Guidelines were reviewed in early 2007 and amended in August 2007 to strengthen objectives and key performance indicators for communications. This enables GCRG to accurately assess value for money issues, and also ensures more robust evaluations and hence, improved accountability for expenditure.

GCRG process improvements to ensure compliance with GCRG/CCC decisions, including those based on value for money issues, have been developed and are currently pending.
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<td><strong>Recommendation 22 (page 137)</strong></td>
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| The Department of Treasury and Finance expand the annual reporting requirements of departments to incorporate information on the cost and management of government advertising and promotional programs. | Accept in Principle | Financial Reporting Direction 22A Standard Disclosures in the Report of Operations requires departments to disclose any information in their annual report which may be relevant to the current reporting period. This guidance includes:  
• Details of publications produced by the entity about itself;  
• Details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;  
• A list of the major committees sponsored by the entity; as well as  
• Detailed expenditure information in relation to consultancies.  
The Department of Treasury and Finance notes that the extent to which details in relation to this area of expenditure is disclosed is at the discretion of each department. | The Department of Treasury and Finance will continue to work with departments where necessary to ensure that information disclosure is appropriate and relevant. |
| **Departmental response: action taken** | | | |
| In June 2007 the Department of Treasury and Finance (DTF) reviewed and updated Financial Reporting Direction 22A Standard Disclosures in the Report of Operations, which has been superseded by Financial Reporting Direction 22B Standard Disclosures in the Report of Operations. Financial Reporting Direction 22B Standard Disclosures in the Report of Operations requires departments to disclose general and financial information in their annual report which may be relevant to the current reporting period or provide information on request. The DTF will continue to work with departments where necessary to ensure that information disclosure is appropriate and relevant. |
| **Recommendation 23 (page 137)** | | | |
| To enhance the transparency of government advertising and promotional programs, all departments be required to review their accounts relating to advertising and promotion to ensure that communication activities are appropriately reported on an annual basis. | Accept in Principle | Financial Reporting Direction 22A Standard Disclosures in the Report of Operations requires departments to disclose any information in their annual report which may be relevant to the current reporting period, including communication activities. | The Department of Treasury and Finance will continue to encourage departments to ensure that they correctly account for and report expenditure in relation to communication activities. |
### Recommendation 24 (page 137)

| The Department of Premier and Cabinet require all departmental communication units to report directly to their departmental Secretary. | Accept | DPC has conducted stand-alone audits of the communication functions within individual departments, and in each case, recommendations have included making the communications function a more senior and influential voice in management decision making. | Develop a best practice model for management of the communications and advertising function within the Victorian Government. |

**Departmental response: action taken**

DPC has established the Government Communications Review Group (GCRG) which is based on a best practice peer review model. GCRG reporting requirements have succeeded in delivering increased rigour, standardisation and quality in strategy development.

DPC is continuing to refine the GCRG model to increase centralisation of communications decision-making within departments, and to increase the authority of Communications Directors.
### CHAPTER 5: PARLIAMENTARY DEPARTMENTS

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<tr>
<td><strong>Recommendation 25 (page 168)</strong></td>
<td>Accept in Principle</td>
<td>Parliament will continue to report on performance targets and results.</td>
<td>Where appropriate, quantitative measures will be used.</td>
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<tr>
<td>The Department of Parliamentary Services improve its level of accountability to the community by including in its annual report quantitative measures of actual and targeted levels of performance.</td>
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**Departmental response: action taken**

Quantitative Measures have been used in the annual report to show the activities undertaken by the Department of Parliamentary Services. Where required, the targets for the measures have been increased to reflect the increased level of activity.
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<tbody>
<tr>
<td><strong>Recommendation 28 (page 178)</strong></td>
<td>Under Review</td>
<td>VAGO has undertaken discussions with the small number of audit offices in other jurisdictions, both Australian and international, that currently establish a target for financial savings arising from their audit activities.</td>
<td>No further action is planned at this stage relating to setting targets for cost savings to be generated from audit recommendations.</td>
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</table>

**Departmental response: action taken**

This matter is subject to ongoing review by the Office.
### Recommendation 29 (page 180)

| Accept in Principle | Ongoing assessment of the procedures and documentation used to approve any variations to original budgets and to monitor and record actual performance compared with approved budgets. | Explanations of reasons for budget changes are provided as part of existing approval processes. Any variations to original budgets for performance audits are approved by the Auditor-General following consideration of changed circumstances or other factors that have led to the request for a budget variation. Actual costs incurred are progressively compared with the approved budget throughout each audit. Explanations for any variations between actual costs and the approved budget are documented within the audit file. VAGO is currently undertaking a major project to enhance policies, guidance material and documentation for performance audits. This project will include consideration of possible improvements to the approval and monitoring of budgets, including requirements for clear documentation of any linkages between budget variations and changed circumstances occurring during audits. |

The Victorian Auditor-General’s Office ensure comparisons are made against the original budgets for each audit when reporting the final costs of completing performance audits. To ensure that full accountability is preserved, explanations for budget variations should, in part, be linked to any changed circumstances that occurred during the course of the audit.
### CHAPTER 6: VICTORIAN AUDITOR-GENERAL’S OFFICE

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<td><strong>Departmental response: action taken</strong></td>
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<tr>
<td>The reasons for budget changes are provided to the Auditor-General as part of the existing approval process. Actual costs incurred are compared with the approved budget throughout an audit. Explanations for material variations between actual costs and budget are documented in the audit working papers. These requirements were reinforced during the upgrade of the performance audit method (AmP) completed in June 2007.</td>
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<tr>
<td><strong>Recommendation 31 (page 186)</strong></td>
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<tr>
<td>To finalise financial statement audits in a timely manner, the Auditor-General consider advising audit committees of the importance of reviewing and responding to draft management letters as soon as possible.</td>
<td>Accept</td>
<td>Audit committees are being progressively advised by senior audit staff, when they attend audit Committee meetings, of the importance of reviewing and responding to draft management letters as soon as possible.</td>
<td>The process of advising audit committees of the importance of reviewing and responding to draft management letters as soon as possible will continue for future audit cycles. A range of other actions to improve the timeliness of issue of final management letters are being progressively implemented.</td>
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<td><strong>Departmental response: action taken</strong></td>
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<tr>
<td>Audit Committees have been advised by senior audit staff and requested to respond as soon as possible after being issued with a draft Management letter. All external Audit Service Providers have been advised of this change. Internal Business Plans and staff Performance Plans have been adjusted to reflect this requirement. The target for Final Management letters has been adjusted upwards from 2004-05 (76%) and now requires a 90% outcome. This target is monitored and reported to the Senior Management Group monthly. Positive feedback has been received from clients regarding actions taken to improve timeliness issues.</td>
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### Recommendation 33 (page 194)

The Department of Education and Training centrally monitor levels of fixed-term teacher employment to determine whether this is likely to act as a disincentive to attracting and retaining high quality teaching staff.

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<th>Action taken to date</th>
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<tr>
<td>The department has been centrally monitoring levels of fixed-term employment since 1994 and will continue to do so. The department is continuing to implement the government’s policy of maximising ongoing employment opportunities for teachers in Victorian Government schools. To date, almost 2000 teachers have been translated from fixed-term to ongoing employment under the provisions of the Victorian Government Schools Agreement 2004. The Agreement requires that principals enter a reason for advertisement of each fixed-term vacancy enabling better trend data to be established. The total number of teachers employed for fixed periods varies during the school year primarily due to the number of teachers on leave at any particular time. On average around 11% to 12% of teachers are absent on leave of six weeks or longer which accounts for more than 65% of all fixed-term employment. The resignation rate of teaching service staff on fixed-term agreements was 1.9% in 2004, implying that the majority of staff on fixed-term agreements complete their period of fixed-term employment. On the basis of the information available, the department is satisfied that the vast majority of principals are employing fixed-term for genuine reasons and that the proportion of fixed-term teachers reflects the current workforce requirements of schools. The department does not believe that fixed-term employment is a disincentive to attracting and retaining teaching staff.</td>
<td>No further action planned.</td>
</tr>
</tbody>
</table>

### Departmental response: action taken

The department has continued to monitor levels of fixed-term employment and remains satisfied that the vast majority of principals are employing fixed-term for genuine reasons. As part of the current enterprise bargaining negotiations, consideration may be given to additional eligibility criteria to offer ongoing employment to teachers employed fixed-term and enhancements to the monitoring process.
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| Recommendation 34 (page 198) | Accept in Principle | The department has assessed the introduction of the balanced score card prior to the introduction of the new Principal Class Performance and Development process. The key features of the new process include:  
- a focus on school effectiveness and student outcomes through a strong alignment with the School Accountability and Improvement Framework;  
- inclusion of multiple sources of feedback on school and individual leadership effectiveness;  
- an emphasis on continuous learning and development; and  
- regular dialogue and quality conversations. Guidelines for the new Principal Class Performance and Development Process were distributed in November 2005 and all Principal Class Officers are using the new process for the 2006 cycle. | Ongoing monitoring. |

**Departmental response: action taken**

Consultation was undertaken with Principal Class Officers and regional and central office staff to inform the update of the 2007 and 2008 Guidelines for Principal Class Performance and Development. The Collegiate Groups toolkit has been updated. Data collection for the University of Melbourne research project into the Principal Class Performance and Development process is now complete and the report is currently being prepared.
## Recommendation 35 (page 200)

<table>
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<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<tbody>
<tr>
<td>The Department of Education and Training quickly resolve the placement of better performing principals in challenging schools and, if this initiative is to proceed, it be accompanied by the establishment of: (a) goals and outcomes from these placements; (b) support arrangements for principals; and (c) incentive packages to encourage the take up of these placements.</td>
<td>Accept in Principle</td>
<td>The Development Program for High Performing Principals is continuing to be implemented and refined. At this stage of the program the direct placement of principals in challenging schools is still under review. The department currently uses a range of strategies to support principals in challenging schools including, where appropriate, matching such principals with highly effective principals. Other strategies include: • the development of improvement plans that include goals and outcomes and clearly defined intervention strategies; and • utilising the knowledge and expertise of high performing principals; In addition, a range of initiatives are being implemented to support and develop the leadership skills of principals and leadership teams in challenging circumstances, including: • Building Capacity for Improvement Program; • Innovative Designs for Enhancing Achievement in Improving Schools Program (IDEAS); • Mentoring for first time principals; and • Coaching to Enhance the Capabilities of Experienced Principals.</td>
<td>Any future roll-out of initiatives of this type will include consideration of expected outcomes, support mechanisms and incentives for participants.</td>
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**Departmental response: action taken**

Regional Directors have used, where suitable, the short-term placement of high performing principals into challenging schools as an improvement strategy. In these circumstances, Regional Directors identify expected outcomes and provide appropriate support mechanisms and incentives.
### Recommendation 36 (page 201)

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<th>PAEC recommendation</th>
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<tr>
<td>The Department of Education and Training examine, as part of the school review process, the extent to which decisions by schools on the use of additional funding, arising from the Student Resource Package, are consistent with the department’s goals of improved student engagement and learning outcomes.</td>
<td>Accept in Principle</td>
<td>The Student Resource Package has been implemented to ensure that additional funding invested in education is spent where there is the greatest potential and need for educational improvement. The school review is a key element of the new School Accountability and Improvement Framework, and is designed to provide an expert, independent analysis of student outcomes including: student learning; student engagement and wellbeing; and student pathways and transitions. The school review process assesses the extent to which a school achieves its goals and targets with the resources available to it. This includes any funding provided as part of the Student Resource Package. Schools set their goals and targets for student outcomes based on the needs of students in their school and under the oversight of the Regional Director. The School Accountability and Improvement Framework requires schools to report against these outcomes on an annual basis.</td>
<td>No further action planned.</td>
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**Departmental response: action taken**

The department continues to monitor the extent to which decisions by schools on the use of additional funding are consistent with the department’s goals of improved student engagement and learning outcomes.
### Recommendation 37 (page 202)

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<th>PAEC recommendation</th>
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<tr>
<td>The Department of Education and Training conduct a longitudinal study of all students, who have either completed or have failed to complete the Victorian Certificate of Applied Learning and are not in employment or in other forms of education and training, as a means of determining additional action that may be required to address any significant concerns.</td>
<td>Accept in Principle</td>
<td>This issue is addressed as part of the government’s On Track initiative. On Track supports the successful transition of young people from school to further education, training and employment by following up on them six months after they leave school and providing further assistance if required. Longitudinal surveys are included in the On Track destination survey initiative. The first longitudinal survey is tracking 3,500 students who left school in 2003 over a five year period to enable more in-depth analysis of pathways from school to further study and work. A second longitudinal survey is following a further 5,710 students who left school in 2004. This survey has been designed to study specific student groups including students who undertook the Victorian Certificate of Applied Learning (VCAL). However, a separate longitudinal studying focused on VCAL completers is not planned because the VCAL completer cohort in any one year (by comparison with the number of year 12 completers) is too small to recruit a longitudinal sample that would provide robust data.</td>
<td>No further action planned.</td>
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CHAPTER 7: DEPARTMENT OF EDUCATION AND TRAINING (continued)

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<th>PAEC recommendation</th>
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<td><strong>Departmental response: action taken</strong></td>
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<td>The department has funded the On Track project for another four years (to end 2011). For each of the next four years, Year 12 completer and early leaver post school destination data will be collected in the annual surveys. Year 12 data will be published annually in the print media. All regions schools, TAFEs and LLENs will receive annual and time series data. Additionally a four year longitudinal study will be conducted to examine the education training and employment experiences of different cohorts of students four years after leaving school.</td>
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**Recommendation 38 (page 203)**

The Department of Education and Training review the provision of departmental housing, taking into account:

(a) whether there is a need to retain departmental housing in more attractive locations or provide other housing options and, conversely, whether additional housing should be provided in difficult-to-staff locations;

(b) the appropriate level of maintenance taking into account the current condition of houses; and

(c) the need for more formalised tenancy arrangements with teachers.

| Accept in Principle | The department is undertaking a review of the provision of teacher housing. The scope of the review includes an assessment of current teacher housing provision and future requirements. | The recommendations from the review will be considered and implemented as appropriate. |
## Department of Education and Training

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<td><strong>Action taken to date</strong></td>
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<tr>
<td>The department has undertaken a review of the provision of teacher housing and its recommendations were approved by the Minister for Education Services on 30 October 2006.</td>
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<td>(a) The report found there was an ongoing demand and possibly increasing need for teacher accommodation. The department has adopted the recommendation that “the department continue to provide teacher housing in areas of the state which do not have an active private rental market as a necessary incentive to attract and retain teachers.</td>
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<td>(b) The department is progressively undertaking physical condition audits across the whole teacher housing portfolio to inform decisions on modernisation / upgrade of properties. The department undertook a successful pilot refurbishment program during 2006-07 involving a cluster of five dwellings within Werrimull (Loddon Mallee - North East Victoria).</td>
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<td>(c) The department is currently reviewing the tenancy conditions and documentation that should apply to teacher tenants.</td>
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<td><strong>Further Action Planned</strong></td>
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<tr>
<td>(a) The department will continue to monitor and respond to demand in remote areas without a private rental market.</td>
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<td>(b) A capital improvement and refurbishment program will be implemented on a cluster basis over the next three years – commencing in 2007-08. A number of single dwellings not in geographical clusters will also be refurbished through the normal annual operating budget during this period.</td>
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<td>(c) Improved tenancy documentation is being prepared in consultation with the Victorian Government Solicitors Office.</td>
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## Recommendation 39 (page 211)

To enable meaningful analysis to be undertaken between planned and actual performance, the Department of Human Services ensure targets reflect sustainable improvements in service levels when performance has consistently exceeded expectations over prior years.

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<tbody>
<tr>
<td>To enable meaningful analysis to be undertaken between planned and actual performance, the Department of Human Services ensure targets reflect sustainable improvements in service levels when performance has consistently exceeded expectations over prior years.</td>
<td>Accept in Principle</td>
<td>Outputs and associated performance measures are reviewed and refined on an annual basis as part of the state budget cycle. Where appropriate, performance targets are adjusted to reflect sustained and sustainable improvements in service performance. However, the setting of performance targets is influenced by a variety of factors including: funding for growth in demand for services, changes in service pricing and investment in new output services. Factors other than improvements in service performance also influence target setting. These include: improvements or changes in data quality and reporting reliability; changes to patterns of service delivery arising from service innovation, or increasing client and treatment complexity; additionally some targets reflect capacity funding rather than throughput activity. In addressing these influencing factors it is not necessarily appropriate to adjust targets following higher actual performance than the estimated target.</td>
<td>The Department of Human Services will continue to monitor performance trends and adjust future targets as appropriate.</td>
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### Departmental response: action taken

The department continues to monitor performance trends and adjusts future targets as appropriate by means of: its rigorous regular output performance monitoring mechanisms; comprehensive annual review of its output structure and output statements, conducted in consultation with program areas, central agencies and ministers; and a range of internal and external targeted review, audit and evaluation processes.

## Recommendation 40 (page 211)

To assist in the understanding and interpretation of performance related information, the budget papers and the annual report of the Department of Human Services fully explain the basis for developing the new measure to quantify respite services provided to individuals, families or carers of people with disabilities.

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<tr>
<td>To assist in the understanding and interpretation of performance related information, the budget papers and the annual report of the Department of Human Services fully explain the basis for developing the new measure to quantify respite services provided to individuals, families or carers of people with disabilities.</td>
<td>Under Review</td>
<td>With changes to Disability legislation coming into effect from 1 July 2007 the department has commenced a process of reviewing all performance measures and targets.</td>
<td>The performance measures for respite will be considered as part of the implementation of the Disability Act, along with all other performance measures and targets.</td>
</tr>
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</table>
### Recommendation 41 (page 213)

Where it may not be clear whether a significant variance between planned activity and actual performance should be commended or viewed with concern, the Department of Human Services disclose in its annual report an explanation as to whether the result reported against the performance measure, represents a positive or a negative outcome for the department and the community.

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<tr>
<td>Accept in Principle</td>
<td>The Department of Human Services’ regular monitoring processes focus on performance against output targets, departmental response where there is variance between planned activity and actual performance, and an increasing emphasis on clarity concerning outcomes for communities. In this regard, footnotes are utilised in the annual report to provide clarification concerning output performance issues.</td>
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<tr>
<td>Further action planned</td>
<td>The Department of Human Services will continue to provide explanatory information in its annual report to ensure reporting clarity.</td>
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### Departmental response: action taken

DHS has continued to observe its annual reporting protocols which require human services program areas to provide explanatory information on actual performance results where it may be unclear whether a significant variance between planned activity and actual performance should be commended or viewed with concern. Explanations/footnotes are also subject to corporate and executive review prior to publication to ensure reporting clarity for the broad Annual Report audience.

### Recommendation 43 (page 221)

The Department of Human Services ensure it has an effective monitoring regime in place so that corporate governance arrangements at Melbourne Health involving the role of the board, its audit Committee, senior management, and internal audit provide ongoing and adequate oversight of financial management and accounting practices. Such a monitoring regime should cover all public hospitals in future.

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<tr>
<td>Accept</td>
<td>Implementation of the recommendations of the Victorian Public Hospital Governance Reform Panel resulted in legislative and administrative changes to the monitoring of public hospital performance. Key recommendations included agreement of an annual Statement of Priorities (SoP) between the Minister and Board Chairs and a need for a stronger focus on monitoring key aspects of performance.</td>
</tr>
<tr>
<td>Further action planned</td>
<td>Current monitoring regime to be maintained. Provision of Board member education and training.</td>
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</table>
### CHAPTER 8: DEPARTMENT OF HUMAN SERVICES (continued)

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**Departmental response: action taken**

Monitoring regime remains in place. A comprehensive training program for board members has commenced.

**Recommendation 44 (page 221)**

After the investigations have been completed regarding the erroneous accounting entries made to overstate revenue at the NorthWestern Mental Health Service and to defer expenditure from previous financial periods, the Department of Human Services should disclose the causes that led to this situation and ensure that its financial management strategies address these causes in future.

| Accept | The Melbourne Health accounting irregularities arose through fraudulent activity by employees of the health service. The independent reviews uncovered the extent of the irregularities, and identified a range of strategies and findings to improve the internal controls in place at the organisation. In September 2005, the department wrote to all public health service Chief Executive Officers in relation to the key learning points from the independent reviews. The letter outlined the key recommendations from the reviews in respect of accounting irregularities and internal controls, and advised that these should be reviewed within their respective health services. These matters were also discussed at CEO and Board Chair forums. No further action planned. |

**Departmental response: action taken**

No further action taken.

**Recommendation 45 (page 224)**

The Department of Human Services take action to ensure that the new major redevelopment and upgrading works at regional health services, which commenced in 2004-05, are completed in a timely manner.

| Accept | As a result of action taken in managing its program of major redevelopment and upgrade works, all of the projects at regional health services have progressed in a timely manner. All of the regional projects are now completed or near planned completion before end 2006, with one exception that is due for planned completion in early 2007. Major redevelopment and upgrading works are inherently complex in nature and in order to mitigate and avoid risks to timelines and budget, specialist capital project management procedures and processes are utilised to ensure the efficient and effective completion of all departmental capital projects. The Department of Human Services will continue to utilise specialist project management methodologies. All new project works, including those in regional areas, will undergo detailed risk assessment to identify risks and develop risk mitigation strategies. Included in the risk assessments and mitigation plans are any factors that may be related to regional location that may potentially impact on project timelines. |
### Departmental response: action taken

All works on regional health services that commenced in 2004-05 have now been completed. As part of the department’s overall project management methodologies used to manage large, complex capital projects undertaken on health services, DHS is now recognised as a leading user of the DTF Gateways Initiative. All projects that are considered a high risk following a detailed risk assessment process are subject to a Gateway review at key milestones during the project’s lifecycle, ensuring government-funded capital investments are well spent, meet business and government’s strategic objectives and achieves value-for-money outcomes. DHS has also invested in a new capital management system to further improve tracking and monitoring of capital projects status during their project lifecycle.

**Recommendation 46 (page 227)**

The Department of Human Services commission a mid-term evaluation of the Public Dental Health Strategy to ensure that the government’s four year funding program, which involved an additional $97.2 million to 2007-08, remains well focused.

| Accept in Principle | The Department of Human Services has commenced a mid-term review of the Public Dental Health Strategy, with a focus on funding in the initial two years of the program as well as continued monitoring on the effectiveness of the strategy through data collation. | The Department of Human Services will continue to monitor and rollout the four year funding provided under the Public Dental Health Strategy, to ensure it remains focused and services delivered as originally envisaged. |

**Departmental response: action taken**

The Department of Human Services has commenced a mid-term review of the Public Dental Health Strategy, with a focus on funding in the initial two years of the program as well as continued monitoring on the effectiveness of the strategy through data collation.

**Recommendation 47 (page 227)**

The Department of Human Services monitor dental health outcomes in community health clinics affected by workforce shortages, particularly those situated in the larger regional centres of Victoria such as Bendigo, Wangaratta, Shepparton, Wodonga, Warrnambool and Mildura.

| Accept in Principle | The Department of Human Services monitors dental health outcomes in community health clinics throughout Victoria on a monthly basis. | The Department of Human Services will continue to monitor dental health outcomes in community health clinics, and develop further strategies to address workforce shortages. |

**Departmental response: action taken**

The Department of Human Services continues to monitor dental health outcomes in community health clinics affected by workforce shortages, particularly those situated in the larger regional centres of Victoria such as Bendigo, Wangaratta, Shepparton, Wodonga, Warrnambool and Mildura.

The Department of Human Services will continue to monitor dental health outcomes and workforce numbers on a monthly basis. Dental health outcome and workforce data are used to target effort, such as travelling dental teams.

The Department of Human Services has given significant support to La Trobe University’s oral health programs by providing funding for pre-clinical and clinical training and a scholarship program for students and investing $3.5 million to date in capital works.
### Recommendation 48 (page 228)

**Recommendation:** With a view to maximising the creation of new respite opportunities for people with a disability and their families and enhance their quality of support, the Department of Human Services review whether there is a need to expand the availability of flexible, community based respite options in preference to bed based facilities.

**Response:** Accept

**Action taken to date:**

The Department of Human Services is developing a range of initiatives to offer viable alternatives to overnight respite by building a respite continuum to support people with a disability to continue to live within their communities and family units. This includes developing a range of respite supports, including support to plan for respite based in the needs of the family and the person with a disability, support through extended and host families, community respite opportunities, in-home support and out of home support (which may include camps, recreation and social activities, holidays with and without family). Facility based respite is considered one component of the respite continuum, and is not the only way that carers and families can receive an overnight break.

In July 2005 the Department of Human Services released the final report of the Review and Redevelopment of Supports for Children with a Disability and their Families project. Its recommendations reflect broad government policy directions as outlined in Growing Victoria Together, A Fairer Victoria, the Victorian state Disability Plan 2002-2012, and Children First, with a strong emphasis on early intervention to prevent crisis responses, support that corresponds to individual family needs, and participation in community life.

Respite care was identified as a critically important support for families of children with a disability. The project highlighted the importance of developing support options that enable children and their families to participate in the everyday life of the community through access – for example – to activities like family day care, weekend day programs, camps, and recreation and leisure activities.

**Further action planned:**

The Department of Human Services is supporting the diversification of respite options to enable real choice for people with a disability and their carers.

The respite service system is working towards a more flexible, planned, individualised approach to provide carers with supports based on individual needs, assisting people with a disability and their carers to plan for the future, increasing the range of housing and support options, and having a greater understanding of why care relationships break down.

---

**Departmental response: action taken**

In 2007-08, an additional $3.2M ($13.1M over four years) was allocated for respite support. This funding has been allocated using an individualised planning and support approach, for the support of families of children and young people with high and complex support needs. An additional 350 episodes of respite will be provided based on individual planning and the development of individually tailored respite responses. This includes a range of in home or community based supports based on the families' needs.
## Recommendation 50 (page 230)

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<tr>
<td>The Department of Human Services collect information from respite accommodation to monitor statewide the extent of respite bed days allocated to people with a disability requiring permanent placement, and this information be used to inform future resource management decisions in terms of policy and budget formulation.</td>
<td>Accept</td>
<td>As at March 2006 there were 40 people living in respite beds awaiting suitable accommodation in an alternative setting. The number of respite bed days used are not readily available as the operating times of respite houses fluctuate according to demand, available funding, and seasonal peaks such as school holidays. There has been a reduction of 35 per cent in the number of people residing long-term in respite since September 2003, and the Department of Human Services has implemented a range of initiatives to address this issue. For existing long-term respite residents, the Department of Human Services is exploring accommodation options such as Family Options for children and Support and Choice/Housing initiatives for adults.</td>
<td>The respite service system is working towards a more individualised and planned approach to provide carers with flexible supports that are based on individual needs. This includes future planning for carers, increasing the range of accommodation options, and having a greater understanding of why care relationships break down and providing an appropriate service system response.</td>
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### Departmental response: action taken

North and West Metropolitan region of the Department of Human Services commenced a project in 2006 to better co-ordinate facility-based respite services. A database has been developed to enable centralised booking of respite services managed by DHS Disability Services across the region. This booking system commenced in May 2007. The associated database will also inform the planning and management of long-term respite residents. This North and West system will form the basis of a proposed statewide booking and information service to be developed in 2008-09.
### Recommendation 52 (page 239)

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<td>Given that the most recent figures quantifying the number of homeless Victorians related to the position in 2001, the department undertake a research project to evaluate the effectiveness of the Victorian Homelessness Strategy to ensure that it is responding to the needs of people experiencing, or at risk of, homelessness.</td>
<td>Accept in Principle</td>
<td>The Department of Human Services has trialed several innovative projects to service delivery as part of the Victorian Homelessness Strategy, including specialised responses to young people, women and families experiencing violence, Indigenous social housing tenants, people with mental illness or problematic drug and alcohol use, or involvement with the criminal justice system. Independent evaluation has confirmed the effectiveness of these approaches, with some trials moving to ongoing programs, and others leading to improvements in existing programs. The recently completed Victorian Homelessness Data Collection will support this and provide a deeper understanding of the experience of homeless people, the effectiveness of the department’s response, and a sound evidence base for future directions in homelessness programs. It will allow analysis of movement of clients into, through and out of the service system.</td>
<td>The Department of Human Services will monitor the ongoing programs now operating based on the outcomes of the Victorian Homelessness Strategy trials as part of standard accountability arrangements. The Department of Human Services will contribute to the Counting the Homeless research program, which analyses the 2006 Census data, and the SAAP National Data Collection and the Victorian Homelessness Data Collection, which will assist the department to understand the extent of homelessness, as well as the impact of service responses in Victoria.</td>
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**Departmental response: action taken**

Since the launch of the Victorian Homelessness Strategy (VHS), the Department of Human Services (DHS) has continued to deliver innovative and effective homelessness services to those in need. The department continually monitors and evaluates all homelessness programs, to ensure that services being delivered are targeted effectively and achieving desired outcomes. Also, the department contributes to the broader research community to expand the body of research on homelessness both nationally and at a state level, including:

- funding for housing research through AHURI, which includes a homelessness research theme;
- funding for homelessness research through the Supported Accommodation Assistance Program (SAAP) Coordination and Development Committee;
- partnering academic research through Australian Research Council (ARC) processes;
- commissioning research that evaluates homeless services; and
- partnering in research projects initiated from the sector.

A number of the key actions and initiatives delivered under the VHS that directly respond to the needs of people experiencing, or at risk of homelessness, have been evaluated and are listed below.
### CHAPTER 8: DEPARTMENT OF HUMAN SERVICES (continued)

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<tr>
<td><strong>Statewide Homelessness Assessment and Referral Framework</strong></td>
<td>An independent review was conducted, and amendments are currently being made to the Statewide Homelessness Assessment and Referral Framework in preparation for implementation throughout Victoria from July 2008. The framework will be evaluated in mid to late 2010, after the model has been operating for some time so that the impact on client outcomes can be assessed.</td>
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**Accreditation of homelessness services**

The Victorian Homelessness Assistance Service Standards (HASS) were trialled in 2005. A self-assessment system was piloted throughout 2007 and an accreditation provider has been contracted to assess organisational quality and work with organisations to promote continuous quality improvement.

**Mental Health Pathways Initiative**

An evaluation was completed in January 2006 with the key findings indicating improved mental health and housing outcomes for clients, in particular:
- stable accommodation was identified as the necessary precursor to stabilisation of mental health and other social and psychological issues;
- a high proportion of clients successfully accessed a range of support services; and
- there was evidence of improved collaborative responses to people with complex needs and histories of homelessness.

The evaluation also suggested program development around better linkages with GPs and alcohol and drug treatment services.

**Youth Justice Initiative**

Evaluation completed in 2005 confirms that the program is successful in achieving its aims, principally by:
- decreasing the number of young people whose parole is delayed due to lack of accommodation;
- reducing the chances that young people exit juvenile justice centres into homelessness;
- improving the transitional experience of young people exiting juvenile justice centres;
- reducing the chances that young people re-offend; and
- improving the capacity of SAAP services to work with young people exiting juvenile justice centres.
### PAEC recommendation | Response | Action taken to date | Further action planned
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**CREDIT/Bail Support Program**

The evaluation of this program will soon be finalised. The preliminary report indicated housing as a prominent issue for a significant proportion of program clients. Clients referred to the program represent a group at high risk of failing to be granted bail and of not completing bail periods successfully if bail granted.

To date, features of the effectiveness of the program are:

- supportive and therapeutic client focused approach and individualised client responses;
- flexibility;
- the availability of brokerage;
- positive attitudes of Magistrates towards the program;
- promotion of worker credibility among Magistrates, police and prosecutors; and
- good working relationships between court and community based workers.

**Corrections Housing Pathways Initiative**

The Department of Justice managed a two year evaluation which commenced in 2002, and DHS was involved in selection and ongoing management of the evaluation and the program. The evaluation found service providers are successfully targeting and assisting intended target group of people who had at least four previous prison sentences, and that there was a positive correlation between those clients and stable housing outcomes within the initiative.

Creating Connections: Youth Homelessness Action Plan

An evaluation of the Youth Homelessness Action Plan Stage 1 (YHAP1) was completed in late 2007. YHAP1 initiatives responded to identified gaps in service provision and trialled some new service models in the youth homelessness service sector. Consultants have now completed the evaluation of the five major components of YHAP1:

- Young People Leaving Care;
- Family Reconciliation and Mediation Program;
- Youth Employment, Education and Training Initiative;
- Youth Transitions Model; and
- Service System Intervention Projects.

While the themes have been continued under Creating Connections (YHAP Stage 2), the evaluation of the initiatives was designed to provide specific recommendations on the way the themes should progress in the future. The Implementation Plan outlines the department’s response to the evaluation.

**Indigenous Tenancies at Risk**

Following the evaluation of the Indigenous Tenancies at Risk pilot introduced in 2003, a statewide Indigenous Tenancies At Risk Program commenced in late 2006 to improve support for Indigenous tenants at risk of eviction in public and community housing.
### Recommendation 53 (page 248)

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<tr>
<td>The Department of Infrastructure include in future annual reports key planned actions and expected main achievements for the ensuing year and report against the projections at year-end as part of its presentation of output performance.</td>
<td>Accept in Principle</td>
<td>The Department of Infrastructure is continually reviewing the quality of its performance measurement and reporting mechanisms. The focus in recent years has been on developing more robust key performance indicators and improving the context in which these are presented and reported against in the annual Corporate Plan. This rigorous process of corporate planning and KPI reporting is continuing. As noted by the PAEC in its 2004-05 Budget Outcomes Report (p. 387 &amp; 389) the department has also applied considerable effort to shift the emphasis in its performance reporting in annual reports onto outcomes and monitoring achievement of milestones, as opposed to only reporting about outputs and activities. According to the PAEC, ‘At this stage, the Department of Infrastructure is the only agency that has stood out as having made a special effort in this area’ (p. 389). The department recognises there is potential to improve the quality of performance reporting in its annual reports even further, particularly in relation to providing easier comparisons between planned actions, expected main achievements and actual outcomes across financial years. Whether such performance reporting is best shown in the output performance section of the annual report, or in the outcomes reporting section, needs to be explored further. Earlier tabling deadlines for annual reporting in 2006 mean that it may not be possible to incorporate major changes such as these until the 2006-07 Annual Report.</td>
<td>The department’s 2005-06 Annual Report will include ‘key future priorities for 2006-07’ as part of each Outcome reporting section. Consideration will also be given to reporting against the government’s triple bottom line objectives and providing a greater level of summarised key performance information in the body of the 2005-06 Annual Report. The department will continue to explore ways of improving performance reporting in the Annual Report, in line with comments and recommendations in the PAEC’s Review of Annual Reports of Departments and Agencies.</td>
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</table>

### Departmental response: action taken

Key future priorities for 2006-07 were included in the Department of Infrastructure (DOI) 2005-06 Annual Report, as planned. Key future priorities were not included in the DOI 2006-07 Annual Report as DOI considers that its strategic plan is the most appropriate publication in which to include key priorities and strategies for the years ahead. During 2007, DOI produced its 2007-2010 Strategic Directions document, which includes a three year forward view of the department’s strategic priorities. This document was released in November 2007 and is publicly available. The department expects to update this strategic plan annually with details of key future priorities and strategies.
### CHAPTER 10: DEPARTMENT OF INNOVATION, INDUSTRY AND REGIONAL DEVELOPMENT

<table>
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<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<tr>
<td><strong>Recommendation 57 (page 268)</strong></td>
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<tr>
<td>The Department of Innovation, Industry and Regional Development develop guidance statements to underpin its evaluation framework.</td>
<td>Accept in Principle</td>
<td>The facilitation of high quality evaluation practices through activities such as the provision of guidance documents is a central component of the DIIRD Evaluation Framework. The Department of Treasury and Finance’s Guide to Evaluation includes guidance on evaluation techniques and is utilised by DIIRD.</td>
<td>The refinement of existing and development of new guidance material will continue to be a focus in the implementation of the DIIRD Evaluation Framework.</td>
</tr>
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</table>

**Departmental response: action taken**

Evaluation guidance material is continually improved and new material has been developed. The latest guidance material developed includes the Initiative Design Framework update to support the development of new initiatives and guidance templates for the development of evaluation frameworks for initiatives.

| **Recommendation 58 (page 269)** | | | |
| The Department of Innovation, Industry and Regional Development undertake cost benefit analyses of key projects as a continuation of the strategy, recommended in the Report on the 2005-06 Budget Estimates, of increasing the focus on planning, managing, evaluating and reporting on outcomes. | Accept in Principle | The DIIRD Evaluation Framework promotes the use of the most sophisticated evaluation techniques that are feasible taking into account the context of the evaluation and the need to be cost effective. Cost benefit analysis is a highly sophisticated and resource intensive evaluative technique that is not appropriate in all circumstances. | The refinement of existing and development of new guidance materials, incorporating the discussion of evaluation techniques such as cost benefit analysis will continue to be a focus in the implementation of the DIIRD Evaluation Framework. |

**Departmental response: action taken**

DIIRD has developed and is using the Initiative Design Framework that supports the increased focus on planning, managing, evaluating and reporting on outcomes. In addition, evaluation frameworks being developed include an economic approach appropriate to the scale and nature of the initiative.
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<th>PAEC recommendation</th>
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<tr>
<td>Recommendation 59 (page 271)</td>
<td>Accept in Principle</td>
<td>The Australian Synchrotron (AS) has attracted $50M in beamline funding through a partnership capital funding model unique in Australia’s research history. The government pledged to fully fund the machine and building, and to seek beamline funding through a national partnership. Ten partners have already joined Victoria in developing the facility: ANSTO, CSIRO, the Association of Australian Medical Research Institutes, New Zealand, Monash University, the University of Melbourne, and, Western Australian, NSW, Queensland and SA/La Trobe University consortia. Each has committed $5 million towards the initial suite of beamlines. The AS is now seeking up to $30 million matching beamline funding from the Commonwealth Government through the National Collaborative Research Infrastructure Strategy.</td>
<td>An independent operator will be appointed to manage this national facility from 2007. It will then be the responsibility of all AS partners, working through the Australian Synchrotron Company and with the operator, to attract capital for beamlines beyond the first nine.</td>
</tr>
</tbody>
</table>

**Departmental response: action taken**

As of 1 November 2007 the Australian Synchrotron Company (ASCo) is responsible for AS operation and for attracting further capital and for sourcing funding for operations beyond 2011/2012. Operating milestones and performance targets will be a matter for the ASCo Board to determine, but major operational tasks for 2007-2008 include:

- ensuring operation of the first five beamlines is satisfying the needs of their user communities (delivering quality data and optimum user access and support)
- ensuring the maintenance regime allows optimum operation and minimises downtime
- ensuring the remaining four beamlines in the initial suite of 9 are on schedule
- forward planning for subsequent years.

ASCo is expected to produce annual reports for its shareholders and stakeholders, including Victoria, detailing the facility's success in meeting its performance and financial objectives and backed by independent audit and feedback from user groups and leading international synchrotron experts.
### Recommendation 60 (page 272)

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<tr>
<th>Recommendation</th>
<th>Accept</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<tr>
<td>The Auditor-General conduct a review of the new contract arrangements covering the upgrade of the Docklands Film and Television Studios to determine if they represent good value to the state and whether any additional risks have been adequately addressed.</td>
<td>Accept</td>
<td>A review of new contract arrangements for the upgrade of the Docklands Film and Television Studios has been completed.</td>
<td>Report on the findings arising from the review will be included in a Report to Parliament in the Spring 2006 parliamentary session.</td>
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</table>

### Chapter 10: Department of Innovation, Industry and Regional Development (continued)

#### Departmental response: action taken

- The report relating to the Docklands Film and Television Studios was tabled in August 2006.

### Recommendation 61 (page 273)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>Accept</th>
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<th>Further action planned</th>
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<tr>
<td>Industrial Relations Victoria ensure that appropriate human resource management programs are in place in preparation for the next round of major enterprise bargaining agreement negotiations.</td>
<td>Accept</td>
<td>Key senior executive staff have been recruited both for the delivery of the nursing and teaching fields and for the new Public Service Agreement.</td>
<td>IRV will co-ordinate the development of a strategy for the renegotiation of key agreements in 2007 which will include the human resource management program.</td>
</tr>
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</table>

#### Departmental response: action taken

- The major Public Sector Agreements (police and nurses) due during 2007 have all been successfully completed. IRV provided key strategic guidance and advice throughout the processes to ensure that appropriate outcomes were achieved, in conjunction with the departments and line agencies.
CHAPTER 11: DEPARTMENT OF JUSTICE

<table>
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<tr>
<th>Recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
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<tr>
<td>Recommendation 62 (page 282)</td>
<td>Accept</td>
<td>Explanations for significant differences between targeted and actual output measure performance were included for the first time in the department's 2004-05 Annual Report.</td>
<td>The department will provide appropriate explanations for variations between targeted and actual output measure performance in the 2005-06 Annual Report.</td>
</tr>
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</table>

**Departmental response: action taken**

The department provided appropriate explanations for variations in output performance where actual performance was significantly below targeted performance in the 2005-06 Annual Report as required by the Department of Treasury and Finance (DTF) and continues to refine its output performance measurement method. Guiding principles for developing measures and setting targets include:

- movement away from ‘demand driven’ measures which can be difficult to predict;
- identification of potential measures based on performance over time; and
- identification of measures reflecting a broad range of services delivered by the Portfolio.

Review of output measures is done in consultation with the Department of Treasury and Finance.

Recommendation 63 (page 290)

The Department of Justice provide meaningful comparisons of costs and benefits between public and private prisons in future annual reports. These comparisons should include:

(a) expenditure totals in the financial year for all prisons under their major cost categories;

(b) average cost of housing a prisoner for the year in each prison;

(c) explanations for major variations in expenditure on an individual prison basis;

Under Review | This matter was discussed at the PAEC Hearing on 3 July 2006, when the Minister for Corrections undertook to 'take on notice' a request to provide a breakdown of the average cost per prisoner on a per prison basis. | Under consideration
### PAEC recommendation

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<tr>
<th>(d) assessed aggregate performance against service delivery outcomes by each prison and the resulting impact on the amount of the performance linked fee in the case of private prisons; and</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<td>(e) commentary on matters relevant to any comparisons that can be drawn between costs of public and private prisons.</td>
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### Departmental response: action taken

- **(a)** Total expenditure for each prison, with full attributed costs, both direct and indirect, as per the Council of Australian Governments (COAG)/Review of Government Services (ROGS) method is able to be provided to the Committee. For the private prisons, a combined figure is required to be provided, due to ‘commercial-in-confidence’ considerations. Information for 2005-06 and 2006-07 is included with this response. In future, this information will be able to be provided to PAEC in February each year, for the previous financial year, based on the COAG/ROGS information that is publicly released in January.

- **(b)** This information is able to be provided to the Committee, and will be submitted in February each year, for the previous financial year, based on the COAG information that is publicly released in January.

- **(c)** The main drivers of expenditure at individual prison are the size of the prison, the number of beds deployed and the security rating of the facility. Notes of movements between 2005-06 and 2006-07 have been provided in response to part (a) of this recommendation. Information on total expenditure for each prison will be provided, as requested in part (a) of this recommendation.

- **(d)** This information is able to be provided to the Committee. A table for the 2006-07 financial year was included with the Department of response.

- **(e)** A response to a query of this nature was recently provided to the Committee in January 2008 – 2006–07 Financial and Performance outcomes questionnaire – Part Two – Section E Question 6.3 (1). The key differences, when making comparisons, between the public and privates prisons are the larger and more efficient overall capacity and design related elements of the private prisons’ infrastructure, as well as more favourable employee conditions and entitlements – including significant use of 12 hours shifts, and lesser premiums for penalty rates and overtime usage.

### Recommendation 64 (page 292)

| Recommendation 64 (page 292) | Under Review | The University of Melbourne has undertaken an evaluation of the Home Detention Pilot Program and the final evaluation report was delivered on 8 May 2006. Corrections Victoria hosted a workshop on 4 July 2006, inviting key stakeholders to discuss further options for the Program. | This report is currently under consideration and an analysis of the recommendations has not yet been completed. A decision on whether to publish the report will be made when these deliberations are completed. |
### Departmental response: action taken

The Evaluation of the Home Detention Pilot Program (2006) undertaken by Melbourne University has been published on the Corrections Victoria website. The Department of Justice is developing future options for the government to consider for Home Detention in Victoria in time to meet the Department's commitment in the current legislative program to submit legislative instructions by 2 June 2008.
## CHAPTER 12: DEPARTMENT OF PREMIER AND CABINET

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<th>PAEC recommendation</th>
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<th>Action taken to date</th>
<th>Further action planned</th>
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<tbody>
<tr>
<td>Recommendation 65 (page 297)</td>
<td>The Department of Premier and Cabinet include explanations for material differences between budgeted and actual output costs in its annual report.</td>
<td>Accept</td>
<td>The department is considering this information for inclusion as part of the 2005-06 Annual Report.</td>
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<td><strong>Departmental response: action taken</strong></td>
<td>The department discloses this information in Budget Paper 3.</td>
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<td>Recommendation 66 (page 297)</td>
<td>The Department of Premier and Cabinet explain key variations between targets and actual achievement for performance measures in its annual report.</td>
<td>Accept</td>
<td>The department is considering this information for inclusion as part of the 2005-06 Annual Report.</td>
</tr>
<tr>
<td><strong>Departmental response: action taken</strong></td>
<td>The department included an explanation of key variations between target and actual results in its 2006-07 Annual Report.</td>
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### CHAPTER 13: DEPARTMENT OF PRIMARY INDUSTRIES

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<th>PAEC recommendation</th>
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<th>Action taken to date</th>
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<tr>
<td><strong>Recommendation 69 (page 309)</strong></td>
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<td>The Department of Primary Industries evaluate whether any adverse impacts on practice occurred as a result of the reduced level of extension activities to promote sustainable farming systems during 2004-05.</td>
<td>Accept</td>
<td>The Australian National Audit Office (2002) evaluation of the impact of FarmBis training delivered to farmers has shown that greater than 90 per cent of participants increased the profitability, productivity or sustainability of their farm business. Therefore a reduction in resources to provide the planned number of learning activities has a near direct correlation to reduced adoption of improved sustainable farming practices against planned levels but does not have an adverse impact, that is does not diminish the aggregate level of sustainability practices across agricultural production.</td>
<td>In 2005-06, promotional activities for FarmBis were implemented and the training subsidy for risk management related training activities was increased from 50 per cent to 65 per cent. These promotional activities will continue in 2006-07.</td>
</tr>
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<td><strong>Departmental response: action taken</strong></td>
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<td>In 2006-07, promotional activities for FarmBis were implemented and the training subsidy for risk management related training activities remained at 65 per cent.</td>
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<tr>
<td><strong>Recommendation 70 (page 310)</strong></td>
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<td>Where a planned activity has not been completed by the due date, the Department of Primary Industries consider providing an explanation in its annual report as to why the target was not met, in addition to disclosing the current status of the particular item.</td>
<td>Accept</td>
<td>DPI provides explanations on material variances for performance measures that have not met target. Explanatory comments are normally incorporated within the annual report and where appropriate information is provided on the current status of the particular item.</td>
<td>DPI will continue to include additional information supporting variances for performance measures as appropriate.</td>
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<td><strong>Departmental response: action taken</strong></td>
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<tr>
<td>The Department of Primary Industries continues to include additional information supporting variances for performance measures in its annual report where performance targets were not met, as appropriate</td>
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</table>
### Recommendation 71 (page 311)

Given that customer satisfaction with the aquaculture sector of fisheries declined from 77 per cent in 2001-02 to 30 per cent in 2004-05, the Department of Primary Industries evaluate whether its responses to address this issue have been effective, and examine the impact that low customer satisfaction may have on the aquaculture sector.

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<tr>
<td>Under Review</td>
<td>This performance measure will be discontinued from 2006/07. The reduction to a single survey to measure customer satisfaction has been found to provide subjective and unreliable results. Engagement with stakeholders from the commercial and recreational sectors has been achieved through scheduled forums involving Public Meetings, Steering Committee meetings, a recreational fishing round-table and cost recovery standing committees. DPI has assisted in the development of the Victorian Marine Farmers group.</td>
<td>DPI will continue to engage with stakeholders from the commercial and recreational sectors through scheduled forums involving Public Meetings and Steering Committee meetings. DPI will also monitor Aquaculture sector operator numbers and production to determine impacts of the sector.</td>
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**Departmental response: action taken**

The performance measure has been discontinued. The department works with stakeholders extensively to determine what they value in regard to services, and is presently developing a performance measurement system to assist with measuring public value for fisheries stakeholders and efficacy of responses. The department continues to modernise its service delivery offer in response to changing stakeholder values. Aquaculture production has not decreased as a result of the dissatisfaction. Production impacts have largely been influenced by environmental conditions (drought) and the outbreak of a new disease in the abalone industry. Licence numbers did initially decrease however the licences not renewed were for operators who were largely inactive, and there was minimal impact of production from the sector. Their choice to not renew was generally associated with the requirement to pay the full attributable costs of business following the implementation of cost recovery and food safety policy decisions of government. New aquaculture businesses are still being licensed, and there has also been the successful allocation of 192 hectares of marine waters in Port Phillip Bay and Western Port.

### Recommendation 72 (page 312)

When setting targets for the number of audits of high risk or critical sites to be completed in a given year, the Department of Primary Industries consider the potential impact that any higher regulatory demands may have on the planned audit program for the forthcoming year.

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<tr>
<td>Accept</td>
<td>In setting the OHS audit program for the minerals and extractives sector that will apply for the next year, DPI takes into account a number of critical factors. These include the availability of resources, the prescribed mines that must be audited, a risk assessment of sites across the state and the length of time since a site was last audited. Where resources are required for other purposes such as known investigations this will be incorporated into the planning of the audit program. The audit program will however be impacted at different times by unforeseen events such as major OHS incidents that take priority within the audit and inspection function of DPI. In these situations DPI will modify the audit program accordingly.</td>
<td>In framing the DPI audit program key factors will be taken into account to ensure the effectiveness of the program for the coming year.</td>
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In setting the OHS audit program for the minerals and extractives sector that will apply for the next year, DPI takes into account a number of critical factors. These include the availability of resources, the prescribed mines that must be audited, a risk assessment of sites across the state and the length of time since a site was last audited. Where resources are required for other purposes such as known investigations this will be incorporated into the planning of the audit program. The audit program will however be impacted at different times by unforeseen events such as major OHS incidents that take priority within the audit and inspection function of DPI. In these situations DPI will modify the audit program accordingly.
CHAPTER 13: DEPARTMENT OF PRIMARY INDUSTRIES (continued)

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<td><strong>Departmental response: action taken</strong></td>
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<td>Subsequent to 2004-05, the framing of the DPI OHS audit program of high or critical minerals and petroleum sites continued to take into account key factors to ensure the effectiveness of the annual audit program. During 2005-06, an adjustment to the program was made scaling back the number of routine OHS audits to allow for increased systems auditing of the large prescribed mines and to allow for the new targeted ‘blitz’ audit program. The number of OHS audits completed in 2005-06 was 74 and for 2006-07 it was 68 in line with the modified audit program. Effective from January 2008, the Victorian Workcover Authority (VWA) assumes responsibility for the regulation of occupational health and safety for Victoria’s earth resources sector. The focus of the DPI audit program will shift to the review and monitoring of environmental performance across minerals and petroleum sites.</td>
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<tr>
<td><strong>Recommendation 74 (page 319)</strong></td>
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<tr>
<td>The Department of Primary Industries develop a performance management and reporting system that enables monitoring of the cost effectiveness of the various components of the department’s enforcement activities.</td>
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<td>Accept</td>
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<tr>
<td>DPI is developing a costing model that better enables the tracking of total effort and costs associated with fisheries investigations and planned operations.</td>
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**Departmental response: action taken**

DPI has implemented the fisheries activity costing system (FACS) which tracks activities by beneficiary and staff member. It is an element of the detailed cost recovery system of DPI for Fisheries services, a system acclaimed internationally. DPI has reviewed the delivery of its offence management system and its investigations to ensure continued improvement in its compliance services. This has created economic and technical efficiencies. DPI is leading nationally to develop best practice fisheries compliance models. Once developed these models will allow a comprehensive performance system to be put in place, and the cost effectiveness of enforcement activities will be able to be quantified and compared with national and international data and trends.

**Recommendation 75 (page 321)**

The Department of Primary Industries monitor the impact that changes at the federal level to drought policy are having on the farming community in Victoria in terms of whether drought assistance is reaching those in need in a timely manner.

**Departmental response: action taken**

The department has worked with the Commonwealth, other state and Territory governments, through Primary Industries Ministerial Council (PIMC), to achieve streamlining of the Exceptional Circumstances (EC) drought assistance declaration process under the ‘Agriculture – Advancing Australia’ (AAA) package. The department has also assisted industries, communities and farmers prepare EC applications. The National Agricultural Monitoring System (NAMS) has been developed to enhance the ease and timeliness of EC applications. DPI will continue to monitor the impact of the NAMS and work with the other jurisdictions to achieve further improvements in the ease and timeliness of EC declarations.
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<th>PAEC recommendation</th>
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<td><strong>Departmental response: action taken</strong></td>
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<td>DPI is represented on the National Agricultural Monitoring System (NAMS) Steering Committee. NAMS was made publicly available on April 2006 and was officially launched on July 2006. DPI staff have already attended two training sessions with another session to be held in February 2008. In addition, DPI staff have also contributed to the review of NAMS in August 2007 and provide an interpretation to the state report. Under the Commonwealth Cost sharing arrangements in place, DPI contributed significantly to the development, maintenance and upgrade of NAMS.</td>
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## CHAPTER 14: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT

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<th>PAEC recommendation</th>
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<tr>
<td><strong>Recommendation 76 (page 328)</strong></td>
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<td>The Department of Sustainability and Environment ensure that where additional funding has been received during a year, appropriate disclosure is contained in the department’s annual report to show the affect that this funding has had in terms of its ability to meet or exceed its performance targets for the year.</td>
<td>Accept in Principle</td>
<td>Additional funding to the department provides for expenditure which is not covered by the department’s published Output Prices. The funding included within the Output Prices forms the basis of determining the Performance indicators published in the state Budget Papers. Expenditure against all additional funding is disclosed in the Annual Financial Statements and all appropriate additional performance is disclosed in the department’s Annual Report. For example additional funding for fire suppression is matched with additional information in relation to the extent of fire suppression in the Annual Report.</td>
<td>The department will continue to disclose relevant additional information in its Annual Report.</td>
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**Departmental response: action taken**

The department continues to report any additional funding received, in note 4 of the annual financial statements, in accordance with the guidelines issued by the Minister for Finance governing the preparation of financial statements.

| **Recommendation 77 (page 331)** | | | |
| To enable meaningful analysis to be undertaken between planned and actual performance, the Department of Sustainability and Environment ensure targets reflect any adjustments made to funding allocations for the year, or that notes to the published performance information explain funding adjustments that may have occurred subsequent to revising performance measures for a given year. | Accept in Principle | Additional funding to the department provides for expenditure which is not covered by the department’s published Output Prices. The funding included within the Output Prices forms the basis of determining the Performance indicators published in the state Budget Papers. Expenditure against all additional funding is disclosed in the Annual Financial Statements and all appropriate additional performance is disclosed in the department’s Annual Report. For example additional funding for fire suppression is matched with additional information in relation to the extent of fire suppression in the Annual Report. | The department will continue to disclose relevant additional information in its Annual Report. |

**Departmental response: action taken**

The department continues to report any additional funding in the annual financial statements and the Budget Papers where relevant.
PAEC recommendation | Response | Action taken to date | Further action planned
--- | --- | --- | ---
 Recommendation 78 (page 331) | Where actual performance data for an output measure is not available at the time of reporting, the Department of Sustainability and Environment provide a note accompanying performance information in its annual report, disclosing that the actual result is an estimate only and that the final result may differ from information published. | Accept | This will be done in the 2005-06 Annual Report.

**Departmental response: action taken**

The department reports on a biennial basis a number of quality measures for the Management of Parks, Forests and Public Land output. These measures reflect surveys of community perceptions of Parks Victoria. The comments in Appendix 18 to the annual report indicate the source of the published actual for these measures. The 2006-07 annual report (refer page 159) advised that the results were from the 2005 survey and that a further survey would be conducted in September 2007. All other performance measures report actual results for that year.

 Recommendation 79 (page 335) | Where revenue exceeds the estimate (as in the 2005-06 state budget) or where redistributions have occurred subsequent to the preparation of the budget, the Department of Sustainability and Environment ensure the effect – in terms of exceeding output targets – is explained in its annual report when commenting on variances between target and actual performance. | Accept | This will be done in the 2005-06 Annual Report.

**Departmental response: action taken**

The department provides explanations for variances in output targets in Appendix 18 of its annual report where relevant. As stated previously the department reports its revenue in note 4 in accordance with the guidelines issued by the Minister for Finance governing the preparation of financial statements.
### CHAPTER 14: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT (continued)

<table>
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<th>PAEC recommendation</th>
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<tr>
<td><strong>Recommendation 80 (page 338)</strong></td>
<td>Accept in Principle</td>
<td>An internal review of the delivery of the 2002-03 bushfire recovery program was used, in part, in setting the delivery arrangements for the 2005-06 bushfire recovery program. This has resulted in earlier interventions with effected Victorian rural and regional communities.</td>
<td>A review of the delivery of the 2005-06 bushfire recovery program will form the basis for the planning for future recovery efforts.</td>
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</table>

Prior to embarking on any new bushfire recovery strategies, the Department of Sustainability and Environment:

(a) arrange for an independent evaluation to be undertaken of the initial strategy that involved the commencement of restoration works in 2003-04, so that any lessons learned can be incorporated into the new strategy; and

(b) implement a sound monitoring framework to ensure that restorative works are completed efficiently and effectively.

The Governance and Reporting framework for the delivery of restorative works is in place.

DHS as the department responsible for Emergency Services is coordinating reporting from all agencies on money received from the Ministerial Taskforce.


Monitoring of the delivery of restorative works will continue as part of the 2005-06 bushfire recovery effort.
### CHAPTER 14: DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT (continued)

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<tr>
<th>PAEC recommendation</th>
<th>Action taken to date</th>
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<td><strong>Departmental response: action taken</strong></td>
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<td>Following the Esplin Inquiry into the 2002-03 fire season additional funding of $70.6 million over 4 years was provided for a bushfire recovery program (refer page 33 of the 2004-05 annual report). Furthermore, the 2007 Ministerial Taskforce Report on Bushfire Recovery outlined a $138 million response and recovery package which incorporated $31.1 million for fire recovery (refer page 15 of the 2006-07 annual report.). The department has also adopted the following measures in response to the recommendations. <strong>Recommendation (a)</strong></td>
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<td>• An evaluation process is now undertaken routinely as a key part of each recovery program to account for the outcomes and to recommend improvements. The recommendations from the evaluations completed for the 2003 Alpine and the 2005-06 Grampians fires have been incorporated into the department’s current fire/flood recovery programs;</td>
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<td>• During 2006-07 the department led the Natural Environment Working Group which collated recovery data for the whole of government Recovery Committees established by the Department of Human Services (DHS);</td>
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<td>• The department is also supporting the development of the ‘Rapid Impact Assessment Framework’ being implemented by the Office of the Emergency Services Commissioner;</td>
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<td>Recovery is now firmly embedded as a key function in the Response Incident Management Teams (IMT’s) to ensure that Community recovery is implemented at the earliest opportunity, with timely transition to the Department of Human Services. <strong>Recommendation (b)</strong></td>
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<td>• A strengthened governance framework including appointment of a Project Control Board is now routinely implemented for recovery programs such as for the 2006-07 bushfire and 2007-08 flood recovery programs;</td>
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<td>• Quarterly reporting has been implemented to ensure progress is monitored in a timely manner allowing for variation in project delivery where priorities change;</td>
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<td>• A policy regarding replacement of essential water supplies used by emergency services in the control of bushfires was developed in 2006-07, reviewed and recently endorsed for 2007-08;</td>
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<td>• Independent accounting processes have been implemented to identify recovery expenditure; Increased accountability has been implemented for assets insured through the Victorian Managed Insurance Authority (VMIA). The department will be undertaking further work with DHS to implement the Rapid Impact Assessment Framework and put in place efficient mechanisms for the Response IMT’s to transition affected communities from the Response phase to Recovery. An inquiry into ‘Impact of Public Land Management Practices on Bushfires in Victoria is being conducted by the Environment and Natural Resources Committee (ENRC) of Parliament. The department will provide a Whole of Victorian Government response to the recommendations of the inquiry when the report is released in June 2008.</td>
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### Recommendation 85 (page 353)

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<th>PAEC recommendation</th>
<th>Response</th>
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<tr>
<td>The Department of Treasury and Finance give priority to developing authoritative guidance on the accounting treatment of assets forming part of public private partnership projects that will ultimately revert back to the state.</td>
<td>Under Review</td>
<td>The Department of Treasury and Finance (DTF) is giving priority to developing authoritative guidance on accounting for Public Private Partnerships (PPPs), including in regard to assets that ultimately revert back to the state. DTF is currently seeking advice on these matters including consulting with other jurisdictions. DTF has also been monitoring developments in Australia and internationally. The International Financial Reporting Interpretations Committee (IFRIC) is developing authoritative guidance accounting for assets in a PPP arrangement which is expected to be applied in Australia. It is expected that IFRIC will issue a formal Interpretation at the end of this calendar year and it would be inappropriate to issue guidance until this work is complete.</td>
<td>DTF will continue to monitor IFRIC and AASB developments.</td>
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### Departmental response: action taken

In February 2007, the Australian Accounting Standards Board (AASB) approved Interpretation 12 Service Concession Arrangements (otherwise known as Public Private Partnerships), effective for financial reporting periods commencing on or after 1 January 2008, which is only applicable to private sector operators and is silent on the accounting to be applied by public sector grantors.

The AASB constituted an Advisory Panel to provide advice on how public sector grantors should account for service concession arrangements, which included a representative from the Department of Treasury and Finance (DTF). That Panel made its recommendations to the Board on 14 December 2007. At that meeting, the AASB decided:

1. That the requirements of Interpretation 12 are not obligatory for public sector grantors; however
2. Grantors are required to consider Interpretation 12 when developing their accounting policy under the hierarchy for selecting accounting policies set out in AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The International Public Sector Accounting Standards Board (IPSASB) is undertaking a project to address the accounting by public sector grantors of service concession arrangements. The IPSASB is expected to release a Consultation Paper on this project in the first half of 2008. A DTF staff member is a member of IPSASB. The AASB has decided to issue an Invitation to Comment on the forthcoming IPSASB Consultation Paper on accounting by grantors of service concession arrangements, once it is available.

DTF will continue to monitor these developments and where appropriate provide input into the process as opportunities permit. Guidance for the Victorian public sector will be developed once the AASB has decided on the impact, if any, of the IPSASB Consultation Paper on accounting by grantors in Australia.
Chapter 15: Department of Treasury and Finance (continued)

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<th>PAEC recommendation</th>
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<tr>
<td>Recommendation 86 (page 355)</td>
<td>Accept</td>
<td>While there is no specific government policy determination that a proportion of &quot;windfall&quot; TAC operating surpluses must be excluded from calculation of proposed TAC dividends, the determination of dividends is guided by the long-term capital needs of the TAC and not by short-term fluctuations in operating margins. Section 29(2) of the Transport Accident Act 1986 already requires that in determining the dividend policy that applies to the TAC, the Treasurer must have regard to the solvency margin determined to maintain the long-term financial viability of the transport accident scheme. Underpinning this consideration of appropriate capital adequacy reserves for the TAC, the Minister has approved and the Department of Treasury and Finance has developed a capital, pricing and reserving framework for the state's statutory insurance agencies: VWA, VMIA and TAC. This gives effect to the Auditor General's recommendation 12.4 in his Report: Results of 30 June 2004 financial statements and other audits. Under this framework, the Minister has approved the TAC's proposals that it adopt a preferred funding ratio target of 110% (ratio of assets to liabilities), and aim to operate within a funding ratio range of 100 to 120 per cent. This target and range recognise the inherent volatility of the TAC's balance sheet arising from economic factors outside management control. The framework requires that should the TAC's funding ratio breach the range limits, the TAC will advise the Minister of its proposed policy response aimed at restoring the TAC's funding ratio to the preferred target within a specified period of time.</td>
<td>The interaction of this framework with the legislative requirement to consider the long-term financial viability of the TAC scheme ensures that the TAC will not be exposed to unacceptable financial risk through excessive dividend demands following 'windfall' surpluses.</td>
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**Departmental response: action taken**

DTF has examined the merits of the proposal to exclude a proportion of windfall surpluses from dividend calculations to protect the TAC's long-term financial position. After a recent review, a revised dividend benchmark has been adopted for the TAC which effectively excludes windfall profits in calculating benchmark dividends. The revised benchmark, coupled with the Capital, Pricing and Reserving policy developed for statutory insurers, provides a useful framework to assist in protecting the TAC's long-term financial position.
**CHAPTER 16: DEPARTMENT FOR VICTORIAN COMMUNITIES**

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<th>PAEC recommendation</th>
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<tr>
<td>Recommendation 87 (page 367)</td>
<td>Accept in Principle</td>
<td>The Department for Victorian Communities currently complies with whole-of-government reporting requirements and disclosures regarding capital projects and variance analysis as designated by the Department of Treasury and Finance. Variance analysis regarding output costs is reported in the 2004-05 Annual report under Section 4 ‘Output performance’ and the ‘Budget portfolio outcomes’ segment of Section 5 ‘Facts and figures’.</td>
<td>The Department for Victorian Communities will incorporate any further annual reporting requirements and disclosures as designated by the Department of Treasury and Finance.</td>
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</table>

**Departmental response: action taken**

The Department of Planning and Community Development, as the successor department to the Department for Victorian Communities, continues to comply with requirements and disclosures as designated by DTF. In addition, details of capital projects are reported in Budget Information Paper No 1.
## CHAPTER 18: REVIEW OF ANNUAL REPORTS OF DEPARTMENTS AND AGENCIES

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<th>PAEC recommendation</th>
<th>Response</th>
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| **Recommendation 88 (page 391)** | The Department of Treasury and Finance accept the principle of having a best practice framework. The government’s current resource allocation framework is designed to guide and facilitate effective budget decision making, and measurement and reporting against priorities. We agree that this current framework should be subject to continuous improvement. In recent years, improvements and refinements to this framework have aimed to better link outputs to outcomes and enhance the transparency and accountability in the budget papers. Within this framework, Growing Victoria Together (GVT) is a long-term vision for Victoria that articulates the priorities of the government. The GVT framework is underpinned by a set of goals and measures against which progress is assessed annually and reported in Budget Paper Number 3: Service Delivery. GVT provides a guide to departments’ strategic planning to ensure a broad alignment between departments’ objectives, the delivery of outputs and the government’s priorities. Departmental outputs represent a clear definition of goods and services to be delivered by a department. All departmental outputs have associated performance measures and targets covering quality, quantity, timeliness and cost. A key challenge going forward for performance management and reporting is maintaining a strong linkage between outputs and outcomes. Since 2004-05, a number of enhancements have been introduced to further strengthen this framework. In particular these include changes to Budget Paper Number 3: Service Delivery:  
  * Introduction of a departmental narrative and output classification text within departmental output statements which require departments to clearly articulate how the goods and services that they intend to deliver will achieve the GVT vision and the strategies the department will use to achieve these goals;  
<p>| Accept in Principle | The Department of Treasury and Finance is committed to continuous improvement of the existing resource allocation framework, with a view, in conjunction with departments, to maintain and strengthen the linkages between different elements of the framework. |</p>
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<th>PAEC recommendation</th>
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<tr>
<td>• A new chapter in 2006-07 Budget Paper Number 3, Linking Departmental Outputs to Government Outcomes, which provides a high level overview of the government’s service delivery achievements and the progress made towards GVT;</td>
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<td>• Linking budget initiatives in Chapter 1 of Budget Paper Number 3 to expected impact;</td>
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<td>• New Appendix D in Budget Paper Number 3: Local Government Financial Relations, which examines the impact of funding on the local government sector.</td>
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<td>This is coupled with a number of ongoing improvements. These include:</td>
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<td>• the development of a whole-of-government evaluation framework with a focus on increasing evaluation of effectiveness and impact;</td>
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<td>• the continued review of output structures and performance measures; and</td>
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<td>• the disclosure of discontinued outputs and performance measures.</td>
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Departmental response: action taken

Over the past year, the Department of Treasury and Finance (DTF) has continued to work closely together with the Department of Premier and Cabinet and departments, in relation to improving the existing resource allocation framework, particularly in strengthening the various elements of the framework. From a reporting perspective, some of the key improvements include:

- In the 2007-08 Budget Papers enhancements to Budget Paper Number 3: Service Delivery, particularly:
  - Chapter 2 Linking Departmental Outputs to Government Outcomes, by reinforcing the evidence basis for which departmental service delivery impacts on the achievement of government outcomes;
  - Chapter 3: Departmental Output Statements, enhancing transparency by requiring departments to continue to review their existing output structures and the appropriateness and relevance of their performance measures, as well as improving the way in which they articulate how individual service delivery commitments will contribute to achieving government outcomes, particularly in their narratives and footnotes;
  - Appendix A: Output, Asset Investment and Revenue Initiatives, enhancing accountability by requiring departments to explain how individual initiatives contribute to each output; and


From a budget reform framework improvement perspective, some of the continuous enhancements include:

- continued development of a whole-of-government evaluation framework with a focus on increasing evaluation of effectiveness and impact; and
- continued exploration of issues within the budget and financial management context to develop reforms that could potentially contribute to more efficient government and better service delivery outcomes.
## Recommendation 90 (page 392)

<table>
<thead>
<tr>
<th>PAEC recommendation</th>
<th>Response</th>
<th>Action taken to date</th>
<th>Further action planned</th>
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<tr>
<td>The Department of Treasury and Finance assume a more active role in providing practical guidance and training to agencies by publishing education materials and conducting regular training seminars, workshops and discussion forums on annual reporting.</td>
<td>Accept in Principle</td>
<td>The Department of Treasury and Finance, in consultation with Departments and other key stakeholders, takes a proactive role in providing preparers of annual reports with practical guidance and support where appropriate and necessary. This guidance includes:</td>
<td>The Department of Treasury and Finance will continue to work with departments to provide assistance on preparing annual reports as required.</td>
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<td>• DTF annually prepares and distributes a highly comprehensive and detailed Model Financial Report for Victorian Government Departments;</td>
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<td>• Detailed written information requests; and</td>
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<td>• Tailored seminars and training sessions conducted by DTF officers.</td>
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**Departmental response: action taken**

The Department of Treasury and Finance (DTF) acknowledges that ongoing support is required to assist departments and entities in the preparation of their annual reports. DTF continues to provide assistance in various forms to ensure that relevant, practical and up-to-date guidance is provided (including the annual Model Financial Report for Victorian Government Departments).

To this effect, DTF conducts periodic briefings and consultations in which relevant financial reporting matters are discussed. In addition, DTF produces a biannual Financial Reporting Update newsletter (available from the DTF website: www.dtf.vic.gov.au) which is designed to highlight relevant financial reporting developments and to provide departments with information which may be useful in the preparation of their annual reports.

To further assist in providing easily accessible guidance to departments and entities, DTF has recently consolidated a number of its websites by moving this content onto the DTF website (www.dtf.vic.gov.au). This action has been taken to improve the level of service by providing departments and entities with a ‘one stop shop’, as well as to improve internal DTF efficiencies and reduce duplication.
### Recommendation 91 (page 392)

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<th>PAEC recommendation</th>
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<th>Further action planned</th>
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| The Department of Treasury and Finance develop an annual reporting manual with best practice guidance, in collaboration with line agencies, to provide tools and resources for preparing annual reports. | Accept in Principle | The Department of Treasury and Finance currently has a number of formal arrangements in place to assist in sharing knowledge and information across the public sector in relation to annual reporting. In particular:  
- The Financial Management Knowledge Centre (which is located at http://www.fmkc.dtf.vic.gov.au) was developed and is maintained by DTF specifically for departments and agencies to access relevant annual reporting information;  
- DTF annually provides a dedicated training program (both systems and process guidance) to departments/agencies for the preparation of their annual financial reports;  
- DTF, in consultation with Departments and other key stakeholders, annually prepares and distributes a highly comprehensive and detailed Model Financial Report for Victorian Government Departments. In particular, this Model Report provides detailed and referenced information on the nature and extent of information that is required for disclosure for the Report of Operations as well as financial statements; and  
- Regular meetings with departmental CFOs and officers; and  
- DTF leads an annual agency wide forum that guides agencies through the requirements of annual reporting. In particular, this year, DTF issued agencies with a comprehensive information package outlining the relevant requirements for the preparation of their annual reports. This is supported by direct advice provided by DTF.  
This formal guidance is also complemented with the direct support that DTF provides through quality expert advice of dedicated portfolio relationship management teams. | The Department of Treasury and Finance will continue to work with departments to provide assistance on preparing annual reports as required. |
### Departmental response: action taken

The Department of Treasury and Finance (DTF) acknowledges that ongoing support is required to assist departments in the preparation of their annual reports. DTF continues to provide relevant assistance in various forms to ensure that practical and up-to-date guidance is provided.

To this effect, DTF produces a comprehensive annual Model Financial Report for Victorian Government Departments (the Model). The purpose the Model is to prescribe content representative of financial and operational reporting requirements.

The Model is revised yearly to reflect relevant changes in reporting requirements. To assist annual report preparers, a summary document is prepared to highlight key changes they need to be aware of in preparing their annual report. The Model also alerts preparers to various financial reporting amendments as a result of new and revised Australian Accounting Standards and Financial Reporting Directions which may impact on the preparation of future annual reports.

To further assist in providing easily accessible guidance to departments and entities, DTF has recently consolidated a number of its websites by moving this content onto the DTF website (www.dtf.vic.gov.au). This action has been taken to improve the level of service by providing departments and entities with a ‘one stop shop’, as well as to improve internal DTF efficiencies and reduce duplication.
APPENDIX 3: OUTSTANDING MATTERS THAT EMERGED FROM THE 2007-08 BUDGET ESTIMATES PROCESS

Department of Education and Early Childhood Development

Remaining questions on notice from the estimates process that relate to outcomes

Committee’s question:

Please explain why enrolments in the certificate programs under the government initiative Later Years and Youth Transitions are reducing.\(^{912}\)

Department’s response:

The Victorian Government’s investment in VET in Schools in government schools has trebled from $2 million in 1999 to $6.5 million in 2007. This is in addition to the funds provided through the core Student Resource Package.

Since publication of the 2007-08 Budget Papers, the department has obtained the final result for this measure. The 2006-07 BP-3 result for “Enrolments in VET in Schools certificate programs” as published in department’s 2006-07 Annual Report is 51,576, in comparison with the 2005-06 actual result of 47,636.

Similarly, the final result for VET in Schools students completing a qualification in 2006-07 was 14,519, which is higher that the 2005-06 result of 13,077, compared to the 2006-07 target of 12,800.

Department of Human Services

Matters that emerged from the 2007-08 estimates process for analysis

Committee’s question

With regard to public housing maintenance in 2005-06 and 2006-07, were any companies subject to penalties or fines for non-performance? If so, could details be provided per contract?\(^{913}\)


\(^{913}\) Mr R Wynne, MLA, Minister for Housing, 2007-08 Budget Estimates hearing, transcript of evidence, 17 May 2007, pp.5–6
Department’s response

During the period between 2005-06 and 2006-07, companies contracted by Housing and Community Building Division to provide maintenance or other services have performed well. A small number of fines or penalties were issued to four separate contractors over this period, for either not delivering, or not delivering contracted services to an acceptable standard, as per below.

- In 2005-06, one company was subject to penalties or fines for not delivering cleaning and gardening services to an acceptable standard, and one company was subject to penalties or fines for not delivering property maintenance services to contract specifications.
  
  Fines equated to $2,500 and $4,000.

- In 2006-07, one company was subject to a penalty or fine for not delivering cleaning and gardening services to an acceptable standard, and one company was subject to penalties or fines for not delivering property maintenance services to contract specifications.
  
  Fines equated to $6,000 and $3,000.

Note: Fines concerned with companies contracted for cleaning and gardening services are also reported in the October 2007 Ombudsman’s Report – Investigation into the Office of Housing’s tender process for the Cleaning and Gardening Maintenance Contract. The Ombudsman’s report does not reflect issues of property maintenance contracts.

Committee’s question:

Please explain how budgetary decisions are made between the allocation of asset investment funding between metropolitan and regional/rural areas.\(^\text{914}\)

Department’s response:

The department makes asset-related budgetary decisions based on a multi-year strategic framework, which considers various factors including service needs and individual asset conditions, to inform overall strategic decision making relating to asset investments across the entire state. The annual asset investment program is then derived from the multi-year strategy, based on which asset investments are considered a priority for the coming year.

Department of Infrastructure

Matters that emerged from the 2007-08 estimates process for analysis

Committee’s question:

As part of the 2006-07 budget estimates process, the Committee earmarked that it would request information from the Minister for Public Transport about the outcome of the expanded monitoring of crowding levels on trains, given that the results would not be known by the end of July 2007.\(^\text{915}\)

Please provide details of the most recent survey or surveys on the extent of train overcrowding during peak periods.

\(^{914}\) Public Accounts and Estimates Committee, Report on the 2007-08 Budget Estimates Part Three, p.96

Appendix 3: Outstanding matters that emerged from the 2007-08 Budget Estimates process

Department’s response:

The most recent finalised metropolitan train passenger count results from May 2007 indicate that there was an increase in the number of Rolling Hour Average Loads above the desired maximum load standards during peak periods in comparison to May 2006.\footnote{916\footnote{917}} This was an increase from 23 in May 2006 to 36 in May 2007, with 11 of the 13 additional Rolling Hour Average Loads above the desired level occurring in the PM Peak.

In October 2007, under a Partnership Agreement with Connex, passenger counts were conducted at inner cordon stations (Jolimont, North Melbourne and Richmond) for every metropolitan train line. This was the first time that two passenger counts at inner cordon stations had been conducted in the same calendar year. The main purpose of this count was to provide an update on the loads above the desired maximum load standard, identified in the AM and PM peaks in May 2007.

Preliminary results from the October 2007 survey indicate that there has been a decline in the number of Rolling Hour Average Loads above the desired maximum load standards during peak periods when compared to May 2007. There was a decline of 8 from 36 in May 2007 to 28 in October 2007, due mainly to extra services being added in the timetable in September 2007.

Further investigation including the effects that seasonal factors may have on the data is still to be undertaken to confirm if the October 2007 results are comparable with those from May 2007. As the October results are preliminary and further analysis is still to be conducted, they should be used with caution.

Department of Innovation, Industry and Regional Development

No outstanding matters emerged from the 2007-08 Budget Estimates process.

\footnote{916}{Rolling Hours in the AM Peak are 6:31 to 7:30, 7:01 to 8:00, 7:31 to 8:30, 8:01 to 9:00, 8:31 to 9:30 and 9:01 to 10:00. Rolling Hours in the PM Peak are 15:01 to 16:00, 15:31 to 16:30, 16:01 to 17:00, 16:31 to 17:30, 17:01 to 18:00, 17:31 to 18:30, 18:01 to 19:00 and 18:31 to 19:30.}

\footnote{917}{Desired maximum loads are set at 798 for a six-carriage train and all services counted during a rolling hour are averaged to give an hourly result. Where an hourly average is equal to or exceeds 798 it is common for individual trains in that hour to have much higher loads, sometimes over 1100 passengers per train.}
Department of Justice

Remaining questions on notice from the estimates process that relate to outcomes

Committee’s questions:

(a) Please provide details of the activities and educational programs introduced in 2005-06 and 2006-07 for the police force aimed at limiting the use of force and preventing fatal shootings, including officer training on how to deal with people with a mental illness.918

(b) What positive outcomes have emerged from this training?

Department’s response:

(a) Activities and educational programs aimed at limiting use of force

All operational police members are required to undergo Operational Safety and Tactics Training (OSTT) twice per year (two days on each occasion). Each OSTT course involves qualification/re-qualification in firearms handling, scenario responses and conflict resolution training. Content of individual OSTT courses, beyond the core components, is amended to allow for responses to particular issues as they arise.

In November 2005, the Office of Police Integrity made 55 recommendations for improvement in the way Victoria Police responds to critical incidents. Approximately half of those recommendations have been implemented, with the remainder being progressively reviewed and incorporated into longer term initiatives.

Four of the recommendations centre on better partnerships and protocols with other agencies which have a responsibility for persons with a mental disorder and on improving training for police responding to critical incidents involving persons with a mental disorder.

During 2007, Victoria Police undertook a comprehensive review of its current practices relating to interaction with persons with a mental disorder. In conjunction with other stakeholders, it has developed a Mental Health Strategy which will enable Victoria Police to respond more effectively and safely to such persons. The Strategy has three main elements: development of a knowledge and information exchange and reference capacity for operational police; the development and enhancement of external and internal partnerships; and the roll out of consistent and comprehensive training for operational police in dealing with persons with a mental disorder. Implementation of the first two elements is well advanced. The training element is being progressively implemented through OSTT and also through more specialised training.

(b) Positive outcomes:

There were no fatal police shootings in 2006.

There was one fatal police shooting in 2007.

Previously there were three fatal police shootings in each of the years 2005 and 2004.

Department for Planning and Community Development

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No outstanding matters emerged from the 2007-08 Budget Estimates process.

**Department of Premier and Cabinet**

No outstanding matters emerged from the 2007-08 Budget Estimates process.

**Department of Primary Industries**

No outstanding matters emerged from the 2007-08 Budget Estimates process.

**Department of Sustainability and Environment**

No outstanding matters emerged from the 2007-08 Budget Estimates process.

**Department of Treasury and Finance**

*Remaining questions on notice from the estimates process that relate to outcomes*

**Committee's questions:**

(a) In relation to the statement made by the Treasurer in the budget speech (page 7) that “we have invested $1.7 billion in water and catchment projects, along with more than $3 billion committed by water authorities”, please provide the Committee with a breakdown of those figures according to the following for each project over $10 million:

   (i) the expenditure or commitment
   (ii) the year the expenditure or commitment was incurred
   (iii) who incurred the expenditure (the government or water authority)

(b) Please provide a brief summary of the purpose of each project with expenditure or commitments greater than $10 million and a timeline for when outcomes are expected to flow from each project.
Department’s response:

The following list outlines the broad categories of water related expenditure (output and asset) since 1999. The list comprises two parts:

1. broad categories of water projects that make up the $1.7 billion in government direct expenditure; and
2. the breakdown by year of the water authorities' capital expenditure of more than $3 billion.

DTF does not have a full list of water projects that supports the $3 billion, but the $3 billion is outlined in the relevant annual reports of the water authorities.

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<thead>
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<th>Victorian Water Trust ($320 million):</th>
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<tr>
<td>Water Smart Gardens &amp; Homes</td>
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<tr>
<td>Smart Farms</td>
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<tr>
<td>Healthy Rivers</td>
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<td>Research in Water Conservation &amp; Recycling</td>
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<td>Water Conservation Assistance Program</td>
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<td>Country Towns Water Supply &amp; Sewerage</td>
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<td>Goulburn &amp; Broken Rivers Irrigation Systems Upgrade</td>
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<tr>
<td>Sunraysia Irrigation Systems Upgrade</td>
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<td>Gippsland Lakes &amp; Macalister River Irrigation Systems Upgrade</td>
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<td>Werribee Plains</td>
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<tr>
<td>Gippsland Water Factory</td>
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<tr>
<td>Mount Hotham Wastewater Reuse &amp; Water Conservation</td>
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<td>Mount Buller Recycling &amp; Conservation</td>
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<tr>
<td>Protecting &amp; Repairing our Water Sources</td>
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<tr>
<td>Smart Urban Water Initiative and Recycling</td>
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<td>Smart Farms Sustainable Irrigation</td>
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<tr>
<td>Water Security for Cities, Towns &amp; the Environment</td>
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<td>CoAG Living Murray</td>
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<th>Other State Budget Funded initiatives (DSE):</th>
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<tr>
<td>Wimmera Mallee Pipeline</td>
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<tr>
<td>Water Security - Bendigo Pipeline</td>
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<td>Victoria's Payments to Murray Darling Basin Commission</td>
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<td>Barmah Choke Interconnect Feasibility Study</td>
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<td>Northern Irrigation Revitalisation Design Works</td>
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<td>Campaspe Pipeline to Waranga Channel</td>
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<td>Northern Mallee Pipeline</td>
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<td>Gippsland Lakes Rescue Package</td>
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<td>Irrigation Efficiency Program</td>
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<td>Catchment and Waterway Grants</td>
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<td>Waterways - Restoring Environmental Flows (Snowy)</td>
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<td>River Murray Environmental Flows</td>
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<td>Water-related Bushfire Recovery</td>
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<td>Improved Public Safety on Public Land</td>
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<td>River Health &amp; Water Quality/Healthy Rivers &amp; Environmental Flows</td>
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<td>Sunraysia - Salt Interception Scheme</td>
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Appendix 3: Outstanding matters that emerged from the 2007-08 Budget Estimates process

Central Region Sustainable Water Strategy:
- Goldfields Superpipe
- Large Scale Options Analysis for Geelong
- Barwon Water/Shell Project
- Large Scale Supply Options Analysis for Melbourne
- Annual Reviews Process for the Water Sector

Contribution from other state departments:
- Regional Infrastructure Development Fund (RIDF) contribution to Gippsland Water Factory
- RIDF contributions to various water projects

2007-08 Budget initiatives:
- Altona Industrial Recycling Project – Stage 1
- Frankston Community/Sports Facilities Project
- Onsite Recycling Projects at Australian Vinlys and Qenos
- Small Towns Water Quality Fund
- Somers Treatment Plant/Bluescope Westernport Plant Upgrade
- Stormwater and Urban Recycling
- Top 1500 Industry Program
- Water Industry Saving Package
- Water Rebate Scheme (including Tanks)
- Water Smart Farms Initiative
- Continue Werribee Vision
- Modernisation of Shepparton Irrigation Area

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<td>Water Authorities’</td>
<td>451.30</td>
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<td>596.30</td>
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Parliamentary departments

Not received at 3 March 2008