



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

86th REPORT TO THE PARLIAMENT

Review of the Findings and Recommendations of the Auditor-General's Reports—2007

June 2009

Ordered to be
printed

By Authority
Government Printer for the State of Victoria

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

Address: Parliament of Victoria
Spring Street
East Melbourne Victoria 3002

Telephone: (03) 8682 2867

Facsimile: (03) 8682 2898

Email: paec@parliament.vic.gov.au

Internet: www.parliament.vic.gov.au/paec

Parliament of Victoria

Public Accounts and Estimates Committee

*Review of the Findings and Recommendations of
the Auditor-General's Reports 2007*

ISBN 978 0 9804553 8 0

CONTENTS

PART A:	REPORT ON STATE INVESTMENT IN MAJOR EVENTS.....	15
CHAPTER 1:	INTRODUCTION	17
1.1	Selection of the Major Events topic for follow-up review	17
1.2	Objectives and scope of the follow-up review undertaken by the Committee	17
1.3	Benefits of staging Major Events in Victoria.....	18
	1.3.1 Economic benefits	18
	1.3.2 Induced tourism.....	19
	1.3.3 Social and community benefits	21
1.4	Content of the Auditor-General’s Report.....	21
CHAPTER 2:	BACKGROUND TO THE COMMITTEE’S FOLLOW-UP REVIEW	23
2.1	Scope and purpose: the report of the Auditor-General on State Investment in Major Events	23
2.2	Key findings of the Auditor-General	24
2.3	Overall responses to findings by the Secretaries and Chief Executive Officers of the agencies reviewed	25
CHAPTER 3:	PRE-EVENT ASSESSMENT.....	27
3.1	Overview.....	27
3.2	Recommendations made by the Auditor-General	27
3.3	Subsequent developments – further evidence obtained by the Committee	28
CHAPTER 4:	POST-EVENT EVALUATION.....	31
4.1	Overview	31
4.2	Recommendations made by the Auditor-General	32
4.3	Preparing economic impact statements with more rigour and transparency – economic effects and assumptions	33
	4.3.1 Economic models explained by the Victorian Auditor-General’s Office.....	33
	4.3.2 Progress in developing economic models to estimate economic effects	34
	4.3.3 Desirable characteristics of an economic assessment	35
	4.3.4 Limitations of economic modelling	35
4.4	Broadening post-event assessments, where practicable, to include social and environmental factors	37
	4.4.1 Subsequent developments – further evidence obtained by the Committee	37
4.5	Assessing the effectiveness of risk management and continuous improvement arrangements.....	38
	4.5.1 Subsequent developments – further evidence obtained by the Committee	38

4.6	Reconciling pre-event assessments and post-event results.....	40
	4.6.1 Subsequent developments – further evidence obtained by the Committee	40
4.7	Developing guidelines for the economic assessment of major events.....	40
	4.7.1 Subsequent developments – further evidence obtained by the Committee	40
CHAPTER 5:	CONTRACTUAL AND MANAGEMENT ARRANGEMENTS.....	43
5.1	Overview	43
5.2	Recommendations made by the Auditor-General.....	43
5.3	Compelling organisers through contractual arrangements to develop a risk management strategy and embark on a continuous improvement process	44
	5.3.1 Response from Department of Innovation, Industry and Regional Development included in Auditor-General's Report	44
5.4	Establishing a panel of preferred contractors to undertake major economic assessments.....	44
	5.4.1 Response from agencies included in Auditor-General's Report	44
	5.4.2 Response in the Minister for Finance's report.....	44
	5.4.3 Post audit initiatives introduced by the government.....	45
CHAPTER 6:	PUBLIC REPORTING OF OUTCOMES.....	47
6.1	Overview	47
6.2	Recommendations made by the Auditor-General.....	47
6.3	Developing a reporting template to facilitate the public reporting of key outcomes from major events.....	48
	6.3.1 Response from agencies included in Auditor-General's report.....	48
	6.3.2 Post audit initiatives introduced by the government.....	48
PART B:	MAINTAINING VICTORIA'S RAIL INFRASTRUCTURE ASSETS.....	49
CHAPTER 1:	BACKGROUND TO THE REVIEW	51
1.1	Introduction	51
1.2	Rail infrastructure and maintenance.....	51
	1.2.1 Metropolitan rail infrastructure	52
	1.2.2 Intrastate rail infrastructure.....	52
	1.2.3 Interstate rail infrastructure.....	53
1.3	Audit of Maintaining Victoria's Rail Infrastructure Assets.....	53
1.4	Response by the Department of Transport	54
1.5	Response by the Auditor-General to the Committee.....	55
1.6	Scope of the review undertaken by the Committee.....	55
CHAPTER 2:	OUTCOMES OF RAIL INFRASTRUCTURE LEASE AGREEMENTS.....	57
2.1	Introduction	57

2.2	The metropolitan infrastructure lease	57
	2.2.1 Lease provisions for managing infrastructure maintenance and renewal.....	58
	2.2.2 Maintenance and renewals and future lease arrangements.....	58
2.3	The intrastate infrastructure lease	60
	2.3.1 The first lease.....	61
	2.3.2 The second lease.....	62
	2.3.3 Auditor-General's findings.....	63
	2.3.4 Committee analysis.....	63
2.4	Interstate Infrastructure	64
	2.4.1 Lease provisions for maintenance and renewal.....	64
	2.4.2 Auditor-General's findings.....	64
	2.4.3 Department's response.....	65
	2.4.4 Committee's review.....	65
	2.4.5 Conclusion.....	65
CHAPTER 3:	ASSESSMENT OF RAIL INFRASTRUCTURE AND ITS PERFORMANCE.....	67
3.1	Introduction	67
3.2	Metropolitan infrastructure	67
	3.2.1 Departmental infrastructure review.....	68
	3.2.2 Infrastructure condition.....	68
	3.2.3 Delays caused by infrastructure.....	70
	3.2.4 Implementation of the recommendations of the infrastructure review.....	70
3.3	Intrastate Infrastructure and its condition.....	71
	3.3.1 Track and structures.....	72
	3.3.2 Signalling infrastructure.....	72
	3.3.3 Service delivery and safety.....	73
	3.3.4 Auditor-General conclusion and recommendation.....	73
	3.3.5 Implementation of the Auditor-General's recommendation.....	74
	3.3.6 Conclusion.....	74
3.4	Interstate Infrastructure and its condition.....	75
	3.4.1 Track and structures.....	75
	3.4.2 Signalling infrastructure.....	75
	3.4.3 Service delivery and safety.....	77
	3.4.4 Conclusion.....	77
CHAPTER 4:	LONG TERM MAINTENANCE AND RENEWAL.....	79
4.1	Introduction	79
4.2	Maintenance and renewal of the metropolitan rail infrastructure	79
	4.2.1 Auditor-General's findings and recommendations.....	79
	4.2.2 Long term asset management strategy.....	80
	4.2.3 Action undertaken by the Department of Transport.....	80
	4.2.4 Planning for the future.....	81
4.3	Maintenance and renewal of the intrastate rail infrastructure.....	82
	4.3.1 Auditor-General's findings and recommendations.....	82
	4.3.2 Progress since the buyback.....	83

4.4	Maintenance and renewal of the interstate rail infrastructure	84
	4.4.1 Auditor-General's findings and recommendations	84
	4.4.2 Verification of maintenance and renewal activities.....	85
CHAPTER 5:	PERFORMANCE REPORTING AND PERFORMANCE INFORMATION.....	87
5.1	Introduction	87
5.2	Performance reporting arrangements for metropolitan rail infrastructure.....	87
	5.2.1 Auditor-General's findings	88
	5.2.2 Department of Transport's review of KPIs.....	88
5.3	Performance reporting arrangements for intrastate rail infrastructure.....	89
	5.3.1 Auditor-General's findings	90
	5.3.2 Committee findings.....	90
5.4	Performance reporting arrangements for interstate rail infrastructure.....	90
	5.4.1 Auditor-General's findings	91
	5.4.2 Measuring the effectiveness of infrastructure maintenance and renewal	91
	5.4.3 Performance review and implementation of agreed improvements	92
	5.4.4 Conclusion.....	93
PART C:	PROMOTING BETTER HEALTH THROUGH HEALTHY EATING AND PHYSICAL ACTIVITY.....	95
CHAPTER 1:	BACKGROUND TO THE REVIEW	97
1.1	Scope and purpose: the report of the Auditor-General on Promoting Better Health.....	97
1.2	Findings of the Auditor-General	97
1.3	Responses to findings by the Secretaries of the agencies reviewed.....	98
1.4	Response by the Auditor-General to the Committee.....	99
1.5	Scope of the review undertaken by the Committee.....	99
CHAPTER 2:	BACKGROUND TO THE ISSUE AND HEALTH PROMOTION IN AUSTRALIA AND VICTORIA	101
2.1	Overweight and obesity and its links to chronic diseases	101
	2.1.1 Scale of the issue	102
	2.1.2 The cost of the issue	102
	2.1.3 Tackling the problem	103
	2.1.4 What is health promotion?.....	104
2.2	Coordination and collaboration of health promotion initiatives in Australia and Victoria	105
	2.2.1 Australian Commonwealth Government.....	105
	2.2.2 Victorian Government.....	106
	2.2.3 External Groups.....	109

2.3	Commonwealth and State Government Strategies and Frameworks.....	109
	2.3.1 Australian Commonwealth Government	109
	2.3.2 Victorian State Government	111
2.4	Recent activities, programs and achievements in the promotion of healthy eating and physical activity	112
	2.4.1 VicHealth	112
	2.4.2 Department of Human Services	113
	2.4.3 Department of Planning and Community Development.....	113
	2.4.4 Department of Education and Early Childhood Development.....	114
2.5	Concluding comments	115
CHAPTER 3:	HEALTH PROMOTION EXPENDITURE.....	117
3.1	Spending on Health Promotion Programs	117
	3.1.1 Auditor-General's comments.....	117
	3.1.2 Information obtained by the Committee	117
3.2	Funding of Health Promotion Programs.....	119
	3.2.1 Auditor-General's findings	119
	3.2.2 Responses by agencies	121
	3.2.3 Subsequent developments.....	123
	3.2.4 Conclusion and recommendations	124
CHAPTER 4:	DATA COLLECTION AND MONITORING	127
4.1	Introduction	127
4.2	Building and maintaining the evidence base to guide the State's investment in health promotion	127
4.3	Building a better understanding of the risks and outcomes of unhealthy eating and physical inactivity	128
	4.3.1 Auditor-General's findings and recommendations	128
	4.3.2 Agency responses.....	128
	4.3.3 Subsequent developments.....	129
	4.3.4 Conclusion and recommendations	130
4.4	Understanding the existing evidence on what programs work best to achieve these changes	131
	4.4.1 Auditor-General's findings and recommendatons.....	131
	4.4.2 Agency responses.....	131
	4.4.3 Subsequent developments.....	133
4.5	Current research activities.....	134
	4.5.1 Advice provided to the Committee on research activities and the existing evidence-base.....	136
	4.5.2 Conclusion and recommendations	137
CHAPTER 5:	EVALUATING HEALTH PROMOTION PROGRAMS.....	141
5.1	What is meant by evaluation?	141
5.2	Evaluation of health promotion projects	141

5.3	Auditor-General's findings	141
	5.3.1 Auditor-General's recommendations	143
	5.3.2 Agency responses	143
	5.3.3 Subsequent developments	145
5.4	Evaluating Municipal Public Health Plans	148
	5.4.1 Auditor-General's findings and recommendations	148
	5.4.2 Agency responses	149
	5.4.3 Subsequent developments	150
5.5	Review, conclusion and recommendations	151
CHAPTER 6:	PLANNING AND COORDINATION OF HEALTH PROMOTION PROGRAMS	155
6.1	Planning of health promotion programs.....	155
	6.1.1 Auditor-General's findings	155
	6.1.2 Auditor-General's recommendation.....	158
	6.1.3 Agency responses	158
	6.1.4 Subsequent developments	160
	6.1.5 Conclusions and recommendations	160
6.2	Governance arrangements for addressing obesity in Victoria.....	161
	6.2.1 Auditor-General's findings and recommendations	162
	6.2.2 Agency responses	162
	6.2.3 Subsequent developments	163
	6.2.4 Conclusion	164
CHAPTER 7:	GOING FORWARD	165
7.1	Introduction	165
7.2	Long-term problem requiring long-term commitment.....	165
7.3	Greater focus on preventative health.....	166
	7.3.1 Recent examples of an increasing emphasis on preventative health	167
	7.3.2 Review and conclusion.....	168
7.4	Where to from here?	169
	7.4.1 Importance of research, data, evidence and measurement of outcomes	169
	7.4.2 Importance of focussing on children.....	170
	7.4.3 A Chronic Disease Prevention Strategy for Victoria.....	171
	7.4.4 Leading the way – The Victorian Health Promotion Foundation	172
PART D:	PRIORITY TWO FOLLOW-UP	175
CHAPTER 1:	MANAGING EMERGENCY DEMAND IN PUBLIC HOSPITALS.....	177
1.1	Introduction	177
1.2	Implementation of recommendations	178
	1.2.1 Performance benchmarks for triage categories four and five	178
	1.2.2 Public reporting of patients who leave without receiving treatment	179
	1.2.3 Waiting room procedures for patient re-triaging	180
	1.2.4 Emergency Department data management systems	181

CHAPTER 2:	RAISING AND COLLECTION OF FEES AND CHARGES BY DEPARTMENTS.....	183
2.1	Introduction	183
	2.1.1 Auditor-General's recommendations.....	184
2.2	Improving processes within departments.....	184
	2.2.1 Department of Education and Early Childhood Development.....	184
	2.2.2 Department of Justice	185
	2.2.3 Department of Primary Industries	185
	2.2.4 Department of Transport	186
	2.2.5 Department of Sustainability and Environment.....	187
	2.2.6 Committee analysis	187
2.3	Central agency responsibility.....	188
	2.3.1 Guidance on fees and charges	188
	2.3.2 Financial Management and Compliance Framework.....	189
	2.3.3 IT system for whole of government use	189
2.4	Conclusion	190
CHAPTER 3:	ADMINISTRATION OF NON-JUDICIAL FUNCTIONS OF THE MAGISTRATES' COURT OF VICTORIA.....	191
3.1	Introduction	191
3.2	Structure and governance	191
	3.2.1 Risk management	192
3.3	Corporate planning, performance monitoring and reporting	192
	3.3.1 Performance indicators, resource allocation and improving local court action plans	193
	3.3.2 Special court programs	194
3.4	Asset management and security.....	194
	3.4.1 Asset management responsibilities.....	195
	3.4.2 Enhancing security and weapons checks	196
	3.4.3 Duress alarms	196
3.5	Staff recruitment and retention	197
	3.5.1 Work opportunities for court administrators	197
	3.5.2 Workforce planning strategy	198
3.6	Customer service.....	198
	3.6.1 Complaints management measures	199
	3.6.2 Gathering information on the views of court users.....	199
3.7	Management of the Court fund and other controls	200
	3.7.1 Audit activity	201
	3.7.2 Risk management strategy	202
	3.7.3 Alternative methods for administering the Court fund.....	202
3.8	Conclusion	203

CHAPTER 4:	CONTRACTING AND TENDERING PRACTICES IN SELECTED AGENCIES	205
4.1	Introduction	205
	4.1.1 Audit methodology	205
	4.1.2 Audit findings and recommendations	206
4.2	Agency implementation.....	207
	4.2.1 Department of Education and Early Childhood Development.....	207
	4.2.2 Department of Human Services	208
	4.2.3 Department of Justice.....	208
	4.2.4 Department of Transport	209
	4.2.5 Ambulance Victoria.....	209
	4.2.6 Metropolitan Fire and Emergency Services Board.....	210
	4.2.7 Victoria Police	210
	4.2.8 Committee analysis	211
4.3	Procurement policies and guidelines under the Project Development and Construction Management Act 1994	211
	4.3.1 Conclusion	211
4.4	Construction Supplier Register	212
	4.4.1 Committee analysis	212
4.5	Conclusion.....	213
APPENDIX 1:	RESPONSES FROM AGENCIES AND THE MINISTER FOR FINANCE TO THE RECOMMENDATIONS MADE BY THE AUDITOR-GENERAL	215
APPENDIX 2:	STATE GOVERNMENT HEALTHY EATING AND PHYSICAL ACTIVITY RESEARCH PROJECTS CURRENTLY FUNDED BY DHS, VICHEALTH, DPCD AND DEECD	221
APPENDIX 3:	ACRONYMS AND ABBREVIATIONS.....	229
APPENDIX 4:	SUBMISSIONS	231
APPENDIX 5:	LIST OF WITNESSES AT PUBLIC HEARINGS	233

PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP - 56TH PARLIAMENT

Bob Stensholt MP (Chair)

Kim Wells MP (Deputy Chair)

Richard Dalla-Riva MLC

Jennifer Huppert MLC

Janice Munt MP

Wade Noonan MP

Sue Pennicuik, MLC

Gordon Rich-Phillips MLC

Robin Scott MP

Bill Sykes MP

For this inquiry, the Committee was supported by a secretariat comprising:

Executive Officer: Valerie Cheong

Senior Research Officers: Leah Brohm

Vicky Delgos

Research Officers: David Baker

Ian Claessen

Business Support Officer: Melanie Hondros

Desktop Publishing Lisa Burton (Temporary)

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 or 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

Under its functions and powers set out in sections 14 and 33 of the *Parliamentary Committees Act 2003*, the Public Accounts and Estimates Committee systematically follows up audit reports tabled in Parliament by the Auditor-General every six months in tranches. The Committee prioritises these reports (as 'priority one' or 'priority two') using various criteria such as the seriousness of audit findings, public interest, risks, social impacts, materiality and opportunities to enhance accountability.

I am pleased to present the second tranche, termed 'Round Two'. For this round, the Committee has undertaken a review of Auditor-General reports tabled between March and August 2007.

The Committee's review process for selected priority one audit reports includes issuing questionnaires to relevant Department Secretaries, the Auditor-General and other relevant bodies. Public submissions are sought and public hearings with relevant witnesses can also be conducted.

The Committee has undertaken three priority one audit reviews in Round Two which are included in this report. They are:

- *State Investment in Major Events* (Part A);
- *Maintaining Victoria's Rail Infrastructure Assets* (Part B); and
- *Promoting Better Health through Healthy Eating and Physical Activity* (Part C).

The Committee also prioritised and undertook four priority two audit reviews (contained in Part D). To undertake these, the Committee sought written comments from Departments and the Auditor-General in relation to the progress of implementation of recommendations contained in the audit reports. The four reviews of audit reports are *Managing Emergency Demand in Public Hospitals*, *Raising and Collection of Fees and Charges by Departments*, *Administration of Non-Judicial Functions of the Magistrates' Court of Victoria*; and *Contracting and Tendering Practices in Selected Agencies*.

The topics reviewed by the Committee are diverse and raise a wide range of issues for the public sector impacting on expected standards in service provision and excellent levels of amenity, quality of life and safety to the Victorian community.

In commending this report to Parliament, I encourage interested parties to examine its contents and the Government and the Auditor-General to implement the Committee's recommendations as appropriate.

I wish to thank my colleagues on the Committee for their participation in these reviews, their thoughtful consideration of matters throughout the review process and in the writing of the final report. I also wish to thank the Committee Secretariat staff for their high quality research and administrative support during these extensive reviews.

The total cost of the Round Two audit reviews are \$59,440.



Bob Stensholt MP

Chair

RECOMMENDATIONS

The Committee recommends that:

- Recommendation 1:** The Department of Innovation, Industry and Regional Development consider measuring in a reliable manner the extent of repeat visits of tourists that attend the Spring Racing Carnival and like events and elect to visit Victoria on a subsequent occasion or extend their stay after attending the major event..... 21
- Recommendation 2:** To preserve effective and informed decision-making and enhance accountability, the revised Major Events Assessment Statement include a description of the relative importance or weighting attached to each information category of the proposal. 29
- Recommendation 3:** To enhance transparency over the economic modelling used in the preparation of economic impact assessment reports (pre-event) and post-event assessments for major events staged in Victoria, the Department of Innovation, Industry and Regional Development disclose:
- (a) the economic rationale, including key assumptions with details of the economic models used, that show various scenarios in relation to the level of economic impacts; and
 - (b) for each major event, details of the economic model(s) and the key assumptions used in the analysis of economic impacts, together with the reasons for choosing the particular economic model and relevant scenarios to be applied. 36
- Recommendation 4:** The Department of Innovation, Industry and Regional Development ensure that post-event evaluation reports for major events include an assessment of the effectiveness of the risk management and mitigation processes and sufficiency of contingencies identified in the risk management model, strategy and plans developed by event organisers. The assessment should include any lessons learnt in terms of risk identification and risk management for future events. 39
- Recommendation 5:** The Department of Treasury and Finance ensure that the guidelines governing the economic assessment of major events that take into account the size and importance and level of government funding for each particular event be prepared in a manner that will enable the technical aspects of the modelling and the interpretation thereof to be easily comprehended..... 41

Recommendation 6:	The Department of Transport apply best practice for rail infrastructure to continue to improve the maintenance, renewal and reporting for the intrastate rail network.....	64
Recommendation 7:	The Department of Transport continue to work with the infrastructure manager to include more detailed information on the benefits, risks and performance improvements associated with undertaking each maintenance and renewal activity.....	81
Recommendation 8:	The Department of Transport implement its revised KPIs as soon as possible, with reasonable flexibility allowed in its new franchise agreements for improvements and revisions from time to time.	89
Recommendation 9:	The Department of Transport and V/Line put in place a performance information and reporting framework to oversee and measure the effectiveness of maintenance and renewal activities.	90
Recommendation 10:	<p>There is a need for each of the lead agencies providing health promotion program funding to undertake a comprehensive review of their respective funding models to ensure that funds are:</p> <ul style="list-style-type: none"> (a) efficiently distributed to maximise the amounts deployed on the ground; (b) sufficient to effectively administer and evaluate programs; (c) sustainable and consistent with the goals and objectives of the program; and (d) sufficiently flexible to respond to local needs and issues..... 	124
Recommendation 11:	<p>The Department of Human Services consider:</p> <ul style="list-style-type: none"> (a) developing a prescriptive model for building community capacity across the community health and public health partnership sector together with targeted training and tools to assist implementation in local organisations; and (b) funding demonstration sites across the sector which exhibit best practice approaches to capacity building..... 	125
Recommendation 12:	Given the critical need for current data on obesity related indicators to facilitate lead and local agency planning, the implementation of the Victorian Health Monitor across the State should be afforded a high priority by the Department of Human Services to enable the results to be accessed by interested stakeholders as soon as possible.	131

Recommendation 13:	The Department of Human Services consider means for sharing relevant health and lifestyle data gathered across lead and local agencies and non-government organisations in relation to issues associated with overweight and obesity and chronic disease to improve access and assist lead and local agency planning.....	131
Recommendation 14:	VicHealth and the Department of Human Services work together to develop a research investment strategy which identifies and prioritises Statewide research projects in the area of health promotion directed at addressing the increasing rates of overweight and obesity in the population. In identifying projects, consideration should be given to:	
	<ul style="list-style-type: none"> (a) identifying the current gaps in the research base in respect of the factors which cause overweight and obesity and the most effective strategies to tackle these factors; (b) research being undertaken nationally, interstate and overseas so as to minimise any potential areas of duplication and to assist in the design of research projects in the State; (c) an assessment of the human and financial resources required to undertake the required research into obesity, dietary behaviour and physical activity together with an assessment of the adequacy of the current level of investment in research activities in these areas; and (d) the development of criteria or methodology for prioritising the research projects identified. 	139
Recommendation 15:	The Department of Human Services finalise the development of comprehensive performance indicators relevant to the <i>Go for your life</i> Strategic Plan as a matter of urgency.	153
Recommendation 16:	A concerted effort be made by the Department of Human Services, the Department of Planning and Community Development and the Department of Early Childhood Development to develop and implement comprehensive evaluation frameworks, which include relevant and appropriate performance indicators to improve the assessment and reporting of information about the health outcomes of health promotion programs and activities.....	153
Recommendation 17:	The Government review the State’s current investment in evaluation of health promotion programs to ensure that sufficient funds are available to assess the effectiveness of government programs and activities in this area.	153

Recommendation 18:	The Department of Education and Early Childhood Development undertake appropriate evaluations of Commonwealth and State initiatives to assess the impact of programs and ways for streamlining any program crossovers aimed at the promotion of physical activity and healthy eating by school children.....	153
Recommendation 19:	Work being undertaken by the Department of Human Services to address the recommendations contained in the <i>Evaluation of the Environments for Health</i> report, should be afforded a high priority to improve the effectiveness of Municipal Public Health Plans as a health planning tool.....	153
Recommendation 20:	The importance of local government in effecting changes to the lifestyle and behaviour of local communities warrants greater attention and support from the Department of Human Services and the Department of Planning and Community Development in supporting local government to build capacity and develop its workforce so that they are equipped to undertake meaningful assessments of the outcomes of their Municipal Public Health Plans.....	153
Recommendation 21:	In respect to Aboriginal Health Promotion and Chronic Care plans, the Department of Human Services develop measures to assist agencies in improving the quality and comprehensiveness of these Plans. Consideration needs to be given to ensuring these agencies have adequate funding and training assistance to undertake the required health planning.....	161
Recommendation 22:	The Department of Education and Early Childhood Development should seek to improve its understanding of the chronic disease risk factors facing school-aged children through increased research and analysis to better inform the design of activities and programs aimed at encouraging healthy lifestyle choices and behaviour.....	161
Recommendation 23:	The Government give consideration to the development of a social marketing campaign which focuses on the issue of overweight and obesity and its links to chronic diseases. Such a campaign should be directed at raising awareness of the risks associated with unhealthy lifestyle and promoting positive changes in individual and societal attitudes and behaviours over time.....	166
Recommendation 24:	The Government consider a review of the current investment in preventative health promotion in the State given the costs associated with the treatment of chronic diseases and the benefits to be gained from reducing the rate of chronic disease in the State.	169

- Recommendation 25:** **The Department of Education and Early Childhood Development give consideration to increasing programs and activities in school, aimed at the development of life skills in good nutritional habits and choices with the aim of skilling the future adult population of the State in healthy lifestyle choices and behaviour. 171**
- Recommendation 26:** **The Government give consideration to the development of a chronic disease prevention strategy for Victoria. Such a strategy needs to:**
- (a) clearly identify the causes of serious chronic disease in the State;**
 - (b) Specifically consider those groups most at risk, particularly indigenous Victorians;**
 - (c) determine the research requirements and gaps in the evidence-base;**
 - (d) determine the medium and long term objectives of the strategy;**
 - (e) assign responsibilities across government;**
 - (f) articulate the mechanisms for coordination and communication of activities under the strategy; and**
 - (g) determine the monitoring and evaluation mechanisms needed to provide feedback on achievements and determine future direction. 171**
- Recommendation 27:** **The Government, under the auspice of the Department of Premier and Cabinet, review the Victorian Health Promotion Foundation’s enabling legislation to ensure that:**
- (a) VicHealth is recognised as the Government’s pre-eminent health promotion agency and is given responsibility for leading and coordinating the State’s future strategy on the prevention of chronic diseases;**
 - (b) the legislation reflects most accurately the current environment in which VicHealth operates; and**
 - (c) VicHealth is not restricted about how and where best to direct its resources to drive the State’s strategy on preventative health in the most effective manner 173**
- Recommendation 28:** **The Department of Human Services should explain in a more transparent manner in its public reporting that triage-to-treatment times does not include patients who left prior to receiving treatment..... 180**

Recommendation 29:	The Department of Human Services should enlist the Emergency Care Improvement and Innovation Clinical Network to develop procedures for patient re-triaging and management.....	181
Recommendation 30:	The Department of Human Services act to ensure there are appropriate security controls over emergency Department data management systems.	182
Recommendation 31:	In accordance with Government guidelines, Departments should undertake a review of fees and charges every year.	188
Recommendation 32:	Departments should have in place appropriate internal guidance and policies relating to fees and charges.	188
Recommendation 33:	Departments should ensure that their systems for fees and charges efficiently interface with their primary financial management system.....	188
Recommendation 34:	The Department of Treasury and Finance should enhance the Financial Management and Compliance Framework to ensure that annual certifications include the requirements related to the administration of fees and charges.....	189
Recommendation 35:	The Department of Treasury and Finance should, in consultation with departments, undertake investigations into the feasibility of developing or purchasing a common system for departments that administer fees and charges that integrates with its primary financial system.....	190
Recommendation 36:	The Magistrates' Court of Victoria in conjunction with the Department of Justice continues to develop its staff rotation policy and encourage the development of staff via secondments outside of the court system.....	198
Recommendation 37:	The Magistrates' Court of Victoria implement a performance measure that strives for continuous improvement in the timeliness of complaint handling.	199
Recommendation 38:	The Magistrates' Court of Victoria investigates formal and informal methods for gathering information for measuring and reporting on the needs and perceptions of public court users on a regular basis. Pervasive needs of users over a period of reasonable time will need to be addressed by the Magistrates' Court of Victoria.	200
Recommendation 39:	The Magistrates' Court of Victoria, Department of Justice and the Victorian Auditor-General's Office quickly agree and implement a best practice model for the management of the Court Fund, including guidelines for funds accountability and decision making on distribution of funds.	203

Recommendation 40:	The Victorian Auditor-General’s Office undertake cross agency audits of contracting and tendering practices in selected agencies every three years.....	211
Recommendation 41:	The Department of Transport implement initiatives to ensure users of the Construction Supply Register submit performance reports.....	212

PART A:

**REPORT ON STATE
INVESTMENT IN MAJOR EVENTS**

CHAPTER 1: INTRODUCTION

1.1 Selection of the Major Events topic for follow-up review

In accordance with its functions and powers under sections 14 and 33 of the *Parliamentary Committees Act 2003*, the Public Accounts and Estimates Committee (the Committee) systematically follows-up Auditor-General reports tabled in Parliament.

The Committee prioritises these reports using various criteria, including consideration of the seriousness of impacts and implications of audit findings, public interest, risks, social impacts, criticality and unresolved disputes, materiality and opportunities to enhance accountability.

The subsequent Committee reports, which are prepared following consultation with the Auditor-General and the relevant departments and/or agencies, provide the Parliament with an update on actions taken since the tabling of the report with a view to improving accountability and resource management in the Victorian public sector.

Based on this criteria and feedback received from the Auditor-General, the Committee assigned a high priority to undertaking a follow-up review of the Auditor-General's report on *State Investment in Major Events*, which was tabled in May 2007.

1.2 Objectives and scope of the follow-up review undertaken by the Committee

In exercising its public accounts function, the objectives of undertaking the follow-up review of the findings and recommendations made by the Auditor-General in his May 2007 report on *State Investment in Major Events* were to:

- provide the Parliament with an update on actions taken to improve accountability and resource management in the Victorian public sector; and
- offer suggestions on any improvements that could have been made in relation to the content of the report.

The scope of the Committee's follow-up review of the Auditor-General's report on *State Investment in Major Events* involved the following stages:

- on 20 September 2008, the Committee placed a public advertisement in the major newspapers, inviting written submissions from individuals and organisations to address any aspect of the findings and recommendations contained in the Auditor-General's report;
- on 21 October 2008, the Committee sought written comments from the following organisations on a range of matters, including how the Auditor-General's recommendations had been addressed:
 - Department of Premier and Cabinet;
 - Department of Treasury and Finance;
 - Department of Innovation, Industry and Regional Development;
 - Victorian Major Events Company; and
 - Australian Grand Prix Corporation.

- the response from the Department of Innovation, Industry and Regional Development was prepared in consultation with the Victorian Major Events Company and the Australian Grand Prix Corporation.
- on 21 October 2008, the Committee also requested a formal response from the Victorian Auditor-General's Office to a range of matters that included further input on economic modelling, approaches for undertaking triple bottom line assessments and the impact of branding on greater awareness of Victoria and increased tourism.
- on 25 November 2008, a public hearing was held with the following participants:
 - Victorian Auditor-General's Office;
 - Department of Premier and Cabinet;
 - Department of Treasury and Finance;
 - Department of Innovation, Industry and Regional Development; and
 - Victorian Major Events Company;
- on 25 November 2008, a hearing was also held in camera with the Department of Innovation, Industry and Regional Development and the Victorian Major Events Company; and
- on 11 December 2008, follow-up queries based on the deliberations that occurred through the public hearing process were issued to some of the above participants.

The following chapters, which take into account information derived from the above mentioned lines of inquiry, outline the Committee's findings on key issues relating to *State Investment in Major Events*.

1.3 Benefits of staging Major Events in Victoria

1.3.1 Economic benefits

Information provided to the Committee served to illustrate the considerable economic benefits that have accrued to Victoria from the staging of major events in this state. Some of these economic benefits flowing from Victoria's major events are mentioned below:¹

- in 2007, Victoria attracted over 329,000 international visitors to major events according to international visitor statistics compiled by the Australian Bureau of Statistics, and these visitors stayed a total of 12.4 million nights;
- this generated an estimated \$1 billion in economic activity in metropolitan and regional Victoria or \$3.3 million per day, based on input-output measurements that measure unconstrained economic activity;
- of the total number of event visitors to Australia, 44 per cent visit Victoria;
- on an effective full-time (EFT) basis, the major events industry employs 3,350 Victorians each year, representing \$1.6 billion of assets under management in infrastructure (e.g. the Melbourne Cricket Ground, the Rod Laver Arena and the Melbourne Sports and Aquatic Centre); and

¹ Mr H. Ronaldson, Secretary and Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, pp.2, 4, 6 and 7

- major events are a centrepiece of the tourism attraction of this state; the tourism industry employs approximately 165,000 people and comprises around five per cent of Victoria's gross state product.

1.3.2 Induced tourism

The Committee noted that the induced tourism effect is defined as the '*additional tourism activity generated in the Victorian economy from interstate and international tourism as a result of the exposure to Victorian tourism attractiveness from the Grand Prix*'. This impact is restricted to net additional visitors to Victoria not associated with the Grand Prix. The Auditor-General pointed to some research that indicated that hosting major events on the scale of the Sydney Olympics increased promotion of an enhanced image, particularly in terms of a winning location.²

In drawing on evaluations of past Australian Formula 1 Grand Prix events by the National Institute of Economic and Industry Research (NIEIR), the Auditor-General indicated that NIEIR continued to use the 'Olympic standard' to place a value on the effect of induced tourism, as there was no firm data from tourism research bodies on the impact of international exposure of Australian cities from major sporting events on induced tourism. The estimation by NIEIR of the impact of the Australian Formula 1 Grand Prix on induced tourism contained in its 2005 report amounting to \$9.1 million (eight per cent of the total Victorian impacts from the Grand Prix) was based on an estimate that, had the Olympic Games been held in Melbourne, the induced tourism effect would be a 3.5 percentage point increase in Victoria's share of international tourism.³

The Committee heard through the hearing process that international tourists represent the most lucrative tourism market in this state. Representing only eight per cent of our market, international tourists spend around 32 per cent of tourist dollars spent in Victoria. These numbers show that around 20 per cent of all international tourists attend a major event in this city.⁴

In relation to the issue of induced tourism from branding and the measurement thereof, the Committee was interested in following up whether there have been any recent studies either within Australia or internationally to measure the impact of branding on increasing tourism in this state e.g. increasing awareness of Melbourne via branding at major events, such as the Australian Formula 1 Grand Prix which then attracts tourists to Victoria.

At the hearing with the Department of Innovation, Industry and Regional Development (DIIRD), the Committee was told that:⁵

...common sense will tell you that there is an impact... People are struggling to find a robust measurement for that. For instance, when you provide branding for an event, the only thing you can really measure is not the impact of that branding on whether or not somebody is going to visit you or not, but whether there is an economic value and media value in that brand. Therefore, induced tourism is one of those difficult areas.

The Committee heard that DIIRD regards higher awareness of Melbourne as one of the key factors, particularly for events such as the Australian Tennis Open and the Australian Formula 1 Grand Prix that are branded. Awareness of tourism is regularly measured at key locations.⁶

² Victorian Auditor-General's Office, State Investment in Major Events, May 2007, pp.46-47

³ *ibid.*

⁴ Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.4

⁵ *ibid.*, p.7

The Committee also ascertained through the hearing process that one of the major measurements employed by Tourism Victoria is a brand health survey, whereby a market research firm conducts a survey throughout Australia about various attributes relating to tourism. It was pleasing to hear that Victoria regularly wins a range of those attributes, including the city that best hosts major events, the city with the best food and wine and the best cultural experience. These successes are then related back to how the government markets Victoria and Melbourne and how the government has performed against those strategies. Drilling down from a generalised tourism focus, assessments are made about actual performance compared to the specific experiences tourists expect.⁷

In terms of providing information to the Committee about the positive economic benefits derived from induced tourism, DIIRD advised that Melbourne has become increasingly recognised as an international event city due to the 2006 Commonwealth Games and its annual event calendar which includes the Australian Formula 1 Grand Prix, Australian Motorcycle Grand Prix, Melbourne Winter Masterpiece exhibitions and Theatre productions. While it is generally accepted that these events have a positive impact on induced tourism, DIIRD informed the Committee that there is no commonly accepted method of measuring induced tourism.⁸

In estimating the economic benefit of major events, DIIRD only includes the expenditure of non-Victorians who have visited Victoria specifically for the event or have extended their stay as a result of the event. According to DIIRD, it could be argued that the estimates of economic benefit of events capture an estimate of induced tourism.⁹

One insight into induced tourism can be gained from Tourism Victoria's Brand Health survey which consists of a series of questions on a Roy Morgan Computer Assisted Telephone Interview omnibus run over two weeks in June each year. The 2008 survey was based on a nationally representative sample of approximately 1,200 respondents. The survey, which measures Victoria's and Melbourne's competitive image or 'brand health' across a range of attributes and provides an important benchmark for Melbourne and regional Victoria campaigns, identified that 47 per cent of national respondents identified Melbourne as an international sporting and cultural event destination. This ranked Melbourne at number one nationally for this attribute, from, in order Sydney, Adelaide, Brisbane and Perth.¹⁰

It was also of interest to the Committee to gain an understanding as to whether any measurement is undertaken of the extent of repeat tourists i.e. people who might visit Melbourne for say the Spring Racing Carnival and then return three months later because they enjoyed their stay in Melbourne or people who might come out for the Australian Open Tennis but stay on an extra week after its completion. Given that it appeared that no evaluation is undertaken along these lines for the Spring Racing Carnival,¹¹ there is scope for conducting such assessments for the Spring Racing Carnival and like events.

⁶ Mr J. Dalton, Director, Policy and Strategy, Tourism Victoria, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.7

⁷ Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.7

⁸ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, letter to the Committee, received 5 January 2009

⁹ *ibid.*

¹⁰ *ibid.*

¹¹ Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.7

Recommendation 1: **The Department of Innovation, Industry and Regional Development consider measuring in a reliable manner the extent of repeat visits of tourists that attend the Spring Racing Carnival and like events and elect to visit Victoria on a subsequent occasion or extend their stay after attending the major event.**

1.3.3 Social and community benefits

Social and community benefits derived from the staging of major events that were described to the Committee are mentioned below:¹²

- ongoing community benefits as a result of new facilities built as part of an event coming to this city or State;
- generation of employment and incomes; and
- dealing with event owners or producers that enable benefits to be enjoyed by the community, examples of which are described below:
 - an arrangement with the gallery for the Melbourne Winter Masterpieces enables children through the schools program to be exposed to art from around the world, to be inspired by it and perhaps aspire to being a great artist;
 - with regard to the stage show called Wicked, exposing children to the English language and the use of argument in that area; and
 - with regard to Rugby Union or Rugby League, using high profile sport as a way of driving participation.

1.4 Content of the Auditor-General's Report

The Committee noted with interest that the independent external reviewer, engaged by the Auditor-General to assess the quality of the report, concluded that:¹³

This is a very good quality report in terms of the preparations, presentation and content ... This is an excellent report, properly documented, detailed in analysis and constructive... This report has enhanced the standing of the Victorian Auditor-General's Office ... For Victoria, this seems to me to have the potential to be a very important value adding audit which has identified some important issues on economic evaluations and contractual requirements for major events.

The Committee endorses the thrust of this audit which was directed at providing an opportunity to consolidate areas of strength, given that some major events had been run for more than a decade, and to focus on areas where further attention is needed.¹⁴

In relation to this latter point, it was pleasing to hear that the government has considered the recommendations made by the Auditor-General in implementing a number of initiatives and its change process.¹⁵

¹² Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development and Mr B. McClements, Chief Executive Officer, Victorian Major Events Company, transcript of evidence, 25 November 2008, p.10

¹³ Victorian Auditor-General's Office, *Annual Report 2007-08*, p.14

¹⁴ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.2

Areas where, in the opinion of the Committee, the report could have been more informative are set out below:

- in terms of Victoria staging the Australian Formula 1 Grand Prix in 2005, the inclusion in the report's Executive Summary of:
 - a comparison of the results and reasons for key differences of the economic assessments commissioned by the Australian Grand Prix Corporation (AGPC) (using the input-output approach) and the Victorian Auditor-General's Office (VAGO) (using the cost benefit analysis and computable general equilibrium approaches);
 - the view of the Auditor-General on whether the most appropriate approach was applied by the government for assessing the economic value to Victoria of staging the Australian Formula 1 Grand Prix and the implications, if applicable, of not using the best approach for assessing whether the project was worth proceeding with; and
 - a conclusion on whether the staging the Australian Formula 1 Grand Prix provided a 'good value for money outcome' for Victoria, based on the relative merits of the economic assessment commissioned by AGPC and the detailed analyses commissioned by VAGO with regard to evaluating economic activity and the net benefit flowing from staging the event;
- in view of the extremely critical responses provided by the NIEIR on 14 March 2007 and 1 May 2007 to the economic evaluations of the Australian Formula 1 Grand Prix in 2005 commissioned by the Auditor-General, the inclusion of a further audit comment in the report, if time permitted, in response to these criticisms would have been helpful in terms of understanding whether these comments had any validity or credibility; and
- while the Auditor-General found that *'major events have undoubtedly delivered economic value to Victoria'* and *'pre-event guidelines provided a sound foundation for assessing major event proposals'*, the Auditor-General also found that *'some further refinements were needed to demonstrate the extent of net benefits to Victoria'* and *'post-event assessments could also be upgraded through the use of more comprehensive methodologies'*. The Committee believes there was scope for drawing out and commenting on the implications or outcomes associated with these findings.

The above comments are made in the light of the following comments at the hearing from VAGO about the methodology used to assess the economic benefits of the Australian Formula 1 Grand Prix:¹⁶

The view is that the methodology used to assess the Grand Prix as commissioned by the corporation is not reliable, and there are a number of assumptions which are made in terms of that model which are at best dubious, and I think in the report they are about the retained Victorian earnings effect and the enhanced Victorian earnings effect. We have made a very clear case that the way major events are assessed should be changed in terms of the methodology. It would be very interesting to see exactly how far the Department or DTF has got in terms of looking at a revised approach to the one that is commissioned by the corporation. I think that is how you get better information to government upon which to make decisions.

¹⁵ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.3

¹⁶ Mr P. Stoppa, Director, Performance Audit, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, p.4

CHAPTER 2: BACKGROUND TO THE COMMITTEE'S FOLLOW-UP REVIEW

2.1 Scope and purpose: the report of the Auditor-General on State Investment in Major Events

Since the 1990's, the Victorian Government has financially supported the staging of major events with a view to expanding the State's share of the revenue derived from tourism and generating significant economic and social benefits for Victorians. The staging of major events also aims to increase Melbourne and Victoria's international profile.¹⁷

The government provides annual funding of around \$55 million a year for major events plus consumer price index increases over the period. In 2006-07, it increased its funding by \$50.4 million over four years, and the 2007-08 Budget provided an additional \$34.2 million for the major events cap between 2007-08 and 2010-11.¹⁸ The cap was established in 2000 to provide government funding for existing events and to secure new major events. The cap represents what the government is prepared to spend to in the current circumstances and environment.¹⁹ While some major events are funded from within agency budgets, the audit conducted by the Auditor-General concentrated on events funded from the major events cap.²⁰

This audit was undertaken because the substantial investment made by the State in major events called for:²¹

- decisions about whether to invest in such events to be informed by systematic and rigorous analysis; and
- appropriate mechanisms to be in place to:
 - ensure that funding is managed effectively to account for costs; and
 - assess the economic value and broader community benefits generated from the public funds invested.

In addition to the audit seeking to provide independent assurance to Parliament and the community on the robustness of the pre-event and post-event assessment processes, an objective of the audit was also to provide independent assessments of the level of economic value derived by Victoria from the 2005 Australian Formula 1 Grand Prix.²²

¹⁷ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.1

¹⁸ *ibid.*

¹⁹ *ibid.*, p.11

²⁰ *ibid.*

²¹ *ibid.*, p.15

²² *ibid.*

2.2 Key findings of the Auditor-General

In terms of overall findings, the Committee was pleased to hear from the Auditor-General that major events had undoubtedly delivered economic value to Victoria, pre-event guidelines provided a sound foundation for assessing major event proposals and the management by agencies of funding arrangements with event organisers was well managed. The Committee noted, however, that some further refinements were needed to demonstrate the extent of net benefits to Victoria. Post-event assessments could, according to the Auditor-General, also be upgraded through the use of more comprehensive methodologies and, where practicable, using a triple bottom line approach to embrace the emerging importance of social and environmental impacts in addition to economic impacts.²³

In this context, the key findings of the Auditor-General were as follows:²⁴

- the framework for the assessment and approval of major events was generally sound;
- the preparation of the pre-event assessments submitted for funding approval could be improved by:
 - providing additional information and analysis to justify that the level of funding sought is commensurate with the likely net benefits to be derived by Victoria; and
 - demonstrating that significant risks to government have been identified and assessed and providing an assessment on the level of reliance that can be placed on strategies to manage these risks;
- additional empirical research studies on the impact of major events may be needed to provide the Major Events Cabinet Committee (MECC) with further sources of reliable information to better inform funding decisions;
- the approach currently taken by agencies when conducting post-event assessments did not directly address costs and benefits;
- agencies should be introducing more comprehensive methodologies, which better reflect how the economy works, when assessing the economic value of the more significant major events;
- there is scope for greater transparency in economic assessments, particularly with regard to:
 - the workings of economic models and the basis for assumptions used; and
 - the safeguards over the reliability of data collected from surveys of attendees at major events;
- there is scope to broaden the post-event assessment focus beyond the economic to embrace important considerations such as:
 - social and environmental impacts;
 - the degree to which risks were effectively managed; and
 - opportunities to introduce further improvements to future events.

²³ *ibid.*, p.2

²⁴ *ibid.*

2.3 Overall responses to findings by the Secretaries and Chief Executive Officers of the agencies reviewed

While particular Committee comments related to specific responses are detailed in the following chapters of this report, this section of the report includes a synopsis of the overall responses provided by agencies to the report. The overall responses to the Auditor-General's findings and recommendations were considered in the light of where the government and agencies are headed in terms of addressing the issues raised by the Auditor-General and implementing the report's recommendations. Of particular importance is the reaction of agencies to providing a commitment to implement corrective action, especially in terms of quantifying the efficacy of major events as well as any areas of dispute.

In particular, the Committee noted the confirming responses provided by the central agencies whereby the Department of Premier and Cabinet advised that:²⁵

The report...makes a set of useful recommendations with respect to the improvement of the pre-event, contract management and post-event assessment stages of the major event selection and management cycles. These recommendations will now be given careful consideration... in further considering the type of economic assessment techniques to be used for major events in future, a degree of flexibility in the choice of tool should be maintained. This choice should take into account the size of Government's contribution to an event, the likely economic impact on an economy-wide basis and the cost to Government of each tool.

...It should also be reinforced that major events deliver many benefits to Victoria that cannot be captured by economic assessment tools. Economic benefit is only one of a number of criteria for assessing major events. Further, there is a high degree of subjectivity in the assumptions that underpin the workings of economic models, which fundamentally explains why alternative assessments can produce quite different results.

The Department of Treasury and Finance (DTF) supported the preparation of guidelines to assist in the economic assessment of major events.²⁶

The Committee also notes the following overall comments provided by DIIRD to economic modelling to estimate potential economic benefits and to measure actual benefits following the hosting of a major event:²⁷

... care needs to be taken to recognise that each methodology and model type has its own particular strengths and weaknesses. Economic modelling is not a precise science and relies on assumptions and linkages made by the model builder ... the models adopted for ongoing use need to be identified on the basis of their suitability for events that are generally relatively small in scale and cost. Judgements will be exercised in selecting models to ensure consistently reliable and timely analysis.

²⁵ *ibid.*, p.10

²⁶ *ibid.*, p.4

²⁷ *ibid.*, p.5

CHAPTER 3: PRE-EVENT ASSESSMENT

3.1 Overview

The Committee found that with the exception of determining an appropriate economic modelling approach for predicting the economic benefits to be derived from the staging of a proposed major event, the three recommendations made by the Auditor-General relating to assessing whether an identified event should in fact proceed have been implemented.

It is important to realise that the estimation of economic benefits comprises only one element of the ‘big picture’ when the possible hosting of a major event is under consideration. As social and environmental implications also have to be factored into the pre-event assessment, decisions surrounding whether to proceed with an event for Victoria can become quite complex. All up, the revised Major Event Assessment Statement (MEAS) seen by the Committee on a confidential basis comprises 12 separate categories with a total of 50 component areas to be evaluated, prior to a decision being made whether to enter into the race to stage a major event in Victoria.

The Committee acknowledges that the use of different economic models, together with varying assumptions, will provide a wide range of estimates of economic benefits from hosting a major event. It is for this reason that the Committee believes that it is absolutely vital that the approach to be applied for the economic modelling component of the MEAS is thoroughly researched and trialled, prior to finalising the revisions to the MEAS. This will help to ensure that the MEAS tool will serve as an effective mechanism to inform decision-making about the hosting of major events into the future. The Committee also appreciates the importance of having a flexible approach to decision-making which identifies the areas that must be understood. Then each event can be assessed individually in this context. It is noted with interest that a key competitive advantage to Victoria is that it has elected not to go down a rating and weighting decision path when evaluating each item in the MEAS.

The Committee was pleased to see that the revisions to the MEAS contribute a significant piece of work in response to the Auditor-General’s report and the positive response of the government agencies to this report. It was pleasing to note that the Victorian Major Events Company (VMEC) welcomed the timing of the report and subsequently met with the Auditor-General separately to discuss the recommendations. This can only serve to confirm that a very comprehensive and responsible approach will continue to be applied when enhancing the processes involved in assessing the merits of hosting major events in this state into the future.

3.2 Recommendations made by the Auditor-General

The Auditor-General’s report titled *State Investment in Major Events* contained three recommendations that relate to the topic ‘Pre-event assessment’. These are set out in Table 3.1 together with references to the relevant sections of the Auditor-General’s report and the status of implementing each recommendation.

Table 3.1: Pre-event assessment listing of recommendations made by the Auditor-General and status of implementation

Recommendation	References in Auditor-General's report		Status of implementing recommendation
	Executive Summary rec. number	Chapter rec. number	
That the MEAS be revised to ensure there is more evidence-based justification for the recommended level of funding relative to the projected net benefits to Victorians.	1.1	4.1	Completed & endorsed by Government
That VMEC, in conjunction with agencies responsible for particular major events, identifies major gaps in information critical to MECC's deliberations on funding major events and develops cost effective strategies to address critical information shortfalls.	1.2	4.2	Completed as part of the revised MEAS
That the MEAS places more emphasis on assessing significant potential risks and the likely effectiveness of the risk treatment strategies proposed.	1.3	4.3	Completed as part of the revised MEAS

A reiteration of the responses from agencies and the Minister for Finance to the Auditor-General's recommendations is contained in Appendix 1 to this report.

3.3 Subsequent developments – further evidence obtained by the Committee

Prior to the hearing, the Committee was advised by DIIRD on 14 November 2008 that:²⁸

- while revisions have been made to the MEAS, the economic methodology was yet to be finalised. When this occurs, any necessary modifications would be reflected in the MEAS;
- although the MEAS is regularly reviewed for any additional improvements, it was anticipated that the revisions to the economic methodology would be completed by the end of 2008-09;
- key changes to the MEAS include, but are not limited to, the following information requests:
 - clear articulation of the objectives of the event;
 - information about the type of support and funding sought;
 - more economic data to support pre-event assessments;
 - information pertaining to consultations undertaken; and
 - more information on risk, including risk analysis and management plans;
- considerable consultation had been undertaken with the DTF and DPC to satisfy the requirements for a transparent and acceptable economic approach that can be used for pre-event and post-event evaluations to support evidence-based justifications of funding for major events; and
- the department continues to work with the VMEC and central agencies to ensure that the MEAS provides the appropriate level of information for effective and informed decision making.

²⁸ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

The Committee believes that, in the interests of avoiding the risk of criticism regarding a lack of accountability over decision-making about whether or not to host a major event in Victoria, given the breadth of information provided, there would be merit in outlining the relative importance of each information category contained in each MEAS.

Recommendation 2:

To preserve effective and informed decision-making and enhance accountability, the revised Major Events Assessment Statement include a description of the relative importance or weighting attached to each information category of the proposal.

CHAPTER 4: POST-EVENT EVALUATION

4.1 Overview

The Committee noted that as at 25 November 2008, of the six recommendations made by the Auditor-General dealing with post-evaluation processes, work was at various stages in terms of implementation.

With regard to four recommendations, one was implemented, two were being addressed as part of revising the MEAS and government agencies were working together on the other.

In relation to the other two recommendations (nos. 1.4 and 1.8), the Committee was advised in November 2008 at the hearing that these recommendations were subject to a Cabinet decision going forward. These recommendations relate to the issue of economic impact assessments reports becoming more rigorous and transparent in terms of the economic models used to estimate economic effects and the rationale for key assumptions, together with the development of associated guidelines.

The Committee:

- understands that the accumulation of data that goes into the input-output model, which has become more sophisticated over time, has shown continuous improvement over the years and has resulted in the quality of economic assessment in 2007-08 being more sophisticated than was the case 15 or 20 years ago;
- acknowledges the staged process applied by the government in trialling various approaches to economic modelling, prior to making a decision regarding the most appropriate approach to be adopted for building more rigor and transparency into its post-evaluation processes to be applied to the hosting of major events;
- notes the view expressed by DTF that the application of quality control processes to developing an acceptable economic model can be a time consuming process;
- appreciates that finalising the methodology for economic modelling of the benefits derived from staging each major event can be a lengthy process, due to the quality control approaches that need to be applied to ensure that the methodology is accurate; and
- notes the view expressed by the Secretary of DIIRD that in terms of the evaluation process of major events, a key objective is to ensure that the approach applied is cost efficient and relative to the size of the event.

In April 2009, the Committee was advised that a Government decision had been made on relevant economic models for estimating economic benefits of major events and significant work had been undertaken on the development of associated guidelines which are expected to be finalised by mid 2009. For events that are funded less than \$10 million per annum, a two-stage approach will involve calculating the direct in-scope expenditure and then applying a General Input-Output Multiplier to that expenditure. For events that are funded greater than \$10 million per annum, the economic assessment approach will be developed specifically for the individual event.²⁹

The Committee will be interested in examining the rationale developed by the government for basing its decision on the most appropriate approach to be adopted for developing economic models for estimating economic effects.

²⁹ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, letter to the Committee received 17 April 2009, p.1

4.2 Recommendations made by the Auditor-General

The Auditor-General's Report titled *State Investment in Major Events* contained six recommendations that relate to the topic 'Post-event Evaluation'. These are listed in Table 4.1 together with references to the relevant sections of the Auditor-General's report and the status of implementing each recommendation.

Table 4.1: Post-event evaluation listing of recommendations made by the Auditor-General and status of implementation

Recommendation	References in Auditor-General's report		Status of implementing recommendation
	Executive Summary rec. number	Chapter rec. number	
That economic impact assessment reports become more rigorous and transparent in terms of the: economic models used to estimate economic effects such as changes to the Gross State Product and employment and the rationale for key assumptions that have a material effect on the level of economic impacts.	1.4	6.1	Government decision made – refer to information contained in Section 4.3
In order for government to be more comprehensively apprised of the full range of major event impacts, post-event assessments should be broadened to take, where practicable, a triple bottom line approach embracing not only economic but social and environmental factors.	1.5	6.2	Triple bottom line data gathered as part of the revised MEAS
That post-event assessments address the effectiveness of risk management and continuous improvement arrangements.	1.6	6.4	Implemented as part of the revised MEAS
That VMEC provides the MECC with reconciliation between the pre-event assessments and post-event results.	1.7	6.5	Implemented
That guidelines be developed by DTF, in consultation with relevant agencies and VMEC, for the economic assessment of major events based on the size of government funding and the expected effects on the economy. Consideration should be given to: the use of cost benefit analysis at the pre-event stage for all events to determine the degree to which anticipated net benefits match the funding sought; an updating of the pre-event cost-benefit analysis at the post-event stage; for smaller events, the reporting at the post-event stage should be against a suite of key performance indicators, such as expenditure by interstate and international visitors directly attributable to the event; and investing in the use of computable general equilibrium modelling for larger events at the post-event stage to assess their impact on the economy.	1.8	7.1	Government decision made – refer to information contained in Section 4.7
That a lead agency be nominated to work in consultation with key agencies and VMEC to establish a program to progressively implement, as practicable, the assessment of social and environmental impacts of major events.	1.9	7.3	DIIRD is working with various agencies

A reiteration of the responses from agencies and the Minister for Finance to the Auditor-General's recommendations is contained in Appendix 1 to this report.

4.3 Preparing economic impact statements with more rigour and transparency – economic effects and assumptions

4.3.1 Economic models explained by the Victorian Auditor-General's Office

The Committee sought from VAGO on 21 October 2008, further input on the implementation of economic modelling to estimate the economic benefit of a major event, including the appropriateness of models, comprising but not limited to, cost benefit analyses and economic modelling. Information provided by the Office is set out in Table 4.2.

**Table 4.2: Measuring economic benefit of a major event
Approaches to economic modelling and appropriateness of each measure**

Measurement approach	Description and assessment of each method
Assessment of economic activity	This approach examines the level of economic activity created from direct spending in the economy. An assessment of the level of economic activity is based on the premise that the outputs of one industry are derived from the inputs of another. For example, an increase in the number of additional visitors in the hospitality sector will create flow on effects to other industries. Two methods for conducting such assessments are outlined below.
Input-output approach	This approach uses a series of multipliers to calculate economic effects. In other words, the initial direct impact in say employment is multiplied to capture the flow on effect throughout the economy. This approach assumes that there are no constraints on availability of labour and equipment and that they are freely available at a fixed price. The evaluation of the Formula 1 Grand Prix commissioned by the Australian Grand Prix Corporation is based on this approach.
Computable general equilibrium (CGE) model approach	This approach is based on an industry input-output approach and it incorporates an assessment of the economy through the recognition of factors such as resource constraints as well as price, demand and income changes. Because of these constraints, the level of economic activity under a CGE approach will invariably be lower than an input-output approach.
Assessment of net benefit	This approach examines the level of net benefit received by the community from funding decisions
Cost: benefit analysis (CBA)	This approach assesses the benefits received and the costs incurred by the community through the expenditure of funds. The community is defined broadly as: <ul style="list-style-type: none"> • consumers who participate directly in the event such as attendees at the Australian Formula 1 Grand Prix; • businesses and labour who enjoy additional profits and income from the increased expenditure of tourists; and • third parties who either receive benefits (e.g. civic pride) or incur costs such as increased traffic congestion or additional noise. <p>If the total benefits exceed the costs, the project or initiative is seen as an efficient use of resources.</p>

Source: Victorian Auditor-General, response to the Committee received 14 November 2008

4.3.2 Progress in developing economic models to estimate economic effects

In terms of progress made to date, DIIRD informed the Committee that considerable work had been undertaken to develop options that satisfy transparency and robustness requirements for the evaluation process of major events. Throughout 2008, various options have been trialled and are currently being analysed to provide government with a recommended approach. The Committee also learnt from DIIRD that the options being trialled are for event values of less than \$10 million, while the methodology for evaluating events over \$10 million will be developed specifically for each individual event (e.g. the Australian Formula 1 Grand Prix).³⁰ According to DTF, it should be noted that the selected methodology may depend on the nature of the event, especially its size and complexity. For example, formal computable general equilibrium models may be cost-effective in analysing large events, but less sophisticated spreadsheet tools or even the use of the direct in-scope expenditure associated with the event may be more feasible for smaller events.³¹ Although not quite finished, the Committee was pleased to hear from DTF that in terms of finalisation, the process was very well advanced.³²

With regard to the inclusion of the rationale for key assumptions in the economic impact assessment reports, DIIRD advised that the options explored and trialled for the economic assessment approach have been developed based on published economic methodologies and the relevant assumptions have been documented.³³

By way of background, it was brought to the Committee's notice that continuous improvement has occurred over the years with regard to the modelling and data collection practices that have been applied when implementing the input-output assessment approach for evaluating the economic benefits derived from the staging of major events. According to DIIRD, it is quite clear that the quality of assessment in 2007-08 is superior to what it would have been 15 to 20 years ago.³⁴

In terms of moving forward and ensuring that economic impact assessment reports become more rigorous and transparent, the Committee can appreciate the view expressed to the Committee by DIIRD that one of the key objectives is to ensure that the approach is cost efficient and relative to the size of the event. This is of particular importance, given that the majority of the events funded through the major events cap relate to events requiring less than \$2 million in government contributions, so it is important to ensure that a cost-efficient method of evaluation is undertaken by government.³⁵

³⁰ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

³¹ Mr S. Helgeby, Acting Secretary, Department of Treasury and Finance, response to the Committee received 18 November 2008.

³² Dr D. Johnson, Director, Macro Economics Forecasting & Physical Strategy, Department of Treasury and Finance, transcript of evidence, 25 November 2008, p.2

³³ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

³⁴ Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.9

³⁵ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.3

With regard to the concept of post-event evaluations of major events, the Committee became aware through the hearing process that two recommendations made by the Auditor-General (recommendations 1.4 and 1.8) dealing with the content of economic impact assessments and the development of associated guidelines had not been subject to a cabinet decision.³⁶ The Committee was advised by DIIRD that, although at the moment the economic success or otherwise of events is measured on an input-output model basis, most of the discussion around government has concluded about the applicability of a range of models to a range of events. The final decision on this has now been made by Government.³⁷

4.3.3 Desirable characteristics of an economic assessment

Pending the final decision, in terms of understanding the desirable characteristics of an economic assessment, the Committee heard from DTF that the following attributes would be important:³⁸

- cost effective – an approach needs to be constructed that will enable the government to address both the very expensive projects, where generally speaking a greater level of funding can be provided for more sophisticated work to be undertaken, and those that may have very small budgets and therefore it would not be feasible to use some high-powered tools;
- theoretically robust – something that the economic community will know, appreciate and agree with;
- transparent and intuitive – so that the measures and results can be easily understood by members of Parliament and the general public;
- comparable – over time, covering different events within the same year or across other forms of government support; and
- timely – all of this needs to be instituted fairly quickly because government only has a certain amount of time to make decisions on the results.

4.3.4 Limitations of economic modelling

In explaining some of the limitations of the economic modelling methodology to the Committee, DTF advised that:³⁹

- the methodology deals only with economic considerations; it does not in itself indicate whether an event should be proceeded with;
- for a lot of projects, the proponents will provide information about what they expect the outcomes will be, but the data will be limited;
- the ability to understand and appreciate the result of modelling requires some training and experience;
- the methodology needs to be cost-effective;
- it will not be possible to apply the most efficacious modelling techniques on projects that just do not warrant it;

³⁶ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.3

³⁷ *ibid.*, p.8

³⁸ Dr D. Johnson, Director, Macro Economics Forecasting & Physical Strategy, Department of Treasury and Finance, transcript of evidence, 25 November 2008, pp.2-3

³⁹ *ibid.*, p.3

- in terms of measuring net benefits, the use of 'gross domestic product' (State equivalent: 'gross state product') as a means of understanding economic activity is not an all encompassing term; there are well known limitations of gross domestic product, but for most purposes it provides a very good indication of the importance of particular levels of events or industries;
- with regard to the concept of 'aggregation', generally speaking, the larger the project the more likely it is that a more accurate rendition of the outcome of that event will be generated from the modelling. Conversely, very small projects can diverge significantly from industry standards, and as it may be necessary to use industry standards of relationships in devising the modelling, a problem arises that one needs to be aware of with very small projects;
- there is an element of measurement bias in that only the things that can be measured are included in the analysis. That does not mean they do not exist, but rather that the analysis is not able to take them into account; and
- the application of quality control processes to developing an acceptable economic model can be a time consuming process.⁴⁰

Information obtained by the Committee in April 2009, following a Government decision has stated that there will be a two-stage approach applied for projects that are funded less than \$10 million. Firstly there will be a calculation of the in-scope expenditure that is attributable to the major event, that is, the total new money that has entered Victoria as a result of the major event. This data will be primarily derived from visitor surveys conducted by external consultants at major events.⁴¹

The total new money will then be subject to application of a General Input-Output Multiplier by DIIRD to estimate the unconstrained economic benefit derived by the event. The General Input-Output Multiplier has been developed by DIIRD, based on data from the Australian Bureau of Statistics. DIIRD reports that this model has been developed based on published economic methodologies and the relevant assumptions have been documented.⁴²

Recommendation 3:

To enhance transparency over the economic modelling used in the preparation of economic impact assessment reports (pre-event) and post-event assessments for major events staged in Victoria, the Department of Innovation, Industry and Regional Development disclose:

- (a) **the economic rationale, including key assumptions with details of the economic models used, that show various scenarios in relation to the level of economic impacts; and**
- (b) **for each major event, details of the economic model(s) and the key assumptions used in the analysis of economic impacts, together with the reasons for choosing the particular economic model and relevant scenarios to be applied.**

⁴⁰ *ibid.*, p.4

⁴¹ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, letter to the Committee received 17 April 2009, p.1

⁴² *ibid.*, p.1

4.4 Broadening post-event assessments, where practicable, to include social and environmental factors

4.4.1 Subsequent developments – further evidence obtained by the Committee

According to the Auditor-General, the major difficulty in assessing social impacts is assigning a monetary value. Techniques such as contingency valuation attempt to address this issue by asking respondents to assign a dollar value to the extent to which they are prepared to pay to acquire or avoid an initiative or project. The Committee learnt from the Auditor-General that this approach, however, has a number of inherent problems as there is likely to be a differential between what respondents say they are willing to pay and what they would actually pay.⁴³

As indicated by the Auditor-General at the time of the audit, research showed there was limited assessment of social and environmental effects of major events in Australia and overseas.⁴⁴

The Committee welcomes the news that a triple-bottom-line approach has been incorporated into the pre-event assessment and post-event evaluation stage. In trialling this approach with a number of events throughout 2008, it was encouraging to hear that the MEAS template and guidelines provide an outline to this approach and further development was underway.⁴⁵

With regard to elaborating on how the triple-bottom-line reporting may proceed, the Committee was informed that triple-bottom-line reporting is a relatively new measure for companies and major events. Trials have occurred in a couple of events to test social impact; community response in terms of pride; accessibility issues that arose; health and wellbeing concerns; issues connected with inconvenience, dislocation and visual impact. In terms of environmental impacts, the trials tested whether there were any significant physical environmental impacts of staging the major event, while also examining land use and planning issues; the impact on biodiversity, fauna, greenhouse emissions; and the use of environment-friendly products.⁴⁶

As to the current status of development in this area, DIIRD advised that this is an ongoing issue and the criteria and methodologies it uses is still the subject of a government decision. However, given the trialling and background work that has been completed, a point has been reached where an effective decision can be made.⁴⁷

⁴³ Victorian Auditor-General, response to the Committee received 14 November 2008

⁴⁴ *ibid.*

⁴⁵ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

⁴⁶ Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.8

⁴⁷ *ibid.*, p.8

In discussing benchmarking, the Committee was advised that the diversity of some of the events funded through the cap is quite significant, which could involve sporting events, cultural or social events. If an exhibition was held at the art gallery, for example, one could look at how many people had never been to an art exhibition before. That would enable benchmarking to occur internationally as well as nationally and for future events to try to increase that exposure. In sport it is participation, such as how many people were encouraged to start participating in that sport, so it is very diverse and it will be tailored to each event, but it will enable benchmarking to occur to measure one aspect of the success of an event.⁴⁸

This is one area that will be continually revised in the MEAS as Victoria's model becomes more sophisticated. Consultation occurs across jurisdictions and with other agencies and event providers; it is something that generally everybody in the community and the event organiser are keen to explore, expand and share that knowledge.⁴⁹

4.5 Assessing the effectiveness of risk management and continuous improvement arrangements

4.5.1 Subsequent developments – further evidence obtained by the Committee

DIIRD confirmed that when event organisers submit a risk management strategy to the responsible agency prior to a major event, it is assessed to ensure it is a viable, considered document that captures government requirements for financial management, governance, employee, participant and spectator welfare and operational management. In addition, risk management plans are reviewed as part of the pre and post-event contract management process.⁵⁰

With regard to assessing the effectiveness of continuous improvement arrangements, the Committee was informed by DIIRD that event organisers would be able to use the recommendations in the post-event evaluation report for continuous improvement purposes. Once the evaluation process is established, it is planned that event organisers and stakeholders will use the evaluation findings to examine opportunities for continuous improvement.⁵¹

The Committee was advised that the AGPC has a documented Risk Management Policy and Procedure, an up-to-date risk register and a detailed risk management plan covering all aspects of the AGPC. From the risk management plan, which is updated monthly, risk assessments are undertaken in each area of operations for each event and non-event activities.⁵²

In respect of motor sport, the Confederation of Australian Motor Sport Limited and the Federation Internationale de Motorcyclisme contribute to the risk assessment process, while WorkSafe and Victoria Police and Emergency Service providers are key contributors to the planning processes and the development of AGPC's risk management plan.⁵³

⁴⁸ Ms D. Jepsen, Director, Strategic Planning and Ministerial Services, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.8

⁴⁹ *ibid.*, pp.8-9

⁵⁰ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

⁵¹ *ibid.*

⁵² *ibid.*

⁵³ *ibid.*

In terms of complicating factors surrounding the identification of risks, the Committee was advised by the Secretary of DIIRD that the recognition of risks in terms of the bidding process occurs a long time before the events actually take place. While one can learn from history in the prediction of risks, the Secretary explained that over time, a range of financial risks associated with the promotion of certain events are in existence today that people were not aware of two years ago or even twelve months ago.⁵⁴

The Committee acknowledges the extensive time lag that can occur between the bidding process and the actual staging of certain major events. The Committee appreciates that because of the vagaries that can occur during such timeframes, intended benefits expressed in the pre-event evaluation stage may not in fact materialise and be identified when the post-event assessment is undertaken. In such cases, extraneous or unforeseen circumstances and the impact thereof need to be fully explained in the post-event appraisals.⁵⁵ However, the Committee is of the view that experience in staging and bidding for events over many years would allow prudence predictions to be made in terms of building in contingencies and risk events in the future within a robust risk model.

The Committee heard from DIIRD that in relation to risk management strategies and the processes involved, the organisation that intends to stage the event has to provide a risk management strategy and a risk management analysis to VMEC in the determination of the MEAS. That then goes through the process. The MEAS then is sent to DIIRD. Departmental officers involved in tourism and major events then examine the MEAS, examine the risk component and make a judgement about whether or not it is adequate, and then the MEAS goes to the Cabinet sub-Committee for consideration. The provider of the event is then required to implement the risk management process in terms of managing and staging the event.⁵⁶

The Committee was also informed through the hearing process that continuous improvement processes involve looking at how the event performed against pre-event expectations, and requiring the event organisers to use that information to ensure there is continuous improvement of both the quality of the event as well as the quality of information gathering.⁵⁷

Recommendation 4:

The Department of Innovation, Industry and Regional Development ensure that post-event evaluation reports for major events include an assessment of the effectiveness of the risk management and mitigation processes and sufficiency of contingencies identified in the risk management model, strategy and plans developed by event organisers. The assessment should include any lessons learnt in terms of risk identification and risk management for future events.

⁵⁴ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.5

⁵⁵ *ibid.*, p.5

⁵⁶ Mr G. Hywood, Deputy Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, pp.9-10

⁵⁷ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.5

4.6 Reconciling pre-event assessments and post-event results

4.6.1 Subsequent developments – further evidence obtained by the Committee

The Committee was advised in November 2008 that it had not been possible to undertake such a reconciliation as there had not been any events that had undergone both a pre-assessment and post-event evaluation using the same approach.⁵⁸

This issue was not specifically addressed during the hearing process because, as outlined in the Auditor-General's report, relevant agencies accepted the recommendation relating to this matter (refer to Table 4.1 and Appendix A of this report for the confirming responses from agencies). However, the Committee notes that the recommendation has been accepted by agencies, but at the date of this report, no reconciliations had been undertaken.

4.7 Developing guidelines for the economic assessment of major events

4.7.1 Subsequent developments – further evidence obtained by the Committee

The Committee was advised that DIIRD, in consultation with the central agencies, VMEC and other contract managers, are developing these guidelines. Significant work has been undertaken and will be completed following the completion of the trial evaluations. It is anticipated that the guidelines will be finalised in 2008-09.⁵⁹

According to DTF, the guidelines will be completed following agreement on an appropriate set of economic methodologies and the thresholds for their use. With regard to the development of performance measures for smaller events that do not necessitate resource-intensive analysis, measures have been considered in discussions between DTF, DPC and DIIRD, while further work and consultation are still required.⁶⁰

In view of the comments made by DTF at the hearing concerning the need for economic assessments to be transparent and intuitive so that the measures and results can be easily understood by members of Parliament and the general public,⁶¹ the Committee believes that by implication, the guidelines for the development of economic assessments will also need to be prepared in a manner that enable the technical elements of the economic models to be easily understood.

⁵⁸ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

⁵⁹ *ibid.*

⁶⁰ Mr S. Helgeby, Acting Secretary, Department of Treasury and Finance, response to the Committee received 18/11/2008

⁶¹ Dr D. Johnson, Director, Macro Economics Forecasting & Physical Strategy, Department of Treasury and Finance, transcript of evidence, 25 November 2008, pp.2-3

In April 2009, the Committee was informed that guidelines for the economic assessment of major events were yet to be finalised. While work has been undertaken, they are not expected to be finalised until later this year. DIIRD reports that the guidelines will provide information for events funded less than \$10 million and will cover amongst other things the management and evaluation of major events.⁶²

Recommendation 5:

The Department of Treasury and Finance ensure that the guidelines governing the economic assessment of major events that take into account the size and importance and level of government funding for each particular event be prepared in a manner that will enable the technical aspects of the modelling and the interpretation thereof to be easily comprehended.

⁶² Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, letter to the Committee received 17 April 2009, pp.1-2

CHAPTER 5: CONTRACTUAL AND MANAGEMENT ARRANGEMENTS

5.1 Overview

The Committee’s inquiry showed that of the two recommendations relating to contractual and management arrangements, the recommendation dealing with building risk management and continuous improvement processes into contractual agreements has been implemented, with DIIRD earmarked as the lead agency.

With regard to the recommendation for a panel of preferred contractors to be established to undertake major economic assessments, a variety of views were expressed to the Committee on this issue. The Committee was informed in November 2008 at the public hearing that this matter was subject to a Cabinet decision going forward.

In April 2009, the Committee was informed that contractors required to assist with economic assessments for projects under \$10 million will be drawn from DPC’s Whole of Government Market Research Panel. However, DIIRD is currently investigating having a separate panel of contractors.⁶³

For events funded over \$10 million, DIIRD reports that appropriate contractors will be appointed separately, in accordance with Government purchasing policies to undertake economic assessments.⁶⁴

5.2 Recommendations made by the Auditor-General

The Auditor-General’s report titled *State Investment in Major Events* contained two recommendations associated with the topic ‘Pre-event assessment’. These are shown in Table 5.1 together with linkages to the relevant sections of the Auditor-General’s report and the status of implementing each recommendation.

Table 5.1: Contractual and management arrangements listing of recommendations made by the Auditor-General and status of implementing recommendations

Recommendation	References in Auditor-General’s report		Status of implementing recommendation
	Executive Summary rec. number	Chapter rec. number	
That contractual agreements include a requirement for organisers to submit to the responsible agency a risk management strategy prior to the event’s commencement and undertake a continuous improvement process involving representatives of key stakeholders such as event organisers, government agencies, peak bodies and the community.	1.10	6.3	Implemented with DIIRD being the lead agency
That agencies, in consultation with DTF and VMEC, establish a panel of preferred contractors to undertake major economic assessments.	1.11	7.2	Refer to information contained in Section 5.4.3 below.

⁶³ *ibid.*, p.2

⁶⁴ *ibid.*

5.3 Compelling organisers through contractual arrangements to develop a risk management strategy and embark on a continuous improvement process

5.3.1 Response from Department of Innovation, Industry and Regional Development included in Auditor-General's Report

Recognising that the Auditor-General found that contracts with event organisers were well managed, the Department stated that consideration would be made, where appropriate and feasible, to strengthen the contractual arrangements between government and event organisers to address risk and maximise the outcomes for all involved.⁶⁵ The Committee was advised that risk management plans are reviewed as part of the pre and post-event contract management process.⁶⁶

5.4 Establishing a panel of preferred contractors to undertake major economic assessments

5.4.1 Response from agencies included in Auditor-General's Report

DTF indicated that it would consult with VMEC and relevant agencies on the selection of preferred contractors to undertake major economic assessments.⁶⁷

DIIRD's response to the establishment of a panel of preferred contractors was that a business case supporting the benefit of establishing such a panel to undertake major economic assessments was required. DIIRD questioned, however, whether a benefit would be proven, given the relatively small number of potential panellists and the correspondingly small number of events that would benefit from comprehensive economic assessment.⁶⁸

While VMEC proffered that there were relatively few qualified practitioners in the field and on this basis questioned whether a panel would be cost effective, it indicated that this matter would be considered in consultation with the relevant government departments.⁶⁹

In a further comment provided by the Auditor-General on this issue, he explained that his report envisaged that the establishment of the recommended panel should cover economic assessments in the full range of government activities.⁷⁰ The Committee concurs with this view.

5.4.2 Response in the Minister for Finance's report

With regard to the further comment by the Auditor-General on this recommendation, DIIRD stated in the Minister for Finance's report that a number of panels already exist throughout the

⁶⁵ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.56

⁶⁶ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

⁶⁷ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.67

⁶⁸ *ibid.*, p.68

⁶⁹ *ibid.*

⁷⁰ *ibid.*

Victorian Government, some that have contractors with capabilities in undertaking major economic assessments.⁷¹

The report also revealed that DTF support this recommendation. Preferred contractors should be those that have a proven track record of transparency in conducting major assessments and give appropriate recognition to the role of binding resource constraints on the estimated economic impact of events. DTF also noted that they already have an established panel of contractors, the Strategic Research Panel, which includes contractors with the ability to do this work.⁷²

5.4.3 Post audit initiatives introduced by the government

According to the Auditor-General, one of the benefits of establishing a panel of providers is that it enables the setting of a number of conditions that providers must comply with in undertaking economic assessments such as using economic assessment models that reflect contemporary thinking and developments. This would provide some level of assurance over the robustness of information provided to government when making decisions to invest in major projects.⁷³

DIIRD advised that any contractors required to assist with assessments will be drawn from DTF's whole of government panel. At present, the Australian Formula 1 Grand Prix is the only event that falls into this category. For events valued at less than \$10 million per annum, a separate tendering process is undertaken.⁷⁴

It was encouraging to hear from DTF that its Strategic Research Panel of economic consultants may be adapted to form a panel of preferred contractors to undertake major economic assessments. DTF is exploring whether this panel is likely to provide the best way forward in terms of addressing the Auditor-General's recommendation.⁷⁵

Evidence taken at the hearing with senior officers from VAGO revealed that:⁷⁶

What we have said in the report is we believe there should be a stronger approach to making sure the quality of economic assessments is more robust. We have talked about economic assessment guidelines, and we have talked about having a panel where you can attach some conditions to being a member of the panel. I note in the Finance Minister's response there is disagreement about the panel not being cost effective. Our view is that the panel should be for all economic assessments right across the board, not just for major events. If you have that, I then think you can insist that whoever does the economic assessments for government in terms of providing information upon which government makes decisions to invest in major events, that it is done on the most reliable information.

⁷¹ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.92

⁷² *ibid.*, p.191

⁷³ Mr D. Pearson, Victorian Auditor-General, response to the Committee received 14 November 2008

⁷⁴ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

⁷⁵ Mr S. Helgeby, Acting Secretary, Department of Treasury and Finance, response to the Committee received 18 November 2008.

⁷⁶ Mr P. Stoppa, Director, Performance Audit, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, pp.3-4

At the hearing with DIIRD, the Committee was informed that the decision about the establishment of a panel of preferred contractors to undertake major economic assessments is subject to Cabinet decision going forward and will be made in the context of decisions around economic evaluation methodologies.⁷⁷

In shedding some light on the establishment of a specific panel, DTF brought to the Committee's notice that, while suppliers on the Strategic Research Panel may be able to conduct major economic assessments of major events, this particular panel was not designed for this purpose. The Department queried why there would be a need for a specific panel to be established for this purpose, given that the Department is aware of the main providers of these services and the differences in conditions are fairly small. However, this matter has not been discussed with DIIRD as yet because priority has been given to initially developing the methodology for conducting economic assessments.⁷⁸

As noted previously, DIIRD has now decided to use DPC's Whole of Government Market Research Panel for events funded less than \$10 million per annum and events funded more than \$10 million per annum will have suitable contractors appointed independently.⁷⁹

⁷⁷ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.3 and slide no.6 and Mr G. Hywood, Deputy Secretary, Tourism, Aviation and Communications, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.12

⁷⁸ Dr D. Johnson, Director, Macro Economics Forecasting & Physical Strategy, Department of Treasury and Finance, transcript of evidence, 25 November 2008, p.13

⁷⁹ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, letter to the Committee received 17 April 2009, p.2

CHAPTER 6: PUBLIC REPORTING OF OUTCOMES

6.1 Overview

The Committee noted from evidence provided at the hearing in November 2008 that the development of a reporting template to facilitate the public reporting of key outcomes from major events in order to increase transparency and accountability over the use of public funds is subject to a Cabinet decision going forward.

In April 2009, the Committee was informed by DIIRD that they are working on improving the reporting framework for major events, including developing a public reporting template. The Department report that because decisions on economic models have only recently been made by Cabinet, reporting frameworks will now be developed as more post-event evaluations will be completed.⁸⁰

6.2 Recommendations made by the Auditor-General

The Auditor-General's report titled *State Investment in Major Events* outlined one recommendation under the topic 'Public reporting of outcomes'. This recommendation is listed in Table 6.1, together with references to relevant sections of the Auditor-General's report and the status of implementation of the recommendation.

Table 6.1: Public reporting of outcomes - recommendation made by the Auditor-General and status of implementing the recommendation

Recommendation	References in Auditor-General's report		Status of implementing recommendation
	Executive Summary rec. number	Chapter rec. number	
That a reporting template be developed to facilitate the public reporting of key outcomes from major events to increase transparency and accountability for the use of public funds.	1.12	7.4	Refer to information contained in Section 6.3.2

⁸⁰ *ibid.*, p.2

6.3 Developing a reporting template to facilitate the public reporting of key outcomes from major events

6.3.1 Response from agencies included in Auditor-General's report

DIIRD responded by saying that the benefits of major events were currently widely reported via media releases and departmental and agency annual reports. Improvement options, including the development of a template for this public reporting, would however be considered as part of the ongoing reporting process. DIIRD also stated that account will necessarily be made of the extent to which details relating to the funding arrangements of specific events are required to remain confidential.⁸¹

VMEC gave a commitment that it would consult with relevant government departments regarding the likely development of a reporting template. As part of this process, VMEC noted that in any public reporting, the 'commercial-in-confidence' nature of many of the major event agreements also needs to be considered.⁸²

6.3.2 Post audit initiatives introduced by the government

DIIRD is continually improving the reporting frameworks for major events. However, until the assessment options being trialled are completed and a final approach adopted, a template cannot be developed. Different information will be generated from each approach that could be utilised for reporting purposes.⁸³

The Committee was informed by DIIRD in November 2008 that significant progress has been made in relation to reporting approaches, however, the finalisation of a reporting template is still subject to a cabinet decision.⁸⁴

The Committee received further information in April 2009 that reporting templates were being developed and could be continually improved as more post-event evaluations are completed using the endorsed approach.⁸⁵

⁸¹ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.73

⁸² *ibid.*, p.73

⁸³ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, response to the Committee received 14 November 2008

⁸⁴ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, transcript of evidence, 25 November 2008, p.3 and slide no.6

⁸⁵ Mr H. Ronaldson, Secretary, Department of Innovation, Industry and Regional Development, letter to the Committee received 17 April 2009, p.2

PART B:

**MAINTAINING VICTORIA'S RAIL
INFRASTRUCTURE ASSETS**

CHAPTER 1: BACKGROUND TO THE REVIEW

1.1 Introduction

Victoria's rail system encompasses the metropolitan, regional intrastate network and the Victorian sections of the interstate network. The rail infrastructure is diverse and is made up of many integral pieces, namely:⁸⁶

- track, including sleepers and the foundations that form the track bed;
- structures that create a pathway for the track, such as tunnels, bridges, cuttings, earthworks and drainage works;
- the train and passenger communication systems;
- structures that provide access for customers, such as station buildings and platforms;
- electrical power supply systems;
- buildings required for the operation and maintenance, such as rail yards, depots and stations; and
- plant, machinery and other equipment used for maintenance and renewal tasks.

In 2004-05, there were almost 142 million passenger journeys on Victoria's metropolitan and intrastate rail system.⁸⁷ In 2007-08, this number has increased to more than 210 million passenger trips in Victoria.⁸⁸ Patronage across Victoria's train system has increased dramatically as a result of a number of factors, including the growth of employment in the Melbourne CBD, congestion on the roads, increased parking costs and high petrol costs.⁸⁹

1.2 Rail infrastructure and maintenance

With rail patronage increasing, Victoria's need for reliable and well maintained rail infrastructure is as important as ever. To provide a safe and efficient rail service, management of the vast array and number of assets is required. Asset management refers to the process that guides creation, use, upkeep and disposal of the assets that deliver train services.⁹⁰ To ensure that services run on time and safely, it is important that maintenance and renewal of the rail assets occur.

Maintenance for Victoria's rail infrastructure refers to the action required to keep the infrastructure in a condition that allows it to deliver its intended service. Renewal of rail infrastructure involves undertaking activities to replace or refurbish existing assets or components of those that have a similar capacity.⁹¹

⁸⁶ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.13

⁸⁷ *ibid.*, p.11

⁸⁸ Department of Transport, 2007-2008 Annual Report, p.51 and V/Line Annual Report 2007-2008, p.15

⁸⁹ Department of Transport, *Transport Demand Information Atlas for Victoria*, 2008, pp.23 and 26

⁹⁰ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p 16

⁹¹ *ibid.*

The goal of maintenance and renewal activities is:⁹²

to sustain the assets in a condition that achieves planned 'levels of service' while minimising the cost of doing this across the asset's useful life.

In 1999, responsibility for maintenance for metropolitan, intrastate and interstate infrastructure was contracted out to three private companies through leases with the State. These leases are managed by the Department of Transport (DOT) and successive tranches of franchisee leases have sustained these arrangements in essence.⁹³

Legal responsibilities for maintenance of aspects of the renewals are:

- Metropolitan – Connex;
- Intrastate – V/Line; and
- Interstate – Australian Rail Track Corporation (ARTC).

1.2.1 Metropolitan rail infrastructure

The metropolitan rail infrastructure consists of 17 routes that cover 366 kilometres in metropolitan Melbourne.⁹⁴ Since April 2004, Connex have been responsible for maintenance and renewal works on the whole of the metropolitan rail infrastructure network as part of a five year lease signed with the State in 2004. It is expected that these arrangements will be renewed in 2009 as part of the refranchising of the metropolitan rail network.

Connex appoints an infrastructure manager to oversee the maintenance and renewal activities. To pay for maintenance and renewal, Connex receives a portion of the fare revenue, as well as a subsidy from the State.⁹⁵ As specified by the State, the infrastructure manager's objectives for the five year period are to ensure:

- infrastructure remains fit-for-purpose and able to deliver train services safely and reliably;
- maintenance and renewal activities are undertaken with a longer-term, whole of life approach;
- works are prioritised and carried out efficiently and cost-effectively;
- that the infrastructure manager has an adequate knowledge of rail assets and costs associated with the maintenance and renewal; and
- evidence is provided to DOT that they have undertaken these objectives.⁹⁶

1.2.2 Intrastate rail infrastructure

The intrastate rail infrastructure consists of approximately 4000 kilometres of track that transports both freight and passengers.⁹⁷ The intrastate railway lines are used by V/Line train services, to transport passengers travelling throughout regional Victoria. As well, the intrastate rail infrastructure is used to transport freight around the state.

⁹² *ibid.*

⁹³ *ibid.* p.1

⁹⁴ *ibid.* p.11

⁹⁵ *ibid.* p.17

⁹⁶ *ibid.*, p.23

⁹⁷ *ibid.*, p.11

Control of the intrastate rail infrastructure was leased to Freight Victoria Limited (FVL) (who later became Freight Australia Limited) in 1999 for a term of 15 years. According to the terms of the lease, Freight Australia Limited (FAL) was not required to plan for maintenance and renewal works until the last five years of the lease. FAL were required to return the infrastructure in ‘minimum condition’ as set out in the lease, which were that infrastructure:

- should allow for service to operate to the same standard as prior to the lease; and
- must be able to accommodate freight rail traffic at a minimum speed of 20km/h with 19 tonne axle loads.⁹⁸

In 2004, the lease was sold to Pacific National, at which time DOT was able to amend the lease to take into account issues relating to maintenance and renewal. However, the lease was bought back by the State in November 2006, with V/Line taking over management of infrastructure.⁹⁹

1.2.3 Interstate rail infrastructure

The Victorian sections of the interstate rail system stretch for 760 kilometres,¹⁰⁰ and connect Wodonga on the New South Wales border with Serviceton near the South Australian border, via Melbourne. Since 1999, Victoria’s interstate rail infrastructure is leased to ARTC, which was established by the Commonwealth Government to manage the national rail and provide access to the network for interstate rail operators.¹⁰¹

In terms of maintenance and renewal, ARTC is responsible for improving interstate rail infrastructure and encouraging uniformity of standards across the interstate rail network. The Victorian Government does not fund maintenance and renewal of the interstate rail network.¹⁰²

The lease specifies that the infrastructure manager is required to maintain, replace, repair and keep the infrastructure in a condition that is no worse than when the lease commenced.¹⁰³ The lease arrangements require that the infrastructure manager have documented plans on how maintenance and renewal activities for the interstate network will be undertaken.¹⁰⁴ The department is responsible for monitoring the condition via a condition survey. The survey was first undertaken at the start of the lease and is undertaken every four years by an independent expert.¹⁰⁵

1.3 Audit of Maintaining Victoria’s Rail Infrastructure Assets

The Auditor-General’s performance audit on *Maintaining Victoria’s Rail Infrastructure Assets* was tabled in May 2007. At the time of audit, the Department of Infrastructure was the lead agency. Machinery of Government changes in 2008 resulted in the Department of Infrastructure being renamed the Department of Transport (DOT).

The purpose of the audit was to examine whether the State’s rail infrastructure assets were being appropriately maintained and renewed.¹⁰⁶

⁹⁸ Victorian Auditor-General’s Office, *Maintaining Victoria’s Rail Infrastructure Assets*, May 2007, p.50

⁹⁹ *ibid.*, pp.54-55

¹⁰⁰ *ibid.*, p.11

¹⁰¹ *ibid.*, p.71

¹⁰² *ibid.*, pp.71-72

¹⁰³ *ibid.*, p.72

¹⁰⁴ *ibid.*, p.73

¹⁰⁵ *ibid.*, p.72

¹⁰⁶ *ibid.*, p.91

In examining rail infrastructure, the Auditor-General examined whether:¹⁰⁷

- the Department has established clear requirements consistent with the long-term, cost effective maintenance of rail infrastructure assets;
- the arrangements in place assist the Department to meet its long term asset maintenance requirements; and
- rail infrastructure is delivering the required levels of service and will continue to do so in future.

The Auditor-General concluded that maintenance arrangements in place for the metropolitan and the Victorian sections of the national interstate networks were satisfactory. However the regional intrastate infrastructure had not sustained the 1999 levels of service due to deterioration of infrastructure.¹⁰⁸

The report included a number of detailed findings, together with nine recommendations for improving rail infrastructure maintenance and renewal, specific to metropolitan, regional intrastate and national interstate infrastructure. The findings and recommendations are discussed in more detail throughout this report.

1.4 Response by the Department of Transport

The overall response of DOT was positive in regards to the audit. The Department commented in the Auditor-General's report that:¹⁰⁹

The Report acknowledges the challenges faced by the Department in cost-effectively managing the diverse and complex nature of the Victorian rail network...The conclusions and subsequent recommendations in the Report give appropriate recognition to the Department's efforts to date in progressing the issues raised.

The Department did, however comment that they believed consideration to more up to date information may have resulted in the Auditor-General reaching different conclusions in a number of areas.¹¹⁰

The Department accepted all of the Auditor-General's nine recommendations. The Secretary of DOT stated at the beginning of the public hearing, held on 9 December 2008:¹¹¹

Can I begin by saying that the Auditor-General's report Maintaining Victoria's Rail Infrastructure Assets, in our opinion, is a very good piece of work

¹⁰⁷ *ibid.*, p.91

¹⁰⁸ *ibid.*, p.2

¹⁰⁹ *ibid.*, p.5

¹¹⁰ *ibid.*, p.5

¹¹¹ Mr J. Betts, Department of Transport, transcript of evidence, 9 December 2008, p.2

1.5 Response by the Auditor-General to the Committee

In response to the Committee's request to the Auditor-General for a submission to its review, the Auditor-General advised the Committee that DOT supported all of the recommendations in the report. The Auditor-General also noted the actions reported by DOT in the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*.¹¹²

1.6 Scope of the review undertaken by the Committee

The scope of this review is limited to the findings and recommendations of the Auditor-General and assesses whether DOT has implemented the recommendations made by the Auditor-General. In doing so, this review does not extend to any developments in public transport infrastructure beyond the parameters of the Auditor-General's report.

The Committee sought public submissions, advertising in *The Age* and *The Herald-Sun* on 20 September 2008. No public submissions were received.

The Committee also wrote to DOT seeking an update on the progress of the implementation of the recommendations made by the Auditor-General. The Department responded to the Committee's request on 27 November 2008 and provided the Committee with a comprehensive response to its queries.

On the 25 November 2008, a public hearing was held with Dr Peter Frost, Chief Operating Officer, Mr Ray Winn, Director, Performance Audit and Mr Peter Stoppa, Director, Performance Audit from the Victorian Auditor-General's Office (VAGO).

On the 9 December 2008, a public hearing was held with Mr Jim Betts, Secretary, Mr Robert Pearce, Deputy General Counsel, Mr Hector McKenzie, Director of Public Transport and Mr Tom Sargent, Deputy Director of Public Transport from DOT.

The Committee's report on this review provides its views in four key areas relating to the Auditor-General's recommendations:

- infrastructure lease arrangements;
- impacts of infrastructure maintenance and renewal on service delivery and safety;
- long term maintenance and renewal; and
- performance reporting and information.

¹¹² Letter by the Auditor-General to Mr Bob Stensholt, 14 November 2008, Re: Prioritisation of Victorian Auditor-General reports from March to August 2007

CHAPTER 2: OUTCOMES OF RAIL INFRASTRUCTURE LEASE AGREEMENTS

2.1 Introduction

This chapter sets the context, history and transfer of legal responsibilities leading to rail infrastructure conditions as at the date of the Auditor-General's report.

The management of rail infrastructure in Victoria is divided into three networks: metropolitan, intrastate or regional, and interstate which forms part of a national rail network. Prior to 1998, the Victorian Government was responsible for the management and maintenance of these three networks.

In 1998, the Commonwealth Government established ARTC to manage a national interstate rail network. The following year, 1999, the Victorian Government leased the management of the metropolitan and intrastate networks, including responsibility for network maintenance and renewal.

The Auditor-General has, in his 2007 *Maintaining Victoria's Rail Infrastructure Assets* report reviewed how effectively rail infrastructure in Victoria has been maintained and renewed through outsourced management agreements. An overview of the Auditor-General's findings was provided for the Committee at a public hearing on 25 November 2008. The Committee heard from Mr Ray Winn, Director, Performance Audit, VAGO, that:¹¹³

There were however, various areas where the arrangements needed to be improved by better applying the existing lease arrangements with respect to documenting plans, checking they had been implemented and measuring the effectiveness of infrastructure maintenance.

In contrast to the metro and interstate arrangements, we found that the intrastate infrastructure arrangements did not provide for the adequate maintenance and renewal of the infrastructure.

2.2 The metropolitan infrastructure lease

The metropolitan rail network was originally divided into two networks and offered as separate 15 year franchises. However, one lessee relinquished their lease and the metropolitan network was refranchised as a whole in 2003. DOT signed a subsequent five year lease with the remaining lessee, Connex in 2004, for the management, maintenance and renewal of the whole metropolitan rail network.

¹¹³ Mr R. Winn, Director, Performance Audit, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, pp.16-17

The new lease required the franchisee, Connex, to appoint an infrastructure manager. The infrastructure manager was responsible for ensuring that over the five year lease period:

- infrastructure is fit-for-purpose and can deliver train services safely and reliably;
- maintenance and renewal activities are undertaken, consistent with a whole-of-life approach;
- workloads are properly prioritised and carried out efficiently and effectively;
- DOT is provided with evidence that the objectives have been met; and
- an adequate knowledge regarding rail assets and the costs associated with maintenance and renewal is maintained.¹¹⁴

The Department's aim for infrastructure maintenance and renewal for the metropolitan network is to ensure that infrastructure continues to deliver a safe and reliable service well beyond this lease. This is known as a 'whole-of-life' approach to maintenance and renewal, and is considered best practice.¹¹⁵

2.2.1 Lease provisions for managing infrastructure maintenance and renewal

In accordance with the lease, the infrastructure manager, in consultation with DOT produce an Asset Management Plan and an Annual Works Plan to guide maintenance activities. The Department also provide the infrastructure manager with a list of Minimum Prescribed Works to be incorporated into the infrastructure manager's plans. These list the Department's view on the minimum maintenance required to sustain service levels in the long term.¹¹⁶

The lease also sets out a monitoring regime to allow DOT to oversee the infrastructure manager's activities. These include:

- KPIs reported on quarterly;
- information on expenditure;
- reports on maintenance and renewal activities undertaken; and
- regular meetings of the Maintenance and Renewal Review Group, consisting of representatives from DOT and the infrastructure manager to discuss issues.

2.2.2 Maintenance and renewals and future lease arrangements

The Auditor-General recommended in his audit that DOT should ensure that the infrastructure manager's future plans and methodology for prioritising maintenance is documented. The Department have informed the Committee that they intend to implement this recommendation via the re-franchising of the metropolitan rail network, currently being undertaken.

¹¹⁴ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.23

¹¹⁵ *ibid.*, p.24

¹¹⁶ *ibid.*, pp.24-25

The Department, on behalf of the State is currently undertaking the metropolitan re-franchising project, which will see one private company awarded a contract to run the metropolitan rail system for up to 15 years.¹¹⁷ The Department has informed tenderers that:¹¹⁸

the approach to and methodology behind its asset management philosophy are of critical importance in the selection of a franchisee.

To guide tenderers and ensure consistency in information provided, DOT reports that they have developed an Asset Management Plan Guidance Note ('the Guidance Note') for tenderers. The Guidance Note explains to tenderers how they should construct their Asset Management Plan. The Department believes that this will assist the State in evaluating tender proposals.¹¹⁹

As noted by DOT, the main points of the Guidance Note for the development of an Asset Management Plan by tenderers should:

- be developed to meet the State's objectives for planning, maintenance and enhancement of the network. However, risks associated with cost, work quality, effectiveness and operational impact will be borne by the franchisee;
- set out what maintenance and renewal activities are required to meet the State's objectives and keep the network safe and operational for the term of the new franchise;
- analyse the State's suggested minimum level of maintenance and renewal activities required, and from this propose a detailed program of works, identify the budget required to deliver the State's performance levels; and
- undertake necessary works on a basis that is cost effective, offers value for money, works are undertaken when required and are driven by a holistic, risk and demand based approach.¹²⁰

The Department has also provided specific information to tenderers regarding what information they wish provided in their proposed Asset Management Plan.

The Committee reviewed the *Expression of Interest Brief* for the first round of the tender project and noted that it had a strong focus on the importance of maintenance and renewal of the metropolitan rail infrastructure, thus providing prospective tenderers with an appropriate understanding of the importance placed on maintenance and renewal activities by DOT and the State. The Committee notes the detail provided to tenderers via the Guidance Note prepared by DOT, and the specific information requested as part of the Asset Management Plan.

The Committee also notes the following statement made by DOT in a letter to the Committee regarding the Guidance Note instructions:¹²¹

...the State's objectives for the planning, maintenance and enhancements of the rail infrastructure are achieved, with all risks associated with costs, works quality, effectiveness and operational impact to be borne by the franchisee.

¹¹⁷ Department of Transport, *Expression of Interest Brief*, August 2007, p.9

¹¹⁸ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, p.2

¹¹⁹ *ibid.*

¹²⁰ *ibid.*

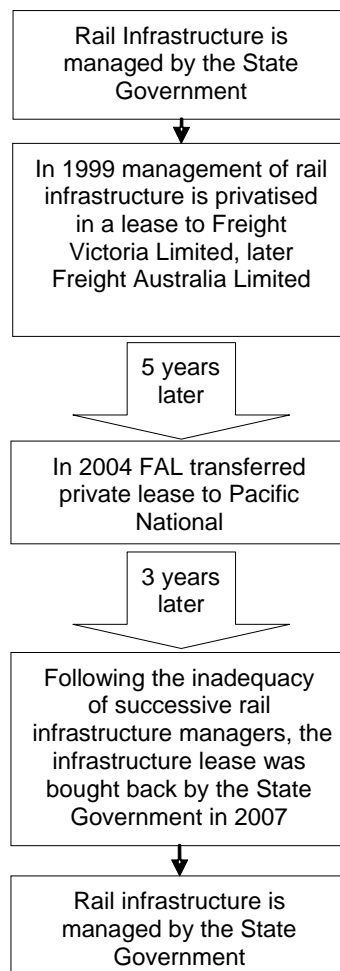
¹²¹ *ibid.*

While the Committee notes that risks associated with the cost of maintenance and renewal, and some risks related to quality, effectiveness and impact can and will be borne by the franchisee. However, from a public perception, implied and vicarious liability and as ultimate overseer's of rail infrastructure, DOT may wish to review if total risk transfer is practically possible.

2.3 The intrastate infrastructure lease

infrastructure to private management in 1999 failed to maintain the condition of intrastate rail infrastructure assets. A circle of management – from Freight Victoria Limited (FVL), later renamed Freight Australia Limited (FAL), a subsidiary of United States of America based Rail America; to Pacific National in 2004; and returning to public management in 2007. This is illustrated in the diagram below. The lease of Victoria's intrastate passenger and freight rail

Figure 2.1: Lease arrangements for Victoria's intrastate rail network



Source: PAEC Analysis

The Auditor-General attributes the failure to a combination of inadequate lease arrangements as well as inadequacies in the planning, execution and review of rail infrastructure maintenance and renewal. The Auditor-General found that neither FVL/FAL nor Pacific National undertook adequate maintenance and renewal of the rail infrastructure.¹²² The Auditor-General considered that the government's buyback of the lease is an opportunity for the Department to address the management and condition of intrastate rail infrastructure.

2.3.1 The first lease

The first lease was entered into by the State Government and FVL/FAL in 1999 for a 15 year term. The Auditor-General found a key failure of the lease was that it did not require any planned maintenance or renewal activity to occur for the first ten years. This has allowed deterioration of the infrastructure to amplify and accelerate. After that the lease required that the condition of rail infrastructure be equivalent to pre-lease condition for the last five years of the lease.

The Auditor-General identified in his report a series of issues with the original infrastructure manager, FVL/FAL, that pointed to serious failings in the maintenance and renewal of rail infrastructure. These included:¹²³

- seven derailments in 2004, prior to the lease transfer to Pacific National in August 2004;
- complaints from the passenger service operator, V/Line Passenger, about the maintenance and condition of rail infrastructure;
- DOT's difficulty obtaining information about infrastructure condition from FAL;
- FVL/FAL's obstruction of DOT's attempts to advance infrastructure development; and
- the procedural failure of facilitating access arrangements.

The original lease permitted the lease manager to determine the level of freight services provided and therefore the level of maintenance and renewal required.¹²⁴ This arrangement did not provide any incentive for the lessee to increase service levels.

The Department never saw any plans for neither maintenance nor renewal from FVL/FAL, despite a requirement that one and four year maintenance and renewal plans be developed for the part of the network on which passenger services operated. The Department was unable to compel the infrastructure manager to provide evidence of adequate planning and the Auditor-General found no evidence that these plans were ever developed.¹²⁵

The Department did, however, receive some performance information from FVL/FAL for the purpose of monitoring and continuous improvement. Under the lease arrangement the Department was provided:¹²⁶

- quarterly measures of track-ride quality and details of incidents leading to delays to passenger services;
- a record of safety-related incidents; and
- weekly reports of temporary speed restrictions.

¹²² Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p 49

¹²³ *ibid.*, p.52

¹²⁴ *ibid.*, p.57

¹²⁵ *ibid.*, p.58

¹²⁶ *ibid.*, p.60

However the Auditor-General found that the information was insufficient for the task of overseeing and monitoring maintenance and renewal of rail infrastructure. The lease limited the Department's review and monitoring options and FVL/FAL were found to have resisted attempts by the Department to obtain more information and inspect infrastructure, despite two separate clauses, identified by the Auditor-General in his report, which permitted DOT to access:¹²⁷

- the infrastructure, to make reasonable investigations; and
- the infrastructure manager's records of the maintenance costs on freight and passenger lines.

2.3.2 The second lease

With the sale and transfer of the intrastate lease to Pacific National in 2004, DOT negotiated a number of changes in an attempt to address the failings of the original lease and inadequate maintenance and renewal of rail infrastructure. The Auditor-General identified the following changes:¹²⁸

- a strengthening of safety provisions;
- funding shortfalls, including for maintenance and renewal, to be covered by the parent company guarantee;
- a new works clause that the Department has subsequently used to ensure Pacific National complete priority renewal works critical to the safe and effective operation of passenger services;
- a plan developed to enable cooperative investment in the modernisation of the freight network; and
- a stated intention by Pacific National and the Department to review the existing maintenance and renewal arrangements.

Despite these changes to the original lease, the transfer to Pacific National retained the lease term stipulating that rail infrastructure assets did not have to be in original condition as at the date of transfer to FAL in 1999 until the last five years of the lease.¹²⁹

Further, two problematic clauses identified by the Auditor-General were not amended. The two clauses concerned access to infrastructure and infrastructure manager's records for the purpose of investigating renewal and maintenance works undertaken.

Upon taking over management of the intrastate rail network, Pacific National undertook a whole-of-life assessment of intrastate infrastructure assets to determine what work was required to renew assets to a fit-for-purpose condition. This review was the basis for a five year asset management plan.

¹²⁷ *ibid.*, p.59

¹²⁸ *ibid.*, p.52

¹²⁹ *ibid.*, p.17

As a result of the review, Pacific National advised the Department that additional funding would be required to address past under-investment in maintenance otherwise the length of track under speed restrictions would increase significantly. Furthermore, revenue from freight services was not going to be sufficient to meet the cost of on-going maintenance of freight infrastructure, a finding confirmed by the Essential Services Commission.¹³⁰

2.3.3 Auditor-General's findings

The Auditor-General found that since 1999 the condition of the intrastate rail infrastructure had deteriorated through under-investment in maintenance resulting in a significant maintenance debt.

The situation did not change significantly with the transfer of lease to Pacific National, and while some improvements were made, it is acknowledged that there were still major flaws, especially in regards to not compelling Pacific National to undertake maintenance and renewal works.¹³¹

The Auditor-General found that the level of information provided by both FVL/FAL and Pacific National was not sufficient to allow the Department to confirm whether either company implemented plans for maintenance and renewal as intended. The exception being where the Department funded works through an amended lease with Pacific National.¹³²

This change permitted the Department to fund maintenance and renewal projects and review the outcome of infrastructure works. As such, the Auditor-General made a single recommendation pertaining to the Victorian intrastate rail infrastructure:¹³³

1.5 That DOT takes the opportunity afforded by the buyback of the infrastructure lease to implement the government's better practice asset management principles and to improve the monitoring of infrastructure condition and performance.

2.3.4 Committee analysis

Largely due to the lack of adequate maintenance and infrastructure, the Government bought back the lease for the intrastate rail network and has since taken a proactive approach to halt and rectify the deterioration of the intrastate rail network.

The Committee found that the opportunity afforded by the buyback of the lease has presented DOT with the ability to undertake the following:

- implement the Government's best practice asset management principles;
- increase the quantity of freight transported by rail, in line with the Government's objectives; and
- put in place a robust framework for monitoring the performance, maintenance and renewal of rail infrastructure.

The Committee considers that the Department has, over the past ten years increased its understanding of the maintenance and renewal of rail infrastructure via its management of the leases for Victoria's rail networks.

¹³⁰ *ibid.*, pp.56-7

¹³¹ Mr R. Winn, Director, Performance Audit, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, p.18

¹³² Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.60

¹³³ *ibid.*, p.4

2.4.3 Department's response

The Department, in its response to the Committee's questions seeking an update on the implementation of the recommendations, commented that his recommendation has been implemented as part of the lease extension negotiated with ARTC in May 2008. The Department has informed the Committee that ARTC has submitted both an Annual Works Plan and an Asset Management Plan for 2008-09. The Department has reviewed both plans and requested additional information and amendments. ARTC and DOT were working on finalising an annual, five year and 20 year plan by May 2009. Information on capital, renewal maintenance tasks are provided to DOT when requested.¹⁴¹

2.4.4 Committee's review

The Committee considers that DOT has undertaken and implemented the Auditor-General's recommendation as part of its lease extension with ARTC in May 2008. While DOT will now have more rigorous information to measure ARTC's performance, the Committee considers the delays with the 2008-09 plans could impact DOT's ability to effectively manage and monitor the lease provisions and the works undertaken by ARTC this financial year. However, the Committee acknowledges that with the new lease agreed in May 2008, it gave both ARTC and DOT a short timeframe to implement the revised lease provisions.

The Committee considers that for DOT to properly review and monitor the performance of ARTC's maintenance and renewal of rail infrastructure, the Department would work with ARTC in future to ensure plans are completed prior to, or as close to the commencement of the financial year as possible. The Committee is confident that DOT can achieve this in future. The Committee also notes the progress made by DOT in ensuring ARTC have provided a five year and 20 year plan for the maintenance and renewal of rail infrastructure.

2.4.5 Conclusion

The Committee considers that the Department has developed a strong focus on maintenance and renewal of infrastructure for the metropolitan rail network. This is evident in the information DOT provided to tenderers for the refranchising of the rail network. The Committee, however cautions against the feasibility of achieving an effective transfer of risks associated with the maintenance in future lease arrangements.

In regards to the intrastate rail infrastructure, insufficient maintenance and renewal activities were undertaken as a result of an inadequate lease that only required the network to be maintained to the same condition for the last five years as it was in prior to the signing of the lease. As a result, the Government has bought back the lease and DOT has set about improving the maintenance and renewal of the intrastate rail network. The Committee recommended that the Department use its knowledge to continue to improve the intrastate network.

¹⁴¹ Department of Transport, email received 26 March 2009.

The Auditor-General found that plans for the interstate rail network did not describe the methodology for estimating maintenance and renewal and demonstrate how the works would ensure lease obligations were met. The Committee subsequently found that the Department has implemented appropriate changes as part of its lease extension negotiated with ARTC in May 2008. The Committee, however found there had been delays with the 2008-09 planning documents which could impact DOT's ability to effectively monitor ARTC undertaking works. The Committee has confidence that DOT will work with ARTC to ensure that plans are received and approved prior to or as close as possible to the commencement of the financial year. The Committee also notes that planning on five year and 20 year plans is almost completed.

CHAPTER 3: ASSESSMENT OF RAIL INFRASTRUCTURE AND ITS PERFORMANCE

3.1 Introduction

The effective maintenance and renewal of rail infrastructure is important to ensure performance of the network remains high. The performance of rail infrastructure assists to deliver services safely, reliably and effectively.

Rail infrastructure is made up of many assets, such as tracks, ballasts, cabling and signalling infrastructure to name a few. While some of the rail infrastructure is new or a few years old, some of the assets that make up the networks are more than 50 years old.¹⁴²

The Auditor-General assessed the performance of Victoria's three rail networks in his review of rail infrastructure assets. The assessment considered:¹⁴³

- the condition of infrastructure and whether it was fit-for-purpose; and
- service delivery and its relationship to infrastructure maintenance and renewal.

In order to assess rail infrastructure, the Auditor-General reviewed information made available from DOT and Public Transport Safety Victoria (PTSV). The Auditor-General's office also undertook its own inspections of rail infrastructure to determine infrastructure condition and establish a reference point for reviewing second party information, including the Scott Wilson review commissioned by DOT. The Auditor-General's field inspections of asset condition for the three rail networks undertook to:¹⁴⁴

- review maintenance and renewal plans;
- review available information on infrastructure condition;
- inspect a sample of infrastructure; and
- document their conclusions on the condition of the infrastructure and the likelihood of future deterioration.

3.2 Metropolitan infrastructure

The metropolitan rail infrastructure consists of three elements: track and structures, electrical and signalling infrastructure. The electrical infrastructure is specific to the metropolitan rail network as it runs electrified trains, whereas diesel trains operate on the intrastate and interstate networks.

The Department commissioned the Scott Wilson Group to undertake a review of the metropolitan rail infrastructure in 2004. This infrastructure review examined 11 sub stations and signalling equipment at 21 sites. The Auditor-General examined the findings with evidence from his own inspections. The Auditor-General examined four substations and signalling at 14 sites.

¹⁴² Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.2

¹⁴³ *ibid.*, p.38

¹⁴⁴ *ibid.*, p.39

3.2.1 Departmental infrastructure review

In April 2004, DOT contracted the Scott Wilson Group to undertake an examination of the metropolitan rail infrastructure. As part of this infrastructure review, between five and 10 per cent of assets were examined. As well, the infrastructure manager's plan and the lease were also reviewed.¹⁴⁵

The infrastructure review found that the metropolitan rail infrastructure '*generally remains fit-for-purpose for the current level of operation (i.e. current traffic volumes, train speeds and axle weights)*'¹⁴⁶ Also, quite positive, the review identified that the infrastructure manager was committed to delivering a high standard of maintenance.¹⁴⁷

The infrastructure review recommended that there was a need for an investment strategy which would be able to concentrate resources where equipment was obsolete to improve reliability of the network.¹⁴⁸ The infrastructure review recommended that DOT develop a long-term infrastructure strategy for the metropolitan network, to drive infrastructure maintenance and renewal policies. Also, it recommended that DOT and the infrastructure manager undertake action to resolve problems identified by the review according to the criticality and probability of failure.¹⁴⁹

The infrastructure review also highlighted a number of potential problems with rail infrastructure, which if not remedied may have posed infrastructure related delays on the network.

3.2.2 Infrastructure condition

The Auditor-General agreed with the infrastructure review and concluded that track and structure and the electrical infrastructure on the metropolitan rail network to be generally fit-for-purpose.¹⁵⁰

While both the Auditor-General's inspection and the infrastructure review found signalling infrastructure to also be generally fit-for-purpose, both reviews found that some equipment required maintenance and renewal works to be undertaken. The Auditor-General identified five areas:¹⁵¹

- the condition of the cable trunking;
- unterminated signal communication cables;
- equipment installation practices;
- the reliability of track circuits; and
- the design of system renewals.

¹⁴⁵ *ibid.*, p.29

¹⁴⁶ *ibid.*, p.37

¹⁴⁷ *ibid.*,

¹⁴⁸ *ibid.*, p.29

¹⁴⁹ *ibid.*, p.37

¹⁵⁰ *ibid.*, pp.39-40

¹⁵¹ *ibid.*, pp.40-42

(a) Condition of cable trunking

Cable trunking is a metal housing that runs parallel to the track, housing communications and power cables. The housing acts to protect cables from ‘damage by the elements, vermin and vandals’. The infrastructure review found ‘seriously damaged, decayed or incomplete cable trunking’ at nine of the 21 sites examined. The Auditor-General inspection also ‘identified several examples of decayed and damaged cable trunking which exposed cables to potential damage’.¹⁵²

(b) Unterminated signal communication cables

The infrastructure review identified instances of loose ends of cable wiring associated with signalling that had not been properly insulated. The Auditor-General did not find any examples of this poor condition in signalling equipment.¹⁵³

(c) Equipment installation practices

Poor installation of signalling equipment was identified in the infrastructure review and confirmed by the Auditor-General’s inspection. Examples of poor installation included a lack of protection for cables entering signal posts and the use of domestic appliance cable in signalling circuits, which does not conform to Victorian standards for signalling wire.¹⁵⁴

(d) Reliability of track circuits

Track circuits are an electrical device used to detect the presence of a train on a section of railway. Examination found that in many cases trackside connections were vulnerable to damage and that there was ‘often no backup connection should the primary one fail’. The Department ‘noted that current and past design standards prescribed, in many cases, both primary and backup connectors’.¹⁵⁵

(e) Design of system renewals

Poorly designed renewals of the signalling system were identified by both the infrastructure review and the Auditor-General’s inspection. The Department is confident, however, that measures in the new metropolitan lease would prevent the use of poorly designed system renewals being repeated.¹⁵⁶

¹⁵² *ibid.*, p.40

¹⁵³ *ibid.*, p.41

¹⁵⁴ *ibid.*

¹⁵⁵ *ibid.*, pp.41-42

¹⁵⁶ *ibid.*, p.42

3.2.3 Delays caused by infrastructure

The Auditor-General analysed data from DOT and PTSV to determine the cause of delays and the number of passenger minutes delays caused. The Auditor-General found that between 2003 and 2005 there was an average of 2000 incidents per month that led to passenger delays. Train defects and passenger related delays accounted for approximately 70 per cent of the delays, while infrastructure related incidents made up approximately ten per cent of the total delays.¹⁵⁷

While the number of incidents remained steady, the number of passenger minutes attributed to delays increased from 17 million minutes to 25 million minutes over the period analysed by the Auditor-General. The Department believed these delays were caused by works at Southern Cross Station and Flinders Street Station that impacted on the infrastructure manager's capacity to respond to incidents.¹⁵⁸

The Auditor-General analysed data from January to November 2005 and determined there were 2030 infrastructure related incidents, which accounted for 39.2 million minutes of passenger delays. Track circuit failures accounted for the majority of incidents and delays, 72 per cent and 72.4 per cent respectively. Track circuit failure incidents have been further broken down in Table 3.1 below:

Table 3.1: Incidents of track circuit failures

Cause of track circuit failure	Incidents (per cent)	Delays (per cent)
Faulty track circuit	38.4	31.5
Faulty points	15.0	27.2
Faulty signals	31.9	17.1
Loss of signal power	2.5	9.5
Damage during maintenance	1.6	3.1
Uncategorised reasons	10.5	11.6

Sources: Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.45

It is important to note that track circuit failures account for approximately seven per cent of all delays on the network. However, of interest in the table above is that while there are more signal faults than point faults, point faults account for a greater percentage of delays, and more than a quarter of all delays caused by track circuit failures.

3.2.4 Implementation of the recommendations of the infrastructure review

The Auditor-General confirmed many of the findings of the infrastructure review, and subsequently recommended that DOT address the recommendations of the infrastructure review by implementing the agreed action plan.

¹⁵⁷ *ibid.*, p.43

¹⁵⁸ *ibid.*, pp.43-44

In their response to the recommendation, DOT agreed to the implementation of the recommendations from the infrastructure review, noting that implementation was in progress. DOT commented that they had agreed to a plan of works with Connex, and these are being addressed in order of priority.¹⁵⁹

When discussing the infrastructure review at the public hearing held with the Committee, Mr Tom Sargant, Deputy Director of Public Transport commented that:¹⁶⁰

...we have made steady progress certainly to address all the short-term recommendations in this franchise. The longer term recommendations we have addressed either in this franchise where practical or, where not practical, we are including in the arrangements for the next franchise.

Documents provided to the Committee by DOT show that they have created a spreadsheet to track the issues identified by the infrastructure review. Recommendations and findings have been broken up into short-term and long-term priorities. For each issue, an action was recommended and then follow-up action tracked. In tracking actions, the Committee notes that DOT has systematically broken down the recommendations and findings into discrete actions, which were then assigned with a completion date. The actions are then reported against and follow-up actions and dates assigned until the activity has been completed.

An example of one such issue was a finding that circuit controllers at many signal boxes did not have covers, posing a risk of dust entering circuit controllers. The recommended action was that an investigation be undertaken as to why many circuit controllers did not have covers and an action that covers be fitted. The follow-up action shows that Connex investigated why covers were not on circuit controllers. They reported that covers were being left off for ease of access. While this posed no safety issue, it had the potential to impact on service reliability. An inspection of all sites commenced as a result. Over the course of one year, Connex regularly reported that inspections had been completed at a number of locations. The final action listed by DOT was an audit by DOT's Public Transport Division to verify that works had been undertaken by Connex as reported.

The Committee notes that a number of issues identified by the infrastructure review have already been completed. Similarly to the example above, the actions undertaken were recorded and the status was marked complete once all works associated with the activity had been undertaken.

The Committee notes the thoroughness and comprehensiveness of DOT in ensuring that progress of recommendations and actions from the infrastructure review were undertaken. The Committee was also pleased to note that where issues could not be immediately actioned, they will be considered and raised as part of the re-franchising of the metropolitan train system.

3.3 Intrastate Infrastructure and its condition

The intrastate rail network consists of both passenger (V/Line rail services) and freight lines. The freight network comprises the majority of track length but freight traffic is influenced by demand for freight transport, such as the size of grain yields. Whereas, passenger services operate on five lines (Ararat, Warrnambool, Bairnsdale, Albury/Shepparton and Swan Hill/Echuca) and run to a fixed timetable.

¹⁵⁹ *ibid.*, p.7

¹⁶⁰ Mr T. Sargant, Department of Transport, transcript of evidence, 9 December 2008, p.6

The condition of intrastate infrastructure was found by the Auditor-General to have ‘deteriorated’ since the government entered into a private lease arrangement in 1999. Successive lease managers did not undertake sufficient maintenance and renewal to maintain infrastructure condition, which in turn has reduced service levels for freight services accessing the intrastate line and across the V/Line network.¹⁶¹

The Auditor-General undertook his own inspection of the condition of the tracks and structures and signalling infrastructure, as well as reviewing internal departmental material on maintenance and renewal spending and reports produced by PTSV.¹⁶²

3.3.1 Track and structures

The Department’s internal report on track maintenance, *Track Maintenance under Freight Australia’s Primary Infrastructure Lease*, analysed sleeper replacement over a period of three years, from the commencement of the lease in July 1999 to June 2002. Sleeper replacement is a key maintenance and renewal activity of rail infrastructure and should account for approximately 50 per cent of maintenance and renewal costs.¹⁶³

The Department’s report concluded that in order to maintain rail infrastructure condition at 1999 levels, in accordance with the lease, 210,000 sleepers needed to be replaced annually (85,000 on the passenger network and 125,000 on the freight network). However, DOT’s review found that over the three year period only 49,000 sleepers had been replaced (32,000 on the passenger network and 17,000 on the freight network).¹⁶⁴

This equates to 12.5 per cent of the sleeper renewal required to maintain 1999 conditions on the passenger network and only 4.5 per cent on the freight network. Departmental estimates in 2003 were that to return sleepers ‘to a sustainable, steady state footing’ would cost approximately \$125 million over four-five years.¹⁶⁵

The Auditor-General’s inspection found that the condition of passenger network track and structures to be generally fit-for-purpose but that some sections of the track were in poor condition and needed immediate work to ensure that further speed restrictions were not introduced.¹⁶⁶

3.3.2 Signalling infrastructure

Unlike the condition of intrastate track and structures, the Auditor-General found signalling infrastructure to be generally fit-for-purpose. Inspection did, however, raise some concerns regarding the condition of signalling infrastructure.

The Auditor-General found that it was common practice to use single, uninsulated track circuit leads which are used for sensing the presence of trains, such as approaching a level crossing. The lack of duplicated track circuits means that there is no back up in the case the primary track circuit failed. The Auditor-General also suggested terminating track circuit leads in a trackside disconnection box to improve reliability and reduce the cost of repairs.¹⁶⁷

¹⁶¹ Victorian Auditor-General’s Office, *Maintaining Victoria’s Rail Infrastructure Assets*, May 2007, p.49

¹⁶² *ibid.*, pp.61-62

¹⁶³ *ibid.*, p.62

¹⁶⁴ *ibid.*

¹⁶⁵ *ibid.*

¹⁶⁶ *ibid.*, p.63

¹⁶⁷ *ibid.*

3.3.3 Service delivery and safety

The Auditor-General's report found that the intrastate rail infrastructure had been subjected to an increasing number of temporary speed restrictions. Temporary speed restrictions are an indicator as to how well the infrastructure is performing. Given the absence of substantial maintenance and renewal works in the intrastate network, it can be concluded that these restrictions are indicative of the deteriorating condition of the rail infrastructure. Temporary speed restrictions delay services operating on the lines affected. Passenger trains will not run to schedule and freight delivery will be delayed, with knock on effects at rail terminals.¹⁶⁸

The Auditor-General commented in his report that there are two reasons for imposing speed restrictions, one being the need for urgent maintenance work to be undertaken and the other being:¹⁶⁹

...a deliberate strategy on the part of the infrastructure manager to use the available resources in the most cost-effective way. For example, where a low harvest leads to lower than normal rail traffic on seasonal rail lines, a prudent infrastructure manager may decide to restrict speeds and defer maintenance expenditure to improve net revenue.

The Auditor-General used available departmental data to establish the extent of temporary speed restrictions on the intrastate freight network between January 2002 and January 2006. Data from the passenger network was excluded due to the influence of infrastructure development work, including the redevelopment of Southern Cross station and the Regional Fast Rail Project. It was found that from January to April 2004, temporary speed restrictions were imposed on between 20 and 250 kilometres of the network. This had risen to 700 kilometres by January 2006. This represented 17.5 per cent of the network with 600 kilometres (or 86 per cent) of speed restrictions attributed to poor track condition.¹⁷⁰

PTSV figures examined by the Auditor-General reveal that temporary speed restrictions most likely contributed toward halving the number of safety incidents (from 300 down to 150 a quarter) reported by the end of 2004. There had, however, been a sharp rise in the number of safety incidents in the last quarter of 2003. This rise was attributed to signal irregularities and track condition.¹⁷¹

3.3.4 Auditor-General's conclusion and recommendation

The Auditor-General found overall, that the infrastructure had deteriorated over the lease period. At the time of audit, the Government had bought back the lease. As a result, the Auditor-General recommended that DOT took this opportunity to implement the Government's better practice principles to improve the monitoring of infrastructure condition and performance.

At the time of the Auditor-General's review, insufficient maintenance and renewal on the intrastate line had led to a deterioration in the condition of the network. There had been a rise in safety incidents, which were most likely dealt with by speed restrictions. Overall, the Auditor-General found that low levels of maintenance had been undertaken by the contractor than that required to maintain the condition of the infrastructure at the 1999 pre-lease condition.

¹⁶⁸ *ibid.*, p.65

¹⁶⁹ *ibid.*

¹⁷⁰ *ibid.*, p.66

¹⁷¹ *ibid.*, p.67-68

At a public hearing with VAGO, Mr Ray Winn, Director, Performance Audit commented that:¹⁷²

Pacific National, as we understood it, were doing no renewals so the changes in 2004 made it easier for the Government to step in and fund specific renewal projects, and that happened during the course of our audit. That almost certainly reduced the number of speed restrictions on the network...It was probably the minimum to keep it in place at that service level, and it did not really account for the backlog of works which had been accumulated over a long period of time.

Mr Winn also told the Committee at the public hearing that the only major renewal works undertaken under the previous lease were renewals of \$59 million, paid for by DOT.¹⁷³

3.3.5 Implementation of the Auditor-General's recommendation

In response to queries made by the Committee, DOT has written to the Committee and informed the Committee that they have commenced negotiation of a new Regional Infrastructure Lease with V/Line. As well, DOT has commenced receiving the following information from V/Line in regards to the intrastate rail infrastructure:¹⁷⁴

- an Asset Management Plan;
- an Annual Works Plan;
- Asset Maintenance Strategies;
- Monthly Board Report; and
- Monthly Major Periodic Maintenance Report.

As well, DOT reports that they attend monthly maintenance and renewal meetings with V/Line and Freight Logistics and Marine, a division of the department.¹⁷⁵

3.3.6 Conclusion

The Committee has previously reported in *Review of the Findings and Recommendations of the Auditor-General's Reports Tabled July 2006 – February 2007* that since the buyback of the lease, DOT has undertaken a review in regards to standardising freight rail lines as well as progressing a number of upgrades and new projects.¹⁷⁶

The Committee considers that DOT has taken the opportunities afforded by the Government's buyback of the intrastate rail lease to put in place an appropriate framework for planning, monitoring and managing the maintenance and renewal of the rail infrastructure. As well, DOT has ensured that a number of projects to improve the condition, reliability and safety of the intrastate network are undertaken, ultimately improving the performance of the intrastate network.

¹⁷² Mr R. Winn, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, p.19

¹⁷³ *ibid.*, p.18

¹⁷⁴ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, pp.3-4

¹⁷⁵ *ibid.*, p.4

¹⁷⁶ Public Accounts and Estimates Committee, *Review of the Findings and Recommendations of the Auditor-General's Reports tabled July 2006 – February 2007*, November 2008, p.176

3.4 Interstate Infrastructure and its condition

The interstate rail network is leased to ARTC, a body set up by the Commonwealth Government to maintain the national rail infrastructure and sell access to organisations wanting to run either freight or passenger services. ARTC uses revenue raised to fund the maintenance of rail infrastructure and the State does not contribute funds towards this.¹⁷⁷

The Auditor-General undertook an inspection of infrastructure on the interstate rail network and examined key documentation and information provided by PTSV. The Auditor-General concluded that overall the infrastructure on the interstate network was 'fit-for-purpose.' However, the Auditor-General noted that he had some concerns regarding the ageing signalling infrastructure, noting that this will be renewed over the next few years.¹⁷⁸

The Department, as part of its lease obligations, undertook condition surveys of the interstate rail network. These were used to determine the condition of the infrastructure. However, it was acknowledged by DOT and the Auditor-General that these condition surveys did not reliably measure the condition of rail infrastructure.

The PTSV raised a number of concerns regarding the interstate rail condition. These included a number of incidents and complaints relating to deteriorated track conditions, including the Benalla derailment.¹⁷⁹

3.4.1 Track and structures

Independent condition surveys, undertaken as a lease requirement, found there had been a noticeable improvement. The Auditor-General's own inspection concluded that track condition was generally fit-for-purpose. However, the Auditor-General acknowledged issues raised by PTSV in regards to the track condition.

3.4.2 Signalling infrastructure

A comparative analysis of the two condition surveys made of the interstate network found that in eight of nine survey categories condition had deteriorated between 2000 and 2003. The most notable deteriorations were in:¹⁸⁰

- level crossing without protection;
- earthworks and retaining walls;
- signal bridges; and
- points and crossings.

These falls were not determined, however, to have constituted a breach of lease, which has a five per cent condition margin relative to that at the start of the lease. Further, the Auditor-General considers that the combination of infrastructure into asset groups makes the results inconclusive and drawing conclusions from a comparison of surveys does not guarantee that the infrastructure is fit-for-purpose.

¹⁷⁷ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.16

¹⁷⁸ *ibid.*, p.86

¹⁷⁹ *ibid.*, pp.85-86

¹⁸⁰ *ibid.*, p.83

Subsequent inspection by the Auditor-General did find that the condition of signalling infrastructure was generally fit-for-purpose, however, he did have some concerns. Those concerns were:¹⁸¹

- maintaining older equipment;
- track circuits at turnouts;
- the continued use of searchlight signal heads; and
- the condition of signal cabling.

(a) *Maintaining older equipment*

The Auditor-General identified that signalling equipment on the interstate track between Melbourne and Wodonga is at least 45 years old. As equipment ages, its maintenance becomes more difficult as replacement parts become harder to source and declining reliability conflates to require more regular and intensive maintenance.

(b) *Track circuits at turnouts*

Where a turnout joins the main line, they are connected using a method called ‘parallel bonding’. The track circuit forms an electrical loop when the train moves between the turnout and the main line, signalling to other trains they should not enter the track. However it is possible that the parallel bond can fail, sending a false go signal. The Auditor-General found most of the parallel bonding to be of reasonable condition, however advised DOT to ensure the risks of parallel bonding be appropriately reflected in the infrastructure manager’s planning and renewal activities.

(c) *Continued use of searchlight signal heads*

Searchlight type signal heads form the majority of signals on the interstate network and were originally installed in the early 1960s. Modern signal technology uses LED units that can display three different colours. The Auditor-General found that older searchlight type of signal head are less reliable and more costly to maintain. This will be addressed as part of the north-east corridor upgrade.

(d) *Condition of signal cabling*

Signal cabling inspected by the Auditor-General was generally found to be of an adequate condition and properly protected with one exception. The Auditor-General reports this equipment is also likely to be upgraded as part of the north-east corridor upgrade.

¹⁸¹ *ibid.*, p.84-5

3.4.3 Service delivery and safety

The performance of the interstate rail network and the effect of infrastructure related incidents and delays are measured through key performance indicators (KPIs). The Auditor-General was examined data supplied to DOT by the infrastructure manager. However, while the review included useful measures for analysing infrastructure-related service delays, it was deemed inadequate for this purpose because performance results were averaged for entire corridors. For example, individual train and overall train delays across Victoria and South Australia were combined. Average figures are of little practical use as they do not allow DOT to identify problem areas of the interstate network. The Auditor-General stated that:¹⁸²

These averages can hide significant problems at specific locations, and a reduction in the average score does not mean that the infrastructure condition and performance have improved.

Temporary speed restrictions are another available indicator of track condition and service standards. In the period from February 2003 to March 2004 temporary speed restrictions increased from less than one per cent up to six per cent. The Auditor-General's report does not identify what proportion of speed restrictions was attributable to infrastructure-related incidents. In any case, by the late 2005 less than 0.5 per cent of the network was subject to temporary speed restrictions.¹⁸³

Issues affecting the safety of the interstate network were identified in audit reports completed by PTSV in 2004 and 2005. However, these issues were predominantly issues concerning processes and standards, rather than infrastructure-related issues. Issues with signalling infrastructure were the only reference to infrastructure-related safety issues.

3.4.4 Conclusion

The Auditor-General found that the interstate railway infrastructure was generally fit-for-purpose. The Committee notes that DOT has difficulty in monitoring the condition and performance of rail infrastructure for the interstate rail network, due in part to the current monitoring arrangements in place. The Committee also acknowledges that DOT faces a more difficult situation with regards to maintenance for the interstate rail network, as it does not contribute financially to the upkeep. While the Auditor-General found a number of areas of the network requiring maintenance, most of these were to be addressed as part of the planned upgrades.

¹⁸² *ibid.*, p.87

¹⁸³ *ibid.*, p.88

CHAPTER 4: LONG TERM MAINTENANCE AND RENEWAL

4.1 Introduction

Maintenance activities are the works that are undertaken to keep rail infrastructure in a condition that allows it to deliver its intended service. Renewal refers to activities to replace or refurbish assets with those of the same or similar capacity.¹⁸⁴ Long term maintenance and renewal activities are important for keeping infrastructure in a condition that allows it to deliver a safe and efficient rail service to Victorians.

Maintenance arrangements across the metropolitan, intrastate and interstate rail lines vary according to the lease agreements in place, as discussed in Chapter 2. This chapter examines the recommendations made by the Auditor-General, as related to maintenance and renewal activities for the metropolitan, intrastate and interstate rail infrastructure.

4.2 Maintenance and renewal of the metropolitan rail infrastructure

As part of undertaking the maintenance and renewal, the infrastructure manager produces an Asset Management Plan and an Annual Works Plan. These core documents set out the following:¹⁸⁵

- the infrastructure manager's approach to maintenance and renewal for the network;
- standards and intervals for asset inspection;
- routine maintenance;
- response times for reactive maintenance; and
- the quantity and types of renewals to be undertaken each year.

Within the planned renewals, the infrastructure manager is required to include a set of Minimum Prescribed Works, which is the Department's assessment of the amount of renewals needed to maintain the service levels throughout the lease period and beyond.¹⁸⁶

The Department's role is to oversee all maintenance and renewal activities undertaken on the metropolitan rail network. DOT approves the infrastructure manager's Annual Works Plan and Asset Management Plan, and also monitors progress against the plans. The Department also undertake audits to verify works have been undertaken, as reported by the infrastructure manager.

4.2.1 Auditor-General's findings and recommendations

The Auditor-General concluded that the current plans for maintenance and renewal for the metropolitan rail assets were consistent with government asset management policy and were based on what was required to keep assets performing past the end of the lease period.¹⁸⁷

¹⁸⁴ *ibid.*, p.16

¹⁸⁵ *ibid.*, p.24

¹⁸⁶ *ibid.*, p.25

¹⁸⁷ *ibid.*, p.69

The Auditor-General found that the metropolitan network was generally fit-for-purpose. While a number of maintenance issues were identified by the Auditor-General and the infrastructure review commissioned by DOT, as discussed in Chapter 3, these maintenance issues have been actioned. The Auditor-General concluded that *'the infrastructure has performed well but there is scope for further improvement.'*¹⁸⁸

The Auditor-General recommended, in regards to long term maintenance and renewals, that:¹⁸⁹

- a long term asset management strategy be produced, that details the rationale for the maintenance and renewal of assets; and
- DOT ensures future maintenance and renewal plans include the methodology for prioritising maintenance and renewals.

4.2.2 Long term asset management strategy

The Auditor-General's recommendation regarding the need for a long term asset management strategy was agreed to by DOT. The Department noted in its response to the audit that implementation of the recommendation that the development of a whole-of-life asset management strategy for rail infrastructure assets was already underway.¹⁹⁰ Reinforcing this view, the Secretary of DOT, Jim Betts stated at the public hearing held with the Committee that:¹⁹¹

Not having a documented strategy made it very hard for us to account for the maintenance and renewals we were undertaking and to make the case to government for funding for maintenance and renewals. We had realised that this was a gap that needed to be filled. Working with the Auditor-General's office during the course of its review reinforced that conclusion.

4.2.3 Action undertaken by the Department of Transport

In response to the recommendation of the Auditor-General, the Department has produced 'The Metropolitan Train Infrastructure (MTI) Strategy'.¹⁹² The MTI Strategy classifies assets into five key asset classes, being:

- track;
- structures;
- signalling;
- power; and
- Melbourne Underground Rail Loop.

¹⁸⁸ *ibid.*, p.47

¹⁸⁹ *ibid.*, p.38

¹⁹⁰ *ibid.*, p.6

¹⁹¹ Mr J. Betts, Department of Transport, transcript of evidence, 9 December 2008, p.5

¹⁹² Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, p.1

The MTI Strategy details for each asset (such as drains, sleepers, railway bridges and circuit breakers) the following information:¹⁹³

- the task at hand;
- a justification of what maintenance must be undertaken as a minimum requirement;
- the scope, including what work will be undertaken;
- how assets will be identified for replacement;
- the cost of the works proposed; and
- for some assets, the MTI Strategy also provides an enhanced case proposing a higher number of replacements.

The Committee commends the Department in undertaking such a thorough asset management strategy for the metropolitan train assets. The MTI strategy includes detailed information that allows DOT to present a number of scenarios for the maintenance of infrastructure. As well, the MTI Strategy provides costings for maintenance work, providing all parties involved with guidance and information on the costs associated with undertaking each maintenance activity. The Committee understands that costs presented are used for guidance only and can vary from year to year.

The asset replacement strategy for signalling also includes sections on the benefits of undertaking the works, risks associated with works not being undertaken and the performance improvements expected as a result.¹⁹⁴ While short in length, the Committee found this information to be useful in providing further information and justifications as to why particular works should be undertaken. The Committee considers that it provides DOT with further information to assist the Department in concentrating resources on priority maintenance and renewals if necessary, in line with the findings of the infrastructure report.

Recommendation 7: The Department of Transport continue to work with the infrastructure manager to include more detailed information on the benefits, risks and performance improvements associated with undertaking each maintenance and renewal activity.

4.2.4 Planning for the future

As discussed in the introductory chapter, patronage on Victoria’s metropolitan rail system has increased dramatically in the last few years. As such, planning for the metropolitan rail network has become increasingly more important. With higher patronage, more train services have been added to the metropolitan lines.

¹⁹³ *ibid.*, Attachments 2, 3 and 5

¹⁹⁴ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, Attachment 4 – Long Term Asset Strategy, Additional Signalling Activities.

The State is currently in the process of purchasing a number of new trains for the metropolitan network. An increase in trains, or rolling stock, places more demand on the infrastructure as more train services are run. At a public hearing with VAGO, Mr Ray Winn, Director, Performance Audit informed the Committee that with the purchase of new rolling stock, the Department must consider whether the infrastructure, such as the power systems and signalling systems can cope with the increased traffic.¹⁹⁵

As such, a long term asset management strategy should assist DOT to ensure that Victoria's rail infrastructure is able to support the extra rolling stock and services required. At a public hearing with the Department, Mr Tom Sargant, Deputy Director of Public Transport said:¹⁹⁶

...with the increasing demands on the network, there needs to be a greater level of input and that is where the strategy has informed the proposed new arrangements. So we are doing a number of things... We are reinforcing some of the changes that we may have been able to make in the current arrangements and we are increasing quantities of inputs required to ensure the reliability of the network is lifted to compensate for the additional demands that are going to be drawn on it.

The Committee notes that DOT has considered in its planning and MTI Strategy the additional demands that will be placed on the network in future.

4.3 Maintenance and renewal of the intrastate rail infrastructure

The intrastate railway lines are used by V/Line train services, to transport passengers travelling throughout regional Victoria. As well, the intrastate rail infrastructure is used to transport freight around the state. As discussed previously, the State bought back the lease in November 2006.

4.3.1 Auditor-General's findings and recommendations

The Auditor-General concluded that there had not been sufficient maintenance and renewal activities undertaken to sustain the condition of the infrastructure. This was supported by the increasing number of infrastructure-related safety incidents and an increase in the number of temporary speed restrictions.¹⁹⁷

As a result, the Auditor-General recommended that the Department take the opportunity presented by the State's buyback of the lease to improve the monitoring of infrastructure condition and performance, as well as implement the government's better practice asset management principles.¹⁹⁸

¹⁹⁵ Mr R. Winn, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, p.22

¹⁹⁶ Mr T. Sargant, Department of Transport, transcript of evidence, 9 December 2008, p.3

¹⁹⁷ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.68

¹⁹⁸ *ibid.* 2007,p.61

4.3.2 Progress since the buyback

Since the State bought back the lease from Pacific National in November 2006, DOT reports that there has been many improvements made. At a public hearing held with the Committee, Tom Sargant, Deputy Director of Public Transport reported:¹⁹⁹

The current arrangement has the network in the hands of the passenger operator, which means that they are directly in control of the network, and being a passenger operator requiring a higher standard of maintenance is going to provide more input into the areas of their need, particularly where passenger services are affected.

Not only that, but the arrangement provides greater visibility, so that the Department understands and can discuss and agree priorities for maintenance work. We are able to discuss and agree quantities on an annual basis and discuss performance. The discussions for the lease are still progressing, but we are administering the arrangements as if that lease were in place.

The Department has advised that they are currently negotiating a new lease for the intrastate infrastructure with V/Line. DOT report that the new lease will be similar to the metropolitan infrastructure lease.²⁰⁰

The Department also report that they have already developed a maintenance and renewal regime with V/Line. At present, DOT receives from V/Line:

- an Asset Management Plan providing medium (five year) and long term (20 year) planning for the intrastate network;
- an Annual Works Plan providing detailed information on works proposed for the next financial year;
- Asset Maintenance Strategies, which provide an overview of the major infrastructure asset components or systems and strategies detailing the approach for managing these assets;
- a monthly report that details the management of the infrastructure responsibilities of the V/Line network; and
- a monthly Major Periodic Maintenance Report that provides financial, scope, resource, variations, delivery and timing updates regarding the Major Periodic Maintenance undertaken.²⁰¹

As well, DOT has been undertaking on site auditing of the Major Periodic Maintenance completed. They also report that they have been keeping all reports on pre-work, work in progress and completed work inspections.²⁰²

The Department and V/Line also have monthly meetings to renew the monthly reports provided to DOT by V/Line.²⁰³

¹⁹⁹ Mr T. Sargant, Department of Transport, transcript of evidence, 9 December 2008, p.7

²⁰⁰ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, p.3

²⁰¹ *ibid.*, p.4

²⁰² *ibid.*, p.4

²⁰³ *ibid.*, p.4

The Committee considers that DOT has taken advantage of the opportunities presented by the Government's buyback of the intrastate rail lease. The Committee is pleased to note that DOT has built a constructive relationship with V/Line in regards to the maintenance and renewal of the intrastate network. This has allowed both parties to interact and share information without having yet established a formal agreement. The buyback has facilitated conditions for an improvement in the condition of the infrastructure via appropriate maintenance and renewal activities. The Committee encourages a continued high priority, high-level and cooperative steerage for the intrastate rail management and strategic oversight of appropriate maintenance and renewal activities.

4.4 Maintenance and renewal of the interstate rail infrastructure

Since 1999, Victoria's interstate rail infrastructure has been leased to the ARTC.²⁰⁴ In terms of maintenance and renewal, ARTC is responsible for improving interstate rail infrastructure and encouraging uniformity across the interstate rail network. The Victorian Government does not fund maintenance and renewal of the interstate rail network.²⁰⁵

The lease specifies that the infrastructure manager is required to maintain, replace, repair and keep the infrastructure in a condition that is no worse than when the lease commenced.²⁰⁶ The lease arrangements require that the infrastructure manager have documented plans on how maintenance and renewal activities for the interstate network will be undertaken.²⁰⁷ The Department is responsible for monitoring the condition via a condition survey. The survey was first undertaken at the start of the lease and is undertaken every four years by an independent expert.²⁰⁸

4.4.1 Auditor-General's findings and recommendations

The Auditor-General found that the interstate infrastructure is fit-for-purpose at its current level of operation. However, the Auditor-General found a number of weaknesses associated with the current condition monitoring arrangements in place with the department.²⁰⁹

While ARTC provided DOT with Asset Management and Annual Works Plans, the Auditor-General concluded these omitted some information, including the methodology used to identify maintenance and renewals. Also the locations of where works were to be undertaken were not provided.²¹⁰

The Auditor-General also found that the infrastructure manager had exceeded planned expenditure for two years in 2002-03 and 2003-04. In 2004-05, the total spend was within one per cent, but this included an underspend of 20 per cent on renewals. The reason for the discrepancy was a change in the Annual Works Plan, however there was no explanation provided to DOT for these changes.²¹¹

²⁰⁴ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.71

²⁰⁵ *ibid.*, pp.71-72

²⁰⁶ *ibid.*, p.72

²⁰⁷ *ibid.*, p.73

²⁰⁸ *ibid.*, p.72

²⁰⁹ *ibid.*, p.69

²¹⁰ *ibid.*, p.76

²¹¹ *ibid.*, pp.77-78

With regards to interstate rail infrastructure, the Auditor-General made the following recommendations:

- that DOT works with the infrastructure manager to ensure the Asset Management and Annual Works Plans describe the methodology for estimating maintenance and renewals and demonstrate how works will meet the lease obligations (this recommendation is discussed in Chapter 2); and
- that DOT, in conjunction with the infrastructure manager, develops protocols to verify that maintenance and renewal activities have been completed, according to plan.²¹²

4.4.2 Verification of maintenance and renewal activities

The Auditor-General recommended that DOT develop protocols to verify that works have been completed according to plan. While the State does not contribute funds towards maintenance and renewal activities, according to the lease, DOT has an important role in monitoring the condition of the rail.

The Department had not received completed documentation for the maintenance and renewal of the interstate rail network in November 2008. As a result, DOT does not know what works have been undertaken, and cannot undertake compliance activities to monitor this. The Department reported to the Committee that once they receive detailed descriptions and timeframes for capital, renewal and major maintenance works, they will be able to implement an audit regime to verify this. Such a regime would be similar to the audit regime undertaken by V/Line.²¹³

The Committee had earlier commented that DOT should work with ARTC to ensure plans are received and approved prior to or as close as possible to the commencement of the financial year. Not having plans finalised on a timely basis could impact on DOT's ability to adequately monitor the work undertaken by ARTC, and this in turn impacts on the department's ability to provide assurance that works have been undertaken to an acceptable standard. Ultimately, this could impact on the department's ability to verify that ARTC are maintaining the network as per lease requirements.

²¹² *ibid.*, p.69

²¹³ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, p.4

CHAPTER 5: PERFORMANCE REPORTING AND PERFORMANCE INFORMATION

5.1 Introduction

Measuring the effectiveness of infrastructure maintenance and renewal via performance information is important for the State because it will assist them in monitoring the condition of infrastructure and ensure that the condition of the infrastructure does not further deteriorate, in line with the objectives of the State.

In regards to the maintenance and renewal of rail infrastructure, there are different arrangements in place for the metropolitan and interstate rail infrastructure. These are examined below in more detail.

5.2 Performance reporting arrangements for metropolitan rail infrastructure

The Government's aim for public transport is to increase the number of journeys made using public transport. Maintenance and renewal contributes positively to this aim by facilitating quality service to passengers. For the metropolitan rail system, service levels set out the aims for the operation of the metropolitan train system. The service levels include:²¹⁴

- a description of the train services that must support the master timetable;
- performance targets agreed between DOT and the infrastructure manager for the total number of cancellations;
- allocation of responsibility for maintaining the infrastructure to run the timetable safely and reliably; and
- establishing the Operational Performance Regime, which has strong financial incentives for the infrastructure manager to avoid delays and cancellations.

The performance reporting and monitoring regime for the metropolitan rail infrastructure is specified by the terms of the lease. The reporting and monitoring responsibilities include:²¹⁵

- KPIs reported on quarterly;
- information on expenditure;
- regular infrastructure inspections;
- daily incident reports; and
- discussions with the infrastructure manager regarding reports received and observations made.

²¹⁴ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.26

²¹⁵ *ibid.*, pp.25 & 35

This reporting regime assists the Department to monitor the progress of the Annual Works Plan and the Asset Management Plan. In addition, there is a Maintenance and Renewal Review Group (MRRG), consisting of DOT staff and the infrastructure manager. The MRRG provides a forum for performance issues to be discussed.²¹⁶ Meetings are held monthly.²¹⁷

5.2.1 Auditor-General's findings

The Auditor-General found that there was an extensive range of KPIs available to DOT to help them assess how the infrastructure manager had delivered the intended service. The KPIs included measures for the following:

- the number of infrastructure-related delays that caused train delays and the impact this had on passenger delays;
- asset condition where asset failure can be predicted from an objective measurement of the condition; and
- some reasons why the infrastructure failed.

The Auditor-General made one recommendation in relation to performance information for the metropolitan infrastructure. He recommended that the Department complete its review of KPIs and ensure that improvements better describe the condition and performance of the infrastructure and better measure the effectiveness of maintenance and renewal activities.²¹⁸

The Auditor-General also suggested that KPIs could be further improved by including more information regarding the types of infrastructure failures that cause delays and that early warning performance indicators could be developed to predict infrastructure related issues.²¹⁹

5.2.2 Department of Transport's review of KPIs

The Auditor-General recommended that DOT review its KPI regime to gain more meaningful data from the information they collect. At the public hearing with the Committee, Ray Winn, Director, Performance Audit commented:²²⁰

A lot of what we were saying was about using that material to better categorise performance and the reasons why maintenance and renewal might have been part of that performance.

The Department informed the Committee in November 2008 that the revised KPIs were being drafted.²²¹ At the public hearing with the Committee, Tom Sargant, Deputy Director Public Transport Directorate informed the Committee that:²²²

There has been discussion over in excess of 12 months regarding revision of KPIs. For a KPI to be worthwhile it needs to provide useful information. We have gone through at least four or five iterations of KPIs that we are looking to review and trying to have a suite that is providing meaningful and useful information. We have not been able to finalise that yet.

²¹⁶ *ibid.*, p.25

²¹⁷ *ibid.*, p.35

²¹⁸ *ibid.*, p.4

²¹⁹ *ibid.*, pp.35-36

²²⁰ Mr R. Winn, Victorian Auditor-General's Office, transcript of evidence, 25 November 2008, p.22

²²¹ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, p.3

²²² Mr T. Sargant, Department of Transport, transcript of evidence, 9 December 2008, p.4

Further questioning by the Committee sought information regarding when the KPIs would be completed. Tom Sargant, Deputy Director, Public Transport Directorate said:²²³

The only answer I can give solidly is: that it will take us as long as it will take because it is not like we have a clear scope of work...I would hope to have it within the next six to 12 months.

The Department has since informed the Committee that the KPIs were completed in October 2008, for inclusion into the new infrastructure lease for the refranchising of the metropolitan rail system. However, the Department says the new KPIs will not be implemented until the commencement of the new lease.²²⁴

While the Committee acknowledges the work undertaken by DOT and their aim to ensure that KPIs provide robust and useful information, the Committee considers that development has been unnecessarily lengthy. While the Committee understands that the Department is working towards implementing the best possible set of KPIs, the Committee believes that KPIs should be implemented as soon as possible, to allow DOT to assess the KPIs prior to the renewal of the metropolitan train franchise. The Committee considers that the Department can implement KPIs, then monitor and make amendments to its suite of KPIs as it deems necessary, on a continuous improvement basis. Its franchise agreement should allow for reasonable flexibility in this regard.

Recommendation 8: The Department of Transport implement its revised KPIs as soon as possible, with reasonable flexibility allowed in its new franchise agreements for improvements and revisions from time to time.

5.3 Performance reporting arrangements for intrastate rail infrastructure

With the intrastate rail leased to FAL/FVL, the performance information provided by this private company included the following:²²⁵

- quarterly measures of track ride quality, which were averages recorded over long sections of track;
- details of incidents which led to train delays; and
- details on the length of network subject to speed restrictions, published weekly.

A record of safety related incidents was provided to PTSV, but not made available to the Department.²²⁶

When the lease was sold to Pacific National, DOT attempted to negotiate changes to the performance reporting regime but Pacific National did not agree to any changes. They did however provide additional information to the Department voluntarily.²²⁷

²²³ Mr T. Sargant, Department of Transport, transcript of evidence, 9 December 2008, p.12

²²⁴ Department of Transport, email to the Committee received 26 March 2009.

²²⁵ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.60

²²⁶ *ibid.*, p.60

²²⁷ *ibid.*, p.60

The Essential Services Commission's (ESC) access arrangements meant that additional performance measures were required to be reported on. These included the average maximum operating speed and a number of other measures such as the number of sleepers replaced across the freight network to enable ESC to assess the adequacy of maintenance and renewal.

5.3.1 Auditor-General's findings

The Auditor-General concluded that DOT did not receive enough information to adequately monitor the maintenance and renewal of the infrastructure during the leases with FAL/FVL and Pacific National. While ESC's arrangements built in some extra information, it still was inadequate to assess the effectiveness of maintenance and renewal.²²⁸

The Auditor-General concluded that the buyback of the lease provided DOT with the opportunity to put in place a more rigorous performance information framework.

5.3.2 Committee findings

The Committee is of the view that the buyback of the lease has given DOT the opportunity to more closely measure and track the maintenance and renewal of the intrastate rail infrastructure. As discussed, DOT now receives a range of information from V/Line regarding the intrastate rail infrastructure, including annual plans and monthly reports.

The Committee understands the arrangements between DOT and V/Line are still being worked out. While the information already received will assist the Department to better understand the maintenance and renewal of the rail infrastructure, the Committee notes that DOT has not reported the receipt of information to track the condition of the infrastructure, such as performance information received for the metropolitan and interstate rail networks. The Committee is of the view that such information would assist both V/Line and DOT to oversee the effectiveness of maintenance and renewal on the intrastate rail network.

Recommendation 9: **The Department of Transport and V/Line put in place a performance information and reporting framework to oversee and measure the effectiveness of maintenance and renewal activities.**

5.4 Performance reporting arrangements for interstate rail infrastructure

As previously mentioned, maintenance of interstate rail infrastructure is undertaken by ARTC. The State does not contribute financially to the maintenance and renewal of the railway infrastructure. However, the lease allows the Department, on behalf of the State to monitor the condition of the rail infrastructure.

²²⁸ ibid., pp.60-61

In overseeing the condition, DOT receives an annual Asset Management Report from ARTC which outlines planned work for the year. The Department would also undertake an infrastructure condition survey every four years. The infrastructure condition survey divided assets into nine groups and then sampled five per cent of each asset group. The assets then scored between 0 (indicating life expired) and 100 (indicating asset was in 'as new' condition). A statistical modelling technique was then used to determine a single score for each asset group. It also calculated what the combined score for all assets was.²²⁹ This method had been used for the metropolitan rail network, however was discarded because it was not reliable.

In 2004, the ARTC proposed that the condition survey be replaced with a set of KPIs that were used by ARTC when reporting to its' board. However, DOT found these KPIs too high level and found they did not report specifically on condition or performance of rail infrastructure.

5.4.1 Auditor-General's findings

The Auditor-General found that the Asset Management reports focus on implementing planned works, however do not provide information on how these impact on improving infrastructure condition.²³⁰ The Auditor-General also found that condition surveys that were undertaken every four years by DOT were not reliable, and that the current monitoring arrangements could be improved.²³¹

Consequently, the Auditor-General recommended that DOT work with the infrastructure manager to:

- develop KPIs that measure the effectiveness of infrastructure maintenance and renewal, including improved monitoring of infrastructure condition; and
- provide formal mechanisms to review performance and implement agreed improvements.

5.4.2 Measuring the effectiveness of infrastructure maintenance and renewal

The Auditor-General found that the condition surveys which were undertaken by DOT were not reliable. This was confirmed by Tom Sargant of DOT at their public hearing:²³²

...the pure test to demonstrate compliance as a rather convoluted condition index methodology which was founded on Bayesian statistics...It is very subjective, because in scoring the assets you might say something is a three, but because it has a nice coat of paint I might say it's a four or five, and who is to say we are right or wrong?

²²⁹ Victorian Auditor-General's Office, *Maintaining Victoria's Rail Infrastructure Assets*, May 2007, p.79

²³⁰ *ibid.*, p.79

²³¹ *ibid.*, p.80

²³² Mr T. Sargant, Department of Transport, transcript of evidence, 9 December 2008, pp.6-7

Such a subjective model does not allow for appropriate monitoring to occur, hence the decision to move to a KPI regime that can track regular, measurable and objective data. DOT reported to the Committee that KPIs have been implemented and reporting by ARTC has commenced. The Department also reports that the KPIs track the following information:²³³

- Track Quality Index Benchmarks to measure the track geometric quality;
- Total Transit Time Delay Benchmarks that measure the time lost due to temporary speed restrictions;
- Transverse Defect Benchmark to measure the occurrence of transverse rail defects;
- Bridge Benchmark to track the extent of speed or capability restricted bridges; and
- Track Capability Benchmark to measure maximum speed and axle load capacity.

DOT also report to the Committee that once they receive the KPI report from ARTC, the Department undertakes an internal review of the KPIs prior to holding a meeting with ARTC, where KPI results are discussed.

The Committee considers that the current arrangements in place give DOT more frequent and better quality information to monitor the infrastructure. While they are new and are not yet well established, the Committee considers that the monitoring arrangements in place for the interstate rail allow DOT to identify and address any issues in a timely manner, rather than waiting for a condition survey every four years.

5.4.3 Performance review and implementation of agreed improvements

The Auditor-General recommended that DOT work with the infrastructure manager to provide formal mechanisms to review performance and implement agreed improvements. Through the new lease provisions, DOT now receives information on five key measures from ARTC, and regular meetings are held to discuss the KPI results with ARTC quarterly. The Department reports that to an extent, DOT is restricted regarding planned renewal and maintenance activities because it does not fund renewal works.

The Department reported to the Committee that:²³⁴

This is a major improvement over the previous arrangements in that performance is transparent and objectively measured. DOT has already commenced a routine monitoring regime of inspection of works that ARTC are performing.

The Committee considers that DOT has a more robust performance review framework now in place. This includes performance information, reported on quarterly which provides DOT with more frequent and objective information. In addition, DOT has the opportunity to discuss this information with ARTC regularly, and should the need arise, address maintenance and renewal issues more often and in a more timely manner.

²³³ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 29 November 2008, pp.4-5

²³⁴ *ibid.*, p.5

5.4.4 Conclusion

The Committee notes there has been progress made by DOT in implementing the recommendations made by the Auditor-General in relation to performance reporting and information. The Committee considers that DOT has set about implementing a robust system with compliance checks to ensure maintenance and renewal works are undertaken.

The Committee is of the view that the delay in implementing KPIs for the metropolitan network has been too lengthy, and that DOT should implement KPIs prior to the completion of the current lease. The Committee has also recommended that DOT supplement the information received for the intrastate rail network with a set of KPIs to measure the effectiveness of maintenance and renewal for the intrastate infrastructure. While DOT and V/Line have put in place a number of reporting mechanisms, these can be further enhanced with the addition of KPIs.

In relation to the interstate rail network, the Committee is of the view that the improved performance framework will provide DOT with more frequent and better quality information to monitor the infrastructure condition.

**PART C: PROMOTING BETTER HEALTH
THROUGH HEALTHY EATING AND
PHYSICAL ACTIVITY**

CHAPTER 1: BACKGROUND TO THE REVIEW

1.1 Scope and purpose: the report of the Auditor-General on Promoting Better Health

The Auditor-General notes the clear social and economic importance of good health in the Foreword to his 2007 report, *Promoting Better Health through Healthy Eating and Physical Activity*. He states in his report:²³⁵

Over the last 30 years, lifestyle changes in exercise and eating habits have led to more Victorians becoming overweight or obese...The economic and social costs to Victoria are significant and, on current trends, are set to increase rapidly over the next decade.

With physical inactivity, unhealthy eating and being overweight the most important preventable causes of a number of chronic diseases, the Auditor-General undertook a review of Victoria's health promotion strategies to assess their effectiveness in addressing the risk factors of unhealthy eating and physical inactivity. In assessing these strategies, the Auditor-General reviewed the plans and programs of seven lead agencies involved in health promotion and 43 local agencies delivering programs in seven council areas. The audit focussed on whether the agencies had:²³⁶

- developed well-informed and coordinated plans;
- implemented the plans as intended; and
- evaluated how well the plans had achieved their objectives.

The agencies covered in the audit are included as Appendix 2 of this report.

1.2 Findings of the Auditor-General

The main findings of the Auditor-General were that positive steps had been taken to address issues associated with the growing rate of obesity in Victoria and that further action is underway. However, the audit noted that to date efforts have not significantly slowed the increase in obesity underpinning the rise in preventable chronic diseases such as Type 2 diabetes. The audit identified a need to strengthen:²³⁷

- the evidence base used to guide and refine the State's investment; and
- the planning and coordination of programs across government.

The report made a number of recommendations aimed at addressing these shortcomings. These are discussed in the following sections of this report.

²³⁵ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.1

²³⁶ *ibid.*, p.2

²³⁷ *ibid.*

1.3 Responses to findings by the Secretaries of the agencies reviewed

Specific responses are detailed in the respective sections contained elsewhere in this report however the overall responses are noted in part.

The Secretary, Department of Human Services (DHS), welcomed the report and acknowledged the challenges highlighted. In particular the Secretary stated that:²³⁸

- the Department has placed significant emphasis on strengthening health promotion practice in recent years;
- the Department has identified a number of priority projects to address challenges associated with improving the evidence base surrounding the issues and improve planning and coordination across government and collaborative work with organisations external to government;
- the Victorian Population Health Survey and pilot of the Victorian Health Monitor planned for 2007-08 aim to address existing gaps in the Victorian health surveillance system and improve access to date on health and lifestyle issues;
- existing evaluation frameworks require a renewed focus to ensure that agencies are supported to use them in practice; and
- the establishment of common indicators relating to the risk factors of chronic disease will be a key area of work.

The Secretary stated that:²³⁹

An effective approach to the promotion of physical activity and healthy eating relies on strong links between research/evaluation, policy, practice and monitoring. While a number of initiatives are underway to strengthen these links, I am confident that the recommendations contained in this report will guide further work by DHS to address these important issues.

The Chief Executive Officer, VicHealth stated that VicHealth supported the six key recommendations outlined in the Auditor-General's report aimed at improving the State's investment and effectiveness in health promotion.²⁴⁰

The Secretary, Department of Planning and Community Development (DPCD) (formerly the Department of Victorian Communities) acknowledged the recommendations provided in the report and committed to the following:²⁴¹

- strengthening the evidence base to guide and refine the State's investments and enhance the planning and coordination of programs across Government;
- working with DHS, Department of Education and Early Childhood Development, VicHealth, and other key stakeholders to increase coordination across Government and to establish evaluation frameworks;
- working with DHS to further develop a comprehensive plan to address issues of obesity; and

²³⁸ *ibid.*, p.5

²³⁹ *ibid.*

²⁴⁰ *ibid.*, p.6

²⁴¹ *ibid.*, p.9

- providing support, training and workforce development to local agencies to encourage sustainability of programs.

The Secretary, Department of Education and Early Childhood Development (DEECD), supported the audit report and findings.

The Chief Executive Officers, Macedon Ranges Shire Council, Whitehorse Community Health Service and City of Whittlesea were all supportive of the Auditor-General's recommendations. The Chief Executive Officer, City of Whittlesea commented that it is too early to see the mid to long term impacts and outcomes on chronic disease rates as a result of health promotion interventions made in the last two to three years.²⁴²

1.4 Response by the Auditor-General to the Committee

In response to the Committee's request to the Auditor-General for a submission to its review, the Auditor-General advised that all of the agencies included in the review were supportive of the recommendations made. The Auditor-General referred to the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07* which describes how the government departments are addressing the report recommendations through the development of the *Go for Your Life* program.²⁴³

1.5 Scope of the review undertaken by the Committee

On 25 November 2008, a public hearing was held with Dr Peter Frost, Chief Operating Officer, Mr Ray Winn, Director, Performance Audit and Mr Peter Stoppa, Director, Performance Audit from the Victorian Auditor-General's Office.

On 9 December 2008, public hearings were held with:

- Ms Fran Thorn, Secretary, Dr Chris Brook, Executive Director, Rural and Regional Health and Aged Care Services, Dr Jim Hyde, Director, Public Health, Ms Karen Roger, Acting Assistant Director, Health Prevention and Chronic Disease Prevention and Ms Pam Williams, Director, Strategic Projects from DHS;
- Mr Peter Hertan, Executive Director, Sport and Recreation Victoria, Mr James MacIsaac, Executive Director, People and Communities and Mr Arden Joseph, Director, Community Sport and Recreation from DPCD; and
- Mr Todd Harper, Chief Executive Officer and Ms Shelley Maher, Acting Director, Active Communities and Healthy Eating from VicHealth.

The following chapters outline the Committee's findings on key issues relating to health promotion strategies and activities in Victoria.

²⁴² *ibid.*, p.12

²⁴³ Mr D Pearson, Auditor-General, Victorian Auditor-General's Office, letter to the Committee received 14 November 2008.

CHAPTER 2: BACKGROUND TO THE ISSUE AND HEALTH PROMOTION IN AUSTRALIA AND VICTORIA

2.1 Overweight and obesity and its links to chronic diseases

Changes in society and individual lifestyles over the past 30 years have seen a rise in the body weight of many adults and children and an increasing percentage of overweight and obese individuals. Obesity is most commonly measured using Body Mass Index (BMI) which is a weight to height ratio, considered to be a reasonable reflection of body fat for most people. BMI is measured by dividing body weight in kilograms by height in metres squared. Among adults, a BMI greater than 25 kilograms/metre is considered overweight while a BMI over 30 kilograms/metre is considered obese.

Research indicates that individuals who are overweight or obese are at a greater risk of developing chronic diseases such as, Type 2 diabetes, heart disease, hypertension, stroke, osteoarthritis, reproductive disorders and kidney disease. More recent research has indicated a link between obesity and certain types of cancer.

Chronic diseases in Australia account for around 80 per cent of the burden of disease²⁴⁴ and place significant pressure on the country's health care system. In addition the economic, personal and social costs in terms of lost productivity, diminished quality of life, stress and depression associated with these diseases make the matter one of critical national importance. In Victoria, obesity is ranked second as a cause of premature death and disability contributing to eight per cent of the overall burden of disease.²⁴⁵

According to *Australia's Health 2004* prepared by the Australian Institute of Health and Welfare, chronic diseases are the primary health concerns for Australia, currently and into the future. It cites the following statistics:²⁴⁶

- cardiovascular disease is the leading cause of death for both males and females. Approximately one in five Australians experienced cardiovascular problems in 2001 and approximately 1.1 million have a disability as a result;
- diabetes prevalence has more than doubled over the past two decades affecting around one million Australian adults and Type 2 diabetes is expected to have the largest impact on chronic diseases by 2020;
- cancer ranks second as an overall cause of death and now causes more deaths among middle aged Australians than cardiovascular disease. Lung cancer caused most cancer deaths in Australia in 2002 ranking first in males and a close second to breast cancer in females;
- asthma affects approximately 14 per cent of children and 10 per cent of adults. The proportion of children with asthma has increased significantly in the 1980s and early 1990s; and

²⁴⁴ Australian Institute of Health and Welfare 2005, *Chronic disease and associated risk factors in Australia*, AIHW, Canberra

²⁴⁵ Victorian Government, Department of Human Services, *Go for your life – Victoria leading the way to a healthy and active community, Strategic Plan 2006-2010*, Melbourne, Victoria, 2006, p.2.

²⁴⁶ National Health Priority Action Council (NHPAC), Australian Health Ministers Conference 2005, *National Chronic Disease Strategy*, Australian Government Department of Health and Ageing, Canberra, 2006, p.1

- arthritis and other musculoskeletal condition are expected to affect more than six million Australians in 2001. These cause more disability than any other medical condition, affecting around 34 per cent of all people with a disability.

2.1.1 Scale of the issue

A report in 2007 by the Organisation for Economic Co-operation and Development (OECD) identified Australia as having the fifth highest rate of adult obesity among OECD countries with 21.7 per cent of the adult population classed as obese.²⁴⁷ However, this percentage is likely to be understated as the OECD's ranking was based on data available from Australia as at 1999.

According to a National Health Survey issued in March 2006 by the Australian Bureau of Statistics, 62 per cent of Australian men and 45 per cent of Australian women are overweight or obese. The ABS notes also that these figures have been trending upwards since the 1970's and are likely to keep increasing. The causes for the increase are attributed to the rise in television viewing, preference for take-away and pre-prepared meals, more sedentary employment and less opportunity for sport and physical exercise.²⁴⁸

DHS reports that conservative estimates indicate that around 23 per cent of Australian children are overweight or obese.²⁴⁹ Studies show that between 1985 and 1997, obesity among young Australians aged seven-15 years trebled. Based on current trends, the rate of childhood overweight and obesity is anticipated to double over the next 30 years reaching around 60 per cent.²⁵⁰

Research undertaken by the Department also indicates that based on past trends, 83 per cent of men and 75 per cent of women in Victoria could be overweight or obese by 2025. That is around 4.2 million Victorians compared to around 2.5 million in 2005.²⁵¹

2.1.2 The cost of the issue

Chronic diseases are associated with high health care expenditure. People who have chronic diseases frequently use medicines, health services and community support services over extended periods of time. *They often develop complex condition with associated co-morbidities, including mental health problems such as depression.*²⁵² The Australian Institute of Health and Welfare estimated the health expenditure on chronic diseases in Australia in 2000-01 to account for \$34 billion or almost 70 per cent of allocated health expenditure.²⁵³

²⁴⁷ Organisation for Economic Co-operation and Development, *Health at a Glance 2007-OECD indicators*, November 2007, Chapter 3.3.

²⁴⁸ *The Cost of Obesity*, <<www.abc.net.au/health/thepulse/stories/2006>> accessed 13 January 2009

²⁴⁹ Victorian Government, Department of Human Services, *Go for your life – Victoria leading the way to a healthy and active community, Strategic Plan 2006-2010*, Melbourne, Victoria, 2006, p.2.

²⁵⁰ Obesity Policy Coalition, <<www.opc.org.au/>> accessed 14 January 2009

²⁵¹ The Age newspaper, 'Brumby declares war on fat society', 18 March 2008, <<www.theage.com.au/articles/2008>> accessed 4 December 2008

²⁵² National Health Priority Action Council (NHPAC), Australian Health Ministers Conference 2005, *National Chronic Disease Strategy*, Australian Government Department of Health and Ageing, Canberra, 2006, p.2

²⁵³ *ibid.*

While estimates of the costs associated with overweight and obesity vary, it is indisputable that the amounts involved are significant and alarming. In 2005, Access Economics estimated the total economic cost of obesity was \$3.76 billion which included productivity costs, health systems costs and carer costs.²⁵⁴ In August 2008, Diabetes Australia commissioned a report from Access Economics on the costs of obesity in Australia. The report found that 3.71 million Australians were classed as obese at an estimated national cost of \$58 billion comprising \$8.3 billion in direct costs and \$49.9 billion in the loss of wellbeing through disability and premature death. The report noted that the economic cost of obesity in Victoria alone was \$14.4 billion.²⁵⁵

2.1.3 Tackling the problem

The problem of overweight and obesity is a complex one. Understanding the causes is the first step. While the simple cause can be attributed to a higher proportion of 'input to output', many factors are at play in giving rise to increases in the rates of overweight and obesity among the population over the past 30 years. These include more sedentary lifestyle with the advent of greater technology, fewer children walking and cycling to school, increased availability and take-up of fast foods and increases in the cost of fresh fruit and vegetables.

Evidence has shown that lifestyle interventions such as dietary changes, increases in physical activity and better management of conditions can prevent or slow the onset of chronic diseases such as diabetes and coronary heart disease.

In October 2008, the Obesity Working Group of the National Preventative Health Task Force issued a technical report on *Obesity in Australia*. The report stated that:²⁵⁶

Obesity is a relatively new area for health prevention globally. There is no simple solution or singular approach...Achieving long-term, sustainable change is difficult, resource-intensive and time-consuming.

The report suggests the following initiatives are likely to be required to halt and reverse the trend in overweight and obesity in Australia:²⁵⁷

- reshape the food supply towards lower risk products and encourage physical activity;
- protect children and others from inappropriate marketing of unhealthy food and beverages;
- improve public education and information;
- reshape urban environments towards healthy options;
- strengthen, upskill and support primary healthcare workers and the public health workforce to support people in making healthier choices;
- targeted programs for maternal and child health;
- close the gap for disadvantaged communities;
- build the evidence base, monitor and evaluate effectiveness of actions; and
- a national food strategy for Australia.

²⁵⁴ Australian Medical Association, *Obesity Policy would be a vote winner*, 18 November 2007, <<www.accessibility.com.au>>accessed 14 January 2009.

²⁵⁵ Diabetes Australia, *Growing economic cost of obesity in 2008*, 22 August 2008, <<www.diabetesaustralia.com.au/en/Media-Centre>>accessed 4 December 2008.

²⁵⁶ National Preventative Task Force, Technical Report No.1, *Obesity in Australia: A need for urgent action*, Commonwealth of Australia, 2008, p.1

²⁵⁷ *ibid.*, pp.1-3

All these initiatives are geared to prevention as opposed to treatment. There is increasing awareness and recognition that the most effective way to tackle this issue is through programs and initiatives aimed at preventing the condition from developing or getting worse. Treatment is currently very costly but taking action aimed at minimising the future costs of overweight and obesity in the population is critical to the economic prosperity of Victoria and Australia as a whole. This is where health promotion activities have an important role to play.

2.1.4 What is health promotion?

The World Health Organisation Ottawa Charter for Health Promotion states:²⁵⁸

Health promotion is the process of enabling people to increase control over, and to improve, their health. To reach a state of complete physical, mental and social wellbeing, an individual or group must be able to identify and to realise aspirations, to satisfy needs, and to change or cope with the environment. Health is, therefore, seen as a resource for everyday life, not the objective of living. Health is a positive concept emphasising social and personal resources, as well as physical capacities. Therefore, health promotion is not just the responsibility of the health sector, but goes beyond healthy lifestyles to wellbeing.

In line with the Ottawa Charter, the Victorian Government has adopted an integrated approach to health promotion which involves agencies and organisations from a wide range of sectors and communities working collaboratively and utilising a variety of health promotion strategies and interventions to address priority health and wellbeing issues.²⁵⁹

(a) Integrated Health Promotion in Victoria

There is evidence that poorer socioeconomic groups tend to have poorer nutrition, less physical activity in leisure time, greater prevalence of smoking and more damaging patterns of alcohol use. The life circumstance or determinants of health of those experiencing disadvantage, including an individual's social and economic circumstances, ethnicity, social supports, family experiences, gender, et cetera can impact the ability and ease with which healthy choices can be made. Integrated health promotion aims to 'close the equity gaps by supporting social networks; developing and advocating healthy public policies; and strengthening community capacity.'²⁶⁰

The Integrated Health Promotion Framework within DHS includes three key features:²⁶¹

- encouraging effective partnerships;
- promoting the capacity to deliver a mix of interventions within a common planning framework; and
- involvement of a broad range of sectors and communities.

²⁵⁸ World Health Organisation, *Ottawa Charter for Health Promotion*, Geneva, 1986.

²⁵⁹ <<www.health.vic.gov.au/healthpromotion/what_is>> accessed 5 December 2008.

²⁶⁰ <<www.health.vic.gov.au/healthpromotion/foundations/determinants>> accessed 5 December 2008.

²⁶¹ <<www.health.vic.gov.au/healthpromotion/what_is>> accessed 5 December 2008.

Underpinning the Framework are seven guiding principles for integrated health promotion as follows:²⁶²

- address the broader determinants of health including political, social, economic and environmental factors;
- base activities on the best available data and evidence aimed at effecting sustainable change;
- act to reduce social inequities and injustice;
- emphasise active consumer and community participation;
- empower individuals and communities to understand what promotes health and wellbeing and to take control of their own lives;
- explicitly consider differences in gender and culture; and
- work in collaboration to build on the capacity of a wide range of sectors and reduce the duplication and fragmentation of the health promotion effort.

2.2 Coordination and collaboration of health promotion initiatives in Australia and Victoria

There are a number of forums and mechanisms by which governments in Australia coordinate health care initiatives and strategies.

2.2.1 Australian Commonwealth Government

The Australian Commonwealth Government (the Commonwealth) has a number of initiatives aimed at preventing overweight and obesity and improving physical activity within the Australian population. These include:

- Australian Health Ministers Conference provides a forum for Federal, State, Territory and New Zealand governments to discuss health matters of mutual interest;
- Australian Population Health Development Principal Committee (formerly a component of the National Public Health Partnership) – Since 2006, the Australian Population Health Development Principal Committee is charged with coordinating national effort towards an integrated health development strategy that includes primary and secondary prevention, primary care, chronic disease and child health and wellbeing;
- The National Preventative Taskforce - In April 2008, the Commonwealth announced the establishment of the National Preventative Health Taskforce for a term of three years. The Taskforce has been established to provide evidence-based advice to government and health providers on preventative health programs and strategies and support the development of a National Preventative Strategy by June 2009;²⁶³
- Commonwealth Department of Health and Ageing - The role of the Commonwealth Department of Health and Ageing is responsible for providing access to health services and assisting people to stay healthy through health promotion and disease prevention activities; and²⁶⁴

²⁶² *ibid.*

²⁶³ <<www.preventativehealth.org.au>> accessed 16 January 2009

²⁶⁴ <<www.health.gov.au>> accessed 19 March 2009

- The Australian Institute of Health and Welfare – the Institute is a statutory authority responsible for collecting, analysing and disseminating health and welfare data. It works closely with all State, Territory and Australian Government health, housing and community services agencies.

2.2.2 Victorian Government

(a) Department of Human Services

The role of DHS in health promotion is to support integrated health promotion programs by:²⁶⁵

- developing and implementing state-wide policy to support quality and effective health promotion;
- building on the capacity of the service system to plan and deliver effective, quality integrated health promotion programs;
- enabling communities and individuals to increase their control over, and improve, their own health;
- supporting the reorientation of the primary health care system to a population focus underpinned by the social model of health;
- consolidating and enhancing the integrated health promotion infrastructure and resources;
- reducing duplication and fragmentation of the integrated health promotion effort;
- contributing to the evidence base for integrated health promotion associated with specific issues and population groups;
- increasing the potential for the involvement of non-health sectors in quality integrated health promotion service delivery; and
- contributing to a reduction in the incidence of preventable hospital admissions.

(b) Primary Care Partnerships

Primary Care Partnerships (PCPs) are voluntary alliances of primary care providers usually covering two to three local government areas. The aim of these PCPs is to improve the health and well-being of the population in their catchment through better coordination and planning of service delivery in response to identified needs. According to DHS, in excess of 800 agencies have come together in 31 PCPs across Victoria.

In January 2004, the Government released *Primary Care Partnerships strategic directions 2004 – 2006*, which outlines the vision, achievements to date, key challenges and an action plan formalising the strategic directions of PCPs. Each of the 31 PCPs is required to produce a Community Health Plan for 2006 – 2009 with annual updates as required.²⁶⁶

²⁶⁵ <<www.health.vic.gov.au/health_promotion/role/index.htm>> accessed 5 December 2008

²⁶⁶ <<www.health.vic.gov.au/pcps/>>accessed 13 March 2009

The Department conducted an evaluation of the PCP Strategy in December 2003 which informed the PCP strategic directions 2004 document and more recently in October 2005 a comparative analysis between data collected in 2003 and 2005 which indicated that between 2000 and 2005, the PCP Strategy had brought about significant integration within the primary health care system which had resulted in improved coordination of services and more positive experiences for consumers.²⁶⁷

At the Committee hearing in December 2008, the Secretary, DHS, advised that a recent evaluation of the Primary Care Partnership Integrated Health Promotion Strategy had shown that agencies involved have:²⁶⁸

...valued the Department's approach to strengthening health promotion practice and that they feel this has led to an increased quality of local programs...This evaluation finding provides encouraging feedback on the success of the partnership approach to improved integrated health promotion and the impact of the Primary Care Partnership Strategy.

(c) Victorian Health Promotion Foundation (VicHealth)

The Victorian Health Promotion Foundation (VicHealth) was established by the Victorian Parliament under the *Tobacco Act* (1987). VicHealth is the peak body for health promotion in Victoria. It is an independent, statutory body, funded by an allocation from the Department of Treasury and Finance through DHS, with a mandate to promote good health for all Victorians.²⁶⁹ VicHealth received funding of \$30.8 million in 2007-08²⁷⁰ and \$31.7 million in 2008-09.

The Board of VicHealth is appointed by the Minister for Health and membership is unique to other similar bodies as three members of the Board are also elected members of the Victorian Parliament. Their position on the VicHealth Board is by joint election by the Legislative Council and Legislative Assembly. The Minister for Health is accountable to Cabinet and the Parliament for the performance of VicHealth and is required to consult with the Minister administering the *Sport and Recreation Act* (1972) on any matters under Sections 20 and 33 of the *Tobacco Act*. Under the Act, VicHealth is required to:²⁷¹

- fund activity to promote good health and prevent ill-health;
- increase awareness of programs for promoting good health in the community;
- encourage and support community participation in healthy lifestyles;
- fund research and development activities to support health and wellbeing; and
- allocate not less than 30 per cent of its funding to health promotion and not less than 30 per cent to sporting bodies.

²⁶⁷ *ibid.*

²⁶⁸ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008

²⁶⁹ Victorian Health Promotion Foundation, Annual Report 2007-2008, p.4

²⁷⁰ *ibid.*, Report of Operations and Financial Statements 2007-2008, p.4

²⁷¹ <<www.vichealth.vic.gov.au/>> accessed 13 March 2009

In terms of its strategic priorities, VicHealth states:²⁷²

With support across the political spectrum, we improve health by working in collaboration with a range of individuals, groups and organisations from many sectors. These include sport, health, planning, transport, local government, education, community and the arts.

Our activities reflect national and state public health priorities...We support the development of leadership and skills in public health, and we develop strategic alliances with national and global public health organisations to strengthen health promotion action and advocacy.

The health promotion priorities of VicHealth are as follows:²⁷³

- reducing harm from tobacco and alcohol misuse;
- creating active communities;
- promoting healthy eating; and
- improving mental health and wellbeing.

Australia's first national illness prevention summit held in April 2008 was an initiative of VicHealth in partnership with the Australian Institute of Health Policy Studies. The National Prevention Summit brought together the Federal and Victorian Ministers for Health in addition to leaders from all levels of government, health, business, academia and the non-profit sector to 'develop strategies to stem the tide of illness threatening to overwhelm our healthcare system.'²⁷⁴

(d) Department of Planning and Community Development

DPCD implements a range of programs which support the direct health promotion goals of DHS, VicHealth and schools, through Sport and Recreation Victoria, the Office of Senior Victorians and the Office for Youth.

Sport and Recreation Victoria aims to provide opportunities for all Victorians to participate in physical activity. It seeks to achieve this by '*improving the quality of community and international sport and recreation facilities, strengthening the capacity of sport and recreation organisations, supporting world class sporting events and reinforcing the role that sport and recreation plays in building stronger communities.*'²⁷⁵

The Office of Senior Victorians provides a coordinated, whole-of-government, inter-sectoral response to issues impacting older Victorians. The activities of OSV are aimed at supporting older Victorians to live independent, active lives in the community. The *Seniors Go for your life Initiative* is managed by the OSV and supports active lifestyles by seniors in the State.

The Office for Youth (OFY), within DPCD, is the key agency responsible for policy advice, research and strategic planning in relation to government policies, programs and service delivery for Victorians aged 12 to 25 years. The *Go for your life Positive Body Image* grants program is administered by the OFY.

²⁷² *ibid.*

²⁷³ Victorian Health Promotion Foundation Annual Report 2007-2008, p.3

²⁷⁴ *ibid.*, p.5

²⁷⁵ <<www.dvc.vic.gov.au>>accessed 20 March 2009

(e) Department of Education and Early Childhood Development

DEECD specifies curriculum requirements in respect to physical and sports education for years Prep to Year 10 and also implements programs aimed at encouraging healthy eating by school children. The *Go for your life Healthy Canteen Kit* is one of the initiatives under the *Go for your life* campaign which is aimed at building a school culture whereby students actively choose nutritious foods and a healthy lifestyle.

(f) Schools

Schools are very important environments for establishing positive behaviour in relation to physical activity and healthy eating. Victorian Schools are required to implement a number of national and State programs aimed at promoting healthy eating and participation in physical activity for example, DEECD curriculum requirements, healthier canteen menus, walking and riding to school programs and encouraging extra curricular physical activity.

(g) Local Government

Under the *Health Act 1958*, local councils have a legislative responsibility for public health planning and health promotion within their respective municipalities. To meet this responsibility they are required to prepare a *Municipal Public Health Plan* every three years in consultation with DHS. In addition, councils are responsible for planning for healthy living environments and for the provision of sporting and recreation facilities to meet local community needs.

2.2.3 External Groups

There are also a number of external groups that undertake programs and activities related to improving health, nutrition and physical activity in the community such as:

- The Obesity Policy Coalition;
- Diabetes Australia – Victoria;
- The Parents Jury; and
- The Australian and New Zealand Obesity Society.

2.3 Commonwealth and State Government Strategies and Frameworks

The rise in chronic disease throughout the world has seen the development of policies and strategies at a national and state level. In Australia, the Commonwealth has instigated a number of groups, taskforces and policies aimed at addressing the increase in obesity in the country. In addition, every state in Australia has developed its own policies, strategies and frameworks aimed at tackling the issue.

2.3.1 Australian Commonwealth Government

As a signatory to the World Health Organisation's declaration in regard to the significance of health as a fundamental human right and important social goal, Australia formally committed in 1981 to achieve the '*Health for All*' goals by 2000. In response to this the Commonwealth

Government developed the National Health Priority Areas (NPHA's) initiative which is overseen by the National Health Priority Action Council, a collaboration of Commonwealth, State and Territory governments. There are seven areas which have currently been identified for priority action as NPHA's. These include cancer control, cardiovascular health and diabetes mellitus. Taken together, the seven NPHA's, account for almost 80 per cent of the total burden of disease and injury in Australia. The Australian Institute of Health and Welfare states that:²⁷⁶

By targeting specific areas which impose high social and financial costs on the Australian society, collaborative action can achieve significant and cost-effective advances in improving the health of Australians.

Australia also took a lead role in developing and brokering the 2004 WHO *Global Strategy on diet, physical activity and health*.²⁷⁷ In 2004, the Commonwealth Government committed \$116 million over four years for programs aimed at families and schools to promote nutrition and physical activity. In addition changes were made to Medicare to enable a rebate on referrals from General Practitioners to an exercise physiologist for individuals with chronic illness due to obesity.

(a) Commonwealth funded programs

The Commonwealth has developed a range of policy initiatives aimed at promoting healthy diet and physical activity amongst Australians. Recent initiatives are as follows:

- The Australian Better Health Initiative – announced by the Council of Australian Governments (COAG) in February 2006. The Initiative is a five-year, \$500 million national package aimed at reducing the impacts of chronic disease;
- Healthy Weight 2008 – Australia's Future – The National Action Agenda for Children and Young People and their Families – recommended actions across a range of settings such as child care, schools, primary care, maternal and infant health care, neighbourhoods, workplaces, family and community services, food supply, media and marketing with a focus on children and young people;
- Healthy weight for Adults and Older Australians - is aimed at providing opportunities for the health sector, food industry, local government and communities to prevent weight gain in the first instance and helping individuals to better manage their weight. The action agenda covers the period 2006 to 2010 and targets five population groups: the whole adult population; older people; people living in rural and remote locations; Aboriginal and Torres Strait Islander peoples; and people with established risk for weight-related chronic conditions;
- Be Active Australia – A Framework for Health sector Action for Physical Activity 2005-2010 – is a national action plan to raise the profile of physical activity as a major health issue, assist coordination and target investment; and
- National Chronic Disease Strategy – aims to manage and improve chronic disease prevention and care in Australia. The Strategy is intended to guide policy development and service improvement and direct the development of action plans which are being tailored to meet local jurisdictional requirements.

²⁷⁶ <<www.aihw.gov.au/nhpa/index.cfm>> accessed 13 March 2009

²⁷⁷ Commonwealth of Australia, *The National Obesity Taskforce 2004 Overview*, 15 February 2005 <<www.health.gov.au>>accessed 13 January 2009

2.3.2 Victorian State Government

The Victorian Government has adopted a 'social model of health' which guides its approach to health promotion. This model recognises that in addition to individual lifestyle choices, there are a number of factors which impact on health including political, social, economic and environmental factors.

In September 2006, the Minister for Health authorised seven health promotion priority issues for the period 2007 to 2012. The overarching aim of these priorities is to improve overall health and reduce health inequalities. The priorities include:²⁷⁸

- promoting physical activity and active communities; and
- promoting accessible and nutritious foods.

The remaining five priorities relate to: promoting mental health and wellbeing; reducing tobacco related harm; reducing and minimising harm from alcohol and drugs; safe environments to prevent unintentional injury; and sexual and reproductive health; and

There are a number of Government policies and strategies relating to the promotion of healthy lifestyles in the Victorian community which are presented in the following paragraphs.

(a) A Fairer Victoria policy

In 2005, the Victorian Government released its *A Fairer Victoria* policy which aimed to address disadvantage in the Victorian community including improving the health outcomes of disadvantaged groups through targeted support.

(b) Go for Your Life Strategy

As a result of the Government's concern for the increasing prevalence of obesity and chronic diseases with research showing that improved eating and physical activity habits had a positive impact on health outcomes and the prevention of chronic diseases such as diabetes and cardiovascular disease, it was determined that a whole of government and community approach was required to develop a more healthy and active Victoria.²⁷⁹ The *Go for your life* (GFYL) initiative was established to identify areas for collaborative investment, opportunities for developing existing activities and integrated stakeholder investment.

The Government announced in the 2006 election that \$132 million would be invested over four years to promote good health and wellbeing.²⁸⁰

The current GFYL Strategic Plan 2006-2010 sets out a comprehensive framework for activities over the four years. The Strategy also recognises that changing people's behaviour is a complex and long-term challenge. The strategy focuses on community-based programs and community ownership and emphasises children as providing the State's greatest potential/capacity for prevention of chronic health related issues. Targeted programs aimed at senior Victorians and Victorians from culturally and linguistically diverse backgrounds are also highlighted in the Strategy.²⁸¹

²⁷⁸ <<www.health.vic.gov.au/health_promotion/role/index.htm>> accessed 5 December 2008

²⁷⁹ <<www.goforyourlife.vic.gov.au/>> accessed 13 January 2009

²⁸⁰ *ibid.*

²⁸¹ *ibid.*

(c) Sport and Recreation 2005-2010 – A Five Year Strategic Plan for Sport and Recreation Victoria

Sport and Recreation Victoria (SRV) five year strategic plan includes four strategic directions as follows:²⁸²

- Strategic Direction 1: Active People, Active Communities – Encouraging people and communities to be active and aiming to maximise the benefits of participation and the development of cohesive communities through sport and recreation;
- Strategic Direction 2: Building Capacity for Tomorrow – Ensuring that all Victorians have access to sustainable, quality sport and recreation activities and facilities;
- Strategic Direction 3: Collaboration for Development – Developing a cohesive sector based on skills development, enhanced collaboration and partnerships; and
- Strategic Direction 4: A State of Achievement: Supporting organised sport and recreation and providing the opportunity for all Victorians to achieve their goals.

The Strategic Plan refers to the Government's GFYL campaign's aim to engage the sport and recreation sector in an overall program to promote physical activity as an important part of a healthy lifestyle. Participation in physical activity is a major focus of SRV. The SRV Strategic Plan is focussed on working with key partners across all levels of government and within the broader community to address barriers to participation in physical activity.

2.4 Recent activities, programs and achievements in the promotion of healthy eating and physical activity

Information obtained from letters received from departments, public hearings and VicHealth's Annual Report for 2007-08 have been used to compile the following paragraphs outlining recent activities, programs and achievements in the promotion of healthy eating and physical activity in the State of Victoria.

2.4.1 VicHealth

VicHealth advised the Committee that it undertakes a range of health promotion activities in respect to healthy eating and physical activity, in addition to its activities directed at gathering evidence to support the future direction of these programs and activities. Some of VicHealth's recent activities in the area are as follows:

- ten submissions made over the past year on the promotion of healthy eating and physical activity;
- preparation of four position papers;
- fact sheets and activity sheets on physical activity, play for children and obesity and overweight;
- organised Australia's first national illness prevention summit in partnership with the Australian Institute of Health Policy Studies in April 2008.²⁸³

VicHealth also provide funding for the following programs:

²⁸² Department for Victorian Communities, *Sport and Recreation 2005-2010 – A Five Year Strategic Plan for Sport and Recreation Victoria*, State of Victoria, November 2005

²⁸³ Victorian Health Promotion Foundation, Annual Report, 2007-08, p.2

- Participation in Community Sport and Active Recreation (PICSAR) *programs*;
- Active Club *grants*;
- Walking School Bus *program*;
- Walktober – Walk to School Challenge;
- Streets Ahead *program*; and
- Food for All *program*.

2.4.2 Department of Human Services

At the Committee hearing in December 2008, the Secretary, DHS advised that the Department has undertaken a range of activities in concert with a wide group of partners within, and external to, government over the past year to strengthen Victoria's approach to increasing physical activity and healthy eating.²⁸⁴ The Department made particular mention of the following recent initiatives and achievements in the area of healthy eating and physical activity.

- In regards to physical activity, the Secretary advised that 64 per cent of adults currently undertake adequate physical activity which has increased from 57 per cent in 2002.²⁸⁵
- A high proportion of children in various age groups are meeting daily physical activity guidelines; 71 per cent of those are aged five to 12 years and 67.4 per cent are aged nine to 12 years.²⁸⁶
- The broad approach to physical activity and healthy eating under the GFYL Strategic Plan includes both state-wide and local initiatives. For example:²⁸⁷
- Life! Diabetes Prevention Initiative managed by Diabetes Australia – Victoria;
- 'Just add fruit and veg' initiative undertaken by the Heart Foundation; and
- GFYL funding to Primary Care Partnerships and Community Health Services to undertake health promotion programs.

2.4.3 Department of Planning and Community Development

The main aim of DPCD in the area of health promotion is to increase levels of physical activity, particularly in key target groups. The Department advised the Committee that its approach is multi-sectoral, multi-intervention and community focussed. The Department targets less active individuals and communities (i.e. lower participation rates by gender, age group and/or cultural group).²⁸⁸ Key outcomes for the Department are participation rates.

Overall, Department's figures show that since 2001, participation in physical activity has increased by 537,000 and the number of people exercising four or more times per week has increased by 310,000.²⁸⁹

²⁸⁴ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, p.2

²⁸⁵ *ibid.*, p.3

²⁸⁶ *ibid.*

²⁸⁷ *ibid.*

²⁸⁸ P Hertan, Executive Director, Sport and Recreation Victoria, Department of Planning and Community Development, transcript of evidence, p.3

²⁸⁹ Public Accounts and Estimates Committee Public Hearing, 9 December 2008, Department of Planning and Community Development, slide presentation, p.18

The Department advised the Committee that this increased participation is a culmination of a range of different programs, activities and information directed at health promotion by all levels of government.²⁹⁰ The Department has implemented a number of programs and activities aimed at increasing participation in physical activity through SRV, OSV and OFY. These include:

- Healthy and Active Victoria Program;
- Increased Participation in Sport Program;
- Premier's Active Families Challenge program;
- Flagship Bike Plan program;
- Walking Together Grants program;
- Healthy and Active Living grants;
- 'Girl's on the Go' pilot demonstration; and
- 'BodyThink' program.

2.4.4 Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development has been implementing the following initiatives:

- 'Go for your life' Healthy Canteen Kit;
- Healthy Start School grants;
- Healthy Start Kitchen Garden program;
- Fruit + Veg in Schools program;
- Victorian Essential Learning Standards;
- Ride2school program; and
- Professional development for teachers in the promotion of healthy eating and physical activity to students.

²⁹⁰ P Hertan, Executive Director, Sport and Recreation Victoria, Department of Planning and Community Development, transcript of evidence, p.7

2.5 Concluding comments

The issues surrounding the management and prevention of chronic diseases are complex as evidenced by the plethora of policies and strategies which have been promulgated by Commonwealth and State governments over the past five years. The Victorian Government has adopted a whole-of-government approach, involving a number of government departments and agencies in the implementation of its GFYL campaign. This approach is a positive one, which is commended by the Committee. In addition, VicHealth continues its work on the promotion of a healthy lifestyle for Victorians through a range of programs and activities not restricted to the promotion of a healthy diet and physical activity, but also to reducing harm from tobacco and alcohol misuse and improving mental health and wellbeing.

The Committee also notes that the COAG meetings and involvement of the Victorian Minister for Health in the Australian Health Minister's Conference facilitate communication between the State and the Commonwealth on the issues surrounding health promotion and prevention, and the strategies and activities which should be implemented to tackle problems such as overweight and obesity within the community. The Committee anticipates that such liaison assists in minimising the incidence of any overlap or duplication of effort on the part of each Government in the implementation of programs aimed at addressing these health issues.

CHAPTER 3: HEALTH PROMOTION EXPENDITURE

3.1 Spending on Health Promotion Programs

3.1.1 Auditor-General's comments

The Auditor-General noted in his report that recurrent health spending in Victoria totalled approximately \$22 billion in 2004-05. The Auditor-General stated that the cost of programs directly aimed at promoting improved health amounted to a small percentage of this recurrent figure.

In the report, DHS estimated that, during 2005-06, the Rural and Regional Health and Aged Care Services Division, responsible for public and primary health, spent \$98.5 million on health promotion, including funding provided to VicHealth. Of this amount, the Department estimated that \$18 million represented direct spending on the promotion of healthy eating and physical activity.

Taking into account direct spending on these activities by other lead agencies and local councils, the Auditor-General estimated that direct spending on the promotion of healthy eating and physical activity in Victoria was less than one per cent of recurrent health spending.²⁹¹

The Auditor-General made comment in the report that:²⁹²

The Commonwealth and Victorian governments have directed most funding towards treatment rather than early detection and prevention of chronic disease. Since 2003, the Victorian Government has introduced some further programs aimed at prevention and has recognised the need for further, urgent action. However, the investment in health promotion remains very small.

3.1.2 Information obtained by the Committee

In November 2008, the Committee wrote to DHS, VicHealth, DPCD and DEECD, as the lead agencies in health promotion programs, requesting details on how much each agency had spent on healthy eating and physical activity programs between 2003-04 to 2007-08. In addition, agencies were requested to provide an estimate of their spending on these programs for 2008-09 and 2009-10. Table 3.1 shows a summary of the figures provided to the Committee.

²⁹¹ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.28

²⁹² *ibid.*, p.29

Table 3.1: Expenditure on Healthy Eating and Physical Activity Programs 2003-04 to 2009-10 (selected agencies)

Agency	Cumulative Expenditure 2003-04 to 2007-08 (\$m)	Estimated expenditure for two years 2008-09 to 2009-10 (\$m)
All agencies in DHS portfolio (a)	80.5	66.0
VicHealth (b)	39.2	17.2(c)
DPCD – Sport and Recreation Victoria	15.5	7.8
DPCD – Office of Senior Victorians	3.0	1.8
DPCD – Office for Youth	0.9	0.6
DEECD	5.1	9.2
Totals	144.2	102.6

- Notes:
- (a) *Figures adjusted to remove details of expenditure by VicHealth, provided to the Committee separately by VicHealth.*
 - (b) *Does not include indirect expenditure in areas of activity such as policy, strategy and evaluation.*
 - (c) *VicHealth is developing a new strategic plan, commencing 2009-10, which will inform VicHealth's investments in future years.*

As evidenced by the information presented in Table 3.1, these four Victorian public sector agencies have directed significant amounts of funds towards healthy eating and physical activity programs in the State. The information provided also indicates that the investment in these programs is set to increase from an average annual expenditure of \$28.8 million over the period 2003-04 to 2007-08 to an anticipated annual spend of \$51.3 million for the years 2008-09 and 2009-10 in these agencies alone.

At the Committee hearing in December 2008, DHS presented details of the funding provided under the GFYL initiative as follows:²⁹³

- 2003-04 \$21.9 million over four years;
- 2006-07 \$57.5 million over four years; and
- 2007-08 \$27.1 million over four years.

In January 2009, the Committee requested follow-up information from DHS on the amount of recurrent health spending since the year 2000 together with the percentage of funds spent on health promotion.

²⁹³ Public Accounts and Estimates Committee Public Hearing, 9 December 2008, slide presentation, 'Go for you life' overview, Department of Human Services, p.2

The Department advised the Committee that the overall Victorian health budget expenditure for the financial years 1999-2000 to 2006-07 totalled \$54.9 million. Funds spent on health promotion by DHS over the same period amounted to approximately \$542.7 billion or one per cent of the total Victorian health budget expenditure. The Department stressed that these amounts only relate to DHS health promotion expenditure and not to expenditure by other government agencies.²⁹⁴

In respect of national expenditure, the Chief Executive Officer, VicHealth advised the Committee in December 2008, that less than 2 per cent of federal health budgets are spent on health prevention and an even smaller proportion on health promotion.²⁹⁵

3.2 Funding of Health Promotion Programs

3.2.1 Auditor-General's findings

As part of the audit, the Auditor-General reviewed program funding across government and the impact of funding on planning, coordination and sustainability within lead agencies and at a local agency level. The Auditor-General found that the current funding models limited the ability of agencies to effectively plan, coordinate and sustain health promotion programs.²⁹⁶

The Auditor-General commented in his report that developing a comprehensive approach to prevention presents challenges to governments where objectives, programs and funding are aligned with lead agency responsibilities. Some of the barriers to effective planning and collaboration across portfolios included:²⁹⁷

- established programs and funding allocations limited flexibility to redirect resources to the priority actions identified from a whole-of-government perspective; and
- established funding models which made it easier to treat rather than prevent chronic disease.

The Auditor-General made a number of comments in respect to funding of programs but made no recommendations in respect to the funding models in place. In a letter received by the Committee, the Auditor-General stated:²⁹⁸

VAGO took the view that it was not in a position to prescribe specific funding mechanisms. The GFYL Secretariat would need to review the funding mechanisms in developing and implementing a comprehensive plan as described in recommendation 7.5.

The Committee notes the above response from the Auditor-General, however it is debatable whether a review of funding models could have been construed as being implied in the recommendation for a comprehensive state wide plan as referred to in the report.

The Auditor-General's comments in respect to the impact of the current funding models on health promotion activities follow.

²⁹⁴ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 24 February 2009

²⁹⁵ Mr T Harper, Chief Executive Officer, VicHealth, transcript of evidence, 9 December 2008, p.3

²⁹⁶ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.31

²⁹⁷ *ibid.*, p.39

²⁹⁸ Mr D Pearson, Auditor-General, Victorian Auditor-General's Office, letter to the Committee, received 14 November 2008

(a) Coordination of programs

The Auditor-General noted in his report that there were some programs which had similar health promotion aims but were operated out of several different lead agencies. Some of this activity was coordinated but he found that others were not linked and imposed additional administrative burdens on local agencies in terms of funding applications and acquittals.²⁹⁹

While the Auditor-General noted some examples of effective coordination between lead agencies in respect to physical activity programs, the report stated that the differing priorities of agencies and lack of flexibility in funding models required some attention to better manage the barriers to improved coordination of programs across government.³⁰⁰

The audit report noted the establishment of the GFYL Secretariat within DHS to better coordinate activities across government departments but also noted that:³⁰¹

...DHS has made it clear that while the GFYL Strategic Plan included a wide range of initiatives, its coordination role was restricted to a subset of these where it could directly influence the extent of coordination.

The Auditor-General noted in the report that a number of councils, primary care partnerships and community health services had commented that the availability of central funding and limited resources made it difficult to improve the alignment of their individual health promotion plans with those of other local agencies.³⁰²

(b) Directing funds to local priorities

As already mentioned, tackling the issue of obesity requires a mix of strategies and activities aimed at changing individual lifestyle and behaviour in respect to physical activity and diet. The report noted a more significant number of programs in local agencies directed at promoting physical activity but less aimed at promoting healthy diet despite the need for a balance of both programs. Also, the Auditor-General found that the requirements and allocation of funding for programs created some difficulties for local agencies attempting to direct resources into the areas of highest priority as dictated by local needs.³⁰³

(c) Sustaining programs

The Auditor-General noted that in *'in most cases, program funding lasted for between one and four years, and did not offer a clear pathway to continue funding after the term expired.'*³⁰⁴ The Auditor-General found that lead agencies generally funded programs for a fixed period with a reduction in funding after this term. He states:³⁰⁵

²⁹⁹ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.40

³⁰⁰ *ibid.*, p.41

³⁰¹ *ibid.*, p.38

³⁰² *ibid.*, p.35

³⁰³ *ibid.*, pp.41-42

³⁰⁴ *ibid.*, p.42

³⁰⁵ *ibid.*, pp.42-43

The onus is on local agencies to develop sufficient capacity to continue the program as a lead agency reduces or ceases funding...Sustaining these activities relied on motivated volunteers continuing to lead these activities beyond the funding term. However, most health promotion programs are not sustainable without at least some ongoing support.

(d) Limitations of current funding models

The Auditor-General reported that DHS had acknowledged some of the funding issues faced by local agencies and had provided Primary Care Partnerships (PCPs) with recurrent funding for health promotion and had directed some other agencies to allocate a percentage of their recurrent funding to health promotion. Despite these changes, the Auditor-General reported that local agencies relied upon non-recurrent funding to resource their activities beyond their recurrent funding base. The report advised that DHS had noted the challenges of short-term, non-recurrent program funding and was proposing to shift some non-recurrent program funding to a longer term funding model.³⁰⁶

The report also noted that DPCD had recognised the extra administrative burden experienced by local agencies in relation to smaller grants and had streamlined its administrative and reporting processes and provided larger grants for some of its programs.³⁰⁷

With respect to local government, the Auditor-General reported that the preparation of Municipal Public Health Plans (MPHPs), as required under the *Health Act*, competes with Councils' other responsibilities for available funds. The report states:³⁰⁸

The health promotion activities of councils remain largely dependent on securing discretionary program funding.

In addition, the Auditor-General commented on the constraints of lead agencies in terms of their funding options. Particular mention is made in the report of the constraints on VicHealth whose legislation directs at least 30 per cent of its funds to sporting bodies and at least 30 per cent to health promotion activities. Also, its funding through DHS is provided through a three-year service agreement which also limits its capacity to make longer-term funding commitments.³⁰⁹

3.2.2 Responses by agencies

(a) Department of Planning and Community Development

The Secretary, Department of Planning and Community Development, responded in the Auditor-General's report that the Department was committed to '*providing support, training and workforce development to local agencies to encourage sustainability of programs.*'³¹⁰

³⁰⁶ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.43

³⁰⁷ *ibid.*

³⁰⁸ *ibid.*

³⁰⁹ *ibid.*

³¹⁰ *ibid.*, p.9

(b) Macedon Ranges Shire Council

The Chief Executive Officer, Macedon ranges Shire Council, agreed with findings in the audit report that there is an overall shortfall of funding for health promotion activities and that short-term funding threatens program sustainability. The Shire responded in the report, that the distribution of funds for '*locally based programs via a regional or sub-regional model dissipates both the resources and the outcomes.*'³¹¹

Further, the CEO commented that funds for programs based in a major regional city, but generally targeted at the wider regional population, rarely find their way to outlying shires. Similarly, small project funds such as those associated with GFYL are diluted even further when distributed via Primary Care Partnerships to participating local government areas.³¹²

In relation to the lack of recommendations made by the Auditor-General in respect of the funding issues highlighted in the report, the Shire states:³¹³

Of major concern is the lack of recommendations in the audit report to address these funding constraints. This was identified as significant issue by most if not all participating agencies, and given it is discussed at length in the report it is disappointing there is no action proposed. We would be keen to hear a response from the relevant ministers regarding the issue.

(c) Whitehorse Community Health Service

The Chief Executive Officer (CEO), Whitehorse Community Health Service, responded in the report, that while the Auditor-General's report identified a significant disparity in health promotion capacity arising from funding constraints across the various agencies included in the review, the overall issue of building and sustaining organisational capacity for health promotion had not been clearly articulated.

Further, the CEO stated that while the introduction of DHS Integrated Health Promotion Framework in 2002, provided Community Health Centres with an opportunity to improve their capacity in relation to health promotion, this has been very ad hoc with agencies all attempting to identify best practice approaches and there has been no evaluation made of the impact of these efforts.

The Service responded that some identification by DHS of best-practice models for building health promotion capacity across the community health and PCP sector would be a positive step.³¹⁴

In respect to the funding issues identified in the audit report, the CEO, Whitehorse Community Health Service, stated that:³¹⁵

Project based funding for obesity prevention (or other health promotion work) is not a realistic approach to the long-term, environmental, social, political and cultural change that is required, to have a positive impact on obesity into the future.

³¹¹ *ibid.*, p.11

³¹² *ibid.*

³¹³ *ibid.*

³¹⁴ *ibid.*, p.12

³¹⁵ *ibid.*, p.48

The response suggested that the issue of sustainable funding could be addressed by better articulation of the role that different state, regional and local agencies have in the prevention of obesity. Also, *'funding for evidence based frameworks could be incorporated into Councils' MPHP requirements, PCP catchment planning and Community Health, health promotion plans so that funding is ongoing and not short-term, project based'*.³¹⁶

3.2.3 Subsequent developments

In 2006, DHS appointed an independent evaluation of the planning framework used by councils (i.e. the *Environments for Health Municipal Public Health Planning Framework*). The evaluation included an assessment of five years of operation of the Framework together with recommendations for its future direction. The final report was issued in December 2006.

The Committee notes that, in response to the evaluation report, DHS has established a number of initiatives aimed at addressing some of the recommendations as follows:³¹⁷

- new public health legislation will move the MPHP from a three-year to a four-year planning requirement which will align the planning cycle of MPHPs and Council Plans;
- development of a new overarching health promotion framework to guide the state-wide health promotion priorities for 2007-12. It is intended that the new framework will strengthen the links between Environments for Health and other key health promotion policy initiatives such as the Integrated Health promotion Resource Kit;
- funding has been provided to 12 local councils who have employed Local Government Coordinators to drive local action for 'Kids – Go for your life';
- resources to assist policy makers and practitioners design and implement effective interventions to address the seven state-wide health promotion priorities; and
- action to address the challenges of short-term, non-recurrent funding by proposing that funding such as the 'Good Practice Program' be moved to a longer term funding model.

In regard to the issue of sustaining programs over the longer term, at the public hearing on 9 December 2008, the Executive Director, People and Communities, DPCD advised that a mid-year evaluation in 2006 of the Seniors GFYL program revealed that:³¹⁸

...community capacity is one of the key success factors for ensuring the take-up of activity particularly focussed around workforce development issues and looking at the number of qualified trainers who can support particular training activities.

The Department advised that DPCD had invested funds as part of this program, providing 200 qualified fitness trainers in order to build community capacity.³¹⁹

Some discussion was held at the hearing with representatives from DHS about the Walking School Bus program which had experienced general acceptance that it was a good program but where there had been concerns about the funding arrangements and ongoing support for the program. Concern was expressed that future programs might experience similar problems.

³¹⁶ *ibid.*

³¹⁷ Department of Human Services, *Summary – Evaluation of the Environments for Health Framework*, September 2007

³¹⁸ Mr J MacIssac, Executive Director, Community Sport and Recreation, Department of Planning and Community Development, transcript of evidence, 9 December 2008, p.5

³¹⁹ Public Accounts and Estimates Committee Public Hearing, 9 December 2008, Department of Planning and Community Development slide presentation, p.13

The Secretary of the Department advised the Committee that seeding and ongoing funding arrangements was one of the areas where greater attention was required in the next iteration of the GFYL strategic plan to ensure that programs have an ongoing life.³²⁰

3.2.4 Conclusion and recommendations

The issues raised by the Auditor-General in respect to short term funding of programs seem at odds with the long-term vision expressed in the GFYL Strategy which acknowledges that the task of changing people's behaviour is a long-term challenge. In particular the Strategy states:³²¹

The Plan works towards lifelong behaviour change among Victorians and the development of communities and environments that support this behaviour change.

The Government recognises that these issues are complex and will require community-wide action over a significant time period, including strong partnerships between all levels of government, community groups and industry organisations.

The Committee considers that local agencies are a critical component of effecting the desired changes in the lifestyles of local communities and the individuals which reside and work in them. Local government is able to directly impact social support services, land-use planning, transport, employment and cultural activities which all play an important part in creating healthy communities.

The Committee notes the evaluation of the *Environments for Health Municipal Public Health Planning Framework* and the action underway within DHS to establish priorities and determine the next steps for the Framework.

The Committee notes the issues raised by the Auditor-General in relation to the limitations imposed by funding models specifically in terms of sustaining programs and building the capacity of local agencies.

Recommendation 10:

There is a need for each of the lead agencies providing health promotion program funding to undertake a comprehensive review of their respective funding models to ensure that funds are:

- (a) efficiently distributed to maximise the amounts deployed on the ground;**
- (b) sufficient to effectively administer and evaluate programs;**
- (c) sustainable and consistent with the goals and objectives of the program; and**
- (d) sufficiently flexible to respond to local needs and issues.**

³²⁰ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.12

³²¹ Victorian Government Department of Human Services, *Go for your life: Victoria – leading the way to a healthy and active community, Strategic Plan 2006 – 2010*, Melbourne, Victoria, 2008, p.2

Recommendation 11:

The Department of Human Services consider:

- (a) developing a prescriptive model for building community capacity across the community health and public health partnership sector together with targeted training and tools to assist implementation in local organisations;
and**
- (b) funding demonstration sites across the sector which exhibit best practice approaches to capacity building.**

CHAPTER 4: DATA COLLECTION AND MONITORING

4.1 Introduction

As already noted, literature suggests that the causes of chronic diseases are complex. In respect to the issue of overweight and obesity, which has been shown to increase the risk of developing a number of chronic diseases, the fundamental cause is an imbalance between calories consumed and calories expended.

A report on obesity prepared by the House of Commons Health Committee in May 2004, notes:³²²

Determining the causes of obesity is central to tackling it. The exact extent of the relative responsibility of diet and activity remains unclear and it is crucial that both sides of the energy equation are addressed.

Obesity however, is not an easy problem to tackle as it relates to modifying human behaviour and in many cases changing poor habits associated with the choices individuals have made in the past, and continue to make, about the food they consume and the amount of physical activity in which they engage.

In a 2001 report, *Tackling Obesity in England*, the United Kingdom National Audit Office noted in respect to tackling the problem:³²³

Against a background of rising prevalence, halting the upward trend presents a major challenge. Part of the solution lies in preventing people from becoming overweight and then obese. As a lifestyle issue, the scope for policy to effect such changes in a direct way is very limited. The Department of Health cannot by itself be expected to be able to 'cure' the problem.

The development of effective strategies to address the increasing incidence of chronic disease in the population requires the collection and analysis of data about the causes and risk factors associated with these diseases and the relationship between programs which have been implemented and their impacts on behaviour and health outcomes.

4.2 Building and maintaining the evidence base to guide the State's investment in health promotion

The Auditor-General stated in his report that the effectiveness of the Victorian Government's investment in programs aimed at reducing rates of overweight and obesity in Victoria is dependent upon public sector agencies:³²⁴

- building a better understanding of the risks and outcomes of unhealthy eating and physical inactivity; and
- collating and better understanding the existing evidence about which programs are most effective in achieving the desired lifestyle changes.

³²² House of Commons Health Committee, *Obesity*, Third Report of Session 2003-04, Volume 1, May 2004, p.3

³²³ National Audit Office, United Kingdom, *Tackling Obesity in England*, February 2001, p.1

³²⁴ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.65

4.3 Building a better understanding of the risks and outcomes of unhealthy eating and physical inactivity

4.3.1 Auditor-General's findings and recommendations

The Auditor-General found gaps in the information about obesity risk factors particularly at the level that would assist local agency planning. The Auditor-General acknowledged that DHS planned to pilot and roll-out a health monitor survey to obtain a better understanding of the dietary, physical activity and biomedical health indicators of Victorians.

The Auditor-General viewed DHS as being in the best position to improve the data available to both lead and local agencies to inform their planning processes. The report recommended that DHS design and implement an ongoing approach to data collection and monitoring that would inform the plans of lead and local agencies through an objective understanding of obesity-related risk factors, and the consequent health and wellbeing risks and outcomes.³²⁵

4.3.2 Agency responses

(a) Response by the Department of Human Services

The Department advised in the report that its current review of the Victorian Population Health Survey and the pilot of the Victorian Health Monitor planned for 2007-08 aimed to address existing gaps in the Victorian health surveillance system and improve access to data on health and lifestyle issues.³²⁶

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, DHS stated that the *Victorian Health Monitor* (the Monitor) is a physical and biomedical measurement survey which will measure a number of obesity-related indicators including height, weight and waist circumference. The Monitor will measure and track the prevalence of overweight and obesity in the Victorian adult population together with the prevalence of pre-diabetes, Type 2 diabetes, cholesterol levels and hypertension.

The Department stated that the Monitor was currently being piloted to assess the feasibility of implementing an ongoing survey across Victoria in 2008-09 which would then be repeated every five years.³²⁷

³²⁵ *ibid.*, p.66

³²⁶ *ibid.*, p.5

³²⁷ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.54

(b) Response by VicHealth

The Chief Executive Officer, VicHealth, responded in the Auditor-General's report that:³²⁸

VicHealth supports this recommendation as collection, coordination and access to complementary data sets that monitor chronic disease related risk factors such as healthy eating and physical activity is lacking...Before designing and implementing new systems and approaches DHS should work with stakeholders to investigate existing data sources collected across multiple disciplines and consider ways to aggregate the data and make it accessible to lead agencies and local areas to inform planning.

4.3.3 Subsequent developments

The Committee wrote to DHS in October and November 2008 following-up on actions taken by the Department in respect to the recommendations made in the Auditor-General's report.

(a) The Victorian Health Monitor

The Committee requested information in respect to the results of the Monitor pilot. DHS advised that the purpose of the pilot was to assess the feasibility of conducting such a survey at a 'whole-of-state' level. The pilot study, undertaken in 2008, assessed a number of aspects of the proposed methodology which included participation rate, taking accurate physical and biomedical measurements at local testing sites, remitting blood samples to pathology laboratories for testing and providing feedback to participants on their results. The Department advises that, based on the findings of the pilot study, DHS has committed to undertake the Monitor as a state wide representative survey in 2009-10.³²⁹

The Committee also requested information from DHS on how the results from the Victorian Health Monitor will assist lead and local agency planning. The Department advised that the results will be reported in 2010 in a DHS *Cardiovascular Disease and Diabetes Risk Factor Report* and a *Food and Nutrition Report*. The health and nutrition information contained in these reports will assist lead and local agency policy and practice, particularly in relation to effective prevention of Type 2 diabetes and cardiovascular disease. The Department advised that the results will also inform major public health programs such as the GFYL strategy.³³⁰

The Department advised the Committee that the Victorian Health Monitor will supplement the *Victorian Population Health Survey*.

³²⁸ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.6

³²⁹ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received, 17 November 2008, p.4

³³⁰ *ibid.*, p.5

(b) The Victorian Population Health Survey

The *Victorian Population Health Survey* (VPHS) was established in 1998 to provide State and regional information about the health of Victorians and determinants of that health. The VPHS comprises an annual telephone survey collecting self-reported information on adult health and lifestyle behaviours such as consumption of fruit and vegetables, alcohol consumption, smoking habits, adult obesity, asthma, diabetes and psychological stresses. The VPHS was first undertaken in 2001 to provide State and regional information about the health of Victorians and the determinants of that health. The aim of the VPHS is to provide *'high quality, timely indicators of population health that are intended to have direct application to evidence-based policy development and strategic planning across the Department a wider community.'*³³¹

The most recent survey Report was conducted through computer-assisted telephone interviews conducted between August and December 2007. A representative state-wide sample is randomly taken of adults aged 18 years and over. The objective of the survey and report is to provide timely indicators of population health which can be directly applied to evidence-based policy development and strategic planning. The report contains a section on key results which compares selected data items between the inception year in 2001 and the current year. This section contains information on health and lifestyle such as, the prevalence of smoking, nutrition, alcohol consumption and levels of physical activity. This data is critical for *'targeting public health interventions and evaluating outcomes.'*³³²

At the Committee hearing on 9 December 2008, the Secretary, DHS, advised that the VPHS had usually been undertaken at a DHS regional level but that in 2008 it had been conducted across the 79 local government areas to address an urgent need for local data to better inform and support local area planning.³³³

4.3.4 Conclusion and recommendations

The information provided to the Committee indicates that DHS acknowledges the need for a solid information platform to inform policy and the development of strategies to address the issues associated with lifestyle behaviour.

The Committee commends the Department on action taken to modify the scope of the VPHS to address the deficiency in health data specific to local areas. Local area data will enable more effective planning and monitoring of health promotion priorities in local areas.

Further, the Committee looks forward to the effective implementation of the Victorian Health Monitor. However the Committee wishes to express some concern about the delay in finalising this project given that the Department advised the Auditor-General in June 2007 that the pilot was planned for 2007-08 and in the Minister for Finance response the Monitor was to be implemented in 2008-09. The Department advised the Committee at the hearing that the Victorian Health Monitor will be implemented state-wide in 2009 with the results reported in 2010. This is two and a half years after the Auditor-General's findings were made. It is disappointing that the lead time on obtaining this information is so long given the original timings by the Department.

³³¹ <<www.health.vic.gov.au/healthstatus/vphs>> accessed 4 December 2008

³³² <<www.health.vic.gov.au/healthstatus/vphs>> accessed 23 March 2009

³³³ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.5

Recommendation 12: Given the critical need for current data on obesity related indicators to facilitate lead and local agency planning, the implementation of the Victorian Health Monitor across the State should be afforded a high priority by the Department of Human Services to enable the results to be accessed by interested stakeholders as soon as possible.

Recommendation 13: The Department of Human Services consider means for sharing relevant health and lifestyle data gathered across lead and local agencies and non-government organisations in relation to issues associated with overweight and obesity and chronic disease to improve access and assist lead and local agency planning.

4.4 Understanding the existing evidence on what programs work best to achieve these changes

4.4.1 Auditor-General's findings and recommendations

The Auditor-General found that whilst DHS, VicHealth, DPCD and other organisations had contributed to an improved understanding in the area of determining which programs and strategies are most effective in achieving the desired changes, there were gaps in the evidence base. As such, the Auditor-General recommended that DHS, VicHealth and DPCD seek to improve agencies' understanding of the evidence on program effectiveness by establishing a structured approach to:³³⁴

- review the existing evidence and distil guidance on the effectiveness of programs to address the risk factors underpinning obesity;
- identify the critical gaps in understanding and implement a plan to address those gaps;
- update guidance on program effectiveness in the light of further research and ongoing evaluation of other programs; and
- develop mechanisms to communicate guidance on program effectiveness across government and to local agencies responsible for planning health promotion programs.

4.4.2 Agency responses

(a) Response by the Department of Human Services

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, DHS stated that action on health promotion priorities for 2007-12 is based on cross-government partnerships. In particular, the Department stated that DHS, DPCD and VicHealth are all working closely together in relation to physical activity and healthy eating priorities.

³³⁴ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.66

The Department states that these health promotion priorities include the development of new evidence-based resources on two key risk factors underpinning obesity, namely physical activity and accessible and nutritious food, and will better support agencies to use evidence to guide their practice. The new evidence based resources are also intended to identify gaps in understanding and prompt the generation of new evidence. The Department states that the evidence will be disseminated through a planned approach.

The Department also stated in their response that the GFYL Being Active Eating Well Community Demonstration Projects will identify, implement and evaluate strategies focussing on the built, social, physical and economic environments within the five new Primary Care Partnership demonstration sites by 2010.³³⁵

(b) Response by VicHealth

In the audit report, VicHealth responded that it supported the Auditor-General's recommendation in relation to addressing research gaps and disseminating evidence however, additional human and financial resources were needed to achieve this. The Chief Executive Officer, VicHealth stated that the complexity of obesity makes it difficult to attribute effectiveness to a single intervention. It was stated that there was a need to widen the evidence base to go beyond individual behaviour change programs to investigate broader systems and environmental changes that are required to reduce the risk of obesity.³³⁶

(c) Response by the Department of Planning and Community Development

In the audit report, DPCD responded that it was committed to strengthening the evidence base to guide and refine the State's investments and improve the planning and coordination of programs across government, including enhancing systems for data collection and reporting and also investigating options for electronically aggregating project data through new e-grant initiatives now being developed.³³⁷

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, DPCD stated that as the recommendation applied to three agencies, implementation was not entirely within its control. The Department agreed that research, monitoring and evaluation are essential to developing effective initiatives to promote healthy eating and physical activity among Victorians. The Department states that in consultation with partner departments, the GFYL Secretariat is coordinating a review of GFYL interim performance monitoring arrangements across government. It is anticipated that the findings and outcomes of the above activities will be reflected in updated guidance on program effectiveness, and mechanisms to communicate this guidance to relevant agencies, as proposed in the recommendation.³³⁸

³³⁵ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.54

³³⁶ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.7

³³⁷ *ibid.*, p.9

³³⁸ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, pp.139-140

4.4.3 Subsequent developments

The Committee wrote to DHS in October 2008 following-up on actions taken by the Department in respect to the recommendations made in the Auditor-General's report. The Committee requested information in respect to the evidence based resources on risk factors underpinning obesity.

(a) Evidence based resources

The Department advised in November 2008 that evidence based papers on healthy eating and physical activity promotions had been drafted and had involved VicHealth and DPCD in the initial development. It advised that the papers would be further developed with additional consultation and that the resources would be available early in 2009 and would be used in the first instance to underpin consultation on the review and further development of the strategic plan for the GFYL initiative.³³⁹

(b) Identification of gaps in the evidence base

The Committee asked DHS to provide information on the gaps which have been identified in the evidence base and action taken to address them. The Department advised that there are still many gaps in the evidence base surrounding healthy eating and physical activity promotion and obesity prevention. A major focus of DHS research is on community-based projects rather than defined settings or population groups. The Department's view is that a 'whole-of-community' approach provides the opportunity to test multiple interventions in a variety of Victorian communities.³⁴⁰

(c) Update on guidance on program effectiveness

The Committee requested information on what action had been taken by DHS to update guidance on program effectiveness and how regularly this is reviewed. The Department advised that the current review and assessment of the evidence base would update the available guidance. In addition, information is collated and updated for health professionals according to topic and other guidance is provided through specific projects. The Department stated that the upcoming consultation on the development of the next GFYL plan would provide an opportunity to obtain feedback on whether the present system meets the health planning needs of agencies and any suggestions for improvement.³⁴¹

(d) Communication of guidance to agencies

The Department advised the Committee that there are a range of processes in place to communicate guidance across government and local agencies such as:³⁴²

- The GFYL website which contains information for the general public and more specific health information for professionals. Sections are segmented into key topic areas and include population groups, settings and medical conditions. The website is continually reviewed and updated and is promoted in all GFYL social marketing, events and activities.

³³⁹ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received, 17 November 2008, p.5

³⁴⁰ *ibid.*

³⁴¹ *ibid.*,p.6

³⁴² *ibid.*,pp.6-7

- Kids – GFYL develops and reviews a broad range of resources and evidence based resources for primary schools and children’s services;
- Life! Taking Action on Diabetes is an evidence based program providing a behaviour change course for 25,000 Victorians at high risk of Type 2 diabetes. The program provides specific training and support for facilitators across the State and information through the website;
- GFYL research based projects such as Fun ‘n’ Healthy in Moreland and the Barwon Obesity Sentinel Site publish project outcomes in peer reviewed journals and will provide high level, detailed process and evaluation reports; and
- The GFYL governance structure includes a Ministers Forum and a Senior Officers Leadership Group which meet four times per annum. Program and strategy working group meetings are also held twice a year and informal meetings held monthly. Each of these, provide opportunities to exchange information across government.

4.5 Current research activities

The Committee requested DHS, VicHealth, DPCD and DEECD to provide it with information on any research activities currently being funded. A description of the project together with the purpose and the cost of the research were requested from each of the agencies. Table 4.1 provides a listing of the research projects being funded by each of the agencies as at November 2008.

Table 4.1: State Government Healthy Eating and Physical Activity Research projects currently funded by DHS, VicHealth, DPCD and DEECD as at November 2008

Name of project	Funding (\$m)
Department of Human Services	
GFYL Health promoting Communities: Being Active and Eating Well	4.52 (4 years)
Fun 'n' Healthy in Moreland	1.1 (5 years)
It's Your Move	0.93 (5 years)
Strategy for Physical Activity and Nutrition in Victorian Indigenous Communities	0.14 (2 years)
Strengthening Evaluation of public Health Programs	0.97 (1 year)
VicHealth	
AFL Victoria – Violence Against Women	0.5 (2 years)
University of Ballarat – Girls Rural Participation in Sport and Active Recreation	0.06 (3 years)
University of Ballarat – Sport program Research	0.10 (2 years)
Sport and Recreation Victoria – DPCD – Exercise and Recreation and Sport Study (ERASS) survey	0.14 (5 years)
La Trobe University – ARC Linkage Grant	0.07 (3 years)
Deakin University – Centre for Physical Activity and Nutrition – Data Analysis and Community Liaison	0.10 (3 years)
Research Fellowship – David Dunstan	0.52 (5 years)
Research Fellowship – David Crawford	0.65 (5 years)
Research Fellowship – Dr Anna Peeters	0.52 (5 years)
Research Fellowship – Dr Karen Campbell	0.50 (5 years)
Research Fellowship – Dr Anna Timperio	0.50 (5 years)
Research Fellowship – Dr Cate Burns	0.52 (5 years)
Research Fellowship – Dr Bebe Loff	0.65 (5 years)
Research Fellowship – Bruce Hollingsworth	0.40 (5 years)
Research Scholar – Ms Tania King	0.06 (3 years)
Research Scholar – Ms Catherine Lombard	0.06 (3 years)
Parents Jury	0.05 (3 years)
Obesity Prevention Coalition	0.36 (3 years)
Department of Planning and Community Development	
Research Activities: The OSV in partnership with DHS has contributed funds to the GFYL Health promoting Communities: Being Active and Eating Well research projects led by DHS.	
Department of Education and Early Childhood Development	
Understanding Confectionery	0.01
Kitchen garden Project with Stephanie Alexander	0.02

Note: A full description of each of the research projects is provided in Appendix 2 of this report.

4.5.1 Advice provided to the Committee on research activities and the existing evidence-base

(a) Department of Human Services

The Secretary, DHS advised the Committee at the hearing in December 2008, that the issue of changing people's lifestyle behaviours was very complex and *'the evidence and data on this is probably still in its formative stages.'*³⁴³ She stated:³⁴⁴

We need to make a sustained commitment to using existing expertise and building evidence to guide our actions. Physical activity and healthy eating are areas with a growing evidence base, and Victoria is actively contributing to this process using the results to direct activities and investments where they will have maximum effect. But we recognise that the evidence base is not perfect as yet.

The Department advised that it is using intensive pilot programs (e.g. *It's Your Move* and *Romp and Chomp* programs in Colac) to assist building the evidence to support the case for investment in practical strategies to address the issues associated with overweight and obesity. This pilot led to further community projects with five Primary Care Partnerships which are looking at extending the target groups in their areas.

The Secretary advised that:³⁴⁵

There is a relatively recent history in tackling obesity prevention and sustained healthy and active lifestyles. Whilst there is an increased emphasis on finding the solutions, it remains a challenge to conduct the right research, translate the research into practice and embed good practice in systems.

It is probably fair to say at the moment that we are very good at diagnosis of the problem but not quite there yet on the detailed evidence required on the absolutely best solutions to undertake.

The Department advised that better international evidence on what works in managing issues associated with overweight and obesity is becoming available and there is an expectation that in the next three years we will have stronger evidence about the sorts of activities and strategies that will be most effective.³⁴⁶

(b) VicHealth

The CEO, VicHealth advised at the Committee hearing in December 2008, that VicHealth has established a target of 20 per cent of its budget to be allocated to research spending. He advised that one of the strengths of VicHealth's research activities in recent years has been to identify opportunities to provide cutting edge research in a number of areas.³⁴⁷

³⁴³ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.2
³⁴⁴ *ibid.*, p.3

³⁴⁵ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.5

³⁴⁶ Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services, transcript of evidence, 9 December 2008, p.9

³⁴⁷ Mr T Harper, Chief Executive Officer, Victorian Health promotion Foundation, transcript of evidence, 9 December 2008, pp.3-4

According to its Annual Report for 2007-08, VicHealth contributed \$4.63 million towards public health research across its four health promotion priority areas. This involved funding 13 public health research grants, five research scholarships, 25 fellowships and four research centres.³⁴⁸

VicHealth advised the Committee that an important component of its investment in research relates to evaluation to identify the outcomes, achievements and learnings that can be used to inform investment in future programs.³⁴⁹

The Committee asked VicHealth about gaps in the evidence-base and where it considered its priorities were in terms of filling the gaps. VicHealth advised that in terms of physical activity, it was targeting four specific groups:³⁵⁰

- those with a disability;
- those from economically disadvantaged groups;
- those who are indigenous; and
- those from refugee backgrounds.

At the hearing in December 2008, Ms Shelley Maher, Acting Director, Active Communities and Healthy Eating, VicHealth, stated:³⁵¹

There has been very little work trying to identify how we engage those particular groups in participation and have it as ongoing participation. Our investment over the next four years – and we have been going now for twelve months – is to identify with those four groups. How do we get them involved, in the first instance, not just for one activity time per week but over a length of time? And how do we sustain their involvement?

What we are hoping is that at the end of our four-year period we will have some very good examples and strategies of how to target those population groups who have the poorest health.

In terms of healthy eating, the Committee was advised that the challenge remains how to get people to eat more fruit and vegetables. Similarly VicHealth is undertaking work to identify the barriers to healthy eating in low income communities to identify what interventions actually work best for those groups.³⁵²

4.5.2 Conclusion and recommendations

Information and advice obtained by the Committee suggests that DHS, VicHealth and DPCD all make good use of the existing data and evidence available to make informed decisions about how and where best to direct resources to promote physical activity and healthy eating within the community.

³⁴⁸ Victorian Health Promotion Foundation, Annual Report 2007-08, p.9

³⁴⁹ Mr T Harper, Chief Executive Officer, Victorian Health Promotion Foundation, transcript of evidence, 9 December 2008, p.4

³⁵⁰ Ms S Maher, Acting Director, Active Communities and Healthy Eating, Victorian Health Promotion Foundation, transcript of evidence, 9 December 2008, p.10

³⁵¹ *ibid.*

³⁵² Mr T Harper, Chief Executive Officer, Victorian Health Promotion Foundation, transcript of evidence, 9 December 2008, p.10

The advice received suggests also that it is early days in terms of evidence gathering on the causes of overweight and obesity and that it is acknowledged that there are gaps in the current evidence-base. Evidence taken from VicHealth suggests that the current level of resourcing for research activities in the area is inadequate.

The Auditor-General recommended that DHS, VicHealth and DPCD work to improve agencies' understanding of the evidence on program effectiveness by establishing a structured approach to:

- reviewing the existing evidence on program effectiveness; and
- identifying the critical gaps in the evidence-base and implementing a plan to address these gaps.

The Committee notes action taken by DHS to improve communication and guidance to agencies on program effectiveness.

However, in regard to research activities and the identification of gaps in the evidence-base the Committee considers there is a need for a more systematic approach to the identification and resourcing of these activities. Compilation of, and access to, comprehensive and current data is critical to the effectiveness of future health programs and activities.

The Committee also notes DHS's commitment to evidence-based health promotion as articulated on its website:³⁵³

The Victorian Government is committed to supporting evidence-based practice in the planning and implementation of effective health promotion action. The practical use of evidence promises better health outcomes by informing practitioners, program planners and funding bodies as they develop and select health promotion strategies, methods and activities.

Evidence-based reviews identify the most effective and efficacious interventions and provide information to help ensure efficient use of resources.

The Committee is of the view that a thorough review of the evidence-base to identify current gaps is necessary. Compilation of the required research, together with the costing of such research is necessary to ensure that the State's investment in health promotion is appropriately shaped and targeted to be most effective in achieving a decrease in the rates of overweight and obesity and chronic disease amongst Victorians. The development of a research investment strategy would allow for:

- better alignment of research with government objectives;
- increased clarity and identification of the research currently underway and required in the future;
- opportunities to foster strategic partnerships with other research providers to optimise research capability;
- improved accountability over research investment decisions; and
- a more accurate assessment of research investment resources required.

³⁵³ <<www.health.vic.gov.au/healthpromotion/quality/evidence>>accessed 5 December 2008

Recommendation 14:

VicHealth and the Department of Human Services work together to develop a research investment strategy which identifies and prioritises State-wide research projects in the area of health promotion directed at addressing the increasing rates of overweight and obesity in the population. In identifying projects, consideration should be given to:

- (a) identifying the current gaps in the research base in respect of the factors which cause overweight and obesity and the most effective strategies to tackle these factors;**
- (b) research being undertaken nationally, interstate and overseas so as to minimise any potential areas of duplication and to assist in the design of research projects in the State;**
- (c) an assessment of the human and financial resources required to undertake the required research into obesity, dietary behaviour and physical activity together with an assessment of the adequacy of the current level of investment in research activities in these areas; and**
- (d) the development of criteria or methodology for prioritising the research projects identified.**

CHAPTER 5: EVALUATING HEALTH PROMOTION PROGRAMS

5.1 What is meant by evaluation?

Evaluation has two main purposes; improvement and accountability. Evaluation provides information to managers to assist in the design or improvement of policies, programs and initiatives. In terms of accountability, evaluation provides a periodic assessment of the effectiveness of a policy, program or initiative, identifies the impacts both intended and unintended and alternative ways of achieving the expected results. Ideally, planning and evaluation are interdependent processes and information from evaluation can assist to guide planning within an agency.³⁵⁴

5.2 Evaluation of health promotion projects

The Auditor-General reviewed DHS publications to determine what evaluation means when it is applied to health promotion. The audit report noted the following types of evaluation from DHS literature:³⁵⁵

- process evaluation – measures all aspects of the process of delivering a strategy including implementing actions as intended and understanding the coverage or ‘reach’ and the quality of these actions;
- impact evaluation – measures effects of a strategy on people and environments. First level impacts include measurable changes in people’s knowledge, skills and attitudes. Second level impacts include changes in personal behaviours, environments and following these, changes in risk indicators such as a person’s weight, body mass index and cholesterol levels; and
- outcome evaluation – measures the longer-term effects of strategies on overall program goals to reduce the prevalence of preventable chronic disease. These effects are usually expressed as changes in measures of well-being, including mortality, morbidity, disability and quality of life. These outcomes are more difficult to measure as they often occur over long timeframes and are impacted by a range of factors.

The Committee notes that in terms of the main purposes of evaluation outlined above, these types of evaluation seem to provide limited emphasis on improvement or lessons learnt as opposed to assessment and accountability.

5.3 Auditor-General’s findings

The Auditor-General conducted fieldwork in forty-three local agencies delivering programs in seven council areas across both metropolitan and regional areas in the State. Within these seven areas the audit covered a number of DHS regional offices, local councils, shires, Primary Care Partnerships (PCPs), Community Health Services (CHSs) and primary and secondary schools.

Part of the audit assessed whether agencies had undertaken evaluations to determine the extent to which health promotion plans and programs had achieved their objectives.³⁵⁶

³⁵⁴ Treasury Board of Canada Secretariat, *Evaluation Guidebook for Small Agencies*, 2004, Section 2, p.8

³⁵⁵ Victorian Auditor-General’s Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.44

³⁵⁶ *ibid.*, p.2

(a) Health promotion for local communities

The Auditor-General found that all the councils, PCPs and CHSs that were examined had included evaluation measures within their health plans and reported performance against these. However, the report stated that this performance measurement concentrated mainly on verification that a strategy or program had been implemented and the number of individuals reached. Most centrally funded programs required local agencies to measure aspects of the 'process' for example, 'service hours' or 'the number of seniors not previously active'.³⁵⁷

The report noted that there were barriers which made it difficult for local agencies to undertake more sophisticated evaluations, including:³⁵⁸

- access to staff skilled and experienced in evaluation;
- insufficient funding to allow more detailed evaluation beyond 'process' measurement; and
- an absence of detailed evaluation frameworks and guidance material.

(b) Health promotion for Aboriginal people

Aboriginal Health Promotion and Chronic Care (AHPACC) implementation plans are required to be revised and updated every 12 months. Local agencies are required to report to DHS every 12 months on the achievements for the period. The Auditor-General found only limited reporting by AHPACC agencies of service hours and client numbers. In the report, DHS acknowledged that the reporting and evaluation processes were not well developed. However, planned program reporting in the short term had included:³⁵⁹

- commencement of narrative reporting by AHPACC workers;
- six monthly reports from each area; and
- the implementation of the evaluation framework to local agencies in mid 2007.

The Auditor-General stated that all plans needed evaluations which assessed their impacts on the health and wellbeing of aboriginal people. A well founded strategic evaluation framework would assist local areas to build and apply an evaluation methodology suited to local needs.³⁶⁰

(c) Health promotion for school students

The audit found that schools delivered a range of physical and healthy eating activities via:³⁶¹

- the school curriculum;
- secondary college nursing plans;
- programs developed by individual schools and sometimes in partnership with local agencies; and
- government sponsored and state-wide initiatives (e.g. the banning of soft drinks, guidelines for school canteens and funding the provision of fruit in primary schools Prep to Year two).

³⁵⁷ *ibid.*, p.44

³⁵⁸ *ibid.*, p.46

³⁵⁹ *ibid.*, pp.52-53

³⁶⁰ *ibid.*, p.53

³⁶¹ *ibid.*, p.56

The audit report noted however, that documentation within DEECD gave no clear indication of how DEECD monitored the implementation and effectiveness of these measures, in terms of influencing children's eating habits and their health.³⁶²

5.3.1 Auditor-General's recommendations

The Auditor-General recommended that DHS, VicHealth, DPCD and DEECD collaboratively improve the evaluation of the health promotion projects they fund to address unhealthy eating, physical inactivity and obesity by:³⁶³

- designing evaluation frameworks to measure the impacts of programs on the risk factors;
- working with other lead agencies to use consistent indicators of impact across similar programs;
- providing practical guidance and training to local agencies showing them how to apply these frameworks; and
- using the information to report on the impacts of programs.

5.3.2 Agency responses

The following responses were made by a number of agencies involved in the audit in response to the matters raised by the Auditor-General in respect to evaluation of health promotion programs.

(a) Response by the Department of Human Services

In respect to the AHPACC program, the Department responded that *'reporting and evaluation processes will continue to be developed throughout the life of the program, including formative local and state-wide evaluations and collection of relevant client service data.'*³⁶⁴

In the report, DHS acknowledged in its response that the existing evaluation frameworks reviewed as part of the audit were in need of a renewed focus to ensure that agencies are supported to apply them in practice. The Department advised that the establishment of common indicators relating to the risk factors of accessible and nutritious food and physical activity would be a key area of work to support evaluation by local agencies.³⁶⁵

In December 2007, DHS stated in the *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, that a more structured approach to improving the quality of evaluations was currently being developed by the Department, together with the establishment of common indicators to measure the impacts of policy and programs on the risk factors associated with physical inactivity and unhealthy eating. The Department stated that this work would *'occur between 2007 and 2012 through the development of state-wide, cross-government action plans and evaluation frameworks for the health promotion priorities.'*³⁶⁶

³⁶² *ibid.*, p.60

³⁶³ *ibid.*, p.67

³⁶⁴ *ibid.*, p.53

³⁶⁵ *ibid.*, p.5

³⁶⁶ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.55

(b) Response by VicHealth

In the report, VicHealth indicated its support of this recommendation and stated that the organisation has been working in consultation with funded projects at a local level to develop evaluation frameworks and common indicators to measure program impacts. The Chief Executive Officer, VicHealth stated in the response that additional resources would be needed to achieve the outcomes required from the Auditor-General's recommendation and the existing capacity within and external to government to evaluate health promotion activity on an ongoing basis would require some assessment.³⁶⁷

(c) Response by the Department of Planning and Community Development

In the *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, DPCD was generally supportive of the Auditor-General's recommendation and stated that it would have input to the evaluation framework being developed by the GFYL Secretariat through DHS.

DPCD stated that it has its own evaluation framework which is being adapted and used to evaluate new physical activity programs managed by Sport and Recreation Victoria. In addition, all external funded agencies are required to undertake evaluation under their funding agreement and relevant templates and information is provided to agencies for this purpose.³⁶⁸

(d) Response by the Department of Education and Early Childhood Development

In response to the Auditor-General's recommendation, DEECD in the *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, stated that it works closely with DHS, VicHealth and DPCD through its involvement with the whole-of-government GFYL initiative.³⁶⁹

(e) Response by the Whitehorse Community Health Service

In the audit report, the Chief Executive Officer, Whitehorse Community Health Service, stated in his response that effective impact evaluation requires specialist knowledge and skills that may be unrealistic for staff working in health promotion at local agency level. Further, greater investment is required to support links with the higher education sector to lead the evaluation of locally based health promotion activities. The response suggested that better coordination across local and lead agencies, in relation to the development of systems and processes for a whole of government approach to obesity prevention, was critical to the success of future health promotion action in Victoria.³⁷⁰

³⁶⁷ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.7

³⁶⁸ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.140

³⁶⁹ *ibid.*, p.14

³⁷⁰ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.47

5.3.3 Subsequent developments

In October 2008, the Committee wrote to DHS, VicHealth, DPCD and DEECD regarding actions taken by each of the organisations in response to the recommendations made in the Auditor-General's report. In December 2008, the Committee conducted hearings with representatives from DHS, DPCD and VicHealth to follow-up and seek more recent information on the matters raised in the report. The Committee sought information from each of the agencies in respect to the following:

- development of an evaluation framework for measuring program impacts;
- work undertaken on consistent program indicators and reporting against these indicators;
- training provided to local government on program evaluation;
- timeframes for reporting on program impacts.

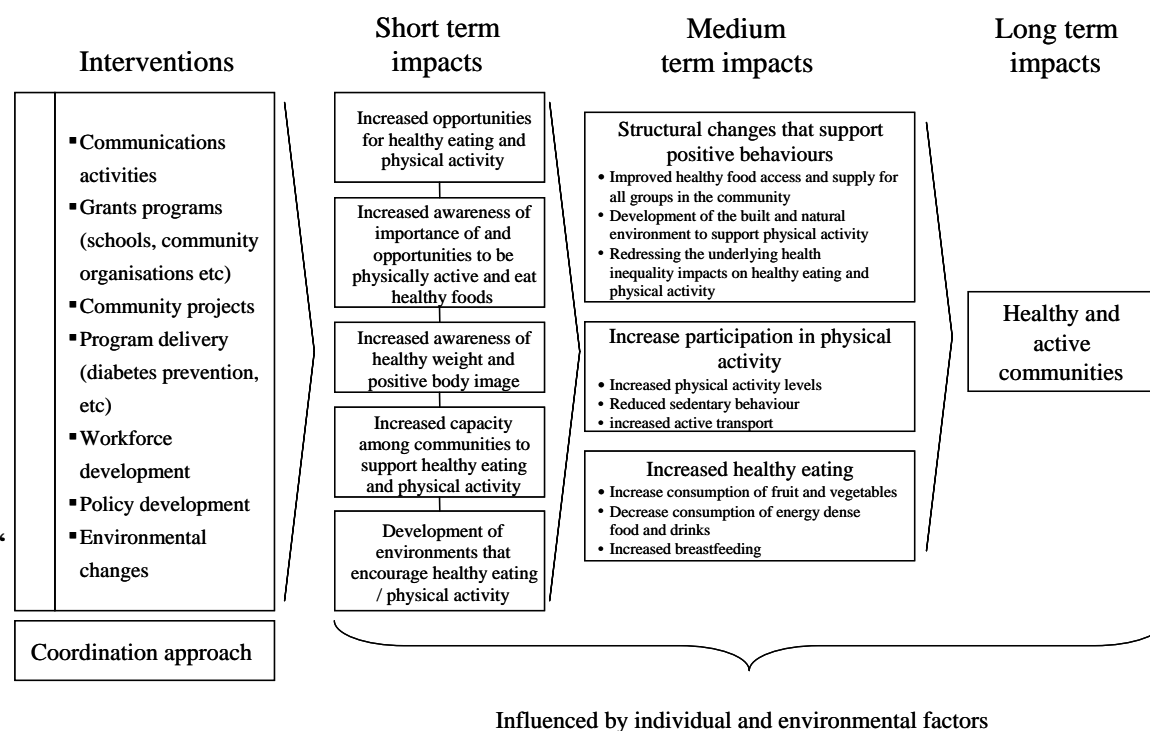
VicHealth, DPCD and DEECD advised the Committee that in 2007, GFYL Secretariat had involved their organisations in consultations on the development of an evaluation framework and program logic model and performance indicators relevant to all GFYL programs.

(a) Development of an evaluation framework for measuring program impacts

In November 2008, DHS advised the Committee that a high level program logic has been developed for GFYL which provides an outline of key interventions and expected short and medium term impacts directed at achieving the longer term outcomes of healthy and active communities. The following diagram depicts these outcomes.³⁷¹

³⁷¹ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 18 November 2008, p.7

Figure: 5.1: Go for your life Interventions



Source: Department of Human Services

At the Committee hearing in December 2008, the Department advised that evaluating the whole of the GFYL initiative is not a particularly meaningful exercise and that the strategy is made up of many parts of which each part needs to be subject to evaluation. The Department expects to gain a better understanding over the next three years as to which components are most effective.³⁷²

The Department advised that, more specifically, an evaluation framework has been developed and is being piloted with the *Being Active Eating Well* community projects. The evaluation framework is aimed at:³⁷³

- providing guidance to staff on writing an evaluation plan;
- providing an example of a good evaluation plan; and
- specifying some agreed guidelines for good evaluation.

DHS advised that the Integrated Health Promotion Kit for use within the primary health care sector includes an evaluation resource booklet *Planning for Effective Health Promotion* which was reissued in 2007-08 and distributed to a range of Victorian agencies in support of a consistent approach to health promotion evaluation.³⁷⁴

³⁷² Dr C Brook, Executive Director, transcript of evidence, 9 December 2008, p.9

³⁷³ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 18 November 2008, p.7

³⁷⁴ *ibid.*

At the Committee hearing in December 2008, the Secretary, DHS, stated that specific programs require tailored evaluation frameworks. As such, DHS has not mandated a single framework to be used across all agencies but rather encourage an appropriate evaluation framework for each program. The Secretary provided the example of the *GFYL: Being Active Eating Well* community projects for which the external evaluation has been jointly funded by DHS and DPCD. This evaluation framework will be applied in each of the five primary care partnerships involved in those projects.³⁷⁵

(b) Details of work undertaken on consistent program indicators

DHS advised the Committee in November 2008 that the *Being Active Eating Well* community projects have a set of indicators incorporated into their evaluation plans. The measurement of outcomes from these community projects together with the Department's research project, '*Strengthening Evaluation of Public Health Programs*', will further help refine the evaluation framework and performance indicators.³⁷⁶

At the Committee hearing in December 2008, DHS advised consultation on the development of performance indicators in respect to the *GFYL* programs had commenced in 2007. The Department advised that these indicators are currently in the process of being finalised and once agreed within the Department, will be further discussed with other stakeholders (i.e. VicHealth, DPCD and DEECD) to ensure their broad application.³⁷⁷ A meta evaluation, incorporating the agreed indicators, is planned for 2009.³⁷⁸

(c) Training provided to local government on program evaluation

The Department advised the Committee that support is available to the community demonstration projects from the project evaluators and in some instances, local government has direct involvement in the projects.

In finalising the performance indicators for the *GFYL* programs, DHS advised that consideration will be given to training packages to assist local agencies, including local government where appropriate, to better understand the role of indicators and their implications for program design together with monitoring and reporting formats.³⁷⁹

(d) Timeframe for reporting on program impacts

The Department advised the Committee that the collaborative work on the development of indicators will be finalised in 2009. Also, the proposed consultation on the new *GFYL* plan early in 2009 will provide an opportunity to work with key stakeholders in establishing an evaluation framework that will also provide guidance for frameworks of specific programs. The Department states that the governance arrangement for *GFYL* will assist in the development of an 'overarching framework' which will have broader applicability to other health promotion funding bodies.³⁸⁰

³⁷⁵ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.6

³⁷⁶ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 18 November 2008, pp.7-8

³⁷⁷ *ibid.*, p.8

³⁷⁸ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.6

³⁷⁹ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 18 November 2008, p.8

³⁸⁰ *ibid.*

(e) Other health promotion evaluation work

At the Committee hearing DHS advised that there were also evaluations taking place at a national level which are providing information from across the whole of Australia. The National Preventative Task Force is conducting work and a prior commitment to the Australian Better Health Initiative is also being evaluated. In addition, the Commonwealth has funded a group called the CO-OPS Collaboration which is assisting in sharing information on some of the larger community based projects to identify best practice.³⁸¹

(f) School Compliance Checklist – DEECD internal reporting

DEECD advised the Committee in December 2008, that schools are required to self report annually against a number of items regarding the implementation of Commonwealth and State policies relating to healthy eating and physical activity. The data collected is provided to the relevant program areas and to DEECD regions for information and action.³⁸²

5.4 Evaluating Municipal Public Health Plans

Under the 1993 general amendment to the *Health Act* 1958, local councils have a legislative responsibility for public health planning and health promotion. They are required to develop a Municipal Public Health Plan (MPHP) every three years and consult with DHS on this plan.³⁸³ These Plans are intended to cover four environmental domains which impact on health and wellbeing in the community, namely the built, social, economic and natural environments.

Under the Health Act, councils are required to evaluate their Municipal Public Health Plans.³⁸⁴ The introduction of the new *Public Health and Wellbeing Act* 2008, which replaces the *Health Act* 1958, will require MPHPs to be revised every four years and Councils will also be required to undertake certain evaluations to comply with the Act.

5.4.1 Auditor-General's findings and recommendations

The Auditor-General found that all the councils that were reviewed had included evaluation measures within their plans and reported against these. However, most measures were limited to verifying that strategies had been implemented and the number and type of people reached.³⁸⁵

The Auditor-General recommended that local councils regularly evaluate MPHPs and include information in the design and scope of the evaluation which assists understanding of how these plans have achieved their objectives.³⁸⁶

³⁸¹ Ms P Williams, Director, Strategic Projects, Department of Human Services, transcript of evidence, 9 December 2008, pp.9-10

³⁸² Department of Education and Early Childhood Development, letter received 2 December 2008, p.2

³⁸³ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.19

³⁸⁴ *ibid.*, p.45

³⁸⁵ *ibid.*, p.44

³⁸⁶ *ibid.*, p.67

5.4.2 Agency responses

Two of the seven local councils provided responses to the Auditor-General's report. While supportive of the recommendations, both councils identified resourcing problems in effectively addressing health promotion priorities.³⁸⁷

(a) *Response by the Macedon Ranges Shire Council*

The Chief Executive Officer, Macedon Ranges Shire Council, stated that limited resources were available to enable adequate and collaborative implementation and evaluation of many of the objectives contained in the MPHPs. Specifically, whilst councils have legislative responsibility for developing MPHPs, including health promotion, '*local government is not a major provider of health promotion activities (nor is it funded to do so).*'³⁸⁸

(b) *Response by the City of Whittlesea*

The Chief Executive Officer, City of Whittlesea, stated in his response to the report that the audit recommendation has significant resource and financial implications for Councils and would require support.³⁸⁹

(c) *Response by the Department of Human Services*

In December 2007, DHS stated in the *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, that it would be working with key partners to develop new practice based resources to support local government to more easily evaluate the impact of policy and projects in the built, social, natural and economic environment that are often part of Municipal Public Health Plans.³⁹⁰

(d) *Response by VicHealth*

The Chief Executive Officer, VicHealth commented in his response to the audit recommendations that:³⁹¹

Councils have little capacity to undertake impact evaluation, receiving no recurrent health promotion dollars from State/Federal government to plan, implement or evaluate programs.

³⁸⁷ Mr D Pearson, Auditor-General, letter to the Committee, received 14 November 2008

³⁸⁸ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.11

³⁸⁹ *ibid.*, p.13

³⁹⁰ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.55

³⁹¹ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.8

5.4.3 Subsequent developments

In October 2008, the Committee asked DHS to provide information on whether local councils have been provided with guidance to evaluate their MPHPs. DHS advised the Committee that a pilot project had been initiated in the North West DHS region working with local governments to examine and strengthen the evaluation of MPHPs. The project aims to develop tools to support local governments to undertake improved public health planning and develop organisational capacity to improve evaluation of MPHPs.³⁹²

DHS also advised that with the introduction of the new *Public Health and Wellbeing Act 2008*, additional guidance will be required by councils as the Act strengthens the relevance and evidence base of MPHPs. The Act requires that MPHPs:³⁹³

- include an examination of data about health status and health determinants in the municipal district;
- identify goals and strategies based on available evidence for creating a local community in which people can achieve maximum health and wellbeing;
- provide for the involvement of people in the local community in the development, implementation and evaluation;
- specify how Council will work in partnership with DHS and other agencies undertaking public health initiatives; and
- be consistent with the Council Plan, Municipal Strategic Statement and the State Public Health and Wellbeing Plan (due for release in 2011).

As part of a broader action plan to support the introduction of the Act, it is proposed to review the policy framework for MPHPs, including additional information and guidance in respect of evaluation.³⁹⁴

At the Committee hearing in December 2008, the Secretary, DHS, advised that the new *Health and Wellbeing Act 2008* and the *Environments for Health* policy framework both require that MPHPs are evaluated by local councils. The Secretary reiterated that the pilot program being conducted in the North and West Metropolitan Regions with local councils in those areas is aimed at strengthening the evaluation of MPHPs. In addition, those local councils involved in the GFYL community demonstration projects are receiving direct support from the project evaluators in evaluating the outcomes of physical activity interventions.³⁹⁵

The Executive Director, Rural and Regional Health and Aged Care Services, advised the Committee that DHS '*take a fairly clear view of roles and responsibilities vis-a-vis local government*'. He advised that MPHPs had been around for about 15 years now and that, while DHS is committed to providing guidance where possible, local government have their own tax base, their own responsibilities and their own resourcing requirements which lie with them in significant part to resolve.³⁹⁶

³⁹² Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 18 November 2008, pp.8-9

³⁹³ *ibid.*, p.9

³⁹⁴ *ibid.*

³⁹⁵ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2009, p.6

³⁹⁶ Dr C Brook, Executive Director, Rural and Regional Health and Aged Care Services, Department of Human Services, transcript of evidence, 9 December 2009, p.15

The Department advised that around eighty-six per cent of councils currently have MPHPs which is in excess of the Departmental target. The Department recognises that it is difficult for some of the smaller councils to develop a meaningful plan. As such, DHS regional offices work collaboratively with smaller councils to assist them in this area.³⁹⁷

5.5 Review, conclusion and recommendations

The Committee appreciates the complexities associated with determining a direct cause and effect relationship between specific health promotion activities and particular outcomes. The Committee also understands that attempting to apply a simple return on investment formula to the Government's GFYL strategy would not be possible. However, determining how effective health promotion programs are at the coal face is an essential input to decision-making about the investment of public funds in future programs. This is why appropriate evaluation and measurement is so critical.

The Committee also notes that the Auditor-General in his report focused on the measurement of outcomes and assessment as key evaluative mechanisms. The Committee is of the view that any audit of evaluation processes should also focus on the improvement aspects, i.e. the contribution and evaluation does, or is likely to make to future program improvement. The feedback loop needs to be closed and the fruits of evaluation need to be fed into the planning and continuous improvement process. The Committee recommends that these aspects be covered specifically by the Auditor-General in all future review of evaluations.

The Committee's review of the Auditor-General's findings and material provided to the Committee by DHS, DPCD and DEECD indicates that while there is some evaluation of health promotion programs undertaken by agencies to measure effectiveness, most evaluations seem to be focussed on processes rather than outcomes.

The Committee notes the findings of the Auditor-General in respect to the barriers to meaningful evaluation, including insufficient funding and lack of skilled and experienced staff. The Committee also notes comments made by VicHealth in the Auditor-General's report that increased resources would be needed to implement the Auditor-General's recommendation. The Committee agrees that adequate resources in terms of funding and expertise must be available in order to undertake meaningful evaluation and assessment of the outcomes of programs and activities.

The Committee is concerned that the development of appropriate performance indicators is still a work-in-progress and that DHS has indicated timelines of between 2007 and 2012 for the development of state-wide evaluation frameworks for the State's health promotion priorities. Of concern also is the lack of evaluation and monitoring undertaken by DEECD in the implementation of Commonwealth and State policies relating to healthy eating and physical activity, especially given the importance of ensuring these programs are having an impact on future generations.

³⁹⁷ Dr J Hyde, Director, Public Health, Department of Human Services, transcript of evidence, 9 December 2009, p.16

At the Committee hearing extensive information was received from DPCD about rates of participation in physical activity programs. While these figures provide some useful indication of the number of participants in an activity, there seems to be little assessment of the health impacts and outcomes of this participation. That is, the evaluation of these programs appears fairly simplistic and limited. At the Committee hearing, DPCD advised that their Department's contribution to DHS's evaluation framework concerned participation statistics. Dr Peter Hertan, Executive Director, Sport and Recreation Victoria stated:³⁹⁸

In terms of physical activity, we obviously spoke about getting participation statistics within the framework, and that is what we do. There are participation measures, and in the end, as we said, obesity might not be the real issue. The real issue is the health issue and its links to physical activity and healthy eating. The key things for us were around the physical activity issues and increased participation in physical activity.

In respect to the evaluation of MPHPs, the Committee noted that the *Evaluation of Environments for Health Municipal Public Health Planning Framework* commissioned by the Department in 2006, recommended the development of key performance indicators and processes for reviewing performance against these indicators over time.

The report stated that '*measures could include input data and determinants to be considered in developing MPHPs as well as outcome measures and guidelines for reporting.*' The report also referred to social performance indicators which have been developed in the Victorian Community Indicators Project undertaken by Community Indicators Victoria. These could be considered in the development of indicators in the four areas of health and wellbeing covered in the MPHPs.³⁹⁹

The report stated that increasing requirements for review, evaluation and accountability compliance measures which are needed, not only for the development of MPHPs, but also for implementing and reporting on the achievements and outcomes of these Plans are dependent on increasing the capacity and resource development of local government.⁴⁰⁰ The Committee is of the view that both DPCD and DHS have important parts to play in this process.

The Committee is also of the view that as many of the health promotion programs and activities are delivered by local agencies, local government health planning has a crucial role to play in impacting healthy lifestyles in their communities. This is recognised in the requirement for MPHPs. The *Evaluation of Environments for Health Municipal Public Health Planning Framework* report recommended that local government be afforded '*greater prominence within DHS*', stating:⁴⁰¹

We propose that DHS consider not only reinstating local government as a visible priority area, but elevating it to a key policy area within DHS. At the very least, it could have a coordinating role that integrates all work being done between DHS and local government sector; ideally it would have key responsibilities for integrating DHS work with that of DPCD and the Department of Sustainability and Environment.

³⁹⁸ Dr P Hertan, Executive Director, Sport and Recreation Victoria, Department of Planning and Community Development, transcript of evidence, 9 December 2009, p.16

³⁹⁹ Deakin University and The University of Melbourne, *Evaluation of the Environments for Health Framework – Final Report*, Faculty of Health, Medicine and Behavioural Sciences, Deakin University and The Program Evaluation Unit, School of Population Health, The University of Melbourne, 7 December 2006, p.53

⁴⁰⁰ *ibid.*, p.60

⁴⁰¹ *ibid.*, p.54

The Committee welcomes the establishment by DHS of a pilot program in the North West Region to examine and strengthen the evaluation of MPHs. The Committee looks forward to the development of tools and strategies to support local government in this important area of health planning.

- Recommendation 15:** **The Department of Human Services finalise the development of comprehensive performance indicators relevant to the *Go for your life* Strategic Plan as a matter of urgency.**
- Recommendation 16:** **A concerted effort be made by the Department of Human Services, the Department of Planning and Community Development and the Department of Early Childhood Development to develop and implement comprehensive evaluation frameworks, which include relevant and appropriate performance indicators to improve the assessment and reporting of information about the health outcomes of health promotion programs and activities.**
- Recommendation 17:** **The Government review the State’s current investment in evaluation of health promotion programs to ensure that sufficient funds are available to assess the effectiveness of government programs and activities in this area.**
- Recommendation 18:** **The Department of Education and Early Childhood Development undertake appropriate evaluations of Commonwealth and State initiatives to assess the impact of programs and ways for streamlining any program crossovers aimed at the promotion of physical activity and healthy eating by school children.**
- Recommendation 19:** **Work being undertaken by the Department of Human Services to address the recommendations contained in the *Evaluation of the Environments for Health* report, should be afforded a high priority to improve the effectiveness of Municipal Public Health Plans as a health planning tool.**
- Recommendation 20:** **The importance of local government in effecting changes to the lifestyle and behaviour of local communities warrants greater attention and support from the Department of Human Services and the Department of Planning and Community Development in supporting local government to build capacity and develop its workforce so that they are equipped to undertake meaningful assessments of the outcomes of their Municipal Public Health Plans.**

CHAPTER 6: PLANNING AND COORDINATION OF HEALTH PROMOTION PROGRAMS

6.1 Planning of health promotion programs

In very simple terms, planning involves defining the issue or problem and determining the actions or strategies to be implemented to address the issue or problem. Good planning is the first step in a well managed project. It also involves establishing goals and objectives and determining how and when you will know that your objectives have been achieved. Feedback obtained from performance measurement activities and evaluation can then be used to inform the next round of planning within an organisation/agency. As mentioned in the previous chapter, planning and evaluation are interdependent activities in a project cycle.

In Victoria, the GFYL Strategic Plan (the GFYL Plan) has been developed for the 2006-2010 period. The Plan establishes a framework for action that includes activities for all people, of various ages. It describes the GFYL vision, medium term goal, objectives and key measures of success. The Plan provides a structure for gathering and coordinating a range of existing initiatives under five population groups (i.e. children under five years; young people and their families; adults; senior Victorians; and high-risk population groups).

Actions undertaken as part of the GFYL Plan are aimed at:⁴⁰²

- all Victorians having the capacity to make healthy lifestyle choices to promote their lifelong health;
- people working in the main settings for each population group having the capacity to promote healthy eating and physical activity in culturally and age appropriate ways;
- ensuring that the social, economic, built and natural environments in which Victorians live, work and play support healthy choices;
- ensuring government policies, plans and programs are aligned within government and other sectors to provide consistent messages; and
- developing a well researched evidence base to support a better understanding of the issues and assist in the development of targeted interventions that effectively promote healthy eating and physical activity.

6.1.1 Auditor-General's findings

The Auditor-General reviewed the plans of seven lead agencies involved in health promotion and 43 local agencies to determine whether they had developed well-formed and coordinated plans. His findings were presented in three sections:⁴⁰³

- health promotion for local communities;
- health promotion for Aboriginal people; and
- health promotion for school students.

⁴⁰² Victorian Government, Department of Human Services, *Go for your life – Victoria leading the way to a healthy and active community, Strategic Plan 2006-2010*, Melbourne, Victoria, p.14

⁴⁰³ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.2

(a) Health promotion planning for local communities

The Auditor-General reported that DHS and VicHealth had assisted local agencies with their planning by providing planning frameworks, together with funding and training to assist implementation. In addition, local agencies had drawn on the available health risk information collated by DHS to inform their planning.⁴⁰⁴

A review of health promotion planning in seven council areas revealed that:⁴⁰⁵

- all councils had a current MPHP built on the principles contained in the planning frameworks;
- all Primary Care Partnerships (PCPs) had three year community health plans aimed at increasing collaboration between councils, Community Health Services (CHSs) and other local agencies; and
- all CHSs had annual health promotion plans outlining their activities aimed at health promotion within their wider service delivery role.

The audit report noted that while local agencies had adopted a better practice planning framework, the extent to which planning was coordinated between local groups varied. The Auditor-General found that in many cases, limited resources within local agencies made the more effective coordination of health promotion activities between local groups difficult.⁴⁰⁶

(b) Health promotion planning for Aboriginal people

The Government's *A Fairer Victoria* policy identified the improvement in the health and well-being of Aboriginal people and other disadvantaged groups as a priority. Under this policy, DHS established an Aboriginal Health Promotion and Chronic Care (AHPACC) program with four years funding commencing 2005-06. There are nine AHPACC funded areas across Victoria.

The Auditor-General found that all of the six DHS regional offices visited, had Aboriginal Service Plans in place, aimed at reducing health inequality in Aboriginal populations through better health care.⁴⁰⁷

The Auditor-General examined AHPACC funded plans in four local government areas and found that all areas had developed initial 12-18 month plans with one area having developed a three year plan. The Auditor-General commented that the three year plan was well-structured, detailed and costed with definite time-lines. This AHPACC Plan was based on a detailed assessment of the current practices, population characteristics and chronic disease risks. It also included a clear outline of how the impacts of activities were to be evaluated. The report recommended that this plan be referred to by other local government agencies in the development of longer-term AHPACC plans.⁴⁰⁸

⁴⁰⁴ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, pp.32-33

⁴⁰⁵ *ibid.*, p.32

⁴⁰⁶ *ibid.*, p.35

⁴⁰⁷ *ibid.*, pp.50-51

⁴⁰⁸ *ibid.*, p.52

DHS acknowledged in the report that the AHPACC program was less well-established in some areas and that one of the key challenges faced by agencies was obtaining proficient staff to implement the plans.⁴⁰⁹ The Auditor-General concluded that while local agencies had made some progress in developing better coordinated plans, there was room to further improve the quality and comprehensiveness of the AHPACC plans.⁴¹⁰

(c) Health promotion planning for school students

Health promotion activities encouraging physical activity and healthy eating in schools are planned and delivered through:⁴¹¹

- the school curriculum;
- the secondary school nursing plans;
- programs developed by individual schools; and
- government-sponsored state-wide initiatives.

In 1993, DEECD introduced a policy requirement for specified time allocations for physical and sports education for Prep to Year 10 in all Victorian schools.

The audit report noted that in relation to the Secondary School Nursing Program, 199 of 311 Victorian secondary schools have a part-time DHS-funded nurse. School nurses develop an annual plan to promote better health, formulated around the three health priorities most relevant to their individual school. DHS program only funds the nurse's salary.

The Auditor-General reported that an absence of dedicated funding made it difficult to implement actions which required resources in excess of nurse's time.

Other programs and activities directed at the health of school students included:

- the encouragement of extra-curricular physical activity;
- healthier canteen choices;
- partnerships with other local agencies encouraging healthy lifestyles; and
- providing access to good quality facilities.

The Auditor-General found that there was scope to further improve planning and delivery of health promotion in schools by:⁴¹²

- improving the understanding of risk factors and underlying causes of obesity among school children;
- formulating plans on what works best to address the issues identified;
- better coordinating plans and activities aimed at addressing the risk factors associated with physical inactivity and unhealthy eating, especially those with similar objectives; and
- making use of the evidence gathered on the impacts of programs and activities to drive and update plans.

⁴⁰⁹ *ibid.*

⁴¹⁰ *ibid.*, p.49

⁴¹¹ *ibid.*, p.56

⁴¹² *ibid.*, p.61

In addition, the Auditor-General stated that agencies responsible for health promotion activities in schools needed to implement these improvements through a state-wide plan aimed at tackling obesity.

(d) State-wide Planning

The Auditor-General reported that DHS had used the Victorian evidence on the 'burden of disease' and the risk factors contributing to this burden to establish state-wide health promotion priorities. This was undertaken in collaboration with VicHealth and in consultation with organisations involved in health promotion throughout the State. This confirmed that the promotion of healthy eating and physical activity continued to be one of the top seven priorities for Victoria.⁴¹³

The audit report noted that the Government's *A Fairer Victoria* policy had identified benefits from government departments working more closely with councils and other organisations to identify issues and determine appropriate responses through improved consultation and cooperation. The Auditor-General noted in his report, that the scope of the GFYL initiative had been expanded and the GFYL Secretariat established to improve coordination of activities across government departments. Despite this, the Auditor-General noted examples of programs with similar health promotion objectives which were not linked or coordinated.⁴¹⁴

6.1.2 Auditor-General's recommendation

The Auditor-General recommended that the GFYL Secretariat coordinate the development of a comprehensive plan to address unhealthy eating, physical activity and obesity in Victoria which:⁴¹⁵

- uses the existing evidence to establish specific objectives for each population group;
- sets out a coordinated and costed program to achieve these objectives;
- provides detailed evaluation and reporting frameworks to ensure that the impacts of activities on the program objectives are clearly understood; and
- documents the mechanisms available for adjustment of the plan in the light of emerging evidence on effectiveness.

6.1.3 Agency responses

(a) Department of Human Services

In the audit report, the Secretary, DHS, stated that through GFYL and other key initiatives, such as the roll out of state-wide health promotion priorities, the Department is demonstrating an ongoing commitment to working across sectors to further develop the State's approach to promoting physical activity and healthy eating. The GFYL Strategic Plan commits the Government to long-term action on these issues.⁴¹⁶

⁴¹³ *ibid.*, p.33

⁴¹⁴ *ibid.*, p.38

⁴¹⁵ *ibid.*, p.69

⁴¹⁶ *ibid.*, p.5

With respect to the AHPACC program, the Department responded that the audit report had identified some of the key challenges facing the program. It responded that all partnerships had submitted implementation plans of a good standard which reflect the capacity of the agencies involved and the level of development of the partnership. This is indicative of the resourcing available to partner agencies, the history of local service development, and the experience of the partners in providing health services to local Aboriginal populations.⁴¹⁷

With respect to health promotion in schools, DHS advised that two documents had been published in 2006, following an evaluation of the Secondary School Nursing Program in 2003, which specified practice standards and program standards. The Department stated that it would continue to work with DEECD to improve the partnership and meet regularly with Nurse Managers to identify program priorities.⁴¹⁸

The Committee noted that the Secondary School Nursing program has subsequently been transferred to DEECD together with responsibilities for data collection and patterns of health behaviour in children.⁴¹⁹

(b) Department of Planning and Community Development

In the audit report, the Secretary, DPCD, stated that the Department was committed to working together with DHS to further develop a comprehensive plan to address issues of obesity and to specifically increase healthy eating and physical activity. In addition, the Department stated its commitment to providing support, training and workforce development to local agencies to encourage the sustainability of programs.⁴²⁰

(c) Department of Education and Early Childhood Development

In the audit report, the Secretary, DEECD, acknowledged the importance of education in promoting healthy choices and healthy lifestyles among school aged children and would continue to work with DHS, VicHealth and DPCD to improve monitoring, planning and evaluation of health promotion projects.⁴²¹

(d) Response by Whitehorse Community Health Service

In the audit report, the Chief Executive Officer, Whitehorse Community Health Service, stated in his response that better coordination across local and lead agencies and particularly the development of systems and processes for a whole of government approach to obesity prevention was critical to the success of future health promotion action in Victoria. Further, he stated that the whole of government approach described in the GFYL initiative is not obvious at a local level and requires strengthening through public commitment to joint action, including joint planning across government departments, and clear identification of the role of various government departments in obesity prevention.⁴²²

⁴¹⁷ *ibid.*, p.53

⁴¹⁸ *ibid.*, p.57

⁴¹⁹ Ms F Thorn, Secretary, department of Human Services, transcript of evidence, 8 December 2008, p.4

⁴²⁰ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.9

⁴²¹ *ibid.*, p.10

⁴²² *ibid.*, pp.47-48

6.1.4 Subsequent developments

In the *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, DHS stated in response to the Auditor-General's recommendation that the GFYL Strategic Plan 2006-2010 provides a broad governance and planning framework within which a range of organisations are able to work towards common objectives to address physical inactivity and unhealthy eating. The Department stated that the 2007-08 health promotion priority action plans to be developed for physical activity and accessible and nutritious food will allow for the development of more detailed objectives and targets. Further, state-wide action plans will be developed in line with the principles and objectives outlined in the GFYL Strategic Plan and will provide detailed information on the implementation and evaluation of key initiatives by a wide range of stakeholders.⁴²³

In November 2008, the Committee requested further information from DHS on any action taken in respect to the development of a comprehensive plan to address unhealthy eating, physical inactivity and obesity and the extent to which the Plan has been implemented.

The Department advised that the GFYL Strategic Plan 2006-2010 is the current planning framework for GFYL activities and that extensive consultation would occur during 2009 with key stakeholders both within and external to government to assist in the development of a new Strategic Plan. The new Plan will include targets and performance indicators and will pass through a range of government endorsements and be released in early 2010.⁴²⁴

6.1.5 Conclusions and recommendations

As mentioned earlier, planning and evaluation are interdependent activities. One informs the other and so on in a cycle of continuous improvement.

The responses provided by DHS suggest that it was dealing with the Auditor-General's recommendation of development of a comprehensive plan to address unhealthy eating, physical activity and obesity in Victoria by simply referring to the current GFYL Strategic Plan and its intention to release a new GFYL Strategic Plan in 2010.

At the Committee hearing the Secretary, DHS, indicated that an extensive process would be undertaken during 2009 around the development of the new strategic plan. She stated:⁴²⁵

...my anticipation is that the strategic plan will be an even more comprehensive approach and quite extensive document around the way the government wants to go forward with its partners.

The Committee considers that there are a number of issues in relation to the planning of health promotion activities by schools and local agencies which require further attention and effort. Some comments have been made elsewhere in this report in respect to the lack of resourcing to support planning of health promotion activities and also in respect to MPHPs. The Committee encourages DHS and DPCD to work together to support local government in addressing these difficulties.

⁴²³ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.56

⁴²⁴ Ms F Thorn, Secretary, Department of Human Services, letter to the Committee, received 18 November 2008, p.9

⁴²⁵ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 8 December 2008, p.11

In respect to AHPACC plans, DHS needs to take definitive action to assist agencies in improving the quality and comprehensiveness of these plans through adequate funding and training assistance.

In respect of the planning and implementation of health promotion programs in schools, the Committee sees an increasing role for DEECD in the collection and monitoring of data in relation to the health of students and the risk factors associated with the development of chronic diseases. Also there is a need for DEECD to ensure that initiatives aimed at promoting physical activity and healthy eating are adequately resourced and structured in order to assist in the evaluation of the impacts on the behaviours and lifestyle choices of students.

Recommendation 21: In respect to Aboriginal Health Promotion and Chronic Care plans, the Department of Human Services develop measures to assist agencies in improving the quality and comprehensiveness of these Plans. Consideration needs to be given to ensuring these agencies have adequate funding and training assistance to undertake the required health planning.

Recommendation 22: The Department of Education and Early Childhood Development should seek to improve its understanding of the chronic disease risk factors facing school-aged children through increased research and analysis to better inform the design of activities and programs aimed at encouraging healthy lifestyle choices and behaviour.

6.2 Governance arrangements for addressing obesity in Victoria

Working effectively across departmental and agency boundaries presents special challenges to government. The GFYL initiative was established to coordinate action on obesity across the whole-of-government.⁴²⁶

The GFYL initiative was initially defined according to the administration of specific funding to encourage healthy eating and physical activity. In early 2006, the GFYL Secretariat was relocated to the Strategic Projects Branch of DHS and adopted a broader focus on local area initiatives, working better across government and evaluating the impacts of the initiative. The Secretariat is responsible for:⁴²⁷

- administering the initiative;
- delivering the GFYL communications strategy;
- influencing other departments to incorporate health promotion so that it is mainstreamed across government; and
- managing an evaluation of the GFYL initiative.

⁴²⁶ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.69

⁴²⁷ *ibid.*, p.18

6.2.1 Auditor-General's findings and recommendations

In his report, the Auditor-General stated that the governance structure adopted must assist agencies to overcome the following barriers which make it difficult to plan and collaborate across portfolios:⁴²⁸

- differing objectives within agencies which cause some to give a lower priority on their contribution to a collaborative plan;
- difficulties associated with driving collaborative planning, implementation and evaluation within existing cross-agency governance structures;
- established programs and funding allocations which make it difficult to redirect resources to priorities identified at a state-wide level; and
- established funding models which make it easier to treat rather than prevent chronic disease and limit the ability of agencies to sustain funding to programs in the longer-term.

The Auditor-General found that GFYL had been focussed on pulling the existing initiatives into a consistent framework and encouraging cross-agency co-ordination. The report stated that, going forward, the GFYL would need to:⁴²⁹

- establish specific objectives and targets relating to healthy eating for each of its target population groups;
- develop a program that builds on the existing programs to deliver these objectives;
- develop ongoing indicators of success; and
- have the flexibility to reallocate or expand resources in response to emerging performance data and the achievement of objectives.

The Auditor-General recommended that DHS, in consultation with other lead agencies working in the area, review the current GFYL governance arrangements to determine the best structure for delivering effective state-wide government programs aimed at tackling the issue of obesity in the State.

6.2.2 Agency responses

(a) Department of Human Services

In the audit report, the Secretary, DHS, stated that through GFYL and other key initiatives such as the roll out of state-wide health promotion priorities, the Department is demonstrating an ongoing commitment to working across sectors to further develop the State's approach to promoting physical activity and healthy eating.

⁴²⁸ *ibid.*, p.69

⁴²⁹ *ibid.*

In the *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, the Department stated that the GFYL governance structure was reviewed in 2006-07 and the Ministers' Forum in March 2007 endorsed a new partnership structure which reflects a balanced involvement of key Ministers and departments with direct investment in healthy eating and physical activity. Also it provides for wider engagement of key stakeholders from within and outside government. The Department stated in its response that improved coordination is a major driver for the new governance arrangements and the structure will continue to be monitored to ensure its ongoing effectiveness.⁴³⁰

(b) Response by VicHealth

In the audit report, VicHealth supported the Auditor-General's recommendation in principle, but suggested that an independent party be involved in a review of the governance arrangements to ensure objectivity.⁴³¹

6.2.3 Subsequent developments

In October 2008, the Committee asked DHS to provide information in respect to action taken on the Auditor-General's recommendation in respect to a review of the GFYL governance arrangements.

The Secretary, DHS, advised the Committee that the new governance structure, developed in 2007, has proven to be sound and effective. The new structure comprises a Ministers Forum, a Leadership Group, a Communications Working Group, a Strategy Working Group and a Program Coordination Group.

There are six Ministers involved in the Ministers Forum as follows:

- The Minister for Health (lead Minister);
- The Minister for Senior Victorians;
- The Minister for Sport and Recreation;
- The Minister for Planning;
- The Minister for Education; and
- The Minister for Transport.

The Ministers Forum is supported by a Leadership Group (senior departmental staff) and a Leadership Advisory Group (Expert advisors) which in turn provided information through GFYL *'Think Tank'* sessions on relevant topics, comprising a broad stakeholder base. Two of these *'Think Tank'* discussions take place each year.

The Department advised the Committee that the Victorian State Services Authority showcased GFYL as an example of good whole of government governance in its report, *'Victorian Approaches to Joined Up Government'*.⁴³²

⁴³⁰ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports 2006-07*, p.56

⁴³¹ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.8

⁴³² Ms F Thorn, Secretary, Department of Human Services, letter received 18 November 2008, p.10 and Appendix 2

The Committee asked VicHealth for details of its relationship with the GFYL Secretariat and how VicHealth works with the GFYL in regard to planning strategies and programs aimed at addressing unhealthy eating, physical inactivity and obesity in Victoria. In particular, the Committee requested information on whether VicHealth was consulted when the GFYL was re-structured and how the revised governance structure allows for wider engagement of key stakeholders and improves coordination across government agencies.

The Chief Executive Officer, VicHealth, advised the Committee that VicHealth is cognisant of the GFYL Strategic Plan when developing any new funding programs and meets with the relevant GFYL governance structures on a regular basis.⁴³³

VicHealth also advised that it had *'maintained an ongoing relationship with GFYL as it restructured and continues to have regular involvement and communication via representation on the two committees.'*⁴³⁴

The Committee requested feedback from DEECD on whether the new GFYL governance structure has allowed for improved engagement with stakeholders and coordination across government agencies. DEECD advised that consultation had been undertaken with DHS regarding the restructure of governance arrangements and the coordination across government agencies was effective. DEECD advised that recently the Minister for Education had been invited to join the GFYL Ministers Forum in recognition of the relevance of the education portfolio to the GFYL initiative.⁴³⁵

At the Committee hearing in December 2008, the Committee asked for comment from DHS, DPCD and VicHealth on how the revised governance structure was proceeding in terms of improved co-ordination. Each of the agencies indicated that they had been included in discussions associated with the GFYL initiative and its Leadership Group and Strategy Working Group.

6.2.4 Conclusion

It is pleasing to note that action took place following the Auditor-General's report to improve the governance arrangements in relation to the GFYL initiative and assist better coordination of GFYL programs and activities across government agencies. The composition of the GFYL Ministers Forum indicates that the issue of promoting healthy eating and physical activity has been given the high priority it warrants by the Victorian Government.

⁴³³ Mr T Harper, Chief Executive Officer, VicHealth, letter to the Committee, received 19 November 2008

⁴³⁴ *ibid.*

⁴³⁵ Department of Education and Early Childhood Development, letter received 2 December 2008, p.2

CHAPTER 7: GOING FORWARD

7.1 Introduction

As detailed in the Auditor-General's report and in statistics included in this Committee's report, the current cost of treating chronic disease in Victoria is already enormous and the impact these diseases have on the total economic and social wellbeing of the State is even greater. Based on current trends these costs are set to increase unless effective measures are put in place now and in future years in an effort to stem the tide.

This report has focussed on government funded health promotion initiatives, programs and activities aimed at tackling one of the known risk factors in the onset of chronic disease: overweight and obesity, the rates of which have been increasing in both adults and children at alarming rates over the past 20 years. Indeed, as already stated the epidemic is being experienced worldwide. A House of Commons Health Committee inquiry into obesity in 2004, reported:⁴³⁶

The causes of obesity are diverse, complex and, in the main, underpinned by what are now entrenched societal norms. They are problems for which, as our expert witnesses have emphasised, no simple solution exists. However, to fail to address this problem would be to condemn future generations, for the first time in over a century, to shorter life expectancies than their parents.

A recent report by the Royal College of Physicians, Royal College of Paediatrics and Child Health and the Faculty of Public Health emphasised the need for solutions to be 'long term and sustainable, recognising that behaviour change is complex, difficult and takes time.'

We believe that an integrated and wide-ranging programme of solutions must be adopted as a matter of urgency, and that the Government must show itself prepared to invest in the health of future generations by supporting measures which do not promise overnight results, but which constitute a consistent, effective and defined strategy.

Likewise, this Committee recognises that the criticality and long-term nature of the problem of overweight and obesity facing our society will require a sustained funding commitment on preventative health programs by successive Parliaments in order to effectively address the problem.

7.2 Long-term problem requiring long-term commitment

The Victorian Government has already recognised the long term nature of the issue and understands that the measurement of achievements will also be longer term rather than short term. This is acknowledged in the *Go for your life* Strategic Plan 2006-2010 which states that '*changing people's behaviour is a complex and long term challenge which will require community-wide action over a significant period of time.*'⁴³⁷

⁴³⁶ The House of Commons Health Committee, *Obesity*, Third Report of Session 2003-04, Volume 1, 27 May 2004, p.109

⁴³⁷ Victorian Government Department of Human Services, *Go for your life: Victoria – Leading the way to a healthy and active community, Strategic Plan 2006-2010*, Melbourne, Victoria, 2008, pp.1-2

According to the *National Public Health Expenditure Report 2004-05* prepared by the Australian Institute of Health and Welfare, ‘on average only 2.8 per cent of total health expenditure is allocated to organised public and private prevention programs, yet preventable behavioural factors constitute 40 to 50 per cent of the causes of premature deaths.’⁴³⁹

The Auditor-General noted in his report, and this Committee also received advice, that the spending on health promotion programs by DHS amounts to around one per cent of the total Victorian health budget expenditure. The Committee received advice from the CEO, VicHealth that:⁴⁴⁰

One of the challenges we have is that historically, prevention has attracted a tiny proportion of the overall budget, so the level of research projects that have gone into actually identifying solutions that we need in prevention have been commensurately low.

The Auditor-General made comment in his report about problems experienced by local agencies in sustaining health promotion programs over a longer-term and these issues have been discussed in Chapter 3 of this Committee’s report. At the Committee hearing in December 2008, the CEO, VicHealth, advised that in terms of prevention success stories over the past few decades, the most important component is ‘an adequate level of investment and sustained for a lengthy period.’⁴⁴¹

7.3.1 Recent examples of an increasing emphasis on preventative health

(a) Commonwealth National Preventative Taskforce

Recently there has been greater recognition by the Commonwealth Government of the importance of preventative health measures. In 2008, the Commonwealth established the National Preventative Health Taskforce to develop strategies to tackle not only the health challenges caused by obesity, but also those attributed to tobacco and alcohol.

In 2008, the Commonwealth estimated that the annual social costs of tobacco, alcohol and illicit drugs have grown to \$56.1 billion. As part of the new focus on preventative health, the Commonwealth announced that it will act to ensure that preventative health measures become a key part of health funding agreements between Commonwealth and State and Territory governments.⁴⁴²

At the Committee hearing in December 2008, the Secretary, DHS, advised that the creation of the Taskforce is an indication that prevention has been elevated in national importance. Also, the discussion paper recently released by the Taskforce cites overweight and obesity issues as one of the top three priorities for action going forward, along with alcohol and tobacco.⁴⁴³

⁴³⁹ <<www.vichealth.vic.gov.au/stats/>> accessed 12 December 2008

⁴⁴⁰ Mr T Harper, Chief Executive Officer, Victorian Health Promotion Foundation, transcript of evidence, 9 December 2008, p.10

⁴⁴¹ *ibid.*, p.8

⁴⁴² Media Statement, The Hon. Nicola Roxon, Minister for Health and Ageing, *New health taskforce on prevention – tobacco, alcohol and obesity priorities*, 9 April 2008, <<www.alp.org.au/media>> accessed 16 January 2009

⁴⁴³ Ms F Thorn, Secretary, Department of Human Services, transcript of evidence, 9 December 2008, p.4

DHS also advised the Committee that an outcome of the Council of Australian Government (COAG) meeting on 29 November 2008 was an agreement to establish a Health Prevention National Partnership and:⁴⁴⁴

Under this new funding arrangement to facilitate reform, the Commonwealth will provide funding of close on \$450 million over four years, and \$872 million over six years, starting in 2009-10 to improve the health of all Australians.

The new Health Prevention National Partnership will focus on healthy weight, healthy eating, physical activity and smoking. Activities proposed include the establishment of a national prevention agency with responsibility for improved data and targeted research to build the evidence for effective action.⁴⁴⁵

(b) Victoria's WorkHealth program

The Committee notes that, in recognition of the importance of preventative health measures and in light of figures showing that workers spend approximately one third of their time in the workplace, the Victorian Government has recently introduced *WorkHealth*.

WorkHealth is a five year, \$218 million program managed by WorkSafe Victoria, aimed at improving the health and wellbeing of Victorian workers. The program represents a significant new investment in the prevention of chronic disease in the State. The objectives of the *WorkHealth* initiative are to:⁴⁴⁶

- reduce absenteeism;
- improve productivity;
- reduce injuries; and
- reduce the burden on the Victorian health system.

Programs for workers will include voluntary workplace-based health checks and information, in addition to access to advice and education to assist workers reduce their risk of chronic disease. The program also includes workplace grants for employers to build or expand programs that promote worker health and encourage healthy behaviours in the workplace.

A pilot of the program was undertaken by WorkSafe Victoria in 2008, involving 657 workers in nine workplaces. The pilot was found to be highly effective with two in three workers found to have potential risk factors and referred to a general practitioner for further medical attention.⁴⁴⁷

7.3.2 Review and conclusion

The increasing attention on preventative health at a national level and recognition by the Victorian Government through the *WorkHealth* program of the important role preventative health programs can play in arresting the costs associated with chronic disease suggest that, in forthcoming years, a greater proportion of the health budget will need to be directed to preventative health promotion programs and activities in the State.

⁴⁴⁴ *ibid.*

⁴⁴⁵ *ibid.*

⁴⁴⁶ <<www.workcover.vic.gov.au>> accessed 26 March 2009

⁴⁴⁷ Premier of Victoria, Media Release, *WorkHealth begins rolling out in Regional Victoria*, 5 March 2009

As already noted in Chapters 4 and 5, the Committee is of the view that the success of future health promotion and preventative health programs aimed at tackling obesity and other causes of chronic disease in the State is dependent on greater investment in research, data collection and evaluation to ensure resources are appropriately designed and targeted to achieve the most beneficial outcomes.

7.4.2 Importance of focussing on children

Preventative measures across the population are important, but measures targeting children and adolescents in the areas of healthy diet and physical activity are especially critical to Victoria's future prosperity and the future health and wellbeing of its citizens.

The Committee notes that in Australia between 1985 and 1995, the levels of obesity in children tripled and since then the problem has continued to worsen. Almost a quarter of children and adolescents in Australia are overweight. Of these, about one in four is obese with a proportion of that increasing each year. If this trend continues, it will place enormous pressure on services for the care of people with obesity-related diseases when these children become adults.⁴⁴⁹

The Commonwealth Government's *Healthy Weight 2008* strategy aimed at children, young people and their families states:⁴⁵⁰

Childhood overweight is associated with increased risk factors for heart disease such as raised blood pressure, blood cholesterol and blood sugar. Of great concern is the appearance of Type-2 diabetes in adolescents – even primary school children – with its potential for complications such as heart disease, stroke, limb amputation, kidney failure and blindness. The most significant long-term consequence of obesity in childhood is its persistence into adulthood.

The Committee understands that children operate in a number of environments which impact on their lifestyle preferences and choices: family, social groups and school. The Committee has heard during this inquiry that effective prevention is about getting the right balance in the programs targeted at particular groups in the community, including children.

Health promotion activities already underway in Victorian schools demonstrate that the Government recognises the impact that the school environment can have in influencing children's health.

The Committee notes the increased emphasis over recent years on physical education and sport in schools and commends DEECD's curriculum requirements in this area. Also of interest are more recent programs directed at School Canteens and the funding of school gardens.

Given the increasingly embedded steep trends in the level of childhood obesity, the Committee considers that the Government must maximise the opportunity to promote healthy eating to school aged children to provide them with knowledge and assist them in developing good lifelong nutritional habits. As such, the Committee encourages DEECD to consider an increased emphasis in the curriculum on providing life skills to children about healthy diet in the following areas:

- practical training in how to choose and prepare healthy food e.g. education programs teaching children about the chain of 'garden to mouth' i.e. growing healthy food, preparing healthy food, eating healthy food and the health benefits to their bodies;

⁴⁴⁹ Australian Institute of Health and Welfare, *A rising epidemic: obesity in Australian children and adolescents*, Risk Factors Data Briefing Number 2, Commonwealth of Australia, October 2004, p.6

⁴⁵⁰ National Obesity Taskforce Secretariat, *Healthy Weight 2008 – Australia's Future – The national action agenda for children, young people and their families*, Commonwealth of Australia, 2003, p.2

- practical cookery lessons and classroom lessons about nutrition;
- education about food processing, labelling and coding; and
- education about objective discernment of food advertising and marketing.

As discussed in Chapter 6 of this report, the Committee considers also that, in moving forward in the area of health promotion targeted at children and adolescents, there is a need for more research and evaluation of the health risk factors currently facing children and adolescents and the development of strategies to address these issues.

Recommendation 25: **The Department of Education and Early Childhood Development give consideration to increasing programs and activities in school, aimed at the development of life skills in good nutritional habits and choices with the aim of skilling the future adult population of the State in healthy lifestyle choices and behaviour.**

7.4.3 A Chronic Disease Prevention Strategy for Victoria

The Committee is of the view that consideration should be given to the development of a comprehensive and coordinated strategy to address the increasing rates of chronic disease in the State, such as Type 2 diabetes, heart disease, hypertension, stroke, osteoarthritis and kidney disease, of which one of the causes is understood to be overweight and obesity, and of which some of the causes are poor diet and physical inactivity.

Other issues which need to be strategically tackled however include alcohol consumption and its links to overweight and obesity and chronic disease and also smoking. The Committee acknowledges that significant gains have been made in reducing smoking in the community over the past 20 years through the implementation of a range of successful health campaign and re-education programs. The Committee is of the view that many lessons learned through the success of this campaign can be adapted to the attack on other causes of chronic diseases.

Recommendation 26: **The Government give consideration to the development of a chronic disease prevention strategy for Victoria. Such a strategy needs to:**

- (a) clearly identify the causes of serious chronic disease in the State;**
- (b) Specifically consider those groups most at risk, particularly indigenous Victorians;**
- (c) determine the research requirements and gaps in the evidence-base;**
- (d) determine the medium and long term objectives of the strategy;**
- (e) assign responsibilities across government;**
- (f) articulate the mechanisms for coordination and communication of activities under the strategy; and**
- (g) determine the monitoring and evaluation mechanisms needed to provide feedback on achievements and determine future direction.**

7.4.4 Leading the way – The Victorian Health Promotion Foundation

The Committee notes the valuable work undertaken by DHS and the GFYL Secretariat in developing and coordinating the Government's GFYL initiative which has given attention to the promotion of physical activity and healthy eating programs in the State.

Moving forward the Committee sees the need for a more comprehensive and well coordinated approach to health promotion and preventative health strategies brought about by the increasing concern over, and costs associated with, chronic diseases generally. The Committee is of the view that the issue of chronic disease needs to continue to be afforded the highest priority and focus by the Parliament and be tackled in a strategic, non-partisan way.

The Committee notes that the objectives of the Victorian Health Promotion Foundation (VicHealth) and its work over the past 22 years have been directed at this broader, more comprehensive view of health promotion and preventative health. VicHealth's priority areas being: reducing harm from tobacco and alcohol misuse; creating active communities; promoting healthy eating and improving mental health and wellbeing.

When VicHealth was established in 1987 under the *Tobacco Act 1987*, it was the world's first health promotion foundation. Since this time it has made significant contributions to the reduction in tobacco use throughout the Victorian community and to the promotion of health and wellbeing for a range of Victorians, in particular targeting those groups with the poorest health.

VicHealth is well recognised as an innovative leader in health promotion programs and activities and has become a model that has been adopted by other Australian states as well as countries such as Thailand, Switzerland, Austria and Malaysia.⁴⁵¹

The Committee has reviewed the information provided by VicHealth in its Annual Report, in correspondence and evidence provided at the hearing that demonstrates VicHealth's expertise, knowledge and understanding of the current issues. VicHealth has indicated an acute awareness of the importance of research and evaluation in this area and currently invests a significant proportion of its budget into research across all its priority areas.

In light of the extensive work undertaken over the past 22 years by VicHealth in the area of health promotion in the State, the Committee is of the view that VicHealth is best placed to lead and coordinate the battle in the prevention of chronic disease in Victoria. This view is also supported by the following facts:

- VicHealth is the peak body for health promotion in Victoria and health promotion and prevention is its core business;⁴⁵²
- all of VicHealth's projects are aimed at addressing factors that increase chronic disease;⁴⁵³
- VicHealth undertakes its work by integrating funded program activity, research and evaluation; and⁴⁵⁴

⁴⁵¹ <<www.vichealth.vic.gov.au/en/About-VicHealth.aspx>> accessed 13 March 2009

⁴⁵² Victorian Health Promotion Foundation, *Annual Report 2007-08*, p.4

⁴⁵³ *ibid.*

⁴⁵⁴ *ibid.*, p.2

- VicHealth is an independent statutory authority, responsible to the Minister for Health with tripartite representation on its Board, in accordance with its legislative requirements, which affords it a certain degree of independence not shared by other government departments and agencies.

The Committee notes comments made in the Auditor-General's report that VicHealth was constrained to some extent in terms of its funding options by its legislative requirements to allocate specific proportions of its budget to sporting bodies and to health promotion activities. The direction in the Act in relation to the funding of sporting bodies stemmed from the replacement of tobacco sponsorship in sports by the Parliament in 1987. The Auditor-General also noted that the organisation's three-year funding service agreement through DHS limited its ability to make longer-term funding commitments.⁴⁵⁵

Since a High Court challenge in the late 1990's, VicHealth's funding no longer comes from tobacco levies, but via a Treasury appropriation through DHS. Also its' work is much broader than prevention programs aimed at reducing harm from tobacco use.

Given the changes which have occurred over the past 22 years in health promotion and the increasing prominence of chronic disease as a major issue confronting the community, it is time for a review of the legislation governing VicHealth to ensure that it is:

- afforded prominence in driving the State's preventative health program;
- is not restricted in its decision-making about how and where best to direct its resources; and
- has the broad objectives and powers to continue its reputation as a ground breaking-model for funding and research in health promotion.

Clear delineation of VicHealth as the key body in health promotion in Victoria will also assist in removing the potential for any overlap in responsibilities and activities with other government agencies, especially at a policy, strategy development and co-ordination level.

Recommendation 27:

The Government, under the auspice of the Department of Premier and Cabinet, review the Victorian Health Promotion Foundation's enabling legislation to ensure that:

- (a) VicHealth is recognised as the Government's pre-eminent health promotion agency and is given responsibility for leading and coordinating the State's future strategy on the prevention of chronic diseases;**
- (b) the legislation reflects most accurately the current environment in which VicHealth operates; and**
- (c) VicHealth is not restricted about how and where best to direct its resources to drive the State's strategy on preventative health in the most effective manner.**

⁴⁵⁵ Victorian Auditor-General's Office, *Promoting Better Health through Healthy Eating and Physical Activity*, June 2007, p.43

PART D: PRIORITY TWO FOLLOW-UP

CHAPTER 1: MANAGING EMERGENCY DEMAND IN PUBLIC HOSPITALS

1.1 Introduction

Public hospital emergency departments are an important part of the healthcare system in Victoria. They provide treatment for medical emergencies as well as acting as a point of call for less serious medical issues when other medical treatment is not available.

Between 1997-98 and 2005-06, there was an increase of 43.4 per cent in the number of presentations to emergency departments in Victoria's 13 major metropolitan public hospitals.⁴⁵⁶

In June 2007, the Auditor-General undertook a follow-up report, titled *Follow-up of Selected Performance Audits Tabled in 2003 and 2004*. This report contained four follow-up audits undertaken by the Victorian Auditor-General's Office, one is *Managing Emergency Demand in Public Hospitals*.

The original audit, with the same title was tabled in 2004. The audit focused on how presentations in emergency departments and flows of patients were managed by four of Melbourne's major metropolitan hospitals (The Alfred, Monash Medical Centre, Royal Melbourne Hospital and the Western Hospital). The audit also examined management of hospitals by the Department of Human Services (DHS).⁴⁵⁷

The audit made 26 recommendations that covered the following four areas of emergency management:⁴⁵⁸

- managing presentations to emergency departments;
- managing patient flows within the emergency department;
- managing patient movement out of the emergency department; and
- managing emergency department data and data quality.

The Auditor-General's follow-up audit examined whether the recommendations made in 2004 had been implemented. The follow-up audit examined three additional hospitals to examine whether they had acted on the 2004 audit.⁴⁵⁹

In the follow-up audit, the Auditor-General found that DHS and hospitals have implemented a number of initiatives to improve emergency department services. The Auditor-General also reported that there had been a number of improvements evident, namely:⁴⁶⁰

- a decrease in the amount of time hospitals spent on bypass; and
- a decrease in the time patients spend in emergency departments.

⁴⁵⁶ Victorian Auditor-General's Office, *Follow-up of Selected Performance Audits Tabled in 2003 and 2004*, June 2007, p.34

⁴⁵⁷ *ibid.*, p.32

⁴⁵⁸ *ibid.*, p.32

⁴⁵⁹ *ibid.*, p.32

⁴⁶⁰ *ibid.*, p.33

The Auditor-General found some areas that required improvement, such as the number of patients not waiting for treatment rising significantly and decreased performance by some hospitals across most triage categories.⁴⁶¹ Therefore the Auditor-General made four recommendations. They are summarised below:⁴⁶²

- DHS should adopt the Australasian College of Emergency Medicine's performance benchmarks for triage categories four and five, and also publicly report performance against these;
- DHS should explain in its public reporting of triage-to-treatment times that data does not include patients that were triaged but left the hospital without receiving treatment;
- as a priority, hospitals should develop waiting room procedures for patient re-triaging and management; and
- DHS and hospitals should continue to implement the recommendations from the 2004 report, specifically those relating to security controls over emergency department data management systems.

These four recommendations were accepted in principle by DHS.

1.2 Implementation of recommendations

1.2.1 Performance benchmarks for triage categories four and five

The Australasian College for Emergency Medicine (ACEM) has five categories for triage to treatment times for patients in emergency departments. At the time of the follow-up audit, DHS used the triage treatment times for categories one to three, however has established its own benchmark treatment times for categories four and five of 60 per cent.⁴⁶³ The ACEM performance indicator threshold for categories four and five is 70 per cent of patients treated in one hour and two hours respectively.⁴⁶⁴

The Auditor-General consequently recommended that DHS adopt the ACEM performance benchmarks for categories four and five, noting that all 13 major metropolitan hospitals would have met the target for category five and four hospitals would have met the target for category four.⁴⁶⁵ The Department agreed in principle, saying they would consider implementing this recommendation in future.⁴⁶⁶

In the *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07* (Minister for Finance's report), DHS responded that to assist in ensuring hospitals focus on the most urgent cases, they have only adopted performance benchmarks for categories one to three and that the performance for categories four and five will be reported in the *Your Hospitals* report.⁴⁶⁷

⁴⁶¹ *ibid.*, p.33

⁴⁶² *ibid.*, p.3

⁴⁶³ *ibid.*, p.41

⁴⁶⁴ Australasian College for Emergency Medicine, *Policy on the Australasian Triage Scale*, November 2000, p.2

⁴⁶⁵ Victorian Auditor-General's Office, *Follow-up of Selected Performance Audits Tabled in 2003 and 2004*, June 2007, p.43

⁴⁶⁶ *ibid.*, p.51

⁴⁶⁷ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.51

The Auditor-General wrote to the Committee in regards to the implementation of the recommendations by the Department. The Auditor-General noted that while the recommendation was accepted in principle by the Department, they have not addressed the adoption of ACEM benchmarks for triage categories four and five. The Auditor-General also commented that the response provided by DHS in the Minister for Finance's report does not provide a rationale as to why the recommendation has not been adopted.⁴⁶⁸

In response to a questionnaire from the Committee, DHS has reported that since the audit was undertaken, they have not adopted any targets for categories four and five because they believe these patients require services that are able to be substituted with those of a General Practitioner (GP). The Department reports that of the patients triaged as categories four and five, who did not arrive by ambulance, referred by a GP and not admitted made up approximately 77 per cent of category four and five presentations in 2007-08. These patients had a length of stay of less than 12 hours.⁴⁶⁹

The Committee notes that the report *Your Hospitals: July 2007 to June 2008* reports that 62 per cent of triage category four patients were treated within one hour and 88 per cent of triage category five patients were treated within two hours.⁴⁷⁰

The Committee notes that while DHS has not adopted the performance indicators for triage categories four and five, it has reported under these categories for the most recent reporting period. The Committee notes that most of these patients could have been treated by a GP, but they presented to emergency departments for treatment. No information was sought as to the reason for such presentations e.g. free service, lack of GPs, availability of out of hours GPs, convenience etc. The presentation of category four and five patients at emergency departments does contribute significantly to the workload of the departments. Further emphasis needs to be given by DHS and hospitals to alternative treatment options e.g. development of nearby bulk-billing GP services, community information on the location and times of bulk-billing GPs and support for evening bulk-billing services.

1.2.2 Public reporting of patients who leave without receiving treatment

Some patients who present to emergency departments and are triaged, leave prior to receiving treatment. The Auditor-General found that in 2002-03, the number of patients who left prior to receiving treatment across the 13 metropolitan hospitals was 5.9 per cent of annual presentations. By 2005-06, this number had dropped slightly to 5.2 per cent of annual presentations.⁴⁷¹

The Auditor-General recommended that DHS should clarify that those patients who were triaged and who left prior to receiving treatment are not included in its public reporting of triage-to-treatment times.⁴⁷² The recommendation was accepted in principle by DHS and the Department stated that in future, they would emphasise the importance of the technical appendix.⁴⁷³

⁴⁶⁸ Mr D. Pearson, Auditor-General, Victorian Auditor-General's Office, letter to the Committee, received 29 January 2009, p.2

⁴⁶⁹ Ms F. Thorn, Secretary, Department of Human Services, letter to the Committee, received 20 January 2009, p.5

⁴⁷⁰ Department of Human Services, *Your Hospitals: July 2007 to June 2008*, October 2008, p.22

⁴⁷¹ Victorian Auditor-General's Office, *Follow-up of Selected Performance Audits Tabled in 2003 and 2004*, June 2007, p.43

⁴⁷² *ibid.*, p.33

⁴⁷³ *ibid.*, p.51

The Department responded in the Minister for Finance's report and to the Committee stating that data definitions for information included in the *Your Hospitals* report is included in the technical appendix.⁴⁷⁴

The Committee notes that the technical appendix does include the following statement for the five triage categories 'excludes those who left at their own risk without treatment, and left after clinical advice regarding treatment options.'⁴⁷⁵ However, the Committee also notes that the technical appendix is 28 pages in length, almost half the length of the main report and is not attached to the main report, rather it is a separate downloadable document.

The Auditor-General informed the Committee that he was of the view that the transparency of the *Your Hospitals* report would be improved should the appropriate note regarding patients leaving prior to treatment be appended to the chart within the report, rather than being a separate report.

The Committee concurs with the Auditor-General and is of the view that DHS should directly append to the chart relating to triage-to-treatment times for the five triage categories to provide more transparency to its reporting.

Recommendation 28: **The Department of Human Services should explain in a more transparent manner in its public reporting that triage-to-treatment times does not include patients who left prior to receiving treatment.**

1.2.3 *Waiting room procedures for patient re-triaging*

As discussed above, a number of patients leave the emergency room without being treated. The Auditor-General recommended that hospitals should further develop waiting room procedures for patient re-triaging and management.⁴⁷⁶ This recommendation was accepted in principle by DHS.⁴⁷⁷

The Department, in its response to the Minister for Finance's report commented that they are currently undertaking a project to review management and follow-up of patients who choose to leave emergency departments prior to commencing or completing treatment. As well, the Department has established the Emergency Care Improvement and Innovation Clinical Network (the Network), which will develop strategies for clinical management of patients in the emergency department.⁴⁷⁸ The Auditor-General made no comment on this matter.⁴⁷⁹

The Committee sought further information from DHS regarding the Network in regards to the implementation of the recommendation made by the Auditor-General.

⁴⁷⁴ Ms F. Thorn, Secretary, Department of Human Services, letter to the Committee, received 20 January 2009, p.5

⁴⁷⁵ Department of Human Services, *Specifications of Your Hospital Report Data, July 2007 to June 2008*, October 2008, pp.6-8

⁴⁷⁶ Victorian Auditor-General's Office, *Follow-up of Selected Performance Audits Tabled in 2003 and 2004*, June 2007, p.33

⁴⁷⁷ *ibid.*, p.52

⁴⁷⁸ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.52

⁴⁷⁹ Mr D. Pearson, Auditor-General, Victorian Auditor-General's Office, letter to the Committee, received 29 January 2009, p.3

The Department has reported that the Network is made up of 12 members consisting of health care professionals, a researcher, a consumer representative and a DHS representative. The objectives of the Network are to:⁴⁸⁰

...supports sustainable improvements and innovation for the delivery of accessible, appropriate, efficient and effective emergency care across the Victorian health system. The key objective of the clinical network is to lead innovation and ongoing improvements in the delivery of emergency care in Victoria's public hospitals.

The Network met for the first time in June 2008 and will in the first 12 months of operation, be prioritising a work plan of activities and system improvements in emergency department access and care.

The Network has so far examined the Victorian Emergency Minimum Dataset and identified variations in the length of stay of non admitted patients in emergency departments for chest pains. A project to reduce the variation of practice for the treatment of chest pains in emergency departments commenced in January 2009.⁴⁸¹

The Committee was not provided with any information by DHS to show that the Network has considered waiting room procedures for re-triaging or any evidence that this recommendation has been implemented. The Committee considers that the Network has the potential to add value to improving emergency department access and care. Therefore, the Committee believes that DHS should ask the Network, as a matter of priority, to develop waiting room procedures for patient re-triaging and management

Recommendation 29: **The Department of Human Services should enlist the Emergency Care Improvement and Innovation Clinical Network to develop procedures for patient re-triaging and management.**

1.2.4 Emergency Department data management systems

Emergency Department data is collected via a system called the Victorian Emergency Minimum Dataset (VEMD). The data from VEMD is used to allocate hospital funding, assess individual hospital performance and report publicly on performance of the health system.⁴⁸²

In 2004, the Auditor-General reported that there were weaknesses in the data security controls for the VEMD system and that users were able to change treatment dates and times. VEMD also allowed for data to be duplicated. In this follow-up audit, the Auditor-General noted there had been improvements, however found that there had been little progress made to address controls over data quality and at the four hospitals audited, staff were still able to change times and dates of treatment. While an audit log was available to note changes made, the Auditor-General found that this was rarely done. Where a log was created, the hospital informed the Auditor-General that this was not reviewed.⁴⁸³

To address these concerns, the Auditor-General recommended that DHS should continue to implement the findings of the 2004 audit in relation to security controls over emergency

⁴⁸⁰ Ms F. Thorn, Secretary, Department of Human Services, letter to the Committee, received 20 January 2009, p.6

⁴⁸¹ *ibid.*, p.7

⁴⁸² Victorian Auditor-General's Office, *Follow-up of Selected Performance Audits Tabled in 2003 and 2004*, June 2007, p.50

⁴⁸³ *ibid.*, pp.50-51

Department data management systems to ensure performance is accurately recorded.⁴⁸⁴ This recommendation was accepted in principle by DHS.⁴⁸⁵

In its response to the Minister for Finance's report, DHS responded that following a pilot audit of the VEMD dataset in 2007, DHS was undertaking a further pilot in 2008, which would have an increased focus on data capture. This body of work would inform the development of a methodology that would ensure greater validity and quality of data collected.⁴⁸⁶

The Department has informed the Committee that a Technical Reference Group has been formed and is examining process and will make recommendations on the further improvement of data quality.⁴⁸⁷ The Committee has reviewed the *Specification for Revisions to the Victorian Emergency Minimum Dataset for 1 July 2009* and notes that neither document includes any plans to change the security controls for the treatment dates and times.⁴⁸⁸

The Department informed the Committee that:⁴⁸⁹

It is not appropriate for government to exercise control over the reporting databases used by statutory boards. Ultimate responsibility for the accuracy of performance information rests with the board as funding and contractual obligations are implicated. The Department will continue to work towards assuring itself that boards accurately record and report their performance.

The State relies on the data provided by hospitals. The data is used to measure performance of hospitals across the State, assure the community they are receiving a quality service and as a basis for providing funding to hospitals. As such, the Committee has considered DHS's point of view regarding the appropriateness of exercising control over reporting databases used by hospitals. The Committee is of the view that while the State relies so heavily on the data and provides a significant amount of funding to hospitals, it is appropriate for the State to assure itself that the data provided is accurate. The Committee notes that while DHS may undertake other work to provide assurance on whether hospitals are providing accurate data, DHS should be requiring hospitals to have security controls over times and dates of treatment.

Recommendation 30:

The Department of Human Services act to ensure there are appropriate security controls over emergency Department data management systems.

⁴⁸⁴ *ibid.*, p.33

⁴⁸⁵ *ibid.*

ibid., p.52

⁴⁸⁶ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.52

⁴⁸⁷ Ms F. Thorn, Secretary, Department of Human Services, letter to the Committee, received 20 January 2009, p.8

⁴⁸⁸ Department of Human Services, *Specification for Revisions to the Victorian Emergency Minimum Dataset for 1 July 2009*, December 2008.

⁴⁸⁹ Ms F. Thorn, Secretary, Department of Human Services, letter to the Committee, received 20 January 2009, p.8

CHAPTER 2: RAISING AND COLLECTION OF FEES AND CHARGES BY DEPARTMENTS

2.1 Introduction

Fees and charges are raised by government departments for services and products they provide to the community and other government departments. In 2005-06, departments raised over \$640 million from fees and charges from individuals, businesses and other government agencies.⁴⁹⁰

In June 2007, the Auditor-General tabled an audit titled *Results of Audits*. Within this, the Auditor-General had undertaken an investigation, titled *Raising and collection of fees and charges by departments*.

The Auditor-General examined how five departments managed the raising and collection of revenue from fees and charges during 2005-06 and the guidelines available to departments in managing and administering fees and charges.

The Auditor-General also examined the processes in place within departments to examine fees and charges, such as the IT systems and the appropriateness of processes that support the administration of fees and charges.⁴⁹¹

The Auditor-General examined 944 regulatory fees across five departments and found that they were based on appropriate legal authority. The Auditor-General also examined 139 user charges and found they too were based on appropriate legal authority. For 75 of these, the Auditor-General was satisfied that charge rates had been established in accordance with the required process, as defined in the legislation. However, for 64 user charges, four departments could not provide appropriate documentation containing the authorisation of the user charges. The departments advised they were unable to locate the documentation.⁴⁹²

The five departments examined in this audit were:⁴⁹³

- Department of Education and Early Childhood Development (DEECD) administer 42 fees and charges;⁴⁹⁴
- Department of Justice (DOJ) administer approximately 1,650 fees and charges as well as a large number of fees and charges worth less than \$10;⁴⁹⁵
- Department of Primary Industries (DPI) administer 2068 fees and charges (DPI);⁴⁹⁶
- Department of Transport (DOT) administer 101 fees and charges;⁴⁹⁷ and
- Department of Sustainability and Environment (DSE) administer over 1700 fees and charges.⁴⁹⁸

⁴⁹⁰ Victorian Auditor-General's Office, *Results of Audits*, June 2007, p.26

⁴⁹¹ *ibid.*, p.33

⁴⁹² *ibid.*, p.32

⁴⁹³ *ibid.*, p.30

⁴⁹⁴ Department of Education and Early Childhood Development, letter to the Committee, received 27 January 2009, pp.1-2

⁴⁹⁵ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 31 January 2009, p.2

⁴⁹⁶ Mr R. Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 23 January 2009, p.2

⁴⁹⁷ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 27 January 2009, p.1

2.1.1 Auditor-General's recommendations

The audit made nine recommendations aimed at departments, and recommended that:

- fees and charges are authorised in accordance with the appropriate legislation or guidance;
- that departments document how fees and charges are set, annually review them and publish information on their website;
- have appropriate policies; and
- that systems have effective internal controls and interface with departmental financial systems.

The audit also made three recommendations for Department of Treasury and Finance (DTF), as responsible central agency. The audit recommended that DTF:

- implement enhancements to the guidelines;
- enhance the Government's financial management framework to ensure annual certifications address the requirements of the Minister for Finance; and
- investigate the viability of acquiring or developing IT systems for use across departments.

2.2 Improving processes within departments

2.2.1 Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development (DEECD) have informed the Committee that for International Education fees and charges, a Ministerial Order is required to be signed each year that sets the fees and charges for international students. For Children's Services Licensing, the fees have been set as units rather than dollar amounts. The fees are then automatically indexed on 1 July each year and announced by the Treasurer, who also publishes the dollar value of the unit each year.⁴⁹⁹

As well, DEECD administer four fees regarding alarm systems in schools. When a false security alarm is registered in a school, the Department bears this cost. Therefore it levies fees on schools to recoup this cost. DEECD report that the last fee increase was less than a year ago, and was in line with CPI. However the cost of security and monitoring is considered as part of this fee.⁵⁰⁰

The Department also charges its employees a fee should they need to replace a PAYG Payment Summary. The Department reports that this fee was introduced to compensate DEECD for the time and resources it spends in replacing PAYG Payment Summaries for employees.⁵⁰¹

The Committee found that information relating to fees and charges was available on DEECD's website.

⁴⁹⁸ Mr P. Harris, Secretary, Department of Sustainability and Environment, letter to the Committee, received 27 January 2009, p.1

⁴⁹⁹ Department of Education and Early Childhood Development, letter to the Committee, received 27 January, p.1

⁵⁰⁰ *ibid.*, p.2

⁵⁰¹ *ibid.*

2.2.2 Department of Justice

To ensure that fees and charges are appropriately authorised, DOJ reports that they abide by the Minister for Finance's Standing Directions, and the Chief Finance and Accounting Officer (CFAO) holds much of the responsibility.⁵⁰² The Standing Direction reads that:⁵⁰³

The levels of charges for goods or services provided must be documented and approved by the CFAO, and must be reviewed at least annually by a delegate of the CFAO and a recommendation made to the Responsible Body as to how they should be updated.

The Department is in the process of producing guidelines, and these guidelines on fees and charges will include information on costing, setting and reviewing of fees and charges. DOJ expect this to be included in its *2009-10 Budget Development Guidelines*.⁵⁰⁴

The Department report that it does not conduct annual reviews of fees. This is because DOJ believes that with a large number of fees to administer, the requirement has significant resource implications for departments and would be very costly.⁵⁰⁵

The Department reports that new fees and charges are rigorously reviewed and analysed by DOJ, after which time they are not routinely reviewed, apart from the fees and charges that are indexed annually. The Department suggested that instead of reviewing fees annually, there should be a triennial review of fees and charges to lessen the burden.⁵⁰⁶

In regards to financial management, DOJ reports that they have a number of systems in place to manage the fees and charges administered by the Department. The Department reports that its systems are not integrated with the primary financial management system, however, DOJ reports that information from other systems are loaded into the Departments financial management system either daily or monthly. The Department also reports that it has a number of controls in place, such as monthly reconciliations and other controls to assist in ensuring data integrity.⁵⁰⁷

The Committee was able to find information regarding fees and charges of DOJ on its website. The Department report that this helps its officers to keep track of fees and ensure that fees are appropriately authorised.⁵⁰⁸

2.2.3 Department of Primary Industries

DPI reports that they have an annual process for reviewing fees and charges. The majority of the fees and charges administered by DPI are authorised through Government Acts and Regulations. Each Division within DPI is responsible for administering its fees and charges, and ensuring they are reviewed annually.⁵⁰⁹

⁵⁰² Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 23 January 2009, p.2

⁵⁰³ Department of Finance, *Standing Directions of the Minister for Finance under the Financial Management Act 1994*, June 2003, p.35

⁵⁰⁴ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 23 January 2009, p.3

⁵⁰⁵ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 23 January 2009, p.3

⁵⁰⁶ *ibid.*

⁵⁰⁷ *ibid.*, p.4

⁵⁰⁸ *ibid.*, p.2

⁵⁰⁹ Mr R. Bolt, Secretary, Department of Primary Industries, letter to the Committee, received 27 January 2009, p.2

Fees and charges are administered by DPI via the raising of invoices or the automatic issuing of renewal notices. DPI states that the invoice is approved and checked by the business manager or supervisor of the officer raising the invoices before they are sent out.⁵¹⁰

DPI report that their financial system for capturing payments on fees and charges automatically interfaces with the Departments' financial management information systems overnight.⁵¹¹

DPI has guidance available to staff in regards to fees and charges. The Committee was provided with a copy of the DPI Fees and Charges policy. The policy specifies the process for new fees and charges, reviewing fees and charges, how to calculate full cost recovery and accountability and reporting requirements.

The Committee notes that information on fees and charges is readily available on the Department's website.

2.2.4 Department of Transport

All fees and charges administered by DOT are done so under legislation. Like other departments, DOT administers a number of fees and charges that are indexed annually at unit rates set by the Treasurer, otherwise they are indexed according to CPI each year. Divisions within the Department, namely Freight Logistics and Marine Division, the Victorian Taxi Directorate and Public Transport Safety Victoria are responsible for administering the Department's fees and charges.⁵¹²

The Department reports that for some fees and charges, namely those that relate to rail, a review of the costing for this charge is currently underway. DOT also reports that the formula for costing of the bus fees and charges it administers has not been reviewed since 2004, rather these fees have increased in line with CPI.⁵¹³

Some of the fees and charges administered by DOT at the time of the audit, namely those relating to tow truck regulations are now administered by VicRoads.⁵¹⁴

The Department reports that its management systems for administering fees and charges do not interface with the Department's financial management system. Rather different divisions in the Department have their own databases for recording the collection of fees and charges. However DOT report that they have processes in place to reconcile invoices and fees collected and information is manually recorded in the Department's financial management system.⁵¹⁵

The Committee notes that information on fees and charges is available from the Department's website.

⁵¹⁰ *ibid.*

⁵¹¹ *ibid.*

⁵¹² Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 27 January 2009, pp.1-5

⁵¹³ *ibid.*

⁵¹⁴ *ibid.*

⁵¹⁵ *ibid.*

2.2.5 Department of Sustainability and Environment

Prior to fees and charges being approved, DSE reports that the relevant division must demonstrate the legislative or regulatory requirement of the fee or charge. This information then goes to the Chief Finance Officer for approval,⁵¹⁶ in accordance with the Minister for Finance's Standing Directions.

The Department undertakes an annual review of each grouping of fees and charges, and in doing so considers the prevailing legislation, any changes to the legislation and movements in aggregate collections.⁵¹⁷

In administering its fees and charges, DSE reports that they have a policy in place that guides the process and approvals required for developing a new fee or charge. A copy of the *Fees and Charges Business Rule*, the department's guideline for administering fees and charges, was provided to the Committee. It states that the division responsible must demonstrate the legislative or regulatory basis for the fee or charge. This is reviewed by the Chief Finance Officer prior to approvals being given.⁵¹⁸ The Department's policy specifies that every group/division within DSE is responsible for reviewing fees and charges annually.⁵¹⁹

In regards to information systems, the Department reports that they have a number of sub systems to collect information. These do not interface with DSE's primary financial system, rather information from the system is provided to the finance area where it is reviewed and validated prior to being uploaded into the primary financial management system.⁵²⁰

The Committee notes that information on fees and charges is available from the Department's website.

2.2.6 Committee analysis

The Committee noted that departments were aware of the fees and charges they administered and the supporting legislation was often used as a way to ensure that fees and charges were appropriately authorised. A number of departments assured the Committee that the fees and charges they administered were appropriately authorised in accordance with the Minister for Finance's Standing Directions.

The Committee considers that there is still a wide variation amongst departments in regards to better practice on fees and charges. While some departments report they review fees and charges annually, the Committee considers that most merely index fees and charges in line with CPI or wait for the Treasurer to announce the unit cost of fees and charges rather than undertaking a review of the fees as recommended by the Auditor-General.

While the Committee understands reviewing fees and charges every year can be burdensome, in line with DTF guidelines and the Auditor-General's recommendation, the Committee is of the view that fees and charges should be reviewed each year.

⁵¹⁶ Mr P. Harris, Secretary, Department of Sustainability and Environment, letter to the Committee, received 27 January 2009, p.2

⁵¹⁷ *ibid.*, p.1

⁵¹⁸ *ibid.*, pp.1-2

⁵¹⁹ Department of Sustainability and Environment, *Fees and Charges Business Rules*, p.4

⁵²⁰ Mr P. Harris, Secretary, Department of Sustainability and Environment, letter to the Committee, received 27 January 2009, p.2

Recommendation 31: **In accordance with Government guidelines, Departments should undertake a review of fees and charges every year.**

The Committee found that while some departments had policies and procedures to guide the administration of fees and charges, some did not. The Committee considers that such information is important as it provides departmental staff with very important information on the rules and regulations regarding fees and charges and with guidance on the administration of fees and charges. The Committee therefore considers it is vital that all departments administering fees and charges have in place appropriate guidance, as recommended by the Auditor-General.

Recommendation 32: **Departments should have in place appropriate internal guidance and policies relating to fees and charges.**

Financial systems for administering fees and charges differed across departments and sometimes within departments. Only one department, DPI, reported to the Committee that its management system for fees and charges automatically interfaced with the department's financial management system every night. Other departments reported a range of controls in place for data relating to fees and charges. While the Committee notes that it is important that effective controls are in place for verifying information prior to being entered into the primary financial management system, the Committee considers that this practice increases the risk of lost revenue, incorrect recording of information and incorrect reporting relating to fees and charges. The Committee considers that it would be more effective if systems used for recording fees and charges directly interfaced with the department's financial management system.

Recommendation 33: **Departments should ensure that their systems for fees and charges efficiently interface with their primary financial management system.**

The Committee was pleased to note that, in line with the Auditor-General's recommendation, departments had made information on fees and charges available via their website.

2.3 Central agency responsibility

DTF is the central agency responsible for providing guidance to all departments and agencies on fees and charges. DTF provides agencies with guidance on fees and charges as well as coordinating any whole of government action.⁵²¹

2.3.1 Guidance on fees and charges

DTF provides agencies with guidance via two main documents, the Minister for Finance's Standing Directions and *Cost Recovery Guidelines*, which incorporate the information previously published as *Guidelines for Setting Fees and User charges Imposed by Departments and Central Government Agencies*.⁵²²

⁵²¹ Victorian Auditor-General's Office, *Results of Audits*, June 2007, p.31

⁵²² Department of Treasury and Finance, *Cost Recovery Guidelines*, September 2007, p.1

DTF report in the Minister for Finance's report that the new guidelines specifically address the Government's policy principles regarding cost recovery arrangements and will provide departments with a rigorous framework to use when considering, developing or reviewing fees and charges. The guidelines also highlight the importance of ensuring fees are appropriately authorised and documented.⁵²³

The Committee considers that in producing the *Cost Recovery Guidelines*, DTF implemented the Auditor-General's recommendation in regards to enhancing the guidelines available to departments and central agencies

2.3.2 Financial Management and Compliance Framework

Each year, departments are required to assess their compliance with the *Financial Management Act* 1994 and certify their compliance with the requirements of this Act and Ministerial Standing Directions. The Auditor-General recommended that the Government's Financial Management and Compliance Framework (FMCF) should be enhanced to ensure that annual certifications address the requirements of the Minister for Finance.

The department, in the Minister for Finance's report stated that:

The FMCF will continue to be reviewed to ensure that departments and agencies meet robust and modern best practice financial management requirements. The suggestions made in this Auditor-General's report will also be considered...

The Committee found no evidence that the Auditor-General's recommendation in regards to improving the FMCF has been implemented. The Committee was not able to find updated documentation, with the last FCMF issued in 2005.⁵²⁴

The Committee considers that DTF should revise the FMCF to include the requirements related to the administration of fees and charges, as recommended by the Auditor-General as soon as possible.

Recommendation 34: **The Department of Treasury and Finance should enhance the Financial Management and Compliance Framework to ensure that annual certifications include the requirements related to the administration of fees and charges.**

2.3.3 IT system for whole of government use

The Auditor-General found that while all departments used Oracle Financials as its primary financial reporting system, most departments used secondary databases for managing and recording financial information relating to fees and charges. Financial information is then transferred manually to the primary financial reporting system via a journal entry.⁵²⁵

⁵²³ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.196

⁵²⁴ Department of Treasury and Finance, *Whole of Government Financial Management Compliance Framework*, July 2005.

⁵²⁵ Victorian Auditor-General's Office, *Results of Audits*, June 2007, p.40

The Auditor-General concluded that while Oracle Financials had adequate controls and reporting functionality, the secondary systems did not. This increased the risk for departments of lost revenue as well as increased risk of recording and reporting errors. Therefore, the Auditor-General recommended that DTF, in conjunction with departments investigate the viability of purchasing or developing IT systems for use across departments.⁵²⁶

In the Minister for Finance's report, DTF reported that they would investigate the feasibility of developing or acquiring a common management information system for use across all departments that administer fees and charges.⁵²⁷

The Committee was not provided with evidence that DTF have investigated the purchasing or developing of a system for administering fees and charges for the whole of government. The Committee considers that DTF should consult with departments when undertaking an investigation on the development or purchase of a system to administer fees and charges.

Recommendation 35: **The Department of Treasury and Finance should, in consultation with departments, undertake investigations into the feasibility of developing or purchasing a common system for departments that administer fees and charges that integrates with its primary financial system.**

2.4 Conclusion

While some departments have implemented the recommendations made by the Auditor-General, the Committee considers that not all recommendations have been implemented. Therefore the Committee has recommended that departments that administer fees and charges:

- review their fees and charges each year;
- have appropriate guidance and policies in place; and
- ensure that IT systems interface with the primary financial management system.

DTF has responsibility for providing guidance to departments and agencies on fees and charges. Consequently, the Auditor-General made a number of recommendations aimed at DTF. The Committee found that DTF had, as recommended by the Auditor-General revised guidelines for fees and charges and made these available to departments. However the Committee found that DTF had not undertaken to implement all recommendations. Therefore the Committee recommends that DTF:

- enhance the FMFC to ensure annual certifications include requirements related to fees and charges; and
- investigate the feasibility of developing or purchasing a system for departments to administer fees and charges.

⁵²⁶ ibid.

⁵²⁷ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.198

CHAPTER 3: ADMINISTRATION OF NON-JUDICIAL FUNCTIONS OF THE MAGISTRATES' COURT OF VICTORIA

3.1 Introduction

The Magistrates' Court of Victoria (the Court) has jurisdiction to hear and determine summary offences, including minor assault, road traffic offences, some indictable offences and some civil disputes. The Court sits at 52 locations in Victoria, in metropolitan, suburban and country areas.⁵²⁸

The Auditor-General undertook a review of the non-judicial functions of the Court. At the time of audit, the Court had 108 magistrates, six acting magistrates and three judicial registrars. They were supported by 537 administrative staff.⁵²⁹

The Chief Executive Officer and all administrative staff are departmental employees of the Department of Justice (DOJ), and report through the Executive Director, Courts to the Secretary of DOJ.⁵³⁰

The objectives of the audit were:⁵³¹

- to assess whether key administrative functions effectively and efficiently supported the operations of the Court; and
- determine whether recommendations made following the 2005 audit of the Geelong Magistrates' Court have been implemented.

As a result of this audit, the Auditor-General made 13 recommendations focused on the following key areas:

- structure and governance;
- corporate planning, performance monitoring and reporting;
- asset management and security;
- staff recruitment and retention;
- customer service; and
- management of the Court fund and other controls.

3.2 Structure and governance

The Auditor-General found that overall, the governance structure and reporting lines are clearly articulated. The Court has a risk management plan, however, the Auditor-General thought it required improvement.⁵³²

⁵²⁸ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.1

⁵²⁹ *ibid.*

⁵³⁰ *ibid.*, p.12

⁵³¹ *ibid.*, p.9

⁵³² *ibid.*, p.1

3.2.1 Risk management

At the time of audit, the Court was in the process of implementing a risk management plan. The Auditor-General identified that this would assist court administrators to manage the court by being able to more readily identify risks, develop mitigation strategies and regularly report against these. The Auditor-General therefore recommended that the Court report against its risk management plan monthly and undertake more frequent reporting of risk management issues by exception.⁵³³

In the Minister for Finance's report, the Court, through DOJ reported that they have put in place a comprehensive risk management strategy, as well as the Courts Risk Management Protocol and associated training. All areas report monthly regarding risk, and information is displayed using a 'risk radar', which provides information on emerging issues. The Court's Risk Control Board also meets regularly with DOJ to discuss urgent risks and discuss how to address risks.⁵³⁴

The Court has informed the Committee that they report on risk monthly, in accordance with their Risk Management Protocol and that any significant risks are reported to operational managers by exception.⁵³⁵

The Committee considers that the Court has strengthened its risk management framework with the addition of monthly reports as well as exceptions reporting to operational managers in line with the Auditor-General's recommendation.

3.3 Corporate planning, performance monitoring and reporting

The Auditor-General reported that the Court has three levels of corporate planning. They are:⁵³⁶

- a strategic plan;
- an annual business plan; and
- action plans for each individual court.

The Auditor-General reported that the Court's planning processes are sound and that it has a well-developed and documented framework that is communicated to staff. The framework reflects the mission, environmental constraints, stakeholder views and the priorities of the organisation.⁵³⁷

As well, the Auditor-General also found that the Court received high quality information to allow it to track its performance against output targets and identify issues when needed. The Auditor-General's report made two recommendations in regards to corporate planning, performance monitoring and reporting, that the Court should:

- incorporate into its planning performance indicators that reflect the strategic direction of the Court, allocate resources in their business plan and improving local court action plans; and
- report on the performance of special court programs.

⁵³³ *ibid.*, pp.15-16

⁵³⁴ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.116

⁵³⁵ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.2

⁵³⁶ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.18

⁵³⁷ *ibid.*, p.17

3.3.1 Performance indicators, resource allocation and improving local court action plans

The Auditor-General found that overall, the Court's processes in regards to business planning and strategic planning were sound. However, the audit recommended that the Court:⁵³⁸

- incorporate performance indicators that are reflective of the broader strategic direction of the Court, and timelines for strategies;
- includes in the business plan an allocation of resources against key service delivery and administrative functions; and
- include further information in local court action plans including specific milestones and performance measures relating to specific Court initiatives.

The Court responded in the Minister for Finance's report, stating that appropriate provisions were to be made for this recommendation to be implemented with the next iteration of the Court's strategic plan, business plan and local action plans.⁵³⁹

The Court provided the Committee with copies of its Strategic Plan, *A New Direction 2008-2012* as well as its 2008-09 Business Plan. The Court also informed the Committee that the objectives of the Strategic Plan are to '*deliver improved customer service, to improve workforce planning and to design new and better services and corporate systems.*'⁵⁴⁰

In terms of performance indicators, the Court reports that globally, there has been debate regarding performance measures for courts and work is continuing to develop appropriate indicators to measure the efficiency and effectiveness of a court's work. The Court has implemented a balanced scorecard approach, and tracks a number of measures, including the caseload before the Court, service quality, people and environmental measures.⁵⁴¹

The business plan also sets out an Action Plan, which outlines the projects to be undertaken, how they tie into the performance indicators, a timeframe for completion and allocates responsibility.⁵⁴² The Court also informed the Committee that many of these projects are expected to continue over a number of years.⁵⁴³

The Court has reported to the Committee that it has not as yet included an allocation of resources against key service delivery and administrative functions. At the time of the Court's response to the Committee, a recruitment exercise was underway to fill a data analyst position. This position would assist the Court to undertake data analysis and develop a costing model for the Court, which would help it to allocate resources against service delivery and administrative functions.⁵⁴⁴

In regards to the redevelopment of local court plans, the Committee has been informed by the Court that this recommendation will be implemented for the next business planning cycle in

⁵³⁸ *ibid.*, p.19

⁵³⁹ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.116

⁵⁴⁰ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.2

⁵⁴¹ Magistrates' Court of Victoria, *Business Plan 2008-09*, 2008, pp.11-12

⁵⁴² *ibid.*, pp.13-19

⁵⁴³ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.3

⁵⁴⁴ *ibid.*

2009-10. The template has been redeveloped in consultation with Senior Court Registrars and Program Managers as part of a leadership development program.⁵⁴⁵

The Committee notes that the Court has undertaken planning to implement, or fully implemented the recommendations made by the Auditor-General in regards to performance information, resource allocation and improving local plans. The Committee will continue to monitor key measures including case loads and waiting times.

3.3.2 Special court programs

The Auditor-General reported that the Court runs a number of special programs. These include Koori Court, Drug Court and the Criminal Justice Diversion Program to name a few. DOJ works closely with the Court to monitor the performance of these programs.⁵⁴⁶

The programs are initially funded for a pilot period, after which they are evaluated and a decision is made by the Secretary of DOJ whether to seek further funding via the Expenditure Review Committee of Cabinet to continue the program. The Auditor-General recommended that the Court report on the performance of its special court programs.⁵⁴⁷

The Court has informed the Committee that it has reported on the performance of special court programs for 2007-08 in its Annual Report, tabled in Parliament in October 2008. The Court's Annual Report provides a description of each special court program, a case study that illustrates how the program works and statistics on the use of the program, including comparisons with previous years where the information was available or relevant.⁵⁴⁸ As well, the Court undertakes a range of internal reporting on special court programs as well as reporting the performance of programs to DOJ.⁵⁴⁹

The Committee considers that the Court has implemented this recommendation by reporting via its annual report on the performance including usage of the program and where possible providing comparisons with previous years.

3.4 Asset management and security

Asset management for the Court includes the maintenance of all court locations. The Court has an asset management plan that identifies works to be undertaken, the location, cost and priority. In regards to security, the Court's objective to provide safe and secure court facilities.⁵⁵⁰

The Auditor-General found that the Court has a robust asset management plan and that works are prioritised on the basis of providing a functional and safe work environment. The Court, however only undertakes weapon searches at two of its 52 locations. There have been security incidents at some metropolitan locations with high volumes of cases. At these locations, security infrastructure is limited.⁵⁵¹

⁵⁴⁵ *ibid.*, p.5

⁵⁴⁶ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.22

⁵⁴⁷ *ibid.*

⁵⁴⁸ Magistrates' Court of Victoria, *Annual Report 2007-08*, October 2008, pp.55-74

⁵⁴⁹ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.5

⁵⁵⁰ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.29

⁵⁵¹ *ibid.*, p.29

The Auditor-General therefore made three recommendations in relation to asset management and security, that DOJ:⁵⁵²

- checks that the Court has discharged its asset management responsibilities;
- determine the feasibility of applying enhanced security and weapons checks across the State's court locations; and
- ensure that Hopetoun, Omeo and Ouyen Magistrates' Courts are fitted with duress alarms.

3.4.1 Asset management responsibilities

The Auditor-General concluded that the Court has a well developed asset management plan. Works are funded by the Court via its recurrent budget, therefore works are prioritised according to which ones will provide a safe and functional work environment. The Auditor-General recommended that DOJ ensure that the Court has undertaken its asset management responsibilities and ensured that.⁵⁵³

- asbestos in high risk locations has been treated;
- medium term works are addressed; and
- essential court services are maintained.

The DOJ reported to the Committee that asbestos checks have been undertaken at 18 of 20 court locations identified as high risk. The remaining two locations are Preston Court and the State Coroner's Office. The Preston Court is managed by the Darebin Shire Council and the State Coroner's Office is being upgraded and an asbestos check will be undertaken as part of the upgrade. The Department also reports that recommendations made by environmental consultants following the asbestos checks have been implemented.⁵⁵⁴

In regards to ensuring medium term works are addressed, DOJ has reported to the Committee that they are currently in the process of engaging consultants to undertake a condition audit of all court venues. It is expected that this will allow the Court and DOJ to establish what works need to be undertaken, which will assist the Court to:⁵⁵⁵

- establish a cost for required works;
- establish a structured maintenance program;
- prioritise works; and
- seek appropriate funding to undertake required maintenance.

The Department have informed the Committee they have engaged a contractor, Urban Maintenance Systems to undertake the essential court maintenance that is required on a day to day basis to ensure that all courts can be maintained and deliver an effective service.⁵⁵⁶

The Committee notes that DOJ and the Court has made progress on its asset management responsibilities and have mitigated potential risks by undertaking asbestos checks, engaging consultants to undertake a condition audit of facilities and are addressing maintenance issues as they arise, via a contractor.

⁵⁵² *ibid.*, pp.3-4

⁵⁵³ *ibid.*, p.22

⁵⁵⁴ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 31 January 2009, p.5

⁵⁵⁵ *ibid.*, p.5

⁵⁵⁶ *ibid.*, pp.5-6

3.4.2 Enhancing security and weapons checks

One of the Court's objectives is to provide facilities that are safe and secure. At the time of audit, the Auditor-General found that the Melbourne Magistrates' Court and the Children's Court both had advanced electronic security surveillance, however all other 50 locations had limited security infrastructure. The Auditor-General commented that this situation could be improved, and recommended that DOJ and the Court determine the feasibility of applying enhanced security systems and electronic weapons detection technology in Court's across Victoria.

In response to this recommendation, DOJ in conjunction with the Court engaged a consultant to undertake a review, titled *Review of Safety, Security and Risk in the Courts and Victorian Civil and Administrative Tribunal*.⁵⁵⁷ The review recommended that short and long term treatments be implemented, and priority be given to eight courts (Dandenong, Frankston, Moorabbin, Ringwood, Sunshine, Geelong, Heidelberg and Werribee). The review recommended that in the short term, the Court add extra security personnel at these locations, with a view to adding electronic weapons screening in the long term. The Department report that they have added additional security personnel at these locations in the short term, and will be installing weapons screening systems prior to June 2009.⁵⁵⁸

A number of regional centres were also identified as requiring actions (Ballarat, Bendigo, LaTrobe Valley, Mildura, Shepparton, Wangaratta and Warrnambool), however action was to be implemented by the end of 2009-10. The treatments recommended were the same as above, with additional security personnel for the short term and weapons screening systems for the long term. However, DOJ noted that this was dependent on the availability of funding.⁵⁵⁹

Minor security works for other locations was recommended for years 2010-11 and 2011-12. As noted above, these works will be dependent on the availability of funding in those years.⁵⁶⁰

The Committee considers that DOJ and the Court have acted quickly to implement the recommendation made by the Auditor-General and develop a plan to improve security across all courts throughout Victoria. The Committee, however notes that future works undertaken are dependent upon receiving funding for works.

3.4.3 Duress alarms

The Auditor-General recommended that duress alarms be installed at Hopetoun, Ouyen and Omeo courts to improve security in these courts.⁵⁶¹ The Department has informed the Committee that duress alarms have not been installed in these three locations and will not be installed. The Hopetoun and Omeo courts sit on six occasions per year and the Omeo court on two occasions per year. Therefore the Court and DOJ have put in place safety contingency plans and also increased police security when these courts sit.⁵⁶²

In this instance, the Department and the Court have considered the implementation of duress alarms in these locations, however have determined that as they do not sit often, it is not cost effective. The Committee notes that while this recommendation has not been implemented, the Court and DOJ have considered the risks involved, and have put in place alternatives to mitigate these risks.

⁵⁵⁷ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.117

⁵⁵⁸ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 31 January 2009, p.6

⁵⁵⁹ *ibid.*

⁵⁶⁰ *ibid.*, p.7

⁵⁶¹ *ibid.*, p.34

⁵⁶² *ibid.*, p.7

3.5 Staff recruitment and retention

Approximately two thirds of the Court administrators are either registrars or trainee registrars who are responsible for the smooth functioning of the Court. Other administrative staff undertake a variety of positions, including financial and human resources and positions operating the special court programs.⁵⁶³

The Auditor-General found that the Court has implemented a nationally recognised qualification for registrars, and this has achieved higher retention rates. Also, the Auditor-General found that the Court, in conjunction with DOJ has commenced working on its workforce planning needs. In regards to staff recruitment and retention, the Auditor-General recommended that the Court:

- pursues opportunities for court administrators to broaden their work experience; and
- work with DOJ to progress the development of its workforce planning strategy.

3.5.1 Work opportunities for court administrators

The Auditor-General found that previously the Court had a closed system of promotion for registrars. To be promoted, registrars had to complete a Clerk of the Courts qualification and promotions were made internally. This resulted in a high turnover of 14.1 per cent in 2003.⁵⁶⁴

The Court realised that staff were not satisfied with the system and in 2005, the Court introduced a Certificate IV in Government (Court Services), which is a nationally recognised qualification. As well, the classification level of trainee recruits has been lifted from VPS Grade 1 to VPS Grade 2. In 2006, turnover fell almost two thirds, to 5.6 per cent.

The Auditor-General identified that court registrars have traditionally not had a great deal of exposure to working outside the Courts, to DOJ or management practices. Therefore, the Auditor-General recommended that the Court pursue opportunities for court administrators to broaden their work experience by undertaking secondments in DOJ, preferably outside of the court system, and enhancing its existing staff rotation policy.⁵⁶⁵

The Court, in its response to the Committee has stated that it is reviewing its staff rotation policy. It is being reviewed by the New Directions, Organisation Design and Development Team. The Court also reports that they are continuing to support staff seeking secondment and rotation opportunities external to the court. However, the Court states that most secondments have been within the court system.⁵⁶⁶

The Committee notes the progress made by the Court to implement a nationally recognised qualification for registrars and to reduce turnover in the organisation. The Committee notes that the Court is supporting its staff to undertake secondments, however has noted that most of these are within the court system. The Committee considers that encouraging more staff to undertake secondments outside of the Court system would be beneficial to the organisation.

⁵⁶³ *ibid.*, p.35

⁵⁶⁴ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.36

⁵⁶⁵ *ibid.*, pp.37-38

⁵⁶⁶ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.7

Recommendation 36: **The Magistrates' Court of Victoria in conjunction with the Department of Justice continues to develop its staff rotation policy and encourage the development of staff via secondments outside of the court system.**

3.5.2 Workforce planning strategy

The Auditor-General found that workforce planning was at an early stage within the Court. The Court had recognised the importance of ensuring they had a workforce with the skills required to meet their strategic objectives and were in the process of planning how to achieve this. At the time of audit, DOJ had commenced working with the Court to identify future workforce needs. While the Court had put in place a succession plan and was addressing skills gaps in middle management, the Auditor-General recommended that the Court work with DOJ to progress the development of its workforce planning capacity.⁵⁶⁷

The Court has reported in the Minister for Finance's report that they had been developing workforce planning initiatives in conjunction with the DOJ Organisational Capability Unit. The Court had developed a succession plan and was progressing leadership development training for middle managers.⁵⁶⁸

Further to this, the Court informed the Committee that they have been working with the State

Services Authority and DOJ to incorporate the Government's workforce planning goals into the Court's business strategies. The Court has also identified the risks it faces over the next four years in regards to workforce planning and has commenced projects to mitigate these risks. The Court is also appointing an Organisational Change Manager, who will be responsible for planning and implementing workforce planning in the organisation.⁵⁶⁹

The Committee notes that the Court has set about refining and implementing a workforce plan. The Committee is also pleased that the Court has identified risks in relation to workforce planning and has been working to mitigate these risks.

3.6 Customer service

The Auditor-General found that the Court has a comprehensive range of written and electronic information about the Court's processes, however these are not uniformly available to all users. At the time of audit, a number of documents, such as the *Court's Customer Service Charter* and *Complaints Policy* were being revised.

The Auditor-General made two recommendations in relation to customer service, that the Court:

- consider incorporating complaints management measures into its service delivery measures; and
- investigate methods of gathering information on the perceptions and needs of court users.

⁵⁶⁷ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.38

⁵⁶⁸ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.118

⁵⁶⁹ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.7

- junior court administrative staff having discretion over who required assistance and how much they received; and
- inadequate evidence for many payments made.

The report made recommendations aimed to improve the management of the Court fund and internal controls over trust account operations, mail procedures and cash receipting. This involved a significant increase in the workload for court administrators and magistrates.

This audit assessed the processes in place to manage the Court fund as well as following up whether recommendations from the 2005 audit had been implemented. The Auditor-General determined that the Court had put in place a range of governance documentation for the management of the Court fund since its 2005 audit. There were procedures and guidelines in place to determine who was eligible to receive funds, responsibilities in regards to the management of the Court funds, obligations of organisations receiving funding and acceptable uses for Court funds.

In relation to the Court fund, the Auditor-General recommended that the Court:

- in conjunction with DOJ undertake periodic audits for compliance with procedures regarding the management of the Court fund;
- incorporate regular monitoring and periodic verification of the Court fund into its risk management strategy; and
- in conjunction with DOJ, consider alternative methods of administering the Court fund.

3.7.1 Audit activity

While the Auditor-General found that the Court had implemented a vast array of procedures and improved the controls in place for the Court fund, he recommended that the Court, in conjunction with DOJ undertake periodic audits for compliance against the procedures in place for the Court fund.

The Court has informed the Committee that in 2008, an audit was undertaken by the Court's Compliance and Review Registrar. The Court reported that no anomalies were identified. However, the Court is currently in the process of auditing compliance with the guidelines for the distribution of Court funds and reviewing the eligibility criteria and associated documentation required by organisations that request Court funds.⁵⁷⁹

In the Minister for Finance's report, the Court stated that they were in the process of updating the accounting manual, which specifies the Court's responsibilities for off site auditing.⁵⁸⁰ Since then, the Court has informed the Committee that they are in the process of completing a review of the Court fund, and the accounting manual will be finalised and implemented after this.⁵⁸¹

The Committee is concerned that such a small fund has such problems and has incurred high administrative costs. While the Fund has a history, the Committee notes that payments into the Fund are neither a tax nor a fine.

⁵⁷⁹ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.9

⁵⁸⁰ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.120

⁵⁸¹ Ms C. Stockwell, Chief Executive Officer, Magistrates' Court of Victoria, letter to the Committee, received 24 January 2009, p.9

The Committee notes that the Court has undertaken an audit of the Court fund, and is also auditing compliance with the guidelines for the distribution of Court funds. The Committee anticipates that this will form the beginning of a rolling audit program, in line with the Auditor-General's recommendation. The Committee considers that such action is important for the Court to assure itself and other stakeholders that funds are appropriately distributed.

3.7.2 Risk management strategy

The Auditor-General recommended that the Court incorporate into its risk management strategy regular monitoring and periodic verification of the Court fund.

In the Minister for Finance's report, the Court stated that they were in the process of expanding a practice direction to include areas of risk, such as centralised compliance monitoring of the Court fund, a receipt system where beneficiaries will be required to confirm they have received funds and reporting by compliance monitoring service to Court fund committees in regions.⁵⁸²

The Committee notes that the Court has implemented a robust system for undertaking verification checking, in accordance with risk management, to ensure Court funds are dispersed in accordance with policy.

3.7.3 Alternative methods for administering the Court fund

The Auditor-General found that administering the Court fund created an extra administrative burden for Court staff, as well as posing a number of risks. The Auditor-General recommended that the Court investigate alternative options for the future administration of the Court fund, including outsourcing this function.⁵⁸³

In the Minister for Finance's report, the Court stated they were investigating the possibility of centralising the administration of the Court fund in the Melbourne Magistrate's Court Cash Office. The Court envisaged that a Court Fund Compliance Officer would oversee the dispersal and compliance functions associated with the Court Fund. This would also free administrative staff in individual courts that undertake this role at present.⁵⁸⁴

In response to a request from the Committee for further information, DOJ had informed the Committee that the review had been undertaken by the Organisational Capability Group, located within the Courts and Tribunals Unit in the Department. A number of recommendations had been made as a result of the review, and in January 2009, the Court was discussing these with the Victorian Auditor-General's Office to determine the financial implications of the operations of the Court fund.⁵⁸⁵ It supports action to improve and streamline the management and administration of the Fund. Problems with the Fund have the potential to affect the integrity of the Court. The Committee urges the relevant parties to quickly establish and fully implement a best practice model for the management of the Fund.

⁵⁸² Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.120

⁵⁸³ Victorian Auditor-General's Office, *Administration of Non-judicial Functions of the Magistrates' Court of Victoria*, June 2007, p.3

⁵⁸⁴ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.120

⁵⁸⁵ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 31 January 2009, p.8

Recommendation 39: **The Magistrates' Court of Victoria, Department of Justice and the Victorian Auditor-General's Office quickly agree and implement a best practice model for the management of the Court Fund, including guidelines for funds accountability and decision making on distribution of funds.**

3.8 Conclusion

The Committee notes that the Court has undertaken substantial work towards implementing the recommendations made by the Auditor-General. Since the Auditor-General's audit was undertaken, the Court has improved its suite of planning documents, including risk management plan, strategic plan and is in the process of revising local court action plans.

The Court has also undertaken asbestos checks of high risk buildings and is taking a condition audit to help it address medium term works. In regards to security, the Court has acted upon the Auditor-General's audit and putting in place higher levels of security in high risk court locations. Budget permitting, this will be rolled out to other courts.

The Committee notes that while duress alarms were not fitted at three locations, the Court has considered the risks and put in place mitigation strategies.

In regards to recruitment and retention, the Court has put in place a workforce planning strategy to help it achieve its strategic goals. The Court is also encouraging staff to undertake secondments. However, the Committee is of the view that the Court should develop its staff policies to further encourage staff to undertake secondments outside of the Court system.

The Committee notes that the Court has incorporated complaints management measures into its performance measures. The Committee considered that the Court could expand its performance measures to include an appropriate indicator that reported on timeliness of complaints handling. As well, the Committee noted that while the Court has sought the views of court users in regards to a specific project, it has not acted to implement the recommendation of the Auditor-General. The Committee recommended that the Court investigate formal and informal methods for gathering information on the needs and perceptions of public court users and that pervasive needs of users over a reasonable time will need to be addressed by the Court.

The Court fund was the focus of a 2005 audit by the Auditor-General. The Committee notes with concern the problems and high administrative costs associated with the Fund. The Auditor-General made a number of recommendations, including suggesting the Court undertakes regular audit activity, incorporates into its risk management strategy regular monitoring and investigates alternative methods for administering the Court fund. The Committee found that these recommendations were being addressed. It urges the Court, DOJ and VAGO to quickly settle on a best practice model for administering the Fund.

CHAPTER 4: CONTRACTING AND TENDERING PRACTICES IN SELECTED AGENCIES

4.1 Introduction

Procurement of goods and services in the Victorian public sector is generally the largest cost for agencies after employee costs. When procurement is undertaken effectively, procurement provides well priced and quality resources that have a positive impact on programs. When procurement is performed poorly, it can increase risks to department including reduced value for money, poorly managed processes and the failure of the provision of goods and services.⁵⁸⁶

The Auditor-General undertook an audit of contracting and tendering practices in selected government agencies to provide assurance that contracting and tendering practices complied with a range of government policies and procedures and delivered the outcomes expected.⁵⁸⁷

4.1.1 Audit methodology

The audit examined contracts from the Education, Justice, Human Services and Infrastructure portfolios as these represented a significant percentage of the State's expenditure on procurement. As well, these portfolios transact a large number of contracts.⁵⁸⁸ The Departments and agencies specifically examined included the:⁵⁸⁹

- Department of Education and Early Childhood Development;
- Department of Human Services, including the Office of Housing;
- Department of Justice;
- Department of Transport;
- Ambulance Victoria;
- Metropolitan Fire and Emergency Services Board; and
- Victoria Police.

A sample of 64 contracts were examined by the Auditor-General to determine whether guidelines for contracts and tendering were adhered to. The contracts were for goods and services, construction projects and construction services.⁵⁹⁰

The Auditor-General also examined the Construction Supplier Register (CSR), a whole-of-government register. The CSR is managed by Department of Transport (DOT).⁵⁹¹

The CSR provides government agencies and other approved users with lists of building and construction suppliers that have been assessed as being suitable for undertaking public construction works and/or related consultancy services.⁵⁹²

⁵⁸⁶ Victorian Auditor-General's Office, *Contracting and Tendering Practices in Selected Agencies*, June 2007, p.1

⁵⁸⁷ *ibid.*

⁵⁸⁸ *ibid.*

⁵⁸⁹ *ibid.*, p.2

⁵⁹⁰ *ibid.*, pp.1-2

⁵⁹¹ *ibid.*, p.36

⁵⁹² *ibid.*

4.1.2 Audit findings and recommendations

The Auditor-General found that all contracts examined had established the need to procure goods and services, undertaken an analysis of procurement options and met the tendering requirements.⁵⁹³

The Auditor-General identified good practice for six key stages of procurement. They were:⁵⁹⁴

- identifying the goods needed to be procured;
- specifying what will be procured;
- meeting tendering requirements;
- evaluating the bids;
- assuring a quality procurement process; and
- monitoring and evaluation of contractor performance.

Of the 64 contracts sampled, 15 contracts were then compared with the better practice for six key stages of procurement, above, to determine how well procurement was undertaken. The Auditor-General determined that six contracts met all six of the good practice requirements above.⁵⁹⁵

Documentation for the remaining nine contracts was incomplete, and the Auditor-General concluded that it was not clear whether the six stages of procurement had been followed or if inadequate documentation had been kept.⁵⁹⁶

The Auditor-General found that monitoring and evaluating contractor performance was the procurement stage that required the most improvement across the agencies reviewed. The Auditor-General made two recommendations aimed at agencies involved in procurement. They were that:⁵⁹⁷

- agencies clearly specify contractor performance and key deliverables to allow them to assess contractor performance before making payments and when deciding whether to extend, vary or re-engage contractors; and
- agencies keep reliable records of procurement activities to support the decisions and actions made.

The Auditor-General also recommended that the Department of Sustainability and Environment (DSE) undertake the following actions:⁵⁹⁸

- review procurement policies and guidelines under the *Project Development and Construction Management Act 1994* to take into account better practice identified by the Auditor-General; and
- provide guidance and training to agencies on the relevant procurement activities.

⁵⁹³ *ibid.*, p.2

⁵⁹⁴ *ibid.*, pp.2-3

⁵⁹⁵ *ibid.*, p.2

⁵⁹⁶ *ibid.*, p.3

⁵⁹⁷ *ibid.*, p.5

⁵⁹⁸ *ibid.*

The Committee was informed by DSE that machinery of government changes have resulted in planning functions now being undertaken by the Department of Planning and Community Development (DPCD).⁵⁹⁹

In regards to the Construction Supplier Register (CSR), the Auditor-General concluded that it was unclear what criteria were used for pre-qualifying consultants. Apart from the Office of Housing, users of the CSR did not regularly provide feedback on the performance of suppliers engaged from the CSR.⁶⁰⁰

As a result, the Auditor-General made the following recommendations in relation to the CSR:⁶⁰¹

- that users be provided with the criteria used for pre-qualifying consultants; and
- that DOT work with agencies to identify and address barriers to submitting performance reports.

4.2 Agency implementation

As discussed above, the Auditor-General made two recommendations aimed at agencies examined as part of the audit. The Committee sought written comment from all agencies on the implementation of the recommendations. These are discussed below in more detail.

4.2.1 Department of Education and Early Childhood Development

The Department of Education and Early Childhood Development (DEECD) has informed the Committee that they have an intranet site that assists staff involved in tendering and procurement of non-construction goods and services. Following the Auditor-General's report, DEECD added extra information to their intranet site to highlight the findings of the Auditor-General as well as a link to the Auditor-General's report *Public Sector Procurement: Turning Principles into Practice*.⁶⁰²

The Department report that their intranet site provides a range of checklists to ensure staff understand what should be included in a tender specification and a contract management file. As well, DEECD report that they provide training for staff involved in tendering and contracting. These workshops provide staff with specific information on:⁶⁰³

...contractor performance standards and key deliverables within the specification of Departmental Request for Tender documentation, and advise that contractor performance is to be assessed before payments are made, contracts are extended or varied, and contractors re-engaged.

⁵⁹⁹ Mr P. Harris, Secretary, Department of Sustainability and Environment, letter to the Committee, received 27 January 2009, p.3

⁶⁰⁰ Victorian Auditor-General's Office, *Contracting and Tendering Practices in Selected Agencies*, June 2007, p.4

⁶⁰¹ *ibid.*, p.5

⁶⁰² Department of Education and Early Childhood Development, letter to the Committee, received 27 January 2009, p.3

⁶⁰³ *ibid.*, p.3

4.2.2 Department of Human Services

The Department of Human Services (DHS) stated that the contracts examined by the Auditor-General were assessed as good practice, meeting the six criteria specified by the Auditor-General. DHS also stated that the Auditor-General found there were adequate processes for monitoring contractor and consultant performance in DHS.⁶⁰⁴ As such, DHS did not specify whether they have made any improvements or changes to documentation following this audit.

In regards to the Auditor-General's second recommendation, that agencies keep records of all activities to support decisions made, DHS informed the Committee that the Office of Housing engages a probity advisor who has an active involvement through the tender process and sees it through to when the contract is let.⁶⁰⁵

4.2.3 Department of Justice

The Department of Justice (DOJ) reports that both of their contracts reviewed by the Auditor-General were found to meet the six better practice criteria specified by the Auditor-General. DOJ report that their existing guidance on procurement at the time was based on better practice available. Since then, DOJ reports that they have enhanced their guidance with the addition of a contract management framework in 2007.⁶⁰⁶

In addition the Department reports they have procurement performance measurement guidelines to provide information on setting performance measures for contracts and they include performance indicators and measures in all contracts as a basic requirement. Payments are authorised by contract managers and the framework advises contract managers to consider performance monitoring, reporting requirements and whether the service has been provided in accordance with the contract before payment is made. Consideration is given to contractor performance when deciding whether to re-engage, extend or vary contracts.⁶⁰⁷

In regards to record keeping, DOJ report they have a document and records management policy that outline the key requirements that staff must comply with. The contract management framework also includes a checklist for contracts that provide information to contract managers on what documents must be kept on file. In addition, DOJ has a corporate procurement area that keeps all original documentation.⁶⁰⁸

⁶⁰⁴ Ms F. Thorn, Secretary, Department of Human Services, letter to the Committee, received 20 January 2009, pp.2-3

⁶⁰⁵ *ibid.*, p.3

⁶⁰⁶ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 31 January 2009, p.10

⁶⁰⁷ *ibid.*, pp.10-11

⁶⁰⁸ Ms P. Armytage, Secretary, Department of Justice, letter to the Committee, received 31 January 2009, p.11

4.2.4 Department of Transport

The Department of Transport (DOT) reports that they have made changes to their tender documentation following the Auditor-General's report. Contractor standards have been included in all tender documentation. As well DOT report that their standard documents contain provisions to record contractor performance standards and payments are made against an invoice on acceptance of deliverables or achievement of milestones and the contract manager assesses performance before authorising payment.⁶⁰⁹

DOT report that they have introduced a mechanism for sharing information between projects in the Infrastructure Projects Division and this is now being rolled out across the Department. As well DOT report that they consider past performance of the contractor as a standard evaluation criterion in tender projects. To assess whether to extend, vary or re-engage contractors, project managers are required to provide reasons, including an analysis of contractor performance to the departmental delegate.

To maintain appropriate records, DOT reports that they have a number of systems including:

- using the departmental Contracts Managements System;
- using the Accredited Purchasing Unit to record procurement decisions;
- recording information on the financial database; and
- using TRIM, the records management database to keep records.

4.2.5 Ambulance Victoria

Ambulance Victoria (AV) reports that their procurement practices were also identified by the Auditor-General as being good practice. They have centralised their tendering practices to ensure consistency with tendering. As a result of the Auditor-General's report, AV made no direct changes to their tender documentation, however report that they continually review their tender practices.⁶¹⁰

In regards to contractor standards and performance, AV stated that standards are placed in all tender documentation. Contract managers then are responsible for ensuring that AV adheres to the terms of the contract and that all performance monitoring is undertaken. AV also report that prior to extending or varying contracts, a number of factors are considered including the performance of the contractor.⁶¹¹

In regards to record keeping, AV report that their centralised tendering process assists to ensure that all documentation is maintained to a high standard. As well, AV noted that their documentation was found by the Auditor-General to be comprehensive.⁶¹²

⁶⁰⁹ Mr J. Betts, Secretary, Department of Transport, letter to the Committee, received 27 January 2009, p.6

⁶¹⁰ Mr G. Sassella, Chief Executive Officer, Ambulance Victoria, letter to the Committee, received 30 January 2009, p.2

⁶¹¹ *ibid.*

⁶¹² *ibid.*, p.3

4.2.6 Metropolitan Fire and Emergency Services Board

The Metropolitan Fire and Emergency Services Board (MFESB) reports that they did not change their tender documentation as a result of the audit as they already have KPIs included in tender and contract documentation. Tenders are reviewed against the procurement policy by the tender evaluation team prior to being approved, which requires that KPIs be included.⁶¹³

MFESB report that the relevant contract manager will assess contractor performance and the goods or services received before approving an invoice for payment. MFESB report for building works, they have independent contractors to assess and sight construction works and make a recommendation on whether payment should be made. Contractor performance is also reviewed by MFESB prior to considering options to extend a contract or re-engage a contract. Should the performance not be satisfactory, MFESB reports that they would re-advertise a new tender.⁶¹⁴

In terms of maintaining documentation, MFESB reports that they have a policy which is outlined to staff and documentation is kept both in hard copy and electronic copy. MFESB also report that they undertake internal audits to ensure documentation is maintained in accordance with policies.⁶¹⁵

4.2.7 Victoria Police

In its response to the Committee, Victoria Police stated that they are currently improving their procurement practices. In 2006, Victoria Police established the Procurement Management Division to oversee all procurement policy and procedures. Victoria Police report that their procurement framework is being strengthened at present by the following actions:⁶¹⁶

- a review of procurement policy and procedures;
- the development of four corporate strategies;
- the introduction of the Procurement Education Framework to provide training to staff in good procurement practices;
- increasing the number of employee procurement practitioners; and
- the planned development or sourcing of an IT system to assist in contract management.

As Victoria Police is currently in the process of revising all its procurement documentation,⁶¹⁷ the Committee expects that revised documentation will be in accordance with good practice identified by the Auditor-General and in accordance with Victorian Government Purchasing Board guidelines.

In regards to ensuring they have appropriate documentation, Victoria Police have informed the Committee that they have enhanced their financial reporting system to capture and report on data regarding commercial contracts, in addition to the planned development or sourcing of an IT system.⁶¹⁸

⁶¹³ Melbourne Fire and Emergency Services Board, response to the Committee, received 31 January 2009, p.2

⁶¹⁴ *ibid.*, pp.2-3

⁶¹⁵ *ibid.*, p.3

⁶¹⁶ Victoria Police, response to the Committee, received 31 January 2009, p.2

⁶¹⁷ *ibid.*, p.3

⁶¹⁸ *ibid.*

4.5 Conclusion

The Committee notes that as a result of the Auditor-General's recommendations, a number of agencies have implemented improvements to its contract and tendering practices. The Committee noted that Victoria Police is undertaking a vast range of activities to improve its procurement activities. The Committee is of the view that it is unable, via this review, to offer reasonable assurance that agencies have improved their contracting and tendering frameworks. Therefore, the Committee has recommended that the Auditor-General undertake regular cross agency audits of procurement processes.

The Committee found that DPCD has undertaken to implement the recommendations made by the Auditor-General, and is still in the process of producing information for a webpage to provide guidance on procurement policy and practice for public construction.

In regards to the CSR, the Committee found that DOT has informed users of the CSR as to the criteria for pre-qualification. However, the Committee was of the view that while DOT has received informal feedback as to why users do not submit performance reports, the Department needs to implement strategies to ensure users of the CSR submit performance reports.

APPENDIX 1: RESPONSES FROM AGENCIES AND THE MINISTER FOR FINANCE TO THE RECOMMENDATIONS MADE BY THE AUDITOR-GENERAL

1.1 Justifying the recommended level of funding relative to the projected net benefits – a more evidence-based approach (Recommendation Nos. 1.1 and 4.1)

1.1.1 Response from agencies included in Auditor-General's report

In its response to the Auditor-General's report, the Department of Innovation, Industry and Regional Development (DIIRD) agreed that in many cases detailed pre-event evidence-based justification was difficult to obtain. As noted by the Auditor-General, assessment of major event submissions to date had been against the broad criteria outlined in the MEAS, with the information required being 'comprehensive and providing a sound basis for pre-event decision-making'. These criteria included economic impact, international profile, community and social impact, calendar fit, consistency with Government priorities, risk and budget. The rationale for these criteria was to provide Major Events Cabinet Committee (MECC) with a decision making process from which to assess requests for major event support.

DIIRD confirmed that it would work with the Victorian Major Events Company (VMEC) and other agencies to provide the MECC with comprehensive and accurate information and to ensure that the MEAS process continued to be an effective tool for decision-makers in the context of an extremely competitive and professional global market where event owners often demanded a very tight bidding process.⁶²⁷

VMEC indicated that the key findings of the Auditor-General's report confirmed that MEAS was a comprehensive and sound evaluation tool. Developed to brief the MECC, the MEAS contains both qualitative and quantitative criteria, so as to provide rigorous and holistic advice regarding an event's potential value to Victoria. The Auditor-General was advised that VMEC currently assesses potential events for Victoria based on the Strategic Framework for Major Events established by government in 2000.

The VMEC also stated in its response that it would work with other government agencies to introduce any changes to the future MEAS process to ensure MECC receives cost effective and timely advice which takes account of the size and nature of the proposed event.⁶²⁸

1.1.2 Response in the Minister for Finance's report

In echoing some of the comments provided by DIIRD in its response to the audit DIIRD, in conjunction with VMEC, Department of Treasury and Finance (DTF) and Department of Premier and Cabinet (DPC), had already commenced a project to enhance the assessment and evaluation (pre and post-event) process, including improvements to the MEAS.⁶²⁹

⁶²⁷ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.26

⁶²⁸ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.27

⁶²⁹ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.89

1.2 *Developing cost effective strategies to address critical information shortfalls (Recommendation Nos. 1.2 and 4.2)*

1.2.1 *Response from Victorian Major Events Company included in Auditor-General's Report*

In responding to the Auditor-General's report, the VMEC supported the Auditor-General's proposition that the framework for the 'assessment, approval and evaluation of major events was generally sound'. It went on to say that it had a rigorous and multi-layered approach to major event analysis and would work with government agencies to ensure that comprehensive and accurate information continued to be provided to the MECC.⁶³⁰

1.2.2 *Response in the Minister for Finance's report*

The response revealed that DIIRD, in conjunction with VMEC, DTF and DPC, had already commenced a project to enhance the assessment and evaluation (pre and post-event) process which included improvements to the MEAS. Improvements were being made to the MEAS to ensure it contained the information necessary for MECC to accurately consider funding major events.⁶³¹

1.3 *Assessing significant potential risks and effectiveness of risk management strategies (Recommendation Nos. 1.3 and 4.3)*

1.3.1 *Response from agencies included in Auditor-General's report*

DIIRD indicated that it would work with other agencies to establish more rigorous risk analysis similar to those required across government for business cases for funding bids of programs and projects. As part of this process, account would be taken of the scale and nature of each event.⁶³²

VMEC in its response pointed out that it assessed potential events for Victoria based on the Strategic Framework for Major Events, which included an assessment of potential risks and the subsequent requirements of the State Government, developed through MECC. A commitment was given that VMEC would continue to consult with relevant government departments with respect to the assessment of potential risks.⁶³³

⁶³⁰ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.27

⁶³¹ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.89

⁶³² Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.26

⁶³³ *ibid.*, p.27

1.3.2 Response in the Minister for Finance's report

DIIRD reiterated the comments provided above whereby, as part of the project to enhance the assessment and evaluation process, DIIRD was working with VMEC and other agencies to put in place more rigorous risk analysis similar to those required across government for business cases for funding bids of programs and projects. An appropriate level of analysis would be required, with account taken of the scale and nature of the event.⁶³⁴

1.4 **Preparing economic impact statements with more rigor and transparency – economic effects and assumptions (Recommendation Nos. 1.4 and 6.1)**

1.4.1 Response from agencies included in Auditor-General's report

In its response the DIIRD stated that it would work with DTF, VMEC and other relevant agencies to prepare guidelines to assist in the economic assessment of major events.⁶³⁵

The Auditor-General was informed that VMEC, in conjunction with the relevant government departments, welcomed further discussion and debate around the most suitable models for economic impact assessment. In doing so, VMEC advised that all economic impact assessment methodologies had strengths and weaknesses that stemmed from the varied assumptions and methodologies that underpinned them and all were (and should be) the subject of ongoing assessment. VMEC went on to say that while the events industry, both nationally and internationally, had not agreed on a single model, VMEC had been involved in this debate, both formally and informally, for some time.

VMEC also indicated that the current economic assessment model generally used in Victoria had been carried out by reputable independent experts, who possessed considerable experience in major event economic benefit analyses and had performed studies interstate and overseas. The use of a consistent model had enabled comparison of economic benefit of an individual event over time and between different events.

VMEC gave its support to the work of other government agencies to continue to ensure appropriate economic impact assessment reports are prepared for major events.⁶³⁶

1.4.2 Response in the Minister for Finance's report

As part of improvements being made to the assessment and evaluation process, DIIRD advised it would work with DTF, VMEC and other relevant agencies to develop guidelines and tools to assist in the economic assessment of major events to ensure they are more rigorous and transparent.⁶³⁷

⁶³⁴ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.89

⁶³⁵ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.56

⁶³⁶ *ibid.*, p.57

⁶³⁷ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, pp.90 and 190

1.5 Broadening post-event assessments, where practicable, to include social and environmental factors (Recommendation Nos. 1.5 and 6.2)

1.5.1 Response from agencies included in Auditor-General's report

DIIRD agreed that triple-bottom-line assessment was of value to evaluation. While noting the Auditor-General's acknowledgement that there was currently no uniformly agreed approach, DIIRD stated that it would continue to work within this constraint to research and develop an approach to this form of evaluation.⁶³⁸

VMEC welcomed the introduction of triple bottom line assessments for particular events and indicated that it had for some time promoted the value this would bring to the evaluation process. The VMEC went on to say that since its inception in 2000, the current MEAS framework had required that social and environmental factors be considered, as well as any economic and media exposure benefits of major events.

The VMEC also pointed out that, while a significant amount of work had been undertaken in Australia and overseas to create workable model, as noted by the Auditor-General, there was currently no uniform agreed approach.

Given that VMEC had been part of a national advisory panel dealing with the objective of developing triple-bottom-line methodologies, evidence and measurement indicators, the development and implementation of a practicable and cost-effective triple-bottom-line assessment was supported by the VMEC.⁶³⁹

1.5.2 Response in the Minister for Finance's report

DIIRD noted that triple bottom line assessment was of value to evaluation. In noting the Auditor-General's acknowledgement that there was currently no uniformly agreed approach, DIIRD confirmed that they would continue to work within this constraint to research and develop an approach to this form of evaluation.⁶⁴⁰

1.6 Establishing a program to assess the social and environmental impacts of major events (Recommendation Nos. 1.9 and 7.3)

Responses contained in report. Refer to above response for details.

1.6.1 Response in the Minister for Finance's report

DIIRD advised that, as part of its work to improve the assessment and evaluation process, was looking into incorporating a triple bottom line approach to assess the impact of major events.⁶⁴¹

⁶³⁸ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.56

⁶³⁹ *ibid.*, p.57

⁶⁴⁰ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.90

⁶⁴¹ *ibid.*, p.92

1.7 Assessing the effectiveness of risk management and continuous improvement arrangements (Recommendation Nos. 1.6 and 6.4)

1.7.1 Response from agencies included in the Auditor-General's report

DIIRD gave an assurance that to complement the pre-event risk management analysis enhancements, and in line with recommendations to improve post-event assessments, the effectiveness of risk management and continuous improvement arrangements would also be addressed.⁶⁴²

VMEC advised that as part of their contractual obligations, the majority of major events submitted and reported against their risk management strategies and operations plans, as part of their standard management and reporting. VMEC endorsed this work being addressed through the post-event assessment.⁶⁴³

1.7.2 Response in the Minister for Finance's report

DIIRD reiterated its response above.⁶⁴⁴

1.8 Reconciling pre-event assessments and post-event results (Recommendation Nos. 1.7 and 6.5)

1.8.1 Response from agencies included in the Auditor-General's Report

DIIRD agreed to work with VMEC and other relevant agencies to ensure that timely and cost efficient pre and post-event reconciliations are prepared in future.⁶⁴⁵

VMEC stated in its response that while it currently provides a post-event presentation to MECC, it supports the reconciliation of these results.⁶⁴⁶

1.8.2 Response in the Minister for Finance's report

DIIRD reiterated its response above.⁶⁴⁷

1.9 Developing guidelines for the economic assessment of major events (Recommendation nos. 1.8 and 7.1)

1.9.1 Response from agencies included in the Auditor-General's report

⁶⁴² Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.56

⁶⁴³ *ibid.*, p.57

⁶⁴⁴ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.90

⁶⁴⁵ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.56

⁶⁴⁶ *ibid.*, p.58

⁶⁴⁷ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.91

In its response, DTF conveyed its support for the preparation of guidelines to assist in the economic assessment of major events.⁶⁴⁸

DIIRD indicated in its response that it would work with DTF, VMEC and other relevant agencies to prepare guidelines to assist in the economic assessment of major events. In declaring that such action would take place, the Department conveyed the importance being aware of the need to develop guidelines appropriate to the scale and nature of events, and to account for the measurement of brand and destination awareness benefits to the state.⁶⁴⁹

Feedback from VMEC welcomed an ongoing discussion and analysis of the economic impact assessment of events based on the level of government funding provided and the expected effects on the economy. VMEC pointed out that such discussion should also consider other government objectives in investing in major events, namely branding and reputation benefits that flow from the generation of national and global media exposure for Melbourne and Victoria.

To develop of an industry-relevant national model, VMEC expressed the view that it would be valuable to consult with other Australian States and the event sector before adopting the most appropriate economic impact assessment model for each type of event.

Similar to DTF and DIIRD, VMEC also pledged its support for the work of other government agencies to ensure appropriate economic impact assessment reports are prepared for major events.⁶⁵⁰

1.9.2 Response in the Minister for Finance's report

As part of improvements being made to the assessment and evaluation process, DIIRD reiterated the response above.⁶⁵¹

⁶⁴⁸ Victorian Auditor-General's Office, *State Investment in Major Events*, May 2007, p.65

⁶⁴⁹ *ibid.*

⁶⁵⁰ *ibid.*

⁶⁵¹ Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports issued during 2006-07*, December 2007, p.91

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
<p><i>Go for your Life</i> Health Promoting Communities: Being Active and Eating Well</p>	<p>An external evaluation by Deakin University of six <i>Go for your life</i> Health promoting communities: Being Active and Eating Well (BAEW) community demonstration projects from 2006-2010 jointly funded by the Department of Human Services and Department of Planning and Community Development.</p> <p>The projects address health inequalities and environmental determinants underpinning insufficient physical activity and unhealthy eating. A range of settings are being utilised to create environments that support healthy behaviour in each of the community demonstration projects. These include schools, senior citizens clubs, nursing homes, workplaces, sport and recreation venues, early childhood services, community houses and homes.</p> <p>Five of the community demonstration projects, based in rural Victoria and metropolitan Melbourne, are each targeting specific population groups, from infants to over 50 years of age. A sixth project targets an Aboriginal community.</p> <p>The projects are being evaluated for impact on healthy eating and physical activity behaviours, change in environments, policy, organisational behaviour and Body Mass Index (BMI).</p>	<p>\$4.52m (4 years)</p>

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
Fun 'n' healthy in Moreland	<p>The <i>Fun 'n' Healthy in Moreland</i> project is a school-community based intervention promoting healthy eating choices, increased physical activity levels and improved social health and well-being for children and families in the city of Moreland.</p> <p>The Moreland Community Health Service and Deakin University are working in partnership with the local community of the City of Moreland on this flagship community development project. The project will address the issue of child overweight and obesity by working closely with school communities to develop multi-level interventions guided by the limited evidence available. In contrast to many school-based projects, an extensive research component will be incorporated to evaluate the physical, environmental, social, behavioural and financial impacts and outcomes of the interventions. In doing so it aims to achieve sustainable, positive change for the Moreland community, work within national frameworks (<i>Healthy Weight 2008</i>) to improved the health of Australian children, and provide a unique and significant contribution to the limited international evidence-base for preventing childhood obesity.</p> <p>Data collection includes food and physical activity environment, staff knowledge of healthy eating and physical activity guidelines, BMI z-score, physical activity levels, dietary and physical activity knowledge and attitudes, child health and wellbeing, children's eating and physical activity behaviours and financial expenditure and time use associated with child and household physical activity and food.</p> <p>The project will be completed and final results available in 2010.</p>	\$1.1m (5 years)

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
It's Your Move	<p><i>It's Your Move!</i> aims to promote healthy eating patterns, regular physical activity and healthy bodies amongst youth attending five high schools in the East Geelong – Bellarine District over the next three years. This is an important initiative focussing research on the needs of teenagers.</p> <p>Project objectives include building the capacity of families, schools, and community organisations to promote healthy eating and physical activity, achieving a high awareness of the project's key messages, evaluating the process, impact and outcomes. Changes are sought in a wide range of behaviours linked to healthy eating and physical activity.</p> <p>A comprehensive evaluation is being undertaken covering all aspects of the project data in relation to changes in school environments and operations, student and staff knowledge (including information regarding body image) and health outcomes including changes in Body Mass Index (BMI).</p> <p>The project will be completed and final results available in 2010.</p>	\$0.93m (5 years)
Strategy for Physical Activity and Nutrition in Victorian Indigenous Communities	<p>This participatory action research project is being conducted by the Victorian Aboriginal Community-Controlled Health Organisation (VACCHO). The project is designed to involve Aboriginal Victorians in the development of nutrition and physical activity initiatives that will work.</p> <p>The goal of VACCHO's Nutrition and Physical Activity Action Plan is by 2010 to strengthen existing programs and introduce new programs aimed at increasing physical activity and healthy eating with the long-term aim of reducing overweight and obesity, and thus decrease conditions such as diabetes mellitus and cardiovascular disease.</p> <p>Eight nutrition and physical activity initiatives will be planned, implemented and evaluated to further contribute to knowledge of what works. Initiatives will include investigating structural changes that support healthy eating and physical activity such as improved food access and supply to Indigenous Victorians, a built and natural environment to support physical activity and addressing the underlining health inequalities and cultural factors that impact on healthy eating and physical activity.</p> <p>These priority areas of action build on the new Health Promotion priorities for Victoria for 2007-2012. The overarching aim of the health promotion priorities is to improve overall health and reduce health inequalities, which are particularly prevalent amongst the Victorian Aboriginal community.</p>	\$0.14m (2 years)

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
Strengthening Evaluation of Public Health Programs	<p>To improve the evaluation of health promotion programs funded by DHS, particularly in relation to healthy eating, physical inactivity and obesity, a research project has been commissioned to Strengthen the Evaluation of Public Health Programs – using evaluation of the physical activity and healthy eating health promotion evidence papers (in development) as an example. Monash University is undertaking this work. The evaluation plans will include:</p> <p>The program logic/relationships between key activities to be undertaken and the outcomes they are intended to achieve.</p> <p>Key indicators to measure the impacts and outcomes.</p> <p>Specification of appropriate tools (e.g. questionnaires) to measure impacts and outcomes.</p> <p>Appropriate methodology to determine the success of the action plan and interventions, including study design, sample size, methods of data collection and data analysis techniques.</p> <p>Consideration of how results of the evaluation/s could be disseminated.</p> <p>The outcomes of this work will guide the evaluation of healthy eating and physical activity policy position papers to enable future program development.</p> <p>To be completed in June 2009.</p>	\$0.97m (1 year)
VicHealth		
AFL Victoria – Violence Against Women	Project to support development and implementation of education and training material, policies and procedures and organisational resources to reduce Violence Against Women. National, State and local level football clubs will be the sites for implementation. The Community Attitudes Survey and scoping work conducted by Rob Donovan will support development of this work.	\$0.5m (2 years)

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
University of Ballarat – Girls Rural Participation in Sport and Active Recreation	<p>This project is aimed at young women residing in rural and regional Victoria:</p> <ul style="list-style-type: none"> to determine the relative influence of social, psychological and environmental factors (including degree of rurality of residence) on the participation of young women in sport and physical activity; to identify the main reasons young women drop out of sport and physical activity; to determine differences in the participation of young women in sport and physical activity in terms of location (in particular related to geographic isolation), type of schooling, family socio-economic status and ethnicity on patterns of participation in sport and physical activity; and to develop recommendations for the enhancement of young women's participation in sport and physical activity and reduce drop out from sport and physical activity. <p>By examining the differences between various demographic groups (e.g. independent and public schools, location in rural Victoria and socio-economic status) recommendations can be targeted at specific sub-population groups.</p>	\$66,000 (3 years)
University of Ballarat – Sport Program Research	This project aims to build on research undertaken during the 3 year evaluation of the Partnerships for Health (PfH) and Participation in community Sport and Active Recreation (PICSAR) Schemes.	\$100,000 (2 years)
Sport and Recreation Victoria – Department of Planning and Community Development – Exercise and Recreation and Sport Study (ERASS) survey	The Victorian oversample of the Exercise, Recreation and Sport Survey is a joint initiative between VicHealth and Sport and Recreation Victoria, Department of Planning and Community Development to address the issues of collecting adequate data to plan, evaluate and monitor interventions to increase community participation in physical activity.	\$145,000 (5 years)
La Trobe University – ARC Linkage Grant	The aim of the research project is to identify the impact of participation in community sport and active recreation on community wellbeing. Community wellbeing within the context of this project refers to social inclusion and connectedness.	\$75,000 (3 years)
Deakin University – ARC Linkage Grant	To show how low income and relative poverty impact on individual and household ability to purchase healthy foods and explain unhealthy food purchases.	\$75,000 (3 years)
Deakin University – Centre for Physical Activity and Nutrition – Data Analysis and Community Liaison	The aim of this project is to more fully examine the plethora of data generated by public/population health research projects to address key questions relevant to the promotion of healthy eating and physical activity and to more widely disseminate the findings of this work.	\$100,000 (3 years)

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
Research Fellowship – David Dunstan	This research program will examine the relationships between sedentary behaviour and the development of lifestyle-related health conditions in older adults. It will also examine the effectiveness of targeted prevention strategies designed to reduce sedentary behaviour and increase physical activity and ultimately reduce premature morbidity and mortality in this age group.	\$525,000 (5 years)
Research Fellowship – David Crawford	This research aims to understand the underlying drivers of the obesity epidemic, and seeks to identify strategies to promote healthy eating, increase physical activity and prevent obesity in children and their families.	\$650,000 (5 years)
Research Fellowship – Dr Anna Peeters	Long-term implications of the increasing prevalence and duration of obesity for health in Australia: This fellowship aims to comprehensively describe the burden of obesity through the lifetime experience of disease and disability as a basis for prioritisation for interventions.	\$525,000 (5 years)
Research Fellowship – Dr Karen Campbell	Supporting parents to promote children's healthy eating – an exploration of the home environment.	\$525,000 (5 years)
Research Fellowship – Dr Anna Timperio	Critical Windows: Understanding Transitions in Children's and Adolescent's Eating, Physical Activity and Risk of Obesity. This study will provide insights to inform policy and practice in schools, the community, local government and families. The results will be helpful to the health authorities in their efforts to develop strategies to enhance healthy eating and physical activity among children, and thus reduce risk of obesity at a time of increased risk.	\$500,000 (5 years)
Research Fellowship – Dr Cate Burns	The research will comprise an ecological study of the local food environment in which the target populations live, a survey of local shopping habits and ethnographic studies of food culture, consumption and beliefs and values of women living on the pension and migrant women from specific ethnic groups. This research will provide data to inform and improve programmes to prevent obesity in these high-risk and hard-to- reach populations.	\$525,000 (5 years)
Research Fellowship – Dr Bebe Loff	Health inequalities, Governance and Participation – examining the legal and broader regulatory environment to determine future strategies for policy and law reform.	\$650,000 (5 years)
Research Fellowship – Bruce Hollingsworth	Dr Bruce Hollingsworth. The focus of this research is on determinants of individual's lifestyle, activities and the impact on health. The aim is to inform public health policy so disadvantaged groups can be supported to achieve health and wellbeing.	\$400,000 (5 years)

APPENDIX 2: State Government Healthy Eating and Physical Activity Research Projects currently funded by DHS, VicHealth, DPCD and DEECD

Name of Project	Description	Funding (\$)
Department of Human Services		
Research Scholar – Ms Tania King	This study seeks to understand how the built environment in areas of SES is associated with levels of physical activity and obesity. Ultimately the study aims to ascertain whether the way our suburbs are planned and built could explain some of the area differences in overweight and obesity.	\$65,000 (3 years)
Research Scholar – Ms Catherine Lombard	Ms Catherine Lombard. This scholarship aims to determine the contribution of individual lifestyle components to physical and mental wellbeing in women in mid life; and to develop and test a multifaceted, sustainable, cost effective health promotion strategy to improve physical and mental wellbeing in women.	\$63,000 (3 years)
Programmatic Support – Policy , Strategy and Information		
Parents Jury	The project is web-based network of parents with the aims to provide a platform for parents to have a voice and contribute to improving the food and physical activity environments for children.	\$50,000 (3 years)
Obesity Prevention Coalition	The role of the Coalition is to identify, analyse and advocate for improved policy and regulatory environments for healthy eating; with a specific focus on food marketing aimed at children.	\$360,000 (3 years)
Department Of Education And Early Childhood Development		
Understanding of Confectionery	Research to develop the definition of confectionery as it relates to the School Canteen and other School Food Services Policy. Results of the research will be used to inform policy and develop guidelines for schools to assist them to implement the policy.	\$15,000
Kitchen Garden Project with Stephanie Alexander	The Stephanie Alexander Kitchen Garden Foundation has sought external funding to undertake an evaluation of the project. DEECD is supplementing this funding to evaluate the impact of the program on the broader school community.	\$20,000
Department Of Planning And Community Development		
Research Activities	OSV in partnership with the Department of Human Services (DHS) has contributed funds to the 'Go for your life' Health Promoting Communities – Being Active and Eating Well research projects being led by the Department of Human Services (DHS). The outcomes of these projects will be used to inform further community based activity providing models and programs suited to the Victorian context. DHS is providing a detailed response.	

APPENDIX 3: ACRONYMS AND ABBREVIATIONS

ACEM	Australasian College for Emergency Medicine
AGPC	Australian Grand Prix Corporation
AHPACC	Aboriginal Health Promotion and Chronic Care
ARTC	Australian Rail Track Corporation
AV	Ambulance Victoria
CAS	Complaints Actioning System
CATI	Computer Assisted Telephone Interview
CBA	Cost benefit analysis
CEO	Chief Executive Officer
CFAO	Chief Finance and Accounting Officer
CHS	Community Health Service
COAG	Council of Australian Governments
The Court	The Magistrates' Court of Victoria
CSR	Construction Supplier Register
DEECD	Department of Education and Early Childhood Development
DHS	Department of Human Services
DIIRD	Department of Innovation, Industry and Regional Development
DOJ	Department of Justice
DOT	Department of Transport
DPC	Department of Premier and Cabinet
DPCD	Department of Planning and Community Development
DPI	Department of Primary Industries
DSE	Department of Sustainability and Environment
DTF	Department of Treasury and Finance
EFT	Effective Full-Time
ERASS	Exercise and Recreation and Sport Study

ESC	Essential Services Commission
FAL	Freight Australia Limited
FMCF	Financial Management and Compliance Framework
FVL	Freight Victoria Limited
GLYL	Go For Your Life
KPIs	Key performance indicators
MEAS	Major Events Assessment Statement
MECC	Major Events Cabinet Committee
MFESB	Metropolitan Fire and Emergency Services Board
MPHPs	Municipal Public Health Plan
MRRG	Maintenance and Renewal Review Group
MTI	Metropolitan Train Infrastructure
NHPA	National Health Priority Area
NIEIR	National Institute of Economic and Industry Research
OECD	Organisation for Economic Co-operation and Development
OFY	Office For Youth
OSV	Office of Senior Victorians
PCP	Primary Care Partnership
PTSV	Public Transport Safety Victoria
SRV	Sport and Recreation Victoria
VAGO	Victorian Auditor-General's Office
VEMD	Victorian Emergency Minimum Dataset
VicHealth	Victorian Health Promotion Foundation
VMEC	Victorian Major Events Company
VPHS	Victorian Population Health Survey

APPENDIX 4: SUBMISSIONS

Submission No	Date Received	Audit Topic	Contact/Organisation
1	24/10/2008	<i>State Investment in Major Events</i>	Mr David Spokes City of Port Phillip
2	24/10/2008	<i>State Investment in Major Events</i>	Mr Peter Goad Save Albert Park Inc.

APPENDIX 5: LIST OF WITNESSES AT PUBLIC HEARINGS

DATE AND TIME	WITNESSES	AUDIT
Tuesday 25 November 2008		
9.30am to 12.30pm	Victorian Auditor-General's Office Dr P. Frost, Chief Operating Officer Mr P. Stoppa, Director, Performance Audit Mr R. Winn, Director, Performance Audit	<ul style="list-style-type: none"> • <i>State Investment in Major Events</i> • <i>Maintaining Victoria's Rail Infrastructure Assets</i> • <i>Promoting Better Health Through Healthy Eating and Physical Activity</i>
2.00pm to 3.00pm	Department of Premier and Cabinet Mr G. Wilson, Deputy Secretary Department of Treasury and Finance Dr D. Johnson, Director Mr R. Brooker, Assistant Director.	<ul style="list-style-type: none"> • <i>State Investment in Major Events</i>
3.00pm to 5.00pm	Department of Innovation, Industry and Regional Development Mr H. Ronaldson, Secretary Mr G. Hywood, Deputy Secretary Ms D. Jepsen, Director Mr J. Dalton, Director Victorian Major Events Company Mr B. McClements, Chief Executive Officer Ms K. Dickson, Group Manager	<ul style="list-style-type: none"> • <i>State Investment in Major Events</i>
Tuesday 9 December 2008		
9.30am to 10.45am	Department of Transport Mr J. Betts, Secretary Mr R. Pearce, Deputy General Counsel Mr H. McKenzie, Director Mr T. Sargant, Deputy Director	<ul style="list-style-type: none"> • <i>Maintaining Victoria's Rail Infrastructure Assets</i>
10.45am to 12.00pm	Department of Human Services Ms F. Thorn, Secretary Dr C. Brook, Executive Director Dr J. Hyde, Director Ms K. Roger, Acting Assistant Director Ms P. Williams, Director	<ul style="list-style-type: none"> • <i>Promoting Better Health Through Healthy Eating and Physical Activity</i>
1.30pm to 2.45pm	Department of Planning and Community Development Dr P. Hertan, Executive Director Mr J. MacIsaac, Executive Director Mr A. Joseph, Director Mr J. Montgomery, Director	<ul style="list-style-type: none"> • <i>Promoting Better Health Through Healthy Eating and Physical Activity</i>
3.00pm to 4.00pm	Victorian Health Promotion Foundation Mr T. Harper, Chief Executive Officer Ms S. Maher, Acting Director	<ul style="list-style-type: none"> • <i>Promoting Better Health Through Healthy Eating and Physical Activity</i>