

PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



Report on the 2019–20 Budget Estimates

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About the committee

Functions

The Public Accounts and Estimates Committee is a Joint Parliamentary Committee constituted under the *Parliamentary Committees Act 2003* (Vic) (the Act).

The Committee comprises of nine Members of Parliament drawn from both the Legislative Assembly and the Legislative Council.

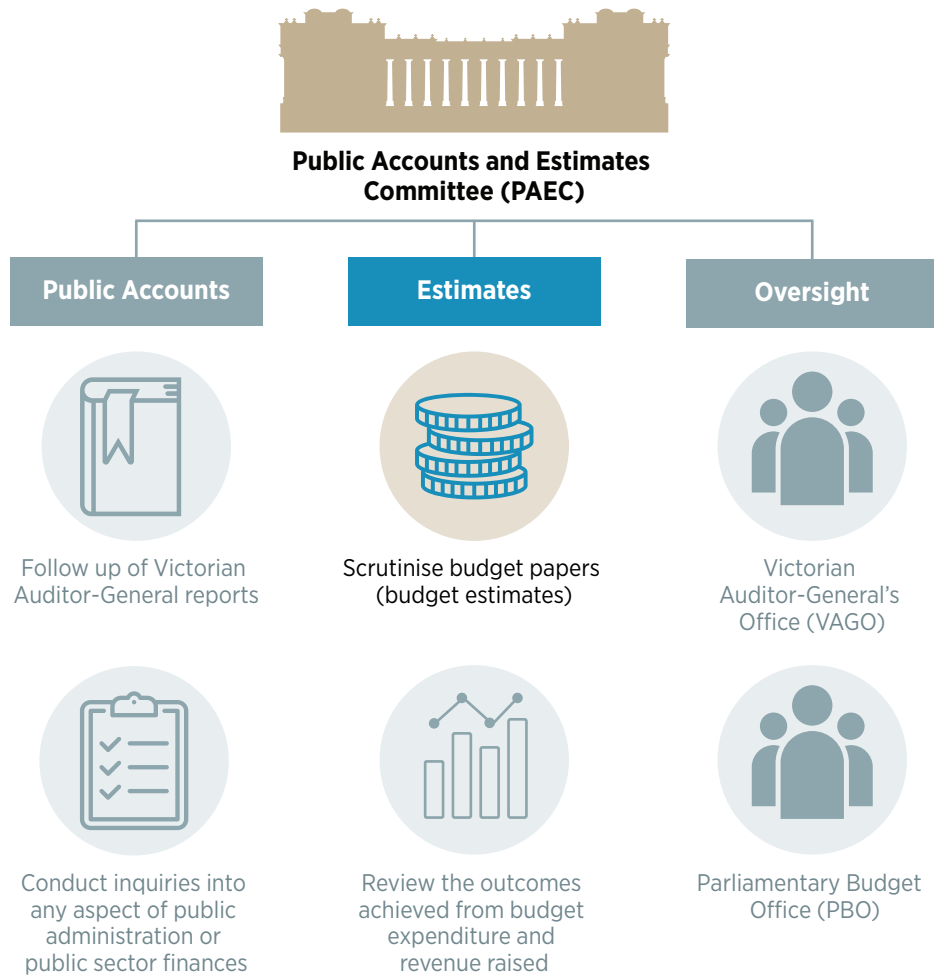
The Committee scrutinises matters of public administration and finance to improve outcomes for the Victorian community. Under the Act, the Committee is required to inquire into, consider and report to the Parliament on:

- 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.

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

- make a recommendation to the Parliament on the appointment of the Auditor-General
- make a recommendation to the Parliament on the appointment of the independent performance and financial auditors to review the Auditor-General and Victorian Auditor-General's Office
- consider the Auditor-General's budget every financial year
- consider the Auditor-General's draft annual plan and audit priorities
- have a consultative role on draft performance audit specifications.

The context of the Committee’s work on the budget estimates is illustrated below.



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This report is available on the Committee's website.

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Acronyms and terms

AASB	Australian Accounting Standards Board
ABS	Australian Bureau of Statistics
ACCO	Aboriginal Community Controlled Organisations
ACMI	Australian Centre for the Moving Image
ACNC	Australian Charities and Not-for-Profits Commission
ALCAM	Australian Level Crossing Assessment Model
AOD	Alcohol and Other Drugs
ARV	Asset replacement value
AS	Australian Standard
ATV	Active Transport Victoria
BBV	Better Boating Victoria
BOF	Budget Operations Framework
CALD	Culturally and linguistically diverse
CPI	Consumer Price Index
CSV	Court Services Victoria
DEDJTR	Department of Economic Development, Jobs, Transport and Resources (former)
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DOT	Department of Transport
DPC	Department of Premier and Cabinet
DPS	Department of Parliamentary Services
DSAPT	Disability Standards for Accessible Public Transport
DTF	Department of Treasury and Finance
ECL	Environmental Contribution Levy
EES	Environment Effects Statement
EGM	Electronic Gaming Machine
EO&C	Electorate Office and Communications
EPA	Environment Protection Authority
ESC	Essential Services Commission
FFT	Family Functional Therapy
FRD	Financial Reporting Direction

Acronyms and terms

FTE	Full Time Equivalent
GAIC	Growth Areas Infrastructure Contribution
GMA	Game Management Authority
GORTO	Grant of a Right to the Operator
GRB	Gender responsive budgeting
GRS	Glass Recovery Services
GRV	Greyhound Racing Victoria
GSF	Growing Suburbs Fund
GSP	Gross State Product
GST	Goods and Services Tax
HVHR	High Value High Risk
IBAC	Independent Broad-based Anti-corruption Commission
ICT	Information and communications technology
IT	Information technology
KJU	Koori Justice Unit
LGA	Local Government Area
LGBTI	Lesbian, gay, bisexual, transgender and/or intersex
LGBTIQ	Lesbian, gay, bisexual, transgender, intersex and/or queer
LH Guidelines	Administrative Guidelines on Engaging Labour Hire in the VPS
LXRP	Level Crossing Removal Project
MAPs	Multi-Agency Panels
MSIS	Mode Shift Incentive Scheme
MST	Multi-systemic Therapy
MWRRG	Metropolitan Waste and Resource Recovery Group
NDIS	National Disability Insurance Scheme
NGV	National Gallery of Victoria
NHHA	National Housing and Homelessness Agreement
NP SAF	National Partnership on the Skilling Australia Fund
OH&S	Occupational Health and Safety
PBO	Parliamentary Budget Office
PFC	Public financial corporations
PMF	Performance Management Framework
PNFC	Public non-financial corporations
PPP	Public Private Partnership
PS Guidelines	Administrative Guidelines on Engaging Professional Services in the VPS
PTV	Public Transport Victoria
R&D	Research and Development
RBS	Relevant building surveyors

RDV	Regional Development Victoria
RJIF	Regional Jobs and Infrastructure Fund
RMF	Resource Management Framework
SERT	Safety and Emergency Response Team
SKM	SKM Recycling
SMOS	Special Minister of State
SPF	Social Procurement Framework
SRS	Schooling Resource Standard
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TEI	Total Estimated Investment
VACAP	Victorian African Communities Action Plan
VADC	Victorian Alcohol and Drug Collection
VAGO	Victorian Auditor-General's Office
VBA	Victorian Building Authority
VCAT	Victorian Civil Appeals Tribunal
VCGLR	Victorian Commission for Gambling and Liquor Regulation
VDO	Victorian Default Offer
VET	Vocational and Educational training
VFA	Victorian Fishing Authority
VGRMF	Victorian Government Risk Management Framework
VHHSBA	Victorian Health and Human Services Building Authority
VI	Victorian Inspectorate
VIEW	Victorian Infringements Enforcement Warrant
VMIA	Victorian Managed Insurance Authority
VPC	Victorian Pride Centre
VPS	Victorian Public Service
VRET	Victorian Renewable Energy Target
VSA	Victims Support Agency
VSBA	Victorian School Building Authority
WAP	Wireless Access Point
WPI	Wage Price Index

Chair's foreword

On behalf of the Parliament, the Public Accounts and Estimates Committee has scrutinised the Government's \$70 billion 2019–20 Budget. In so doing, the Committee's primary aim is to promote the accountability, transparency and integrity of the Executive and the public sector.

The Committee's inquiry report has been tabled in Parliament at an important time. Significant public spending is committed to large infrastructure projects in 2019–20 and over the forward estimates. Victoria's rapidly growing population is placing increased pressure on critical health and education services.

The Committee's 63 recommendations to departments are designed to encourage the effective and efficient delivery of public services and assets and improve understanding of the budget papers.

There are several themes reflected in the Committee's recommendations, including the need to review or establish performance measures and targets for initiatives that are of significant public interest or attract significant funding allocations.

The Committee has highlighted the need for greater clarity regarding the total investment in large capital projects; the use and cost of contractors, consultants and labour hire; and how responsibility and funding for portfolios shared by multiple Ministers is presented in the budget papers. Finally the Committee recommends that several departments undertake further work to ensure baseline data is collected on the representation of people with a disability in their workplaces. The benefits of having a diverse workforce, that reflects the Victorian community, are well established.

The Committee looks forward to receiving the Government's response to its recommendations.

I joined the Committee as Chair after the estimates hearings had concluded. I would like to acknowledge the work of Committee members on this inquiry, particularly during the hearing process. It has been an honour to lead a multi party Committee that takes a systematic and collaborative approach to its work.

Lastly, I would like to thank the Committee Secretariat for their diligent work and sound advice on this inquiry. The support provided by other Parliamentary officers throughout the inquiry process has also greatly facilitated the work of the Committee.



Lizzie Blandthorn MP
Chair

Executive summary

Chapter 2: 2019–20 Budget overview

The 2019–20 Budget is characterised by a substantial public infrastructure program. The total estimated infrastructure investment for the general government sector in 2019–20 is \$61.7 billion, of which \$46.9 billion is attributable to the new Department of Transport.

The 2019–20 Budget forecasts a significant increase in the net debt to Gross State Product ratio, from the current 5.1% to 10% at 30 June 2023. This increase is largely due to: borrowings for the North East Link, Melbourne Airport Rail and the removal of an additional 25 level crossings; and changes in accounting standards. The changes require that certain arrangements such as public private partnerships be brought onto the State's balance sheet and earlier recognition of assets and liabilities on the State's balance sheet.

While the 2019–20 Budget presents a generally steady macroeconomic outlook, risks include: slowing wages growth, a drop in property tax revenue, lower construction activity which means less Goods and Sales Tax revenue, strong population growth and the potential inaccuracy of forecasting in the budget papers.

The 2019–20 Budget outlines a substantial write-down in revenue and an increase in expenses compared to the 2018–19 Budget. The most substantial impact on revenue is decreasing property prices and property transaction volumes—resulting in a \$2.8 billion downgrade in revenue from land transfer duty. The write-down is in part stemmed by six new revenue initiatives and the extraction of \$4 billion in 'amounts equivalent to dividends' from the Victorian Managed Insurance Authority, Transport Accident Commission and WorkSafe Victoria. Ongoing attention to ensure the economic funding ratios of these entities remain stable is important.

In 2019–20 the Government expects \$71 billion in revenue and \$70 billion in output expenditure for the General Government Sector—which relates to the delivery of services, such as education, health, transport, public order and safety. The largest component—37%—of output expenditure in 2019–20 is employee expenses (\$26 billion).

The 2019–20 Budget contains savings in relation to the General Government Sector of: \$200 million over four years including reduced spending on consultancy and labour hire; and \$1.8 billion over four years in further whole of government efficiencies informed by a comprehensive program of departmental expenditure base reviews.

The Committee reviewed the 1,252 non-cost performance measures in the budget papers for the eight largest departments and found an overreliance on quantitative as opposed to qualitative and timeliness measures.

Chapter 3: Whole of Government review

As part of this inquiry the following whole of government budget and financial management issues were considered:

- intergenerational reporting
- gender responsive budgeting
- the use of contractors, consultants and labour hire arrangements
- fraud and corruption
- advertising expenditure
- performance measurement
- responsibility for outputs shared between ministerial portfolios.

Projections in a Victorian intergenerational report would provide informed analysis on how the State's economy and fiscal position could evolve over the next 40 years and focus public attention on Victoria's long term challenges.

The financial and performance measurement of initiatives aimed at increasing gender equality in Victoria are important. While Victoria has made promising beginnings in relation to gender responsive budgeting—for example, through the Gender Equality Budget Statement—there is recognition that more can be done in this area. The Committee is currently undertaking an inquiry into this issue.

While the benefits of government using contractors, consultants and labour hire arrangements include filling gaps in expertise and capability, departmental expenditure on such arrangements for the financial year ending 30 June 2018 was \$1.7 billion. The 2019–20 Budget explains that to achieve the Labor's Financial Statement \$200 million of savings over four years across the General Government sector, spending on consultancy and labour hire will be reduced. However, it is unclear what proportion of these savings will be found from a reduction in expenditure on consultancy and labour hire.

The majority of new performance measures in the 2019–20 Budget improved the comprehensiveness, veracity and actions of performance reporting. However, identified weaknesses in new performance measures revolved around targets: not being sufficiently challenging, lacking meaning or not adequately reflecting changes in funding. The Committee also found a lack of performance measures for some initiatives despite substantial public interest and investment in such initiatives.

A number of budget paper performance measures are split between more than one portfolio. Accordingly, the Committee has recommended that the budget papers provide information about how responsibility for relevant outputs is divided between the relevant Ministers and how the funding for the output is allocated between the portfolios.

Chapter 4: Department of Health and Human Services (DHHS)

In 2019–20 DHHS has the largest budget (\$25.6 billion) representing 39% of total funding provided to all output groups across all departments. The 2019–20 Budget allocates \$241.8 million to new DHHS capital projects in 2019–20, which includes \$64 million to the Building a better hospital for Melbourne’s inner west program—a 504-bed hospital in Footscray. This project will be delivered as a Public Private Partnership. DHHS has a total savings target of \$47 million for 2019–20 which it aims to achieve by reducing expenditure on administration, consultants, contractors and staffing. DHHS will also participate in whole of government work to investigate opportunities for shared information technology provision.

The 2019–20 Budget funds Dental Health Services Victoria to manage free dental check ups and oral health care education for students as a pilot program at four primary and secondary government schools in term 3 of 2019. The program will be progressively rolled out to schools with full roll out in 2022. The cost and reach of the program across the community highlights the need for monitoring and reviewing its effectiveness in relation to patient outcomes.

The Committee examined how drug harms are being addressed. Since the medically supervised injecting room in North Richmond opened on 30 June 2018 there have been: 1,130 overdoses safely managed; a 9% reduction in ambulance call outs to North Richmond; and 100 people entering pharmacotherapy treatment.

Wait times for access to residential rehabilitation beds to treat substance misuse were raised during the inquiry. DHHS does not hold a centralised waiting list for public residential rehabilitation beds to treat substance abuse. This information is held by individual services.

The Government continues to have concerns regarding the rate of transition of state funded clients to the National Disability Insurance Scheme as well as current and emerging service gaps with the scheme. DHHS will monitor the transition with regards to the need for future staffing in disability services.

Support and Safety Hubs—Orange Doors—are designed to provide one intake point for all services that victim survivors of family violence require, such as child protection or housing. Five existing Orange Doors currently offer some foundational family violence related service, and the Minister for the Prevention of Family Violence advised that a further 12 will be rolled out and fully operational by the end of the term of government.

Currently Victorians seeking to escape homelessness as a result of family violence wait approximately 8.8 months on the priority public housing access list to obtain housing. Commonwealth funds are provided for the growth in demand for homelessness services but the indexation of funding has not kept pace with the rising costs of housing and homelessness service provision.

As at 31 March 2018 the number of people waiting for a public or social housing dwelling on the Victorian Housing Register was 82,499. The funding allocated in the 2019–20 Budget and across the forward estimates to the development of new public and social housing stock in Victoria will house 2% of people currently on the Register (as at 31 March 2018).

The Committee identified opportunities to improve child protection performance measures and six of DHHS' new performance measures.

Chapter 5: Department of Education and Training (DET)

In 2019–20 DET has the second largest budget (\$15.6 billion) representing 24% of total funding provided to all output groups across all departments. DET's employee benefits are expected to rise by 3.7% in 2019–20 compared to 2018–19, because of increased costs associated with enrolment growth in government schools, indexation and new funding for initiatives. DET has a total savings target of \$45 million for 2019–20 which it aims to achieve by implementing efficiencies through reductions in contractors and consultants and other procurement efficiencies.

The absence of an agreement regarding Commonwealth funding for schools at the time of the 2019–20 Budget created significant uncertainty regarding future funding of programs in the Education portfolio. Since finalisation of the 2019–20 State Budget a bilateral agreement regarding school funding has been reached with the Commonwealth.

The 2019–20 Budget funds 15 hours of subsidised three year old kindergarten every week for 40 weeks per year in six regional local government areas by 2020 and in a further 15 in 2021. Due to the scale of the universal three year old kindergarten reform the Government will implement it in stages with full rollout by 2029. It is anticipated that future budget papers and estimates will show which kindergartens received capital funding in relation to the universal three year old kindergarten initiative.

The lack of an agreement between the Commonwealth and Victorian Government in relation to funding under the National Partnership on the Skilling Australians Fund presents a significant risk for future funding of programs in the Training and Skills portfolio.

There was a \$114 million underspend in 2018–19 of the output appropriation for the Skills First initiative—a set of reforms for the training and technical and further education (TAFE) sector. Noting the significant investment in free TAFE in the 2019–20 Budget, the evidence base used to determine completion rate targets for TAFE commencements, the eligibility requirements for TAFE and the TAFE sector workforce were examined as part of this inquiry.

DET added six new performance measures in the 2019–20 Budget, three of which have weaknesses. The Committee recommended that seven of the nine proposed discontinued performance measures be reviewed.

Chapter 6: Department of Transport (DOT)

In 2019–20 DOT has the third largest budget (\$9.2 billion) representing 14% of total funding provided to all output groups across all departments. The 2019–20 Budget allocates \$6.8 billion in 2019–20 to DOT capital programs, this includes \$1.6 billion in 2019–20 for the existing West Gate Tunnel Project and \$230 million in 2019–20 for the new '75 by 2025' Level Crossing Removal program. DOT has a total savings target of \$10.7 million for 2019–20.

One of the key priorities of the 2019–20 Budget is the Government's 'Suburban Transport Blitz' which provides funding for multiple major road and rail projects under the Transport Infrastructure portfolio. Four major transport infrastructure projects form the focus of capital expenditure in the 2019–20 Budget: Suburban Rail Loop; Western Rail Plan; Melbourne Airport Rail; and North East Link. The impact of the investment in the Suburban Rail Loop project (estimated to be \$50 billion) on net debt across the forward estimates is unknown.

Information about the cost per level crossing removal was sought during the inquiry. The Minister for Transport advised that the total budget of the level crossing program is \$13 billion and that there are challenges with releasing information on costs of individual crossing removals as every location is different.

With regard to public transport, issues were raised about punctuality performance targets and subsequent penalties for private sector operators and disability access to the network. Federal Disability Standards for Accessible Public Transport set milestones of: 90% compliance with the standards for bus, tram and train services by 31 December 2017 and 100% compliance by 31 December 2022. At 12 June 2019, approximately 27% of tram stops had level access to facilitate disability access to the network. Delays in obtaining council approvals have been cited as a reason for not meeting milestones.

The 2019–20 Budget provides \$120.7 million across the forward estimates to fund the road safety package as part of the Towards Zero 2016–2020 Road Safety strategy. Speed remains the number one factor contributing to road trauma.

The Resource Management Framework for Victorian Government Departments states targets of 100% should be avoided in most cases as they have no capacity to demonstrate continuous improvement year to year and may not be sufficiently challenging. However, the five quality metrics relating to the Ballarat Line Upgrade, Level Crossing Removal, Metro Tunnel, North East Link and West Gate Tunnel Projects—each intended to assess delivery of milestones against 'agreed' budgets and timelines—have targets of 100%.

Chapter 7: Department of Justice and Community Safety (DJCS)

In 2019–20 DJCS has the fourth largest budget (\$8 billion) representing 12.2% of total funding provided to all output groups across the departments. The 2019–20 Budget allocates \$1 billion in 2019–20 to DJCS capital projects, including \$446.2 million (95.6% of the total new spend) to expand the capacity of the men’s prison system. DJCS has a total savings target of \$23.5 million in 2019–20 of which \$15 million relates to Whole of Government efficiencies and \$8.5 million relates to Labor’s Financial Statement savings.

The overrepresentation of Aboriginal and Torres Strait Islander adults in prison and young people in detention was discussed extensively at the budget estimates hearings. The Attorney-General advised that the \$40.3 million allocation to the fourth phase of the Aboriginal Justice Agreement is the largest ever made in Aboriginal justice services.

The centralised portal where Victorians can review and pay their fines that was procured to support legislative changes introduced through the *Fines Reform Act 2014* (Vic) has not met the State’s expectations. The Government is currently working to address this issue.

For the 2018–19 financial year, 744 prisoners on remand were not transported to a Magistrates Court hearing on the scheduled day, where alternative audio-visual link arrangements could not be made. The 2019–20 Budget invests in additional audio-visual technology in 28 Magistrates’ Courts and 26 police stations.

The 2019–20 Budget allocates \$153 million across the forward estimates to fund the work of the Victorian Responsible Gambling Foundation to support prevention for at-risk Victorians; and the Government has capped the number of poker machines for the next 25 years. However, the 2019–20 Budget forecasts gambling tax revenue to increase each year over the forward estimates to reach \$1.2 billion in 2022–23.

\$1.8 billion in capital funding is provided in 2019–20 and across the forward estimates to increase capacity across Victoria’s prison system. This increased investment in the prison system largely reflects demand, notwithstanding that recidivism—the rate of return to prison in two years—is expected to be 42% in 2019, down from 43.7% in 2018.

The 2019–20 Budget allocates \$7.5 million in 2018–19 to the Royal Commission into the Management of Police Informants. Since the Budget, an additional \$20.5 million has been allocated to the Royal Commission due to the broadening of the terms of reference.

Six new alcohol and drug buses that were scheduled to be ready by March 2019 are currently off road and not operational. The cost of repairing these buses was not known at the time of the estimates hearings.

Funding for youth custodial services has increased by 23% from 2018–19, while funding for youth community-based services decreased by 5.8% from 2018–19. DJCS advised

that the level of turnover of custodial staff in youth justice detention centres was 100 in the 2018–19 financial year—representing an approximate 21% turnover in a financial year, if staffing levels have been maintained since 2016–17.

The 2019–20 target for the number of alcohol screening tests conducted by Victoria Police has been reduced by 500,000 in the 2019–20 Budget to 3,000,000. This reflects current testing levels and is in response to the investigation into falsified roadside breath tests. The Committee identified several opportunities for enhancing DJCS budget paper performance measures in relation to community youth justice initiatives, the representation of Aboriginal and Torres Strait Islander young people in detention, liquor and gambling license applications, services provided to victims of crime and recidivism targets for people leaving prison.

Chapter 8: Department of Environment, Land, Water and Planning (DELWP)

In 2019–20 DELWP has the fifth largest budget (\$2.5 billion) representing 3.8% of total funding provided to all output groups across the departments. As a result of the Sustainability Trust and Growth Areas Infrastructure Contribution fund accounts DELWP's interest revenue is expected to increase by 58% in 2019–20 to \$21.6 million. DELWP has a total savings target of \$3.9 million in 2019–20 which it aims to achieve through implementation of efficiency initiatives and corporate reform.

\$6.6 million has been allocated in 2019–20 to fund the procurement of contracts to deliver recycling services and rebates for councils directly affected by the closure of SKM Recycling. The closure of SKM Recycling has caused some recyclable material from kerbside collections to go to landfill due to a lack of recovery options.

The Minister for Local Government informed the Committee that Victoria's 79 councils raise approximately \$5.7 billion per year of revenue from rates. The Government's current rating system review is due to report by 31 March 2020.

Multiple initiatives are underway and have been funded in the 2019–20 Budget to address the use on non-compliant cladding. Since the Budget, the Government has announced an additional \$600 million package to fix buildings with combustible cladding.

The Solar Homes output was allocated \$139.4 million in 2019–20. The solar panel rebate scheme has faced excess demand, resulting in allocations being exhausted faster than originally envisaged. However, the Government has brought rebates forward and implemented changes to the program aimed to address this.

The Minister for Water has responsibility for one output—Effective Water Management Supply—that received \$302.2 million of funding in 2019–20. The Committee examined Commonwealth funding for water security initiatives, water security infrastructure projects and water shortages as part of its inquiry. The Minister for Water advised that Victorians have reduced their water use from 245 litres per day in 2000 to 161 litres

per day—6 litres per day higher than the target 155 litres. The Government has ordered 125 gigalitres of desalinated water and has budgeted \$696 million in 2019–20 to fund the Victorian desalination project.

DELWP proposed that 21 performance measures be discontinued. The Committee is supportive of this as most measures will be replaced with superior metrics offering better insights into the performance and impact of funded activities.

Chapter 9: Department of Jobs, Precincts and Regions (DJPR)

In 2019–20 DJPR is allocated \$2.3 billion of funding representing 3.6% of total funding provided to all output groups across the departments. The 2019–20 Budget allocates \$160.4 million in 2019–20 to DJPR capital projects, including \$72.8 million to the Melbourne Arts Precinct transformation and \$30.3 million to the Australian Centre for the Moving Image (ACMI) redevelopment. DJPR has a total savings target of \$1.8 million in 2019–20 which it aims to achieve by reducing expenditure on labour hire and consultancies.

The Agriculture portfolio sits within DJPR. It aims to continue to grow Victoria's food and fibre exports to \$20 billion per annum by 2030. The 2019–20 Budget makes significant investments to help small scale and craft food and beverage producers to promote and grow their businesses, and to manage the evolving biosecurity risks to Victoria's agricultural industry.

Information was sought during the inquiry about the current mode of drought assistance funding and the option of providing rate relief to drought affected farmers.

The Minister for Creative Industries is responsible for related portfolio agencies, cultural infrastructure and facilities and creative industries access development and innovation. Consultation on the Creative State 2020–24 strategy is underway, and it is recommended that budget paper performance measures relevant to key targeted actions contained in the strategy be included in the 2020–21 Budget.

New performance measures that identify attendance at individual creative facilities such as the ACMI have been included in the 2019–20 Budget at the Committee's recommendation. This improves transparency by enabling assessment of the success of investments in individual facilities.

Priority Precincts is a new portfolio. The Committee highlights the need for the Planning, Suburban Development and Priority Precinct portfolios to adopt a coordinated approach to the delivery of public services and assets.

The Regional Jobs and Infrastructure Fund is renewed through the new 'Delivering for Regional and Rural Victoria Program' in the 2019–20 Budget. \$134 million of the \$2.6 billion funding allocated to the Delivering for Regional and Rural Victoria Program is dedicated to deliver Regional Development portfolio priorities.

The Committee identified several opportunities to improve new performance measures across several portfolios within DJPR.

Chapter 10: Court Services Victoria (CSV)

In 2019–20 CSV received \$667 million of funding representing 1% of total funding provided to all output groups across the departments. The 2019–20 Budget allocates \$83.5 million to CSV capital programs in 2019–20, of which \$30.3 million is for the Specialist Family Violence Integrated Courts Response project, and \$21.9 million is for the Bendigo Law Court redevelopment. CSV has a total savings target of \$808,000 in 2019–20. CSV will undertake a review process to determine appropriate efficiency and expenditure reduction measures.

The investment in the Bendigo Law Court redevelopment reflects the growth in demand for court services in the region and the needs of vulnerable people in court precincts.

Chapter 11: Department of Premier and Cabinet (DPC)

In 2019–20 DPC ranks as the eighth largest budget (\$654 million) representing 1% of total funding provided to all output groups across the departments. DPC's special appropriations are estimated to decrease by 53.2% from 2018–19 largely due to the 2018 State election. The DPC Secretary advised that DPC has a savings target of \$1.8 million in 2019–20.

Several issues were discussed at the budget estimates hearings relevant to the Premier's portfolio including the provision of steel for the major infrastructure project—the West Gate Tunnel. The Committee was advised it is on track to deliver 85% local steel content to the project. The Government is investigating ways to strengthen these provisions in future contracts.

The Special Minister of State has carriage of nine budget outputs. The Special Minister of State indicated that the magnitude of the Whole of Government efficiencies outlined in the 2019–20 Budget (\$1.7 billion) will not necessarily lead to job losses or significant change in the outcomes that the public sector supports.

The Committee also examined the portfolios of Youth, Women, Equality, Industrial Relations, Veterans, Multicultural Affairs and Aboriginal Affairs that fall within DPC. The 2019–20 Budget allocates \$30.4 million over two years to fund a Treaty for Aboriginal Victorians and other projects, such as the First Peoples' Assembly of Victoria.

Chapter 12: Department of Treasury and Finance (DTF)

DTF supports the portfolios of the Treasurer, Assistant Treasurer and Economic Development. In 2019–20 DTF will receive 0.8% (\$503 million) of total funding provided to all output groups across the departments. DTF's output appropriations are forecast

to increase by 18.6% and employee benefits will increase by 12.1% mainly due to the transfer of Invest Victoria and funding for new initiatives, including the Victorian Jobs and Investment Fund.

The Treasurer advised that in 2019 eight departments are subject to expenditure base reviews. After the reviews savings targets expected to total \$1.7 billion over four years will be allocated to departments, reflecting the Whole of Government efficiencies.

The Western Roads Upgrade project is the first availability model Public Private Partnership (PPP) that will be used by Victoria for an arterial roads project that includes road maintenance. The 2019–20 Budget outlines that the Government is currently tendering two other packages of arterial road upgrades which will be procured as availability PPPs in the northern and south-eastern suburbs of Melbourne.

Social procurement uses government's procurement to generate social value over and above the value of goods, services and assets purchased. The Victorian Social Procurement Framework requires each department and agency to prepare a Social Procurement Strategy. All departments were expected to submit a draft strategy to the DTF by 1 September 2019.

Chapter 13: Parliament, the Victorian Auditor-General's Office (VAGO) and the Parliamentary Budget Office (PBO)

In 2019–20 the Department of Parliamentary Services (DPS) will receive 0.4% (\$244 million) of total funding provided to all output groups across the departments. DPS has no new or existing capital projects or savings targets in 2019–20. The 2019–20 Budget increased funding for the electoral office accommodation initiative to reflect growing electorate office rent and fit out costs.

VAGO will receive \$45.4 million of funding in 2019–20 up 4.4% from the previous financial year.

The scope of three performance measures of the PBO have been broadened in the 2019–20 Budget to reflect the breadth of work undertaken by the office.

Recommendations

2 2019–20 Budget Overview

RECOMMENDATION 1: The Department of Treasury and Finance, in conjunction with departments review and strengthen the annual review process of departmental performance statements. **35**

RECOMMENDATION 2: The Department of Treasury and Finance in consultation with all departments ensure future budget papers contain clear explanations for all proposed discontinued measures to enable meaningful review by the Committee. **38**

RECOMMENDATION 3: The Assistant Treasurer, in consultation with all departments, review and address the issues with proposed discontinued measures identified by the Committee in this *Report on the 2019–20 Budget Estimates*. **38**

3 Whole of Government review

RECOMMENDATION 4: The Government finalise a performance framework specific to Safe and Strong: A Victorian Gender Equality Strategy. **46**

RECOMMENDATION 5: Budget allocations for the performance of work or services for the Government that will not be carried out by Victorian Public Service employees be included in the budget papers. **48**

RECOMMENDATION 6: The Department of Treasury and Finance develop reporting mechanisms for large savings initiatives that identify the sources of savings. **49**

RECOMMENDATION 7: In conjunction with the introduction of the Guidelines for the use of Labour Hire and Professional Services, the Department of Treasury and Finance introduce a standard methodology for the collection of professional services and labour hire data across departments. **51**

RECOMMENDATION 8: Where two or more Ministers have shared responsibility for one output, the budget papers should provide information about how responsibility for the output is divided between the relevant Ministers, and how the funding for the output is allocated between the portfolios. 59

4 Department of Health and Human Services

RECOMMENDATION 9: The Department of Health and Human Services develop budget paper performance measures and targets for the ‘Free dental care for government school students’ pilot. Measures should include service demand and patient outcomes of the pilot program. 66

RECOMMENDATION 10: Performance measures be added to the budget papers to gauge the quality of the family violence perpetrator response initiatives. 81

RECOMMENDATION 11: The Department of Health and Human Services develop budget paper performance measures and targets to monitor and review the effectiveness of Victoria’s Homelessness and Rough Sleeping Action Plan, in terms of service demand and outcomes. 86

RECOMMENDATION 12: The Department of Health and Human Services include in the budget papers the following performance measure—the percentage of all Victorian public and community dwellings that meet agreed minimum acceptable standards of living. 87

RECOMMENDATION 13: The Department of Health and Human Services review and update its performance measures in the Child Protection and Family Services output. 89

RECOMMENDATION 14: Ahead of the 2020–21 Budget the Department of Health and Human Services address the issues with the six new performance measures identified in relation to the following outputs: Acute Health Services—Admitted Services; Concessions to Pensioners and Beneficiaries and Drug Services—Drug Treatment and Rehabilitation. 91

RECOMMENDATION 15: The Assistant Treasurer, in conjunction with the Department of Health and Human Services, review and reinstate with modifications addressing the issues raised with the five discontinued performance measures identified in relation to the following outputs: Concessions to Pensioners and Beneficiaries and Drug Treatment and Rehabilitation. 91

5 Department of Education and Training

RECOMMENDATION 16: Where any departmental portfolio ends or is created, including a Department of Education and Training portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes. 110

RECOMMENDATION 17: The Department of Education and Training collect data on the proportion of its workforce who have a disability to meet the recruitment targets set out in the Government's Every Opportunity: Victorian economic participation plan for people with disability 2018–2020. 111

RECOMMENDATION 18: The Department of Education and Training develop new performance measures for the 2020–21 Budget enabling assessment of the take-up of free Technical and Further Education (TAFE) and performance of related initiatives. The addition of measures reflecting the take up of free TAFE in the 2020–21 budget papers would strengthen transparency. 112

RECOMMENDATION 19: Ahead of the 2020–21 Budget the Department of Education and Training address the issues with the three new performance measures identified in relation to the Training, Higher Education and Workforce Development output. 113

RECOMMENDATION 20: The Assistant Treasurer, in conjunction with the Department of Education and Training, review the seven discontinued performance measures identified in relation to the Training, Higher Education and Workforce Development. 115

6 Department of Transport

RECOMMENDATION 21: The Department of Transport work with the Department of Treasury and Finance to, as far as possible, report the total investment on capital projects in the budget papers. This should include amounts allocated across the forward estimates. 125

RECOMMENDATION 22: The Department of Transport develop performance measures in the budget papers that reflect the milestones set in the Federal Disability Standards for Accessible Public Transport. 128

RECOMMENDATION 23: Where private operators that deliver public transport underperform, the Department of Transport consider publicly disclosing the penalties imposed on the operators. 130

RECOMMENDATION 24: The Department of Transport include in the budget papers the funding allocated to active transport infrastructure and associated performance measures. 134

RECOMMENDATION 25: The Department of Transport publish a list of the projects that will be delivered from the Better Boating Fund in the budget papers and details of the revenue collected from the fees for boat licences and registrations. 136

RECOMMENDATION 26: Where a department or portfolio is created, including a Department of Transport portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes. 140

RECOMMENDATION 27: Where a department is created or where two or more agencies that are overseen by a department are integrated, the relevant department should publish an updated organisational chart on the department website. 140

RECOMMENDATION 28: The Department of Transport review the quality performance measures in the Transport Infrastructure output to ensure they provide transparent insights on the progress of funded projects against original timelines and budgets. 141

RECOMMENDATION 29: The Department of Transport should review the new performance measure on the timeliness of processing commercial passenger vehicle registrations to ensure that it will offer useful insights and provide the opportunity to drive continuous improvement ahead of the 2020–21 Budget. 141

7 Department of Justice and Community Safety

RECOMMENDATION 30: The Department of Justice and Community Safety consider including performance measures in the budget papers with regard to recidivism—rate of return to prison. **153**

RECOMMENDATION 31: The Department of Justice and Community Safety develop additional performance measures and targets for the 2020–21 Budget enabling assessment of funded initiatives to reduce the incarceration of women and men. **156**

RECOMMENDATION 32: Additional funding allocated to the Royal Commission into the Management of Police Informants be reflected in the 2019–20 Budget Update. **159**

RECOMMENDATION 33: The Government include qualitative performance measures in the budget papers to assess the effectiveness of services provided to victims of crime. **162**

RECOMMENDATION 34: The Department of Justice and Community Safety develop budget paper performance measures to assess the effectiveness of the implementation of the 2017 Youth Justice Review and Strategy recommendations, including qualitative performance measures to assess the effectiveness of services and programs provided to at-risk and youth offenders. **167**

RECOMMENDATION 35: The Department of Justice and Community Safety develop budget paper performance measures to address the overrepresentation of Aboriginal and Torres Strait Islander young people in detention. **170**

RECOMMENDATION 36: Where any departmental portfolio ends or is created, including a Department of Justice and Community Safety portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes. **171**

RECOMMENDATION 37: The Department of Justice and Community Safety collect data on the proportion of its workforce who have a disability, in order to establish baseline data and meet the recruitment targets set out in the Government's Every Opportunity: Victorian economic participation plan for people with disability 2018–2020. **172**

RECOMMENDATION 38: The Department of Justice and Community Safety consider further disaggregating the performance measures relating to liquor and gambling license applications and revising the relevant targets to align with projections of revenue. **174**

RECOMMENDATION 39: The Department of Justice and Community Safety consider additional performance measures and targets for the 2020–21 Budget enabling assessment of funded crime prevention initiatives. **174**

RECOMMENDATION 40: The Department of Treasury and Finance in consultation with all departments strengthen the footnotes in the budget papers to ensure they clarify the reasons for any absence in reporting against the expected outcome for performance measures in the budget papers. **175**

RECOMMENDATION 41: The Department of Justice and Community Safety review and amend the new performance measures ‘Average daily out of cell hours’ for secure and open prisons to ensure the targets that are based on historical performance levels are sufficiently challenging and drive continuous improvement. **178**

RECOMMENDATION 42: The Department of Justice and Community Safety review the new performance measure ‘Court and regulatory actions undertaken by the Victorian Commission for Gambling and Liquor Regulation’ to improve the utility of reported performance information. **178**

8 Department of Environment, Land, Water and Planning

RECOMMENDATION 43: The Department of Environment, Land, Water and Planning incorporate into the budget papers performance measures relevant to the recommendations accepted by government from the review of Victoria’s local government rating system. **189**

RECOMMENDATION 44: Performance measures be considered which may provide insights into the effectiveness of the Government’s investment in individual capital projects to strengthen water security for Victoria. **200**

RECOMMENDATION 45: The Department of Environment, Land, Water and Planning consider budget paper performance measures to monitor the Victorian water consumption target of 155 litres per person per day. **201**

RECOMMENDATION 46: The Department of Environment, Land, Water and Planning collect data on the proportion of its workforce who have a disability to meet the recruitment targets set out in the Government’s Every Opportunity: Victorian economic participation plan for people with disability 2018–2020. **203**

RECOMMENDATION 47: The Department of Environment, Land, Water and Planning consider new performance measures and targets for the 2020–21 Budget providing insights into the effectiveness and efficiency of state-wide waste diversion and recycling initiatives. **203**

RECOMMENDATION 48: Ahead of the 2020–21 Budget the Department of Environment, Land, Water and Planning consider the issues with the five new performance measures identified in relation to the Environment and Biodiversity; Solar Homes; Management of Public Land and Forests; Planning, Building and Heritage; and Local Government outputs. **204**

9 Department of Jobs, Precincts and Regions

RECOMMENDATION 49: The Department of Jobs, Precincts and Regions consider developing budget paper performance measures relevant to key targeted actions contained in the Creative State 2020–24 strategy. **216**

RECOMMENDATION 50: The Department of Jobs, Precincts and Regions consider specific budget paper performance measures and targets for Victoria Live. **217**

RECOMMENDATION 51: Where a department or portfolio is created, including a Department of Jobs, Precincts and Regions portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes. **231**

RECOMMENDATION 52: The Department of Jobs, Precincts and Regions review and expand on the quality and timeliness performance measures for suburban revitalisation projects in the budget papers. **232**

RECOMMENDATION 53: Ahead of the 2020–21 Budget, the Department of Jobs, Precincts and Regions address the issues with the 11 new performance measures identified in relation to the following outputs: Priority Precincts and Suburban Development; Agriculture Industry Development and Regulation; Biosecurity and Agriculture Services; Resources; Sport, Recreation and Racing, and Trade and Global Engagement. 235

RECOMMENDATION 54: The Assistant Treasurer, in conjunction with the Department of Jobs, Precincts and Regions, review the issues raised with the five discontinued measures identified in relation to the Agriculture output. 236

10 Court Services Victoria

RECOMMENDATION 55: Court Services Victoria collect data on the proportion of its workforce who have a disability to meet the recruitment targets set out in the Government’s Every Opportunity: Victorian economic participation plan for people with disability 2018–2020. 240

11 Department of Premier and Cabinet

RECOMMENDATION 56: The 2020–21 Budget specify the amounts allocated to each department to realise the \$1.7 billion Whole of Government efficiencies outlined in the 2019–20 Budget. 251

RECOMMENDATION 57: The Department of Premier and Cabinet consider introducing performance measures in the 2020–21 budget papers to gauge outcomes of the Government’s equality policies, programs and capital expenditure. 258

RECOMMENDATION 58: Ahead of the 2020–21 Budget, the Department of Premier and Cabinet consider the issues with the five new performance measures identified in relation to the Aboriginal Policy; Public Sector Integrity, Youth; and Industrial Relations outputs. 264

RECOMMENDATION 59: The Assistant Treasurer, in conjunction with the Department of Premier and Cabinet, review the two discontinued performance measures identified in relation to the Aboriginal Policy, Strengthening Aboriginal Cultural Heritage and Communities output. 265

12 Department of Treasury and Finance

RECOMMENDATION 60: Ahead of the 2019–20 Budget the Department of Treasury and Finance consider new performance measures and targets to provide insights into the impact of Invest Victoria on building the State’s investment capability. **276**

RECOMMENDATION 61: The Department of Treasury and Finance review Financial Reporting Direction 24D—‘Reporting of Office-based Environmental Impacts by Government Entities’ and the Environmental impact in procurement – procurement guide to consider whether it should be amended to align with the Social Procurement Framework. **280**

RECOMMENDATION 62: Ahead of the 2010-21 Budget, the Department of Treasury and Finance consider the issues with the three new performance measures identified in relation to the Revenue Management and Administrative Services to Government and Economic Regulatory Services outputs. **284**

13 Parliament, the Victorian Auditor-General’s Office and the Parliamentary Budget Office

RECOMMENDATION 63: The Department of Parliamentary Services collect data on the proportion of its workforce that identify as Indigenous or as having a disability. **291**

1.1 Terms of reference

The *Parliamentary Committees Act 2003* (Vic) enables the Public Accounts and Estimates Committee (Committee) to inquire into and consider the annual budget estimates, and report its findings to the Parliament.¹

This inquiry considers the budget estimates of government revenue and expenditure and the financial and performance measurement information in the 2019–20 Budget.

1.2 Background

Each year around May, the Government tables the budget papers and the Appropriation Bills in the Parliament.

The budget papers include estimated expenditure and projections of government revenue for the next financial year and over the forward estimates (three years). They also outline the State's economic outlook, the Government's proposed major initiatives and provide information about the finances and performance of each department.

The Appropriation Bills reflect the spending proposals contained in the budget papers. The Parliament must pass these bills to authorise the expenditure of public money.

On behalf of the Parliament, the Committee conducts detailed scrutiny of the budget papers and the performance of the executive branch of government (Ministers and the administrative agencies of government, such as departments and public entities), Court Services Victoria and the Parliament.²

1.3 Objectives

The aim on the Committee's inquiry into the 2019–20 budget estimates is to benefit the Parliament and the community by:

- promoting the accountability, transparency and integrity of the Executive and the public sector
- encouraging effective and efficient delivery of public services and assets

¹ *Parliamentary Committees Act 2003* (Vic).

² Court Services Victoria is an independent statutory body corporate that provides services and facilities to Victoria's courts, Victorian Civil and Administrative Tribunal and the Judicial College of Victoria. The Victorian Auditor-General's Office and the Parliamentary Budget Office are included as outputs within Parliament in the 2019–20 Budget.

- enhancing the understanding of the budget papers and estimates, and the wider economic environment
- assisting Members of Parliament in their deliberation on the Appropriation Bills.

1.4 Process

On 2 April 2019, the Committee sent a questionnaire to all departments.³ It sought information about how the 2019–20 Budget impacts each department, including how budget allocations are connected to service delivery, infrastructure projects and assets, and other key economic, financial management and emerging issues.

On 27 May 2019, the Government tabled the Appropriation Bills relating to 2019–20 and the accompanying budget papers in the Parliament.⁴

From 31 May to 14 June 2019, the Committee held public hearings with all Ministers, the Parliamentary Presiding Officers and the Victorian Auditor-General's Office. Each made a presentation and answered questions from the Committee relevant to their portfolio.

At the public hearings, witnesses took some questions on notice. After the public hearings, the Committee sent some witnesses additional written questions on notice regarding matters not addressed at the public hearings or that required clarification.

This inquiry is based on an analysis of the 2019–20 budget estimates, responses to the Committee's questionnaire, evidence given at the public hearings, and other information, including responses to questions on notice.

Information gathered during the inquiry is published on the Committee's website.⁵

1.5 Report structure

This report has 13 chapters including this introductory chapter.

Chapter 2: Budget overview examines the revenue, expenditure and asset investment of the Government outlined in the 2019–20 Budget, along with an analysis of the effects of the broader economy on the State's finances.

Chapter 3: Whole of Government review considers whole of government budget and financial management issues that are of significant public interest, including intergenerational reports, gender responsive budgeting and the public sector's use of contractors, consultants and labour hire arrangements.

³ This includes Court Services Victoria.

⁴ *Appropriation (Parliament 2019–20) Act 2019* (Vic) was passed by the Parliament on 6 June 2019 and *Appropriation (2019–20) Act 2019* (Vic) was passed by the Parliament on 4 June 2019.

⁵ Public Accounts and Estimates, *Inquiry into the 2019–20 Budget Estimates* <<https://www.parliament.vic.gov.au/paec/inquiries/inquiry/962>> accessed 12 September 2019.

Chapters 4 to 13 consider the budget estimates by department in order of budget allocation (highest to lowest), as measured by funding allocated by output group in each department's Performance Statement. These chapters include analysis of key issues identified during the Committee's inquiry by portfolio, and new and proposed discontinued performance measures.

Chapter 4: Department of Health and Human Services

Chapter 5: Department of Education and Training

Chapter 6: Department of Transport

Chapter 7: Department of Justice and Community Safety

Chapter 8: Department of Environment, Land, Water and Planning

Chapter 9: Department of Jobs, Precincts and Regions

Chapter 10: Court Services Victoria

Chapter 11: Department of Premier and Cabinet

Chapter 12: Department of Treasury and Finance

Chapter 13: Parliament, the Victorian Auditor-General's Office and the Parliamentary Budget Office.⁶

1.6 Acknowledgements

The Committee wishes to acknowledge the cooperation of Ministers, Parliamentary Presiding Officers, the Victorian Auditor-General and departments who assisted the Committee with its consideration of the issues raised in this report. In particular, the Committee thanks the Assistant Treasurer for the further information provided to address the Committee's queries on performance measures for proposed discontinuation in the 2019–20 Budget.

⁶ The Department of Parliamentary Services is responsible for the provision of infrastructure resources and support services to Members of Parliament and the Parliamentary departments of the Legislative Assembly and the Legislative Council. The Victorian Auditor-General's Office provides assurance to Parliament on the accountability and performance of the Victorian public sector. The Parliamentary Budget Office provides policy costing and advisory services to all members of Parliament.

1.7 Implementation of Committee's previous recommendations

1.7.1 2017–18 budget estimates

The Committee's *Report on the 2017–18 Budget Estimates* made 35 recommendations to government.⁷ In April 2018, the Government's response to these recommendations was tabled in the Parliament: 14 were supported, 10 were supported in principle and four were placed under review by the Government.⁸

In its *Report on the 2018–19 Budget Estimates* the Committee found that the following three supported recommendations, made in the Committee's *Report on the 2017–18 Budget Estimates*, had not yet been implemented.

Level Crossing Removal Program

In its *Report on the 2017–18 Budget Estimates* the Committee recommended:

Recommendation 9: The transparency of the Level Crossing Removal Program be enhanced with the regular publication of the latest Australian Level Crossing Assessment Model data on risks by individual level crossings and details of the \$1.4 billion Metropolitan Network Modernisation Program.⁹

The Government supported this recommendation and the Department of Transport's response to the Committee's 2019–20 budget estimates questionnaire provided the following update on the implementation of the recommendation:

The Public Transport Victoria (PTV) is currently in the process of preparing the Australian Level Crossing Assessment Model (ALCAM) data for publication via the Data Vic website.

PTV has reviewed similar data published by other jurisdictions and has reviewed the current data sets to ensure that they are fit for purpose. Discussions have also taken place with the Department of Premier and Cabinet (DPC) Open Data Team regarding requirements to enable publishing on the Data Vic website. It is anticipated that the data will be available for publication by the end of 2019.¹⁰

Risk management

In its *Report on the 2018–19 Budget Estimates* the Committee found that the following supported recommendations to government that were made as part of its *Report on the 2017–18 Budget Estimates* had not yet been implemented:

⁷ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2017–18 Budget Estimates*, October 2017.

⁸ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2017–18 Budget Estimates*, 30 April 2018.

⁹ *Ibid.*, p. 136.

¹⁰ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 31.

Recommendation 23: The Department of Treasury and Finance provide guidance to departments on developing risk management indicators that will objectively measure agencies' risk over time.

Recommendation 27: The Department of Treasury and Finance update the Model Report to require agencies that are involved in the management of interagency and State-wide risks to describe their contribution to the management of these risks as well as to include details of the lead agency.¹¹

The Department of Treasury and Finance's response to the Committee's 2019–20 budget estimates questionnaire provided the following update on the implementation of the recommendations:

A review of the Victorian Government Risk Management Framework (VGRMF) has commenced which, among other things, will include the consideration of framework revisions aimed at improving guidance on the management of interagency risk and its potential reporting in the Model Report, and the use of key risk indicators and related analytics to help departments identify risks and the effectiveness of risk controls. The review findings, including any revisions to the VGRMF, are planned to be provided to the Assistant Treasurer for his consideration during the 2019–20 Financial Year.¹²

1.7.2 2018–19 budget estimates

The Committee's *Report on the 2018–19 Budget Estimates* made 20 recommendations to government. In March 2019, the Government's response to these recommendations was tabled in the Parliament: 10 were supported, nine were supported in principle and the following recommendation was placed under review by the Government:

RECOMMENDATION 21: The Minister for Finance retain the seven proposed discontinued measures with suggested modifications where relevant as identified in this report.¹³

The Government's response stated:

The Government will consider the Committee's report ahead of the next budget publication and respond separately to the Committee's recommendation within the legislated timeline. All agreed changes to output performance measures will be reflected in the next budget publication.¹⁴

In this regard, the Committee notes that five of the seven measures proposed for discontinuance in the previous year, were reinstated in the 2019–20 Budget with modifications as recommended by the Committee in its *Report on the 2018–19 Budget*

¹¹ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 4.

¹² Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019.

¹³ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2018–19 Budget Estimates*, 5 March 2019.

¹⁴ *Ibid.*, p. 11.

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Estimates.¹⁵ The remaining two measures relate to Transport Safety Victoria which is yet to address the weaknesses identified by the Committee. The changes that were proposed by the Department are:

Replacing compliance inspections of managed and unmanaged Victorian waterways in accordance with risk-based plan with the 2018–19 performance measure, risk assessment of managed and unmanaged Victorian waterways with high levels of boating activity and competing use, to focus on waterways with high levels of boating activity.

Replacing transport and marine safety investigations: average time taken to complete investigations with the 2018–19 new performance measure, transport and marine safety investigations: investigations completed within 12 months.¹⁶

The Committee will assess the Government’s implementation of the remaining 19 recommendations made to Government in the *Report on the 2018–19 Budget Estimates*, that were supported or supported in principle, as part of its inquiry into the 2020–21 budget estimates.

15 Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 143.

16 *Ibid.*, p. 142.

Key findings

- The 2019–20 Budget is characterised by a substantial write-down in revenue and an increase in expenses compared to the 2018–19 Budget.
- The main outcome of the implementation of the revised accounting standards is greater disclosure and therefore transparency in the budget papers regarding public private partnership projects and peppercorn leases, for instance.
- Approximately \$4 billion will be extracted from the Victorian Managed Insurance Authority, Transport Accident Commission and Worksafe Victoria in 2019–20 and over the forward estimates. This decapitalisation is generally considered sustainable, however ongoing attention to ensure the economic funding ratios of the three entities remain stable is important.
- Land transfer duty revenue forecasts have been downgraded by \$2.8 billion in the 2019–20 Budget, in addition to the \$2.4 billion downgrade announced in the 2018 Pre-Election Budget Update. The downwards revision in land transfer duty revenue illustrates that this revenue stream can be volatile.
- The 2019–20 Budget includes six new revenue initiatives that are expected to generate \$832.3 million of revenue in 2019–20 and over the forward estimates.
- The largest proportion of total estimated new and existing general government sector infrastructure investment in the 2019–20 Budget can be attributed to the Department of Transport, totalling \$46.9 billion.
- While the 2019–20 Budget maintains a strong operating surplus, the Government's financial position is under increased pressure compared to the 2018–19 Budget. The Committee considers the State's financial position to be sustainable.

2.1 Introduction

The Budget outlines forecasts of Government revenue and expenditure and services to be delivered. The 2019–20 Budget was delivered on 27 May 2019, after being delayed by one month due to the federal election. The budget papers are split into five sections with additional budget information papers.

This chapter examines the revenue, expenditure and asset investment of the Government, along with an analysis of the effects of the broader economy on the State's finances.

Apart from machinery of government changes, the 2019–20 Budget primarily differs to the previous Budget in the areas of revenue and debt. Given the changes to revenue forecasts and the introduction of new revenue initiatives, this chapter focuses more on revenue and less on output expenditure and asset investment, which is covered in subsequent chapters of this report.

2.2 Budget strategy and priorities

The 2019–20 Budget outlines the following seven priority areas: Road and rail, Education, Health, Jobs, Keeping communities safe, Our liveable Victoria and Gender Equality.

The 2019–20 Budget like last year's budget is characterised by a substantial public infrastructure investment program. The Government's infrastructure plan outlines nine key sectors which will be prioritised: transport; culture, community and sport; digital connectivity; education and training; energy; environment; health and human services; justice and emergency services; and water.

The 2019–20 Budget is characterised by a substantial write-down in revenue and an increase in expenses compared to the 2018–19 Budget. The Government addresses the write-down through a number of initiatives which are discussed in the revenue section of this chapter, including the extraction of \$4 billion from the Victorian Managed Insurance Authority (VMIA), Transport Accident Commission (TAC) and WorkSafe Victoria.

The 2019–20 Budget outlines the Government's fiscal strategies and sustainability objectives, which are:

- Net operating surpluses in each year over the next four years.
- Expenditure growth will be no greater than revenue growth, on average, over the next four years.
- Net debt to gross state product (GSP) will be no greater than 12% over the medium term; a doubling of the previous debt ceiling.

FINDING 1: The 2019–20 Budget is characterised by a substantial write-down in revenue and an increase in expenses compared to the 2018–19 Budget.

2.3 Significant changes to the State Budget

2.3.1 Net debt to gross state product no greater than 12% over the medium term

The 2019–20 Budget forecasts a substantial increase in the net debt to GSP ratio, reflecting an increase in net debt and a downward revision in nominal GSP.¹⁷ Nominal GSP measures the value of goods and services at market price. Currently, net debt to GSP is 5.1%. The Budget forecasts that net debt to GSP will reach 10% at 30 June 2023,¹⁸ significantly higher than forecasts over the forwards estimates in the 2018–19 Pre-Election Budget Update.¹⁹ The Treasurer has also indicated that net debt to GSP will reach 12% over the medium term.²⁰ Additional borrowings to fund three large-scale infrastructure projects and the impact of revised accounting standards will account for 4% of net debt to GSP at 30 June 2023.²¹

2.3.2 Large scale infrastructure projects

Three major capital projects are primarily responsible for the increase in Government borrowing. The projects will be delivered through the Victorian Transport Fund and include the North East Link (\$15.8 billion), Melbourne Airport Rail (\$5 billion) and the removal of an additional 25 level crossings by 2025 (\$6.6 billion).²²

The Government outlines that increased public sector borrowing is needed as ‘these projects are required to support Victoria’s growing population, drive jobs growth and deliver long-term economic benefits’.²³

2.3.3 Revised accounting standards

The increase in net debt to GSP is also attributable to changes in the accounting standards, which result in an average increase of 1.7% in 2019–20 and over the forward estimates.²⁴ The 2019–20 budget papers reflect revisions to the following Australian accounting standards:

- AASB 1059—Service Concession Arrangements: Grantors. Such arrangements are commonly called public private partnerships (PPPs). PPPs such as North East Link and the West Gate Tunnel projects are discussed further in section 2.7 of this chapter

¹⁷ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 20; Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2019.

¹⁸ Department of Treasury and Finance, *Budget Paper No. 2*, p. 5.

¹⁹ Department of Treasury and Finance, *Getting things done: 2018–19 Budget update*, Melbourne, 2018, p. 10.

²⁰ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 10.

²¹ Ibid.

²² Ibid., pp. 11, 15, 76.

²³ Ibid., p. 10.

²⁴ Department of Treasury and Finance, *Budget Paper No. 2*, p. 6.

- AASB 16—Leases
- AASB 15—Revenue from Contracts with Customers
- AASB 1058—Income for Not-for-Profit Entities.

These standards require that certain arrangements be brought onto the State's balance sheet and the earlier recognition of assets and liabilities. For example, operating leases are now included on the State's balance sheet and are classified as debt.

The 2019–20 Budget states:

These changes do not impact the underlying fundamentals of the State's financial sustainability or its cost of borrowing; rather they reflect variations in the composition and timing of recognition of certain transactions in the published financial statements.²⁵

The main outcome of the implementation of the revised accounting standards is greater disclosure and therefore transparency in the budget papers. The Australian Accounting Standards Board states that some of the beneficial outcomes of the revisions include:

- Greater transparency of a public entity's assets and liabilities which results in better accountability and stewardship
- Financial statements showing the effect that leases have on the financial position, financial performance and cash flows of an entity²⁶
- Financial statements reflecting the resources and obligations of a public sector entity in the provision of public services.²⁷

Further details on these revised accounting standards are contained in Appendix 1.

FINDING 2: The main outcome of the implementation of the revised accounting standards is greater disclosure and therefore transparency in the budget papers regarding public private partnership projects and peppercorn leases, for instance.

2.4 Economic outlook and risks

2.4.1 Outlook

The 2019–20 Budget presents a generally steady macroeconomic outlook.

Real Gross State Product (GSP) measures the value of goods and services after removing the effect of price changes. Real GSP growth forecasts remain unchanged

²⁵ Ibid., p. 5.

²⁶ Australian Accounting Standards Board, *Income of Not-for-Profit Entities: AASB 1058*, Australian Government, December 2016, p. 54.

²⁷ Australian Accounting Standards Board, *Service Concession Arrangements: Grantors: AASB 1059*, Australian Government, July 2017, pp. 6, 16, 49.

since the 2018–19 Pre-election Budget Update. This reflects an expectation that the Victorian economy will continue to grow at a stable rate. Nominal GSP growth forecasts have been revised down reflecting ongoing weakness in consumer price index (CPI) growth.²⁸

The 2019–20 Budget features an upward revision for employment growth forecasts in 2018–19 compared to the 2018–19 Pre-Election Budget Update. This reflects the stronger than expected labour market figures experienced in the months before the release of the Budget. The forecasts for employment growth align with the 2018–19 Update from 2019–20.

Price growth has been substantially revised down from 2018–19 to 2020–21. The Budget forecasts CPI to be 0.5% lower in 2019–20, 0.25% lower in 2020–21 compared to forecasts in the Update, and a return to 2.5% by 2021–22. Nominal wages are wages unadjusted for growth in price. Nominal wage growth is forecast to remain unchanged from the 2018–19 Update. Real wages are wages adjusted for growth in price. Real wages are expected to be higher than forecast in the 2018–19 Budget.²⁹

Population growth is expected to remain unchanged from forecasts in the 2018–19 Update. Growth is expected to slow to 2022–23 as interstate and international migration levels begin to moderate.³⁰

2.4.2 Risks

There are increased risks to the 2019–20 Budget which have the potential to impact on the State's financial position and budget outcomes compared to the 2018–19 Budget. These risks are discussed below.

Wages

The past five years have seen a significant slowing in wage growth Australia wide. In the five years to December 2018, the Australian wage price index (WPI) grew at an annual average of 2.2%, compared to 3.3% in the previous five years to December 2013.³¹ In Victoria, between 2013–14 and 2017–18 wage growth grew at an annual average of 2.4%, compared to a growth rate of 3.5% in the previous five years.³²

The Reserve Bank of Australia and the Commonwealth Treasury have both cited the following factors as major causes in slowing wage growth:

- Excess capacity in the labour market

²⁸ Parliamentary Budget Office, *Victorian Budget 19/20 - Independent Budget Snapshot*, 2019, <https://pbo.vic.gov.au/Victorian_Budget_19%2F20_-_independent_budget_snapshot> accessed 2 August 2019.

²⁹ Department of Treasury and Finance, *Budget Paper No. 2: 2018–19 strategy and outlook*, Melbourne, 2018, p. 21; Department of Treasury and Finance, *Getting things done*, p. 6.

³⁰ Parliamentary Budget Office, *Victorian Budget 19/20 - Independent Budget Snapshot*.

³¹ Geoff Gilfillan, *The extent and causes of the wage growth slowdown in Australia*, Parliament of Australia, Canberra, 2019.

³² Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data 2019–20 Budget*, 2019, <<https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators>> accessed 2 August 2019.

- A decline in inflation and inflation expectations
- A decline in the terms of trade since the end of the mining boom.³³

Slowing wages growth can impact on revenue collection.

State taxes

Revenue collected from state taxes, particularly land-based taxation, can be volatile. This risk has been most evident in the softening of the residential property market and the corresponding write-downs in state revenue collection. The fact that the State's capacity to collect revenue can be substantially impacted by a weakening property market was reflected in the 2018–19 Pre-Election Budget Update and the 2019–20 Budget.

The 2019–20 budget papers offer a revenue scenario analysis of a sharper property market downturn in Victoria. The analysis outlines that impacts to revenue would be 'meaningful but manageable'³⁴ with the largest impact coming from a drop in property tax revenue.³⁵

Risks to the national Goods and Services Tax (GST) pool

Risks to the national GST pool also represent a risk to the State's revenue base. The 2019–20 Budget highlights this risk and outlines that national dwelling investment, which is subject to GST, is forecast to decline from its peak in 2018–19.³⁶ The slowdown of the property market in the east coast states will have flow on effects and result in lower building approvals. This results in lower construction activity and ultimately means less GST revenue will be collected from the sector.

Population growth

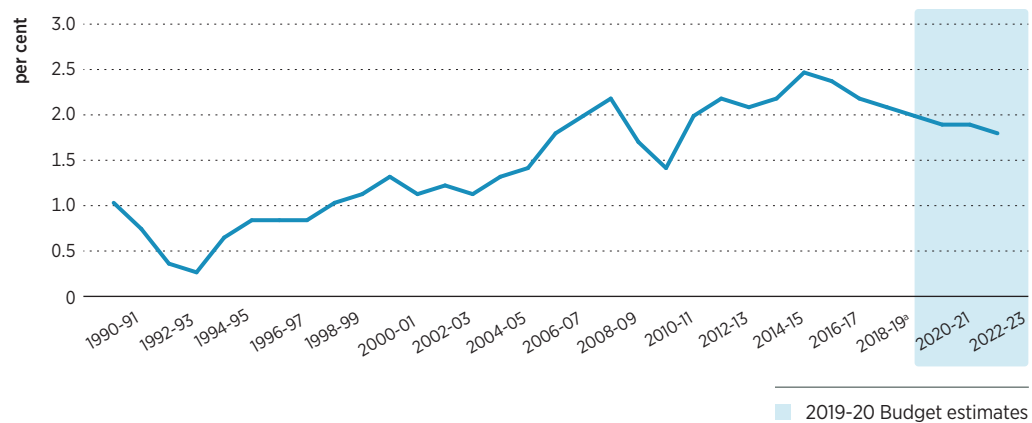
Population growth has been the largest driver of economic growth in Victoria. For the past 30 years Victoria has seen a trend of increasing population growth, impacting positively on the State's economy as set out in Figure 2.1.

³³ Gilfillan, *The extent and causes of the wage growth slowdown in Australia*.

³⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 165.

³⁵ Ibid.

³⁶ Ibid., p. 172.

Figure 2.1 Victorian population growth rate, 1990 to 2023

Source: Department of Treasury and Finance, *Macroeconomic Indicators: Macroeconomic data 2019-20 Budget*, 2019, <<https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators>> accessed 2 August 2019.

Victoria continues to experience strong population growth. The latest available data shows that the State maintains the highest population growth rate of all states, increasing by 2.2% over the year to December 2018, above the national average of 1.6%.³⁷ In 2019–20, population growth is expected to grow by 2%, decreasing slightly over the forward estimates to be 1.8% in 2022–23.³⁸

In 2017–18, real GSP grew by 3.5% in Victoria, compared with real GSP per capita which grew at a substantially lower rate of 1.2%. Data shows that per capita GSP growth is considerably slower than headline GSP growth.³⁹ While over the past decade Victoria has experienced consistent GSP growth, GSP per capita has dipped into negative figures despite positive population growth. Victoria recorded negative GSP per capita growth in 2012–13 and 2009–10.⁴⁰

The risk to economic growth in Victoria and consequently to government finances is whether population growth will continue. The majority of Victoria’s population growth can be attributed to overseas migration over which states have little control.⁴¹

Forecasting

The potential inaccuracy of forecasting presented in the budget papers continues to be a risk to the State’s finances.

³⁷ Australian Bureau of Statistics, *Australian Demographic Statistics*, cat. no. 3101.0, 2019, <<https://www.abs.gov.au/AUSSTATS/abs@nsf/mf/3101.0>> accessed 2 August 2019.

³⁸ Department of Treasury and Finance, *Macroeconomic Indicators*.

³⁹ Australian Bureau of Statistics, *Australian National Accounts: State Accounts, 2017-18*, cat. no. 5220.0, 2018, <<https://www.abs.gov.au/AUSSTATS/abs@nsf/DetailsPage/5220.02017-18>> accessed 2 August 2019.

⁴⁰ Department of Treasury and Finance, *Macroeconomic Indicators*.

⁴¹ Australian Bureau of Statistics, *Australian Demographic Statistics*.

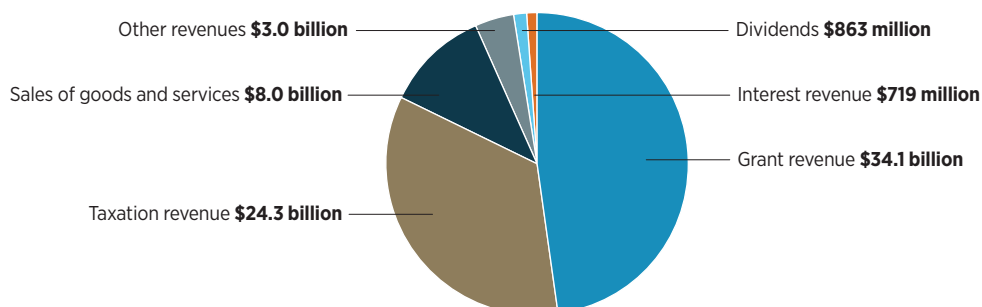
2.5 Revenue

This section examines the Government's estimates for revenue for 2019–20 and across the forward estimates. It also briefly reviews the Government's new revenue initiatives and associated revenue generation forecasts. Revenue estimates in the 2019–20 Budget are characterised by a significant write down in property-based taxation revenue.

2.5.1 Revenue projections

The Budget outlines that the Government expects to collect \$71.0 billion in revenue in 2019–20.⁴² Government revenue by source is set out in Figure 2.2.

Figure 2.2 Government revenue by source, 2019–20



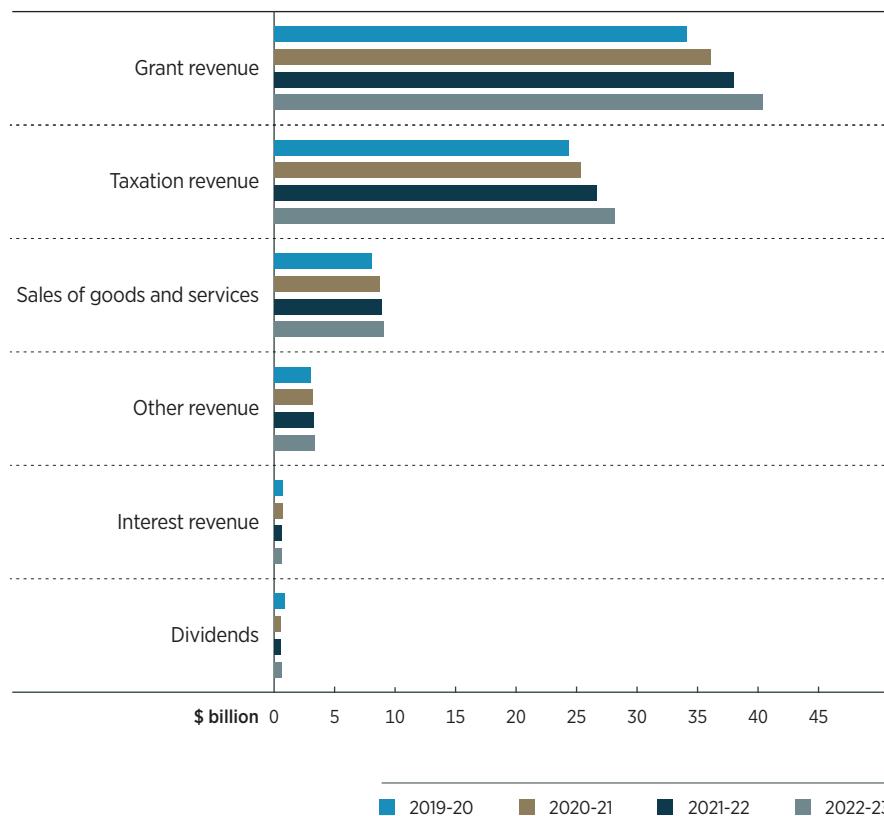
Source: Department of Treasury and Finance, *Budget Paper No.5: 2019–20 statement of finances*, Melbourne, 2019, p. 159.

The revenue forecast in 2019–20 and across the forward estimates in the 2019–20 Budget is over \$3 billion higher than outlined in the 2018–19 Pre-Election Budget Update.⁴³ Although the Budget lowers the State's taxation revenue forecast, new revenue initiatives partially offset this. The Budget forecasts increasing grant revenue from the Commonwealth across all grant categories to Victoria.

Figure 2.3 offers a visual representation of the sources of state revenue for Victoria in 2019–20 and over the forward estimates.

⁴² Department of Treasury and Finance, *Budget Paper No. 5*, p. 159.

⁴³ Department of Treasury and Finance, *Getting things done*, p. 11.

Figure 2.3 Government revenue by source, 2019–20 to 2022–23

Source: Department of Treasury and Finance, *Budget Paper No.5: 2019–20 statement of finances*, Melbourne, 2019, p. 159.

2.5.2 Grant revenue

Grant revenue in the Budget is divided into the following four categories:

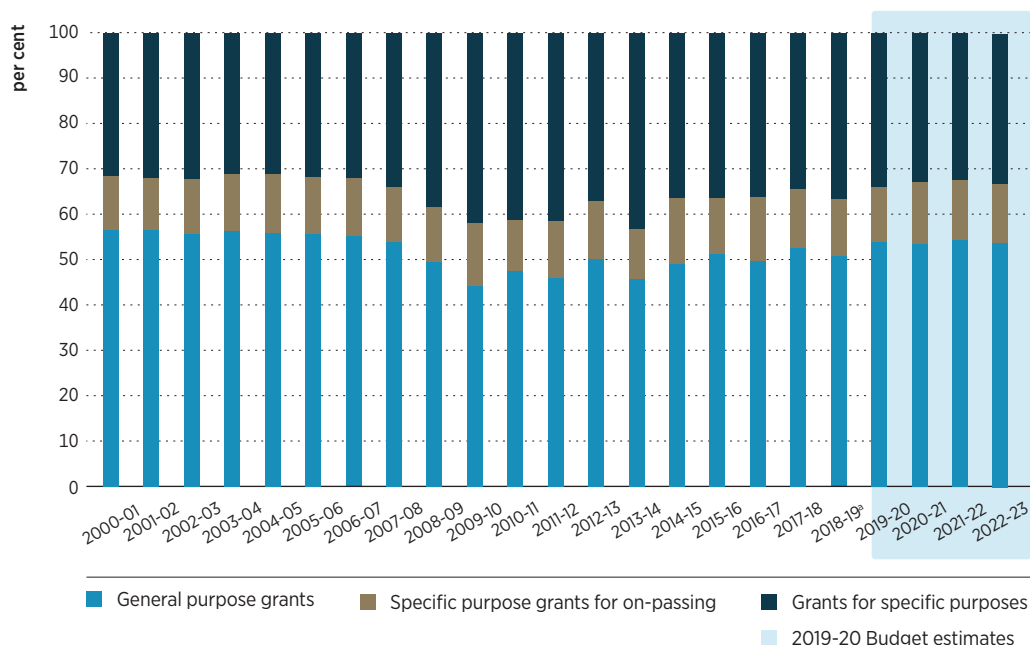
- General purpose grants—Commonwealth distributed revenue from the GST pool.
- Grants for specific purposes—grants from the Commonwealth to fund specific policy or program initiatives.
- Specific purpose grants for on-passing—Commonwealth grants that are immediately passed onto other entities or sectors, such as local government.
- Other contributions and grants—other grants and payments equal to dividends made by the TAC, VMIA and Worksafe Victoria.⁴⁴

Grants forecasts are increased in the 2019–20 Budget compared to the 2018–19 Pre-Election Budget Update. This reflects expected increases for grants for specific purposes (tied grants, usually subject to conditions as to how funds can be spent) and other grants from the Australian Government. Grants data shows that specific purpose grants in relation to general purpose grants have remained generally steady since the introduction of GST. Figure 2.4 displays the proportions of

⁴⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 24.

Commonwealth grant revenue the State has received from 2000–01 to the end of the forward estimates period.

Figure 2.4 Proportions of Commonwealth grant revenue, 2000–01 to 2022–23



Source: Committee calculations from data provided from the Department of Treasury and Finance based on the *Annual Financial Report* from 2000–01 to 2017–18; and *Budget paper No. 5* from 2018–19 to 2022–23.

FINDING 3: The proportion of specific purpose grants compared to other grants received from the Commonwealth Government has remained generally steady since the introduction of the Goods and Services Tax (GST).

General purpose grants

The Government is forecasting an increase in GST revenue distribution to Victoria as a result of higher assessed relativities for Victoria from 2020–21. GST revenue is forecast to grow by 4.9% to \$17.5 billion in 2019–20 and by an average of 6.9% over the forward estimates.⁴⁵ Higher relativities for Victoria are predicted because of the State's reduced revenue raising capacity relative to other states and territories and decreasing relativities for other states as a result of the ongoing strength of commodity prices.

General purpose grants have been revised down by \$423 million in 2019–20 compared to the 2018–19 Pre-Election Budget Update.⁴⁶ This is primarily a result of weaker than expected national consumption and dwelling investment, resulting in lower forecast national GST collections.

⁴⁵ Ibid., p. 172.

⁴⁶ Department of Treasury and Finance, *Getting things done*, p. 47; Department of Treasury and Finance, *Budget Paper No. 5*, p. 24 (Committee calculations).

Grants for specific purposes

In 2019–20 grants for specific purposes are expected to be \$11 billion. Grants for specific purposes are expected to increase at an annual average rate of 6.1% to reach \$13.1 billion in 2022–23.⁴⁷

The community services expenditure category will see a funding decrease of 85% in 2019–20 compared to 2018–19 revised figures.⁴⁸ The reduction is explained by the discontinuation of funding for the National Disability Agreement and Specialist Disability Services for over 65s due to commencement of, and transition to, the National Disability Insurance Scheme (NDIS).⁴⁹ The decrease is also explained by the expiry of the ‘Pay equity for the social and community services sector’ agreement.⁵⁰

The environment expenditure category is forecast to experience a 74% decrease in funding compared to 2018–19. This can mainly be attributed to the decrease in funding for the Sustainable Rural Water Use and Infrastructure Program, driven by a reduction of available funding for the Goulbourn-Murray Water Connections Project and an 82% decrease in ‘other’ funding.⁵¹

Payments for infrastructure have also reduced by 19% in 2019–20 primarily due to a 22% drop in funding for the Infrastructure Investment Program and less ‘other’ infrastructure funding.⁵²

The Budget forecasts an increase in the expenditure categories of affordable housing at 2.7%, education at 7.7%, health at 6% and contingent/other at 16%.⁵³

Specific purpose grants for on-passing

Specific purpose grants for on-passing in 2019–20 are expected to be \$3.9 billion.⁵⁴ This represents a 2.7% decrease on the 2018–19 revised figure of \$4 billion.⁵⁵ Grants for on-passing in 2019–20 include \$310 million to local government and \$3.6 billion for support for non-government schools. Specific purpose grants for on-passing are expected to grow at an annual average rate of 9.1% to reach \$5.1 billion in 2022–23.

Other contributions and grants

Other contributions and grants in 2019–20 incorporate the payments made from the VMIA, TAC and Worksafe to the Victorian Government. These payments are considered

⁴⁷ Department of Treasury and Finance, *Budget Paper No. 5*, p. 24.

⁴⁸ *Ibid.*, p. 177.

⁴⁹ *Ibid.*

⁵⁰ *Ibid.*

⁵¹ *Ibid.*, p. 178.

⁵² *Ibid.*, p. 179.

⁵³ *Ibid.*, p. 176.

⁵⁴ *Ibid.*, p. 24.

⁵⁵ *Ibid.*, p. 172.

‘amounts equivalent to dividends’ but are received and reported as contributions forming part of grant revenue to comply with AASB 1023 General Insurance Contracts.⁵⁶ This mechanism was introduced in the 2018–19 Budget for the TAC because of accumulated losses on the entity’s balance sheet over recent years.⁵⁷

The issue of dividend payments and additional ‘amounts equivalent to dividends’ were extensively discussed at the budget estimates hearings. Mr David Martine, Secretary of the Department of Treasury and Finance outlined that the increase in payments in the form of ‘amounts equivalent to dividends’ entails both ongoing dividends and the Government’s election commitment to extract \$2.3 billion for the Delivering for All Victorians Infrastructure Fund.⁵⁸

The ‘amounts equivalent to dividends’ extracted in 2019–20 and over the forward estimates is \$4 billion.⁵⁹

Table 2.1 Amounts equivalent to dividends, 2019–20 to 2022–23

Entity	2019–20 (\$million)	2020–21 (\$million)	2021–22 (\$million)	2022–23 (\$million)
VMIA	277	105	46	49
TAC	890	982	1,000	–
WorkSafe Victoria	–	–	125	575

Source: Department of Treasury and Finance, *Budget Paper No.5: 2019–20 statement of finances*, Melbourne, 2019, p. 23.

When asked about the figure of \$4 billion being extracted from the entities at the public hearings, the Treasurer, Hon Tim Pallas MP, explained:

I suppose the simple answer to that is: certainly with respect to the amount that we told the people of Victoria we were taking out and the continuing additional dividend yield, which has been a standard part of activity of governments of both political persuasions, we are doing it in circumstances where we believe that not only are they sustainable as against the operation of these insurance agencies that are overlooking the state’s interests and the community’s interests. So for example we are continuing to make \$121 million in the Towards Zero road safety package.⁶⁰

The 2019–20 Budget calculates that the economic funding ratios of the three entities at 30 June 2018 was 165% for the TAC, 170% for Worksafe Victoria and 207% for the VMIA.⁶¹ In the public hearings, the Treasurer outlined that at 31 December 2018,

⁵⁶ Ibid., p. 23.

⁵⁷ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 13.

⁵⁸ Mr David Martine, Secretary, Department of Treasury and Finance, 2019–20 Budget estimates (Assistant Treasurer) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 13.

⁵⁹ Department of Treasury and Finance, *Budget Paper No. 5*, p. 172.

⁶⁰ Hon. Tim Pallas MP, Treasurer, 2019–20 Budget estimates (Treasurer) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 22.

⁶¹ Department of Treasury and Finance, *Budget Paper No. 2*, p. 72.

the economic funding ratio of the three entities was 143% for the TAC, 158% for Worksafe Victoria and 200% for the VMIA.⁶² The Secretary of the Department of Treasury, Mr David Martine, explained:

That effectively means that for every \$100 of liabilities they have to pay, what is the requirement of the assets. And on the funding *ratios* outlined on page 72, the TAC has an economic funding *ratio* as at 30 June 2018 of 165%. So that means for every \$100 of liabilities they are currently sitting on \$165 of assets, and these are the net present value calculations.⁶³

The decapitalisation of the VMIA, TAC and Worksafe Victoria is generally sustainable given their current economic funding ratios.

FINDING 4: Approximately \$4 billion will be extracted from the Victorian Managed Insurance Authority, Transport Accident Commission and Worksafe Victoria in 2019–20 and over the forward estimates. This decapitalisation is generally considered sustainable, however ongoing attention to ensure the economic funding ratios of the three entities remain stable is important.

2.5.3 Taxation revenue

State-based taxation revenue is expected to grow by 2.2% from \$23.8 billion in 2018–19 to be \$24.3 billion in 2019–20, increasing by an average annual growth rate of 5% over the forward estimates period to reach \$28.1 billion by 2022–23.⁶⁴

The estimates for 2019–20 across the various state taxation streams are shown in Figure 2.5 below. They include:

- Payroll tax, which is a levy based on employer payrolls
- Taxes related to property, such as land tax and land transfer duty
- Motor vehicle taxes, including vehicle registration fees and duties on registrations and transfers
- Gambling taxes, which comprise of revenue from public lotteries, public gaming machines, the Crown Casino and racing
- Taxes on insurance
- Other taxes on immovable property, including the fire property services levy, the congestion levy and the metropolitan improvement levy

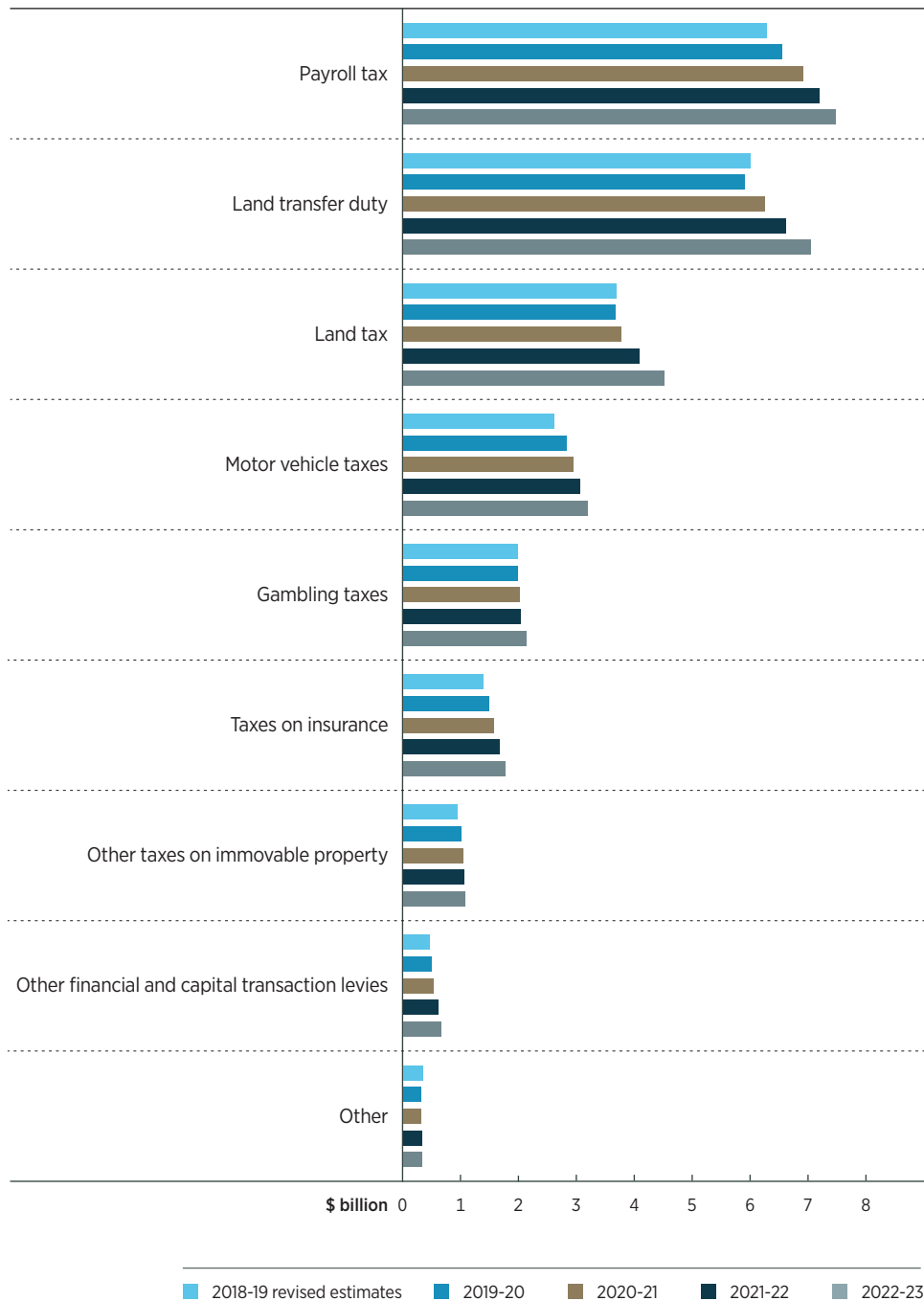
⁶² Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 24.

⁶³ Mr David Martine, Secretary, Department of Treasury and Finance, 2019–20 Budget estimates (Treasurer) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 24 (emphasis added).

⁶⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 160.

- Other financial and capital transaction levies, which includes the metropolitan planning levy, the financial accommodation levy and the growth area infrastructure contribution (GAIC).⁶⁵

Figure 2.5 State taxation by revenue stream, 2018–19 to 2022–23



Source: Department of Treasury and Finance, *Budget Paper No.5: 2019–20 statement of finances*, Melbourne, 2019, p. 161.

⁶⁵ Government of Victoria, Department of Treasury and Finance, *State Taxation Revenue*, Melbourne, December 2018.

The four largest sources of state tax revenue—payroll tax, land transfer duty, land tax, motor vehicle taxes and gambling taxes—are discussed below.

Payroll tax

Payroll tax is expected to raise \$6.5 billion in 2019–20 and increase by 4.5% per year over the forward estimates period to reach \$7.5 billion by 2022–23. The Budget forecasts Victoria’s labour market to be strong in 2019–20 and over the forward estimates period.⁶⁶

Growth in payroll tax reflects increases in both the number of people employed as well as salary levels. In the 2019–20 Budget, employment in Victoria is forecast to grow by 2.0% in 2019–20 and 1.75% over the forward estimates. This is below the revised figure of 3.25% for 2018–19 and the actual figure of 2.8%⁶⁷ in 2017–18.⁶⁸

There are a number of new concessions regarding the payroll tax in the 2019–20 Budget. From 1 July 2019, the payroll tax exemption for wages paid under maternity leave will be extended to cover all types of parental leave. The regional payroll tax rate will be reduced to 1.2125%, equivalent to 25% of the metropolitan rate by 2022–23. Reductions will be phased in over three years from the start of 2020–21.⁶⁹

Property related taxes

A key feature of the 2019–20 Budget is the downgrade of land transfer duty by \$2.8 billion, in addition to a \$2.4 billion downgrade in the 2018 Pre-election Budget Update.⁷⁰

The decline in revenue reflects decreasing property prices and transaction volumes, which has had a substantial impact on the 2019–20 Budget and the State’s finances overall. It is expected that GST revenue from the Commonwealth Government will cover a proportion of lost land transfer duty revenue, however, this will not be immediate.

In 2019–20, land transfer duty makes up just over 24% of all state based taxation and is expected to raise \$5.9 billion in 2019–20. The revised estimate for 2018–19 is \$6 billion, down from the expected \$7.1 billion outlined in the 2018–19 Budget.⁷¹ As a proportion, land transfer duty was forecast to account for 30% of state based taxation in 2018–19 in the 2018–19 Budget.⁷²

The 2019–20 budget papers contend that ‘residential valuations for Victoria are expected to be modestly negative, which will be partially offset by flat revaluation

⁶⁶ Department of Treasury and Finance, *Budget Paper No. 5*, p. 168.

⁶⁷ Department of Treasury and Finance, *Macroeconomic Indicators*.

⁶⁸ Department of Treasury and Finance, *Budget Paper No. 5*, p. 20.

⁶⁹ *Ibid.*, p. 168.

⁷⁰ *Ibid.*, p. 160.

⁷¹ Department of Treasury and Finance, *Budget Paper No. 5: 2018–19 statement of finances*, Melbourne, 2018, p. 19.

⁷² *Ibid.*

outcomes for industrial and commercial land revaluation in 2019'.⁷³ The 2019–20 Budget notes that the Victorian property market is expected to recover from around 2020–21.⁷⁴ However, the Department of Treasury and Finance (DTF) stated in their response to the Committee's questionnaire:

... land transfer duty is a particularly volatile revenue line and the rate of annual change has fluctuated between -25 and 46%. Transaction taxes are particularly difficult to forecast with accuracy, given both price and volume effects, as well as compositional changes such as the share of residential and non-residential property transactions.⁷⁵

FINDING 5: Land transfer duty revenue forecasts have been downgraded by \$2.8 billion in the 2019–20 Budget, in addition to the \$2.4 billion downgrade announced in the 2018 Pre-Election Budget Update. The downwards revision in land transfer duty revenue illustrates that this revenue stream can be volatile.

Land tax revenue for 2019–20 is expected to be \$3.7 billion, increasing by an average of 7.1% over the forward estimates to reach \$4.5 billion in 2022–23. From 1 July 2019 the Victorian Valuer-General began undertaking annual valuations in order to reduce volatility in land tax revenue estimates. Land tax is not a transactional tax and is less correlated with the property cycle than land transfer duty. Nonetheless, land tax revenue growth is expected to be moderate in 2019–20 reflecting a slowing property market.⁷⁶

2.5.4 Motor vehicle taxes

Motor vehicle related taxes comprise of vehicle registration fees and duty on vehicle registrations and transfers. In 2019–20, vehicle registration fees are expected to raise \$1.8 billion, increasing by an average rate of 4.2% over the forward estimates to reach \$2 billion in 2022–23. Duty on vehicle registrations and transfers is expected to raise \$1 billion in 2019–20 and increase at an average annual rate of 4.3% over the forward estimates, reaching \$1.2 billion in 2022–23.⁷⁷

The 2019–20 Budget notes that population growth in Victoria is anticipated to support steady motor vehicle tax revenue.⁷⁸ Stamp duty revenue from new vehicle sales remains weak in the first half of 2018–19, reflecting weak consumer spending behaviour, likely in response to a reduction in dwelling prices and low wage growth.⁷⁹

⁷³ Department of Treasury and Finance, *Budget Paper No. 5*, p. 160.

⁷⁴ Ibid.

⁷⁵ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 40.

⁷⁶ Department of Treasury and Finance, *Budget Paper No. 5*, p. 161.

⁷⁷ Ibid.

⁷⁸ Ibid., p. 160.

⁷⁹ Ibid., p. 170.

The budget papers further outline that the current uncertainty regarding heavy vehicle registration charges has made it difficult to effectively forecast motor vehicle tax revenue. Uncertainty regarding forecasting of heavy vehicle registration charges was an issue discussed by the Committee in the *2018–19 Budget Estimates Report*.⁸⁰

2.5.5 Gambling taxes

Gambling taxes are expected to raise \$2 billion in 2019–20 and increase at an annual average rate of 2.3% over the forward estimates to reach \$2.1 billion in 2022–23. This represents a 0.3% decrease from 2018–19. Gambling tax revenue is sourced from Electronic Gaming Machines (EGMs), gaming activity within the Crown Casino, the racing industry and public lotteries.⁸¹ The majority of gambling tax revenue is collected from EGM revenue, which is expected to be \$1.1 billion in 2019–20 or 58% of overall gambling tax revenue.⁸²

2.5.6 Sales of Goods and Services

Sales of goods and services is expected to raise \$8 billion in 2019–20, up 4.1% from the 2018–19 revised estimate of \$7.7 billion. A growth rate of 3.9% is expected over the forward estimates, reaching \$9 billion in 2022–23.⁸³ \$4.6 billion, or 57.7%, of revenue from sales of goods and services comes from the provision of services line item.⁸⁴

2.5.7 Dividends

A key issue discussed at the public hearings was the distribution of dividends and ‘amounts equivalent to dividends’. Funds assessed as ‘amounts equivalent to dividends’ are discussed under the ‘other contributions and grants’ subheading of Section 2.5.2 of this chapter. Dividends from Public Financial Corporations (PFCs) and Public non-financial corporations (PNFCs) in 2019–20 are expected to be \$517 million. Over the forward estimates, dividend payments from both PFCs and PNFCs are expected to decrease substantially compared to 2019–20 figures.⁸⁵

Other than \$52 million paid by the VMIA in 2019–20, the VMIA, TAC and WorkSafe Victoria will not be making dividend payments in 2019–20 and over the forward estimates. As such, the majority of dividends paid by PFCs will come from the Treasury Corporation of Victoria.⁸⁶

⁸⁰ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2018–19 Budget Estimates*, 5 March 2019, p. 23.

⁸¹ Department of Treasury and Finance, *Budget Paper No. 5*, p. 170.

⁸² *Ibid.*, p. 21.

⁸³ *Ibid.*, p. 180.

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*, p. 23.

⁸⁶ *Ibid.*

2.5.8 New revenue initiatives

The 2019–20 Budget sets out several new revenue initiatives to be introduced by the Government. The following new revenue initiatives are expected to generate \$832.3 million of revenue to the Government in 2019–20 and over the forward estimates:

- Expand the qualifying provisions for the corporate reconstruction duty relief—from 1 July 2019, the corporate reconstruction exemption was replaced with a corporate reconstruction concession (eligible transactions arising out of corporate reconstructions now attract duty at the concessional rate of 10% of the duty otherwise payable)
- Harmonisation of foreigner property surcharges—absentee landowner surcharge (an increase in the tax from 1.5% to 2%) and land transfer duty surcharge (an increase in the tax from 7% to 8%)
- Motor vehicle duty—luxury vehicles (motor vehicle duty for luxury vehicles will be increased in three tranches, according to the price of the vehicle)
- Remove the land tax exemption for contiguous land in metropolitan areas (removal of the land tax exemption for vacant land attached to a principal place of residence)
- Removing the exemption for gold from royalties (the royalty rate will be set at 2.75% of the net market value of gold production).⁸⁷
- Further details on these new initiatives are contained in Appendix 2.

FINDING 6: The 2019–20 Budget includes six new revenue initiatives that are expected to generate \$832.3 million of revenue in 2019–20 and over the forward estimates.

2.6 Output expenditure

The Government's output expenditure relates to the delivery of services, including education, health, public order and safety, and transport. This section provides an overview of output expenditure for the general government sector in 2019–20 and over the forward estimates. It also analyses spending across some of the major output expenditure components.

Total output expenditure for the general government sector is expected to be \$70 billion in 2019–20. This represents an increase of 2.3% on the revised figure for 2018–19 of \$68.4 billion.⁸⁸ The Budget forecasts output expenditure to grow by an annual average of 3.3% over the forward estimates to reach \$77.2 billion in 2022–23.

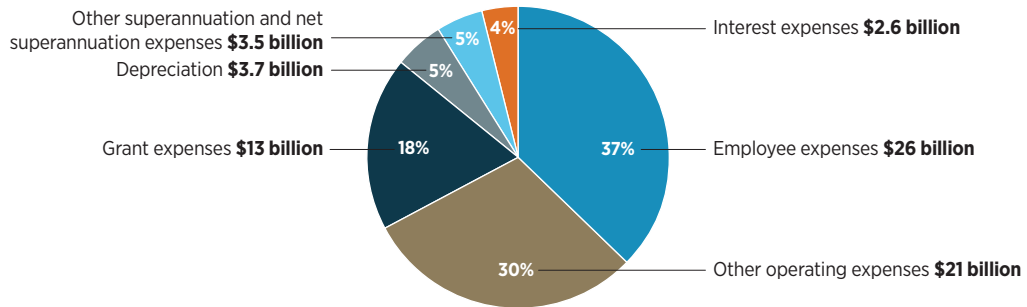
⁸⁷ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 51–54 (Committee calculations).

⁸⁸ Department of Treasury and Finance, *Budget Paper No. 2*, p. 55.

2.6.1 Components of output expenditure

Figure 2.6 outlines the output expenditure estimates from the comprehensive operating statement in the 2019–20 Budget.

Figure 2.6 Components of output expenditure, 2019–20



Source: Department of Treasury and Finance, *Budget Paper No.5: 2019–20 statement of finances*, Melbourne, 2019, p. 9.

The three largest components of output expenditure for 2019–20 are employee expenses (37%), other operating expenses (30%) and grant expenses (18%).⁸⁹

The Budget also outlines a number of savings related to operating expenses, including:

- \$200 million of savings over four years across the general government sector including reduced spending on consultancy and labour hire⁹⁰
- departments will deliver a range of further efficiency measures from 2019–20. To support these efficiencies, a comprehensive program of expenditure base reviews will be undertaken across all portfolios.⁹¹

These changes are forecast to provide the government \$250 million in savings in 2019–20, \$513 million in 2020–21 and \$574 million in 2021–22 and \$635 million in 2022–23.⁹²

Employee expenses

Employee expenses are normally the largest component of the Government's output expenditure and the State's largest expense. They relate to the costs of employment, entailing wages and salaries, superannuation, fringe benefits tax, leave entitlements and redundancy payments.⁹³ In 2019–20, employee expenses represent the highest operating expense and are expected to be \$26.2 billion, representing a 4.4% increase

⁸⁹ Department of Treasury and Finance, *Budget Paper No. 5*, p. 9.

⁹⁰ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 126.

⁹¹ Ibid.

⁹² Ibid.

⁹³ Department of Treasury and Finance, *Budget Paper No. 2*, p. 52.

over the 2018–19 revised figure of \$25 billion. They are expected to grow at an annual average rate of 3.9% each year to reach \$29.4 billion in 2022–23.⁹⁴

The increase in employee expenses over the forward estimates reflects growth in the public sector workforce and changes in the remuneration levels as a result of enterprise bargaining agreements. Growth in the public sector workforce is expected in the areas of health, education and community safety.⁹⁵

In the *Report on the 2018–19 Budget Estimates*, it was noted that the increase in employee expenses from the 2017–18 Budget and the 2018–19 Budget resulted in an increase in expected spending over the forward estimates. The report found that ‘expected expenditure in 2019–20 has increased by 6.6% from the 2017–18 Budget to the 2018–19 Budget’.⁹⁶

The 2019–20 Budget provides a moderated expense outlook regarding employee expenses, with forecasts over the forward estimates lower than those in the 2018–19 Budget.

Other operating expenses

Other operating expenses represent the general running costs incurred in normal operation by the Government. These mainly include the purchase of supplies and consumables and the purchase of services. The 2019–20 budget papers include an allowance for demand that may emerge over the forward estimates.⁹⁷

Other operating expenses represent the second highest operating expense and are expected to be \$21 billion in 2019–20. They are expected to decrease to \$20.7 billion by 2022–23. The largest component of other operating expenses is the purchase of services. This is expected to decrease over the forward estimates, partly driven by the State’s expenses related to disability services being allocated towards the State’s contribution to the NDIS.⁹⁸

Grant expenses

Grant expenses include grants, subsidies, personal benefit payments made in cash to individuals, other transfer payments made to the Commonwealth, local government, non-government schools and community groups.⁹⁹ In 2019–20, grant expenses are expected to be \$12.9 billion, an increase of 1.2% from the \$12.8 billion revised 2018–19 figure. Grant expenses are expected to increase at an annual average rate of 6.4% to reach \$15.6 billion in 2022–23.¹⁰⁰

⁹⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 65.

⁹⁵ *Ibid.*, p. 229.

⁹⁶ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2018–19 Budget Estimates*, p. 46.

⁹⁷ Department of Treasury and Finance, *Budget Paper No. 5*, p. 30.

⁹⁸ *Ibid.*

⁹⁹ *Ibid.*, p. 29.

¹⁰⁰ *Ibid.*

2.7 Asset investment

Asset investment is government expenditure on the construction or purchase of infrastructure. Asset investment differs from output expenditure discussed earlier, which funds the provision of ongoing goods and services provided by the Government.

Victoria is currently experiencing record levels of infrastructure investment. Public infrastructure investment has been a driving factor of economic growth in the State. The 2019–20 Budget forecasts that asset investment will be higher than forecast in the 2018–19 Pre-Election Budget Update. The increase in asset investment can be primarily attributed to higher investment in transport, education, and public order and safety.¹⁰¹

2.7.1 Government infrastructure investment

Government infrastructure investment is expected to be \$14.2 billion in 2019–20. Investment is expected to grow to \$14.7 billion in 2020–21 then decline to \$12.6 billion in 2022–23.¹⁰² The 2019–20 Budget outlines that for the general government sector the total estimated investment (TEI) for new projects is \$29 billion and \$32.7 billion for existing projects.¹⁰³ TEI for new projects for PNFCs stands at around \$10.3 billion while the figure for existing projects is above \$35.2 billion.¹⁰⁴

The largest proportion of the TEI of new and existing general government infrastructure investment in the 2019–20 Budget can be attributed to the Department of Transport, totalling \$46.9 billion. This is substantially more than the combined infrastructure investment of all other departments which is \$14.8 billion.¹⁰⁵

Sources of funding and finance for government infrastructure investment come from: Commonwealth grant funding, public sector borrowings, PPPs, contributions from the State insurers, and a number of other models, including proceeds from asset recycling.

FINDING 7: The largest proportion of total estimated new and existing general government sector infrastructure investment in the 2019–20 Budget can be attributed to the Department of Transport, totalling \$46.9 billion.

2.7.2 Key components of government infrastructure investment

The three major components that make up government infrastructure investment are net direct investment; net investment through other sectors; and PPPs and other investment. Figure 2.7 illustrates the components of government infrastructure investment historically and over the forward estimates.

¹⁰¹ Department of Treasury and Finance, *Budget Paper No. 4*, p. 1.

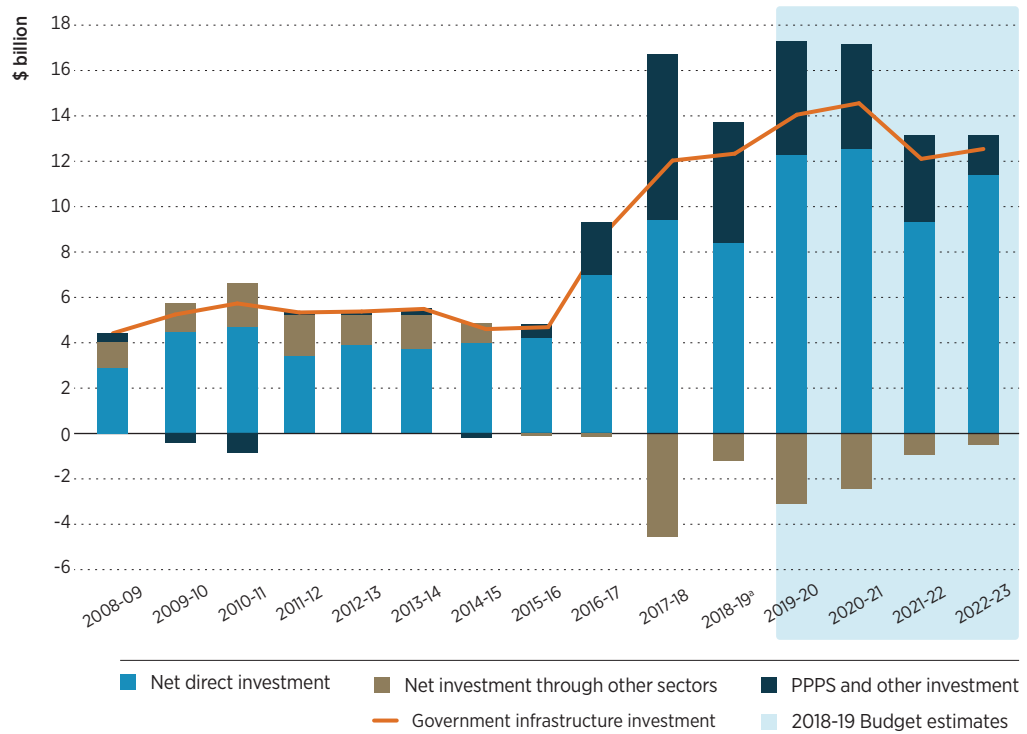
¹⁰² *Ibid.*, p. 21.

¹⁰³ *Ibid.*, p. 9.

¹⁰⁴ *Ibid.*

¹⁰⁵ *Ibid.*

Figure 2.7 Components of government infrastructure investment, 2009–10 to 2022–23



a. The 2018–19 figure is a revised estimate

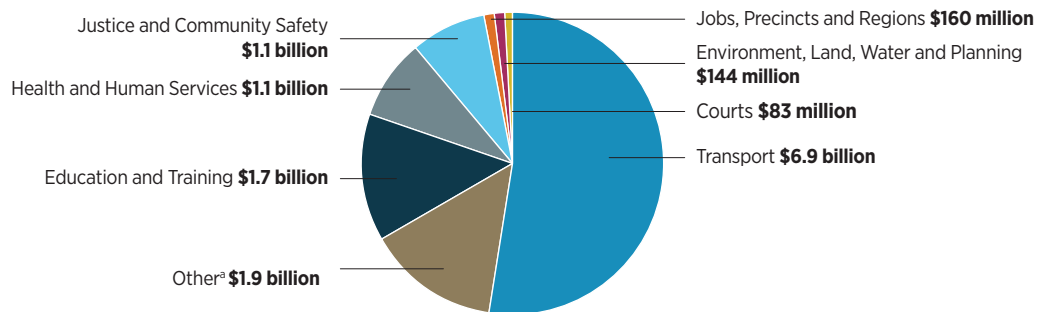
Source: Department of Treasury and Finance, *Consolidated Cash Flow Statement—General Government Sector* (2019).

Net direct investment

Net direct investment refers to infrastructure investment when the Government manages the construction or purchase of an asset, with a government department taking ownership of the asset once it is completed.

Figure 2.8 shows the amount of net direct asset investment in 2019–20 by department.

Figure 2.8 Net direct asset investment by department^a



a. Other comprises of the Department of Premier and Cabinet, the Department of Treasury and Finance, Parliament and, regulatory bodies and other part funded agencies.

Note: figure will not add up due to rounding

Source: Department of Treasury and Finance, *Budget Paper No.5: 2019–20 statement of finances*, Melbourne, 2019, p. 33.

Major net direct asset investment projects for the Department of Transport announced in the 2019–20 Budget include additional VLocity trains, Melbourne Airport Rail, new trams and new trains for Sunbury.¹⁰⁶

Net investment through other sectors

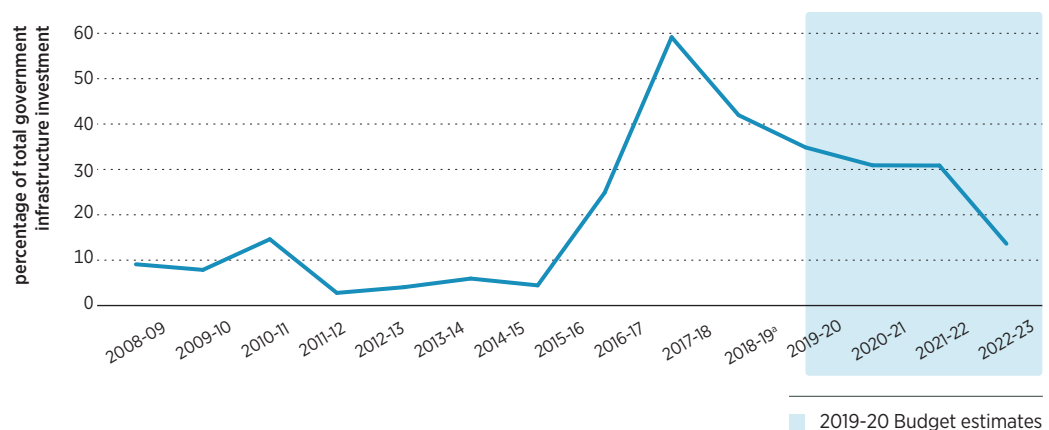
Investment through other sectors refers to the Government determining that an asset will be owned by a government business enterprise, normally a PNFC such as a water corporation. Under this arrangement, the Government invests in the business enterprise then directs the business to invest in the asset. Net investment through other sectors is expected to be \$3.1 billion in 2019–20, up from the \$1.2 billion revised figure for 2018–19. Investment is expected to decrease over the forward estimates to reach \$487 million in 2022–23.¹⁰⁷

Public private partnerships (PPPs) and other investment

PPPs and other investment refers to financial arrangements between the Government and the private sector for the construction, and occasionally, operation and maintenance of public assets.

Expenditure on PPPs and other investment is expected to be \$5 billion in 2019–20, a decrease from the 2018–19 revised figure of \$5.3 billion.¹⁰⁸ Investment in PPPs is expected to drop substantially over the forward estimates, falling to \$1.7 billion in 2022–23.¹⁰⁹

Figure 2.9 Public private partnerships (PPPs) and other investment as a proportion of government infrastructure investment, 2008–09 to 2022–23



a. The 2018–19 figure is a revised estimate

Source: Department of Treasury and Finance, *Other financial aggregates—Net infrastructure investment* (2019).

¹⁰⁶ Ibid., p. 131.

¹⁰⁷ Department of Treasury and Finance, *Consolidated cash flow statement*, State of Victoria, Melbourne May 2019.

¹⁰⁸ Ibid.

¹⁰⁹ Department of Treasury and Finance, *Budget Paper No. 4*, p. 21.

The 2019–20 budget papers outline that there are currently four PPP projects in development, which together account for \$10 billion in capital investment. These four projects are the North East Link, the New Footscray Hospital, Suburban Roads Upgrade—Northern Roads Upgrade and Suburban Roads Upgrade—South Eastern Roads Upgrade. There are also a number of PPPs under construction, including the West Gate Tunnel, Western Roads Upgrade, the Metro Tunnel, High Capacity Metro Trains and the Casey Hospital expansion.¹¹⁰

The use of availability model public private partnerships (PPPs)

The use of the availability PPP model to conduct road upgrades and maintenance represents a new trend in the expansion of projects constructed using PPPs. Under an availability model for PPP projects the primary source of funding used to repay the private sector finance for building the asset comes from the Government. Payments from the Government occur over the operational phase of the project to ensure continued availability of the asset. Generally, this model of PPPs is used to fund non-income producing infrastructure.¹¹¹

2.8 Sustainability of finances

The net operating balance forecast has been adjusted downwards from 2018–19 to 2020–21 in the 2019–20 Budget. This is a reflection of lower revenue and higher operating expenses. There is, however, an upwards revision in the net operating balance from 2021–22 and 2022–23.

Regarding the sustainability of finances, the 2019–20 Budget forecasts increased debt, asset expenses and operating expenses compared to the 2018–19 Pre-Election Budget Update. These increases are partially offset by increased revenue.

The Parliamentary Budget Office (PBO) has conducted an analysis of the fiscal sustainability of the State in its Independent Budget Snapshot.¹¹² The analysis focuses on three primary indicators of fiscal sustainability: interest expenses as a proportion of revenue; net debt as a proportion of revenue; and non-interest expenses as a proportion of revenue. The PBO found that while the 2019–20 Budget forecasts a significant increase in debt, it remains broadly within Australian and international benchmarks.

Despite increased public borrowing, Victoria maintains its triple-A credit rating from both major global credit rating agencies—Moody’s and S&P Global.

FINDING 8: While the 2019–20 Budget maintains a strong operating surplus, the Government’s financial position is under increased pressure compared to the 2018–19 Budget. The Committee considers the State’s financial position to be sustainable.

¹¹⁰ Ibid., p. 14.

¹¹¹ Ibid.

¹¹² Parliamentary Budget Office, *Victorian Budget 19/20 - Independent Budget Snapshot*.

2.8.1 Borrowings

Government borrowings generally consist of loans to meet the costs of infrastructure projects. They are usually public debt arrangements made on behalf of the Victorian Government by the PFC entity, Treasury Corporation of Victoria. The Treasury Corporation is able to borrow at lower interest rates than other commercial debt providers because of its status as a government backed entity.

Borrowings for the general government sector are expected to be \$51 billion at 30 June 2020, increasing by an average growth rate of 9.8% over the forward estimates to reach \$68 billion by 30 June 2023.¹¹³ This represents a substantial increase from the expected borrowings outlined in the 2018–19 Budget.¹¹⁴

Public borrowing has been increased substantially primarily to fund three major infrastructure projects: the Melbourne Airport Rail Link; North East Link; and the additional removal of 25 level crossings.

2.8.2 Net debt

Net debt refers to the sum of all financial liabilities of the government, less its respective financial assets. General government sector net debt at 30 June 2020 is expected to be \$39 billion, and is forecast to grow at an average annual rate of 12.1% over the forward estimates, reaching \$55 billion at 30 June 2023.¹¹⁵ The 2019–20 Budget outlines that net debt is expected to be \$19.8 billion higher at 30 June 2022 compared with the 2018–19 Budget.¹¹⁶

The substantial increase in net debt is primarily due to the recognition of the impact of the adoption of revised accounting standards and borrowings for the three major infrastructure projects.

Gross State Product (GSP) and the economy

In addition to government borrowing and debt strategies, net debt to GSP depends on economic growth in Victoria. DTF forecasts real GSP to grow 2.75% in 2019–20 and over the forward estimates.¹¹⁷

The latest data from the Australian Bureau of Statistics shows that Victoria's real GSP in 2017–18 was \$424 billion, a 3.5% increase from the 2016–17 figure. From 2008 to 2018, Victoria's GSP grew at an annual average rate of 2.6%.¹¹⁸

¹¹³ Department of Treasury and Finance, *Budget Paper No. 5*, p. 11.

¹¹⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 9.

¹¹⁵ Department of Treasury and Finance, *Budget Paper No. 5*, p. 11.

¹¹⁶ Department of Treasury and Finance, *Budget Paper No. 2*, p. 4.

¹¹⁷ Department of Treasury and Finance, *Macroeconomic Indicators*.

¹¹⁸ Australian Bureau of Statistics, *Australian National Accounts: State Accounts, 2017-18*.

Victoria's GSP growth in 2017–18 was primarily supported by three different sectors: health care and social assistance (7.9% growth rate); construction (6.1% growth rate); and financial and insurance services (4.9% growth rate).¹¹⁹

Victoria's growth in health care and social assistance exceeded national growth in the sector and can be attributed to consistent public investment in health care. Construction grew for a fifth straight year reflecting growth in dwelling construction and high levels of public infrastructure investment. Financial and insurance services also continued to grow in line with population growth and increased levels of financial commitments throughout the year.¹²⁰

Economic growth is expected to be supported primarily by household consumption, public demand and business investment.¹²¹

2.9 Performance measures

Victoria introduced a new Resource Management Framework (RMF) on 1 July 2019 replacing the former Budget Operations Framework (BOF) and Performance Management Framework (PMF). The new single framework merges the policies and procedures of the former BOF and PMF and communicates a single funding and accountability framework for Victorian Government departments. All departments must apply the RMF in accordance with the *Financial Management Act 1994* (Vic).

Although the RMF supersedes the former PMF, it does not materially alter the mandatory requirements for departments regarding output performance reporting, or the related guidance for developing and reviewing output performance measures.

This section summarises:

- the comprehensiveness of performance measures in the 2019-20 budget papers
- key changes in the number of outputs and performance measures since the 2018–19 Budget
- the performance measures proposed for discontinuation in 2019-20, and related reasons.

Chapters 4–13 of this report contain further detail, where relevant, for each department.

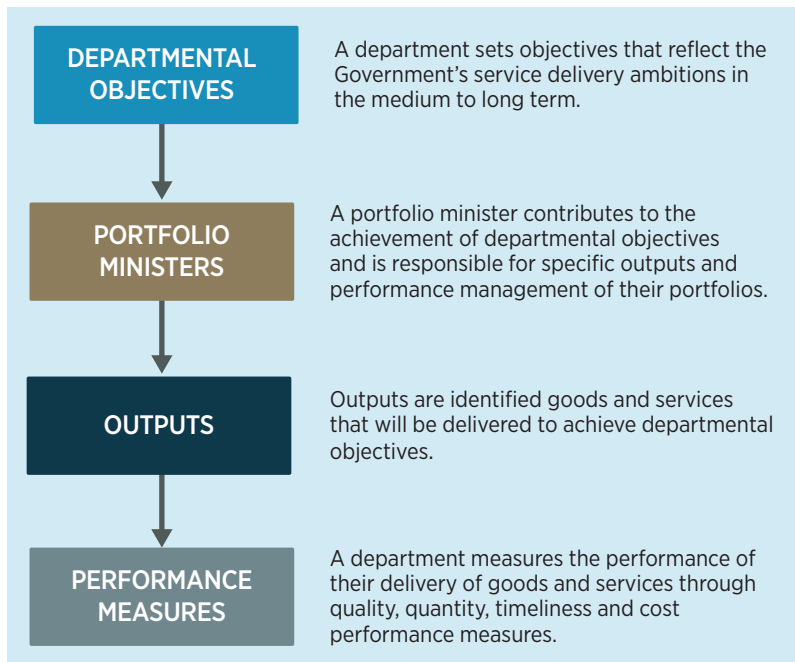
2.9.1 Department performance statements

Each year, department performance statements are published in Chapter 2 of *Budget Paper No. 3: Service Delivery*. Figure 2.10 below presents a summary of the information provided by each department in this section of the budget papers.

¹¹⁹ Ibid.

¹²⁰ Ibid.

¹²¹ Department of Treasury and Finance, *Budget Paper No. 2*, p. 22.

Figure 2.10 Information on performance statements in the budget papers

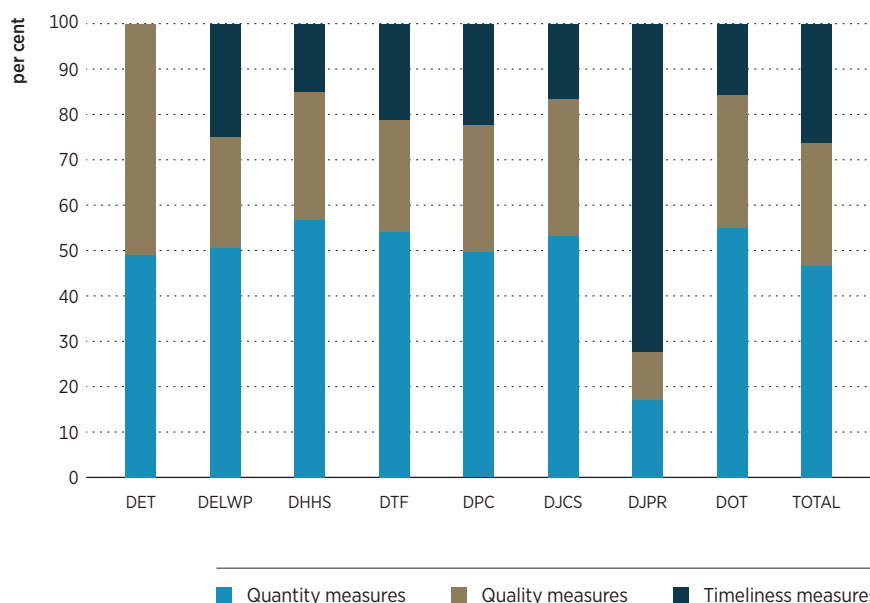
Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, Chapter 2.

2.9.2 Snapshot of 2019–20 outputs and performance measures

Comprehensiveness of performance measures

Consistent with prior years, most departments display a profile of performance measures skewed towards quantity measures.

Figure 2.11 shows significant variation remains between departments in the comprehensiveness and balance of their non-cost performance measures indicating an ongoing risk they have not implemented the PMF (nor RMF) optimally.

Figure 2.11 Distribution of non-cost measures by department (2019–20)

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019 (Committee calculations).

The new Department of Jobs, Precincts and Regions has the least balanced set of performance measures of all departments. Most of its measures, around 73%, are timeliness metrics with quality and quantity measures comprising only 10% and 17% respectively.

Increases in the proportion of quantity measures were evident for all departments previously examined by the Committee in 2018–19, except for the Department of Education and Training. The Department of Treasury and Finance exhibited the largest increase (16%) followed by the departments of Environment, Land, Water and Planning (5.3%) and Premier and Cabinet (4%). This resulted in a commensurate decrease in the proportion of quality measures at the departments of Treasury and Finance and Premier and Cabinet, and timeliness measures at the Department of Environment, Land, Water and Planning.

Particularly noteworthy is the absence of any timeliness measures at the Department of Education and Training for 2019–20, in effect, limiting performance assessment to the residual dimensions of quantity and quality only.

The RMF notes:

The mix of quality, quantity, timeliness and cost measures for each output should give a balanced and complete performance picture of what the output is trying to achieve and how the delivery of the output will be measured.¹²²

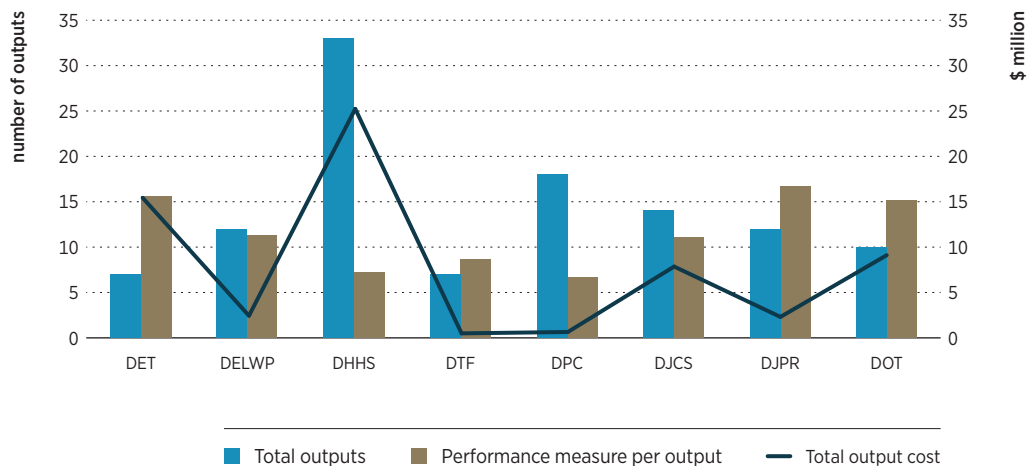
¹²² Department of Treasury and Finance, *The Resource Management Framework for Victorian Government Departments* Melbourne 2019, p. 135.

The general decline in the proportion of quality and timeliness measures across most departments since the 2018–19 Budget heightens the risk the remaining measures are insufficient for comprehensively assessing the performance of output delivery.

Figure 2.12 similarly shows there is considerable variation across departments in the number of performance measures per output. Comparatively, the departments of Premier and Cabinet, Treasury and Finance and Health and Human Services have the least number of performance measures per output.

The differences between some departments are particularly evident after considering budget allocations. For example, although the Department of Health and Human Services has twice the budget of most other departments, it has considerably fewer performance measures per output in most cases.

Figure 2.12 Total number of outputs and average number of performance measures per output by department^a (2019–20)



a. Excludes Parliament and Court Services Victoria

Source: Department of Treasury and Finance, Budget Paper No. 3: 2019–20 service delivery, Melbourne, 2019 (Committee calculations).

FINDING 9: Significant variation remains between departments in the mix and number of performance measures per output indicating an ongoing risk some have not implemented the performance management framework optimally.

RECOMMENDATION 1: The Department of Treasury and Finance, in conjunction with departments review and strengthen the annual review process of departmental performance statements.

2.9.3 Key changes in performance measures since the 2018–19 Budget¹²³

Changes to outputs for 2019–20

There are 121 outputs in the 2019–20 budget papers representing a net increase of two since the 2018–19 Budget.

The 2 new outputs are:

- ‘Maternal and Child Health and Early Parenting Services’ within the Department of Health and Human Services, formerly a component of the ‘Early Childhood Development’ output within the Department of Education, and
- ‘Solar Homes’ created within the Department of Environment, Land, Water and Planning reflecting the new Solar Homes portfolio.

The 2019–20 budget papers also detail various changes to other outputs arising from machinery of government changes, mainly involving the transfer of outputs from the former Department of Economic Development, Jobs, Transport and Resources to the new departments of Transport, and Jobs, Precincts and Regions.¹²⁴

FINDING 10: There are 121 outputs in the 2019–20 budget papers representing a net increase of two since the previous Budget.

Changes to performance measures for 2019–20

The 2019–20 budget papers contain 1,252 non-cost performance measures—an increase of 63 since the previous Budget.

This includes five of the seven measures discontinued in the previous year, which were reinstated in the 2019–20 Budget with modifications as recommended by the Committee in its *Report on the 2018–19 Budget Estimates*.¹²⁵ The remaining 2 measures relate to Transport Safety Victoria which do not yet address the weaknesses previously identified by the Committee.¹²⁶

The 2019–20 budget papers also include 114 new performance measures. The two departments of Environment, Land, Water and Planning, and Jobs, Precincts and Regions collectively account for almost half of all new measures (49%).

FINDING 11: The 2019–20 budget papers include 1,252 non-cost performance measures, representing a net increase of 63 since the 2018–19 budget papers. There are 114 new performance measures.

¹²³ Sections 2.9.3 and 2.9.4 of this Chapter relate to the eight largest departments.

¹²⁴ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 129–31.

¹²⁵ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 143.

¹²⁶ *Ibid.*, p. 142.

2.9.4 Proposed discontinued performance measures in the 2019–20 Budget

The budget process provides the opportunity for departments to change, discontinue or replace performance measures. The RMF outlines the circumstances in which performance measures may be changed. These include:

- machinery of government changes
- a shift in focus of the service
- development of improved measures
- the establishment of new data sets which can collect different information.¹²⁷

Additionally, a performance measure can be discontinued as:

- it is no longer relevant due to a change in government policy or priorities and/or departmental objectives
- projects or programs have been completed, substantially changed, or discontinued
- milestones have been met
- funding is not provided in the current budget for the continuation of the initiative
- improved measures have been identified for replacement.¹²⁸

The Committee plays a recognised role in this process:

To strengthen accountability and transparency for performance management, the Public Accounts and Estimates Committee (PAEC), at the invitation of the Assistant Treasurer, reviews output performance measures that departments propose to discontinue or substantially change through the annual budget process.¹²⁹

In the 2019–20 budget papers, 102 measures are proposed for discontinuation.¹³⁰ Chapters 4–13 of this report summarises these measures by department.

Figure 2.13 shows that 39% of proposed discontinued performance measures in the 2019–20 budget papers have been replaced by improved measures, and around 25% relate to projects or programs that were completed or discontinued. The Committee observed the 2019–20 budget papers did not provide a clear reason for discontinuing the measure in 14% of cases.

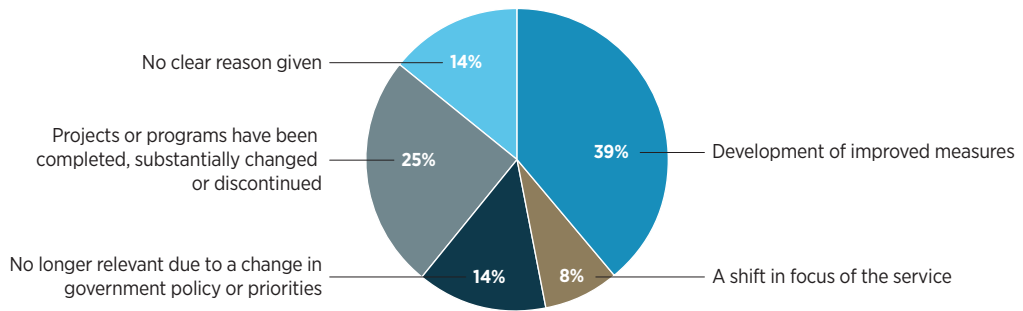
¹²⁷ Department of Treasury and Finance, *The Resource Management Framework for Victorian Government Departments*, p. 40.

¹²⁸ *Ibid.*, p. 41.

¹²⁹ *Ibid.*, p. 10.

¹³⁰ Department of Treasury and Finance, *Budget Paper No. 3*, Appendix A.

Figure 2.13 Reason for proposed discontinued performance measures in 2019–20 Budget



Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, Appendix A.

RECOMMENDATION 2: The Department of Treasury and Finance in consultation with all departments ensure future budget papers contain clear explanations for all proposed discontinued measures to enable meaningful review by the Committee.

The Committee determined 20 of the 102 proposed discontinued performance measures in the 2019–20 Budget should be reviewed and, where relevant, retained with modifications addressing the issues identified in Chapters 4–13 of this report.

FINDING 12: There were 102 proposed discontinued measures in the 2019–20 Budget and the Committee determined 20 of these should be reviewed. The 2019–20 budget papers did not provide clear reasons for discontinuing the measure in 14% of cases.

RECOMMENDATION 3: The Assistant Treasurer, in consultation with all departments, review and address the issues with proposed discontinued measures identified by the Committee in this *Report on the 2019–20 Budget Estimates*.

Key findings

- One of the primary benefits of intergenerational reporting is that it enables governments to focus on the longer term implications of policy changes. By analysing the long term impacts to demographic, social and economic change, governments are more informed in their long term policy formation. Reporting is also beneficial; encouraging public debate and informing the community.
- Projections in a Victorian intergenerational report would provide informed analysis on how the economy and fiscal position could evolve over the next 40 years and focus public attention on Victoria's long term challenges.
- The Government has invested significant funding into programs aimed at improving economic security for women in the 2019–20 Budget. The Committee considers it important that the Government monitors the effectiveness of programs designed to improve the economic security of women.
- Of the 15 targets for Safe and Strong: A Victorian Gender Equality Strategy (Safe and Strong), six have been fully defined by the Government. The Committee awaits the finalisation of the reforms set out in Safe and Strong, including the development of the gender equality baseline and associated targets and measurement tools.
- Departmental expenditure on contractors, consultants and labour hire for the financial year ending 30 June 2018 totalled \$1.7 billion.
- It is unclear what proportion of Labor's Financial Statement 2018 savings target for 2019–20 of \$50 million will be found from a reduction in expenditure on contractors, consultants and labour hire.
- Most government departments reported only minor instances of fraud or corruption in the 2018–19 financial year. The costs incurred because of fraud or corruption are largely covered by insurance or absorbed by the relevant area of a department.
- Departments and portfolio agencies are required to publish within their annual reports details of expenditure on individual advertising campaigns with advertising costs greater than \$100,000.

3.1 Overview

This chapter considers whole of government budget and financial management issues that are of significant public interest. The chapter discusses:

- the value of intergenerational reports that assess the long term sustainability of government policies and how changes to population may have an impact on economic parameters
- the impact of a budget on gender equality and Victoria's Gender Equality Budget Statements
- the public sector's use of contractors, consultants and labour hire arrangements
- fraud and corruption in the public sector
- publicly funded advertising by government.

3.2 Intergenerational reporting

Intergenerational reports analyse the impact of economic, demographic and social forecasts on future public finances and budgeting. The concept of intergenerational equity, whereby the actions benefiting current generations should not compromise future generations, form the basis for these reports.

In Australia, intergenerational reporting is currently undertaken by the Commonwealth and New South Wales Governments.¹³¹ Internationally, New Zealand Treasury releases long term fiscal position projections at least every four years. As part of its annual budget update New Zealand Treasury publishes fiscal strategy model projections of the financial position and financial performance of the Government over the medium term.¹³²

3.2.1 Current long term forecasting and projections for Victoria

The 'principles of sound financial management' outlined in the *Victorian Financial Management Act 1994* (Vic) state that the Government must:

... Ensure that its policy decisions have regard to their financial effects on future generations ...¹³³

In the 2018–19 budget estimates hearings, the Secretary of the Department of Treasury and Finance, Mr David Martine, informed the Committee that long term modelling

¹³¹ The Treasury Australian Government, *Intergenerational Report*, <<https://treasury.gov.au/intergenerational-report>> accessed 25 July 2019; Treasury NSW Government, *Intergenerational Report*, <<https://www.treasury.nsw.gov.au/nsw-economy/intergenerational-report>> accessed 25 July 2019.

¹³² New Zealand Government Treasury, *Long term fiscal position*, <<https://treasury.govt.nz/publications/strategies-and-plans/long-term-fiscal-position/long-term-fiscal-model>> accessed 25 July 2019; New Zealand Government Treasury, *Fiscal Strategy Model*, <<https://treasury.govt.nz/information-and-services/financial-management-and-advice/fiscal-strategy/fiscal-strategy-model>> accessed 25 July 2019.

¹³³ *Financial Management Act 1994* (Vic) s 23D(1)(d).

is undertaken to provide advice to the Government on a range of policy matters. Mr Martine outlined that this includes assessing the medium term economic and fiscal impact of government policies and proposals, along with analysis of long term cost drivers in areas of service delivery. This analysis is conducted to inform medium term projections and forward planning of the State's operating position.¹³⁴ However, there are currently no regular publicly released reports on the sustainability of Victorian public finances over the long term.

In the 2012 paper *A Decade of Intergenerational Reports: Contributing to Long Term Fiscal Sustainability*, Commonwealth Treasury officials David Gruen and Duncan Spender called the absence of state or territory government level policy assessment in existing intergenerational reports a 'limitation', noting that:

... in some circumstances, concerns about projected fiscal gaps may be greater at the State level than at the Commonwealth level because both the base for efficient taxation and the capacity to borrow are more limited for States and Territories ... [and that] ... given the nature of the Federation, the longer term fiscal position of State and Territory Governments is of considerable interest to the Commonwealth Government.¹³⁵

Financial and budget 'forward estimates' in the current Victorian budget papers extend only to four years (that is, the budget year followed by the next three 'out years'). This is commonly known as the forward estimates. Longer term publicly available population forecasts undertaken by the Victorian Government include the *Victoria in Future* reports produced by the Department of Environment, Land, Water and Planning. These reports project the State's population over a 30 year timeframe, containing commentary on birth rates, life expectancy, migration and living arrangements. *Victoria in Future* reports have been undertaken on an ongoing basis since 1996 and in the main have been used to inform State Government planning strategies.¹³⁶

Under the *Infrastructure Victoria Act 2015* (Vic), the statutory body Infrastructure Victoria was required to table a 30 year infrastructure strategy to Parliament by the end of 2016, and review this strategy every three to five years.¹³⁷ In 2016, Infrastructure Victoria commissioned Deloitte to produce *The Current and Future State of Victoria: a macro perspective*, examining the future of Victoria's economy, society and environment.¹³⁸ The report's primary focus was the future infrastructure demand and this formed part of Infrastructure Victoria's public consultation regarding the development of the strategy.

¹³⁴ Mr David Martine, Secretary, Department of Treasury and Finance, 2018-19 Budget Estimates hearing, Melbourne, 15 May 2018, *Transcript of evidence*, p. 28.

¹³⁵ The Treasury Australian Government, *A decade of Intergenerational Reports: Contributing to long term fiscal sustainability*, 11 May 2012, <<https://treasury.gov.au/speech/a-decade-of-intergenerational-reports-contributing-to-long-term-fiscal-sustainability>> accessed 25 July 2019.

¹³⁶ Department of Environment, Land, Water and Planning, *Victoria in Future: Victoria's future population projections*, 2019, <<https://www.planning.vic.gov.au/land-use-and-population-research/victoria-in-future>> accessed 25 July 2019.

¹³⁷ *Infrastructure Victoria Act 2015* (Vic) ss 32(2), 36.

¹³⁸ Deloitte Access Economics, *The current and future State of Victoria: a macro perspective*, 2016, <https://www.infrastructurevictoria.com.au/wp-content/uploads/2019/04/Current-and-Future-State-of-Victoria_-_a-macro-perspective-3.pdf> accessed 25 July 2019.

In its *Report on the 2018–19 Budget Estimates* the Committee recommended that it consider undertaking an own motion inquiry into intergenerational reporting in the 59th Parliament.¹³⁹

FINDING 13: One of the primary benefits of intergenerational reporting is that it enables governments to focus on the longer term implications of policy changes. By analysing the long term impacts to demographic, social and economic change, governments are more informed in their long term policy formation. Reporting is also beneficial; encouraging public debate and informing the community.

FINDING 14: Projections in a Victorian intergenerational report would provide informed analysis on how the economy and fiscal position could evolve over the next 40 years and focus public attention on Victoria’s long term challenges.

3.3 Gender responsive budgeting

Gender responsive budgeting (GRB) is a tool used to ensure that public financial management contributes to gender equality.¹⁴⁰ GRB analyses the impact of a budget on gender equality and provides a process for adapting budgetary decision making and priority setting.¹⁴¹ It can reveal how apparently neutral government policies can increase gender inequality and help hold governments accountable for achieving gender equality goals.¹⁴²

Early signs of GRB in Victoria included Women’s Budgets from 1986 to 1996 and more recently—since 2017–18, Gender Equality Budget Statements.

3.3.1 2019–20 Gender Equality Budget Statement

The Government’s third Gender Equality Budget Statement included in the 2019–20 Budget outlines an investment of \$1.37 billion to combat gender inequality, comprising:

- \$976 million to ensure more women achieve economic security
- \$185 million in funding to continue working to end family violence
- \$115 million to support and promote women’s participation in sport in addition to investments in the Local Sports Grants initiative

¹³⁹ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2018–19 Budget Estimates*, 5 March 2019, p. 63.

¹⁴⁰ OECD, ‘Towards good governance guidelines for gender budgeting: 2nd SBO Experts Meeting on Gender Budgeting’, paper presented at Vienna, Austria, 2018, p. 24.

¹⁴¹ Council of Europe, *Gender budgeting: practical implementation, Handbook: Directorate General of Human Rights and Legal Affairs*, 2009, p. 2; Rhonda Sharp and Ray Broomhill, *A Case Study of Gender Responsive Budgeting in Australia: Commonwealth Secretariat Research Report*, United Kingdom, 2013, p. 1.

¹⁴² Miranda Stewart, ‘Why we need a women’s budget statement’, *The Conversation*, <<https://www.abc.net.au/news/2016-03-16/stewart-why-we-need-a-womens-budget-statement/7251370>> accessed 28 February 2019.

- \$98.8 million for initiatives addressing maternal and reproductive health, as well as ongoing advocacy work in our rural communities.¹⁴³

The statement highlights a number of achievements attained over the last four years, such as the roll out of Respectful Relationships education and free tampons and pads in Victorian schools. Progress in increasing women's representation is also a feature of the statement with the proportion of women's membership on paid government boards now at 54%, executive representation in the public sector at 45%, the Victorian Cabinet at 50% and the Government at 48%.¹⁴⁴

FINDING 15: The Committee notes that the Government has delivered its third Gender Equality Budget Statement.

Women's economic security

The 2019–20 Gender Equality Budget Statement reports that women earn 'on average \$231 less a week than men.'¹⁴⁵ The Government states that 'action in this area has succeeded in increasing the female workforce participation rate from 58.5% to 60.8%, as well as reducing the female unemployment rate to 4.8% as at March 2019.'¹⁴⁶

The Minister for Women, Hon Gabrielle Williams MP, noted at the 2019–20 budget estimates hearings that 'Women's participation in the workforce is up, and since 2013 the gender pay gap in the Victorian public service has almost halved.'¹⁴⁷ However, the 2019–20 Gender Equality Budget Statement acknowledges that 'there is still more to be done' given that:

... the percentage of women in the labour force who are either unemployed or underemployed in March 2019 was 15.4 per cent—more than 4 percentage points higher than the rate for men.¹⁴⁸

To improve economic security for women the 2019–20 Budget allocates \$976 million to:

- establish three year old subsidised kinder
- upgrade and redevelop Technical and Further Education (TAFE) facilities and add Certificate III/Diploma of Early Childhood to the list of free TAFE courses
- expand JobsBank and the Jobs Victoria Employment Network
- offer payroll tax exemptions to encourage employers to offer parental leave to both mothers and fathers.¹⁴⁹

¹⁴³ Department of Treasury and Finance, *Gender equality Budget statement: Victorian Budget 2019–20*, Melbourne, 2019, p. 1.

¹⁴⁴ Ibid.

¹⁴⁵ Ibid., p. 2.

¹⁴⁶ Ibid.

¹⁴⁷ Hon. Gabrielle Williams MP, Minister for Women, 2019–20 Budget estimates (Women) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 2.

¹⁴⁸ Department of Treasury and Finance, *Gender equality Budget statement*, p. 2.

¹⁴⁹ Ibid.

With regard to the payroll tax exemptions, the Treasurer, the Hon Tim Pallas MP, explained to the Committee:

... we are expanding the payroll tax exemption to all types of parental leave. So from 1 July the payroll tax exemption for wages paid to employees on maternity leave will be expanded to include all types of parental leave.¹⁵⁰

FINDING 16: The Government has invested significant funding into programs aimed at improving economic security for women in the 2019–20 Budget. The Committee considers it important that the Government monitors the effectiveness of programs designed to improve the economic security of women.

3.3.2 Safe and Strong: A Victorian Gender Equality Strategy

At the 2019–20 estimates hearings the Minister for Women stated:

In 2019–20 we are investing \$26.3 million in women’s policy, and that is in budget paper 3, page 295, which includes the continued implementation of *Safe and Strong*, but also necessarily a number of programs and policies that support women to work but also improve the experience of women at work and as a consequence ensure the economic security of women by maintaining and holding their place in the workforce.¹⁵¹

Safe and Strong was developed in 2016 in response to the Royal Commission into Family Violence, which found that gender inequality was the key driver of family violence.¹⁵² One of Safe and Strong’s ten founding reforms was to ‘progressively introduce gender impact analysis in policy, budgets and service delivery’.¹⁵³ To achieve this reform, the Government pledged to deliver gender budget statements and develop pilot gender impact analysis tools in policy, service delivery and budget development.

Other reforms in Safe and Strong relevant to the Budget include developing a gender equality baseline and setting associated targets, measuring progress against the targets, introducing gender auditing to government departments in relation to equal pay, recruitment, promotion and flexible working, and leveraging purchasing power to influence change.¹⁵⁴ Of the 15 targets outlined in Safe and Strong, six relating to the appointment of women to public and private boards, courts, local government, and the Victorian Public Service executive have been fully defined.

¹⁵⁰ Hon. Tim Pallas MP, Treasurer, 2019–20 Budget estimates (Treasurer) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 6.

¹⁵¹ Hon. Gabrielle Williams MP, Minister for Women, *Transcript of evidence*, p. 5.

¹⁵² Department of Premier and Cabinet, *Safe and Strong: A Victorian gender equality strategy*, Victorian Government, Melbourne, 2016, p. 7. Safe and Strong outlines the development of the gender responsive budgeting process through setting out a framework to pursue and deliver gender equality across six settings: education and training, work and economic security, leadership and participation, health, safety and wellbeing, sport and recreation, and media, arts and culture.

¹⁵³ *Ibid.*, p. 18.

¹⁵⁴ *Ibid.*, pp. 17, 18.

In 2018, the Victorian Government reported on its achievements during the first year of Safe and Strong. These achievements included the commencement of a gender auditing pilot in all departments, one local government and two statutory bodies, and the introduction of Gender Equality Budget Statements.¹⁵⁵

With regard to the gender auditing pilot, the Minister for Women stated at the budget estimates hearing:

So we invested \$150,000 to complete the Victorian government's first-ever workplace gender audit in 2018 and this audit identified many of the key drivers of the pay gap, such as women's leadership representation, flexible work or availability of flexible work, organisational culture, and that struggle to return from parental leave, which many are familiar with.¹⁵⁶

FINDING 17: Of the 15 targets for Safe and Strong: A Victorian Gender Equality Strategy (Safe and Strong), six have been fully defined by the Government. The Committee awaits the finalisation of the reforms set out in Safe and Strong, including the development of the gender equality baseline and associated targets and measurement tools.

In the *Report on the 2017-18 Budget Estimates*, the Committee found that a performance framework for Safe and Strong was yet to be finalised and not expected for another 12 months.¹⁵⁷ In its *Report on the 2016-17 Financial and Performance Outcomes*, the Committee noted that the Gender Equality Budget Statement did not include a discussion of the impact of policies and funding initiatives on women and girls and it recommended the development of:

- metrics to measure the impact of the overall Budget on women and girls aged over 12
- annual performance measures for departments in relation to gender equality
- targets for greater gender equality in the public sector including recruitment
- targets for procurement of gender-responsive suppliers and contractors.¹⁵⁸

The Government's response in September 2018 supported these recommendations:

The Government has commenced the introduction of Gender Equality Budget Statements, starting with the inaugural 2017-18 Gender Equality Budget Statement. All future budgets will be required to identify specific budget impacts on Gender Equality.

¹⁵⁵ Victorian Government, *Safe and Strong: A Victorian gender equality strategy—achievements report year one*, Victorian Government, Melbourne, 2018, p. 1.

¹⁵⁶ Hon. Gabrielle Williams MP, Minister for Women, *Transcript of evidence*, p. 5.

¹⁵⁷ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2017-18 Budget Estimates*, October 2017, p. 168.

¹⁵⁸ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2016-17 Financial and Performance Outcomes*, May 2018, p. 72.

The Victorian Government has developed a draft Outcomes Framework to measure progress towards our vision for gender equality in Victoria. The draft Outcomes Framework includes preliminary outcome indicators and potential targets, and details how progress against *Safe and Strong: A Victorian Gender Equality Strategy* will be measured and reported. Critically, the Outcomes Framework will provide the Victorian Government with both quantitative and qualitative data to promote accountability, inform decision-making, and facilitate organisational learning and continuous improvement. Reports against the Outcomes Framework will form the basis for annual reporting on progress towards gender equality targets.¹⁵⁹

RECOMMENDATION 4: The Government finalise a performance framework specific to *Safe and Strong: A Victorian Gender Equality Strategy*.

FINDING 18: The Committee considers that the Gender Equality Budget Statement presents an opportunity for the Government to update the community on its progress towards implementing the budgetary components of *Safe and Strong: A Victorian Gender Equality Strategy*.

FINDING 19: Victoria has made some promising beginnings in relation to gender responsive budgeting. However, there is also recognition that more can be done in this area and Victoria can learn from other jurisdictions that are further advanced in this important space such as Austria, the Nordic countries and Canada for example.

The Public Accounts and Estimates Committee is undertaking an inquiry into GRB. In its inquiry the Committee will:

- review and seek advice on international and national developments in GRB
- assess the status of the Victorian Public Sector's GRB initiatives and what outcomes have been achieved to date
- consider the current application of developments in GRB for both private and public organisations in Australia and overseas and the implications of these developments for Victorian and Australian Public Sector accounting and reporting
- review the extent to which the Victorian and Australian Public Sector should be required to publicly report on the positive outcomes and negative impacts of their activities to achieve gender equality.¹⁶⁰

3.4 Contractors, consultants and labour hire arrangements

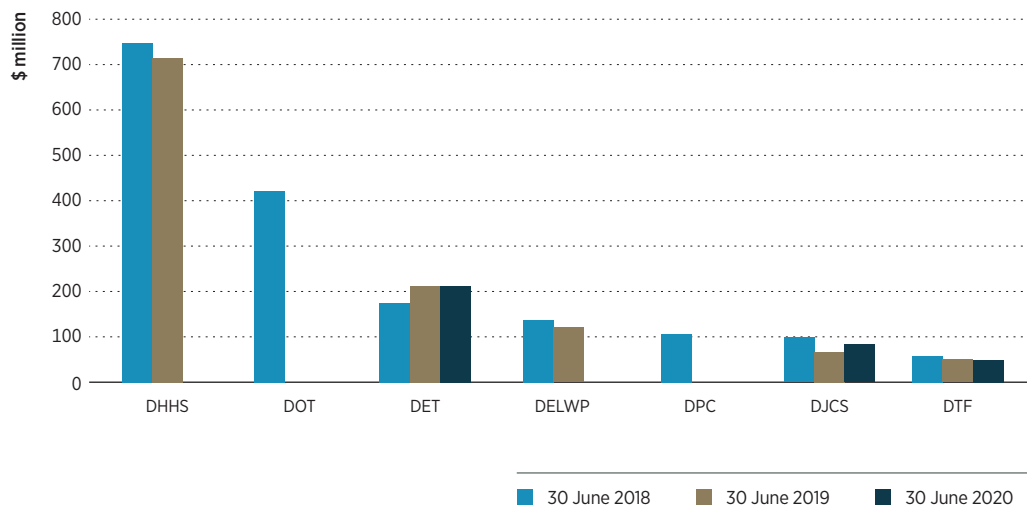
While the benefits of government using contractors, consultants and labour hire arrangements can include filling gaps in expertise and capability, the volume and value of government procurements contracts is having an impact on public finances.

3.4.1 Current use in the public sector

In its 2018–19 and 2019–20 questionnaire the Committee asked questions about government expenditure on the use of contactors, consultants and labour hire arrangements by departments. This is because the budget papers do not detail costs incurred by departments for contractors, consultants and labour hire.

Responses to the 2019–20 questionnaire indicate that departmental expenditure on contractors, consultants and labour hire for the financial year ending 30 June 2018 totalled \$1.7 billion.¹⁶¹ The below figure shows the expenditure on contractor, consultant and labour hire by department as provided in responses to the Committee's 2019–20 questionnaire.¹⁶²

Figure 3.1 Expenditure on contractor, consultant and labour hire by department^a



- a. This figure shows the expenditure on contractors, consultants and labour hire by department as provided in response to the Committee's 2019–20 questionnaire. Expenditure on contractor, consultant and labour hire by DPS and CSV is not included in the table due to its small scale. DOT and DPC did not provide expenditure on contractors, consultants and labour hire for the financial year ending 30 June 2019. DET, DJCS and DTF were the only departments to provide forecast expenditure on contractors, consultants and labour hire for the financial year ending 30 June 2020.

Source: All departments, *Responses to the 2019–20 Budget estimates general questionnaire*, question 16(b).

In its 2018–19 and 2019–20 questionnaire the Committee also sought information about the occupation categories of the contractors, consultants and labour hire arrangements used by departments.

In its *Report on the 2018–19 Budget Estimates* the Committee found:

FINDING 42: A gap in capability and capacity regarding information technology is present across most departments. Departments are paying contractors and consultants often at above market rates to access these specialised information technology skills.

¹⁶¹ All departments, *Responses to the 2019–20 Budget estimates general questionnaire*, question 16 (Committee calculations).

¹⁶² Ibid.

This represents a missed opportunity to enhance in house information technology expertise.¹⁶³

Responses to the Committee's 2019–20 questionnaire demonstrate that all departments use contractors, consultants and labour hire for 'Information Technology and Telecommunication' skills.¹⁶⁴ Other occupation types of contractors, consultants and labour hire arrangements that were common across departments include Administration, Consulting and Strategy, Human Resources, Analyst, Accounting, Legal, Projects, Property, Economics, Research, Education and Training, Marketing and Media, Governance and Customer Service/Call Centre.¹⁶⁵

FINDING 20: Departmental expenditure on contractors, consultants and labour hire for the financial year ending 30 June 2018 totalled \$1.7 billion.

FINDING 21: The 2019–20 budget papers do not provide details of the costs incurred by departments for contractors, consultants and labour hire.

RECOMMENDATION 5: Budget allocations for the performance of work or services for the Government that will not be carried out by Victorian Public Service employees be included in the budget papers.

3.4.2 2019–20 Budget savings

Labor's Financial Statement 2018 committed to achieving \$200 million of savings over four years from 2019–20 across the General Government sector, comprising \$50 million in 2019–20, \$50 million in 2020–21, \$50 million in 2021–22 and \$50 million in 2022–23.¹⁶⁶

The 2019–20 Budget explains that 'these savings will include reduced spending on consultancy and labour hire'.¹⁶⁷ While the Treasurer informed the Committee at the budget estimates hearings that the savings 'are principally related to the reduction of spending on consultancies and labour hire',¹⁶⁸ it is unclear what proportion of the savings will be found from this source.

¹⁶³ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget estimates*, September 2018, p. 71.

¹⁶⁴ All departments, *Responses to the 2019–20 Budget estimates general questionnaire*, question 16(b)(iii).

¹⁶⁵ *Ibid.*, question 16.

¹⁶⁶ Victorian Labor, *Labor's Financial Statement 2018*, <<https://www.danandrews.com.au/policies/labors-financial-statement-2018>> accessed 25 July 2019.

¹⁶⁷ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 127.

¹⁶⁸ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 15.

The Committee's 2019–20 questionnaire sought information about how departments would meet their savings targets for 2019–20.¹⁶⁹ A number of responses included 'reductions in contractors and consultants' as an action they would take in order to achieve their savings target. For example, the Department of Health and Human Services (DHHS) states that to meet its 2019–20 savings target of \$47 million it:

... will deliver efficiencies and savings primarily by reducing expenditure on administration, consultants, contractors and staffing. The department will also participate in Whole-of Victorian-Government work to investigate opportunities for shared IT provision ... [and that] The reductions will be targeted so not to impact on service delivery.¹⁷⁰

Most departments emphasised in their questionnaire response that front line services would not be impacted by budget savings measures.¹⁷¹

FINDING 22: It is unclear what proportion of Labor's Financial Statement 2018 savings target for 2019–20 of \$50 million will be found from a reduction in expenditure on contractors, consultants and labour hire.

RECOMMENDATION 6: The Department of Treasury and Finance develop reporting mechanisms for large savings initiatives that identify the sources of savings.

3.4.3 New guidelines on using professional services and labour hire

The Government has issued Administrative Guidelines specifying when it is acceptable to engage professional services and labour hire in the Victorian Public Service. The Guidelines commenced in July 2019 and mandated government entities have until 1 October 2019 to comply.¹⁷² The purpose of the guidelines is as follows:

A core strategic reform goal of the Victorian public sector (VPS) is to become more efficient in how it uses public resources to drive growth and development. At the heart of this goal is a cultural and strategic emphasis on secure employment, building capability, and sharing resources, learnings, and expertise across the VPS.¹⁷³

The Administrative Guidelines on Engaging Professional Services in the VPS (PS Guidelines) describe professional services as a 'formal engagement by Government of an individual or organisation to provide skills, expertise, knowledge or advice in

¹⁶⁹ See, for example, Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, question 10.

¹⁷⁰ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, received 5 June 2019, p. 58.

¹⁷¹ See, for example, Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 43.

¹⁷² Victorian Government, *Guidelines on using labour hire and professional services*, 2019, <<https://www.vic.gov.au/guidelines-using-labour-hire-and-professional-services>> accessed 25 July 2019.

¹⁷³ *Administrative Guidelines on Engaging Labour Hire in the Victorian Public Sector Number: 2019/01; Administrative Guidelines on Engaging Professional Services in the Victorian Public Sector Number: 2019/02.*

the performance of work or services'.¹⁷⁴ The PS guidelines state that the definition of professional services:

... captures both 'consultants' and 'contractors' as they are defined in Financial Reporting Direction 22H (FRD 22H) ... recognising there can be significant crossover between these two categories.¹⁷⁵

However, the PS Guidelines do not apply to professional services engaged to undertake, service, or advise on built environment and infrastructure, including 'professional services for construction; infrastructure; engineering; and architecture'.¹⁷⁶

The PS Guidelines provide that 'professional services' should not be used:

... to undertake work or services that would constitute key or enduring public service functions, or that a public service employee could reasonably do... Key or enduring public service functions are often referred to as 'core business'. This includes repeatable skills and capabilities, and the delivery of products and services that are essential to the running of the public service and the delivery of Government work.¹⁷⁷

The PS Guidelines acknowledge that 'core business' differs from one entity to another, but provide the following examples of 'key or enduring public service functions' universal to government: policy, strategy, and business case development; policy and program evaluation; engagement and facilitation; and organisational development.¹⁷⁸

With reference to the conditions where it may be appropriate for an entity to engage professional services to undertake work for the Government, the PS Guidelines also clearly provide for engagement that 'connects the VPS with the latest technical advances, emerging key skills or expertise and builds VPS capability'.¹⁷⁹

Under the PS Guidelines use of professional services requires Secretary level approval.¹⁸⁰

The Administrative Guidelines on Engaging Labour Hire in the VPS (LH Guidelines) define labour hire as:

Personnel hired from a supplier such as a labour hire company to perform labour or other services for the Government. These personnel are employees of the supplier and not the public service body or public entity where they are assigned to work.¹⁸¹

The LH Guidelines provide that labour hire must only be used as a short term measure where:

¹⁷⁴ *Administrative Guidelines on Engaging Professional Services in the Victorian Public Sector Number: 2019/02*, p. 4.

¹⁷⁵ *Ibid.*

¹⁷⁶ *Ibid.*, p. 5.

¹⁷⁷ *Ibid.*, p. 10.

¹⁷⁸ *Ibid.*

¹⁷⁹ *Ibid.*, p. 11.

¹⁸⁰ *Ibid.*, p. 12.

¹⁸¹ *Administrative Guidelines on Engaging Labour Hire in the Victorian Public Sector Number: 2019/01*, p. 3.

- the technical or specialist skills required are demonstrably unavailable in the VPS or
- an existing VPS employee takes leave or accepts a secondment, and that engagement is for not more than six months or
- recruitment is underway to fill a vacancy, and temporary backfill is required until that vacancy is filled.¹⁸²

Under the LH Guidelines use of labour hire for periods up to a maximum of 12 months requires relevant Deputy Secretary or equivalent approval, at minimum.¹⁸³

In its *Report on the 2018–19 Budget Estimates* the Committee recommended:

The Department of Treasury and Finance introduce guidelines to increase uniformity in defining and applying labour hire requirements clearly across all departments.

DTF supported the recommendation and informed the Committee:

Further work is being undertaken by the Department of Premier and Cabinet, with support from DTF, to increase uniformity of labour hire requirements for all departments.

In addition, DTF is also investigating options to establish a standard methodology for collection of labour hire data across departments and is currently pursuing technology improvements to achieve this.

RECOMMENDATION 7: In conjunction with the introduction of the Guidelines for the use of Labour Hire and Professional Services, the Department of Treasury and Finance introduce a standard methodology for the collection of professional services and labour hire data across departments.

3.5 Fraud and corruption

The Standing Directions 2018 under the *Financial Management Act 1994* (Vic) set the standard for financial management by Victorian Government agencies and departments.¹⁸⁴ Standing Direction 3.5.3 sets specific requirements for departments in instances where they are made aware of systematic or significant fraud and corruption, including where a loss must be reported to the relevant ‘Responsible Minister, Portfolio Department or Audit Committee’.

¹⁸² Ibid., p. 9.

¹⁸³ Ibid., pp. 9-10.

¹⁸⁴ Government of Victoria, Department of Treasury and Finance, Standing Directions 2018 under the Financial Management Act 1994 (Vic) <<https://www.dtf.vic.gov.au/financial-management-government/standing-directions-2018-under-financial-management-act-1994>> accessed 25 July 2019.

For the purpose of the Standings Directions, ‘fraud’ and ‘corruption’ have the same meaning as in the Australian Standard on Fraud and Corruption Control (AS 8001).¹⁸⁵ AS 8001 defines ‘fraud’ and ‘corruption’ as follows:

Fraud is dishonest activity causing actual or potential financial loss including theft of monies or other property by employees or persons external to the entity and where deception is used at the time, immediately before or immediately flowing from the activity. This includes:

- the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose; or
- the improper use of information or position for personal financial benefit.

Corruption is a dishonest activity in which an employee of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him/herself or for another person or entity.¹⁸⁶

3.5.1 Instances of fraud and corruption in the Victorian public sector

In the interest of promoting high standards of transparency and integrity in the use of public funds, the Committee’s 2019–20 questionnaire asked departments to provide information about instances of fraud or corruption in the 2018–19 financial year.

Department of Treasury and Finance (DTF) was the only department who reported a loss in accordance with the Standing Directions 2018. DTF advised that the loss related to a September 2018 incident where:

Cenitex identified a loss of 44 Cisco Wireless Access Point (WAP) Units following a stocktake, the missing WAPs had a total value of \$36,631.76. The WAP units were procured as part of an asset refresh project in March 2017. As the project was postponed, the WAP units were warehoused in the Cenitex store room longer than anticipated. During this time, they were repurposed to ease technical issues and were meant to be replenished by the borrowing parties. Recovery activities were conducted to locate the 92 missing WAPs. Cenitex located and replenished 48 WAPs, leaving 44 WAPs unlocated.¹⁸⁷

Department of Health and Human Services (DHHS) were aware of 13 instances of alleged fraud and corruption but identified no systemic matters. DHHS informed the Committee:

... the department was also made aware of 19 matters related to loss or theft from the department during the 2018–19 financial year, none of which were significant. Examples include petty cash, theft or loss of electronic devices, and falsification of timesheets.¹⁸⁸

¹⁸⁵ Ibid., ss 10-11.

¹⁸⁶ *Standing Directions 2018 Guidance under the Financial Management Act 1994 (updated May 2019)* (Vic) s 48.

¹⁸⁷ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 31.

¹⁸⁸ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 32.

Department of Education and Training (DET) advised they were aware of five instances of suspected significant fraud or corruption but that no systemic matters had been identified. Each instance was investigated resulting in three of the matters being substantiated, one being found to be unsubstantiated and one still under investigation. DET explained:

Two of the substantiated matters relate to phishing scams, where a supplier's communications have been compromised and false bank account details provided to the Department, and the remaining matter relates to an employee falsely claiming leave entitlements. Four of the five matters have been referred to Victoria Police and employment action has been taken in relation to the matter involving an employee and false leave claims. Where possible, recovery action will be taken.¹⁸⁹

With regard to Technical and Further Education (TAFE), DET explained that TAFEs have their own obligations to report suspected fraud and corruption under the Standing Directions. However, DET advised that it:

Is not aware of matters relating to TAFEs during the 2018-2019 financial year that meet the significant or systemic definition thresholds.¹⁹⁰

DET also explained that in 2018-19 it had 'supported TAFEs to strengthen their approach to integrity', including:

... an Internal TAFE Governance Framework to strengthen governance and integrity arrangements at TAFE institutes, a masterclass series for TAFE leaders to lift capability and reinforce values and education resources to build risk management and ethical decision making skills in TAFE leadership teams.¹⁹¹

Department of Environment, Land, Water and Planning (DELWP) advised that they had not been made aware of any significant or systemic fraud, corruption or other loss. However, DELWP stated that there are 'minor instances each year of vandalism, theft or accidental loss'.¹⁹²

Department of Justice and Community Safety (DJCS) advised they had become aware of one instance of suspected significant fraud or corruption but that no systemic matters had been identified. DJCS explained:

This matter has been referred to the Independent Broad-based Anti-corruption Commission (IBAC) for assessment. The department has taken necessary steps to understand the full extent of the suspected corrupt conduct and has implemented various measures to manage the risks associated with this conduct.¹⁹³

¹⁸⁹ Department of Education and Training, *Response to the 2019-20 Budget estimates general questionnaire*, p. 28.

¹⁹⁰ Ibid.

¹⁹¹ Ibid., p. 29.

¹⁹² Department of Environment, Land, Water and Planning, *Response to the 2019-20 Budget estimates general questionnaire*, received 29 May 2019, p. 27.

¹⁹³ Department of Justice and Community Safety, *Response to the 2019-20 Budget estimates general questionnaire*, received 31 May 2019, p. 99.

Victoria Police advised they have not received reports of any significant or systemic fraud, corruption and other loss.¹⁹⁴

Department of Jobs, Precincts and Regions (DJPR) informed the Committee they have a 'zero tolerance approach to fraud and corruption'. However, advised:

In March 2019, DJPR became aware of the potential falsification of documents by a grant recipient in its claim for a milestone payment. The matter has been referred to Victoria Police for investigation. The grant applicant is now under administration, and the recovery of any monies that may have been fraudulently received will be sought through the administrator. A review and assessment of DJPR's grant administration practices is underway.¹⁹⁵

Department of Premier and Cabinet (DPC) advised it was notified of five incidents of actual or suspected fraud or loss:

- two related to theft of items below the value of \$600 and were reported to the police
- one related to a staff member who mistakenly purchased a personal item on their corporate credit card and reimbursed DPC
- one related to a potential loss of Cabcharge eTickets to the value of below \$80
- one related to suspected invoice tampering by a vendor, but no money was lost.¹⁹⁶

Court Services Victoria (CSV) advised the Committee they had become aware of one matter involving potential corruption and misappropriation relating to the following allegation:

... that a CSV employee engaged in dishonest activity contrary to the interests of the public, community safety, abusing a position of trust to achieve a non-financial gain or advantage for another person. The matter was referred to the Independent Broad-based Anti-Corruption Commission which recommended that CSV undertake a Review of Internal Controls and refer the matter to Victoria Police. CSV subsequently referred the matter to Victoria Police where the matter remains ongoing.¹⁹⁷

Department of Parliamentary Services (DPS) advised they were aware of one suspected case currently subject to court proceedings.¹⁹⁸

¹⁹⁴ Ibid., p. 100.

¹⁹⁵ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 29.

¹⁹⁶ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 50.

¹⁹⁷ Court Services Victoria, *Response to the 2019–20 Budget estimates general questionnaire*, received 29 May 2019, p. 26.

¹⁹⁸ Department of Parliamentary Services, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 33.

3.5.2 Managing resources to cover the cost of fraud and corruption

In its questionnaire the Committee sought information from departments about how they manage their resources to cover the costs of fraud and corruption.

DTF advised that its budget does not include an allocation for the cost of fraud and corruption and stated:

Controls that address the risk of fraud, corruption and other losses are expected to mitigate the costs. Various insurance arrangements are also expected to offset the costs of fraud, corruption and losses.¹⁹⁹

DET, DELWP, DJCS, DPC and CSV also advised that they do not budget for the cost of fraud and corruption.²⁰⁰ DET, DELWP and DJCS explained that such costs are covered by insurance or absorbed by the relevant area of the Department.²⁰¹ Likewise, DPS 'have absorbed costs from their output budget for investigations and also absorbed staff time dedicated to these matters'.²⁰²

DHHS explained that where losses are not significant the Department manages costs within local budgets. However, in other circumstances 'property insurance cover held with the Victorian Managed Insurance Authority provides cover for fraud, corruption and other losses'.²⁰³

DJPR advised that the experience of their predecessor department was that losses due to fraud and theft have been immaterial in past years and can be met from the available budget. Notwithstanding, DJPR maintains an Integrity Services Unit of four full time equivalent staff who:

... provide a range of integrity services including training, data analytics, the administration of conflict of interest systems and the acceptance of gifts, benefits and hospitality policies and registers.²⁰⁴

DPC informed the Committee that they assign a 'Fraud Officer' who records incidents of fraud, corruption and other losses so that patterns can be observed for implementing mitigating strategies.²⁰⁵

¹⁹⁹ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 32.

²⁰⁰ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 29; Department of Environment Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 28; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 100; Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 51; Court Services Victoria, *Response to the 2019–20 Budget estimates general questionnaire*, p. 26.

²⁰¹ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 29; Department of Environment Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 28; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 100.

²⁰² Department of Parliamentary Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 33.

²⁰³ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 28.

²⁰⁴ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 30.

²⁰⁵ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 51.

Victoria Police advised its budget allocates resources to the Professional Standards Command who:

... have responsibility for managing the investigation and reporting of fraud, corruption and other losses. In addition the Corporate Finance Department assigns dedicated resources towards recording and reporting of thefts and losses.²⁰⁶

FINDING 23: Most government departments reported only minor instances of fraud or corruption in the 2018–19 financial year. The costs incurred because of fraud or corruption are largely covered by insurance or absorbed by the relevant area of a department.

3.6 Advertising expenditure

As the expenditure of government funds on public sector advertising is of significant public interest, it was one of the topics included by the Committee in its 2019–20 questionnaire. The questionnaire sought information from departments about forecast and budgeted advertising expenditure and the relevant objectives and outcomes of the advertising.²⁰⁷

The majority of departments (DOT, DHHS, DJPR, DJCS, DELWP, DET and DPC) provided a generic response to the Committee's questions in relation to advertising expenditure. In summary their responses state:

- The departments do not have a forward forecast of advertising expenditure in the 2019–20 budget or across the forward estimates and it would not be accurate to provide a forecast of 2019–20 advertising expenditure, as communication priorities, availability of advertising space and media costs can vary significantly over the year.
- To ensure expenditure data is accurate and useful, the government's annual advertising expenditure is published at the end of each year, only after advertising placements and expenditure is confirmed and finalised.
- Advertising proposed by the departments is subject to the Government's Annual Advertising Plan which will be published in the second half of 2019, to provide further transparency of all government advertising planned for the year.
- At the conclusion of 2019–20, the Government will publish an annual report on total government advertising expenditure for that year.
- ... [all] departments and portfolio agencies are required to publish within their annual reports details of expenditure on individual advertising campaigns with advertising costs greater than \$100,000.

²⁰⁶ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 101.

²⁰⁷ See, for example, Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 15.

- The departments do not have a global advertising spend for recruitment. Advertising for the recruitment of positions within departments and its portfolio agencies is undertaken on an as needs basis for individual positions.²⁰⁸

While DPS and CSV do not have advertising programs similar to other departments their responses to the Committee's questions on this issue were informative.

The advertising expenditure that is incurred by DPS relates predominately to Members of Parliament through their Electorate Office and Communications (EO&C) budget in relation to Members' communication with their constituents. DPS explained:

Members are provided with an overall amount for their EO&C budget. No specific allocation for advertising is made within EO&C budget. The Members advertising expenditure was \$2.0m in 2017-18 and 1.8m in 2018-19 (as at end of March 2019).²⁰⁹

DPS also informed the Committee that advertising expenditure that related to the Parliamentary departments (excluding VAGO and PBO) is 'mainly related to recruitment and community engagement activities'.²¹⁰ While the forecasted costs for these activities were not available as the internal budgeting process for 2019-20 was not yet complete, DPS provided the following information regarding advertising expenditure in 2017-18 and 2018-19:

The Parliamentary departmental (excluding VAGO and PBO) advertising expenditure in 2017-18 was \$127K in general advertising (including Parliament Open day) and \$9K for recruitment advertising.

The Parliamentary departmental (excluding VAGO and PBO) advertising expenditure in 2018-19 (as at end of March 2019) was \$36K in general advertising (including Parliament Open day) and \$2K for recruitment advertising.²¹¹

Like DPS, CSVs advertising costs are mainly incurred in relation to recruitment and they are 'not funded for' and do not engage in 'policy related advertising'.²¹² CSV informed the Committee that it 'has expended an average of approximately \$0.150 million per financial year since 2014-15 on advertising'.²¹³

DTF stated in its questionnaire response to the Committee:

The Department of Treasury (DTF) and its agencies do not have any advertising campaigns planned for 2019-20 and the forward estimates period. To ensure

²⁰⁸ Department of Transport, *Response to the 2019-20 Budget estimates general questionnaire*, received 28 May 2019, p. 7; Department of Premier and Cabinet, *Response to the 2019-20 Budget estimates general questionnaire*, p. 15; Department of Jobs, Precincts and Regions, *Response to the 2019-20 Budget estimates general questionnaire*, p. 11; Department of Justice and Community Safety, *Response to the 2019-20 Budget estimates general questionnaire*, p. 42; Department of Health and Human Services, *Response to the 2019-20 Budget estimates general questionnaire*, p. 13; Department of Environment Land, Water and Planning, *Response to the 2019-20 Budget estimates general questionnaire*, p. 11.

²⁰⁹ Department of Parliamentary Services, *Response to the 2019-20 Budget estimates general questionnaire*, p. 10.

²¹⁰ Ibid.

²¹¹ Ibid.

²¹² Court Services Victoria, *Response to the 2019-20 Budget estimates general questionnaire*, p. 11.

²¹³ Ibid.

expenditure data is accurate and useful, DTF's annual advertising expenditure is published at the end of each year in the annual report (for campaigns greater than \$100,000), only after advertising expenditure is confirmed and finalised.²¹⁴

FINDING 24: Departments and portfolio agencies are required to publish within their annual reports details of expenditure on individual advertising campaigns with advertising costs greater than \$100,000.

3.7 Performance measurement

The Committee's review of departments and the budget estimates hearings with Ministers identified positive actions in several cases resulting in improvements to the comprehensiveness, veracity or integrity of performance reporting. In other cases, it revealed ongoing weaknesses with some performance measures in the budget papers.

3.7.1 Issues arising during public estimates hearings

Identified weaknesses revolved around the following key themes:

- some targets lacked meaning or did not reflect changes in funding
- performance measures were absent for some initiatives despite substantial public interest and expenditure
- targets for several measures were not sufficiently challenging
- explanatory information was lacking in some cases for reported variances against targets.

Chapters 4–13 of this report elaborate on the specific issues identified in relation to performance measures by the relevant portfolio and department.

3.7.2 Analysis of new performance measures

There are 114 new performance measures in the 2019–20 budget papers across all departments. Three quarters of these reside within four departments: Environment, Land, Water and Planning (26%); Jobs, Precincts and Regions (23%); Premier and Cabinet (14%); and Health and Human Services (12%).

One third of the new performance measures have various shortcomings resulting in a recommendation for improvement. Of the problematic new measures:

- 41% did not provide a sufficiently comprehensive picture of performance
- 32% had targets that lacked clarity regarding the performance expected from funded activities

²¹⁴ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 13.

- 16% were not sufficiently challenging
- 11% lacked relevance to the performance attribute being measured.

Chapters 4–13 of this report elaborate on these matters for specific measures within each department.

FINDING 25: There have been improvements to the comprehensiveness, veracity and actions of performance reporting in some cases. In other cases, ongoing weaknesses with some performance measures in the 2019–20 budget papers were identified by the Committee. One third of the 114 new performance measures in the 2019–20 budget papers have various shortcomings.

3

3.8 Responsibility for outputs shared between portfolios

In the interest of promoting the accountability of the executive and the public sector, the Committee’s 2019–20 questionnaire asked departments to provide information about what outputs, objectives and performance measures each portfolio was responsible for.

Responses from departments demonstrated that responsibility for a number of outputs is split between more than one portfolio. However, the 2019–20 budget papers do not explain how responsibility for shared outputs are split between the relevant Ministers, nor how the funding for the shared outputs are demarcated.

Where relevant, outputs that are shared between Ministers are identified in the chapters by department (Chapters 4–13).

FINDING 26: How responsibility for shared outputs is divided between relevant Ministers is unclear. The demarcation of funding for shared outputs between relevant Ministers is also not specified in the budget papers.

RECOMMENDATION 8: Where two or more Ministers have shared responsibility for one output, the budget papers should provide information about how responsibility for the output is divided between the relevant Ministers, and how the funding for the output is allocated between the portfolios.

4

Department of Health and Human Services

Key findings

- Performance measures to assess the impact of the new \$322 million free dental care pilot for government school students are yet to be incorporated into the budget papers.
- The commencement dates for the construction of the 10 new community hospitals range from 2019 to 2022. The 2019–20 Budget allocates \$2 million in 2019–20 for planning these projects.
- Since the opening of the medically supervised injecting room in North Richmond there have been:
 - 1,130 overdoses safely managed
 - a 9% reduction in ambulance call outs to North Richmond
 - 100 people entering pharmacotherapy treatment.
- The Department of Health and Human Services does not hold a centralised waiting list for public residential rehabilitation beds to treat substance abuse. This information is held by individual services.
- The five existing Orange Doors currently offer some foundational family violence related services.
- The Government has invested significant funding into perpetrator response initiatives aimed at eradicating family violence in the 2019–20 Budget. Two new output performance measures have been set in the budget papers for these initiatives. The measures could be more extensive.
- Commonwealth funds are provided for the growth in demand for homelessness services but the indexation has not kept pace with the rising costs of housing and homelessness service provision.
- The funding allocated in the 2019–20 Budget and across the forward estimates to the development of new public and social housing stock in Victoria will house 2% of people currently on the Victorian Housing Register (as at 31 March 2018).

4.1 Overview

The Department of Health and Human Services (DHHS) supports seven portfolios: Ambulance Services; Child Protection; Disability, Ageing and Carers; Health; Housing; Mental Health; and Prevention of Family Violence.

DHHS' main responsibilities are:

- the provision of health services, including hospitals, primary and public dental care, and maternal child health; public mental health services, including alcohol and other drug treatment services; emergency and non-emergency ambulances
- continuing care and support services for people with disabilities, carers and families
- whole of government policy on issues affecting the ageing community and family violence
- housing and homelessness assistance
- services to protect children at risk of harm.

In conducting its work DHHS is focused on delivering the following four outcomes:

- Victorians are healthy and well (meaning Victorians have good physical and mental health and protect and promote their health)
- Victorians are safe and secure (meaning Victorians live free from abuse and violence and have suitable and stable housing)
- Victorians have the capabilities to participate (meaning Victorians participate in learning and education, participate in and contribute to the economy, and have financial security).
- Victorians are connected to culture and community (meaning Victorians are socially engaged and live in inclusive communities; and can safely identify and connect with their culture and identity).²¹⁵

4.2 Budget summary

In 2019–20 DHHS has the largest budget compared to other departments, as measured by funding allocated by output group in each department's Performance Statement. DHHS's allocation represents 39% of all funding provided to all output groups across all departments.²¹⁶

In 2019–20 DHHS allocates \$25.6 billion to fund its outputs (compared to \$24.9 billion in 2018–19). It has \$27.7 billion income from transactions available (compared to

²¹⁵ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 191.

²¹⁶ *Ibid.*, p. 193 (Committee calculations).

\$27 billion in 2018–19).²¹⁷ The total budgeted expenses from transactions for 2019–20 in DHHS' Comprehensive Operating Statement is \$27.5 billion.²¹⁸

DHHS' output appropriations in 2019–20 remain largely unchanged compared to 2018–19. However, employee benefits and other operating expenses will rise by approximately 2% in 2019–20 compared to 2018–19.²¹⁹ DHHS states that these rises are primarily driven by additional funding for new initiatives provided in the 2019–20 Budget, continuing implementation of the initiatives announced in previous budgets and in regard to the rise in other operating expenses, include 'additional funding for anticipated costs in 2019–20'.²²⁰

With regard to capital spending, the 2019–20 Budget allocates \$241.8 million to new DHHS capital projects in 2019–20,²²¹ which include:

- \$64 million (26% of the total new spend) to the Building a better hospital for Melbourne's inner west program—a 504-bed hospital in Footscray
- \$60 million (25% of the total new spend) to the Engineering Infrastructure and Medical Equipment Replacement Program
- \$50 million (21% of the total new spend) to the Regional Health Infrastructure Fund.²²²

A further \$777 million is allocated in 2019–20 for existing DHHS capital projects,²²³ which includes an increase in funding from \$55,000 in 2018–19 to \$4.0 million in 2019–20 to Statewide Child and Family Mental Health Intensive Treatment Centre.²²⁴ According to DHHS' response to the Committee's questionnaire, the following existing programs will experience a decrease in funding in 2019–20:

- Clinical Technology refresh state wide (\$12 million in 2018–19 compared to \$0.0 million in 2019–20)
- Health Service Violence Prevention Fund (\$5.2 million in 2018–19 compared to \$0.5 million in 2019–20)
- Medical equipment replacement program (\$32.6 million in 2018–19 compared to \$6.2 million in 2019–20)
- Engineering infrastructure replacement program (state wide) (\$28.8 million in 2018–19 compared to \$3.0 million in 2019–20).²²⁵

217 Ibid., p. 193.

218 Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 102.

219 Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, received 5 June 2019, p. 40 (Committee calculations).

220 Ibid., p. 40.

221 Ibid., p. 54.

222 Ibid., p. 54 (Committee calculations).

223 Ibid., p. 55.

224 Ibid.

225 Ibid., p. 55 (Committee calculations).

The 2019–20 Budget allocates \$13 million to the new ‘Clinical technology refresh’ asset initiative and \$60 million to the new ‘Engineering infrastructure and medical equipment replacement programs’ asset initiative.²²⁶ The budget papers describe the Engineering infrastructure and medical equipment replacement programs as follows:

Critical engineering infrastructure that has reached the end of its useful life will be replaced in selected metropolitan, rural and regional hospitals. This includes lifts, boilers, insulation, communication systems and electrical upgrades, and will enable the continuity of health service delivery and compliance with regulatory requirements.

Critical medical equipment supporting operating suites, emergency departments, surgical wards, intensive care units, neonatal and maternity services, and specialist areas will also be replaced. This will reduce risks to patients and staff and improve service availability.²²⁷

DHHS has a total savings target of \$47 million for 2019–20 which makes up 23% of the whole of government efficiencies for 2019–20.²²⁸ DHHS aims to achieve this target ‘by reducing expenditure on administration, consultants, contractors and staffing’ and ‘will also participate in Whole-of-Victorian-Government work to investigate opportunities for shared IT provision’.²²⁹ DHHS states that ‘the reductions will be targeted so not to impact on service delivery’.²³⁰

4.3 Health portfolio: key issues

This section of the chapter considers key issues within DHHS’ Health portfolios followed by the Human Services portfolios.

The Minister for Health is responsible for the following five outputs:

- Acute Health Services (funding in 2019–20: \$14.7 billion)
- Primary, Community and Dental Health (funding in 2019–20: \$645 million)
- Small Rural Services (where they relate to acute and primary health) (funding in 2019–20: \$630.6 million)
- Public Health (funding in 2019–20: \$389.5 million)
- part of the Drug Services output (relating to treatment permits and drug and poisons licenses and permits) (funding in 2019–20: \$273.1 million).²³¹

²²⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 64.

²²⁷ *Ibid.*, p. 65.

²²⁸ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 58 (Committee calculations); Department of Treasury and Finance, *Budget Paper No. 3*, p. 126.

²²⁹ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 58.

²³⁰ *Ibid.*

²³¹ *Ibid.*, pp. 79–82; Department of Treasury and Finance, *Budget Paper No. 3*, p. 193.

One of the key priorities of the 2019–20 Budget is investment in ‘the provision of more accessible and higher-quality health services’.²³² This includes:

... a \$322 million investment to begin providing all Victorian Government school students with access to free dental care and a total of \$1.5 billion now committed to begin construction of the 504-bed Footscray Hospital. This project will allow almost 15 000 additional patients to be treated.²³³

With regard to the provision of free dental care initiative, in the 2019–20 Budget Speech the Treasurer, Hon Tim Pallas MP, stated:

We know that good oral care in childhood provides the foundation for a healthy adult life. Public dental care is available for Victorian children aged up to 12 years, but less than 20 per cent of eligible children take it up. Under this initiative, more than 620 000 Victorian kids will have access to free check-ups every year. It will mean no more crippling dental bills. It will save families up to \$400 per child each year.²³⁴

4.3.1 Free dental care for government school students

The 2019–20 Budget allocates \$321.9 million in 2019–20 and across the forward estimates to introduce free dental care for all primary and secondary students in government schools.²³⁵ Oral health teams will travel to each school and provide dental check-ups and oral health education once each year. If required, the program will offer students free follow-up treatment in a dental van that will visit the school on a separate occasion or at a public dental service.²³⁶ All follow-up treatment except for cosmetic procedures will be covered by the program and there will be no means test or financial cap per student.²³⁷

Dental Health Services Victoria, which is funded by DHHS, will manage the program and run a pilot at four schools in Term 3, 2019. The program will then be progressively expanded to more schools until the full rollout in 2022. By that point, the program will have about 250 dental vans and will employ about 500 oral therapists, dental hygienists and dentists to provide services to an expected 650,000 students.²³⁸ The Minister for Health, Hon Jenny Mikakos MLC, advised that for the School Dental Program, oral health therapists and dental assistants will deliver both examination and treatment services with dentists required for higher level treatment.²³⁹

²³² Department of Treasury and Finance, *Budget Paper No. 3*, p. 36.

²³³ Ibid.

²³⁴ Department of Treasury and Finance, *Budget Paper No. 1: Treasurer’s Speech*, Melbourne 2019, p. 7.

²³⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 51.

²³⁶ Ibid., p. 61.

²³⁷ Hon. Jenny Mikakos MLC, Minister for Health, 2019–20 Budget estimates (Health) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 6.

²³⁸ Ibid., p. 13.

²³⁹ Hon. Jenny Mikakos MLC, Minister for Health, response to the 2019–20 Budget estimates written questions on notice, received 25 July 2019, p. 9.

At the budget estimates hearings, the Committee asked for more detail on how the program would be resourced. The Minister for Health and Ms Kym Peake, Secretary of DHHS, explained that the pilot phase will be used to gauge demand for treatment and determine logistics such as the ratio of screening to treatment vans and staffing requirements.²⁴⁰

Detail on how the pilot program will be evaluated for effectiveness and potential expansion to other student groups is yet to be incorporated in the budget papers. While the Committee welcomes this initiative, the program's cost and reach across the community emphasises the importance of monitoring and reviewing its effectiveness in relation to demand and patient outcomes.

FINDING 27: Performance measures to assess the impact of the new \$322 million free dental care pilot for Government school students are yet to be incorporated into the budget papers.

RECOMMENDATION 9: The Department of Health and Human Services develop budget paper performance measures and targets for the 'Free dental care for government school students' pilot. Measures should include service demand and patient outcomes of the pilot program.

4.3.2 New community hospitals

The 2019–20 Budget allocates \$2 million in 2019–20 to plan the construction and expansion of 10 community hospitals in Craigieburn, Cranbourne, Pakenham, Phillip Island, Sunbury, Torquay, the City of Whittlesea, Eltham Area, Point Cook and Fishermans Bend. However, no funding has been allocated to this asset initiative across the forward estimates as set out in Table 1.12 of *Budget Paper No. 3*.²⁴¹

Community hospitals are not hospitals that provide a full range of health services including emergency services. Many will be upgrades or expansions to existing Health Centres. Community hospitals have been described by the Victorian Health and Human Services Building Authority (VHHSBA) as:

... a new type of facility being developed by the Victorian government to provide accessible health services in growing communities. They aim to provide a broad range of ambulatory hospital, community health and social care services within the one place, making it easier for families, patients, carers and clients to receive the services they need closer to their homes.

²⁴⁰ Hon. Jenny Mikakos MLC, Minister for Health, *Transcript of evidence*, p. 22; Ms Kym Peake, Secretary, Department of Health and Human Services, 2019–20 Budget estimates (Health) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 21.

²⁴¹ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 64, 66.

Community hospitals don't provide emergency department care such as ongoing management of complex conditions including severe stomach pain, chest pain, trouble breathing or moderate trauma. These patients will continue to access their nearest hospital's emergency department. Patients with these conditions who present at a community hospital will be stabilised and transferred to the most appropriate emergency department.²⁴²

Noting the Government's commitment to provide \$675 million for the construction and expansion of these community hospitals,²⁴³ the Committee asked DHHS officials when such funding would be available. The Minister for Health stated:

The \$2 million of funding is for planning ... we cash flow these projects with planning money initially, and then we will deliver all of these projects in full. We have put out public time lines. We have released public time lines about when these hospitals will be completed.²⁴⁴

According to the VHHSBA's website, commencement dates for the construction of the 10 community hospitals range from 2019 to 2022.²⁴⁵

FINDING 28: The commencement dates for the construction of the 10 new community hospitals range from 2019 to 2022. The 2019–20 Budget allocates \$2 million in 2019–20 for planning these projects.

4.3.3 Public private partnerships (PPPs) in Victorian hospitals

Several recent health infrastructure projects in Victoria have involved a PPP. For example, Bendigo Hospital, Casey Community Hospital, the New Royal Children's Hospital and the Victorian Comprehensive Cancer Centre. In February 2019, the Government announced the new Footscray Hospital project will be delivered as a PPP at a cost of \$1.5 billion.²⁴⁶

PPPs for hospitals transfer some of the costs and risks to private companies, but it can be difficult to create a contract that adequately shares risk between the government and the private partner and that has adequate service descriptors to measure performance.²⁴⁷ To date, Victorian hospitals developed through PPPs have retained the

²⁴² Victorian Health and Human Services Building Authority, *Community hospitals program*, 2018, <<https://www.vhhsba.vic.gov.au/health-infrastructure/community-hospitals-program>> accessed 8 July 2019.

²⁴³ Ibid.

²⁴⁴ Hon. Jenny Mikakos MLC, Minister for Health, *Transcript of evidence*, pp. 34–35.

²⁴⁵ Victorian Health and Human Services Building Authority, *Community hospitals program*.

²⁴⁶ Hon. Jenny Mikakos MLC, *New Footscray Hospital project gets underway*, media release, Victorian Government, Melbourne, 14 February 2019.

²⁴⁷ Stephen Duckett, 'Public-private hospital partnerships are risky business', *The Conversation*, 30 July 2013, <<https://theconversation.com/public-private-hospital-partnerships-are-risky-business-16421>> accessed 20 March 2019; Kishor Napier-Raman, 'The echoing failure of public-private hospitals', *Crikey*, 28 November 2018, <<https://www.crikey.com.au/2018/11/28/northern-beaches-and-the-echoing-failure-of-public-private-hospitals>> accessed 20 March 2019.

provision of core services with the public sector.²⁴⁸ However, non-core services such as waste management, catering, laundry, pharmacy and equipment maintenance are outsourced to private companies. While the Government regularly reports on hospital performance relating to treatment and patient safety, this does not apply to non-core services, which could pose a risk to patient safety and effective administration.

The Committee has reported on the lack of transparency of PPP projects in previous reports.²⁴⁹ In its *Report on the 2018–19 Budget Estimates* the Committee found:

FINDING 52: Previous recommendations made by the Committee over the course of this Parliament, regarding greater transparency for public private partnership project financing arrangements were not supported by the Government, but will be met to a certain extent with the incoming Australian Accounting Standards Board revisions.²⁵⁰

Prior to the release of the new accounting standard AASB 1059 Service Concession Arrangements (grantors), accounting rules have not required governments to recognise their financial exposure to PPP developments. With new accounting standards in effect DHHS is now required to recognise corresponding assets and liabilities for PPP infrastructure projects. The aim of the accounting standard is to encourage accountability and better management of the public funds.

4.3.4 Unprofessional conduct among health professionals

The 2019–20 budget papers state that ‘Identifying and responding to bullying, assault and inappropriate behaviour in departmental and public health services to reduce occurrence’ is a departmental indicator for DHHS’ Objective 2: Victorians are safe and secure.²⁵¹ In April 2019, the Victorian Government announced a trial appointing independent facilitators in two metropolitan and four regional hospitals to support healthcare workers who wish to raise a concern about bullying and harassment in the workplace. The trial, which will run until June 2020, was developed in response to 2018 statistics indicating one in six Victorian healthcare workers reported they had experienced bullying behaviour.²⁵²

The Minister for Health advised that the trial will conclude in June 2020 and Safer Care Victoria will undertake an evaluation of it. The evaluation will inform any future need for facilitators in health services.²⁵³

²⁴⁸ Department of Health and Human Services, *Casey Hospital expansion project: project summary*, Partnerships Victoria, Melbourne, 2017, p. 53; Partnerships Victoria, *Bendigo Hospital project: project summary*, Victorian Government, Melbourne, 2013, p. 39; Partnerships Victoria, *Victorian Comprehensive Cancer Centre project: project summary*, Victorian Government, Melbourne, 2012, p. 42.

²⁴⁹ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, pp. 86–88; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2015–16 Financial and Performance Outcomes*, May 2017, pp. 129–32.

²⁵⁰ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 88.

²⁵¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 216.

²⁵² Hon. Jenny Mikakos MLC, *Stopping bullying in our hospitals in its tracks*, media release, Victorian Government, Melbourne, 5 April 2019.

²⁵³ Hon. Jenny Mikakos MLC, Minister for Health, response to the 2019–20 Budget estimates written questions on notice, received 25 July 2019, p. 17.

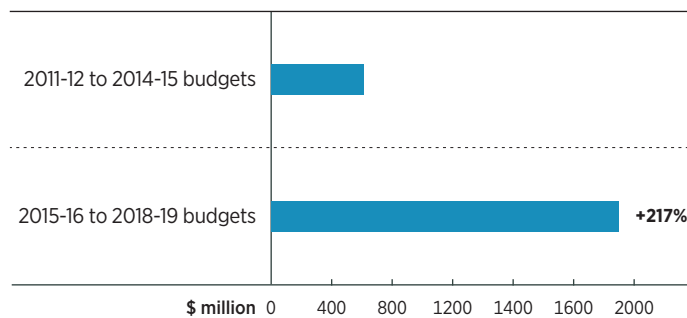
4.4 Mental health portfolio: key issues

The Minister for Mental Health is responsible for the following two outputs:

- Mental Health (funding in 2019–20: \$1.7 billion)
- most of the Drug Services output (partly shared with the Health portfolio) (funding in 2019–20: \$273.1 million).²⁵⁴

At the 2019–20 budget estimates hearing the Minister for Mental Health, Hon Martin Foley MP, highlighted the growth of investment in mental health since 2015–16.²⁵⁵ The below graph demonstrates that the previous four budgets (2015–16 to 2018–19) have invested over \$1.9 billion in mental health, compared with \$609 million in the previous four budgets (2011–12 to 2014–15).

Figure 4.1 Growth in investment in mental health 2011–12 Budget to 2018–19 Budget



Source: Hon. Martin Foley MP, *2019–20 Budget estimates hearing presentation: Mental Health*, supplementary evidence received 13 June 2019, p. 5.

The 2019–20 Budget builds on this investment with a further \$173 million investment in mental health, alcohol and other drug services.²⁵⁶ This includes:

- \$28.7 million to provide an additional 7,000 people with access to earlier care and support through additional mental health services in the community
- \$23.3 million to support an additional 28 inpatient beds to meet growing demand for mental health bed based services
- \$20 million to relocate the Barwon Clinical Mental Health facilities as part of the Geelong Performing Arts Centre Stage 3 Redevelopment
- \$18.9 million, including \$2.8 million to Department of Justice and Community Safety, to support mental health clinicians at the Victorian Fixed Threat Assessment Centre

²⁵⁴ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 84–85; Department of Treasury and Finance, *Budget Paper No. 3*, p. 193.

²⁵⁵ Hon. Martin Foley MP, *2019–20 Budget estimates hearing presentation: Mental Health*, supplementary evidence, received 13 June 2019, p. 5.

²⁵⁶ Hon. Martin Foley MP, Minister for Mental Health, 2019–20 Budget estimates (Mental Health) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 2.

- \$17.1 million in 2019–20 to establish a Royal Commission into Victoria’s Mental Health System and to increase the capacity of the Chief Psychiatrist’s Office during the inquiry process.²⁵⁷

4.4.1 Critical mental health service demand

The Government is providing additional funding to mental health services while the Royal Commission into Mental Health is underway. The 2019–20 Budget allocates \$26.1 million in 2019–20 and \$41.5 million in 2020–21 for the ‘Critical mental health service demand’ initiative. These figures include Commonwealth funding under the National Health Reform Agreement.²⁵⁸ The initiative will fund an additional 28 inpatient beds, more intensive services at three prevention and recovery care facilities and additional community service hours for over 7,000 new clients.²⁵⁹

Between 2012–13 and 2016–17, Victoria’s expenditure on specialised mental health services increased by an average annual rate of 5.3%, which is equal to the national rate of change.²⁶⁰ However, the latest available data from 2016–17 show that Victoria spends less per capita on specialised mental health services than any other Australian jurisdiction (\$206 compared with the national average of \$233).²⁶¹ Victoria also had one of the lowest number of mental health hospital beds per 100,000 people in 2016–17 (22.0 compared with the national average of 29.4).²⁶²

At the budget estimates hearings, the Minister for Mental Health acknowledged:

... there has been a multiple decades-long gap between the unit price of beds and the actual price to the units themselves in delivering those beds. Particularly in the acute settings that becomes quite a pressing issue, and we see in some of the performance measures the really unacceptable situation of beds being used for shorter and shorter periods, sometimes—I am not a clinician—arguably against clinical advice as people get punted out and, unsurprisingly, as the budget paper measures show, people are coming back into services quicker, and that is a bad outcome.²⁶³

The Committee asked the Minister whether there are sufficient numbers of nursing staff moving into specialised mental health positions to meet demand.

²⁵⁷ Hon. Martin Foley MP, *2019–20 Budget estimates hearing presentation: Mental Health*, pp. 7–9.

²⁵⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 51.

²⁵⁹ *Ibid.*, p. 59.

²⁶⁰ Australian Institute of Health and Welfare, Table EXP.2, *Mental health services in Australia*, 2019, <<https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/expenditure-on-mental-health-related-services/specialised-mental-health-services-expenditure>> accessed 4 April 2019.

²⁶¹ Australian Institute of Health and Welfare, *Mental health services in Australia*, 2019, <<https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/expenditure-on-mental-health-related-services/specialised-mental-health-services-expenditure>> accessed 10 July 2019.

²⁶² Australian Institute of Health and Welfare, Table FAC.13, *Mental health services in Australia*, 2019, <<https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/expenditure-on-mental-health-related-services/specialised-mental-health-services-expenditure>> accessed 10 July 2019; Australian Institute of Health and Welfare, *Mental health services in Australia: Specialised mental health beds and patient days*, 16 July 2019, <<https://www.aihw.gov.au/reports/mental-health-services/mental-health-services-in-australia/report-contents/specialised-mental-health-care-facilities/mental-health-beds-and-patient-days>> accessed 29 July 2019.

²⁶³ Hon. Martin Foley MP, Minister for Mental Health, *Transcript of evidence*, pp. 13–14.

FINDING 29: The Committee notes that the Royal Commission into Victoria's Mental Health System will consider the funding and provision of mental health services.

4.4.2 Addressing drug harms

The 2019–20 Budget allocates \$2.1 million in both 2019–20 and 2020–21 to the 'Addressing drug harms' initiative.²⁶⁴ Part of this funding will go towards increasing access hours to the medically supervised injecting room that opened in North Richmond on 30 June 2018 for a two year trial.²⁶⁵

In responses to questions taken on notice at the budget estimates hearings, the Minister for Mental Health provided the following information outlining the impact of the North Richmond medically supervised injecting room on deaths from drug overdose:

Since the medically supervised injecting room opened on 30 June 2018, trained staff have safely managed over 1,130 overdoses that may otherwise have been fatal had there been no one to resuscitate them. North Richmond Community Health has advised that these overdoses include a proportion of clients who have had overdoses safely managed more than once.²⁶⁶

With regard to the growth rate of clients at the North Richmond medically supervised injecting room, the Minister for Mental Health explained:

Following a large number of registrations after it opened, the rate of new clients registering has stabilised in recent months. We expect a possible increase in registrations over coming months once the new, larger facility opens for extended operating hours.²⁶⁷

The Secretary of DHHS, Ms Kym Peake, informed the Committee that ambulance call-outs to the North Richmond area have fallen by 9% since the trial began.²⁶⁸ The Minister for Mental Health added that the reduction in ambulance call outs:

... is promising, but it is still early days in terms of the two-year trial, and we hope that by extending the hours of operation, by providing more capacity and by providing a wider range of services and pathways to engagement and a more sustainable lifestyle that we can build over time on these figures.²⁶⁹

²⁶⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 50.

²⁶⁵ *Ibid.*, p. 57.

²⁶⁶ Hon. Martin Foley MP, Minister for Mental Health, 2019–20 Budget estimates hearing, response to questions on notice, received 12 July 2019, p. 1.

²⁶⁷ *Ibid.*, p. 4.

²⁶⁸ Ms Kym Peake, Secretary, Department of Health and Human Services, 2019–20 Budget estimates (Mental Health) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 12.

²⁶⁹ Hon. Martin Foley MP, Minister for Mental Health, *Transcript of evidence*, p. 5.

The Committee asked the Minister for Mental Health for information on the number of users of the facility that have undertaken a drug rehabilitation program as a result of attendance at the facility. The Minister noted that the facility provides data on the number of on-the-spot interventions, which can include referral to multiple services from the same intervention, such as mental health and wellbeing, family violence, housing and drug and alcohol rehabilitation.²⁷⁰ In response to questions taken on notice at the hearings the Minister for Mental Health informed the Committee:

North Richmond Community Health estimates that through the medically supervised injecting room, more than 100 people have entered pharmacotherapy treatment already, with more than 150 clients also receiving referrals to other forms of alcohol and other drug treatment services, including counselling, withdrawal and rehabilitation.²⁷¹

FINDING 30: Since the opening of the medically supervised injecting room in North Richmond there have been:

- 1,130 overdoses safely managed
- a 9% reduction in ambulance call outs to North Richmond
- 100 people entering pharmacotherapy treatment.

4.4.3 Residential rehabilitation beds to treat substance misuse

In Victoria, residential drug rehabilitation facilities provide services for drug and alcohol dependence and can be public or private. Public facilities, which do not charge fees, have stricter eligibility criteria than private facilities and the application process usually takes at least six to eight weeks.²⁷² Concerns were raised by Committee members in the budget estimates hearings about people often having to wait for access to residential treatment in Victoria.²⁷³

The Minister for Mental Health noted that the Government is:

... in the process of more than doubling ... the residential rehabilitation beds for drug and alcohol services and there are now hundreds more Victorians accessing those services right around the state than there were when we came to government.²⁷⁴

He added that of the more than 200 new beds, over half are located in regional and rural Victoria.²⁷⁵ The location of the beds by local government areas and service provider are set out in Table 4.1.

²⁷⁰ Ibid., p. 9.

²⁷¹ Hon. Martin Foley MP, Minister for Mental Health, response to questions on notice, p. 2.

²⁷² Victoria Legal Aid, *A lawyer's guide to residential rehabilitation services*, Melbourne, 2016, p. 1.

²⁷³ Hon. Martin Foley MP, *2019-20 Budget estimates hearing presentation: Mental Health*, pp. 9-10.

²⁷⁴ Hon. Martin Foley MP, Minister for Mental Health, *Transcript of evidence*, p. 9.

²⁷⁵ Ibid.

Table 4.1 The number of residential rehabilitation beds by service provider and local government area

Service provider	Local Government Area	Beds
Bendigo Health	Greater Bendigo	8
Eastern Access Community Health (EACH)	Yarra Ranges	12
Eastern Access Community Health (EACH)	Yarra Ranges	11
Eastern Health Turning Point	Whitehorse	8
Odyssey House Victoria	Banyule	137
The Salvation Army	Darebin	4
The Salvation Army	Greater Bendigo	18
The Salvation Army	Knox	40
Western Health	Brimbank	20
Windana Drug and Alcohol Recovery	Cardinia	77
Windana Drug and Alcohol Recovery	Ballarat	20
Youth Support and Advocacy Service (YSAS)	Darebin	15
Youth Support and Advocacy Service (YSAS)	Mornington Peninsula	12
Residential rehabilitation facilities under establishment		
Odyssey House East	Gippsland	30
Gateway Health and Odyssey House	Wangaratta	30
Windana Drug and Alcohol Recovery Greater	Geelong	30
To be confirmed	Latrobe	20

Note: The line item 'Eastern Access Community Health (EACH)—Yarra Ranges' appears twice as the reference is to two distinct areas.

Source: Hon. Martin Foley MP, Minister for Mental Health, response to the 2019–20 Budget estimates written questions on notice, received 25 July 2019, p. 7.

However, in response to questions on notice the Minister for Mental Health informed the Committee that DHHS 'does not hold a centralised waiting list for residential rehabilitation services'²⁷⁶ to treat substance abuse but instead:

Waiting lists are managed by individual services and reflect the complexity in people's lives as they make moves to address alcohol and other drug dependence issues.²⁷⁷

The Minister for Mental Health informed the Committee that DHHS is implementing the Victorian Alcohol and Drug Collection (VADC). DHHS website explains:

[VADC] is a new way of collecting and reporting data on activity that takes place within the alcohol and other drug treatment system ... VADC aims to streamline the current reporting process, with a smaller number of data items to be collected that reflect the current services delivered, as well as simpler processes for reporting that data to the department. The new approach to data collection will allow the sector to develop a

²⁷⁶ Hon. Martin Foley MP, Minister for Mental Health, response to questions on notice, p. 3.

²⁷⁷ Ibid.

better understanding of how clients travel through treatment services and, by improving data quality, allow for more accurate assessment of system performance and client trends.²⁷⁸

FINDING 31: The Department of Health and Human Services does not hold a centralised waiting list for public residential rehabilitation beds to treat substance abuse. This information is held by individual services.

4.5 Ambulance services portfolio: key issues

The Minister for Ambulance Services has responsibility for the ambulance services output, which includes both emergency and non-emergency services (funding in 2019–20: \$1.1 billion).²⁷⁹

In the 2019–20 Budget Speech the Treasurer, Hon Tim Pallas MP, highlighted the need ‘to improve emergency ambulance availability and reduce paramedic fatigue’.²⁸⁰

Two output initiatives are listed in the budget papers for ambulance services—‘Backing our paramedics to keep saving lives’ (\$53.9 million over four years) and ‘Supporting ambulance services’ (\$190.8 million over four years).²⁸¹ The initiatives have the same objective—to meet the growing demand for ambulance services. At the budget estimates hearings, the Minister for Ambulance Services, Hon Jenny Mikakos MLC, explained to the Committee that demand for ambulance services is increasing at a rate higher than expected:

In the last 12 months we have seen demand for ambulance services increase by more than 6 per cent, well in excess of predicted demand, and in spite of this record, demand ambulance response times continue to improve. So this demand funding will provide additional ambulance resources to be activated as necessary at times of peak demand to ensure recent all-time-high response performance is maintained.²⁸²

The Government is directing part of this funding to rural and regional Victoria, including station upgrades in Ocean Grove and Gisborne and the upgrade of 15 single crew stations to double crew stations in towns such as Avoca, Inglewood, Charlton, Beaufort, St Arnaud, Foster, Yarram, Camperdown, Terang, Rochester, Murchison and Rupanyup.²⁸³ Funding will also go towards continuing and expanding health and wellbeing programs for paramedics.²⁸⁴

²⁷⁸ Victorian Government, *Victorian Alcohol and Drug Collection (VADC)*, <<https://www2.health.vic.gov.au/alcohol-and-drugs/funding-and-reporting-aod-services/data-collection>> accessed 23 July 2019.

²⁷⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 193; Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 73.

²⁸⁰ Department of Treasury and Finance, *Delivering for all Victorians: 2019–20 overview*, Melbourne, 2019, p. 7.

²⁸¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 50.

²⁸² Hon. Jenny Mikakos MLC, Minister for Ambulance Services, 2019–20 Budget estimates (Ambulance Services) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 2.

²⁸³ *Ibid.*, p. 3.

²⁸⁴ *Ibid.*, p. 4.

The 'Backing our paramedics to keep saving lives' initiative which also includes \$54.9 million in asset funding will fund more paramedics, vehicles, station upgrades and new stations to improve availability of emergency ambulances and reduce paramedic fatigue.²⁸⁵

4.5.1 Fees for ambulance services

The Committee sought information on the revenue raised from ambulance callouts and figures relating to unpaid ambulance bills and cases referred to debt collectors. In Victoria, ambulance services are only free for Ambulance Victoria members and patients with a concession entitlement or other coverage (such as some private health insurance policies).²⁸⁶

The Minister advised the Committee of the following:

- in 2017-18 145,882 incidents attracted a fee for service. Of these, 95% were Victorians, and 5% were not from Victoria. Fees for ambulance services are applicable at the same rate to both groups
- in 2017-18 386 invoices were waived. This represented 0.26% of fee attracting incidents
- as at 7 June 2019, Ambulance Victoria has 1,635 debtors utilising flexible payment arrangements.²⁸⁷

The Committee requested the current figure of unpaid ambulance bills and the figure that had been referred onto debt collectors. DHHS did not provide the figures requested by the Committee.²⁸⁸

The previous Minister had asked Ambulance Victoria to review its debt collection process following complaints from patients who did not know they owed money until they were contacted by debt collectors.²⁸⁹ The Minister explained that the review is currently being considered by Ambulance Victoria and in the meantime:

The immediate action that was taken was that Ambulance Victoria ceased using information from the 000 system for the purposes of billing and debt recovery. That change has already been put in place in response to that particular issue that came to light.²⁹⁰

²⁸⁵ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 50, 55, 64; Hon. Jenny Mikakos MLC, *2019–20 Budget estimates hearing presentation: Ambulance Services*, supplementary evidence, received 13 June 2019, p. 2.

²⁸⁶ Ambulance Victoria, *Transport Invoices FAQs*, 2019, <<https://www.ambulance.vic.gov.au/transport/transport-faqs>> accessed 9 July 2019.

²⁸⁷ Hon. Jenny Mikakos MLC, Minister for Ambulance Services, response to the 2019-20 Budget estimates written questions on notice, received 25 July 2019, pp. 1-3 (Committee calculations).

²⁸⁸ *Ibid.*, p. 5.

²⁸⁹ Hon. Jenny Mikakos MLC, Minister for Ambulance Services, *Transcript of evidence*, p. 10.

²⁹⁰ *Ibid.*

FINDING 32: The Committee anticipates the outcome of Ambulance Victoria's review into its debt collection processes.

4.6 Disability, ageing and carers portfolio: key issues

The Minister for Disability, Ageing and Carers is responsible for the following six outputs:

- Disability Services (funding in 2019–20: \$2.1 billion). Of this total \$1.4 billion is a contribution to the National Disability Insurance Scheme (NDIS)²⁹¹
- Child Protection and Family Services (funding in 2019–20: \$1.5 billion)
- Ageing, Aged and Home Care (funding in 2019–20: \$809.9 million)
- Concessions to Pensioners and Beneficiaries (funding in 2019–20: \$768.2 million)
- Small Rural Services (where they relate to aged care and Home and Community Care services) (funding in 2019–20: \$630.6 million)
- Empowering Individuals and Communities (funding in 2019–20: \$60.2 million).²⁹²

The 2019–20 Budget makes significant investments to modernise and maintain the residential aged care, including:

- \$81.6 million to modernise the Wantirna public sector residential aged care facility, providing a new 120 bed public service
- \$26.9 million to ensure the future provision of public sector residential aged care, providing vital services to vulnerable older people with complex physical and mental health needs
- \$5.4 million output funding and \$21.8 million asset funding to support multicultural Victoria by upgrading aged care facilities and providing for land purchases for Indian and Chinese aged care facilities
- \$10 million in asset funding in 2019–20 for the Rural Residential Aged Care Facilities Renewal.²⁹³

The 2019–20 Budget invests \$49.5 million in the 'Caring for carers with more respite, support and improved public transport' output initiative. The Minister for Disability, Ageing and Carers, Hon Luke Donnellan MP, explained that this includes:

\$42 million over four years to provide an additional 100,000 hours of respite services and supporting a further 5,000 carers a year. This will reduce wait times of up to 120 days for respite and support.²⁹⁴

²⁹¹ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 225-26.

4.6.1 Disability services workforce

The 2019–20 Budget allocates \$9.5 million in 2019–20 to the ‘Disability worker registration scheme’ initiative.²⁹⁵ The funding will go towards establishing the Victorian Disability Worker Commission and the Disability Worker Registration Board of Victoria, which will regulate disability workers, handle code of conduct breaches and support workforce development as Victoria transitions to the NDIS.²⁹⁶

At the budget estimates hearings, the Committee noted the significant reduction in staff numbers reported in DHHS’ response to the Committee’s questionnaire. The Secretary of DHHS, Ms Kym Peake, explained:

... we are forecasting a reduction in staffing between now and the middle of this financial year. That is related to the transfer of disability services from the state-run services into the non-government sector. So over this year there are about 5,500 people who are moving from DHHS-employed staff on secondment to non-government agencies to deliver disability accommodation and respite services.²⁹⁷

The 5,500 disability workers (full time equivalent of 3,200) will be on secondment from DHHS until the end of 2020 and then they will transition into the employment of the non-government agencies they are seconded to.²⁹⁸ In response to questions taken on notice at the budget estimates hearings the Minister for Disability, Ageing and Carers stated:

The Victorian Government continues to have concerns regarding the rate of transition of state-funded clients to the National Disability Insurance Scheme as well as current and emerging service gaps with the scheme. The Department of Health and Human Services will continue to assess the transition with regards to future staffing in disability services.²⁹⁹

4.7 Child protection portfolio

At the budget estimates hearings, the Minister for Child Protection informed the Committee that the 2019–20 Budget invests an additional \$260.6 million in Child Protection services, programs and agencies including:

- \$116.1 million to continue the Kinship Care Model
- \$41.8 million to provide additional support for children in care
- \$36.6 million to progress the government’s reform agenda, focusing on early intervention and diversion

²⁹⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 50.

²⁹⁶ *Ibid.*, p. 57.

²⁹⁷ Ms Kym Peake, Secretary, Department of Health and Human Services, 2019–20 Budget estimates (Disability, Ageing and Carers) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 6.

²⁹⁸ *Ibid.*, p. 7.

²⁹⁹ Hon. Luke Donellan MP, Minister for Disability, Ageing and Carers, 2019–20 Budget estimates hearing, response to questions on notice, received 12 July 2019, p. 1.

- \$30 million to provide additional child protection workforce capacity
- \$16.2 million for the Commission for Children and Young People to administer the Reportable Conduct Scheme and Child Safe Standards.³⁰⁰

At the budget estimates hearings the following issues were discussed: kinship care, Aboriginal children in out of home care, child protection workers, foster care, and child deaths.³⁰¹

4.8 Prevention of family violence portfolio: key issues

The Minister for the Prevention of Family Violence is responsible for the Family Violence Service Delivery output (funding in 2019–20: \$268.3 million).³⁰²

4.8.1 Coordination efforts

The 2019–20 Budget continues the Government’s significant investment into the implementation of family violence reforms, ‘committing a further \$185.5 million family violence funding’ in total across the following portfolios: Prevention of Family Violence, Housing, Victim Support, Consumer Affairs, Gaming and Liquor Regulation and Police and Emergency Services.³⁰³

The Minister for the Prevention of Family Violence, Hon Gabrielle Williams MP, outlined the specifics of the funding allocated to the Prevention of Family Violence portfolio, highlighting that the \$143.4 million apportioned to service delivery ‘makes up about 77 per cent’ of the portfolio’s budget, including:

\$85 million to expand existing men’s behavioural change programs and trialling new ways to hold perpetrators to account and change their behaviour ... [in order] to build ... [an] evidence base ...

\$28.7 million to continue the implementation of Dhelk Dja ... our 10-year Aboriginal family violence agreement, [including] \$18.8 million for new services and \$9.9 million to roll out culturally safe access points for our Aboriginal community to Orange Door services ...

\$20.9 million to expand therapeutic responses to sexual assault ...

\$3.1 million over the next year to continue to train and build the capability of the family violence sector ... to help it attract and retain staff ...

³⁰⁰ Hon. Luke Donnellan MP, *2019–20 Budget estimates hearing presentation: Child Protection*, supplementary evidence, received 13 June 2019, p. 5.

³⁰¹ Hon. Luke Donnellan MP, Minister for Child Protection, 2019–20 Budget estimates (Child Protection) hearing, Melbourne, 13 June 2019, *Transcript of evidence*.

³⁰² Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 78; Department of Treasury and Finance, *Budget Paper No. 3*, p. 193.

³⁰³ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, 2019–20 Budget estimates (Prevention of Family Violence) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 3; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, received 31 May 2019, pp. 102–12.

\$2.9 million over four years to support LGBTI (Lesbian, Gay, Bisexual, Transgender and/or Intersex) people that are victim survivors of family violence ...

\$2.8 million over the next four years to support people with disability that are victim survivors of family violence.³⁰⁴

With regard to the family violence funding allocated to the other portfolios in 2019–20, the Minister for the Prevention of Family Violence explained that it ‘goes towards additional housing for victim survivors, including case management, family violence financial counselling and other justice responses’.³⁰⁵

In its *Report on the 2017-18 Budget Estimates*, the Committee highlighted the risks associated with the large number of ministers and departments involved in the delivery of prevention of family violence initiatives.³⁰⁶ The latest November 2018 Report of the Family Violence Reform Implementation Monitor states that ‘[t]here is currently no governance body or forum for managing the family violence prevention work as a whole’.³⁰⁷

Three years on from the 2016 *Royal Commission into Family Violence Report*, the Government has to date ‘implemented or acquitted 120 of [the report’s] 227 recommendations’.³⁰⁸ The Minister for the Prevention of Family Violence has lead responsibility for ‘about 40’ of the remaining 107 recommendations:

... span[ning] ... prevention all the way through to service responses, [including] data collection and further building on the foundational work that has been undertaken over the past three years.³⁰⁹

FINDING 33: The Committee considers that effective coordination of service delivery initiatives designed to prevent family violence outlined in the budget papers will enhance the quality of the Government’s family violence prevention work delivered by all portfolios.

4.8.2 Support and Safety Hubs—Orange Doors

Support and Safety Hubs—Orange Doors—are designed to provide one intake point for all services that victim survivors of family violence require, such as child protection or housing. Orange Doors aim not to overburden victim survivors of family violence with a series of phone calls and referrals that may cause trauma. The five Orange Doors that currently exist sit within Mildura, Morwell, Geelong, Frankston and Heidelberg, and the

³⁰⁴ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, *Transcript of evidence*, p. 3.

³⁰⁵ Ibid.

³⁰⁶ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2017-18 Budget Estimates*, October 2017, p. 101.

³⁰⁷ State of Victoria, *Royal Commission into Family Violence: Summary and recommendations*, Melbourne, 2016, p. 104.

³⁰⁸ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, *Transcript of evidence*, p. 2.

³⁰⁹ Ibid., p. 3.

Government 'are strongly committed to rolling out the remainder ... which would see another 12 being rolled out across the state'.³¹⁰

The Minister for the Prevention of Family Violence informed the Committee that as a result of Orange Doors: 'We are seeing fewer victim survivors having to retell their stories over and over again, which was one of the feedbacks we got from the royal commission'.³¹¹ The Minister explained that the Orange Doors:

... bring together specialist family violence services, family services and men's services to effectively provide a wraparound support for people experiencing family violence ... though, it is not just about those services that exist in that location ... There is the ability to obviously refer in and refer out and make sure that the connection points within that broader network are there to support those, predominantly, women and children in need and to break down those silos.³¹²

At the budget estimates hearings, the Committee also sought confirmation from DHHS officials that the five Orange Doors currently open were fully operational. Ms Annette Lancy, Executive Director, Service Design and Reform, Family Safety Victoria, stated:

I think the plan is to build over time in consultation with what the local community and the service network needs, but all five offer the foundational service model that is included in the service model and the service specifications that the hub partners are funded to deliver.³¹³

Ms Kim Peake, Secretary of DHHS and the Minister for Prevention of Family Violence added that the Hubs 'have all got the core services', yet although 'over time there will be opportunities that will be different in different communities to provide additional services',³¹⁴ the remaining Orange Doors will be fully operational by the end of the term of government.³¹⁵

The Minister for the Prevention of Family Violence also clarified that the funding for all 17 Orange Doors was allocated in previous budgets.³¹⁶

FINDING 34: The five existing Orange Doors currently offer some foundational family violence related services.

³¹⁰ Ibid., p. 6.

³¹¹ Ibid.

³¹² Ibid.

³¹³ Ms Annette Lancy, Executive Director, Service Design and Reform, Family Safety Victoria, 2019–20 Budget estimates (Prevention of Family Violence) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 11.

³¹⁴ Ms Kym Peake, Secretary, Department of Health and Human Services, 2019–20 budget estimates (Prevention of Family Violence) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 10.

³¹⁵ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, *Transcript of evidence*, p. 11.

³¹⁶ Ibid.

4.8.3 Perpetrator responses

The 2019–20 Budget allocates \$22.5 million in 2019–20, \$20.9 million in 2020–21, \$20.3 million in 2021–22 and \$21.3 million in 2022–23 to the perpetrator responses initiative.³¹⁷ This funding will be used to provide behavioural change programs and intensive engagement of perpetrators with complex needs in order to promote behaviour change in family violence perpetrators. It will also be used to extend a pilot of the Caring Dads program.³¹⁸ To reflect this investment, the 2019–20 budget papers include a new performance measure setting a target of 4,000 for the number of men participating in the men’s behavioural change programs.³¹⁹

At the budget estimates hearings, the Committee asked DHHS officials about the locations where the men’s behavioural change programs would be offered.³²⁰ Ms Lancy from Family Safety Victoria informed the Committee that the existing men’s behaviour change program is offered within each of the 17 DHHS Local Government Areas across the State.³²¹ The Minister for the Prevention of Family Violence also explained that the programs are currently being evaluated to provide a ‘stronger sense of what is working’ and that a group of experts have been commissioned ‘to report back to the government on what we already know’.³²² The Minister went into further detail:

So the Expert Advisory Committee on Perpetrator Interventions, as it was known, completed their report recently, and that report highlighted the need for programs that deal with trauma, that address the drivers of men’s use of violence and that build an internal motivation to change, and the outcomes of this report will help guide our investment into the future, as will the ongoing research and evaluation of different programs that we are undertaking.³²³

FINDING 35: The Government has invested significant funding into perpetrator response initiatives aimed at eradicating family violence in the 2019–20 Budget. Two new output performance measures have been set in the budget papers for these initiatives. The measures could be more extensive.

RECOMMENDATION 10: Performance measures be added to the budget papers to gauge the quality of the family violence perpetrator response initiatives.

³¹⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 50.

³¹⁸ *Ibid.*, p. 58.

³¹⁹ *Ibid.*, p. 221.

³²⁰ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, *Transcript of evidence*, p. 8.

³²¹ Ms Annette Lancy, Executive Director, Service Design and Reform, *Transcript of evidence*, p. 14 (Prevention of Family Violence).

³²² *Ibid.*

³²³ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, *Transcript of evidence*, p. 8.

4.9 Housing portfolio: key issues

The Minister for Housing is responsible for the Housing Assistance Output (funding in 2019–20: \$648.3 million).³²⁴ The Australian Bureau of Statistics (ABS) definition of homelessness emphasises the ‘home’ as encompassing a sense of security, stability, privacy, safety and the ability to control one’s living space. Homelessness is therefore a lack of one or more of the elements, rather than mere ‘rooflessness’.³²⁵

The Victorian Government has invested \$418 million in the 2019–20 Budget and across the forward estimates to fund housing and homelessness programs and initiatives for Victorians in need, including \$209.1 million to expand the available public housing stock and \$208 million to deliver housing services,³²⁶ comprising:

- \$103.5 million through the National Housing and Homelessness Agreement (NHHA) to support 48 agencies to deliver services to Victorian’s experiencing or at risk of homelessness, such as early intervention, housing and support and homelessness prevention
- \$50.4 million in homelessness services, such as on-site support in crisis accommodation and funding for the private rental assistance program
- \$23.9 million for women and children escaping family violence, including \$13 million to improve the services at recently developed refuges and \$5.3 million for emergency accommodation
- \$30.8 million for gas heater replacement in public housing.³²⁷

4.9.1 Commonwealth funding for housing and homelessness services

The NHHA was created in the 2017–18 Commonwealth Budget and came into effect on 1 July 2018. Through the NHHA, the Commonwealth contributes \$2 billion in funding over five years to provide social housing and homelessness prevention services. This includes ‘crisis and transitional accommodation, long term social housing, maintenance of social housing, builds and acquisitions’.³²⁸ Under the NHHA, states and territories are required to match dedicated Commonwealth funding for homelessness services.

When asked about the programs funded under the NHHA at the budget estimates hearings, the Minister for Housing, Hon Richard Wynne MP, highlighted:

³²⁴ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 83.

³²⁵ Australian Bureau of Statistics, *Information paper: a statistical definition of homelessness: cat. no. 4922.0*, ABS, Canberra, 2012.

³²⁶ Hon. Richard Wynne MP, *2019–20 Budget estimates hearing presentation: Housing*, supplementary evidence, received 7 June 2019.

³²⁷ *Ibid.*

³²⁸ Australian Government, *\$2 billion funding for Victorian housing and homelessness services: Joint media release with The Hon Paul Fletcher MP Minister for Families and Social Services*, media release, Canberra, 25 October 2018.

... support [for] high-risk tenancies, specialist ... services to assist children experiencing homelessness, assertive outreach teams and the Melbourne Street to Home program which is designed to get people sleeping rough off the streets and into longer term housing.³²⁹

However, DHHS's response to the Committee's questionnaire states that 'Commonwealth funding under the NHHA does not reflect the level of demand for social housing and homelessness services in Victoria'.³³⁰ The response states:

Commonwealth funds are provided for growth, and indexation has not kept pace with the rising costs of housing and homelessness service provision. These issues, coupled with a lack of meaningful investment by the Commonwealth in housing and homelessness beyond the NHHA, means that Victoria must continue to respond to increasing demand for social housing and homelessness assistance.³³¹

FINDING 36: Commonwealth funds are provided for the growth in demand for homelessness services but the indexation has not kept pace with the rising costs of housing and homelessness service provision.

4.9.2 Housing for victims of family violence and the Victorian Housing Register

Government figures show that as at 31 March 2018 the number of people waiting for a public or social housing dwelling on the Victoria Housing Register (previously known as the Public Housing Waiting List) was 82,499.³³² The Productivity Commission's *Report on Government Services 2019* provided that almost 40% of people who were homeless or at risk of homelessness in Victoria were refused when seeking help in 2018, and the number of people who presented to homelessness services but whose needs were unmet grew consistently each year, from 14,546 in 2014–15 to 19,805 in 2017–18.³³³

The Secretary of DHHS, Ms Kym Peake, confirmed that 200 of the 1,000 new homes to be built will be 'allocated to people experiencing family violence' through priority categorisation on the register.³³⁴ However, of the 160 that will be constructed in 2019–20 only 3 will be specifically for victims of family violence.³³⁵ The Minister for the Prevention of Family Violence explained:

This initial small number is due to the availability of suitable vacant land in the required demand areas stipulated by Family Safety Victoria. However, the full target

³²⁹ Hon. Richard Wynne MP, Minister for Housing, 2019–20 Budget estimates (Housing) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 5.

³³⁰ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 26.

³³¹ *Ibid.*

³³² Parliament of Victoria, Legal and Social Issues Committee, *Inquiry into the Public Housing Renewal Program*, June 2018, p. 23.

³³³ Productivity Commission, *Report on Government Services 2019: Chapter 18 Housing, Data Tables 19A.7*, 2019.

³³⁴ Ms Kym Peake, Secretary, *Transcript of evidence*, p. 13 (Housing).

³³⁵ Hon. Gabrielle Williams MP, Minister for Prevention of Family Violence, 2019–20 Budget estimates hearing, response to questions on notice, received 12 July 2019.

of 200 homes will be delivered within the complete period and scope of the project. This initiative is just one of a range which is providing more housing and support to women and children fleeing family violence. The Victorian Government has provided \$71.48 million to build new or to redevelop existing family violence refuges into the core and cluster model. To date, 14 of the 19 sites have been secured across Victoria. The first refuge opened in June 2019; the entire project is expected to be completed by the end of 2020. Once completed, this will increase the number of households accommodated in refuge by approximately 50 per cent, growing from around 105 to around 160 households.³³⁶

DHHS's *2017-18 Annual Report* outlines that the average waiting time for public rental housing clients who have received priority access housing is 10.5 months, and 8.8 months for those who have received access due to family violence.³³⁷

FINDING 37: The Victorian Government has invested \$418 million in the 2019-20 Budget and across the forward estimates to fund housing and homelessness programs and initiatives for Victorians in need. Currently Victorians seeking to escape homelessness as a result of family violence wait approximately 8.8 months on the priority public housing access list to obtain housing.

FINDING 38: The 2019-20 Budget allocates \$209.1 million to expand the available public housing stock and \$208 million to deliver housing services in 2019-20 and across the forward estimates. The Committee understands that as at 31 March 2018 the number of people waiting for a public or social housing dwelling on the Victorian Housing Register was 82,499.

4.9.3 Public and social housing stock in Victoria

The 2019-20 Budget allocates \$209.1 million across the forward estimates to the 'Building new homes to fight homelessness' asset initiative.³³⁸ This initiative will provide homes for approximately 1,800 Victorians, with a focus on meeting the shortfall of one and two-bedroom properties as a priority.³³⁹

The Productivity Commission's 2019 *Report on Government Services* found that for the financial year ending 30 June 2018:

- The proportion of social housing rental stock occupied in Victoria is 96.8% for public housing, 90.3% for community housing and 94.9% for indigenous community housing.³⁴⁰ Occupancy rates are at their lowest level since 2010.³⁴¹

³³⁶ Ibid.

³³⁷ Department of Health and Human Services, *Annual report 2017-18*, Melbourne, 2018, pp. 52, 95.

³³⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 64.

³³⁹ Ibid., p. 67.

³⁴⁰ Productivity Commission, *Report on Government Services 2019: Chapter 18 Housing, Data Tables 18A.9 11-12*, 2019.

³⁴¹ Ibid.

- The number of long-term social housing dwellings in Victoria fell from 80,705 to 80,501.³⁴²
- The average turnaround time for vacant public housing in Victoria is 25.2 days.³⁴³

The Committee asked the Minister for Housing about the current level of availability and how the funding allocated in the 2019–20 Budget is responsive to the increase in demand.³⁴⁴ The Minister for Housing acknowledged that rectifying the difference ‘between the stock that the Director of Housing has at his disposal and in fact what the waiting list looks like’³⁴⁵ will have a positive effect on the level of homelessness in Victoria:

The vast preponderance of people on the waiting list are single people or couples. They are not large families seeking three and four-bedroom properties, save and except for a couple of groups. So we will build 800 one and two-bedroom homes for people experiencing homelessness, and we will also build 200 three-bedroom homes ... for women and children escaping domestic and family violence.³⁴⁶

FINDING 39: The funding allocated in the 2019–20 Budget and across the forward estimates to the development of new public and social housing stock in Victoria will house 2% of people currently on the Victorian Housing Register (as at 31 March 2018).

4.9.4 Homelessness programs

Victoria’s Homelessness and Rough Sleeping Action Plan aims to reduce the incidence and impact of rough sleeping in Victoria. As part of this plan, the Towards Home strategy seeks to house vulnerable people sleeping rough in inner Melbourne and give them targeted support to maintain their housing.

The 2019–20 Budget allocates \$50.4 million across the forward estimates to respond to homelessness through funding:

- after hours support for people in housing crisis
- on site treatment services in three emergency accommodation facilities
- help for people at risk of homelessness to access private rental housing
- support for 40 young people who live at the Kangan Education Youth Foyer to achieve their educational and life goals.³⁴⁷

³⁴² Productivity Commission, *Report on Government Services 2019: Chapter 18 Housing, Data Tables 18A.3*, 2019. (Committee calculations).

³⁴³ Productivity Commission, *Report on Government Services 2019: Chapter 18 Housing, Data Tables 18A.13*, 2019.

³⁴⁴ Hon. Richard Wynne MP, Minister for Housing, *Transcript of evidence*, p. 7.

³⁴⁵ *Ibid.*, p. 2.

³⁴⁶ *Ibid.*

³⁴⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 59.

Detail on how Victoria's Homelessness and Rough Sleeping Action Plan will be evaluated for effectiveness is not included in the 2019–20 budget papers. The Committee welcomes the additional funding allocated to respond to homelessness, but appropriate performance measures should be incorporated in the budget papers on the outcomes of homelessness initiatives.

FINDING 40: There is a lack of detail in the 2019–20 budget papers on how the effectiveness of programs to respond to homelessness will be measured.

RECOMMENDATION 11: The Department of Health and Human Services develop budget paper performance measures and targets to monitor and review the effectiveness of Victoria's Homelessness and Rough Sleeping Action Plan, in terms of service demand and outcomes.

4.9.5 Public Housing Renewal Program

The Productivity Commission's *Report on Government Services 2019* found that the number of dwellings meeting agreed minimum acceptable standards of living in Victoria as at June 2018³⁴⁸ was 82% of public housing households (down 0.4% from 2016), and 87.8% of community housing households (down 1.9% from 2016).³⁴⁹

The Public Housing Renewal Program stemming from the Homes for Victorians Strategy aims to improve standards of living and create more housing properties through the redevelopment of ageing public housing estates. Eleven properties have been identified to be renewed as part of stage one of the program, each with a range of housing sizes and a mixture of public and private affordable housing to be built through the development process. Under the program these properties must consist of at least 10% more public housing than were present before redevelopment.³⁵⁰ The Minister for Housing advised the Committee that:

The first three sites are away for those redevelopments—in North Melbourne, Preston and Northcote—and across these three sites we will be replacing 225 outdated public housing properties with 274 new public homes, and the program will include up to 64 new community housing units, delivering more than 100 new public and community homes for people on low incomes facing disadvantage. This is a 50 per cent increase in the social housing on those sites.³⁵¹

³⁴⁸ Productivity Commission, *Report on Government Services 2019: Chapter 18 Housing*, 2019, p. 7. A dwelling is assessed as meeting minimum acceptable standards if it has at least four working facilities (for washing people, for washing clothes/bedding, for storing/preparing food, and for removing sewerage) and not more than two major structural problems.

³⁴⁹ Productivity Commission, *Report on Government Services 2019: Chapter 18 Housing, Data Tables 18A.36-38*, 2019.

³⁵⁰ Victorian Government, *Public Housing Redevelopment: Public Housing Renewal program*, 31 May 2019, <<https://housing.vic.gov.au/public-housing-redevelopment>> accessed 8 April 2019.

³⁵¹ Hon. Richard Wynne MP, Minister for Housing, *Transcript of evidence*, p. 3.

The Committee sought information about the roll out of the program, including where the new developments would be located. The Minister for Housing explained that this detail would be made publicly available on the Government's website³⁵² and that the number of public housing properties being upgraded in the 2019–20 financial year had been reduced.³⁵³ The Minister for Housing stated that the reduction is because:

... we have expended the funds that were available to us from the Victorian Property Fund. So we will be reviewing the physical infrastructure of these estates. We want to create diverse communities with a mix of public, affordable and private housing delivered on these sites.³⁵⁴

RECOMMENDATION 12: The Department of Health and Human Services include in the budget papers the following performance measure—the percentage of all Victorian public and community dwellings that meet agreed minimum acceptable standards of living.

4.10 Department wide: key issues

4.10.1 Machinery of government changes

Machinery of government changes effective on 1 January 2019 had the following impact on DHHS:

- creation of the Child Protection portfolio
- splitting of the former Housing, Disability and Ageing portfolio into two portfolios, namely Disability, Ageing and Carers and Housing
- transfer of maternal child health and early parenting to the Health portfolio from the former Early Childhood Education portfolio within the Department of Education and Training
- transfer of the Offices for Women and Youth Affairs to the Department of Premier and Cabinet
- transfer of Sport and Recreation Victoria and the Office for Women in Sport and Recreation to the Department of Jobs, Precincts and Regions.³⁵⁵

³⁵² Ibid., p. 9.

³⁵³ Ibid.

³⁵⁴ Ibid., p. 3.

³⁵⁵ Department of Health and Human Services, *Machinery of government changes for DHHS*, 2018, <<https://fac.dhhs.vic.gov.au/news/machinery-government-changes-dhhs>> accessed 3 July 2019.

4.10.2 Funding sources for new and lapsing programs and initiatives

In its 2019–20 questionnaire the Committee asked all departments to provide information regarding funding sources for programs and initiatives (questions 3c and 4c).

Every department except DHHS provided the requested information. In its response DHHS stated: ‘Decisions taken on the allocation of funding, and the source for that funding, are Cabinet-in-Confidence, and therefore a response cannot be provided by the department.’³⁵⁶

The Committee acknowledges that a claim of Cabinet-in-Confidence may apply to some of the funding sources for DHHS’ programs and initiatives. However, where a department is unable to supply information that is requested by the Committee because it is Cabinet-in-Confidence, it is important that this response is accompanied by an explanation.

FINDING 41: Where a department is unable to supply information that is requested by the Committee because it is Cabinet-in-Confidence, it is important that this response is accompanied by an explanation.

4.11 Performance measures

4.11.1 Child protection portfolio

During the budget estimates hearing with the Minister for Child Protection, the Committee queried the nature and performance of initiatives for strengthening the foster care system, including in regional and rural areas.

Both the Minister and Secretary of the Department of Health and Human Services outlined key initiatives:

... this budget has allocated \$116.1 million to continue the new model of kinship care ... There is also \$41.8 million to provide placements in out-of-home care, including children with complex disabilities in voluntary placements.³⁵⁷

Trials of three innovative new models of out-of-home care—Treatment Foster Care Oregon, Keep Embracing Your Success and Sibling Support and Placement Service—will be maintained to build the evidence base for initiatives that support children to reach their potential.³⁵⁸

³⁵⁶ Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 43, 47.

³⁵⁷ Hon. Luke Donellan, Minister for Child Protection, *Transcript of evidence*, p.2

³⁵⁸ Ibid.

... directly relevant to foster carers ... [is the] ... \$41 million that is reflected on page 56 of the budget papers, BP3 [*Budget Paper No. 3*], 'to meet demand for care of children'. That covers foster carers as well as other forms of care. The three programs that the minister mentioned that are innovative programs that we are trialling in the south.³⁵⁹

The Committee believes additional performance measures relating to foster care in the budget papers would better enable Parliament to assess the performance of related initiatives.

RECOMMENDATION 13: The Department of Health and Human Services review and update its performance measures in the Child Protection and Family Services output.

4

4.11.2 Department wide: analysis of new and proposed discontinued performance measures

DHHS added 14 new performance measures in the 2019–20 Budget. Half of these replaced discontinued measures.

Eight of the new measures improve the comprehensiveness of performance information already contained in the budget papers for initiatives relating to the aged, child protection, family violence, disability, acute and primary care services. However, six of the new measures have weaknesses. Specifically, the affected measures did not provide a sufficiently comprehensive picture of performance or clarify the level of performance expected from funded activities. Table 4.2 below summarises the issue for each of these measures by the relevant output.

³⁵⁹ Ms Kym Peake, Secretary, Department of Health and Human Services, 2019–20 Budget estimates (Child Protection) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 10.

Table 4.2 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Acute Health Services—Admitted Services	Number of patients admitted from the elective surgery waiting list (Quantity)	The new measure lacks comprehensiveness and transparency as it only reports on a selected (unidentified) subset of elective surgery procedures. Consequently, it masks performance in other non-measured categories. Neither the budget papers nor information supplied by the department permits an understanding of how the target and measure are constructed.
Concessions to Pensioners and Beneficiaries	Number of Utility Relief Grants granted to households (Quantity)	Replaces the discontinued measure <i>'Number of clients receiving trustee services'</i> . The budget papers provide no explanation of how the discontinued measure's focus on 'trustee services' relates to the new focus on 'Utility Relief Grants'. There is no material relationship between the new and discontinued measure resulting in the loss of performance information within the budget papers regarding the provision of trustee services.
Drug Services—Drug Treatment and Rehabilitation	Percentage of residential rehabilitation clients remaining in treatment for ten days or more (Quality)	Replaces the discontinued measure <i>'Percentage of residential rehabilitation courses of treatment greater than 65 days'</i> . Appendix A of the 2019–20 budget papers notes <i>'the [discontinued] measure no longer reflects current clinical practice and the new measure is a better indicator of successful engagement with clients'</i> . However, requests for additional information have not satisfied the Committee's concern about the new metric shifting from an outcome to an input focus.
	Percentage of residential withdrawal clients remaining in treatment for two days or more (Quality)	Replaces the discontinued measure <i>'Successful courses of treatment (episodes of care): residential-based drug treatment services'</i> . The Committee's request for additional information to provide context on its reasons for discontinuation and replacement has instead been answered with a description of what the new measure indicates. The new metric shifts from an outcome to an input focus. Specifically, the new measure focuses only on the initial engagement stages of treatment, contrary to the discontinued measure which focused on the outcome of treatment and if it was successful.
	Median wait time between intake and assessment (Timeliness)	Replaces the discontinued measure <i>'Average working days between screening of client and commencement of community-based drug treatment'</i> . The new metric shifts the focus away from the timeliness of commencing treatment from the point of assessment, to only measuring the time taken for assessment. It is unclear how the shift from an 'average' to a 'median' provides a more meaningful representation of wait times given the median is less sensitive to poor results.
	Median wait time between assessment and commencement of treatment (Timeliness)	Replaces the discontinued measure <i>'Average working days between screening of client and commencement of residential-based drug treatment'</i> . ^a The new measure reduces transparency of performance. It is unclear how the shift from an 'average' to a 'median' provides a more meaningful representation of wait times given the median is less sensitive to poor results.

a. Appendix A of the 2019–20 Budget incorrectly notes this measure replaces the discontinued measure 'Median wait time between intake and assessment'.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019; Department of Health and Human Services, *Response to the 2019–20 Budget estimates general questionnaire*, received 5 June 2019.

RECOMMENDATION 14: Ahead of the 2020–21 Budget the Department of Health and Human Services address the issues with the six new performance measures identified in relation to the following outputs: Acute Health Services—Admitted Services; Concessions to Pensioners and Beneficiaries and Drug Services—Drug Treatment and Rehabilitation.

DHHS proposed 19 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the department’s rationale for discontinuing 14 out of the 19 measures, noting the reasons predominantly relate to the cessation of funding or completion of programs rendering the former measures obsolete.

However, in relation to five proposed discontinued measures, the Committee does not support discontinuation.

As explained in Table 4.2 above in relation to new performance measures which replace discontinued performance measures, the Committee questions the proposed discontinuation of the Concessions to Pensioners and Beneficiaries output performance measure and four Drug Treatment and Rehabilitation output performance measures.

FINDING 42: The Department of Health and Human Services identified 19 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the discontinuation of 14 of these measures and considers the remaining measures should be reviewed and reinstated.

RECOMMENDATION 15: The Assistant Treasurer, in conjunction with the Department of Health and Human Services, review and reinstate with modifications addressing the issues raised with the five discontinued performance measures identified in relation to the following outputs: Concessions to Pensioners and Beneficiaries and Drug Treatment and Rehabilitation.

5

Department of Education and Training

Key findings

- The absence of an agreement regarding Commonwealth funding for schools at the time of the 2019–20 Budget created significant uncertainty regarding future funding of programs in the Education portfolio. This is reflected in the 2019–20 budget papers. Since finalisation of the 2019–20 State Budget a bilateral agreement regarding school funding has been reached with the Commonwealth.
- The lack of an agreement between the Commonwealth and Victorian Government in relation to funding under the National Partnership on the Skilling Australians Fund presents a significant risk for future funding of programs in the Training and Skills portfolio.
- The Government has invested significant funding into the free Technical and Further Education (TAFE) initiative in the 2019–20 Budget. Between the first quarters of 2018 and 2019 free TAFE commencements increased by 106%. However, the evidence base used to determine completion rate targets for free TAFE commencements is not yet available.
- The 2019–20 budget papers do not provide information about the process or criteria by which decisions are made about funding allocations from the Building Better TAFEs Fund.
- How responsibility for the Training, Higher Education and Workforce Development output is divided between the Minister for Training and Skills and the Minister for Higher Education is unclear. The demarcation of funding for this output between the two Ministers is also not specified in the budget papers.
- For two consecutive years the Department of Education and Training has not provided the Committee with information on the proportion of their workforce that identify as having a disability.

5.1 Overview

The Department of Education and Training (DET) supports the portfolios of Education, Training and Skills and Higher Education.

DET's responsibilities include primary and secondary school education, school infrastructure, training and development of teachers and principals, training for early

childhood professionals, early childhood development facilities, higher education, Technical and Further Education (TAFE), apprenticeships, traineeships and registered training organisations.

DET has four objectives underpinning its work:

- **Achievement:** Raise standards of learning and development achieved by Victorians using education, training, and early childhood development services.
- **Engagement:** Increase the number of Victorians actively participating in education, training and early childhood development services.
- **Wellbeing:** Increase the contribution education, training and early childhood development services make to good health and quality of life for all Victorians, particularly children and young people.
- **Productivity:** Increase the productivity of our services.³⁶⁰

5.2 Budget summary

In 2019–20 DET has the second largest budget compared to other departments, as measured by the funding allocated by output group in each department's Performance Statement. DET's allocation represents 24% of all funding provided to all output groups across all departments.³⁶¹

In 2019–20 DET allocates \$15.6 billion to fund its outputs (compared to \$14.9 billion in 2018–19).³⁶² It has \$16 billion of income from transactions available (compared to \$15.4 billion in 2018–19).³⁶³

DET's output appropriations in 2019–20 will increase by 4.9% from 2018–19 mainly driven by indexation, student enrolment growth and new funding approved as part of the 2019–20 Budget.³⁶⁴ Employee benefits will rise by 3.7% in 2019–20 compared to 2018–19, because of increased costs associated with enrolment growth in government schools, indexation and new funding for initiatives.³⁶⁵

With regard to capital spending, the 2019–20 Budget allocates \$134.8 million for existing 'New Schools' programs, a decrease of 28% from 2018–19 levels.³⁶⁶ However, this drop will be offset against the new capital program 'New Schools Construction' introduced in the 2019–20 Budget, which allocates \$354.3 million in 2019–20.³⁶⁷

³⁶⁰ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 133.

³⁶¹ *Ibid.*, p. 134 (Committee calculations).

³⁶² *Ibid.*, p. 135.

³⁶³ *Ibid.*, p. 134 (Committee calculations).

³⁶⁴ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 34 (Committee calculations).

³⁶⁵ *Ibid.*

³⁶⁶ *Ibid.*, p. 40 (Committee calculations).

³⁶⁷ *Ibid.*, p. 40; Department of Treasury and Finance, *Budget Paper No. 3*, p. 31.

The 2019–20 Budget also allocates \$345.3 million in 2019–20 for existing school ‘Upgrades’ programs, representing an increase of 13% from 2018–19 levels.³⁶⁸

The 2019–20 Budget also allocates \$102 million in 2019–20 to the Non-Government Schools Infrastructure Fund, representing a 104% increase compared to 2018–19.³⁶⁹ The Fund will receive a total of \$402 million over the forward estimates.³⁷⁰

DET has a total savings target of \$45 million for 2019–20 which makes up 20% of the \$201.3 million whole of government efficiencies for 2019–20.³⁷¹ DET aims to achieve this target by ‘implementing efficiencies through reductions in contractors and consultants and other procurement efficiencies’.³⁷² DET states that such efficiencies ‘will not impact on services delivery or front-line staffing levels as allocations will only be applied to corporate (back office) areas’.³⁷³ This issue is discussed further in Chapter 3 in the section on contractors, consultants and labour hire.

With regard to Commonwealth funding, DET has ‘ongoing uncertainty about the future ... in relation to schools, early childhood education, and Vocation and Educational Training’.³⁷⁴ These matters are considered further in the key issues sections of this chapter.

5.3 Education portfolio: key issues

The Minister for Education is responsible for the following six outputs:

- School Education—Primary (funding in 2019–20: \$6.1 billion)
- School Education—Secondary (funding in 2019–20: \$4.8 billion)
- Support for Students with Disabilities (funding in 2019–20: \$1.1 billion)
- Early Childhood Development (funding in 2019–20: \$621.2 million)
- Support Services Delivery (funding in 2019–20: \$344.3 million)
- Strategy Review and Regulation (funding in 2019–20: \$116.8 million).³⁷⁵

³⁶⁸ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 40 (Committee calculations).

³⁶⁹ *Ibid.*, p. 38 (Committee calculations).

³⁷⁰ *Ibid.*, p. 38.

³⁷¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 126; Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 45 (Committee calculations).

³⁷² Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 45.

³⁷³ *Ibid.*

³⁷⁴ *Ibid.*, pp. 23, 38–39.

³⁷⁵ *Ibid.*, p. 59. Department of Treasury and Finance, *Budget Paper No. 3*, p. 134.

One of the key priorities of the 2019–20 Budget is the roll out of universal kindergarten for three year olds. In the 2019–20 Budget Speech the Treasurer, Hon Tim Pallas MP, labelled the \$881.6 million investment ‘the biggest shake-up of early childhood education in the history’ of Victoria.³⁷⁶

Another key priority of the 2019–20 Budget relevant to the Education portfolio is the Government’s \$1.82 billion investment in the ‘school building boom’, which includes funding for the construction of new schools and towards upgrading and modernising existing schools.³⁷⁷ In addition, the 2019–20 Budget allocates \$179.5 million to continue removing asbestos from schools.³⁷⁸

The Minister for Education, Hon James Merlino MP, advised that the 2019–20 Budget also delivers on the Government’s election commitments for programs in schools to support the health, wellbeing, participation and safety of all children.³⁷⁹ At the public hearings, the Minister drew attention to the 2019–20 Budget’s \$116.1 million investment for free tampons and pads in all government schools, the expansion of the School Breakfast Clubs Program, the Child Link register, Community Language Schools and to strengthen anti-bullying support.³⁸⁰

The key issues relevant to the Education portfolio identified during the Committee’s 2019–20 budget estimates inquiry are discussed below.

5.3.1 Commonwealth funding for Victorian schools

The 2019–20 budget papers state that ‘the quantum and conditions of future [Commonwealth] funding [for Victorian schools] are dependent on the outcome’ of the negotiations between the Victorian and Commonwealth Governments for a bilateral agreement. The 2019–20 budget papers explain that this means that funding for renewal of some existing and new education initiatives will not be considered until the finalisation of an agreement.³⁸¹

In June 2017, the Commonwealth legislated the Quality Schools arrangements, which provides that by 2029 the Commonwealth will contribute:

- 80% of a non-government school’s Schooling Resource Standard (SRS)³⁸². The SRS is an estimate of the total public funding schools need to meet the educational needs of students and is based on recommendations of the 2011 Gonski Review of Funding for Schooling. The SRS consists of a base amount for every primary and

³⁷⁶ Hon. James Merlino MP, *2019–20 Budget estimates hearing presentation: Education*, supplementary evidence, received 7 June 2019, p. 6; Treasury and Finance, *Budget Paper No. 1: Treasurer’s Speech*, Melbourne 2019, p. 6.

³⁷⁷ Hon. James Merlino MP, *2019–20 Budget estimates hearing presentation: Education*, p. 14.

³⁷⁸ *Ibid.*, p. 15.

³⁷⁹ Hon. James Merlino MP, Minister for Education, 2019–20 Budget estimates (Education) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 3.

³⁸⁰ Hon. James Merlino MP, *2019–20 Budget estimates hearing presentation: Education*, p. 17 (Committee calculations).

³⁸¹ Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2019, p. 63.

³⁸² Department of Education, *What is the Schooling Resource Standard and how does it work?*, Australian Government, Canberra, 2019.

secondary student, plus loadings that provide extra funding for disadvantaged students and schools.³⁸³

- 20% of a government school's SRS.³⁸⁴

For the interim period, school funding contributions from the Commonwealth are to be outlined in bilateral agreements. However, while the Victorian Government signed a one year interim agreement with the Commonwealth to ensure funding was not at risk for schools in 2018,³⁸⁵ at the time of the 2019–20 Budget, negotiations for a Victorian bilateral agreement were ongoing.³⁸⁶

The Minister for Education explained:

To achieve our full potential the Victorian Government is working to secure a bilateral agreement with the Commonwealth, and that is reflected in the budget papers, that we are still to secure that bilateral agreement. This budget funded many initiatives for one year, and while we continue to push for an agreement, that will provide for long-term certainty.³⁸⁷

The Camps, Sports and Excursions Fund was established 'to assist disadvantaged families to cover the costs of school trips and activities'.³⁸⁸ It is an example of an initiative that has not been allocated multiyear funding. It was allocated \$36.1 million in 2018–19 and 'provides over 220,000 eligible government and non-government school students each year with financial assistance to help cover the costs of school trips, camps, excursions and sporting activities'.³⁸⁹ In response to questions taken on notice at the budget estimates hearings, the Minister for Education confirmed:

Funding for renewal of some existing and new education initiatives, such as the Camps, Sports and Excursions Fund, will be considered now that Victoria has signed a bilateral school funding agreement with the Commonwealth.³⁹⁰

The Minister for Education signed a bilateral agreement with the Commonwealth to secure school funding in Victoria on 14 June 2019. Under the agreement Victoria will have to lift its contribution towards the SRS. The Minister for Education stated that as a result of the bilateral agreement, the State Government will 'provide an additional approximate \$7 billion to ... government schools over the five-year term of the agreement in comparison with 2018 funding'.³⁹¹

³⁸³ Ibid.

³⁸⁴ Ibid.

³⁸⁵ Department of Treasury and Finance, *Budget Paper No. 2: 2018–19 strategy and outlook*, Melbourne, 2018, p. 60.

³⁸⁶ Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, p. 63.

³⁸⁷ Hon. James Merlino MP, Minister for Education, *Transcript of evidence*, p. 3.

³⁸⁸ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 38–39.

³⁸⁹ Ibid.

³⁹⁰ Hon. James Merlino MP, Minister for Education, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 2.

³⁹¹ Minister for Education Government of Victoria, *Boosting Student Outcomes In Regional And Rural Victoria*, 17 June 2019, <<https://www.premier.vic.gov.au/boosting-student-outcomes-in-regional-and-rural-victoria>> accessed 19 August 2019.

The bilateral agreement was finalised on 19 September 2019 and will provide funding for school maintenance, rural and regional schools and attracting more teachers to state schools.

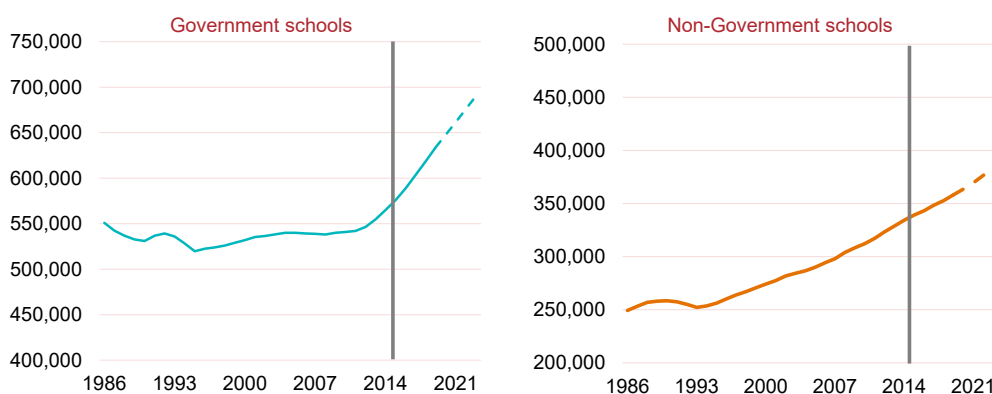
FINDING 43: The absence of an agreement regarding Commonwealth funding for schools at the time of the 2019–20 Budget created significant uncertainty regarding future funding of programs in the Education portfolio. This is reflected in the 2019–20 budget papers. Since finalisation of the 2019–20 State Budget a bilateral agreement regarding school funding has been reached with the Commonwealth.

FINDING 44: Given the bilateral school funding agreement was finalised on 19 September 2019 it is anticipated that the details of all budgeted programs will be reflected in future budget papers.

5.3.2 School infrastructure

Rapid population growth has increased the need to build new schools and upgrade existing schools. At the budget estimates hearings the Minister for Education made clear that ‘this has been a challenge for government since 2010–11’ especially given the ‘massive increase in public school enrolments’.³⁹² The enrolment trends in government (public school) and non-government schools from 1986 to 2021 are illustrated in Figure 5.1 below.

Figure 5.1 Growth in school enrolments at government and non-government schools 1986–2021



Source: Hon. James Merlino MP, 2019–20 Budget estimates hearing presentation: Education, supplementary evidence, received 7 June 2019, p. 12.

³⁹² Hon. James Merlino MP, Minister for Education, *Transcript of evidence*, p. 8.

The Minister for Education acknowledged that ‘Victoria’s booming population growth means a continual investment in new school infrastructure is required to keep up with that growth’.³⁹³ To ensure understanding of the size and complexity of this challenge, the Minister explained that DET ‘has developed an evidence-based methodology and consultation process to plan for new schools’.³⁹⁴ The Minister for Education explained to the Committee:

... the Department annually reviews the need for new schools using demographic modelling of residential growth, demographic change and enrolment trends at schools ... The Department leverages increasingly sophisticated spatial mapping to proactively manage challenges for planning for schools, including for established areas. The Department continues to consult and work with state and local planning authorities to identify and plan for sites for proposed new government schools and to help ensure that enrolment growth is effectively managed. The Department will also undertake an analysis of the accuracy of its provision planning model over the short, medium and long-term forecasts. So we are continually looking at making sure we have got the numbers right and engaging particularly with local government areas and other planning authorities. The Department will also undertake an analysis of the accuracy to understand the reliability ... over time.³⁹⁵

The 2019–20 Budget allocates \$647.6 million across the forward estimates to the New Schools Construction initiative to build 17 new schools in the next eight years, and \$46 million for land acquisition for four new schools in Hume, Macedon Ranges, Melton and Wodonga.³⁹⁶

The 2019–20 Budget also allocates \$362.7 million across the forward estimates to upgrade classrooms and facilities across 59 existing schools, with a further 44 schools receiving funding to plan for their upgrades.³⁹⁷

In its 2016 ‘30-year infrastructure strategy’, Infrastructure Victoria recommended annual publication of ‘5-year investment priorities for new and upgraded government schools, alongside the planning data that shows demonstrated need, within 0–5 years’.³⁹⁸ The rationale for this recommendation was that ‘this transparency will communicate to communities how priorities are made, provide greater certainty and lead time to enable co-investment to occur and reduce the need for community advocacy’.³⁹⁹ The Committee sought information from the Minister for Education and Victorian School Building Authority (VSBA) officials about the Government’s progress toward implementing this recommendation.⁴⁰⁰

³⁹³ Ibid., p. 9.

³⁹⁴ Ibid.

³⁹⁵ Ibid., pp. 9-10.

³⁹⁶ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 31, 33.

³⁹⁷ Ibid., p. 31.

³⁹⁸ Infrastructure Victoria, *Victoria’s 30-year infrastructure strategy*, Victorian Government, Melbourne, 2016, p. 118.

³⁹⁹ Ibid.

⁴⁰⁰ Mr Christopher Keating, Chief Executive Officer, Victorian School Building Authority, 2019–20 Budget estimates (Education) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 10.

Mr Christopher Keating, Chief Executive Officer, VSBA, informed the Committee that the Government had accepted the recommendation and is working to put the information together. Mr Keating also updated the Committee on DET's progress toward developing asset management plans with all government schools:

Since the start of last year, and we have got roughly 1,500 schools, every year 300 schools are audited. So there are independent auditors going out to inspect the quality of each school. That information is then provided to each school to work with the Department to develop a five-year asset management plan. So they know their local funding, the additional funding the Government is providing and the other issues they need to manage. We then work with that school over that five-year period to deliver that.

We also publish every single investment we are making on the Victorian School Building Authority website—in terms of disclosing that.⁴⁰¹

The Minister for Education stated:

Schools understand what the maintenance and capital requirements of their school are, and this informs both capital upgrades that are allocated on a yearly basis through the state Budget but also in terms of the maintenance funding that a school is provided with, as well as the planned maintenance program.⁴⁰²

As part of the Committee's 2018–19 budget estimates inquiry the Committee reported on the funding rate for maintenance in government schools.⁴⁰³ The Department of Education noted that an annual investment of 2–4% of asset replacement value (ARV) is regarded as typical for private sector industry practice, but that school maintenance funding in Victoria was approximately 0.7% of ARV in 2017–18 and 2018–19.⁴⁰⁴ When questioned by Committee members at the 2019–20 budget estimates hearings about the current levels of maintenance funding in government schools, Mr Keating explained that additional funding in the 2019–20 Budget of \$41 million across a range of programs would bring the Government closer to the industry standard.⁴⁰⁵

FINDING 45: Annual investment of 2–4% of asset replacement value (ARV) is regarded as typical for private sector industry practice but school maintenance funding in Victoria was approximately 0.7% of ARV in 2017–18 and 2018–19. The 2019–20 budget paper allocation for maintenance funding for schools will bring investment closer to 2–4% of asset replacement value. There has since been an allocation of \$515 million over five years to school maintenance funding as a result of the bilateral agreement on school funding.

⁴⁰¹ Ibid., p. 11.

⁴⁰² Hon. James Merlino MP, Minister for Education, *Transcript of evidence*, p. 11.

⁴⁰³ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 97.

⁴⁰⁴ Department of Education, *Response to the Committee's 2018–19 Budget Estimates Additional Questions*, received 10 August 2018, pp. 29–30.

⁴⁰⁵ Mr Christopher Keating, Chief Executive Officer, Victorian School Building Authority, *Transcript of evidence*, p. 11.

5.3.3 Universal three year old kindergarten

The 2019–20 Budget allocates \$26.2 million in 2018–19, \$35.5 million in 2019–20, \$46.4 million in 2020–21, \$149.3 million in 2021–22 and \$341.3 million in 2022–23 for access to universal three year old kindergarten of at least five hours per week by 2022—increasing to 15 hours per week over the next decade.⁴⁰⁶ In addition, the total estimated investment in the 2019–20 Budget for new capital projects under ‘Ready for school: kinder for every three-year-old—funding for facilities to support three year old kinder programs (statewide)’ is \$283 million.⁴⁰⁷ The Minister for Education informed the Committee at the public hearings:

To achieve universal three-year-old kinder we need to build or upgrade almost 1,000 kindergartens across the state ... and this budget delivers ... for early childhood infrastructure, which will support the sector to invest [in] new and expanded kindergarten facilities when and where they are needed most.⁴⁰⁸

The Minister for Education also explained to the Committee that due to the scale of the universal three year old kindergarten reform the Government will implement it in stages and ‘by full rollout, 2029, three-year-old children across the state will have access to up to 15 hours of the subsidised kinder program every week for 40 weeks per year’.⁴⁰⁹

The 2019–20 Budget provides that subsidised three year old kindergarten will commence in the following six regional local government areas (LGAs) by 2020: Buloke, Hindmarsh, Northern Grampians, South Gippsland, Strathbogie and Yarriambiack. It also provides that in 2021, the following 15 LGAs will also commence delivery of subsidised three year old kindergarten: Alpine, Ararat, Campaspe, Central Goldfields, Colac-Otway, Corangamite, East Gippsland, Glenelg, Hepburn, Indigo, Loddon, Murrindindi, Southern Grampians, Towong and West Wimmera.⁴¹⁰

At the budget estimates hearings the Committee inquired into the selection process undertaken by DET to select these LGAs.⁴¹¹ Ms Kim Little, Acting Deputy Secretary, Early Childhood Education, explained that data is held within DET:

... about the licensed capacity of services and we are able to look at that data and look at the demographics of those particular communities in order to assess whether or not there is likely to be spare capacity within that infrastructure in order to accommodate additional three-year-old children.⁴¹²

⁴⁰⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 21.

⁴⁰⁷ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 25.

⁴⁰⁸ Hon. James Merlino MP, Minister for Education, *Transcript of evidence*, p. 2.

⁴⁰⁹ Ibid.

⁴¹⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 23.

⁴¹¹ Ms Kim Little, Acting Deputy Secretary, Early Childhood Education, Department of Education and Training, 2019–20 Budget estimates (Education) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, pp. 17–19.

⁴¹² Ibid., p. 18.

In response to questions taken on notice at the hearing about the capacity assessment process, the Minister for Education explained that DET:

... is conducting an onsite capacity survey of every kindergarten and long day care facility in Victoria. The purpose of the survey is to help the Department gain a more detailed and accurate picture of local infrastructure and workforce capacity.

Since early May, key stakeholders in the sector have been consulted on the process, including local government. Onsite capacity surveys commenced in early June and are expected to run till the end of the year.⁴¹³

With regard to the scope of the onsite capacity surveys, the Minister for Education advised the Committee:

While the survey includes a question to services about building condition, assessing facilities for the presence or condition of asbestos is not specifically included ...⁴¹⁴

FINDING 46: It is anticipated that future budget papers and estimates will show which kindergartens received capital funding in relation to the universal three year old kindergarten initiative.

5.4 Training and Skills and Higher Education portfolios: key issues

The Minister for Training and Skills and the Minister for Higher Education have shared responsibility for one output: Training, Higher Education and Workforce Development (funding in 2019–20: \$2.4 billion).⁴¹⁵

One of the key priorities of the 2019–20 Budget relevant to the Training and Skills portfolio is the Government's investment in Technical and Further Education (TAFE):

\$82.7 million to continue to support eligible students to access subsidised training and develop skills in the TAFE and training system, including through the Asylum Seeker Vocational Education and Training program

\$57 million for a new Building Better TAFEs Fund to build bigger and better facilities around Victoria and improve lifelong educational pathways

\$41.2 million to respond to strong demand for Free TAFE

\$28.5 million to provide Free TAFE for early childhood courses to support the roll out of three-year old kindergarten

\$5.6 million to develop a suite of higher apprenticeships.⁴¹⁶

⁴¹³ Hon. James Merlino MP, Minister for Education, response to questions on notice, p. 6.

⁴¹⁴ Ibid.

⁴¹⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 134.

⁴¹⁶ Department of Treasury and Finance, *Budget Paper No. 2*, p. 11.

The key issues relevant to the Training and Skills and Higher Education portfolios identified during the Committee's 2019–20 budget estimates inquiry are discussed below.

5.4.1 Commonwealth funding for the vocational and educational training (VET) sector

The 2019–20 Budget allocates \$82.7 million to 'support eligible students to enhance their skills and employability by providing subsidised vocational education and training'.⁴¹⁷ However, a new cost share agreement between the Victorian Government and the Commonwealth under the National Partnership on the Skilling Australians Fund (NP SAF) has not been reached.

In its 2017–18 Budget the Commonwealth Government established the NP SAF to provide funding for apprenticeships and traineeships. The NP SAF replaced the National Partnership Agreement on Skills Reform and is managed through a project based National Partnership Agreement with States that commenced on 1 July 2018. It runs for four years.⁴¹⁸ Under the NP SAF, states are required to provide funding to match that provided by the Commonwealth Government.⁴¹⁹ To date, Victoria has not signed a new National Partnership Agreement, under which it was 'originally estimated to receive \$564.8 million over the four-year agreement'.⁴²⁰

As a result of an agreement not being reached between Victoria and the Commonwealth, the 'Victorian Contribution to VET Fee Help/VET student loans' program has not been funded through the 2019–20 budget process.⁴²¹ The Committee acknowledges that this program was established to cover Victoria's current and expected contribution to the Commonwealth's costs of providing income contingent loans to Victorian VET students under the expiring VET FEE-HELP and subsequent VET Student Loans programs. These programs came under the previous National Partnership Agreement on Skills Reform, which ended in June 2018.⁴²² However, the Committee notes that the new NP SAF requires states to match the Commonwealth's funding.

FINDING 47: The lack of an agreement between the Commonwealth and Victorian Government in relation to funding under the National Partnership on the Skilling Australians Fund presents a significant risk for future funding of programs in the Training and Skills portfolio.

⁴¹⁷ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 22, 30.

⁴¹⁸ Department of Education, *National Partnership Agreement on Skills Reform*, 2018, <<https://www.education.gov.au/national-partnership-agreement-skills-reform>> accessed 5 July 2019; Department of Education, *Skilling Australians Fund*, 2018, <<https://www.education.gov.au/skilling-australians-fund>> accessed 5 July 2019.

⁴¹⁹ Ibid.

⁴²⁰ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 23.

⁴²¹ Ibid., pp. 38–39.

⁴²² Ibid.

5.4.2 Technical and Further Education (TAFE)

Skills First

Skills First is a set of reforms for the TAFE sector.⁴²³ In 2018–19, funding for these reforms included a new \$172 million initiative to make training at TAFE free for 30 priority courses.⁴²⁴ At the public hearings for the Committee’s 2018–19 budget estimates inquiry the Committee queried why the target number of subsidised course enrolments in the TAFE network set in the 2018–19 budget papers was only expected to increase by around 1,000 given this substantial increase in funding.⁴²⁵ In response, the Minister for Training and Skills at last year’s budget estimates hearings confirmed that the target would be adjusted as necessary following DET’s review of the Skills First initiative in time for the 2019–20 Budget:

Once we have got some more evidence about where we are sitting with Skills First and some sort of indication of how free TAFE is going, to then adjust that target in an evidence-based way.⁴²⁶

At the hearings for the Committee’s 2019–20 budget estimates inquiry, the Minister for Training and Skills, Hon Gayle Tierney MLC, provided the following update on the review of the Skills First initiative:

Deloitte actually provided a final report to the Department, and I am working with my colleagues to consider the findings of the evaluation of Skills First and to develop a Government response. I think it is important to note, though, that the evaluation represents an interim assessment of Skills First, because it is only that first year of Skills First. So I think that is important, but what I can say to you is that the experiences that we have seen in the rebuild of the TAFE system have informed Government, but of course the industry advisory groups, the skills commissioner’s office and a variety of other organisations also of course assist in providing opinion and views.⁴²⁷

In evidence before the Committee the Minister for Training and Skills also confirmed that \$114 million of the output appropriation for Skills First in 2018–19 will not be spent and that it will be phased in over the next two years as follows:

... \$82.7 million of that will be going into responding to Victorian jobs growth with more training, \$4.7 million of that is being used to extend the apprenticeship support officer program. We are using \$5.6 million of that to do the apprenticeships for the Victorian Big Build, and \$21.2 million will be moving into next year for anticipated because we

⁴²³ Department of Education and Training, *Skills First*, 2019, <<https://www.education.vic.gov.au/training/providers/funding/Pages/skillsfirst.aspx>> accessed 5 July 2019.

⁴²⁴ Department of Treasury and Finance, *Delivering for all Victorians: 2018–19 overview*, Melbourne, 2018, p. 18.

⁴²⁵ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 133.

⁴²⁶ Hon. Gayle Tierney MLC, Minister for Training and Skills, 2018–19 Budget Estimates (Training and Skills) hearing, Melbourne, 17 May 2018, *Transcript of evidence*, p. 9.

⁴²⁷ Hon. Gayle Tierney MLC, Minister for Higher Education and Minister for Training and Skills, 2019–20 Budget Estimates (Higher Education/Training and Skills) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 10.

think free TAFE is, the data we have got, as the Minister mentioned, is running ahead of what we thought. So \$21.2 million will be going into boosting free TAFE funding for the next financial year.⁴²⁸

FINDING 48: There was a \$114 million underspend in 2018–19 of the output appropriation for the Skills First initiative—a set of reforms for the training and Technical and Further Education (TAFE) sector.

Free TAFE courses

In response to the strong demand for free TAFE, the 2019–20 Budget allocates \$20.0 million in 2018–19 and \$21.2 million in 2019–20.⁴²⁹ In February 2019, as part of the Government’s free TAFE initiative, the Minister for Training and Skills announced a 60% increase in free TAFE course enrolments compared to the same time last year for the five most popular free TAFE courses.⁴³⁰ The five most popular free TAFE courses are Certificate IV in Accounting and Bookkeeping, Diploma of Nursing, Diploma of Community Services, Certificate IV in Education Support and Certificate IV in Cyber Security.

The 2019–20 Budget also allocates \$28.4 million across the forward estimates to add Certificate III/Diploma of Early Childhood to the list of free TAFE courses.⁴³¹ At the public hearings, the Minister for Training and Education explained that the Government believes that close to 6,000 people will be needed in the workforce to support the universal three year old kindergarten commitment, and that the addition of the early childhood courses to free TAFE will mean:

... students enrolling in a Certificate III in early childhood education and care will save up to \$5900, and enrolling in a diploma students will save up to \$11 800.⁴³²

At the budget estimates hearings, the Committee discussed the recent trends in TAFE enrolments. The growth in commencements by provider, comparing quarter 1 of 2019 to quarter 1 of 2018 are illustrated in Figure 5.2 below.

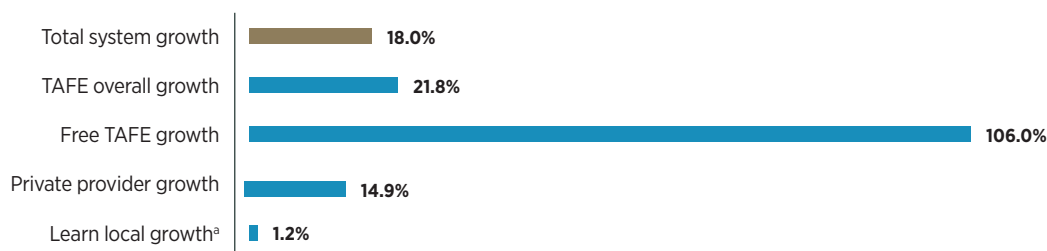
⁴²⁸ Ibid., p. 17.

⁴²⁹ Department of Treasury and Finance, *Budget Paper No. 2*, p. 11; Department of Treasury and Finance, *Budget Paper No. 3*, p. 22.

⁴³⁰ Hon. Gayle Tierney, *February free TAFE enrolments skyrocket*, media release, Victorian Government, Melbourne, 8 March 2019. A list of the Free TAFE courses can be accessed online; see Victorian Government, *Free TAFE for lots of jobs*, <<https://www.vic.gov.au/freetafe/free-tafe.html>> accessed 5 July 2019.

⁴³¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 22.

⁴³² Hon. Gayle Tierney MLC, Minister for Higher Education and Minister for Training and Skills, *Transcript of evidence*, p. 11.

Figure 5.2 Growth in commencements by higher education course provider (quarter 1 2019 against quarter 1 2018)

a. Figure reflects growth in accredited training enrolments. Pre-accredited training enrolment growth for same period is 30%. Learn Local providers deliver vocational courses for adults that address the needs of those adults who have experienced barriers to education in the past and need some help to take the first step back to education, training and or employment.

Source: Hon. Gayle Tierney MLC, 2019–20 Budget estimates hearing presentation: Training and Skills/Higher Education, supplementary evidence, received 7 June 2019, p. 10.

In response to questions taken on notice at the budget estimates hearings regarding TAFE enrolments, Ms Jenny Atta, Secretary, DET, indicated that DET estimates an increase in enrolments in the TAFE sector from 2018 to 2019. Ms Atta explained:

There has been a deliberate move away from a system of high-volume, low-quality training, with discontinued use of poor quality providers and removal of low-value courses from the Government’s Funded Course List. This shift has stabilised Victoria’s VET system, and strengthened the link between training and workforce demand, particularly in the Government’s priority areas.⁴³³

In the context of free TAFE courses, Ms Lee Watts, Assistant Deputy Secretary, Quality and Implementation, DET, was asked by the Committee about completion rates for free TAFE commencements and the modelling DET undertakes to set completion rate targets. Ms Watts explained:

The assumptions that have been made in relation to completion rates for free TAFE programs are to reflect back on what the completion rates have been for the same 50 courses that we had across the previous years to build in a number of assumptions within that. We do not know. It is the first year of the program. Clearly we will have a much greater evidence base as we move forward into the following three years of the rollout of this initiative.⁴³⁴

FINDING 49: The Government has invested significant funding into the free Technical and Further Education (TAFE) initiative in the 2019–20 Budget. Between the first quarters of 2018 and 2019 free TAFE commencements increased by 106%. However, the evidence base used to determine completion rate targets for free TAFE commencements is not yet available.

⁴³³ Ms Jenny Atta, Secretary, Department of Education and Training, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 4.

⁴³⁴ Ms Lee Watts, Assistant Deputy Secretary, Quality and Implementation, Department of Education and Training, 2019–20 Budget estimates (Higher Education/Training and Skills) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 6.

In terms of uptake, the Committee questioned the Minister for Training and Skills at the budget estimates hearings about the eligibility requirements for free TAFE given it is a demand driven program. The eligibility requirements for free TAFE are:

- being under 20 years old or upskilling (if over 20 years old)
- being unemployed and a client of the Jobs Victoria Employment Network
- being retrenched or an automotive supply chain worker
- wanting to reskill, change careers, improve employment prospects and/or meet the needs of local industries (subject to availability of TAFE places and prioritised based on need).⁴³⁵

The Minister for Training and Skills informed the Committee:

In terms of those that have applied and have got the prerequisites, no-one has been turned away ... The other thing that I have stressed is that in terms of those people that are enrolling in free TAFE, if their literacy and numeracy are not to a certain point, then they need to be referred to foundation studies. The last thing that this Government wants is a situation where we have a great initiative but it essentially sets some individuals up for failure.⁴³⁶

Ms Watts also outlined:

There are a number of programs in place which are run through TAFE-based skills and job centres where workers who are transitioning from different employers and different careers are actively career managed and given advice about how and where they could and should equally enrol. So there is a very active set of careers guidance and support that fits and wraps around that particular criteria.⁴³⁷

During the public hearings the Committee asked DET officials about tracking evidence on employment status following completion of free TAFE courses compared to the rest of the TAFE sector. Ms Watts informed the Committee:

... the Department is currently working on producing a bespoke survey, which will in fact be circulated to every free TAFE student at different points after the completion of their training. The first point of the survey—which will ask whether or not they have been successful in finding employment, increasing their employment status and/or going on to further study—will occur ... three months after the students have been reported with completion ... It would be our desire that in fact every TAFE student who completes will be part of that survey eventually.⁴³⁸

⁴³⁵ Victorian Government, *Free TAFE eligibility*, <<https://www.vic.gov.au/freetafe/eligibility.html>> accessed 5 July 2019.

⁴³⁶ Hon. Gayle Tierney MLC, Minister for Higher Education and Minister for Training and Skills, *Transcript of evidence*, p. 9.

⁴³⁷ Ms Lee Watts, Assistant Deputy Secretary, Quality and Implementation, Department of Education and Training, *Transcript of evidence*, pp. 9-10 (Higher Education/Training and Skills).

⁴³⁸ *Ibid.*, p. 7.

TAFE sector workforce

Concerns about increased workload and job security among TAFE teachers is an ongoing issue. The Committee inquired about what steps DET was taking to ensure a secure and strong workforce in the TAFE sector. The Minister for Training and Skills told the Committee:

... my sense from the TAFE teachers that we have is a real sense of optimism, that they are saying to me—for the first time—they had not been able to see their future; now they can. We have also been able to negotiate a multi-enterprise agreement with the AEU [Australian Education Union], and that has been very successful. That was voted on and endorsed last year. Within that there is a recognition of the interrelationship between TAFE teachers at TAFE and industry, and I think there is a lot of scope for that interaction and that exchange.⁴³⁹

The Committee also discussed the problems associated with TAFEs competing against each other for staff recruitment. In response the Minister for Training and Skills explained that DET is now:

... getting the TAFE network to actually operate as a network instead of them being so competitive against each other. And so they have come up with a number of initiatives, one of which ... is Jobs at TAFE. It is a single portal that covers every single TAFE in the state. Whether it be a gardening position, a trade, a trainer or a managerial position, it can be found on this portal, and people have responded incredibly well to it.⁴⁴⁰

The Committee asked DET officials about how the investment in the TAFE and training system made in the 2019–20 Budget will assist in meeting the early childhood industry's training needs. Ms Watts stated:

... there will be 6000 early childhood education jobs that will be, in effect, on offer as a result of the new three-year-old kindergarten reforms over the next 11 years ... Where there is a close nexus between good-quality facilities, a number of our TAFEs in particular run their own early childhood centres. So we anticipate that there will be very strong work placement opportunities for these students who are enrolling in their certificate III courses and diploma courses.⁴⁴¹

Building Better TAFEs Fund

With regard to asset initiatives in the TAFE space, the 2019–20 Budget allocates:

- \$46.3 million across the forward estimates to the Building Better TAFEs Fund—Regional TAFEs.⁴⁴² The following regional institutions will receive funding:

⁴³⁹ Hon. Gayle Tierney MLC, Minister for Higher Education and Minister for Training and Skills, *Transcript of evidence*, p. 10.

⁴⁴⁰ *Ibid.*

⁴⁴¹ Ms Lee Watts, Assistant Deputy Secretary, Quality and Implementation, Department of Education and Training, *Transcript of evidence*, p. 11.

⁴⁴² Department of Treasury and Finance, *Budget Paper No. 3*, p. 14.

GOTAFE—Health and Community Services Training Facility; The Gordon—Culinary School, Geelong; and South West TAFE—Library and Learning Hub.⁴⁴³

- \$10.7 million across the forward estimates to the Building Better TAFEs Fund—Metropolitan TAFEs.⁴⁴⁴ The following metropolitan institutions will receive funding: Box Hill Institute Lilydale Campus—Integrated Centre for Sustainable Construction Technologies; Melbourne Polytechnic’s Collingwood campus modernisation and Chisholm Institute’s Frankston campus.⁴⁴⁵

At the budget estimates hearings, the Minister for Training and Skills highlighted the many benefits these investments would have. For example, in relation to The Gordon—Culinary School in Geelong the Minister explained:

... part of the motivation for this—apart from a genuine interest by a lot of younger and older folk in the area—was the need to have a more highly skilled workforce in the tourism industry, not just in Geelong obviously but further west, and to ensure that we do have a range of skilled workers in the region that can obviously cook, that are specialised chefs and that can also of course interact with the public. There are front-of-house, back-of-house skills that are required in restaurants but also in the motel industry and our accommodation sector.⁴⁴⁶

FINDING 50: The 2019–20 budget papers do not provide information about the process or criteria by which decisions are made about funding allocations from the Building Better TAFEs Fund.

5.5 Department wide: key issues

The key issues relevant to DET identified during the Committee’s 2019–20 budget estimates inquiry are discussed below

5.5.1 Machinery of government changes

Machinery of government changes effective on 1 January 2019 resulted in the cessation of the Early Childhood Education portfolio. Early Childhood Development outputs have been divided between DET’s Education portfolio and the Department of Health and Human Services’ Health portfolio.⁴⁴⁷ The Higher Education portfolio was also created by these machinery of government changes.

⁴⁴³ Ibid., p. 16.

⁴⁴⁴ Ibid., pp. 22, 31.

⁴⁴⁵ Ibid., p. 38.

⁴⁴⁶ Hon. Gayle Tierney MLC, Minister for Higher Education and Minister for Training and Skills, *Transcript of evidence*, p. 4.

⁴⁴⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 131.

DET's response to the Committee's questionnaire demonstrates that the Minister for Training and Skills and the Minister for Higher Education have shared responsibility for one output: Training, Higher Education and Workforce Development. However, it does not explain how responsibility for the output is split between the Minister for Training and Skills and the Minister for Higher Education.⁴⁴⁸

The 2019–20 budget papers do not provide information about how responsibility for the Training, Higher Education and Workforce Development output is split between the Minister for Training and Skills and the Minister for Higher Education, nor how the funding for this output is demarcated. The rationale for the two separate portfolios is unclear.

FINDING 51: The 2019–20 budget papers provide information about output movements as a result of machinery of government changes affecting the Department of Education and Training. However, they do not provide information about the end of the Early Childhood Education portfolio or the creation of the Higher Education portfolio.

FINDING 52: How responsibility for the Training, Higher Education and Workforce Development output is divided between the Minister for Training and Skills and the Minister for Higher Education is unclear. The demarcation of funding for this output between the two Ministers is also not specified in the budget papers.

RECOMMENDATION 16: Where any departmental portfolio ends or is created, including a Department of Education and Training portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes.

5.5.2 Employees who identify as having a disability

As noted in the Committee's *Report on the 2018–19 Budget Estimates*, the Government has set a target of 6% of public sector employees with a disability by 2020, increasing to 12% by 2025 as part of the Every Opportunity: Victorian Economic Participation Plan for People with Disability 2018–2020.⁴⁴⁹ The *State of the Public Sector in Victoria 2017–2018* stated:

Representation of people with disability within the public sector is currently at 2.6 per cent, which is lower than the proportion of people with disability within the Victorian labour force (9 per cent).⁴⁵⁰

⁴⁴⁸ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 59.

⁴⁴⁹ Department of Health and Human Services, *Every opportunity: Victorian economic participation plan for people with disability 2018–2020*, Victorian Government, Melbourne, 2018, p. 5.

⁴⁵⁰ Victorian Public Sector Commission, *State of the public sector in Victoria 2017–2018*, Victorian Government, Melbourne, 2018, p. 76.

In its *Report on the 2018–19 Budget Estimates* the Committee recommended:

Recommendation 2: Departments begin collecting data on the proportion of their workforce who have a disability based on their own payroll and human resources systems, in order to establish baseline data and meet the recruitment targets set out in the Government’s *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.⁴⁵¹

The Government supported this recommendation and stated:

Departments will enhance reporting systems to meet the recruitment targets set out in the Government’s *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.⁴⁵²

DET’s response to the Committee’s 2019–20 questionnaire, recorded zero staff members who identify as having a disability.⁴⁵³ The reasons for this were not provided the Committee. However, DET’s response to the Committee’s 2018–19 questionnaire indicated that: ‘The Department does not collect this data.’⁴⁵⁴

FINDING 53: For two consecutive years the Department of Education and Training has not provided the Committee with information on the proportion of their workforce that identify as having a disability.

RECOMMENDATION 17: The Department of Education and Training collect data on the proportion of its workforce who have a disability to meet the recruitment targets set out in the Government’s *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.

5.6 Performance measures

5.6.1 Training and Skills and Higher Education portfolios

During the estimates hearings with the Minister for Training and Skills and Higher Education, the Committee noted the 2019–20 budget papers do not clarify the number of people expected by the state to access free TAFE, and how this contributes to the reduction in the target for the measure ‘Number of government subsidised course enrolments’ from 390,000 in 2018–19 to 317,500 enrolments in 2019–20, and to the target of 145,000 ‘government subsidised course enrolments in the TAFE Network’.⁴⁵⁵

⁴⁵¹ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 50.

⁴⁵² Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2018–19 Budget Estimates*, 5 March 2019, p. 2.

⁴⁵³ Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, p. 55.

⁴⁵⁴ Department of Education and Training, *Response to the 2018–19 Budget estimates general questionnaire*, received 8 May 2018, p. 40.

⁴⁵⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 154.

... Minister, I refer you to budget paper 3, page 154, the performance measure, 'Number of government subsidised course enrolments'. The target number for government subsidised enrolments in 2019 is 317 500, almost the same as was expected in 2018 and quite a lot less than the actuals in 2017. With free TAFE ... why will the number be decreasing and not increasing?⁴⁵⁶

The Minister clarified the reduced target reflected recent reforms to the TAFE sector:

... the central part of our reform agenda, is shifting from high-volume low-quality training to quality training ... We are delivering training that is much more aligned to the skills that are needed in the economy ...⁴⁵⁷

Department officials confirmed the state currently has no defined target for the expected number of free TAFE enrolments noting the initiative was based on an entitlement program.⁴⁵⁸

The Committee considers the addition of performance measures in the budget papers reflecting the take up of state funded initiatives offering access to free TAFE and outcomes would improve Parliament's ability to assess the performance of related programs.

RECOMMENDATION 18: The Department of Education and Training develop new performance measures for the 2020–21 Budget enabling assessment of the take-up of free Technical and Further Education (TAFE) and performance of related initiatives. The addition of measures reflecting the take up of free TAFE in the 2020–21 budget papers would strengthen transparency.

5.6.2 Department wide: analysis of new and proposed discontinued performance measures

DET added six new performance measures in the 2019–20 Budget. Three of these replaced discontinued measures but had weaknesses. Table 5.1 below summarises the issues for each of these measures by the relevant output.

⁴⁵⁶ Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2019–20 Budget Estimates (Higher Education/Training and Skills) hearing, Melbourne, 7 June 2019, *Transcript of Evidence*, p. 12.

⁴⁵⁷ Hon. Gayle Tierney MLC, Minister for Higher Education and Minister for Training and Skills, *Transcript of evidence*, p. 12.

⁴⁵⁸ Mr Simon Hollingsworth, Deputy Secretary, Higher Education and Skills, Department of Education and Training, 2019–20 Budget estimates (Higher Education/Training and Skills) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 13.

Table 5.1 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Training, Higher Education and Workforce Development	Number of government subsidised foundation module enrolments (Quantity)	Replaces the discontinued measure ' <i>Number of students without Year 12, Certificate II or above enrolled in foundation courses</i> '. Appendix A of the 2019–20 budget papers states 'the new measure provides a clearer alignment with policy priorities' but does not clarify the basis for this statement or identify the relevant policy priorities. The new measure is less meaningful than the discontinued measure it replaces as it reverts from an outcome to an input focus.
	Number of government subsidised course enrolments by students eligible for fee concession (Quantity)	Replaces the discontinued measure ' <i>Proportion of government subsidised course enrolments by students eligible for fee concession</i> '. The merit and rationale for replacing this measure remains unclear.
	Two-year completion rate for non-apprentice commencements in government subsidised Australian Quality Framework qualifications (Quality)	Replaces the discontinued measure ' <i>Number of government subsidised course completions</i> '. It is not evident the new measure improves the quality or comprehensiveness of related performance measures in the budget papers. The merit and rationale for replacing this measure remains unclear. Similarly, the reason for excluding apprentice commencements from the metric is also unclear. The shift from an annual to a two year measurement timeframe could mask poor performance in any given (single) year. The Department should review and revise the metric to address these issues.

Source: Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019.

FINDING 54: The Department of Education and Training added six new performance measures in the 2019–20 Budget. Three of the new measures had weaknesses.

RECOMMENDATION 19: Ahead of the 2020–21 Budget the Department of Education and Training address the issues with the three new performance measures identified in relation to the Training, Higher Education and Workforce Development output.

DET proposed nine performance measures for discontinuation in the 2019–20 Budget.⁴⁵⁹ The Committee supports discontinuing two out of the nine performance measures as no longer relevant due to the completion of activities associated with the rollout of the National Disability Insurance Scheme (NDIS).⁴⁶⁰

However, in relation to the seven remaining measures, the Committee does not support discontinuation either because the justification is unclear, or because it risks reducing the availability and quality of performance information in the budget papers.

Table 5.2 below summaries the issue for each of the proposed discontinued measures by the relevant budget paper output.

Table 5.2 Issues with performance measures proposed for discontinuation (2019–20)

Output	Discontinued performance measure	Issues identified by the Committee
Training, Higher Education and Workforce Development	Proportion of government subsidised course enrolments by students eligible for fee concession	See Table 5.1—replaced by the new measure <i>‘Number of government subsidised course enrolments by students eligible for fee concession’</i> .
	Number of government subsidised course completions	See Table 5.1—replaced by the new measure <i>‘Two-year completion rate for non-apprentice commencements in government subsidised Australian Qualifications Framework qualifications’</i> .
	Number of students without Year 12, Certificate II or above enrolled in foundation courses	See Table 5.1—replaced by the new measure <i>‘Number of government subsidised foundation module enrolments’</i> .
	Number of students enrolled in government subsidised courses	Appendix A of the 2019–20 budget papers states the measure is being discontinued because it does not provide substantively different insights to the existing performance measure <i>‘Number of government subsidised course enrolments’</i> . The basis for discontinuing this performance measures is unclear. Past budget papers show both measures have different targets indicating a risk they are measuring different things and are substantively different.
	Number of students enrolled in government subsidised courses in the TAFE Network	Appendix A of the 2019–20 budget papers states the measure is being discontinued because it does not provide substantively different insights to the existing performance measure <i>‘Number of government subsidised course enrolments in the TAFE network’</i> . As above

⁴⁵⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 385.

⁴⁶⁰ These performance measures are the ‘Contribution to National Disability Insurance Scheme (NDIS) costs paid on time’ and ‘Timely transfer of client data that complies with the agreed schedule and the National Disability Insurance Agency (NDIA) data standard to the NDIA’.

Output	Discontinued performance measure	Issues identified by the Committee
Training, Higher Education and Workforce Development	Participation rate of 15-24 year olds in government subsidised training and further education in Victoria	<p>Appendix A of the 2019–20 budget papers notes the measure has been discontinued because ‘the participation rate measure is impacted by Victorians’ engagement in school, higher education and employment, which are not funded through this output group’.</p> <p>However, this rationale is at odds with the budget papers. Specifically, page 153 of <i>Budget Paper No. 3</i> shows ‘engagement’ is a specific departmental objective which this output contributes to. It also lists ‘VET enrolments by age and gender’ as a related objective indicator – establishing a relevant link to the discontinued measure. However, requests for additional information in relation to the proposed discontinued performance measures did not assist.</p> <p>The Department should review the merits of retaining the measure noting its relationship to the departmental objective of ‘engagement’ and the State’s ongoing investment in training. It should also consider what, if any, modifications to the measure and/or target are needed to establish a clearer link between the output and related departmental objectives as noted above.</p>
	Participation rate of 25-64 year olds in government subsidised training and further education in Victoria	See issues noted immediately above for the discontinued measure ‘ <i>Participation rate of 15-24 year olds in government subsidised training and further education in Victoria</i> ’.

Source: Department of Education and Training, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019.

FINDING 55: The Department of Education and Training proposed nine performance measures for discontinuation in the 2019–20 Budget. The Committee supports the discontinuation of two of these measures and considers the remaining measures should be reviewed.

RECOMMENDATION 20: The Assistant Treasurer, in conjunction with the Department of Education and Training, review the seven discontinued performance measures identified in relation to the Training, Higher Education and Workforce Development.

6

Department of Transport

Key findings

- The Department of Transport has been allocated \$9.2 billion to fund its outputs in 2019–20. \$6.8 billion has been allocated for the department's capital expenditure.
- The Committee is pleased to note that the 2019–20 budget papers disclose budget allocations across the forward estimates for the Western Rail Plan and Melbourne Airport Rail projects.
- The budget papers disclose the Total Estimated Investment for the North East Link project due to the commercial sensitivity of the live tender process.
- The total investment in each of the Suburban Rail Loop, Western Rail Plan and Melbourne Airport Rail projects is above \$250 million. This means that these projects are considered to be High Value High Risk (HVHR) under the Department of Treasury and Finance's HVHR Assurance Framework.
- Approximately 27% of tram stops have level access to facilitate disability access to the network. Work is underway to upgrade ageing infrastructure, however, delays in obtaining council approvals have been cited as reasons for delays in meeting outcome measures.
- The 2019–20 Budget provides \$120.7 million across the forward estimates to fund the 'Road safety package—new road safety camera infrastructure and safety campaign' initiative as part of the Towards Zero 2016–2020 Road Safety strategy. This initiative contributes to the Department of Justice and Community Safety's Infringements and Warrants output.
- The revenue collected from the fees for boat licences and registrations, which is approximately \$29–30 million a year, will be put into the Better Boating Fund to fund projects that improve boating infrastructure.

6.1 Overview

The Department of Transport (DOT) supports the portfolios of Transport Infrastructure; Public Transport; Ports and Freight; Roads; Road Safety and the Transport Accident Commission (TAC); and Fishing and Boating. DOT commenced operating on 1 January 2019 as a result of machinery of government changes. The changes abolished the former Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and reassigned its functions to DOT and the Department of Jobs, Precincts and Regions (DJPR).

DOT is responsible for:

- planning, building and operating the Victorian public transport system, including tram, train and bus services
- road asset management, road operations, road construction, road network improvements, road safety and the TAC
- the capacity, efficiency and safety of Victoria's ports, freight and logistics network
- boating and fisheries for commercial and recreational uses.

DOT has identified the following four objectives to support its work:

- reliable and user focused transport services
- safe and well regulated transport services
- better connected communities through improved infrastructure
- sustainably managed fish resources.⁴⁶¹

6.2 Budget summary

In 2019–20 DOT has the third largest budget compared to other departments representing 14% of all output funding across all departments.⁴⁶² In 2019–20 DOT allocates \$9.2 billion to fund its outputs (compared to \$8.5 billion in 2018–19). It has \$9.2 billion of income from transactions available (compared to \$9.3 billion in 2018–19).⁴⁶³ The total budgeted expenses from transactions for 2019–20 in DOT's Comprehensive Operating Statement is \$9.2 billion.⁴⁶⁴

With regard to capital spending, the 2019–20 Budget allocates \$6.8 billion to DOT programs. The 2019–20 Budget allocates \$1 billion to new capital projects of which \$230 million (22% of the total new spend) is for the '75 by 2025' Level Crossing Removal program. In addition, DOT allocates \$178 million (17% of the total new spend) for the 'Additional VLocity' program.⁴⁶⁵

A further \$8.6 billion is allocated in 2019–20 for existing DOT capital projects resulting in an increase in funding for most programs, including:

- West Gate Tunnel Project (\$1.6 billion in 2019–20, \$0.3 billion in 2018–19)

⁴⁶¹ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 321.

⁴⁶² *Ibid.*, pp. 323–25 (Committee calculations). The Committee has used the funding allocated by output group in each department's Performance Statement as provided in the 2019–20 budget papers to measure the funding across all departments.

⁴⁶³ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 32 (Committee calculations).

⁴⁶⁴ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 102.

⁴⁶⁵ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 36–38 (Committee calculations).

- Murray Basin Rail Project (\$178 million in 2019–20, \$4.1 million in 2018–19)
- Continuing Towards Zero (\$118.2 million in 2019–20, \$6 million in 2018–19).⁴⁶⁶

The addition of DOT's new and existing programs (\$9.6 billion)⁴⁶⁷ differ to the reported capital spending in the Budget for 2019–20 (\$6.8 billion).⁴⁶⁸ DOT states that this difference is a result of the 'estimated construction costs of operator of the Service Concession Arrangements as per new accounting standards' and the inclusion of 'projects not published in BP4 [*Budget Paper No. 4: State Capital Program*] and DJPR projects'.⁴⁶⁹ These new accounting standards are discussed in more detail in Appendix 1.

DOT has a total savings target of \$10.7 million in 2019–20 which makes up 5.3% of the \$201.3 million whole of government efficiencies for 2019–20.⁴⁷⁰ DOT states that it is in the process of realigning its budget following the machinery of government changes and the decision to integrate Public Transport Victoria (PTV) and VicRoads. DOT explained that this process will ensure it operates within overall funding parameters, including savings targets and will seek back office, procurement and other efficiencies.⁴⁷¹

FINDING 56: The Department of Transport has been allocated \$9.2 billion to fund its outputs in 2019–20. \$6.8 billion has been allocated for the Department's capital expenditure.

6.3 Transport Infrastructure: key issues

The Minister for Transport Infrastructure is responsible for the Transport Infrastructure output (funding allocated in 2019–20: \$431.3 million).⁴⁷² The objective of the Transport Infrastructure portfolio is to better connect communities through improved infrastructure.⁴⁷³

One of the key priorities of the 2019–20 Budget is the Government's 'Suburban Transport Blitz', which provides funding for multiple major road and rail projects under the Transport Infrastructure portfolio.⁴⁷⁴

The key issues relevant to the Transport Infrastructure portfolio identified during the Committee's 2019–20 budget estimates inquiry are discussed below.

⁴⁶⁶ Ibid., p. 36.

⁴⁶⁷ Ibid.

⁴⁶⁸ Department of Treasury and Finance, *Budget Paper No. 5*, p. 134.

⁴⁶⁹ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 38.

⁴⁷⁰ Ibid., p. 40 (Committee calculations).

⁴⁷¹ Ibid., p. 40 (Committee calculations).

⁴⁷² Ibid., p. 28. Department of Treasury and Finance, *Budget Paper No. 3*, p. 323.

⁴⁷³ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 28.

⁴⁷⁴ Victoria's Big Build, *Suburban Transport Blitz* 28 May 2019 <<https://bigbuild.vic.gov.au/newsfeed/suburban-transport-blitz>> accessed 5 August 2019.

6.3.1 Level Crossing Removal Program

The 2019–20 Budget allocates \$6.6 billion in 2019–20 and across the forward estimates to the ‘75 level crossing removals by 2025’ asset initiative.⁴⁷⁵ This will fund the removal of 25 level crossings, in addition to the Government’s original commitment to remove 50. At 30 June 2019, 29 level crossings had been removed, with 21 more to be removed by 2022.⁴⁷⁶

At the budget estimates hearings the Committee sought information from DOT officials about the cost per level crossing removal incurred by the Government. The Minister for Transport Infrastructure, Hon Jacinta Allan MP, informed the Committee that ‘the total budget of the level crossing program is now \$13 billion’ but that there are ‘challenges with releasing information on individual locations’.⁴⁷⁷ The Minister stated that this ‘is because every location is different and has different features, and so at some locations we package up the construction of a new station’.⁴⁷⁸

The Chief Executive Officer of the Level Crossing Removal Project (LXRP), Mr Kevin Devlin mentioned that while the authority is able to publish the contract award amounts at the time the contract is awarded, it is unable to publish the final price. Mr Devlin explained that this is to maintain a competitive environment as the project involves an ongoing bidding process.⁴⁷⁹

FINDING 57: There are many variables that impact the cost of removing each level crossing.

In May 2017, the LXRP published a redacted business case for the removal of the original 50 level crossings. This is available on LXRP’s website.⁴⁸⁰ In December 2017, the Victorian Auditor General Office’s (VAGO) report on the inquiry into the Level Crossing Removal Program noted that the Government did not follow:

... the High Value High Risk (HVHR) guidelines to update the business case to reflect ongoing changes to program cost estimates arising from scope changes, including the addition of two more sites.⁴⁸¹

⁴⁷⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 107.

⁴⁷⁶ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 12.

⁴⁷⁷ Hon. Jacinta Allan MP, Minister for Transport Infrastructure, 2019–20 Budget estimates (Transport Infrastructure) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 6.

⁴⁷⁸ *Ibid.*

⁴⁷⁹ Mr Kevin Devlin, Chief Executive Officer, Level Crossing Removal Project, 2019–20 Budget estimates (Transport Infrastructure) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 7.

⁴⁸⁰ Level Crossing Removal Project, *Program Business Case*, Victorian State Government, May 2017.

⁴⁸¹ Victorian Auditor-General, *Managing the Level Crossing Removal Program*, report prepared by Victorian Auditor-General, 2017, p. 9.

The VAGO report stated:

In the absence of program-specific analysis, aligning site-specific conditions to criteria linked to the expected benefits of the LXP, government cannot be assured that its investment in the removal of 50 level crossings is targeted appropriately.⁴⁸²

The VAGO recommendation that DEDJTR follow High Value High Risk guidelines in developing a business case as the basis for government's investment decisions, including timing of approval, presenting a range of project options and updating the business case with any significant changes was accepted by the Government.⁴⁸³

6.3.2 Major infrastructure projects

Four major transport infrastructure projects form the focus of capital expenditure in the 2019–20 Budget: Suburban Rail Loop; Western Rail Plan; Melbourne Airport Rail; and North East Link.

The Suburban Rail Loop project is a new underground 90 kilometre rail link connecting Melbourne's middle suburbs.⁴⁸⁴ It will include new stations and connect major railway lines from the Frankston line to the Werribee line via Melbourne Airport. At the budget estimates hearings the Minister for Transport Infrastructure explained to the Committee that the Government's investment in the Suburban Rail Loop project:

... provides for an orbital rail connection around the city, 12 new underground stations and regional super-hubs at Sunshine, at Broadmeadows and at Clayton.⁴⁸⁵

The below map in Figure 6.1 shows the Suburban Rail Loop as proposed by the Government.

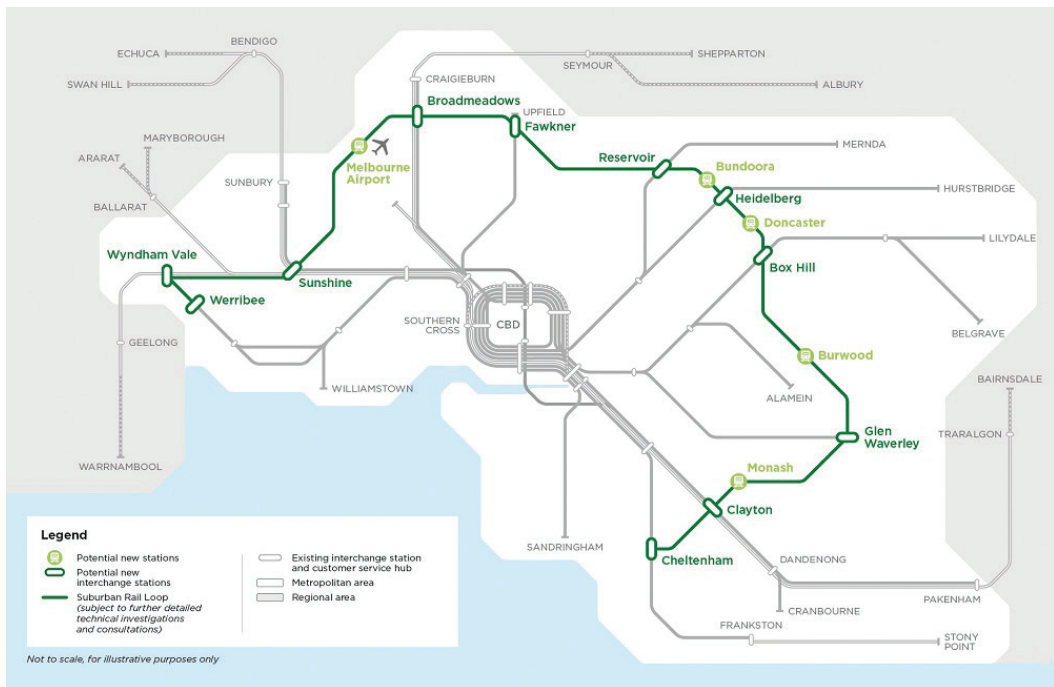
⁴⁸² Ibid., p. 32.

⁴⁸³ Ibid., p. 15.

⁴⁸⁴ Department of Treasury and Finance, *Delivering for all Victorians: 2019–20 overview*, Melbourne, 2019, p. 14.

⁴⁸⁵ Hon. Jacinta Allan MP, Minister for Transport Infrastructure, *Transcript of evidence*, p. 2.

Figure 6.1 Suburban Rail Loop



Source: Suburban Rail Loop, *Rail Projects Victoria*, <<https://metrotunnel.vic.gov.au/rail-projects-victoria/suburban-rail-loop>> accessed 31 July 2019.

The total project cost is estimated at \$50 billion and will commence construction in 2022, for a period of 30 years.⁴⁸⁶ The Government estimates 20,000 jobs will be created during the construction phase.⁴⁸⁷

The Western Rail Plan was announced in October 2018.⁴⁸⁸ The Western Rail Plan comprises of high speed rail to Geelong and Ballarat; and electrification of the Melton and Wyndham train lines.⁴⁸⁹ The initiative is part of the whole of government—delivering for regional and rural Victoria program and contributes to one of DOT’s outputs.⁴⁹⁰

The 2019–20 Budget allocates \$100 million to the Western Rail Plan for detailed planning and development activities.⁴⁹¹ The investment in the Geelong and Ballarat lines will be part of the \$1.75 billion Regional Rail Revival program.⁴⁹² The 2018–19 Budget allocated \$50 million for planning the high-speed rail to Geelong.⁴⁹³

486 Moody’s Investors Services, *State of Victoria (Australia)*, Update to credit analysis, July 2019, p. 5.

487 Hon. Jacinta Allan MP, Minister for Transport Infrastructure, *Transcript of evidence*, p. 33.

488 The Hon. Daniel Andrews, *A real plan for fast regional rail and metro rail for the west*, media release, 16 October 2018.

489 Hon. Jacinta Allan MP, Minister for Transport Infrastructure, *Transcript of evidence*, pp. 15-16.

490 Department of Treasury and Finance, *Budget Paper No. 3*, pp. 19, 6.

491 *Ibid.*, pp. 6, 14.

492 Victoria’s Big Build, *Western Rail Plan*, <https://bigbuild.vic.gov.au/_data/assets/pdf_file/0003/333705/Western-Rail-Plan.pdf> accessed 5 August 2019.

493 *Ibid.*, p. 12.

The Melbourne Airport Rail will run from the Central Business District to Melbourne Airport via Sunshine and will be delivered in alignment with the Western Rail Plan.⁴⁹⁴ The Victorian Government and the Commonwealth Government will contribute up to \$5 billion each to the project. The project overview states, in 2019 and 2020, the Victorian Government will engage with stakeholders and the community to inform the planning and design of the project and support the business case.⁴⁹⁵ Construction of Melbourne Airport Rail is planned to commence in 2022, subject to the required statutory approvals.⁴⁹⁶

The Total Estimated Investment (TEI) for the Melbourne Airport Rail project in the 2019–20 Budget is \$680.7 million.⁴⁹⁷ The budget papers state that ‘this funding represents the Commonwealth contribution to the project’.⁴⁹⁸ The funding is ‘for business case development, design and preconstruction works’.⁴⁹⁹ The TEI of \$680.7 million funding allocated across the forward estimates represents about 6.8% of the total investment of \$10 billion.⁵⁰⁰

North East Link is Victoria’s largest road project and was announced in December 2016. The project will:

- complete the ring road between the Eastern Freeway and the M80 Ring Road
- upgrade the Eastern Freeway with additional lanes and new technology
- create a new busway with dedicated express bus lanes along the Eastern Freeway
- create around 25 kilometres of new and upgraded walking and cycling paths.⁵⁰¹

The TEI for the North East Link is \$15.6 billion in the 2019–20 Budget.⁵⁰²

The key issues relevant to these infrastructure projects that were identified during the Committee’s 2019–20 budget estimates inquiry are discussed below.

Disclosure of estimated investment expenditure on large infrastructure projects

The Committee has made a number of findings and recommendations in the past regarding disclosure in the budget papers around substantial investments in large infrastructure projects.

⁴⁹⁴ Hon. Jacinta Allan MP, Minister for Transport Infrastructure, *Transcript of evidence*, pp. 16, 17.

⁴⁹⁵ Metro Tunnel, *Melbourne Airport Rail: Project Overview*, 2019.

⁴⁹⁶ *Ibid.*

⁴⁹⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 107.

⁴⁹⁸ *Ibid.*

⁴⁹⁹ *Ibid.*, p. 114.

⁵⁰⁰ Department of Treasury and Finance, *Budget Paper No. 4*, pp. 11, 157 (Committee calculations).

⁵⁰¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 110.

⁵⁰² *Ibid.*, p. 107.

In its *Report on the 2018–19 Budget Estimates* the Committee recommended:

Recommendation 1: Where an infrastructure project is announced in a budget, the Government should fully disclose the total cost of the project across the budget year and forward estimates at the earliest opportunity, so the net debt impact can be understood by the community.⁵⁰³

While the Government supported this recommendation in principle, it stated in its response to the Committee's report:

Where development funding has been committed but full funding of the project has not, the specific impact of the full project over the forward estimates is not included.⁵⁰⁴

At the 2019–20 budget estimates hearings, the Government confirmed that it will fully fund the cost of the North East Link project.⁵⁰⁵ However, the budget papers disclose only the TEI for the North East Link project. DOT's response to the Committee's questionnaire states that this is 'due to the commercial sensitivity of the live tender process.'⁵⁰⁶

FINDING 58: The Committee is pleased to note that the 2019–20 budget papers disclose budget allocations across the forward estimates for the Western Rail Plan and Melbourne Airport Rail projects.

FINDING 59: The budget papers disclose the Total Estimated Investment for the North East Link project due to the commercial sensitivity of the live tender process.

Similarly with regard to the funding allocated to the Suburban Rail Loop asset initiative, the 2019–20 Budget lists the TEI of the project as \$250 million with amounts allocated across the forward estimates to be confirmed.⁵⁰⁷ While \$25 million is allocated in both 2019–20 and 2020–21 in the 2019–20 Budget to the Suburban Rail Loop output initiative towards planning and development, investigations and business case work, the TEI represents 0.5% of the total cost of the project which is estimated to be \$50 billion.⁵⁰⁸

⁵⁰³ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 39.

⁵⁰⁴ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2018–19 Budget Estimates*, 5 March 2019, p. 2.

⁵⁰⁵ Hon. Daniel Andrews MP, Premier of Victoria, 2019–20 Budget estimates (Premier) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 5; Department of Treasury and Finance, *Budget Paper No. 4*, p. 76.

⁵⁰⁶ Hon. Jacinta Allan MP, Minister for Transport Infrastructure, response to the 2019–20 Budget estimates written questions on notice, received 26 July 2019, p. 13.

⁵⁰⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 107.

⁵⁰⁸ Moody's Investors Services, *State of Victoria (Australia)*, Update to credit analysis, July 2019, p. 5 (Committee calculations).

FINDING 60: The total cost of the Suburban Rail Loop project, announced as part of the 2019–20 Budget, cannot yet be fully detailed in the budget papers. Therefore, the impact of the investment in this capital project on net debt across the forward estimates is unknown.

RECOMMENDATION 21: The Department of Transport work with the Department of Treasury and Finance to, as far as possible, report the total investment on capital projects in the budget papers. This should include amounts allocated across the forward estimates.

High Value High Risk (HVHR) projects

According to the Department of Treasury and Finance’s (DTF) High Value High Risk Assurance Framework where an investment project is valued at over \$250 million, it is considered High Value High Risk (HVHR). Pursuant to DTF’s Assurance Framework, all HVHR investments must:

- prepare a long form business case
- complete gateway reviews outlined in the HVHR project assurance framework⁵⁰⁹
- advise DTF of risk mitigation strategies for any critical or urgent risks identified in a gateway review’s recommendation action plan
- provide quarterly progress updates through the Major Performance Report (co-ordinated by the Office of Projects Victoria).⁵¹⁰

DTF explains that the HVHR Framework:

... comprises a series of project assurance checks and processes that provide greater scrutiny of major infrastructure and information and communications technology (ICT) investments. This greater scrutiny will increase the likelihood that projects will achieve their stated benefits and be delivered successfully, on time and to budget.⁵¹¹

According to the HVHR framework, a project is HVHR if it is a budget funded project that is: considered high risk; considered medium risk with a TEI of between \$100 million and \$250 million; considered low risk with a TEI over \$250 million; or identified by the Government as warranting the additional rigour applied to HVHR investments.⁵¹²

⁵⁰⁹ Department of Treasury and Finance, *Gateway Review Process*, <<https://www.dtf.vic.gov.au/infrastructure-investment/gateway-review-process>> accessed 31 July 2019. The gateway review process examines projects and programs at six key decision points in their lifecycle: concept and feasibility, business case, readiness for market, tender decision, readiness for service, benefits analysis and program reviews. The process involves using an independent external reviewer team to provide timely and confidential advice about progress and likelihood of delivery success.

⁵¹⁰ Department of Treasury and Finance, *HVHR Project Assurance Framework: High value or high risk overview and factsheet*, Oct 2017, <<https://www.dtf.vic.gov.au/sites/default/files/2018-05/HVHR%20Project%20Assurance%20Framework%20Factsheet%20%28May%202018%29.pdf>> accessed 24 July 2019.

⁵¹¹ Ibid.

⁵¹² Ibid.

The total investment of each of the projects identified above is over \$250 million. Therefore, the Committee considers that each project should comply with DTF's HVHR Assurance Framework.

FINDING 61: The total investment in each of the Suburban Rail Loop, Western Rail Plan and Melbourne Airport Rail projects is above \$250 million. The Committee considers it appropriate that as these projects are considered as High Value High Risk (HVHR) investments they comply with the Department of Treasury and Finance's HVHR Assurance Framework.

6.4 Public Transport: key issues

The Minister for Public Transport is responsible for the Public Transport output (funding allocated in 2019–20: \$6.3 billion).⁵¹³ The objectives of the Public Transport portfolio are to provide reliable, user focused, safe and well regulated transport services.⁵¹⁴

At the budget estimates hearings the Minister for Public Transport, Hon Melissa Horne MP, informed the Committee that the 2019–20 budget allocates:

- \$205 million for more train and bus services
- \$162.8 million for 10 more E-Class trams and upgrading 10 Z-Class trams
- \$150 million investment in carparks near train stations
- \$128.5 million to operate and maintain new and upgraded stations and supporting infrastructure (this includes Closed Circuit TV, Myki machines and passenger information)
- \$83 million to allow Metro train drivers to continue to communicate information such as accidents or illnesses on a train.⁵¹⁵

The key issues relevant to the Public Transport portfolio identified during the Committee's 2019–20 budget estimates inquiry are discussed below.

6.4.1 Disability access

The 2019–20 Budget allocates '\$163 million to purchase 10 new E-Class trams and upgrade 10 Z-Class trams'.⁵¹⁶ At the budget estimates hearings the Minister for Public Transport noted that approximately 18% of Victorians have a disability and emphasised

⁵¹³ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 28; Department of Treasury and Finance, *Budget Paper No. 3*, p. 323.

⁵¹⁴ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 28.

⁵¹⁵ Hon. Melissa Horne MP, Minister for Public Transport, 2019–20 Budget estimates (Public Transport) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 2; Hon. Melissa Horne MP, *2019–20 Budget estimates hearing presentation: Public Transport*, supplementary evidence, received 12 June 2019, pp. 2–5.

⁵¹⁶ Department of Treasury and Finance, *Delivering for all Victorians*, p. 13.

the importance of all Victorians being able to access Victoria's public transport network.⁵¹⁷

The 2019–20 Budget allocates \$3.1 million in 2019–20 to the 'Tram Stop Accessibility Strategy' initiative.⁵¹⁸ The Minister for Transport Infrastructure informed the Committee that this funding will be used to 'investigate options to streamline the design and construction of accessible tram stops and to prioritise construction of tram stop upgrades across the network'.⁵¹⁹ With reference to the new E-Class trams, the Minister explained:

E-class trams ... provide a lot more capacity and reliability as well as that really important disability access. They enable mobility-impaired users to board and alight independently. Audiovisual systems for sight and hearing-impaired passengers have also been incorporated.⁵²⁰

In the 2019–20 Budget DOT has a target of upgrading 16 level access tram stops while the 2018–19 expected outcome has been revised from 16 to nine.⁵²¹ At the budget estimates hearings, Mr Jeroen Weimar, Chief Executive Officer, Public Transport Victoria, informed the Committee that there are approximately 1,700 tram stops of which 467 are level access stops. Based on this data approximately 27% of tram stops are level access stops.⁵²² Mr Weimar acknowledged that the Government had a way to go to deal with the rest of the network, but explained that the Government is working within the current Yarra Tram franchise agreement on a series of options to develop an accessible framework for the current tram network and:

... will continue to be working on introducing level access stops where we can do so and ... that requires a lot of extensive negotiation and consultation with local authorities to ensure we introduce those in a way which is effective in terms of the local transport environment. But we are looking for alternative routes around that. Some funding has been set aside in this year's budget again to look at alternative options for how we bring in both within the current rolling stock and future rolling stock alternative ways of providing access ...⁵²³

The Minister explained to the Committee that much of Victoria's tram network infrastructure is old and needs upgrading and that there had been some delays in the upgrades, and difficulties with councils.⁵²⁴

⁵¹⁷ Hon. Melissa Horne MP, Minister for Public Transport, 2019–20 Budget estimates (Public Transport) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 8.

⁵¹⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 104.

⁵¹⁹ Hon. Melissa Horne MP, Minister for Public Transport, *Transcript of evidence*, p. 10.

⁵²⁰ *Ibid.*, p. 7.

⁵²¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 341.

⁵²² Mr Jeroen Weimar, Chief Executive Officer, Public Transport Victoria, 2019–20 Budget estimates (Public Transport) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 11 (Committee calculations).

⁵²³ *Ibid.*, p. 11.

⁵²⁴ Hon. Melissa Horne MP, Minister for Public Transport, *Transcript of evidence*, p. 10.

Disability access milestones have been established under the *Disability Discrimination Act 1992* (Cth). The Federal Disability Standards for Accessible Public Transport (DSAPT) set milestones of:

- 90% compliance with the standards for bus, tram and train services by 31 December 2017
- 100% compliance by 31 December 2022
- full compliance for all public transport (including taxis, ferries and aircraft) by 31 December 2032.⁵²⁵

Victoria's Metro Trains published its Accessibility Action Plan 2015–18 which states:

... this Plan shifts away from the former approach of reaching accessibility only through compliance with DSAPT, which can often bring about inconsistent outcomes for customers as infrastructural improvements are gradually installed.⁵²⁶

Metro Trains' Accessibility Action Plan 2015–18 does not contain accessibility targets. It is unclear to the Committee what targets will be used by Metro Trains if it continues to move away from using the milestones set in the DSAPT.

FINDING 62: Approximately 27% of tram stops have level access to facilitate disability access to the network. Work is underway to upgrade infrastructure, however, delays in obtaining council approvals have been cited as reasons for delays in meeting outcome measures.

FINDING 63: The Federal Disability Standards for Accessible Public Transport set milestones of: 90% compliance with the standards for bus, tram and train services by 31 December 2017 and 100% compliance by 31 December 2022.

RECOMMENDATION 22: The Department of Transport develop performance measures in the budget papers that reflect the milestones set in the Federal Disability Standards for Accessible Public Transport.

6.4.2 Punctuality of public transport services

The 2019–20 Budget sets service punctuality targets for buses, tram and train services.⁵²⁷ The punctuality targets for regional bus, tram, metropolitan and regional train services are unchanged from the 2018–19 Budget. However, the punctuality target for metropolitan bus services has increased from 82% in 2018–19 to 86% in 2019–20.

⁵²⁵ *Disability Standards for Accessible Public Transport 2002* (Cth).

⁵²⁶ Metro Trains Melbourne, *Accessibility Action Plan 2015-2018*, p. 1.

⁵²⁷ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 326-36.

This measure reports the percentage of 'on time services', measured against the daily timetable. Metropolitan buses are considered 'on time' when services depart from timing points no more than 59 seconds early and no more than four minutes and 59 seconds late at key monitoring points.⁵²⁸ DOT's response to the budget estimates questionnaire explains: 'The 2019–20 target is higher than [the] 2018–19 target due to a change in methodology to align with the new metropolitan bus contracts'.⁵²⁹

At the estimates hearings the Committee raised concerns over public transport services meeting punctuality performance targets.⁵³⁰ PTV publishes monthly punctuality performance data of Metro Trains Melbourne (MTM), Yarra Trams and regional train line (V/Line) services. Punctuality measures the proportion of 'on time' services.⁵³¹ Train services, like bus services, are considered 'on time' when they arrive at timing points no later than four minutes and 59 seconds before or after the scheduled time.⁵³² According to PTV's punctuality performance data, for the month of July 2019:

- MTM delivered 91.3% of its services on time, below the 92% target for 2018–19. MTM did not meet its 92% target for punctuality in eight out of past 12 months (August 2018 to July 2019)⁵³³
- Yarra Trams delivered 85.1% of its services on time, above the 82% target for 2018–19. Yarra Trams did not meet its 82% punctuality target in four out of the past 12 months (August 2018 to July 2019)⁵³⁴
- V/Line services delivered 89.8% of its services on time, below the 92% target for 2018–19. V/Line services did not meet its 92% punctuality target in the past 12 months (August 2018 to July 2019).⁵³⁵

Table 6.1 below shows the July 2019 punctuality performance data across three services.

⁵²⁸ Ibid., p. 326.

⁵²⁹ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 13.

⁵³⁰ Hon. Melissa Horne MP, Minister for Public Transport, *Transcript of evidence*, pp. 6, 14.

⁵³¹ Public Transport Victoria, *Data Reporting: Monthly performance*, July 2019, <<https://www.ptv.vic.gov.au/footer/data-and-reporting/network-performance/monthly-performance>> accessed 8 August 2019.

⁵³² Department of Treasury and Finance, *Budget Paper No. 3*, p. 326.

⁵³³ Metro Trains, *Metro Performance*, July 2019, <<https://www.metrotrains.com.au/metro-performance>> accessed 9 August 2019.

⁵³⁴ Yarra Trams, *Performance results* July 2019, <<https://yarratrams.com.au/performance-results>> accessed 8 August 2019.

⁵³⁵ Public Transport Victoria, *Public transport monthly operational performance report*, July 2019. This report can be accessed via PTV's website <<https://www.ptv.vic.gov.au/news-and-events/media-releases/2019/08/09/july-public-transport-performance-results-published>> accessed 8 August 2019.

Table 6.1 July 2019 punctuality performance data—three services

Monthly punctuality	Target	July 2019	June 2019	July 2018	12 month average
	(%)	(%)	(%)	(%)	(%)
Metropolitan train	92.0	91.3 ↓	88.3 ↓	92.5 ↑	91.0 ↓
Metropolitan tram	82.0	85.1 ↑	84.1 ↑	85.6 ↑	83.1 ↑
Regional train (V/Line)	92.0	89.8 ↓	88.2 ↓	85.9 ↓	87.2 ↓

Sources: Metro Trains, Metro Performance, July 2019, <<https://www.metrotrains.com.au/metro-performance>> accessed 9 August 2019; Yarra Trams, Performance results July 2019, <<https://yarratrams.com.au/performance-results>> accessed 8 August 2019; Public Transport Victoria, Public transport monthly operational performance report, July 2019. This report can be accessed via PTV's website <<https://www.ptv.vic.gov.au/news-and-events/media-releases/2019/08/09/july-public-transport-performance-results-published>> accessed 8 August 2019.

FINDING 64: To ensure the effective functioning of the Victorian public transport system the Government needs to maintain effective oversight of the performance of private operators. The Government has increased punctuality targets and penalties for private sector operators that deliver public transport.

RECOMMENDATION 23: Where private operators that deliver public transport underperform, the Department of Transport consider publicly disclosing the penalties imposed on the operators.

6.5 Roads and Road Safety and the Transport Accident Commission (TAC): key issues

The Minister for Roads and the Minister for Road Safety and the TAC have shared responsibility for one output: Road Operations (funding allocated in 2019–20: \$1.8 billion).⁵³⁶ The Minister for Roads also has responsibility for the Road Asset Management output (funding allocated in 2019–20: \$631.9 million).⁵³⁷

The Minister for Roads and the Minister Road Safety and the TAC are responsible for managing and maintaining Victoria's roads.⁵³⁸ Initiatives relevant to these portfolios in the 2019–20 Budget include:

- \$653 million over two years for pavement rehabilitation and works to prevent road deterioration
- \$121 million for road safety cameras

⁵³⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 323; Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 57.

⁵³⁷ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 25–26; Department of Treasury and Finance, *Budget Paper No. 3*, p. 323.

⁵³⁸ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, 2019–20 Budget estimates (Roads/Road Safety and the TAC) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 3.

- \$60.8 million to upgrade a key intersection in Ballarat
- \$52.9 million to upgrade intersections in regional communities
- \$45.4 million in new bike and pedestrian paths
- \$19.3 million for school crossing supervisors
- \$4 million for increased surveillance on key arterial roads.⁵³⁹

The 2019–20 Budget outlines that the Government is currently tendering two packages of arterial road upgrades in the northern and south eastern suburbs of Melbourne:

- Suburban Roads Upgrade—Northern Roads Upgrade
- Suburban Roads Upgrade—South Eastern Roads Upgrade.⁵⁴⁰

These projects are discussed in Chapters 2 and 12 of this report.

The key issues relevant to the Roads and Road Safety and the TAC portfolios identified during the Committee’s 2019–20 budget estimates inquiry are discussed below.

6.5.1 Towards Zero—road safety strategy and plan

The 2019–20 Budget provides \$120.7 million across the forward estimates to fund the ‘Road safety package—new road safety camera infrastructure and safety campaign’ initiative as part of the Towards Zero 2016–2020 Road Safety strategy (Towards Zero).⁵⁴¹ This initiative contributes to the Department of Justice and Community Safety’s (DJCS) Infringements and Warrants output and will provide:

... an additional 96 mobile road safety cameras, upgrades to existing fixed cameras and security networks, redevelopment of support systems and implementation of a road safety campaign. The program of works, supported by Transport Accident Commission funding, will significantly expand the capacity, capability and responsiveness of the Road Safety Camera network by improving detection of non-compliant drivers and continue to improve road user behaviour and driver safety.⁵⁴²

Towards Zero aims to by 2020, reduce the number of lives lost on Victorian roads to below 200 and to reduce serious injuries by 15%.⁵⁴³ The Minister for Road Safety and the TAC, Hon Jaala Pulford MLC, explained to the Committee that Towards Zero has four pillars:

- Safe roads—reducing casualty crashes, intersection crashes and run off road crashes
- Safe speeds—setting appropriate speed limits and educating drivers to travel at speeds that are right for the conditions

⁵³⁹ Hon. Jaala Pulford MLC, *2019–20 Budget estimates hearing presentation: Roads/Roads Safety and the TAC*, supplementary evidence, received 12 June 2019, p. 3; Department of Treasury and Finance, *Delivering for all Victorians*.

⁵⁴⁰ Department of Treasury and Finance, *Budget Paper No. 4*, p. 14.

⁵⁴¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 81.

⁵⁴² *Ibid.*, p. 91.

⁵⁴³ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, *Transcript of evidence*, p. 2.

- Safe vehicles—promoting safety ratings and specific vehicle safety features including a web based platform that allows consumers to search for star ratings of new and used vehicles
- Safe people—public education campaigns.⁵⁴⁴

At the budget estimates hearings the Committee sought information from the Minister about what steps the Government was taking to respond to the increase in the number of lives lost on Victoria's roads in 2019 compared to 2018. Statistics on TAC's website provide that, as at 11 August 2019, 182 lives had been lost on Victorian roads in 2019 (up 50%) compared to 121 lives lost in all of 2018.⁵⁴⁵ The Minister for Road Safety and the TAC informed the Committee:

... big factors that contribute to road trauma are largely unchanged, so speed is the number one factor. The biggest point of difference between 2017 and 2018, and now between 2018 and 2019, is people from country Victoria on country roads, overwhelmingly close to home, in high-speed crashes. So there is the speed, drugs and alcohol—fatigue is a factor in around 20 per cent of these accidents—and distraction. Now, these things often happen in combination as well. So you will have somebody who is drug and alcohol-affected who is going fast and looking at their phone all the while as they are hurtling down the road at an unsafe speed—not an uncommon story unfortunately.⁵⁴⁶

The Minister for Road Safety and the TAC brought to the Committee's attention the Government's additional enforcement effort and a recent campaign about distraction aimed:

... to help people understand that that quick 2-second look at their phone, which the evidence and research tells us people think is an acceptable risk, [when it] is not.⁵⁴⁷

At the budget estimates hearings the Minister also explained that the overarching road safety policy is the responsibility of the Road Safety and the TAC portfolio, while enforcement is undertaken by DJCS' Police and Emergency Service portfolio.⁵⁴⁸ With regard to developing a new road safety strategy the Minister for Road Safety and the TAC informed the Committee:

The police minister and I jointly hosted the recent road safety summit, which brought together all of our experts. We have a group of our senior leadership from VicRoads and from the department, from the Transport Accident Commission, from Victoria Police and indeed from the department of justice, where some elements of enforcement responsibility lie, coming together on a very, very regular basis. We are shortly to be

⁵⁴⁴ Hon. Jaala Pulford MLC, *2019–20 Budget estimates hearing presentation: Roads/Roads Safety and the TAC*, p. 7.

⁵⁴⁵ Transport Accident Commission, *Lives Lost - Year to Date*, <<http://www.tac.vic.gov.au/road-safety/statistics/lives-lost-year-to-date>> accessed 14 August 2019.

⁵⁴⁶ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, *Transcript of evidence*, p. 5.

⁵⁴⁷ *Ibid.*

⁵⁴⁸ *Ibid.*, p. 16.

convening a ministerial committee on road safety that will involve me and Minister Neville as well as the Attorney-General and health portfolios.⁵⁴⁹

FINDING 65: The 2019–20 Budget provides \$120.7 million across the forward estimates to fund the ‘Road safety package—new road safety camera infrastructure and safety campaign’ initiative as part of the Towards Zero 2016–2020 Road Safety strategy. This initiative contributes to the Department of Justice and Community Safety’s Infringements and Warrants output.

FINDING 66: As at 11 August 2019, 182 lives were lost on Victorian roads, up 50% compared to 121 lives lost in all of 2018. The Minister for Road Safety and the Transport Accident Commission advised that speed remains the number one factor contributing to road trauma. A Ministerial Committee on Road Safety is to be convened shortly to respond to this issue.

6.5.2 Active transport infrastructure—cyclists and pedestrians

The 2019–20 Budget allocates a total of \$45.4 million to cycling and walking projects, including:

- \$15.3 million for pedestrian infrastructure and bicycle path upgrades
- \$27.3 million for St Kilda Road improvements separating pedestrians, cyclists and drivers
- \$2.8 million for Active Transport Victoria (ATV), a unit in DOT, to develop Victoria’s walking and cycling network.⁵⁵⁰

In response to questions taken on notice the Minister for Road Safety and the TAC informed the Committee that ATV ‘currently has two full time staff and leverages active transport capacity and expertise across government’.⁵⁵¹

At the budget estimates hearings, the Committee sought information from the Minister for Road Safety and the TAC about the projects that had been delivered out of the Safer Cyclists and Pedestrians Fund—a \$100 million Fund investing in dedicated cycling or pedestrian infrastructure.⁵⁵² The Minister for Road Safety and the TAC stated:

Many of them [the projects] are still being delivered. Indeed some of them are in the really early stages of being delivered, where design is being finalised, but the funds have been allocated for that program.⁵⁵³

⁵⁴⁹ Ibid.

⁵⁵⁰ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 9.

⁵⁵¹ Ibid., p. 1.

⁵⁵² Ibid.

⁵⁵³ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, *Transcript of evidence*, p. 11.

In response to written questions on notice the Minister informed the Committee that projects that will be delivered from the Fund include:

- \$3 million for the Morwell to Traralgon Shared User Path that also includes a connection to the Latrobe Regional Hospital
- \$7.9 million to complete a network of walking and cycling connections across Ballarat
- \$9.1 million for the Preston to CBD cycling corridor, commencing mid-2019.⁵⁵⁴

The Victorian Cycling Strategy 2018–28 aims to ‘increase the number, frequency and diversity of Victorians cycling for transport’.⁵⁵⁵

With reference to the Government’s commitment to deliver 250 kilometres of new and upgraded cycling path, the Committee sought information from the Minister for Road Safety and the TAC as to what types of paths would make up the 250 kilometres. The Minister informed the committee that a number of the projects were still in development and as such decisions on the type of active transport infrastructure had not been finalised.⁵⁵⁶

At the budget estimates hearings the Minister for Road Safety and the TAC informed the Committee that DOT has been asked to explore some options for developing a pedestrian strategy.⁵⁵⁷

It is difficult to ascertain the amount of funding allocated for active transport infrastructure in Victoria from the budget papers, as well as the projects to which funding is provided—this is especially so, where active infrastructure projects are bundled with other projects. For example, the Minister for Road Safety and the TAC explained in a response to a question taken on notice at the hearing that ‘every major new transport project ... now includes new or upgraded infrastructure for cyclists and pedestrians’.⁵⁵⁸ The Committee notes that the \$45.5 million allocated to cycling and walking projects in the 2019–20 Budget represents approximately 2% of the total funding allocated to the Roads Operation and Road Asset Management outputs.⁵⁵⁹

FINDING 67: The projects that will be delivered from the Safer Cyclists and Pedestrian Fund are being developed.

RECOMMENDATION 24: The Department of Transport include in the budget papers the funding allocated to active transport infrastructure and associated performance measures.

⁵⁵⁴ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, response to questions on notice, p. 2.

⁵⁵⁵ Department of Transport, *Victorian Cycling Strategy 2018-28: Increasing cycling for transport*, report prepared by Department of Transport, December 2017, p. 6.

⁵⁵⁶ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, response to questions on notice, p. 3.

⁵⁵⁷ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, *Transcript of evidence*, p. 12.

⁵⁵⁸ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, response to questions on notice, p. 2.

⁵⁵⁹ *Ibid.*, p. 11 (Committee calculations).

6.6 Fishing and Boating: key issues

The Minister for Fishing and Boating is responsible for the Sustainably Manage Fish Resources output (funding allocated in 2019–20: \$41.6 million).⁵⁶⁰ The Minister for Fishing and Boating, the Minister for Roads and the Minister for Ports and Freight have shared responsibility for one output: Ports, Freight and Boating (funding allocated in 2019–20: \$106.3 million).⁵⁶¹

At the budget estimates hearings, the Minister for Fishing and Boating, Hon Jaala Pulford MLC, outlined the following priorities for the portfolio:

- \$7.6 million to abolish boat ramp parking and launching fees at all public boat ramps
- \$39.6 million in priority upgrades and maintenance to boat ramps across the State
- review infrastructure management at Port Phillip and Western Port
- establish a stakeholder reference group comprising organisations and individuals from the boating community to further refine the scope for the Better Boating initiatives and how they are implemented.⁵⁶²

The key issues relevant to the Fishing and Boating portfolio identified during the Committee’s 2019–20 budget estimates inquiry are discussed below.

6.6.1 Better Boating Fund

The 2019–20 Budget provides funding for the ‘Better boating fund and free boat ramp launch and parking’ output initiative: \$7.6 million in 2019–20; and asset initiative \$27 million in 2019–20 and \$12.6 million in 2020–21.⁵⁶³ This initiative aims to deliver upgrades and maintenance at Mordialloc, Queenscliff, Point Richards, Hastings, Rhyll and Cowes Jetty, and review boating infrastructure management in Port Phillip Bay and Western Port to consider ways to reduce congestion.⁵⁶⁴

At the budget estimates hearings the Minister for Fishing and Boating explained that the funding allocated to the Better Boating Fund in the 2019–20 Budget is made up of ‘fees generated from boat licences and registrations’.⁵⁶⁵ The Minister for Fishing and Boating estimates that this would amount to around \$29–\$30 million a year.⁵⁶⁶

⁵⁶⁰ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 26–27; Department of Treasury and Finance, *Budget Paper No. 3*, p. 346.

⁵⁶¹ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 24; Department of Treasury and Finance, *Budget Paper No. 3*, p. 341.

⁵⁶² Hon. Jaala Pulford MLC, *2019–20 Budget estimates hearing presentation: Fishing and Boating*, supplementary evidence, received 12 June 2019, p. 2.

⁵⁶³ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 100, 107.

⁵⁶⁴ Minister for Fishing and Boating, *Making Boating Better For Victorians*, media release, 25 March 2019; Department of Treasury and Finance, *Budget Paper No. 3*.

⁵⁶⁵ Hon. Jaala Pulford MLC, Minister for Fishing and Boating, 2019–20 Budget estimates (Fishing and Boating) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, pp. 3–4.

⁵⁶⁶ *Ibid.*

Noting that the 2019–20 Budget does not include substantial funding to the Better Boating Fund in the out years, and the Government's commitment to abolish boating fees, the Committee sought information from the Minister for Fishing and Boating about how recreational boating infrastructure projects would be funded into the future. The Minister stated:

... the budget papers reflect the big infrastructure projects in the first couple of years that are part of the commitment, and the budget also includes funding to undertake the review that will be the basis of the ongoing reform around management. Now, we indicated before the election that a new authority [Better Boating Victoria] would be the most likely way that boat ramps will be managed in future, but the review needs to be undertaken to work out what is going to be the most effective form.⁵⁶⁷

FINDING 68: The revenue collected from the fees for boat licences and registrations, which is approximately \$29–30 million a year, will be put into the Better Boating Fund to fund projects that improve boating infrastructure.

RECOMMENDATION 25: The Department of Transport publish a list of the projects that will be delivered from the Better Boating Fund in the budget papers and details of the revenue collected from the fees for boat licences and registrations.

6.6.2 Target One Million

The 2019–20 Budget allocates \$8.3 million in 2019–20, \$7.8 million in 2020–21, \$7.5 million in 2021–22 and \$4.4 million in 2022–23 to the 'Go Fishing Victoria –Target One Million Phase Two' initiative.⁵⁶⁸

As part of the 2014 Victorian state election, the Government committed \$46 million towards recreational fishing, to grow participation to one million anglers by 2020. This plan was named Target One Million. After the Government was re-elected in 2018 it committed to extending the Target One Million plan into phase two.⁵⁶⁹

The 2019–20 Budget explains that under phase two:

- a series of recreational fishing in Victoria programs will be delivered, including continuation of the Vic Fish Kids program
- commercial fishing in the remaining Gippsland Lakes commercial netting licenses will be phased out with a compulsory buyout
- the stocking of fish being increased to 10 million a year by 2022.⁵⁷⁰

⁵⁶⁷ Ibid., p. 6.

⁵⁶⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 100.

⁵⁶⁹ Victorian Fisheries Authority, *Target One Million*, <<https://vfa.vic.gov.au/recreational-fishing/target-one-million>> accessed 12 August 2019.

⁵⁷⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 109.

With regard to Target One Million, the Committee sought information from the Minister for Fishing and Boating about how the Government accurately reflects angler participation rates in Victoria.⁵⁷¹

The Minister explained that the Victorian Fisheries Authority (VFA) and Better Boating Victoria (BBV) have co-funded Ernst & Young to undertake a study into the economic and social value of recreational fishing and boating in Victoria. The Minister stated:

The new study will provide current up-to-date estimates of:

- direct and indirect output;
- direct and indirect value added;
- direct and indirect full-time equivalent (FTE) jobs;
- total annual recreational fishing participation.⁵⁷²

This new study commenced in June 2019. In October 2019 three reports: ‘one for recreational fishing, one for boating and one for recreational fishing and boating combined’ will be delivered.⁵⁷³ The Minister confirmed with the Committee that ‘[all] the reports will be publicly available’.⁵⁷⁴

FINDING 69: A three part study into the economic and social value of recreational fishing and boating in Victoria will be delivered in October 2019. All reports will be publicly available.

6.7 Ports and Freight: key issues

The Minister for Ports and Freight, the Minister for Fishing and Boating and the Minister for Roads have shared responsibility for one output: Ports, Freight and Boating (funding allocated in 2019–20: \$106.3 million).⁵⁷⁵ The objective of the portfolio is to better connect communities through improved infrastructure.⁵⁷⁶ Issues related to the Port of Melbourne were discussed extensively at the public hearings and are outlined below.

6.7.1 Port of Melbourne

The 2019–20 Budget allocates \$4.3 million in 2019–20 to the ‘Victoria Freight Plan’ output initiative.⁵⁷⁷ This funding has been provided ‘for a one-year extension of the

⁵⁷¹ Hon. Jaala Pulford MLC, Minister for Fishing and Boating, *Transcript of evidence*, p. 6.

⁵⁷² Hon. Jaala Pulford MLC, Minister for Fishing and Boating, 2019–20 Budget estimates hearings, response to questions on notice, received 4 July 2019, p. 1.

⁵⁷³ Ibid.

⁵⁷⁴ Ibid.

⁵⁷⁵ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 24; Department of Treasury and Finance, *Budget Paper No. 3*, p. 341.

⁵⁷⁶ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, p. 24.

⁵⁷⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 100.

existing Mode Shift Incentive Scheme (MSIS) and development of the Review of Coastal Shipping'.⁵⁷⁸ MSIS aims to encourage industry to shift more containerised freight from road to rail. The Minister for Ports and Freight, Hon Melissa Horne MP, stated that 'for over 10 years' the MSIS has 'made rail more attractive than road for regional exporters to move their containerised produce and manufactured goods to port'.⁵⁷⁹ With reference to the funding allocated to the MSIS in the in the 2019–20 Budget, the Minister stated:

This investment will support approximately 42 500, 20-foot equivalent units, or TEUs, containers by rail, and that will convert to about 17 000 truck trips off our roads.⁵⁸⁰

Noting the Government's continued investment in the MSIS, the Committee sought information from the Minister about the target set in the budget papers for containers transported by rail. The actual figure for 2017–18 was 56,950, while the expected outcome for 2018–19 and the target for 2019–20 outlined is 42,500.⁵⁸¹ In response, the Minister explained that the right infrastructure needs to be in place to be able to increase the numbers of containers transported by rail. The Minister also emphasised the importance of extending the MSIS to provide industry with that incentive to be able to get more freight onto rail.⁵⁸² In response to written question on notice the Minister for Ports and Freight stated:

Rail freight is generally competitive with road transport, but in the case of freight delivered by rail to the Port of Melbourne, the inefficiencies associated with handling containers at the Port place rail at a significant disadvantage. The Mode Shift Incentive Scheme (MSIS) has been designed primarily to address this limitation. Government will consider further extensions to the MSIS on an annual basis as the port rail strategy is finalised and delivered.⁵⁸³

At the budget estimates hearings, the Minister for Ports and Freight informed the Committee that container imports at the port of Melbourne grew by 5.9% between July and December 2018 and that '[c]ontainers are expected to grow at a faster rate than other types of freight'.⁵⁸⁴

The Committee asked the Minister for Ports and Freight about the potential impacts of port fees on the industry and consumers. The Minister stated that no decision had been made by the Government on this issue but that a proposal was currently being considered.⁵⁸⁵

⁵⁷⁸ Ibid., p. 102.

⁵⁷⁹ Hon. Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, p. 2.

⁵⁸⁰ Ibid., p. 3.

⁵⁸¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 341.

⁵⁸² Hon. Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, pp. 5–6.

⁵⁸³ Hon. Melissa Horne MP, Minister for Ports and Freight, 2019–20 Budget estimates hearing, response to questions on notice, received 8 July 2019, p. 6.

⁵⁸⁴ Hon. Melissa Horne MP, Minister for Ports and Freight, *Transcript of evidence*, p. 2.

⁵⁸⁵ Ibid., p. 4.

FINDING 70: The 2019–20 Budget extends the Mode Shift Incentive Scheme by one year. The Committee understands that the Government will consider further extensions to the MSIS on an annual basis as the port rail strategy is finalised and delivered.

6.8 Department wide: key issues

6.8.1 Machinery of government changes

Machinery of government changes effective on 1 January 2019 resulted in the creation of the Fishing and Boating portfolio. The 2019–20 budget papers do not include information about the establishment of this portfolio in the section of the budget papers about output movements as a result of machinery of government changes.⁵⁸⁶

DOT's response to the Committee's questionnaire demonstrates that the Minister for Roads and the Minister for Road Safety and the TAC have shared responsibility for one output: Road Operations.⁵⁸⁷

DOT's response to the Committee's questionnaire demonstrates that the Minister for Roads, the Minister for Fishing and Boating and the Minister for Ports and Freight have shared responsibility for one output: Ports, Freight and Boating.⁵⁸⁸ While the response to the questionnaire also explains how the performance measures under the output are divided between both portfolios, it does not provide information about how the funding responsibility for the output is demarcated.

DOT's response to the Committee's questionnaire states that the department 'is realigning its base budget following the Machinery of Government (MoG) and decision to integrate with PTV [Public Transport Victoria] and VicRoads'.⁵⁸⁹ The Committee notes that DOT's website states that DOT, PTV and VicRoads 'came together as one new Department of Transport on 1 July 2019'.⁵⁹⁰ However, the department has not yet published an organisational chart.

FINDING 71: The 2019–20 budget papers provide information about output movements as a result of machinery of government changes affecting the Department of Transport. However, they do not provide information about the creation of the Fishing and Boating portfolio.

⁵⁸⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 129.

⁵⁸⁷ Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 25–26.

⁵⁸⁸ *Ibid.*, p. 24.

⁵⁸⁹ *Ibid.*, p. 9.

⁵⁹⁰ Department of Transport, *Governance*, <<https://transport.vic.gov.au/about/governance>> accessed 14 October 2019.

FINDING 72: It is unclear from the 2019–20 budget papers how funding for the Road Operations output is demarcated between the Roads and the Road Safety and the Transport Accident Commission portfolios; and how funding for the Ports, Freight and Boating output is demarcated between the Roads, Fishing and Boating and Ports and Freight portfolios.

RECOMMENDATION 26: Where a department or portfolio is created, including a Department of Transport portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes.

RECOMMENDATION 27: Where a department is created or where two or more agencies that are overseen by a department are integrated, the relevant department should publish an updated organisational chart on the department website.

6.9 Performance measures

6.9.1 Transport infrastructure portfolio

The five quality metrics relating to the Ballarat Line Upgrade, Level Crossing Removal Project, Metro Tunnel Project, North East Link Project and West Gate Tunnel Project—each intended to assess delivery of milestones against ‘agreed’ budgets and timelines—have targets of 100%.⁵⁹¹

As noted by the Committee in prior years, the wording of such measures indicates a risk the target is dynamic in nature and may not reflect the original milestones in instances where they have been varied.⁵⁹²

The 2019–20 budget papers shed no light on the extent to which results reported against the above measures reflect the original or revised milestones for each project. This impedes Parliament’s ability to scrutinise the progress and performance of funded transport infrastructure projects.

The Resource Management Framework for Victorian Government Departments states targets of 100% should be avoided in most cases as they have no capacity to demonstrate continuous improvement from year to year and may not be sufficiently challenging.⁵⁹³

⁵⁹¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 345.

⁵⁹² Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018-19 Budget Estimates*, September 2018, p. 124.

⁵⁹³ Department of Treasury and Finance, *The Resource Management Framework for Victorian Government Departments*, Melbourne, 2019, p. 136.

RECOMMENDATION 28: The Department of Transport review the quality performance measures in the Transport Infrastructure output to ensure they provide transparent insights on the progress of funded projects against original timelines and budgets.

6.9.2 Department wide: analysis of new performance measures

DOT added 10 new performance measures in the 2019–20 Budget, four of which replaced discontinued measures.

The Committee found almost all nine of the new measures offered useful insights about the performance of activities within the following outputs:

- Bus services—statewide: number of bus routes upgraded
- Road Operations: road safety treatments including line markings, installation of safety barriers, and completion of road safety initiatives
- Train services—statewide: performance of myki fare payment devices
- Tram services: number of tram routes upgraded.

Table 6.2 below summarises the weaknesses identified by the Committee for the remaining performance measure relating to the regulation of commercial passenger vehicles.

Table 6.2 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Regulation of Commercial Passenger Vehicle Services	Commercial passenger vehicle registration applications processed within 14 days (Timeliness)	This measure is not sufficiently challenging. The Department's response to the Committee's questionnaire clarifies that all registration applications are lodged online and, once all information requirements are met by applicants, are instantaneously processed.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019; Department of Transport, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019.

RECOMMENDATION 29: The Department of Transport should review the new performance measure on the timeliness of processing commercial passenger vehicle registrations to ensure that it will offer useful insights and provide the opportunity to drive continuous improvement ahead of the 2020–21 Budget.

6.9.3 Department wide: analysis of proposed discontinued performance measures

The department identified 12 performance measures for discontinuation in the 2019–20 Budget.

The Committee supports DOT’s rationale in all cases noting it resulted in the following changes:

- Replacement of six measures with metrics offering clearer and more granular insights about the effectiveness of funded initiatives relating to bus route/tram service upgrades, boating initiatives, and compliance with safety standards by commercial passenger vehicles.
- Consolidation of three formerly separate measures relating to the completion of road safety projects/initiatives for vehicles, roads, and users into the single metric ‘Road safety initiatives completed’. This change was reasonable given the historically low and minimal activity in two out of the three measures.
- Consolidation of two former measures relating to the investment in, and commencement of, fishing facilities projects into the single measure ‘Recreational fishing infrastructure improvements delivered’ resulting in a better indicator of output effectiveness.
- Removal of the measure ‘Safer Cyclists and Pedestrians Fund Allocated’ as it is no longer relevant given the funding has been fully allocated.

FINDING 73: The Department of Transport identified 12 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the Department’s rationale in all cases noting the proposed changes are reasonable and mostly enhance the utility of performance information in the budget papers.

7

Department of Justice and Community Safety

Key findings

- The Victorian prison population is expected to increase over the forward estimates. The Government's increased expenditure and asset investment in Victoria's prison system largely reflects demand.
- The Committee notes that funding for youth custodial services in the 2019–20 Budget increased by 23% from 2018–19, while funding for youth community-based services decreased by 5.8% from 2018–19.
- The Committee found there is a need to review targets to ensure they reflect the State's assumptions regarding the expected growth in related revenue from liquor and gambling license applications.
- The Department of Justice and Community Safety added seven new performance measures in the 2019–20 Budget. The Committee noted four of the new measures improved the comprehensiveness of performance information.

7

7.1 Overview

The Department of Justice and Regulation was renamed the Department of Justice and Community Safety (DJCS) as a result of machinery of government changes effective on 1 January 2019. DJCS supports eight portfolios: Attorney-General; Consumer Affairs, Gaming and Liquor Regulation; Corrections; Crime Prevention; Police and Emergency Services; Victim Support; Workplace Safety; and Youth Justice.

DJCS's main responsibilities are:

- public prosecutions, law reform and the provision of legal assistance
- managing the development of legislation in relation to courts and tribunals
- crime prevention, policing, infringements and the enforcement of warrants
- management of Victoria's system of correctional facilities, including youth justice
- support services for victims of crime
- management of metropolitan and country fire capabilities
- maintaining safety in Victorian workplaces
- regulating gambling, liquor and the Victorian consumer marketplace.

7.2 Budget summary

In 2019–20 DJCS ranks as the fourth largest budget compared to other departments representing 12.2% of total funding provided to all output groups across the departments.⁵⁹⁴

In 2019–20 DJCS is allocated \$8 billion to fund its outputs (compared to \$7.8 billion in 2018–19). It has \$7.9 billion of income from transactions available (compared to \$7.6 billion in 2018–19).⁵⁹⁵

With regard to capital spending, the 2019–20 Budget allocates \$1 billion to DJCS programs. The 2019–20 Budget allocates \$466.9 million to new capital projects of which \$446.2 million (95.6% of the total new spend) is to expand the capacity of the men’s prison system.⁵⁹⁶

A further \$546.1 million is allocated in 2019–20 for DJCS’ existing capital programs; comprising \$360 million (65.9%) to DJCS and the remaining \$186.1 million to Victoria Police (34.1%).⁵⁹⁷

- The capital funding allocation for DJCS’s existing ‘Community Corrections - Contributing to a Safer Community’ program increased to \$16.7 million in 2019–20.⁵⁹⁸
- The capital funding allocation for Victoria Police’s existing ‘Community Safety Statement’ program increased to \$130.3 million in 2019–20.⁵⁹⁹

DJCS has a total savings target of \$23.5 million in 2019–20 of which \$15 million (or 7.5%) attributes to the \$201.3 million whole of government efficiencies for 2019–20.⁶⁰⁰ In response to the Committee’s questionnaire, DJCS outlines savings of \$8.5 million ‘have been allocated across the department and embedded in business area budgets for 2019–20’.⁶⁰¹

⁵⁹⁴ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 264. The Committee has used the funding allocated by output group in each department’s Performance Statement as provided in the 2019–20 budget papers to measure the funding across all departments.

⁵⁹⁵ Ibid.

⁵⁹⁶ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, received 31 May 2019, pp. 47–50 (Committee calculations).

⁵⁹⁷ Ibid., pp. 41–47 (Committee calculations).

⁵⁹⁸ Ibid.

⁵⁹⁹ Ibid.

⁶⁰⁰ Ibid., p. 40 (Committee calculations).

⁶⁰¹ Ibid., p. 40.

7.3 Attorney-General portfolio: key issues

The Attorney-General is responsible for the following six outputs:

- Public Prosecutions and Legal Assistance (funding in 2019–20: \$286.4 million)
- Infringements and Warrants (funding in 2019–20: \$230.3 million)
- Criminal Law Support and Reform (funding in 2019–20: \$76.6 million)
- Victims and Community Support Services (funding in 2019–20: \$75.7 million) which is shared with the Minister for Victim Support
- Protection of Personal Identity and Individual/Community Rights (funding in 2019–20: \$55.5 million)
- Dispute Resolution and Civil Justice Support Services (funding in 2019–20: \$51.3 million).⁶⁰²

The Attorney-General also has portfolio responsibility for Court Services Victoria (CSV). However, the Attorney-General's statutory powers of direction are limited to matters such as the preparation and submission of the budget.⁶⁰³ CSV is discussed in detail in Chapter 10.

The 2019–20 Budget provides funding to the Office of Public Prosecution with an allocation of \$11.5 million in 2019–20 and \$11.8 million in 2020–21.⁶⁰⁴ \$12.5 million is allocated over three years to establish a National Disability Insurance Scheme (NDIS) Worker Screening Service.⁶⁰⁵ At the budget estimates hearings, the Attorney-General, Hon Jill Hennessy MP, explained that this funding will support a NDIS worker screening unit:

... to check that existing or prospective national disability insurance scheme workers do not pose a risk to people with disabilities, and that funding will also support the working with children check unit as well.⁶⁰⁶

With regard to law reform, the Attorney-General informed the Committee that the Government will embark upon the following reforms in the 2019–20 financial year:

- Creating a new offence of workplace manslaughter
- Creating new wage theft offences
- Reforms to promote open justice, including examining the merits of judge alone trials

⁶⁰² Department of Treasury and Finance, *Budget Paper No. 3*, p. 378; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 99.

⁶⁰³ Court Services Victoria, *About CSV: Functions and Structure*, 8 April 2019, <<https://www.courts.vic.gov.au/about-csv/functions-and-structure>> accessed 14 October 2019.

⁶⁰⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 81.

⁶⁰⁵ Hon. Jill Hennessy MP, *2019–20 Budget estimates hearing presentation: Attorney-General*, supplementary evidence, received 14 June 2019, p. 6.

⁶⁰⁶ Hon. Jill Hennessy MP, Attorney-General, 2019–20 Budget estimates (Attorney-General) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 2.

- Reforms to laws on transgender birth certificates
- The national uniform scheme for the legal profession
- Addressing impediments to fair justice for survivors of institutional abuse
- Reforming the financial assistance scheme for victims of crime
- Expanding the Victims of Crime Commissioner powers to better support victims
- New requirements for the Office of Public Prosecutions to communicate with victims on key decisions.⁶⁰⁷

The key issues relevant to the Attorney-General's portfolio identified during the Committee's 2019–20 budget estimates inquiry are discussed below.

7.3.1 Fines Victoria

Issues related to Fines Victoria were discussed extensively at the budget estimates hearings. The Victorian Infringements Enforcement Warrant (VIEW) IT system was designed to draw together data from multiple agencies and allow Fines Victoria to fulfil its role as the centralised portal where Victorians could review and pay their fines. The VIEW system was procured to support the legislative changes introduced through the *Fines Reform Act 2014* (Vic). The Attorney-General accepted that 'some of the lack of functionality [of the system] is unacceptable'.⁶⁰⁸

In response to questions relating to the costs incurred by the State for the VIEW system, Ms Corri McKenzie, Deputy Secretary, Police, Fines and Crime Prevention, informed the Committee:

... the total cost is \$63.335 million. So there was an original procurement of about \$43 million and then subsequent to that the 2017–18 budget included some additional investment; \$7.9 million of that was for IT enhancements, so additional IT capital costs and there was an additional \$8 million also provided for additional staff to continue to process backlogs and respond to calls particularly from Victorians.⁶⁰⁹

At the hearings, the Attorney-General noted that 'Victoria receives over \$3.1 million of fines income every single week',⁶¹⁰ and advised:

... the government has recently undertaken a piece of work, a review, in respect of the Fines Victoria ICT system ... [and] are about to engage in some contractual discussions with the provider.⁶¹¹

⁶⁰⁷ Hon. Jill Hennessy MP, *2019–20 Budget estimates hearing presentation: Attorney-General*, pp. 8–9; Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 3.

⁶⁰⁸ Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 6.

⁶⁰⁹ Ms Corri McKenzie, Deputy Secretary, Police, Fines and Crime Prevention, Department of Justice and Community Safety, 2019–20 Budget estimates (Attorney-General) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 7.

⁶¹⁰ Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 6.

⁶¹¹ *Ibid.*

The Committee also sought information from DJCS about the implications of the VIEW system for sheriff operations, in particular road blocks. Road block operations are established by the Sheriff's Office and Victoria Police to assist in the enforcement and collection of unpaid fines. Acknowledging that the VIEW system had impacted sheriffs, Ms McKenzie advised the Committee that DJCS 'have been working very closely with the sheriffs in building up enforcement activities over the course of the year'.⁶¹² In response to questions taken on notice at the hearings, Ms McKenzie confirmed that: 'For the financial year 2018–19, five road blocks were conducted'.⁶¹³

FINDING 74: The current IT system that was procured to support the legislative changes introduced through the *Fines Reform Act 2014* (Vic) has not met the State's expectations. The Committee notes that the Government has recently undertaken a review of the system and is working to address the issues identified.

FINDING 75: Road block operations are established by the Sheriff's Office and Victoria Police to assist in the enforcement and collection of unpaid fines. For the financial year 2018–19 (as at 4 July 2019), five road blocks were conducted.

7.3.2 Aboriginal and Torres Strait Islander adults in the justice system

The Committee sought information from the Attorney-General about what steps the Government is taking to reduce overrepresentation of Aboriginal and Torres Strait Islander people in the justice system.⁶¹⁴

The Attorney-General informed the Committee that the Government's \$40.3 million investment for the fourth phase of the Aboriginal Justice Agreement is 'the largest ever investment that has been made in respect of Aboriginal justice services'.⁶¹⁵

The Attorney-General described the Aboriginal Justice Agreement as:

... a partnership between the government and the Aboriginal community, very focused on trying to reduce the over-representation of Aboriginal people in the justice system, also trying to ensure that in doing so that we are honouring our commitment to self-determination on the way through.⁶¹⁶

⁶¹² Ibid., p. 13.

⁶¹³ Ms Corri McKenzie, Deputy Secretary, Police, Fines and Crime Prevention, Department of Justice and Community Safety, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 6 (Attorney-General).

⁶¹⁴ Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, pp. 3–5, 7–10.

⁶¹⁵ Ibid., p. 4.

⁶¹⁶ Ibid., pp. 4–5.

The Attorney-General explained that the programs that will be funded through the fourth phase of the Aboriginal Justice Agreement have delivered a range of benefits to Aboriginal people, particularly those that are involved in the justice system or those that are at risk of being involved in the justice system.⁶¹⁷ These include:

- \$15 million for a range of community led, self determination initiatives, including the expansion of the Aboriginal community justice panels across the State.
- \$12.3 million to expand the Koori Court to the County, Magistrates and Children's courts, funding that will also assist the Koori Victims of Crime Assistance Tribunal list.
- \$10.8 million that will fund Aboriginal youth justice initiatives, including boosting the number of Aboriginal liaison officers and establishing an elders in-reach program in some youth justice facilities. These initiatives are discussed in more detail below in the Youth Justice portfolio.
- funding to expand some of the statewide Indigenous arts in prisons programs.⁶¹⁸

The Committee was particularly interested in understanding what support the Government is providing to Aboriginal and Torres Strait Islander women in the justice system. In response to questions taken on notice at the hearings the Attorney-General outlined that the fourth phase of the Aboriginal Justice Agreement contains commitments for reducing Aboriginal women's rates of contact with the justice system, addressing family violence, and promoting self-determination:

In addition to continuing the Koori Women's Place, these include progressing a feasibility study for a residential program for Aboriginal women; family-centred approaches for clients with complex needs; assisting Aboriginal women with bail; improving access to a witness service for Aboriginal children; and developing Aboriginal victim support models.⁶¹⁹

Acknowledging that Aboriginal and Torres Strait Islander women are significantly overrepresented in Victoria's criminal justice system, the Attorney-General detailed the 2019-20 Budget's investment in the Koori Women's Place: \$2.4 million over four years.⁶²⁰ The Attorney-General explained that Koori Women's Place is an Aboriginal controlled community organisation that works with:

Aboriginal women who have experienced family violence, providing culturally safe, trauma-informed, holistic assistance to those women ... and since commencing operations in 2018 more than 172 Aboriginal women have been assisted, and they have 40 ongoing clients that they have regular involvement with.⁶²¹

⁶¹⁷ Ibid.

⁶¹⁸ Ibid.

⁶¹⁹ Hon. Jill Hennessy MP, Attorney-General, 2019-20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 3.

⁶²⁰ Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 3.

⁶²¹ Ibid., pp. 3-4.

The Attorney-General informed the Committee that evidence from the Koori Women's place pilot demonstrated 'that in the absence of having proper culturally appropriate support for Aboriginal women that Aboriginal women were not engaging with services'.⁶²²

7.3.3 Ability of people on remand to attend court

At the budget estimates hearings the Committee asked the Attorney-General about the number of court hearings that have been missed by people on remand.⁶²³ People on remand are people in custody who have not been sentenced. Delays associated with missed court hearings can result in human, legal and financial costs. In response to questions taken on notice at the hearings, the Attorney-General stated:

For the 2018–19 Financial Year, there were 744 total instances of prisoners on remand not being transported to a court hearing in the Magistrates' Court on the scheduled day, where alternative audio-visual link arrangements could not be made.⁶²⁴

The Attorney-General explained to the Committee that using technology as opposed to transporting people on remand to and from court was more efficient and effective.⁶²⁵ In this regard, the Attorney-General drew the Committee's attention to the 'Improving court access through additional audio-visual technology' initiative in the 2019–20 Budget. The 2019–20 budget papers state that this initiative 'will invest in additional audio-visual link technology in 28 Magistrates' Courts and 26 police stations to further reduce the need to transfer prisoners for appearances in court'.⁶²⁶ This initiative contributes to CSV's Courts output and DJCS' Policing and Crime Prevention output.⁶²⁷

7.4 Consumer Affairs, Gaming and Liquor Regulation portfolio: key issues

The Minister for Consumer Affairs, Gaming and Liquor Regulation is responsible for the following two outputs: Regulation of the Victorian Consumer Marketplace (funding in 2019–20: \$155.1 million) and Gambling and Liquor Regulation (funding in 2019–20: \$82.9 million).⁶²⁸ The objective of the Consumer Affairs, Gaming and Liquor Regulation portfolio is to create '[a] fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling'.⁶²⁹

⁶²² Ibid., p. 4.

⁶²³ Ibid., p. 11.

⁶²⁴ Hon. Jill Hennessy MP, Attorney-General, response to questions on notice, p. 5.

⁶²⁵ Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 11.

⁶²⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 122.

⁶²⁷ Ibid.

⁶²⁸ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 106.

⁶²⁹ Ibid.

Through the Consumer Affairs, Gaming and Liquor Regulation portfolio the Minister is responsible for the following statutory authorities: Business Licensing Authority, Victorian Commission for Gambling and Liquor Regulation (VCGLR), Victorian Responsible Gambling Foundation and the Residential Tenancies Bond Authority. The Minister is also responsible for the Office of Commissioner for Residential Tenancies.⁶³⁰

Topics that were discussed during the public hearings include liquor and gambling licence applications, the Libraries After Dark program, the Victorian Responsible Gaming Foundation, the Inquiry into the Retirement Housing Sector and revenue from electronic gaming.⁶³¹ Some of these matters are discussed in further detail below.

7.4.1 Electronic gaming machine revenue

The 2019–20 Budget forecasts gambling tax revenue from electronic gaming machines to be \$1.1 billion in 2019–20.⁶³² This represents 58% of the total forecast gambling tax revenue in 2019–20.⁶³³ The 2019–20 Budget also forecasts gambling tax revenue to increase each year over the forward estimates to reach \$1.2 billion in 2021–23.⁶³⁴

The Minister for Consumer Affairs, Gaming and Liquor Regulation, Hon Marlene Kairouz MP, informed the Committee that DJCS is working on requirements for a revised responsible gambling code of conduct for gaming venue operators to ‘strengthen obligations on electronic gaming machine licence-holders to respond to suspected problem gambling’.⁶³⁵ In addition, the 2019–20 Budget allocates \$37.5 million in 2019–20, \$38.3 million in 2020–21, \$38.4 million in 2021–22 and \$38.8 million in 2021–23 to the ‘Gambling harm prevention’ output initiative. The Minister explained:

The Victorian government has committed \$153 million to continue the work of the Victorian Responsible Gambling Foundation in reducing harm associated with problem gambling. The foundation has been highly successful in responding to gambling harm. In the financial year to 30 April over 3500 people were helped through the gamblers help services, including in regional areas.⁶³⁶

Noting the funding allocated to initiatives to reduce harm from gambling, the Committee sought an explanation from the Minister for the increased forecasts in gambling tax revenue from electronic gaming machines.⁶³⁷ The Minister outlined that the Government ‘have capped the number of poker machines for the next 25 years’ and explained:

⁶³⁰ Ibid., p. 107.

⁶³¹ Hon. Marlene Kairouz MP, Minister for Consumer Affairs, Gaming and Liquor Regulation, 2019–20 Budget estimates (Consumer Affairs, Gaming and Liquor Regulation) hearing, Melbourne, 11 June 2019, *Transcript of evidence*.

⁶³² Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 21.

⁶³³ Ibid., p. 21 (Committee calculations).

⁶³⁴ Ibid., p. 21.

⁶³⁵ Hon. Marlene Kairouz MP, Minister for Consumer Affairs, Gaming and Liquor Regulation, *Transcript of evidence*, p. 2.

⁶³⁶ Ibid., p. 3.

⁶³⁷ Ibid., p. 6.

... if you were to look at the recent data, it shows that gaming expenditure and turnover per capita are both less than that of the Australian average. And as a proportion of total household expenditure gaming machine expenditure has also dropped from 1.64 per cent in 2006 to just 1 per cent in 2017–19. That is a decrease of 39 per cent ... since 2008–09 the average of gaming machine losses per adult in Victoria has decreased by 18 per cent in nominal terms and 32.4 per cent in real terms.⁶³⁸

7.5 Corrections portfolio: key issues

The Minister for Corrections is responsible for two outputs: Prisoner Supervision and Support (funding in 2019–20: \$1.7 billion) and Community-Based Offender Supervision (funding in 2019–20: \$290.2 million).⁶³⁹ The objective of the Corrections portfolio is the effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation.

The public hearings saw a number of issues discussed, including bail laws, Aboriginal people in the justice system, men’s and women’s prison system capacity, recidivism, alcohol and drug treatment services and the cost of public prisons in Victoria.⁶⁴⁰ Several of these issues are discussed in more detail below.

7.5.1 Funding Victoria’s expanding prison system

The 2019–20 Budget allocates funding to increase capacity across the Victorian prisons system—with \$1.8 billion in capital funding provided in 2019–20 and over the forward estimates.⁶⁴¹ The cost of Victoria’s prison system was a key issue at the estimates hearings. The Committee discussed the Productivity Commission’s *Report on Government Services 2019* which showed that the real net operating expenditure per prisoner per day in Victoria is \$324, compared to \$182 in New South Wales and an average of \$223 for all Australian states and territories.⁶⁴² The Committee asked the Minister for Corrections, Hon Ben Carroll MP, to comment on the \$324 figure for the real net operating expenditure per prisoner per day in Victoria.⁶⁴³ The Minister stated:

When you look at the costs, you have got to take it in the context of which prison. One prison is not comparable to another prison. Each bed is different and each prison has a different range of programs.⁶⁴⁴

⁶³⁸ Ibid., p. 8.

⁶³⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 263; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 113.

⁶⁴⁰ Hon. Ben Carroll MP, Minister for Corrections, 2019–20 Budget estimates (Corrections) hearing, Melbourne, 14 June 2019, *Transcript of evidence*.

⁶⁴¹ Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2019, p. 14.

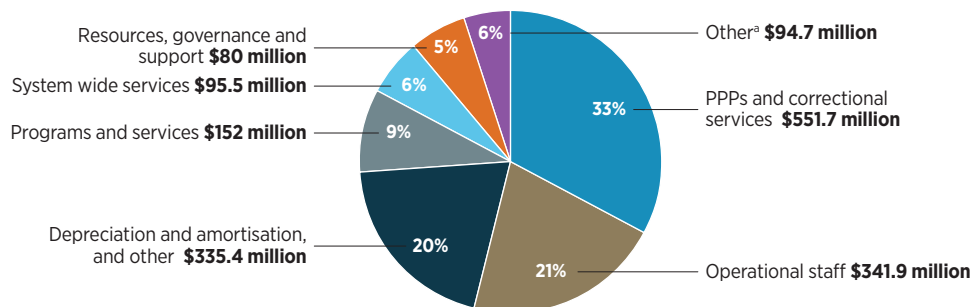
⁶⁴² Productivity Commission, *Report on Government Services 2019: Chapter 8 Corrective Services, Table A8.17*, 2019.

⁶⁴³ Prisons & Parole Corrections, *Corrections statistics: quick reference*, 30 June 2018, <<https://www.corrections.vic.gov.au/prison/corrections-statistics-quick-reference>> accessed 14 October 2019.

⁶⁴⁴ Hon. Ben Carroll MP, Minister for Corrections, *Transcript of evidence*, p. 8.

The Committee sought a breakdown from the Minister of each aspect of net operating expenditure in relation to the Prisoner Supervision and Support output of \$1.65 billion. The Minister provided the breakdown in Figure 7.1.

Figure 7.1 Breakdown of net operating expenditure in relation to the Prisoner Supervision and Support output (2019–20)



a. Other is comprised of: Security, transport and intelligence (\$37.6 million or 2%); Prisoner operating expenditure including food, bedding, earnings, other (\$27.3 million or 2%); Information, technology and communication (\$13.5 million or 1%); Prisoner industries (\$12.2 million or 1%); Assurance and review (\$4.1 million or 0%).

Source: Hon. Ben Carroll MP, Minister for Corrections, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 1.

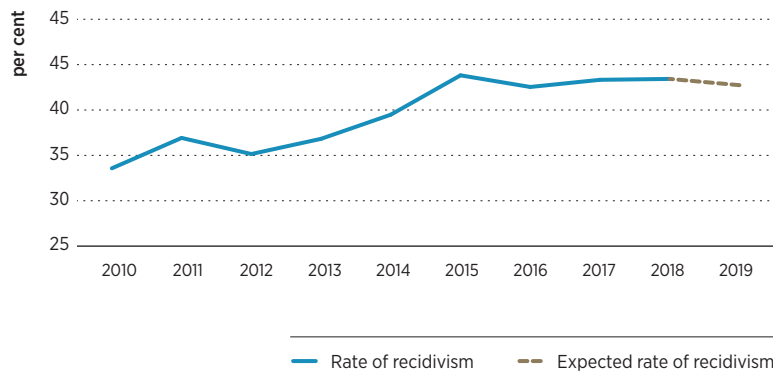
The Productivity Commission’s *Report on Government Services 2019* showed that Victoria’s total daily average prisoner population was 7,258 in 2017-18 compared to 6,853 in 2016–17.⁶⁴⁵ Since 1977 the prison population in Victoria has continually increased and it is currently experiencing ‘unprecedented growth in prisoner numbers’.⁶⁴⁶ The Committee notes increasing expenditure on prisons in Victoria, particularly regarding prison capacity and programs for prisoners. The increased expenditure and asset investment is largely a reflection of increasing demand, primarily arising from the increase in prisoners held on remand.⁶⁴⁷

With regard to recidivism—the rate of return to prison—the Minister for Corrections informed the committee that the expected outcome for the rate of recidivism in 2019 was 42%, down from 43.7% in 2018.

645 Productivity Commission, *Report on Government Services 2019: Chapter 8 Corrective Services, Table 8A.4*, 2019.

646 Sentencing Advisory Council, *Victoria’s Prison Population*, 20 August 2019, <<https://www.sentencingcouncil.vic.gov.au/statistics/sentencing-statistics/victoria-prison-population>> accessed 14 October 2019; Dr Marilyn McMahon, *No bail, more jail? Breaking the nexus between community protection and escalating pre-trial detention*, Library Fellowship Paper, no. 3, Parliament of Victoria, 3 August 2019.

647 Sentencing Advisory Council, *Remand and Sentencing*, 13 May 2019, <<https://www.sentencingcouncil.vic.gov.au/projects/remand-and-sentencing>> accessed 14 October 2019.

Figure 7.2 Recidivism—rate of return to prison in two years (2010 to 2019)

Source: Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Corrections*, supplementary evidence, received 14 June 2019, p. 8.

FINDING 76: The Victorian prison population is expected to increase over the forward estimates. The Government’s increased expenditure and asset investment in Victoria’s prison system largely reflects demand.

RECOMMENDATION 30: The Department of Justice and Community Safety consider including performance measures in the budget papers with regard to recidivism—rate of return to prison.

7

7.5.2 Prison system capacity

Men

The 2019–20 Budget allocates \$72.5 million in 2019–20, \$83.2 million in 2020–21, \$108.6 million in 2021–22 and \$81.9 million in 2021–23 to the output initiative ‘Men’s prison system capacity’.⁶⁴⁸ The 2019–20 Budget also provides for a \$1.3 billion total estimated investment for the asset initiative ‘Men’s prison system capacity’.⁶⁴⁹ The 2019–20 budget papers state that this funding will provide for increased capacity and supporting infrastructure across the men’s prison system, including additional beds and infrastructure at existing prisons, and the expansion of the Chisholm Road Prison Project (formerly the Lara Prison precinct expansion) by 548 beds.⁶⁵⁰

The Committee questioned the Minister for Corrections about the commencement of construction of the Chisholm Road prison. The Committee noted that DJCS’ website stated that the construction was to commence in early 2019, with completion scheduled for 2022.⁶⁵¹ The Minister informed the Committee:

⁶⁴⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 81.

⁶⁴⁹ *Ibid.*, p. 91.

⁶⁵⁰ *Ibid.*, p. 90.

⁶⁵¹ Department of Justice and Community Safety, *Chisholm Road Prison Project*, <<https://engage.vic.gov.au/chisholmroadprison>> accessed 14 October 2019.

The works on the architect's drawings and the planning has commenced. Indeed, when we made our announcement for Chisholm Road, the community advisory group that is integral and working with the local community was up and running, and we are now going through the fine-tuning of that precinct. Bear in mind that Chisholm Road is adjacent to some already existing prison infrastructure and the community advisory group—particularly as we work out the Victorian Industry Participation Policy and we work through G21 to grow the Geelong region and look at employment and procurement opportunities, we want to make sure that the community are very much embedded—⁶⁵²

The Minister confirmed that the Chisholm Road facility will be completed by 2022. The Committee asked about the annual cost of the prison. The Minister advised:

Corrections Victoria has commenced work on developing a detailed operating model for Chisholm Road prison. The operational costs of running the prison, informed by this work, will be the subject of a future budget submission.⁶⁵³

The issue of capacity in men's prisons was further discussed at the budget estimates hearings in relation to the separation between on remand and sentenced prisoners. Noting the responsibility to keep the two separated under the United Nations Standard Minimum Rules for the Treatment of Prisoners, the Committee sought information from the Commissioner for Corrections Victoria about Victoria's compliance with the non-binding standard. The Corrections Commissioner, Dr Emma Cassar, informed the Committee:

What we are trying to do is make sure that we have the systems and processes in place and the strategies to ensure that going forward in the next three years we can return the system and have the separation of [categories of prisoners] ...⁶⁵⁴

In response to a written question on notice regarding the issue, the Minister for Corrections provided the following information:

It has not been the practice to fully separate remanded from sentenced prisoners in Victoria for over at least the last twenty years.

The Mandela Rules are non-binding rules that provide the minimum standards for the incarceration of people in prisons and other custodial settings. Preliminary observation 2 of the Rules states that "... it is evident that not all the rules are capable of application in all places and at all times."

The Victorian prison system has almost 40 per cent of prisoners on remand. While it is not always possible to separate untried from convicted prisoners, the priority is to ensure that vulnerable prisoners (whether sentenced or unsentenced) are, where possible, kept separate from those who might wish to negatively influence them or cause them harm.⁶⁵⁵

⁶⁵² Hon. Ben Carroll MP, Minister for Corrections, *Transcript of evidence*, p. 10.

⁶⁵³ Hon. Ben Carroll MP, Minister for Corrections, 2019-20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 3.

⁶⁵⁴ Dr Emma Cassar, Commissioner, Corrections Victoria, 2019-20 Budget estimates (Corrections) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 11.

⁶⁵⁵ Hon. Ben Carroll MP, Minister for Corrections, response to questions on notice, p. 2.

Women

The 2019–20 Budget allocates \$18.6 million in 2019–20, \$18.6 million in 2020–21 and \$11 million in 2021–23 to the output initiative ‘women’s prison capacity’.⁶⁵⁶ The 2019–20 Budget also provides for a \$188.9 million total estimated investment for asset funding to increase the capacity of the women’s prison system, including through the construction of 106 additional beds at the Dame Phyllis Frost Centre.⁶⁵⁷

The Committee asked about the increasing numbers of women in prison. The Minister informed the Committee that the number of women in prison ‘is growing at a fast rate’ and ‘has basically reached the stage where it is growing above the men’s prison system’.⁶⁵⁸ In comparison to male prisoners, the Minister stated that women prisoners often have:

... shorter sentences, [are] victims of trauma ... are the primary caregiver[s] and they are in there for not only shorter sentences but for very much less serious crimes.⁶⁵⁹

The Minister emphasised the ‘need to look at that social context’ explaining:

... [women prisoners] are predominately coming as victims to the prison system. So we need to introduce a range of gender-based programs and a range of trauma-specific programs to deal with what they have been through, that address sometimes their criminogenic behaviours but also support them too if they do have children, and we have been leading in this area through our women and children’s program to ensure that we can address them and try and put them in their social context. But also too financial counselling is a big component of working with the women’s prison system.⁶⁶⁰

The Committee noted the 2019–20 Budget provides \$20 million over four years for a range of diversion and rehabilitation programs focused on reducing the incarceration of women⁶⁶¹. However, the budget papers do not contain any specific targets or performance measures demonstrating the performance of these initiatives.⁶⁶² Noting the recent growth in women prisoners, a Committee member queried the Minister for Corrections during the estimates hearing on how the State will gauge the impact of funded initiatives:

I would like to just go first to budget paper 3, page 81, and the initiative in reducing incarceration of women, in particular the targeted strategic responses to Aboriginal women, which you pointed out—record numbers of Aboriginal women in prison. What will be the specific targets for this program?⁶⁶³

⁶⁵⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 81.

⁶⁵⁷ *Ibid.*, p. 91.

⁶⁵⁸ Hon. Ben Carroll MP, Minister for Corrections, *Transcript of evidence*, p. 14.

⁶⁵⁹ *Ibid.*

⁶⁶⁰ *Ibid.*

⁶⁶¹ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 81–82.

⁶⁶² *Ibid.*, p. 271.

⁶⁶³ Hon. Ben Carroll MP, Minister for Corrections, *Transcript of evidence*, p. 13.

The Minister acknowledged the growth in female prisoners and outlined key initiatives, including those focused on reducing the incarceration of indigenous women.⁶⁶⁴ The Commissioner, Corrections Victoria similarly noted the importance of diversion strategies to achieving the State's goal.⁶⁶⁵

RECOMMENDATION 31: The Department of Justice and Community Safety develop additional performance measures and targets for the 2020–21 Budget enabling assessment of funded initiatives to reduce the incarceration of women and men.

7.5.3 Alcohol and drug treatment services

The prevalence and cost of alcohol and drug treatment services in public prisons was discussed at the public hearings. In response to questions about what government initiatives had been funded in the 2019–20 Budget to address alcohol and drug abuse within Victorian prisons, the Minister for Corrections explained that \$11.7 million over four years has been committed to:

... continue delivery of the successful KickStart program and expand its geographic coverage. KickStart is an intensive AOD [Alcohol and Other Drugs] offending program for offenders who are subject to a community corrections order and who are required to undertake AOD treatment as a condition of their order. The program directly addresses the link between offending behaviour and alcohol and other drug use.⁶⁶⁶

The Minister for Corrections explained that currently the KickStart program is delivered by four AOD service providers across 12 community correctional service locations where offenders participate in 24 or 42 hours of group based treatment.⁶⁶⁷

The Committee sought further information regarding the number of people undertaking alcohol or drug treatment services and the cost to the State. The Minister for Corrections provided the following information:

In 2017-18:

- 3,972 men and 389 women commenced a drug or alcohol rehabilitation program in Victorian public prisons. Out of those who commenced, 3,478 men and 334 women completed a rehabilitation program. There are a range of valid exemptions which affect the completion rate, including unexpected discharge or transfer between prisons or an illness or medical condition.⁶⁶⁸

⁶⁶⁴ Ibid., p. 14.

⁶⁶⁵ Dr Emma Cassar, Commissioner, Corrections Victoria, *Transcript of evidence*, p. 14 (Corrections).

⁶⁶⁶ Hon. Ben Carroll MP, Minister for Corrections, *Transcript of evidence*, p. 7.

⁶⁶⁷ Ibid.

⁶⁶⁸ Hon. Ben Carroll MP, Minister for Corrections, response to the 2019-20 Budget estimates written questions on notice, received 25 July 2019, p. 3.

- the total cost for alcohol and drug services in Victorian public prisons was \$7.3 million. This includes alcohol and drug programs and harm reduction sessions.⁶⁶⁹

In 2018–19, as of 31 May 2019:

- 3,792 men and 467 women have commenced alcohol or drug rehabilitation programs. Of those, 3166 men and 378 women had completed a drug or alcohol rehabilitation program.⁶⁷⁰
- \$8 million has been provided for alcohol and drug services in Victorian public prisons for 2018–19.⁶⁷¹

The 2019–20 Budget allocates \$10.2 million for alcohol and other drug services in Victorian public prisons.⁶⁷²

FINDING 77: The total cost for alcohol and drug treatment services in Victorian public prisons has risen from \$7.3 million in 2017–18 to \$10.2 million in 2019–20.

7.6 Crime Prevention portfolio

The Minister for Crime Prevention shares responsibility with the Minister for Police and Emergency Services for the Policing and Crime Prevention output (funding in 2019–20: \$3.6 billion).⁶⁷³ The objective of the Crime Prevention portfolio is to ensure community safety through policing, enforcement and prevention activities.⁶⁷⁴

The Crime Prevention portfolio's responsibilities include:

- The implementation of effective crime prevention measures
- Building knowledge and understanding across government and community about crime prevention and effective responses
- Partnerships at a local, state and national level in relation to crime prevention
- Managing the government's Community Crime Prevention Program, which provides grant funding to communities to address local crime issues.⁶⁷⁵

⁶⁶⁹ Ibid.

⁶⁷⁰ Ibid.

⁶⁷¹ Ibid.

⁶⁷² Ibid., pp. 3–4.

⁶⁷³ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 266–68; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*.

⁶⁷⁴ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 103.

⁶⁷⁵ Department of Justice and Community Safety, *About us: The Community Crime Prevention Unit*, 8 January 2019, <<https://www.crimeprevention.vic.gov.au/about-us>> accessed 31 July 2019.

Several issues were discussed relating to the Crime Prevention portfolio during the Committee's 2019–20 budget estimates inquiry including crime prevention initiatives and community crime prevention grants.⁶⁷⁶

7.7 Police and Emergency Services portfolio: key issues

The Minister for Police and Emergency Services is responsible for two outputs:⁶⁷⁷ Policing and Crime Prevention (funding in 2019–20: \$3.6 billion), which is shared with the Minister for Crime Prevention; and Emergency Management Capability (funding in 2019–20: \$1.2 billion).⁶⁷⁸

The Police and Emergency Services portfolio's objectives are: ensuring community safety through policing, law enforcement and prevention activities; and reducing the impact of, and consequences from, natural disasters and other emergencies.⁶⁷⁹

A number of matters were discussed at the public hearings, including firearms prohibition orders, booze buses, investment in police resources, roadside drug and alcohol testing, police falsification of breath tests, the fixated threat assessment centre, family violence and the Country Fire Authority.⁶⁸⁰ Some key issues are discussed in further detail below.

7.7.1 Royal Commission into the Management of Police Informants

The Government established a Royal Commission in December 2018, which is currently inquiring into Victoria Police's recruitment and management of police informants.⁶⁸¹ In May 2019, it was announced that the Government granted the Royal Commission into the Management of Police Informants more time to report. A final report on all terms of reference is now due by 1 July 2020.⁶⁸² It was also announced in May 2019 that the Government will be allocating an additional \$20.5 million to the Royal Commission due to the broadening of the terms of reference 'which significantly increased the volume of material required to be examined'.⁶⁸³

⁶⁷⁶ Hon. Ben Carroll MP, Minister for Crime Prevention, 2019–20 Budget estimates (Crime Prevention) hearing, Melbourne, 14 June 2019, *Transcript of evidence*.

⁶⁷⁷ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 109–10; Department of Treasury and Finance, *Budget Paper No. 3*, p. 263.

⁶⁷⁸ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 110.

⁶⁷⁹ *Ibid.*

⁶⁸⁰ Hon. Lisa Neville MP, Minister for Police and Emergency Services, 2019–20 Budget estimates (Police and Emergency Services) hearing, Melbourne, 14 June 2019, *Transcript of evidence*.

⁶⁸¹ Premier of Victoria, *Royal Commission Into Management Of Informants*, media release, 3 December 2018; Attorney-General, *Statement On The Royal Commission Into Informants*, media release, 6 February 2019.

⁶⁸² Royal Commission: *Establishment of the Royal Commission into the Management of Police Informants*, <<https://www.rcmpi.vic.gov.au/about-us>> accessed 14 October 2019.

⁶⁸³ Premier of Victoria, *Statement On The Royal Commission Into Informants*, media release, 25 May 2019.

The 2019–20 Budget allocates \$7.5 million to the Royal Commission in 2018–19.⁶⁸⁴ The Committee questioned the Minister for Police and Emergency Services, Hon Lisa Neville MP, and the Chief Commissioner of Victoria Police, Mr Graham Ashton, about the ongoing costs of the Royal Commission and how much funding has been allocated thus far. The Chief Commissioner outlined:

From 10 November 2016 to 31 May 2019 Victoria Police has spent \$1,954,247.27 (incl. GST) on legal fees to Minter Ellison who represented the individual in question, (including Barrister fees), in the Supreme Court, Court of Appeal and High Court matters. The Supreme Court indicated that it was entirely proper that Victoria Police fund representation for the individual in question.

From 29 April 2016 to 31 May 2019, Victoria Police has spent \$3,413,626.63 (incl. GST) on legal fees to the Victorian Government Solicitors Office (including Barrister fees), in the Supreme Court, Court of Appeal and High Court matters (please note some legal costs arising from certain other related proceedings).⁶⁸⁵

The Committee sought further clarification regarding the cost of Taskforce Landow, which was established to support Victoria Police’s contribution to the Royal Commission into the Management of Police Informants. The following cost estimates to 30 June 2019 were provided to the Committee by the Chief Commissioner:

- Salaries and on cost \$1,872,541
- Operation cost \$1,221,952
- Legal cost \$6,504,000
- Total \$9,598,493.⁶⁸⁶

The Committee expects all additional funding allocated to the Royal Commission into the Management of Police Informants to be reflected in the 2019–20 Budget Update.⁶⁸⁷

RECOMMENDATION 32: Additional funding allocated to the Royal Commission into the Management of Police Informants be reflected in the 2019–20 Budget Update.

7.7.2 Booze and drug buses

The 2019–20 Budget states that the total estimated investment in new booze and drug buses to 20 June 2019 is \$11.2 million with a final completion date of quarter four 2018–19 (being the end of June 2019).⁶⁸⁸ In March 2019 the Minister for Police and

⁶⁸⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 71.

⁶⁸⁵ Mr Graham Ashton, Chief Commissioner, Victoria Police, 2019–20 Budget estimates hearing (Police and Emergency Services), response to question on notice, received 5 July 2019, p. 6.

⁶⁸⁶ Hon. Lisa Neville MP, Minister for Police and Emergency Services, 2019–20 Budget estimates hearing, response to questions on notice, received 5 July 2019, p. 8.

⁶⁸⁷ Hon. Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 19.

⁶⁸⁸ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 74.

Emergency Services announced that a new fleet of alcohol and drug buses were set to hit the road to help Victoria Police crackdown on drunk and drug affected drivers. The new fleet included 'six smaller buses that can access locations that are currently difficult for larger buses to reach including narrow and difficult to access country roads'.⁶⁸⁹

The Committee questioned the Minister and the Chief Commissioner in relation to the new booze and drug buses being unable to operate due to safety issues. The Commissioner stated:

Well, currently they are off the road. They have been off the road now for a couple of months because they have not been meeting our own safety standards since we got them. It has meant that we have had to go into contractual discussions and settings with the provider about how that is going to be funded. But we also have asked for a safety report on the safety issues we think are there with the buses, and then that will ultimately decide what we need to do.⁶⁹⁰

The Commissioner further outlined that six of the 10 buses are currently off the road and not operational.⁶⁹¹ In response to questions from the Committee regarding the estimated cost to repair the six buses, the Chief Commissioner stated: 'We will not know until we get the report back from the experts as to what is required to fix them'.⁶⁹²

The Committee has made findings in the past about the delay in the roll out of booze and drug buses. For example, in its *Report on the 2016–17 Financial and Performance Outcomes* the Committee found that the roll out of the \$5.5 million New Booze and Drug Buses program was delayed due to design and procurement issues.⁶⁹³

7.8 Victim Support portfolio: key issues

The Minister for Victim Support shares responsibility with the Attorney-General for one output: Victims and Community Support Services (funding in 2019–20: \$75.7 million).⁶⁹⁴ Through the Victim Support portfolio the Minister is responsible for the Victims Support Agency (VSA) and the Victims of Crime Commission.

The Victim Support portfolio aims to improve victims 'experiences and outcomes in the aftermath of crime'.⁶⁹⁵ The Government has invested significantly in reforms to ensure Victoria has a victim responsive system through providing greater levels of support

⁶⁸⁹ Transport Accident Commission, *New alcohol and drug buses hit the road*, <<http://www.tac.vic.gov.au/about-the-tac/media-room/news-and-events/2018/new-alcohol-and-drug-buses-hit-the-road>> accessed 14 October 2019.

⁶⁹⁰ Hon. Lisa Neville MP, Minister for Police and Emergency Services, *Transcript of evidence*, p. 14.

⁶⁹¹ Ibid.

⁶⁹² Chief Commissioner Ashton, Hearing Transcript (Police and Emergency Services), p. 14.

⁶⁹³ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2016–17 Financial and Performance Outcomes*, May 2018, p. 104.

⁶⁹⁴ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 280–81; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*.

⁶⁹⁵ Hon. Ben Carroll MP, Minister for Victim Support, 2019–20 Budget estimates (Victim Support) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 1.

to enable victims to acquire a stronger voice in the justice system.⁶⁹⁶ The Minister for Victim Support, Hon Ben Carroll MP, confirmed this commitment at the budget estimates hearings, outlining the significant rise in funding allocated to the VSA in the last five years:

This is evident in the fact that the budgeted output spend in the 2019–20 financial year will be \$26.5 million. This represents a 79 per cent increase from the \$14.8 million that was spent on victim support when we came to office in 2014–15.⁶⁹⁷

The key priorities of the portfolio are:

- to progress the reforms to financial assistance of victims of crime
- introduce new laws to strengthen rights in the *Victims' Charter Act 2006* (Vic) and expand the role of the Victims of Crime Commissioner
- the Intermediary Pilot Program and Family Violence Restorative Justice Program
- the National Redress Scheme for institutional child sexual abuse.⁶⁹⁸

7.8.1 Victims Support Agency and victim support services

The 2019–20 Budget allocates \$26.5 million to fund the services offered by the VSA.⁶⁹⁹ This funding aims 'to help manage the effects of crime and guide victims through the criminal justice system'.⁷⁰⁰ The Minister for Victim Support advised the Committee that the VSA is 'responsible for coordinating a whole of government approach to services for victims of crime against the person and for representing the voice of victims within the justice system'.⁷⁰¹ This includes:

- Victims of Crime Helpline
- funding state wide services to provide victims with practical assistance, counselling and support through the justice system
- linking victims to service systems to manage the effects of violent crime.⁷⁰²

Given the significant role the Victims of Crime Helpline plays in assisting victims through providing an 'intake, triage and referral' service⁷⁰³, the Committee sought information on the number of referrals the helpline receives, the time taken to answer calls, and

⁶⁹⁶ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Victim Support*, supplementary evidence, received 14 June 2019.

⁶⁹⁷ Ibid.

⁶⁹⁸ Ibid., p. 2.

⁶⁹⁹ Ibid.

⁷⁰⁰ Ibid.

⁷⁰¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 278.

⁷⁰² Department of Justice and Community Safety, *Victims Support Agency*, 13 March 2019, <https://www.victimsofcrime.vic.gov.au/victims-support-agency> accessed 29 July 2019.

⁷⁰³ Hon. Ben Carroll, Minister for Victim Support, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 2.

the number of staff the helpline employs. In response to questions taken on notice, the Minister for Victim Support provided the following information:

From 1 January 2019 to 14 June 2019, the Victims of Crime Helpline received 3,593 Victoria Police electronic referrals. In relation to other electronic referrals, the Helpline also received 7,597 ... Family Violence referrals during this period.

From 1 January 2019 to 14 June 2019, the Victims of Crime Helpline received 6,338 calls. It takes, on average, 11 seconds for the Helpline to answer a call.

The Victims of Crime Helpline currently has a total of 18.7 FTE [full time equivalent] (maximum of five FTE per shift) and operates seven days a week including public holidays from 8am until 11 pm.⁷⁰⁴

The 2019–20 target outlined in the budget papers for the number of ‘Victims receiving a service from the Victims of Crime Helpline, Victims Register, Youth Justice Group Conferencing and VSA’ is 20,600 persons.⁷⁰⁵ Recognising the benefit of also measuring the quality of services provided to victims of crime, the Committee recommended in its *Report on the 2016–17 Financial and Performance Outcomes* that the former Department of Justice and Regulation present the findings of surveys undertaken to assess the extent of client satisfaction with victim’s services in annual reports, to supplement the reporting of service delivery information.⁷⁰⁶ The Government response supported the recommendation in principle and the Committee anticipates the inclusion of this information in the DJCS’s 2018–19 forthcoming annual report.

FINDING 78: The performance measures in the 2019–20 Budget relating to victims of crime simply measure the number of services provided to victims of crime only.

RECOMMENDATION 33: The Government include qualitative performance measures in the budget papers to assess the effectiveness of services provided to victims of crime.

7.9 Workplace Safety portfolio: key issues

The 2019–20 Budget allocates \$2.7 million in 2019–20, \$3.3 million in 2020–21, \$4.6 million in 2021–22 and \$6 million in 2022–23 to the ‘Supporting Worksafe safety and fairness at work’ output initiative.⁷⁰⁷ The budget papers state that this initiative contributes to DJCS’s Victim Support Service output. The initiative description outlines:

Workplace safety will be improved through the introduction of infringement notices for a range of occupational health and safety offences, adding to the suite of compliance

⁷⁰⁴ Ibid.

⁷⁰⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 280.

⁷⁰⁶ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2015–16 Financial and Performance Outcomes*, May 2017, p. 128.

⁷⁰⁷ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 33.

and enforcement tools available to Worksafe Victoria. The specialist capacity of WorkSafe inspectors will also be expanded to deal with the unique health and safety risks on major construction projects, reducing the risks of serious injuries and workplace fatalities.⁷⁰⁸

DJCS' response to the Committee's questionnaire states that this \$2.7 million is 'additional funding approved in the 2019–20 Budget from existing WorkSafe resources'.⁷⁰⁹ At the budget estimates hearings, the Minister for Workplace Safety, Hon Jill Hennessy MP, further explained that the funding allocated to the 'Supporting workplace safety and fairness at work' initiative:

... is about putting 40 new specialist construction inspectors over the next four years in place. Ten inspectors will be employed every year in a range of specialist roles. A couple of those specialist roles will include civil tunnelling, cranes and electrical power generation, to help oversee the health and safety.⁷¹⁰

The Minister for Workplace Safety is responsible for WorkSafe Victoria and the 'Supporting Worksafe safety and fairness at work' output initiative outlined in the 2019–20 Budget. The Committee notes that no departmental outputs, objectives or performance measures are assigned to the Workplace Safety portfolio in the 2019–20 budget papers.

Issues relating to the Workplace Safety portfolio discussed at the public hearings included: workers compensation, WorkSafe Victoria grants, performance indicators for agents handling claims and worker safety in relation to factory fires.⁷¹¹

7.9.1 Worksafe Victoria

The 2019–20 Budget provides for \$125 million in 2021–22 and \$575 million in 2022–23 in amounts equivalent to dividends to be extracted from WorkSafe Victoria.⁷¹² The 2019–20 Budget calculates that the economic funding ratio of WorkSafe Victoria at 30 June 2018 was 170%.⁷¹³ This issue was discussed at length during the budget estimates hearings and is considered in detail in Chapter 2 of this report.⁷¹⁴

The Committee questioned the Minister for Workplace Safety about the financial arrangements set out in the 2019–20 budget papers regarding WorkSafe Victoria, and sought confirmation that the change would not affect its statutory obligations under

⁷⁰⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 88.

⁷⁰⁹ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 33.

⁷¹⁰ Hon. Jill Hennessy MP, Minister for Workplace Safety, 2019–20 Budget estimates (Workplace Safety) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 4.

⁷¹¹ *Ibid.*

⁷¹² Department of Treasury and Finance, *Budget Paper No. 5*, p. 23.

⁷¹³ Department of Treasury and Finance, *Budget Paper No. 2*, p. 72.

⁷¹⁴ Hon. Jill Hennessy MP, Minister for Workplace Safety, *Transcript of evidence*.

the WorkCover scheme.⁷¹⁵ In response to questions taken on notice at the hearing, the Minister outlined that WorkSafe:

... recognises the challenges facing the workcover scheme and are moving forward with a strategic direction that addresses these challenges by significantly strengthening prevention activity and drive long-lasting improvements in workplace health, safety and wellbeing. However, the workcover scheme does remain financially sound, with the accounting funding ratio at 123%; above the target range of 82.5%–117.5%.⁷¹⁶

The Committee also sought information from the Minister about how WorkSafe was facing the challenge of an increase in more complex injuries, including mental health, together with the continuing challenge of common law applications that continue to pose a risk to the financial viability of the WorkSafe Scheme, as outlined in the *WorkSafe Annual Report 2018*.⁷¹⁷ The Minister stated:

Mental health and wellbeing is a growing concern in Victorian workplaces, with mental injury claims on the rise. In partnership with the Department of Health and Human Services, WorkSafe has developed the WorkWell program, which aims to make mental health and wellbeing a priority in the workplace ... Funding opportunities are available under the WorkWell Mental Health Improvement Fund. The fund supports large-scale programs that aim to promote mental health and wellbeing as well as prevent mental injury and illness among vulnerable Victorian workers. The focus is currently on young and older workers, frontline workers and industries in transition.⁷¹⁸

7.10 Youth Justice portfolio: key issues

The Minister for Youth Justice is responsible for the following two outputs: Youth Justice Community-Based Services (funding in 2019–20: \$67.0 million) and Youth Justice Custodial Services (funding in 2019–20: \$168.1 million).⁷¹⁹

The Youth Justice portfolio's objective is to foster 'effective supervision of young offenders through the provision of youth services promoting rehabilitation,'⁷²⁰ contributing to a reduction in crime.⁷²¹ The portfolio works with other services to strengthen community based options for young people enabling an integrated approach to the provision of support.⁷²²

⁷¹⁵ Ibid.

⁷¹⁶ Ibid., p. 13; Hon. Jill Hennessy MP, Minister for Workplace Safety, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 6.

⁷¹⁷ Hon. Jill Hennessy MP, Minister for Workplace Safety, *Transcript of evidence*, p. 13.

⁷¹⁸ Hon. Jill Hennessy MP, Minister for Workplace Safety, response to questions on notice, p. 6.

⁷¹⁹ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 273–74.

⁷²⁰ Ibid.

⁷²¹ Hon. Ben Carroll MP, Minister for Youth Justice, 2019–20 Budget estimates (Youth Justice) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 1.

⁷²² Department of Justice and Community Safety, *Youth Justice*, 31 December 2018, <<https://www.justice.vic.gov.au/justice-system/youth-justice>> accessed 7 May 2019.

The 2019–20 Budget outlines an estimated expenditure of \$147.2 million in 2019–20 to the new facility at Cherry Creek and \$12.1 million in 2019–20 to the capital project ‘Strengthening of youth justice precincts’.⁷²³

The 2019–20 Budget also allocates \$45.5 million over two years to continue implementation of the 126 recommendations in the 2017 Youth Justice Review and Strategy meeting needs and reducing offending (Youth Justice Strategy).⁷²⁴ To date, the Government has implemented 35 of the recommendations, with the development of ‘a new evidence-based case management approach for young people who are in custody and in the community’⁷²⁵ ‘supported by validated risk assessment tools’⁷²⁶ recognised as the cornerstone of these reforms.

In response to written questions on notice, the Minister for Youth Justice, Hon Ben Carroll MP, informed the Committee that the Government has invested \$11.5 million into the development of the ‘integrated case management framework across Youth Justice Community services as well as Youth Justice custodial centres, and to assess the risks and needs of every young person in Youth Justice’.⁷²⁷ The Minister explained that this method:

... is complemented by a suite of new youth offending programs and psychosocial programs ... available in community and custody and address violence, sex offending, family violence, motor vehicle offending and offending related to the use of alcohol or other drugs.⁷²⁸

Of the remaining recommendations, the funding allocated in the 2019–20 Budget will also support the implementation of:

- evidence-based Youth Offending and Psychosocial Programs
- an Intensive Intervention Unit
- extension of community based early intervention, restorative justice and transition support programs including the Youth Support Service, Youth Justice Group Conferencing.⁷²⁹

The 2019–20 budget also provides funding for a number of other initiatives that are discussed in further detail below.

⁷²³ Department of Treasury and Finance, *Budget Paper No. 4*, p. 73; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 43.

⁷²⁴ Hon. Ben Carroll MP, Minister for Youth Justice, *Transcript of evidence*, p. 3.

⁷²⁵ *Ibid.*

⁷²⁶ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Youth Justice*, supplementary evidence, received 14 June 2019, p. 3.

⁷²⁷ Hon. Ben Carroll MP, Minister for Youth Justice, response to the 2019–20 Budget estimates written questions on notice, received 25 July 2019, p. 2.

⁷²⁸ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Youth Justice*, p. 2.

⁷²⁹ *Ibid.*, p. 6.

7.10.1 Community youth justice initiatives

The '2019–20 Budget provides over \$25 million investment into Community Youth Justice initiatives' to:

- safely supervise and manage complex young people in the community
- deliver innovative rehabilitative programs including Family Functional Therapy (FFT) and Multi-systemic Therapy (MST)
- expand Youth Justice Community Support Service
- build a culturally responsive workforce
- deliver programs tailored to meet specific cultural needs
- continue Multi-Agency Panels (MAPs).⁷³⁰

The Committee sought information at the budget estimates hearings about how the youth justice initiatives outlined in the 2019–20 budget papers will improve the system, reduce reoffending, and keep the community safe. Deputy Secretary for Youth Justice, Ms Brigid Sunderland, explained that a number of these initiatives relate to 'prevention and early intervention', such as the evidence-based FFT and MST programs that:

... work with the young person and their social networks, their families and the school environment they exist in to try to really look at all the factors that can help them start living in a more prosocial way.⁷³¹

The Minister for Youth Justice added that the aim of these programs are to 'improve family functioning, reduce substance abuse and address behavioural issues'.⁷³² The Minister explained that the expanded Youth Justice Community Support Service also offers a deterrence capability, that now operates on 'weekends and [at] more high-risk times after hours'⁷³³, to 'ensure young people have access to the programs they need to stop reoffending ... [and] keep Victorians safe.'⁷³⁴

The Minister advised the Committee that MAPs brings schools, community organisations, police and government departments together 'to manage some of the most difficult young people that we have in our community'⁷³⁵, through the promotion of engagement activities that prevent crime and help young people to reduce reoffending.⁷³⁶

⁷³⁰ Ibid., p. 5.

⁷³¹ Ms Brigid Sunderland, Deputy Secretary, Youth Justice, Department of Justice and Community Safety, 2019–20 Budget estimates (Youth Justice) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 14.

⁷³² Hon. Ben Carroll MP, Minister for Youth Justice, response to the 2019–20 Budget estimates written questions on notice, received 25 July 2019, p. 2.

⁷³³ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Youth Justice*, p. 14.

⁷³⁴ Ibid., p. 2.

⁷³⁵ Ibid., p. 7.

⁷³⁶ Victorian Government, *Community Safety Statement: Reducing Harm*, 30 June 2019, <<https://communitysafety.vic.gov.au/reducing-harm>> accessed 22 August 2019.

With regard to efforts to deliver programs tailored to meet specific cultural needs, the 2019–20 Budget provides for ‘two Community Engagement Officers in the North West and South East Metropolitan Regions’ who will work with at risk culturally and linguistically diverse (CALD) young people ‘to encourage their participation in community and cultural activities’.⁷³⁷

The 2019–20 Budget does not include performance measures to measure the effectiveness of services and programs provided to at risk and youth offenders.⁷³⁸

RECOMMENDATION 34: The Department of Justice and Community Safety develop budget paper performance measures to assess the effectiveness of the implementation of the 2017 Youth Justice Review and Strategy recommendations, including qualitative performance measures to assess the effectiveness of services and programs provided to at-risk and youth offenders.

7.10.2 Youth custodial services

The 2019–20 budget papers show that compared to 2018–19, funding for youth custodial services increased by 23%, while funding for youth community based services decreased by 5.8%.⁷³⁹ The Minister outlined that funding had been provided for initiatives such as those to support the ‘53 per cent of young people in custody who presented with mental health issues’.⁷⁴⁰ The Minister explained that the:

... investment has funded the significant improvement and expansion of mental health services for young people in custody ... Every young person in the Victorian youth justice centres now receives a health and mental health screen by a registered psychiatric nurse within 24 hours of reception, or within 12 hours of reception for Aboriginal and Torres Strait Islander young people. They also receive a comprehensive health and mental health assessment by a registered medical officer within 72 hours of reception and ongoing primary mental health services, including 24-hour access to primary health and primary mental health nursing ... With Orygen Youth being rolled out, this will support young people with complex mental needs to give them the specialist assessment and treatment while in custody, because we know the earlier the intervention, the better ...⁷⁴¹

With regard to ensuring youth offender access to culturally appropriate supports and information, the Minister stated that five CALD custodial staff positions had been created and explained the specific nature of the roles:

[The] CALD Liaison Officers in custody ... advocate for and work with young people from CALD backgrounds in youth justice centres; [This includes] one CALD Program and

⁷³⁷ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Youth Justice*, p. 2.

⁷³⁸ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 273–74.

⁷³⁹ *Ibid.*, p. 263.

⁷⁴⁰ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Youth Justice*, p. 5.

⁷⁴¹ *Ibid.*

Education Manager and one CALD Program Coordinator to deliver CALD programs and services in custody; and one Principal Policy Officer to lead work on a CALD Strategy.⁷⁴²

Noting that the 2017 Youth Justice Review and Strategy found only 1% of youth justice staff induction training is spent on cultural competency, the Committee sought information from DJCS about the current state of affairs.⁷⁴³ Ms Sunderland noted that since the report was published the percentage had increased.⁷⁴⁴ A percentage was not provided to the Committee.

FINDING 79: The Committee notes that funding for youth custodial services in the 2019–20 Budget increased by 23% from 2018–19, while funding for youth community based services decreased by 5.8% from 2018–19.

Safety and security in custodial centres

The Committee sought information at the budget estimates hearings about the safety and wellbeing of custodial staff. The Minister for Youth Justice advised that 129 category one incidents involving an assault of a staff member occurred in 2017–2018 and 50 category one incidents in the first three quarters of 2018–19.⁷⁴⁵ Ms Sunderland noted that the level of turnover of custodial staff was 100 in the 2018–19 financial year.⁷⁴⁶ The most recent number the Committee could readily access of the total number of full time equivalent custodial staff in youth justice detention centres was 468 in 2016–17.⁷⁴⁷ If such levels of staffing have been maintained since 2016–17, that would represent a 21% turnover of custodial staff each financial year.

The 2019–20 Budget outlines that the average daily custodial centre utilisation rate of total centre capacity was 99% in 2017–18 for males 15 years plus.⁷⁴⁸

FINDING 80: The Department of Justice and Community Safety advised that the level of turnover of custodial staff in youth justice detention centres was 100 in the 2018–19 financial year. If levels of staffing have been maintained since 2016–17, that would represent an approximate 21% turnover of custodial staff in a financial year.

⁷⁴² Hon. Ben Carroll MP, Minister for Youth Justice, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 13.

⁷⁴³ Hon. Ben Carroll MP, Minister for Youth Justice, *Transcript of evidence*, p. 13.

⁷⁴⁴ Ms Brigid Sunderland, Deputy Secretary, Youth Justice, *Transcript of evidence*, p. 13.

⁷⁴⁵ Hon. Ben Carroll MP, Minister for Youth Justice, *Transcript of evidence*, pp. 11–12. Category 1 incidents are ‘the most serious incidents’ and include ‘the death of a young person; allegations of physical or sexual assault; and serious behavioural issues that impact on young people or staff safety. Responses to allegations can include medical attention (should this be required), a report to police if it involves an allegation of physical or sexual abuse or where a young person is a victim of a crime, and counselling and support being offered to all parties’. Department of Justice and Community Safety, *Youth justice custodial quarterly incident reporting (1 January to 31 March 2018)*, 30 April 2019, <<https://www.justice.vic.gov.au/justice-system/youth-justice/youth-justice-custodial-quarterly-incident-reporting-1-january-to-31-1>> accessed 22 August 2019.

⁷⁴⁶ Ms Brigid Sunderland, Deputy Secretary, Youth Justice, *Transcript of evidence*, p. 9.

⁷⁴⁷ Penny Armytage and Professor James Ogloff AM, *Youth Justice Review and Strategy: Meeting needs and reducing offending: Executive Summary*, report prepared by Victorian Government, Melbourne, July 2017, p. 113.

⁷⁴⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 274.

The Committee was advised in response to written questions on notice that ‘the 2019–20 Budget provides \$20.1 million to maintain safety and security in custodial centres’ which includes funding for:

- Safety and Emergency Response Team (SERT) staff—a specialised team of youth justice custodial officers responsible for the management and safety of emergency incidents in youth justice centres and young people posing any challenging behaviours. All SERT members are trained in tactical operations to improve the effectiveness of incident response and management.⁷⁴⁹
- Youth Justice Intelligence Unit—who monitor the behaviour of difficult young people and ensure custodial management have intel-led and targeted information available to inform day to day decisions on security threats and the prevention of incidents.⁷⁵⁰
- Corrections Victoria’s Security and Emergency Services Group staff
- senior operational staff and staff on the units⁷⁵¹

The Minister for Youth Justice informed the Committee that other workforce reforms include:

... enhancements to training; extended pre-service induction, including additional sessions on de-escalation techniques, increased use of scenario-based learning and increased on-the-job placements; and development of a work plan to address recruitment, retention and learning and development.⁷⁵²

7.10.3 Aboriginal and Torres Strait Islander young people in detention

The Minister for Youth Justice advised the Committee that part of the \$20.1 million in the 2019–20 Budget allocated to maintaining the safety and security of custodial centres will be used to address the overrepresentation of Aboriginal and Torres Strait Islander young people in detention.

At the budget estimates hearings, the Minister informed the Committee that a new Aboriginal Executive will be appointed in Youth Justice to lead the system’s response to overrepresentation and to ensure appropriate cultural support.⁷⁵³ The Minister outlined:

There are currently a number of designated Aboriginal Liaison Officers and one Team Leader who support Aboriginal young people in custody. Two of these positions were created with funding received in the 2017-18 Budget Update and the 2018–19 Budget. The department currently employs two (twelve month) Koori Graduate positions, a Koori Court Advice Worker, and contracts with 13 Aboriginal Community Controlled Organisations to deliver the Community-Based Koori Youth Justice Program ...

⁷⁴⁹ Hon. Ben Carroll MP, *2019–20 Budget estimates hearing presentation: Youth Justice*, p. 6.

⁷⁵⁰ Hon. Ben Carroll MP, Minister for Youth Justice, response to the 2019-20 Budget estimates written questions on notice, pp. 5-7.

⁷⁵¹ *Ibid.*, p. 5.

⁷⁵² Hon. Ben Carroll MP, Minister for Youth Justice, *Transcript of evidence*, pp. 1-2.

⁷⁵³ *Ibid.*, p. 13.

The 2018–19 Budget included \$10.8 million over four years ... [which] fund[ed the] establish[ment of] the Koori Youth Justice Taskforce, the first of its kind in Victoria. This investment also provided \$5 million for the Koori Youth Justice Program, providing increased staffing, brokerage and ongoing support to Aboriginal young people on community-based and custodial orders.⁷⁵⁴

The 2019–20 budget papers include one quantity performance measure relating to Koori youth justice: ‘Grant and program funding administered by the KJU [Koorie Justice Unit] provided to Aboriginal Community Controlled Organisations’ (which sets a 2019–20 target of 95%).⁷⁵⁵ However, the budget papers do not contain any quality performance measures in relation to the Koorie Youth Justice initiatives.

RECOMMENDATION 35: The Department of Justice and Community Safety develop budget paper performance measures to address the overrepresentation of Aboriginal and Torres Strait Islander young people in detention.

7.11 Department wide: key issues

7.11.1 Machinery of government changes

Machinery of government changes effective on 1 January 2019 had the following impact on DJCS:

- the Crime Prevention, Victim Support and Workplace Safety portfolios were created
- the Police and the Emergency Services portfolios were merged into one portfolio
- the Youth Justice portfolio was split from the former Families and Children portfolio and moved to DJCS from the Department of Education and Training and the Department of Health and Human Services.⁷⁵⁶

DJCS’ response to the Committee’s questionnaire demonstrates that the Attorney-General and the Minister for Victim Support have shared responsibility for one output: Victims and Community Support Services. However, it does not explain how responsibility for the output is split between the two ministers.⁷⁵⁷

DJCS’ response to the Committee’s questionnaire demonstrates that the Minister for Crime Prevention and the Minister for Police and Emergency Services have shared

⁷⁵⁴ Hon. Ben Carroll MP, Minister for Youth Justice, response to the 2019-20 Budget estimates written questions on notice, received 25 July 2019, p. 12.

⁷⁵⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 280.

⁷⁵⁶ Department of Health and Human Services, *Machinery of government changes for DHHS*, 13 December 2018, <<https://fac.dhhs.vic.gov.au/news/machinery-government-changes-dhhs>> accessed 14 October 2019; Premier of Victoria, *A Strong Team To Keep Delivering For All Victorians*, media release, 29 November 2018..

⁷⁵⁷ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 102-05.

responsibility for one output: Crime Prevention. However, it does not explain how responsibility for the output is split between the two ministers.⁷⁵⁸

The 2019–20 budget papers do not provide information about how responsibility for the Victims and Community Support Services output or the Crime Prevention output is split between the relevant portfolio ministers.

FINDING 81: The 2019–20 budget papers provide information about output movements as a result of machinery of government changes affecting the Department of Justice and Community Safety.

RECOMMENDATION 36: Where any departmental portfolio ends or is created, including a Department of Justice and Community Safety portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes.

7.11.2 Employees who identify as having a disability

As noted in the Committee's *Report on the 2018–19 Budget Estimates*, the Government has set a target of 6% of public sector employees with a disability by 2020, increasing to 12% by 2025 as part of the Every Opportunity: Victorian Economic Participation Plan for People with Disability 2018–2020.⁷⁵⁹ The *State of the Public Sector in Victoria 2017–2018* stated:

Representation of people with disability within the public sector is currently at 2.6 per cent, which is lower than the proportion of people with disability within the Victorian labour force (9 per cent).⁷⁶⁰

In its *Report on the 2018–19 Budget Estimates* the Committee recommended:

Recommendation 2: Departments begin collecting data on the proportion of their workforce who have a disability based on their own payroll and human resources systems, in order to establish baseline data and meet the recruitment targets set out in the Government's *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.⁷⁶¹

⁷⁵⁸ Ibid., pp. 105–12.

⁷⁵⁹ Department of Health and Human Services, *Every opportunity: Victorian economic participation plan for people with disability 2018–2020*, Victorian Government, Melbourne, 2018, p. 5.

⁷⁶⁰ Victorian Public Sector Commission, *State of the public sector in Victoria 2017–2018*, Victorian Government, Melbourne, 2018, p. 76.

⁷⁶¹ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 50.

The Government supported this recommendation and stated:

Departments will enhance reporting systems to meet the recruitment targets set out in the Government's *Every Opportunity: Victorian economic participation plan for people with disability 2018-2020*.⁷⁶²

DJCS' response to the Committee's 2019–20 questionnaire, recorded zero staff members who identify as having a disability.⁷⁶³ The response states:

The Victorian Public Sector Commission has advised that a new disability data point will be included in the annual workforce data collection from 2019. The department will start collecting this data from new and existing employees in time for the 30 June 2019 collection date.⁷⁶⁴

The Department of Justice and Regulation's response to the Committee's 2018–19 questionnaire indicated that data on staff members who identify as having a disability was not available as 'the department does not record details of employees who have a disability'.⁷⁶⁵

RECOMMENDATION 37: The Department of Justice and Community Safety collect data on the proportion of its workforce who have a disability, in order to establish baseline data and meet the recruitment targets set out in the Government's *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.

7.12 Performance measures

7.12.1 Consumer Affairs, Gaming and Liquor Regulation portfolio

During the estimates hearing with the Minister for Consumer Affairs, Gaming and Liquor Regulation, the Committee queried why the target for liquor and gambling license applications⁷⁶⁶ had not increased since the previous budget, noting this did not reconcile with the State's projected increase in revenue from liquor license fees⁷⁶⁷:

... budget paper 3, page 288 ... indicates that there is no increase in the number of applications expected over the next few years.

... the bottom of table 1.21..[of Budget Paper No.5 shows revenue from liquor license fees] is \$26 million next year, rising to \$30 million in the out years, but it is actually

⁷⁶² Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2018-19 Budget Estimates*, 5 March 2019, p. 2.

⁷⁶³ Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, p. 62.

⁷⁶⁴ *Ibid.*, p. 78.

⁷⁶⁵ *Ibid.*, p. 57.

⁷⁶⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 288.

⁷⁶⁷ Department of Treasury and Finance, *Budget Paper No. 5*, p. 21.

\$24 million this year. So that is a 25 per cent increase over the next four years, and yet we are not expecting to get any more applications.⁷⁶⁸

The Minister's response indicates DJCS should consider increasing the target to better reflect the assumptions underpinning the expected growth in revenue:

... I am unable to provide you with the exact figure at the moment, but based on this it seems that there is an increase in the number of applications.⁷⁶⁹

The Committee's query also highlights the challenges associated with interpreting performance measures covering multiple activities, where it is not possible to discern from the budget papers how individual activities contribute to the composite target:

... budget paper 3, page 288, indicates the number of liquor and gambling licence applications and also activities by the VCGLR [Victorian Commission for Gambling and Liquor Regulation] ...

... Are you able to give me a breakdown, though—of that 50 000 figure, how many are liquor licence applications and how many are gambling licence applications?⁷⁷⁰

In response, the Minister provided the Committee with the following breakdown of the number of liquor and gambling licence applications VCGLR had received for the 2018–19 year to the end of quarter three:

- 5,134 gambling licence applications
- 1,127 gambling approvals (this includes equipment approvals, approvals of new premises and so on)
- 1,783 standards monitoring activities (including monitoring of the major licences and audits of annual returns)
- 5,134 assurance activities (including audits of gaming revenue and operational audits)
- 12,523 liquor license and permit applications or variations completed
- 20,329 proof of age cards issued.⁷⁷¹

FINDING 82: The Committee found there is a need to review targets to ensure they reflect the State's assumptions regarding the expected growth in related revenue from liquor and gambling license applications.

⁷⁶⁸ Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2019–20 Budget estimates (Consumer Affairs, Gaming and Liquor Regulation) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 5.

⁷⁶⁹ Hon. Marlene Kairouz MP, Minister for Consumer Affairs, Gaming and Liquor Regulation, *Transcript of evidence*, p. 6.

⁷⁷⁰ Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2019–20 Budget estimates (Consumer Affairs, Gaming and Liquor Regulation) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 5.

⁷⁷¹ Hon. Marlene Kairouz MP, Minister for Consumer Affairs, Gaming and Liquor Regulation, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 2.

RECOMMENDATION 38: The Department of Justice and Community Safety consider further disaggregating the performance measures relating to liquor and gambling license applications and revising the relevant targets to align with projections of revenue.

7.12.2 Crime Prevention portfolio

During the estimates hearings with the Minister for Crime Prevention, the Committee noted the 2019–20 Budget includes \$5 million to develop a new crime prevention reform agenda, building on the \$25 million investment made in the 2018–19 Budget and the \$19.4 million investment in 2016–17 for related initiatives.⁷⁷²

A Committee member queried the Minister on the extent of related performance measures in the budget papers observing they contained limited information on the effectiveness and efficiency of funded initiatives:

Minister, budget paper 3, pages 266 to 268, list a range of performance measures. Apart from community crime prevention grant payments properly acquitted, what other performance measures in this budget does your portfolio carry?⁷⁷³

The Minister referred to the reduction in crime rates as a relevant indicator of performance, and emphasised a key focus of funded initiatives was on developing the evidence base to support future investments in innovating approaches to crime prevention:

... the performance measures probably speak for themselves through the Crime Statistics Agency. The crime rates have continued to go down ...⁷⁷⁴

... We need to work out what works. We need to also work with what particular organisations external to government understand ... and get this, to really focus on areas of need.⁷⁷⁵

The Committee acknowledges crime rates are relevant outcome indicators for crime prevention. However they offer limited insights into the performance of specific crime prevention programs.

RECOMMENDATION 39: The Department of Justice and Community Safety consider additional performance measures and targets for the 2020–21 Budget enabling assessment of funded crime prevention initiatives.

⁷⁷² Hon. Ben Carroll MP, Minister for Crime Prevention, *Transcript of evidence*, p. 1.

⁷⁷³ Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2019–20 Budget estimates (Crime Prevention) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 5.

⁷⁷⁴ Hon. Ben Carroll MP, Minister for Crime Prevention, *Transcript of evidence*, p. 6.

⁷⁷⁵ *Ibid.*, p. 8.

7.12.3 Police and Emergency Services portfolio

The committee noted that while the Minister for Road Safety and the Transport Accident Commission (TAC) acknowledged there was a significant increase in the road toll for 2019,⁷⁷⁶ the 2019–20 budget papers do not explain the reasons for the absence of any reporting against the 2018–19 expected outcome for the ‘Total reported road fatalities in vehicle collisions’.⁷⁷⁷

The Minister for Roads and Road Safety and the TAC advised the Committee that responsibility for reporting against this measure rests with the Minister for Police and Emergency Services.⁷⁷⁸

RECOMMENDATION 40: The Department of Treasury and Finance in consultation with all departments strengthen the footnotes in the budget papers to ensure they clarify the reasons for any absence in reporting against the expected outcome for performance measures in the budget papers.

During the estimates hearing with the Minister for Police and Emergency Services, the Committee noted the performance measures relating to alcohol and drug screening tests were amended in the 2019–20 budget papers following the 2018 independent investigation by the former Chief Commissioner into the falsification of Preliminary Breath Tests by Victoria Police.

The investigation found performance targets in the budget papers had been achieved over time by the systemic falsification practice of maximising the number of alcohol screening tests whilst minimising the likelihood of a positive test result. This practice was also apparent in driver drug testing activity.⁷⁷⁹

The Committee observed the target number of alcohol screening tests was reduced from 3,500,000 to 3,000,000 in the 2019–20 Budget, and the performance measure ‘Proportion of drivers tested who comply with alcohol limits’ found to be deficient by the investigation was discontinued by Victoria Police.

When queried by a Committee member on the reasons for reducing the target number of alcohol screening tests,⁷⁸⁰ the Minister noted the lower target remained higher than historical levels but was moderated to more accurately reflect the level of testing possible under the strengthened procedures and accountability arrangements introduced by Victoria Police in response to the investigation.⁷⁸¹

⁷⁷⁶ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, 2019–20 Budget estimates (Roads/Road Safety and the TAC) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 2.

⁷⁷⁷ Ms Bridget Vallence MP, Public Accounts and Estimates Committee, 2019–20 Budget estimates (Roads/Road Safety and the TAC) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 7.

⁷⁷⁸ Hon. Jaala Pulford MLC, Minister for Roads and Minister for Road Safety and the TAC, *Transcript of evidence*, p. 7.

⁷⁷⁹ Neil Comrie AO APM, *Investigation into the falsification of Preliminary Breath Tests within Victoria Police*, Executive Summary & Recommendations, Victoria Police, 2018, p. 3.

⁷⁸⁰ Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2019–20 Budget estimates (Roads/Road Safety and the TAC) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 15.

⁷⁸¹ Hon. Lisa Neville MP, Minister for Police and Emergency Services, *Transcript of evidence*, p. 6.

Both the Minister and Chief Commissioner affirmed Victoria Police were acting on the recommendations arising from the independent investigation that included developing appropriate qualitative measures to complement the quantitative measures contained in the budget papers which they both still regarded as useful. The Minister stated:

... I think it is still appropriate that there are some measures; there is a substantial investment that goes into this and we as a community need to know that some of that is coming back. So we need to not have perverse outcomes. You will see one of the measures we have actually said that we will discontinue—because that was one of the measures that Neil Comrie and IBAC [Independent Broad-based Anti-corruption Commission] agreed was a perverse outcome—is the measure about how many people are found to not have alcohol in their system. It is almost like an encouragement not to test to meet the measure ...⁷⁸²

The Chief Commissioner outlined the actions taken by Victoria Police to eliminate the procedural and cultural factors resulting in perverse incentives for officers to falsify tests:

... what we have done is reduce the trickle-down effect to the workplace and the people that are doing the tests. Your senior sergeants, your police service area commanders, they are not being held to those targets. It is always, as the minister outlined, around doing the intel briefs now for them so they know where the target is. We are not saying, 'You have to do X hundred by X date'. That is to try and get away from the targeting pressure that they felt they were under.⁷⁸³

The Committee notes Victoria Police's response to the investigation noted related actions were clearly focused on strengthening the veracity and integrity of related performance reporting against the budget papers.

7.12.4 Department wide: analysis of new performance measures

DJCS added seven new performance measures in the 2019–20 Budget. The Committee noted four of the new measures improved transparency and the comprehensiveness of performance information. Specifically, the new measures:

- 'Total annual number of random drug tests undertaken' in the Prisoner Supervision and Support output complements other related metrics in the budget papers improving insights into the extent and effectiveness of illicit drug testing in prisons.
- 'Decisions made by the Public Advocate under the Medical Treatment Planning and Decisions Act' in the Protection of Personal Identity and Individual/Community Rights output offers useful insights into the activities of the Public Advocate relating to medical treatment decisions.

⁷⁸² Ibid., p. 9.

⁷⁸³ Mr Graham Ashton, Chief Commissioner, Victoria Police, 2019–20 Budget estimates (Police and Emergency Services) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 9.

- ‘Grant and program funding administered by the KJU provided to Aboriginal Community Controlled Organisations (ACCOs)’ in the Victims and Community Support Services output more meaningfully reflects the implementation of self-determination policy.
- ‘Audits of casino operations undertaken by the Victorian Commission for Gambling and Liquor Regulation (VCGLR)’ in the Gambling and Liquor Regulation output addresses the Committee’s 2018–19 recommendation to provide more insights into the regulator’s related performance.⁷⁸⁴

However, three of the new measures were found to have weaknesses limiting their usefulness.

Table 7.1 below summarises the issues for each of the problematic new measures by the relevant output.

Table 7.1 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Prisoner Supervision and Support	Average daily out of cell hours—secure prisons. (Quality)	The new measure offers useful insights on the impact of lockdowns. However, DJCS’s response to the Committee’s questionnaire indicates the target is based on historical performance only (on the average of the last five years of results published in the Productivity Commission’s <i>Report on Government Services</i>). However, it is unclear how the focus on meeting historical performance levels is sufficiently challenging or drives improvement.
	Average daily out of cell hours—open prisons (Quality)	The new measure offers useful insights on the impact of lockdowns. However, DJCS’s response to the Committee’s questionnaire indicates the target is based on historical performance only (on the average of the last five years of results published in the Productivity Commission’s <i>Report on Government Services</i>). However, it is unclear how the focus on meeting historical performance levels is sufficiently challenging or drives improvement.
Gambling and Liquor Regulation	Court and regulatory actions undertaken by the VCGLR (Quantity)	DJCS’s response to the Committee’s questionnaire indicates this new metric is intended to address the Committee’s 2018–19 recommendation to strengthen existing performance measures to improve transparency for performance. ^a However, the new measure is limited to counting activities/actions only and does not include complimentary quality and timeliness measures.

a. Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, pp. 56–7.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, Appendix A; Department of Justice and Community Safety, *Response to the 2019–20 Budget estimates general questionnaire*, received 31 May 2019.

⁷⁸⁴ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 139.

FINDING 83: The Department of Justice and Community Safety added seven new performance measures in the 2019–20 Budget. The Committee noted four of the new measures improved the comprehensiveness of performance information.

RECOMMENDATION 41: The Department of Justice and Community Safety review and amend the new performance measures ‘Average daily out of cell hours’ for secure and open prisons to ensure the targets that are based on historical performance levels are sufficiently challenging and drive continuous improvement.

RECOMMENDATION 42: The Department of Justice and Community Safety review the new performance measure ‘Court and regulatory actions undertaken by the Victorian Commission for Gambling and Liquor Regulation’ to improve the utility of reported performance information.

7.12.5 Department wide: analysis of proposed discontinued performance measures

DJCS identified eight performance measures for discontinuation in the 2019–20 Budget.

The Committee supports DJCS’ rationale in all cases noting it resulted in the following key changes:

- Replacement of two measures in the Prisoner Supervision and Support output measuring the utilisation and capacity of prisons with disaggregated measures offering additional and more granular performance insights relating to male and female prisons.
- Removal of a metric measuring the processing of administrative briefings relating to the Racing portfolio recognising it did not offer meaningful insights and the impact of machinery of government changes resulting in the portfolio being transferred to the Department of Jobs, Precincts and Regions.
- Disaggregation of the two former measures ‘Liquor and gambling inspections completed by the VCGLR–metropolitan’ and ‘Liquor and gambling inspections completed by the VCGLR–regional’ to reporting individually on liquor and gambling inspections.
- Disaggregation of the former measure ‘Operations with co-regulators to identify licensees supplying alcohol to minors or persons who are intoxicated (VCGLR)’ to offer additional insights into the number of operations conducted within metropolitan and regional areas.
- Discontinuation of the measure ‘Proportion of drivers tested who comply with alcohol limits’ to address the incentives it created for false reporting.

- Discontinuation of the measure 'Diversion initiatives established to support the Koorie community' replaced by the 'Grant and program funding administered by the KJU provided to Aboriginal Community Controlled Organisations (ACCOs)' measure in the Victims and Community Support Services output which more meaningfully reflects the implementation of self-determination policy.

FINDING 84: The Department of Justice and Community Safety identified eight performance measures for discontinuation in the 2019–20 Budget. The Committee supports the Department's rationale in all cases noting the proposed changes improve the comprehensiveness of performance information about existing services.

8

Department of Environment, Land, Water and Planning

Key findings

- The \$6.6 million allocated to the 'Recycling industry response interim measures' output initiative for 2019–20 in the 2019–20 Budget will be used to fund the procurement of contracts to deliver recycling services and rebates for councils directly affected by the closure of SKM Recycling.
- Multiple initiatives, including legislative reforms, are underway and have been funded in the 2019–20 Budget to address the use of non-compliant cladding on buildings.
- The Victorian Government has secured \$29 million in Commonwealth funding to enable the first stage of the Victorian Murray Floodplain Restoration Project to commence.
- In total, the Government has budgeted \$696 million in 2019–20 to fund the Victorian Desalination Project.
- The Department of Environment, Land, Water and Planning added 30 new performance measures in the 2019–20 Budget. 25 provide useful insights. However, five measures from five different outputs have weaknesses.
- The Department of Environment, Land, Water and Planning proposed 21 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the department's rationale for the discontinuation in all cases noting most were replaced with superior metrics offering better insights into the performance and impact of funded activities.

8.2

Overview

The Department of Environment, Land, Water and Planning (DELWP) supports the following five portfolios: Energy, Environment and Climate Change; Local Government; Planning; Solar Homes and Water.

DELWP's main responsibilities are for:

- the supply and use of water
- supporting local governance and service provision
- planning and heritage processes

- renewable energy and energy efficiency
- biodiversity and wildlife
- greenhouse gas emissions and climate change
- rebates for solar products.

8.3 Budget summary

In 2019–20 DELWP has the fifth largest budget compared to other departments, representing 3.8% of all funding across all departments.⁷⁸⁵

In 2019–20, DELWP is allocated \$2.5 billion to fund its outputs. Output funding was \$2.9 billion in 2018–19. It has \$2.4 billion of income from transactions available. In 2018–19 \$2.8 billion of income from transactions was available.⁷⁸⁶

DELWP's output appropriations in 2019–20 will decrease by 15.2% from 2018–19 'driven primarily by a reduction in funding for the Victorian Renewable Energy Target and Power Saving Bonus initiatives'.⁷⁸⁷ Employee benefits remained unchanged from 2018–19 to 2019–20.⁷⁸⁸ Interest revenue increased by 58% (from \$13.7 million to \$21.6 million) as a result of the Sustainability Fund Trust and Growth Areas Infrastructure Contribution (GAIC) fund accounts. DELWP advised that the interest earned is based on the balance and length of time funds are held in the account and the market interest rate.⁷⁸⁹

With regard to capital spending, the 2019–20 Budget allocates \$143.5 million to DELWP programs. The 2019–20 Budget allocates \$29.1 million to new DELWP programs of which \$17.6 million (60% of the total new spend) is for the 'Historic Boost for camping in Victoria's Great Outdoors' project.⁷⁹⁰

A further \$47.6 million is allocated in 2019–20 for existing DELWP capital projects, this includes:

- funding to the 'Enhancing Victoria's Liveability' project through improvements to the Parks and Reserve estates from \$0.5 million in 2018–19 to \$8 million in 2019–20.⁷⁹¹

⁷⁸⁵ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 163. As measured by the funding allocated by output group in each department's Performance Statement.

⁷⁸⁶ Ibid.

⁷⁸⁷ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, received 29 May 2019, p. 32.

⁷⁸⁸ Ibid.; In 2018–19 employee expenses were \$508 million. In 2019–20 employee expenses were \$513 million.

⁷⁸⁹ Ibid., p. 32 (Committee calculations).

⁷⁹⁰ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, received 29 May 2019, p. 43 (Committee calculations).

⁷⁹¹ Ibid., p. 43 (Committee calculations).

- funding to the 'National water sports centre and Melbourne Cable Park and infrastructure upgrades' project from \$2.3 million in 2018–19 to \$0.8 million in 2019–20.⁷⁹²

DELWP has a total savings target of \$3.9 million in 2019–20 which makes up 1.9% of the \$201.3 million whole of government efficiencies for 2019–20. DELWP's response to the Committee's questionnaire states that these savings will be achieved 'through implementation of efficiency initiatives and corporate reform'.⁷⁹³

8.4 Energy, Environment and Climate Change portfolio: key issues

The Minister for Energy, Environment and Climate Change is responsible for the following seven outputs:

- Climate Change (funding in 2019–20: \$40.1 million)
- Environment and Biodiversity (funding in 2019–20: \$139 million)
- Statutory Activities and Environment Protection (funding in 2019–20: \$204.3 million)
- Energy (funding in 2019–20: \$178.3 million)
- Management of Public Land and Forests (funding in 2019–20: \$211 million)
- Parks Victoria (funding in 2019–20: \$181.1 million)
- Fire and Emergency Management (funding in 2019–20: \$403.5 million).⁷⁹⁴

The objectives of the Energy, Environment and Climate Change portfolio are supporting a transition to net zero emissions, creating a climate ready economy and community and a healthy, resilient and biodiverse environment.⁷⁹⁵

A number of matters were discussed at the budget estimates public hearings, including the Victorian recycling sector, a state-wide waste policy, the Sustainability Fund, climate change, Victorian Renewable Energy Target (VRET), and the application of Rapid Earth Fault Current Limiters to enhance bushfire safety.⁷⁹⁶ Some key issues are discussed below.

⁷⁹² Ibid.

⁷⁹³ Ibid., p. 45.

⁷⁹⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 163; Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 67–68.

⁷⁹⁵ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 160–62; Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 67–68.

⁷⁹⁶ Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, 2019–20 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 11 June 2019, *Transcript of evidence*.

8.4.1 Victorian Recycling Sector

The 2019–20 Budget allocates \$34.9 million across the forward estimates for the ‘recycling industry response interim measures’ output initiative.⁷⁹⁷ This funding aims to accelerate collaborative procurement of recycling services by councils, improve markets for recycled content, provide community and industry education, and behaviour change programs focused on waste minimisation.⁷⁹⁸ The budget papers state: ‘This initiative will be funded from the Sustainability Fund subject to a final eligibility assessment’.⁷⁹⁹

Funding for this initiative is in addition to the \$37 million allocated in the 2018–19 financial year to implement the Recycling Industry Strategic Plan which aims to: stabilise the recycling sector; increase the quality of recycled materials; improve the diversity and productivity of the recycling sector; and develop markets for recycled materials.⁸⁰⁰ This plan was released in July 2018 in response to China’s National Sword Policy—which limits the import of low quality mixed recyclables, including paper and plastic. While China has not completely banned the import of all recycled plastic and paper, it now requires a cleaner version of these materials.⁸⁰¹

With regard to the ‘recycling industry response interim measures’ output initiative, the Minister for Energy, Environment and Climate Change, Hon Lily D’Ambrosio MP, explained to the Committee that the \$6.6 million allocated in 2019–20 would be spent on:

... diversifying the market through collaborative procurement and incentives to maximise prospects of attracting new entrants into the sector.⁸⁰²

At the budget estimates hearings, the Committee clarified with the Minister if there would be mandatory targets for recovered waste or recovered resources within government procurement contracts. The Minister stated:

... we have not indicated that we would have mandatory targets. What we indicated last year was that we would be looking towards exploring the possibility of setting targets across agencies that have the levers, if you like, to be able to create greater demand to help drive the recycling industry.⁸⁰³

SKM Recycling (SKM)

The activities of SKM were discussed extensively at the budget estimates hearings with the Minister for Energy, Environment and Climate Change. SKM provided recycling sorting services to councils across Victoria. In July 2019, SKM and associated

⁷⁹⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 39.

⁷⁹⁸ *Ibid.*, p. 43.

⁷⁹⁹ *Ibid.*

⁸⁰⁰ Department of Environment Land, Water and Planning, *Victorians urged to keep recycling*, 5 July 2019, <<https://www.environment.vic.gov.au/sustainability/victorians-urged-to-keep-recycling>> accessed 3 September 2019.

⁸⁰¹ *Ibid.*

⁸⁰² Hon. Lily D’Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 11.

⁸⁰³ *ibid.*, p. 12.

glass recycling facility, Glass Recovery Services (GRS), were subject to Environment Protection Authority Victoria (EPA) actions to cease accepting material. As a result, SKM was unable to accept recyclable material because of its inability to process glass at its GRS facility. Subsequent to its temporary closure, SKM was party to legal proceedings in the Supreme Court. It closed at the end of July 2019.

In response to questions taken on notice at the hearings, the Minister stated that as a result of SKM's temporary closure, it was estimated that approximately 22,000 tonnes of recyclable material from kerbside collections was disposed to landfill.⁸⁰⁴

The Victorian Government's Metropolitan Waste and Resource Recovery Group (MWRRG) outlined the impact of SKM's closure on most of its contracted councils who directed the recyclable material to landfill whilst continuing kerbside collections for households.⁸⁰⁵ MWRGG stated:

This is an unfortunate but unavoidable outcome of SKM shutting its doors. Sending recyclable material to landfill is a last resort that all councils take very seriously.⁸⁰⁶

On 27 August 2019, the Government announced a \$10 million loan to SKM's receivers KordaMentha to repair and maintain the machines that sort the waste to prevent it from becoming landfill.⁸⁰⁷ The Minister stated:

This loan is the fastest way of getting recyclable materials sent to processing sites instead of landfill.⁸⁰⁸

The Government explained that the \$10 million loan to SKM:

... comes on top of a \$6.6 million financial relief package to councils directly affected by the closure of SKM which includes a rebate to cover the cost of the landfill levy so councils are not out of pocket.⁸⁰⁹

FINDING 85: The \$6.6 million allocated to the 'Recycling industry response interim measures' output initiative for 2019–20 in the 2019–20 Budget will be used to fund the procurement of contracts to deliver recycling services and rebates for councils directly affected by the closure of SKM Recycling.

⁸⁰⁴ Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, 2019-20 Budget estimates hearing, response to questions on notice, received 5 July 2019, p. 1.

⁸⁰⁵ Metropolitan Waste and Resource Recovery Group Government of Victoria, *Supporting councils to respond to SKM's temporary closure*, 27 August 2019, <<https://mwrrg.vic.gov.au/news/supporting-councils-to-respond-to-skms-temporary-closure>> accessed 3 September 2019.

⁸⁰⁶ Ibid.

⁸⁰⁷ Minister for Energy Environment and Climate Change, *More Support For Victoria's Recycling Sector*, media release, 27 August 2019.

⁸⁰⁸ Ibid.

⁸⁰⁹ Ibid.

8.5 Local Government portfolio: key issues

The Minister for Local Government is responsible for the Local Government output that is receiving funding in 2019–20 of \$124.8 million.⁸¹⁰ The portfolio's objective is to:

- deliver activities in partnership with the local government sector to support effective and efficient local governance, leadership, and infrastructure and service provision
- administer support to local governments to increase accountability and provide support to the Victoria Grants Commission through this output.⁸¹¹

At the budget estimates hearings the Minister for Local Government, Hon Adem Somyurek MLC, outlined the following investments in the portfolio in the 2019–20 Budget:

- \$50 million to the Growing Suburbs Fund to build and upgrade community facilities
- \$2.7 million to safeguard the environment from roadside weeds and pests
- \$1 million to upgrade Pipemakers Park
- \$600,000 to conduct the inquiry into local government rates
- \$300,000 for lighting at Banjo Paterson Park for the Lynbrook Community Centre.⁸¹²

The 2019–20 Budget shows a decrease of \$369 million in funds to local government which is in part explained by the rephasing of \$309.8 million into 2018–19, repeating past practice. The Minister for Local Government explained:

... the rephasing ... [is] due to the commonwealth government deciding that approximately half, or 50 per cent, of these grants will be brought forward in the 2019–20 commonwealth budget ... with the exception of 2015–16, from 2014–15 onwards the federal assistance grants have been brought forward by the commonwealth government every financial year ...⁸¹³

In response to questions on notice the Minister provided the following breakdown of what the remaining \$60 million decrease relates to:

- a change in the Growing Suburbs Fund cash flow with actual payments of \$60 million in 2018–19 compared to the budget of \$50 million in 2019–20 (\$10 million);
- the completion of programs in 2018–19 such as the Rural Councils Transformation Program (\$20 million); and

⁸¹⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 187; Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 65.

⁸¹¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 187.

⁸¹² Hon. Adem Somyurek MLC, *2019–20 Budget estimates hearing presentation: Local Government*, supplementary evidence, received 11 June 2019, p. 5; Hon. Adem Somyurek MLC, Minister for Local Government, 2019–20 Budget estimates (Local Government) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 2.

⁸¹³ Hon. Adem Somyurek MLC, Minister for Local Government, *Transcript of evidence*, p. 2.

- a decrease in grants and transfers in 2019–20 from the Department of Education and Training (by \$29 million) driven by the rephasing into 2018–19 of some of the 2017-18 funding for the Children’s Facilities Capital Program.⁸¹⁴

The key issues relevant to the Local Government portfolio identified during the 2019–20 budget estimates inquiry are discussed below.

8.5.1 Growing Suburbs Fund

The 2019–20 Budget allocated \$50 million in 2019–20 to the Growing Suburbs Fund (GSF).⁸¹⁵ With reference to the funding provided, the budget papers state that it will:

... extend the Growing Suburbs Fund to boost the number of community facility projects delivered in Melbourne’s growing interface councils. Community facilities such as parks, community centres, town centres, playgrounds, swimming pools and cultural facilities will be built or upgraded.⁸¹⁶

DELWP’s response to the Committee’s questionnaire explains that local councils are responsible for the delivery of local services and infrastructure and:

The Growing Suburbs Fund provides supplementary funding from the State Government to support the delivery of local infrastructure projects. Without this funding, local councils would scale the delivery of projects in line with available funding ... Funding provided represents a contribution towards addressing this issue. This funding leverages co-contribution to achieve program outcomes within the funding envelope.⁸¹⁷

The Minister for Local Government informed the Committee that since its inception in 2015 the GSF has contributed to 161 projects of which: 67 are completed, 51 have commenced and 43 are due to commence construction by the end of 2019.⁸¹⁸

At the budget estimates hearings, the Minister also advised that the GSF supports jobs in the interface councils and stated that it ‘has resulted in the creation of more than 5400 jobs, not just in construction but also some ongoing jobs in service delivery as well’.⁸¹⁹

The 2019–20 Budget indicates an expected increase in submissions to the GSF that fully meet the program guidelines in 2019–20, with an increased target of 80% up from 70%. The Minister states that the increased target ‘reflects the increased engagement by the department with councils for this particular purpose’.⁸²⁰

⁸¹⁴ Hon. Adem Somyurek MLC, Minister for Local Government, 2019-20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 1.

⁸¹⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 39.

⁸¹⁶ *Ibid.*, p. 44.

⁸¹⁷ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 39.

⁸¹⁸ Hon. Adem Somyurek MLC, Minister for Local Government, *Transcript of evidence*, p. 5.

⁸¹⁹ *Ibid.*, p. 6.

⁸²⁰ *Ibid.*, p. 2.

8.5.2 Review of Victoria's local government rating system

The 2019–20 Budget allocates \$600,000 to establish and support an independent panel to review Victoria's local government rating system.⁸²¹ At the budget estimates hearings the Minister for Local Government advised the Committee that Victoria's 79 councils raise rates revenue of approximately \$5.7 billion:

Rates revenue accounts for more than half of all revenue received by councils in Victoria. There are 79 councils in Victoria, 48 rural and regional and 31 metropolitan. These 79 councils, as we can expect from such a large population, are very diverse. This diversity is highlighted in the slide above, which shows the disparity of population between Casey, which is Victoria's most populated council with a population of 340,419 and Queenscliffe, which only has a population of 2,989 residents.⁸²²

The Minister also highlighted that the diversity of rate revenue across councils creates challenges.⁸²³

Obviously having a declining or stagnant population base means that source revenue is therefore decreasing, which means that critical local infrastructure—in the case of rural municipalities or shires, they have got a lot of roads and a lot of bridges, and when you have got your source revenue decreasing, as does Queenscliffe, for example, you can have massive sustainability issues.⁸²⁴

With reference to the review of Victoria's rating system, the Minister explained that the funding provided in the 2019–20 Budget will:

... support the delivery of the review and enable broad community consultation and comprehensive research into the current rating and other comparable systems. Victorians will be able to put their views to the panel and participate in the review process with the panel in order to deliver their recommendations to government by March 2020.⁸²⁵

At the budget estimates hearings, the Committee sought an explanation from the Minister as to why the rate cap, currently set at 2.5%,⁸²⁶ was excluded from the review. Noting that council rates in some areas have recently increased by approximately 30%, the Committee was concerned about the application of the rate cap across all councils. The Minister acknowledged that in the 10 years leading up to the introduction of the Fair Go Rates cap in 2016, rates on average in Victoria increased by a national average of 6%—well above inflation.⁸²⁷ However, with reference, to the Essential Services

⁸²¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 405.

⁸²² Hon. Adem Somyurek MLC, Minister for Local Government, *Transcript of evidence*, p. 1.

⁸²³ *Ibid.*

⁸²⁴ *Ibid.*

⁸²⁵ *Ibid.*, p. 4.

⁸²⁶ Essential Services Commission, *Council rate caps*, <<https://www.esc.vic.gov.au/local-government/council-rate-caps>> accessed 3 September 2019.

⁸²⁷ Hon. Adem Somyurek MLC, Minister for Local Government, *Transcript of evidence*, p. 4.

Commission's *Local council outcomes report 2019* released on 23 May 2019, the Minister highlighted:

It concluded that rate capping has achieved its goal of reducing rate increases for the average ratepayer without compromising service delivery and infrastructure maintenance. This does not mean that the individual ratepayers will not experience increases that are higher or lower than the average rate due to the relative movements in their property prices—property valuations.⁸²⁸

The Minister explained that the rating system review 'will look at how the rate burden is distributed fairly and equitably within the rate cap'.⁸²⁹ It is due to report by March 2020.

RECOMMENDATION 43: The Department of Environment, Land, Water and Planning incorporate into the budget papers performance measures relevant to the recommendations accepted by government from the review of Victoria's local government rating system.

8.6 Planning portfolio: key issues

The Minister for Planning is responsible for one output: Planning, Building and Heritage (2019–20: \$327.1 million).⁸³⁰ The objective of the portfolio is to provide 'productive and effective land management' and 'a quality built environment'.⁸³¹

The Planning portfolio is responsible for planning and heritage processes, including assessing applications and making recommendations for registration and permits under the *Heritage Act 2017* (Vic) that are being considered by the Heritage Council or the Victorian Civil and Administrative Tribunal.⁸³²

A number of matters relevant to the portfolio were discussed at the public hearings including: building approvals and the building industry more generally, cladding, Plan Melbourne, the Environment Effects Statement (EES) process, the North East Link, the Great Ocean Road Action Plan, and the privatisation of building surveyors. Some of these issues are discussed in further detail below.

8.6.1 Cladding

The 2019–20 Budget allocates \$5.2 million in 2018–19, \$46.4 million in 2019–20, \$45.4 million in 2020–21, \$37.2 million in 2021–22 and \$31.1 million in 2022–23 to the

⁸²⁸ Ibid., pp. 4–5.

⁸²⁹ Ibid., p. 5.

⁸³⁰ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 66; Department of Treasury and Finance, *Budget Paper No. 3*, p. 163.

⁸³¹ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 66.

⁸³² Department of Environment, Land, Water and Planning, *Guide to Victoria's planning system: The role of the Minister* <<https://www.planning.vic.gov.au/guide-home/the-role-of-the-minister>> accessed 3 September 2019.

Cladding Rectification Program.⁸³³ This program will involve rectification of Victorian Government and Technical and Further Education (TAFE) sites, identification and risk assessments of private buildings and evaluation of rectification programs.⁸³⁴ The Minister for Planning, Hon Richard Wynne MP, informed the Committee that the \$165 million allocated to the program will be used ‘to work with the Victorian Building Authority (VBA) on a comprehensive cladding rectification program to rectify 95 government owned buildings’.⁸³⁵

The 2019–20 Budget also allocates \$4.5 million in 2019–20 to the ‘Transforming Victoria’s building system’ output initiative.⁸³⁶ This initiative will fund the VBA to continue its work to meet inspections of 10% of building permits annually to improve safety and quality outcomes, as committed by the Government in response to the Victorian Cladding Taskforce Interim Report.⁸³⁷

Victorian Government Cladding Taskforce

The work of the Victorian Government Cladding Taskforce and the February 2019 fire at the Neo200 Tower on Spencer Street were discussed extensively at the budget estimates hearing with the Minister for Planning.⁸³⁸

The Cladding Taskforce is investigating the extent of non-compliant cladding on buildings across Victoria. On behalf of the Cladding Taskforce, the VBA undertook a building audit to assess the extent of non-compliant cladding on buildings.⁸³⁹ The Minister for Planning provided the following breakdown of ratings attributed to the 1,033 private buildings that had been risk assessed by expert panels as of 14 June 2019.

Table 8.1 Expert determinations—Risk ratings of private buildings

Risk ratings	Number of buildings
Extreme Risk	72
High Risk	392
Moderate Risk	373
Low Risk	193
TOTAL	1033

Source: Hon. Richard Wynne MP, Minister for Planning, response to the 2019–20 Budget estimates written questions on notice, received 5 July 2019, p. 1.

⁸³³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 40.

⁸³⁴ *Ibid.*, pp. 40, 46.

⁸³⁵ Hon. Richard Wynne MP, Minister for Planning, 2019–20 Budget estimates (Planning) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 2.

⁸³⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 40.

⁸³⁷ *Ibid.*, p. 47.

⁸³⁸ Hon. Richard Wynne MP, Minister for Planning, *Transcript of evidence*.

⁸³⁹ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 193.

The Cladding Taskforce issued an interim report in July 2019 that provided the following breakdown of ratings attributed to 294 government buildings that had been risk assessed by expert panels.

Table 8.2 Expert determinations—Risk ratings of government buildings

Risk ratings	Number of buildings
Extreme Risk	0
High Risk	89
Moderate Risk	107
Low Risk	98
TOTAL	294

Source: Government of Victoria, Department of Environment, Land, Water and Planning, *Victoria Cladding Taskforce: Report from the Co-Chairs*, Melbourne, July 2019, p. 25.

The Expert Panel uses a risk assessment tool to determine:

... whether the cladding presents such a high risk that evacuation should be considered, or whether immediate measures are available which, if taken, will reduce the risk to an acceptable level pending rectification.⁸⁴⁰

The Minister informed the Committee that ‘the government will be guided, in the decision-making around the next stages of any further interventions that the government will be taking in relation to rectification by the cladding task force’.⁸⁴¹

With regard to the rectification of private and government buildings with combustible cladding, the Committee notes that the July 2019 Cladding Taskforce interim report recommended:

17. that DELWP oversee a process of rectification of Victorian Government buildings with combustible cladding to ensure that rectification is completed in a timely, cost effective manner that achieves safety outcomes...
21. that the Victorian Government take a risk-based approach to prioritising buildings for funding in the program of rectification of private buildings.⁸⁴²

Privatisation of building surveyors

At the budget estimates hearings the Minister for Planning described ‘the privatisation of building surveyors’ as ‘the genesis’ of the cladding problem.⁸⁴³ The Auditor-General tabled *Victoria’s Consumer Protection Framework for Building Construction* audit report

⁸⁴⁰ Government of Victoria, Department of Environment, Land, Water and Planning, *Victoria Cladding Taskforce: Report from the Co-Chairs*, Melbourne, July 2019, p. 22.

⁸⁴¹ Hon. Richard Wynne MP, Minister for Planning, *Transcript of evidence*, p. 12.

⁸⁴² Government of Victoria, *Victoria Cladding Taskforce: Report from the Co-Chairs*, July 2019, pp. 7-8.

⁸⁴³ Hon. Richard Wynne MP, Minister for Planning, *Transcript of evidence*, p. 8.

in May 2015.⁸⁴⁴ The audit included an examination of the conflict of interest issues that often arise in relation to building surveyors, who issue building permits and manage site inspections. The report found there were long standing conflicts of interest regarding surveyors, starting with the practise of builders appointing a surveyor to issue a permit for a project, instead of consumers.⁸⁴⁵

The Minister for Planning explained to the Committee that the VBA ‘has taken up the municipal building surveyor role to ensure that there is a consistent application’ in terms of the Government’s approach to assessing buildings for non-complaint cladding.⁸⁴⁶

The Minister explained to the Committee that the Government is considering legislative reforms in the building surveying industry to be introduced by the end 2019.⁸⁴⁷ In this context, the Minister also outlined the importance of ensuring that manufacturers supply products that meet domestic safety requirements. The Minister drew to the Committee’s attention the following recent Government initiatives to improve compliance:

- A May 2018 guideline restricts the continued use of combustible materials on multi-story buildings in Victoria. Building surveyors who ignore this directive will be subject to disciplinary action by the VBA and may incur financial penalties.
- The VBA has new product testing powers and the power to suspend practitioners immediately on public interest grounds.
- Amendments to the *Building Act 1993* (Vic) (Building Act) introduce frameworks for the registration of trades and licensing of building employees. This means that from 1 September 2020 it will be an offence for persons to carry out certain types of building work without being registered or licensed to do so. The scope of regulation required to be implement the framework is currently being considered by DELWP.⁸⁴⁸

The Committee also notes that the July 2019 interim report of the Cladding Taskforce recommended:

12. that the VBA develop a strategy for oversight of building surveyors including potential auditing against a code of conduct.⁸⁴⁹

FINDING 86: Multiple initiatives, including legislative reforms, are underway and have been funded in the 2019–20 Budget to address the use of non-compliant cladding on buildings.

⁸⁴⁴ Victorian Auditor-General, *Victoria’s Consumer Protection Framework for Building Construction*, Melbourne, 2015.

⁸⁴⁵ Ibid.

⁸⁴⁶ Hon. Richard Wynne MP, Minister for Planning, *Transcript of evidence*, p. 16.

⁸⁴⁷ Ibid., p. 15.

⁸⁴⁸ Hon. Richard Wynne MP, Minister for Planning, 2019-20 Budget estimates hearing, response to questions on notice, received 5 July 2019, p. 6.

⁸⁴⁹ Department of Environment, Land, Water and Planning, *Victoria Cladding Taskforce: Report from the Co-Chairs*, Melbourne, July 2019, p. 7.

The Committee notes that on 16 July 2019 the Government announced a \$600 million package to fix buildings with combustible cladding. The Committee expects this additional funding to be reflected in the 2019–20 Budget Update.⁸⁵⁰

Redress for residents and owners

In response to questions taken on notice at the budget estimates hearings, the Minister confirmed that under the *Owners Corporation Act 2006* (Vic) it is the responsibility of building owners to ensure the safety of their buildings. The Minister explained:

Owners may be able to seek redress for non-compliant building work through Domestic Building Dispute Resolution Victoria or the Victorian Civil Appeals Tribunal (VCAT) for up to ten years post-construction.⁸⁵¹

The Committee also asked the Minister for Planning about the protections available to residents and owners regarding problems with building construction, the Minister stated:

Under the *Building Act 1993*, relevant building surveyors (RBSs) may issue directions to fix building work to owners or builders if, after inspection of a building, the RBS reasonably believes that the work fails to comply with the Act, the Regulations or the permit, the RBS will determine the appropriate next steps.

The Victorian Building Authority (VBA) has previously issued directions to builders to fix building work after construction was completed, however in 2017 the Supreme Court determined that the VBA can only do this before a certificate of final inspection or occupancy permit is issued. Therefore it is the responsibility of owners to comply with directions to fix building work on completed buildings.⁸⁵²

The Minister also explained that under the Building Act the RBS may issue a building notice or a building order to the owner or owners corporation where:

- works are required to bring a building into compliance, or
- the matter presents an immediate danger to life or property.⁸⁵³

In this instance, the Minister stated that the 'RBS may refer it to the local Municipal Building Surveyor to consider the issue of an emergency order. Owners are required to comply with notices and orders'.⁸⁵⁴ The Minister informed the Committee that 51 Emergency Orders, 368 Building Notices and 27 Building Orders have been issued by local councils and the VBA.⁸⁵⁵

⁸⁵⁰ Premier of Victoria, *Tackling High-Risk Cladding To Keep Victorians Safe*, media release, 16 July 2019.

⁸⁵¹ Hon. Richard Wynne MP, Minister for Planning, response to questions on notice, p. 3.

⁸⁵² Hon. Richard Wynne MP, Minister for Planning, response to the 2019-20 Budget estimates written questions on notice, received 5 July 2019, p. 4.

⁸⁵³ Ibid.

⁸⁵⁴ Ibid.

⁸⁵⁵ Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, 2019-20 Budget estimates hearing, response to questions on notice, received 5 July 2019, p. 1.

Cladding Rectification Agreements

In response to written questions on notice the Minister for Planning advised the Committee that in October 2018, the Government introduced legislation that created the framework for Cladding Rectification Agreements, 'to provide an option for councils to assist their ratepayers to manage the long term funding of rectification'.⁸⁵⁶ The Minister explained:

Cladding Rectification Agreements provide a mechanism by which an owner or owners corporation, lender and council may enter a three-way agreement to fund cladding rectification works. The lender will loan the funds to an owner or owners corporation and loan repayments will be made over time through the council rates system.⁸⁵⁷

The Minister for Planning informed the Committee that at this stage the City of Melbourne is the only council prepared to offer a Cladding Rectification Agreement.⁸⁵⁸ However, DELWP is continuing to work with Moreland, Darebin, and Dandenong councils.⁸⁵⁹ The Minister acknowledged:

There is clearly some anxiety within local government about potential implications of the cladding rectification agreements, so we are looking, particularly through Local Government Victoria, to work with a number of those councils where you have got these clusters of clad buildings to ensure that, one, they understand the mechanism, two, they understand how they actually work, and that in fact they do not inherit any liability—this is local government—by entering into those agreements.⁸⁶⁰

8.7 Solar Homes portfolio: key issues

The Minister for Solar Homes is responsible for the Solar Homes output (\$139.4 million funding in 2019–20).⁸⁶¹ The objective of the portfolio is to deliver reliable, sustainable and affordable energy services.⁸⁶²

A number of issues were discussed at the public hearings including the cost of the Solar Homes program, excess demand for solar panels, solar panels for renters, energy bill increases, job creation as a result of the solar industry, solar panel installations, complaints from installers of solar and the safety of solar installations.⁸⁶³ The Solar Homes program and excess demand are discussed in further detail below.

⁸⁵⁶ Hon. Richard Wynne MP, Minister for Planning, response to questions on notice, p. 8.

⁸⁵⁷ Ibid.

⁸⁵⁸ Hon. Richard Wynne MP, Minister for Planning, *Transcript of evidence*, p. 15.

⁸⁵⁹ Ibid.

⁸⁶⁰ Ibid.

⁸⁶¹ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, received 31 May 2019, p. 68.

⁸⁶² Ibid.

⁸⁶³ Hon. Lily D'Ambrosio MP, Minister for Solar Homes, 2019–20 Budget estimates (Solar Homes) hearing, Melbourne, 11 June 2019, *Transcript of evidence*.

8.7.1 Solar Homes program

The 2019–20 Budget expands the Solar Homes program by investing \$545 million over five years,⁸⁶⁴ \$11.6 million of which is allocated from the Municipal and Industrial Landfill Levy.⁸⁶⁵ This funding forms part of a total \$1.3 billion investment over the next 10 years.⁸⁶⁶

The Solar Homes program subsidises the cost of solar panel energy systems, solar hot water systems or battery storage for homes with existing solar panels.⁸⁶⁷ It allows eligible Victorians to install a solar panel system for half price and pay the rest of the cost back over four years interest free.⁸⁶⁸

In response to the Committee's questionnaire, DELWP outlined an increase in appropriations partially attributable to increased funding for Solar Homes initiatives. DELWP outlined that the 34% increase in output appropriations from the 2018–19 Budget figure to the 2018–19 revised figure was driven primarily by additional funding received for the VRET and Solar Homes programs in 2018–19.⁸⁶⁹

The Committee questioned the Minister for Solar Homes, Hon Lily D'Ambrosio MP, in relation to the amount of rebates paid and the total cost of the program thus far. In a response to a question on notice, the Minister outlined that at 12 April 2019, close to 10,000 applications had been finalised and close to \$21 million of rebates paid.⁸⁷⁰

Excess demand

In April 2019, the Government announced that it would put a freeze on its \$1.3 billion solar panel installation rebate package until July when new caps would be put in place, as a result of oversubscription for the financial year.⁸⁷¹

While the high demand for rebates shows interest in the project, it also demonstrates that not all consumers were able to apply for a rebate because of allocation being exhausted. The Committee questioned the Minister regarding the mechanism and its ability to deal with excess demand. The Minister indicated that DELWP is:

... looking at a more steady stream of rebate releases that are more orderly now that we are returned to government and we have got a 10-year program ahead of us.⁸⁷²

⁸⁶⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 39.

⁸⁶⁵ Department of Treasury and Finance, *Delivering for all Victorians: 2019–20 overview*, Melbourne, 2019, p. 48.

⁸⁶⁶ Department of Treasury and Finance, *Delivering for all Victorians: rural and regional*, 2019–20 Budget information paper, Melbourne, 2019, p. 17.

⁸⁶⁷ Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2019, p. 16.

⁸⁶⁸ Minister for Solar Homes, *Thousands Of Victorian Homes Save Millions On Solar*, media release, 18 January 2019.

⁸⁶⁹ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 32.

⁸⁷⁰ Hon. Lily D'Ambrosio MP, Minister for Solar Homes, 2019–20 Budget estimates hearing, response to questions on notice, received 5 July 2019, p. 1.

⁸⁷¹ Premier of Victoria, *Victoria's Solar Revolution Hits 30,000 Homes*, media release, 9 April 2019.

⁸⁷² Hon. Lily D'Ambrosio MP, Minister for Solar Homes, *Transcript of evidence*, p. 6.

At the hearing the Committee also questioned the Minister about complaints and dissatisfaction from the industry about the Solar Homes program.⁸⁷³ The Minister stated:

Certainly there were some complaints from some installers, but I will say to you that there were at least 7500 installations that are still to be installed, and this represents three months of installations, so between April and the end of June there was plenty of work still available for the industry to be able to mitigate the reach of the rebates that we achieved earlier than expected.⁸⁷⁴

On 28 August 2019 the Government announced a boost to the Solar Homes program which included:

- extra rebates for the 2019–20 year to be released fortnightly, rather than monthly aimed to provide a more consistent supply of work for solar installers; and
- streamlining of the Solar Victoria web portal aimed to make it simpler for households to apply for a rebate.⁸⁷⁵

FINDING 87: The solar panel subsidy scheme is facing excess demand, resulting in allocations being exhausted faster than originally envisaged. However, the Government has brought rebates forward and changed the program aimed to provide a more steady supply for solar installers and make it simpler for households to apply for the rebate.

8.8 Water portfolio: key issues

The Minister for Water is responsible for one output: Effective Water Management and Supply (funding in 2019–20: \$302.2 million).⁸⁷⁶

The Water portfolio manages Victoria's groundwater, catchments and waterways, water security infrastructure, water saving and re-use projects, flooding, governance and water legislation. It also works in partnership with a network of government agencies and water authorities.⁸⁷⁷ Through the Water portfolio the Minister maintains accountability for the following entities:

- Victorian Environmental Water Holder—an independent statutory body responsible for holding and managing Victoria's environmental water entitlements.⁸⁷⁸

⁸⁷³ Ibid.

⁸⁷⁴ Ibid., p. 6.

⁸⁷⁵ Minister for Solar Homes, *More Rebates, More Savings And A Safer Solar Industry*, media release, 28 August 2019.

⁸⁷⁶ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 181–83.

⁸⁷⁷ Department of Environment, Land, Water and Planning, *Water and Catchments*, 2019, <<https://www.water.vic.gov.au>> accessed 28 August 2019.

⁸⁷⁸ Victorian Environmental Water Holder, *About the Victorian Environmental Water Holder*, 2019, <<http://www.vewh.vic.gov.au/about-vewh>> accessed 28 August 2019.

- Victorian Catchment Management Authorities—responsible for the integrated planning and coordination of land, water and biodiversity management in each catchment and land protection region.⁸⁷⁹
- Victorian Water Corporations—providing a range of services to customers including water supply, sewage and trade waste disposal and treatment, water delivery for irrigation and domestic and stock purposes, drainage and salinity mitigation services.⁸⁸⁰

\$387.2 million was expended in 2018–19 by the Water portfolio. \$302.2 million has been allocated in the 2019–20 Budget. The Budget states that the lower outcome is due to ‘changes to the expenditure profile of the Goulburn Murray Water Connections Project’.⁸⁸¹

At the budget estimates hearings, the Committee asked the Minister for Water, Hon Lisa Neville MP, to provide context for the reduction in funding allocated to the Water portfolio in the 2019–20 Budget, noting recent water shortages. The Minister explained that the Government had spent much of tranche four of the Environmental Contribution Levy (ECL) collected from water supply authorities in 2016–17 and 2018–19—to finance projects to improve the health of Victoria’s waterways—leaving less funding for 2018–19 and 2019–20.⁸⁸² In addition, the phasing of capital investment and Commonwealth funding for water security connections projects have caused a reduction in the portfolio’s funding in the 2019–20 Budget. However, the Minister noted that on average the State Government is ‘still away above where we were, and we would expect tranche five ... [of the ECL to] get us back up again ...’⁸⁸³

The other topics that were discussed during the budget estimates hearings include: Commonwealth and Victorian Environmental water holders; the ECL; Water for Victoria strategy; Murray-Darling Basin and Yarra River Action plans; Victorian water shortages, desalination, and water saving projects including Target 155; water security infrastructure projects; Statutory Water Corporation dividends; consumer water prices; and protection of Aboriginal water values.⁸⁸⁴ Some of these matters are discussed in further detail below.

8.8.1 Commonwealth funding for water security initiatives

At the budget estimates hearings, the Minister for Water advised the Committee that the Water portfolio’s programs receive both State and Commonwealth funding. The Commonwealth provides funding for water security initiatives to states and

⁸⁷⁹ Premier of Victoria, *Strengthening Diversity In Victoria’s Water Management: Minister for Water*, media release, Melbourne, 7 March 2019.

⁸⁸⁰ Ibid.

⁸⁸¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 183.

⁸⁸² Hon. Lisa Neville MP, Minister for Water, 2019–20 Budget estimates (Water) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 13.

⁸⁸³ Ibid.

⁸⁸⁴ Ibid.

territories through the National Infrastructure Development Fund and the National Water Infrastructure Loan Facility.⁸⁸⁵ Available through bilateral schedules in accordance with the *Federal Financial Relations Act 2009* (Cth), the aim of the Fund is to:

Accelerat[e] the detailed planning and construction of water infrastructure projects that will deliver new and affordable water, enhance water security and underpin regional economic growth, including irrigated agriculture and industry.⁸⁸⁶

Complementing the Fund, the Loan Facility provides ‘concessional loans to co-fund the construction of economically viable water infrastructure’.⁸⁸⁷

In 2019, the Victorian Government secured \$29 million in Commonwealth funding to enable the ‘first stage of the Victorian Murray Floodplain Restoration Project to get underway’.⁸⁸⁸ The Minister for Water stated:

... the project would contribute to environmental outcomes of the Murray Darling Basin Plan—delivering ecological benefits to wetlands, native fish, birds and plants at nine sites along the Murray River in northern Victoria, helping to drought-proof precious floodplains and wetlands. The initial stage of the Project will include designs, approvals, operating and monitoring plans and other pre-construction activities for regulators, pipes and pumps to water wetlands and floodplains at each site ... The estimated construction cost of the Project is more than \$300 million ... [and] will be delivered collaboratively by a regional partnership coordinated by Lower Murray Water and supported by Goulburn Murray Water, Mallee Catchment Management Authority, North Central Catchment Management Authority and Parks Victoria.⁸⁸⁹

FINDING 88: The Victorian Government has secured \$29 million in Commonwealth funding to enable the first stage of the Victorian Murray Floodplain Restoration Project to commence.

8.8.2 Water security infrastructure projects

The 2019–20 Budget invests in a number of existing Victorian water security infrastructure projects, including:

- Water security for East Grampians (estimated expenditure 2019–20: \$17 million)
- Water Security for Mitiamo (estimated expenditure 2019–20: \$10 million)

⁸⁸⁵ Australian Government, National Water Grid Authority, *Water Infrastructure Projects: Victorian Government, through the Department of Environment, Land, Water and Planning*, 3 July 2019, <<https://www.infrastructure.gov.au/infrastructure/water-infrastructure/nwi-development-fund/water-infrastructure-projects.aspx>> accessed 28 August 2019.

⁸⁸⁶ Australian Government, National Water Grid Authority, *National Water Infrastructure Development Fund*, 8 July 2019, <<https://www.infrastructure.gov.au/infrastructure/water-infrastructure/nwi-development-fund>> accessed 28 August 2019.

⁸⁸⁷ Australian Government, National Water Grid Authority, *National Water Infrastructure Loan Facility*, 3 July 2019, <<https://www.infrastructure.gov.au/infrastructure/water-infrastructure/nwi-loan-facility>> accessed 28 August 2019.

⁸⁸⁸ Premier of Victoria, *Murray Floodplain Restoration Project Begins: Minister for Water*, media release, Melbourne, 2 July 2019.

⁸⁸⁹ Ibid.

- Water for Victoria—Entitlements and planning (statewide) (estimated expenditure 2019–20: \$3.5 million)
- Non-potable irrigation water for Melbourne Gardens (metropolitan various) (estimated expenditure 2019–20: \$2.3 million)
- Recycled irrigation water for Cranbourne Gardens (estimated expenditure 2019–20: \$650,000).⁸⁹⁰

In addition, the 2019–20 Budget outlines a total estimated expenditure of \$1.8 billion for the administration of new and existing water security projects by Victorian Water Corporations (Public Non-Financial Corporations).⁸⁹¹ This funding will support projects such as:

- The Goulburn-Murray Water Connections Project (estimated expenditure 2019–20: \$46.9 million)⁸⁹²
- East Grampians Rural Water Supply Project (estimated expenditure 2019–20: \$14 million)⁸⁹³
- MID 2030: modernising the Macalister Irrigation District (Gippsland) Phase 1B (estimated expenditure 2019–20: \$8.7 million)⁸⁹⁴
- South West Loddon Rural Water Supply Project (estimated expenditure 2019–20: \$8.4 million)⁸⁹⁵
- Werribee Irrigation District Modernisation Project (estimated expenditure 2019–20: \$4.1 million)⁸⁹⁶
- Bacchus Marsh Irrigation District Modernisation Project (estimated expenditure 2019–20: \$672,000).⁸⁹⁷

At the budget estimates hearings, the Committee sought information from the Minister for Water about the progress and the benefits of the Government’s regional water security infrastructure projects. In particular, the Minister was asked about providing water that is saved through such projects back to irrigators. The Minister advised the Committee that the portfolio would be seeking advice from a consultative committee on the best way to deliver saved water back to irrigators. The Minister stated:

... It is [the irrigators] water. They will get their water. I am also looking at interim arrangements by the end of next year [to see] if we can ... make some interim down payments, so not waiting for two seasons ...⁸⁹⁸

⁸⁹⁰ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, pp. 58–59.

⁸⁹¹ *Ibid.*, pp. 22–24 (Committee calculations).

⁸⁹² *Ibid.*, p. 126.

⁸⁹³ *Ibid.*, p. 134.

⁸⁹⁴ *Ibid.*, p. 125.

⁸⁹⁵ *Ibid.*, p. 134.

⁸⁹⁶ *Ibid.*, p. 125.

⁸⁹⁷ *Ibid.*

⁸⁹⁸ Hon. Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 12.

In addition, the Minister for Water informed the Committee that many regional water security infrastructure projects are dependent upon the success of finalising contracts with the Commonwealth Government;⁸⁹⁹ and unfortunately, despite several attempts to obtain federal investment for projects in Werribee and Bacchus Marsh—the ‘biggest vegetable-growing area in Victoria’—to date, the Government has been unsuccessful.⁹⁰⁰

Although the Government is investing in water security infrastructure projects, the 2019–20 budget papers do not outline how the impact of each individual project will be measured.

RECOMMENDATION 44: Performance measures be considered which may provide insights into the effectiveness of the Government’s investment in individual capital projects to strengthen water security for Victoria.

8.8.3 Water shortages

The 2019–20 Budget outlines an estimated expenditure in 2019–20 of \$3.5 million for entitlements and planning to existing capital projects relevant to the Water for Victoria plan.⁹⁰¹ In 2016 the Victorian Government invested \$584 million over four years into the implementation of the State’s water plan, Water for Victoria.⁹⁰² This investment was to be used to fund projects to ‘strengthen water security for communities, protect jobs and agriculture, recognise Aboriginal water values and improve environmental health.’⁹⁰³

The Minister for Water gave the Committee an overview of the current water shortages in Victoria at the budget estimates hearings, noting that ‘of the last 20 years, 18 have been below average rainfall figures in Victoria’, and since the beginning of 2019 rainfall ranged from 29% to 79% below average.⁹⁰⁴ With regard to dams, while Melbourne is sitting at 49.9% capacity, regional dams in the Goulburn-Murray area have seen the largest ‘reduction in storage levels occur in northern Victoria’ since the beginning of the year, due to ‘both reduction in overall allocation available’ and ‘storages continuing to decline’.⁹⁰⁵ The Minister expressed concern about the continuation of dry conditions which could significantly impact the dairy industry in Northern Victoria.⁹⁰⁶

To tackle water shortages in Victoria, the Government has implemented ‘over 100 significant projects’ as part of the Integrated Water Management Framework⁹⁰⁷

⁸⁹⁹ Ibid., p. 5.

⁹⁰⁰ Ibid., pp. 5-6.

⁹⁰¹ Department of Treasury and Finance, *Budget Paper No. 4*, p. 59.

⁹⁰² Minister for Water, *Strengthening Diversity In Victoria’s Water Management*, media release, 7 March 2019.

⁹⁰³ Minister for Water, *Water For Victoria: A Blueprint For The Future*, media release, Melbourne, 19 October 2016.

⁹⁰⁴ Hon. Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 1.

⁹⁰⁵ Ibid.

⁹⁰⁶ Ibid.

⁹⁰⁷ Ibid.

that operationalises the Water for Victoria plan.⁹⁰⁸ The Minister for Water outlined that the Government's approach to water security centres on the reduction of potable (drinkable) water use, greater use of recycled water, improved stormwater management, and the supplementation of water supply through desalination.⁹⁰⁹

The Water for Victoria plan presents other water saving approaches, such as the Target 155 program which was reactivated in Melbourne and implemented locally by each urban water corporation to provide advice and education to the community about water efficiency and encourage households to limit their water usage to 155 litres per person per day.⁹¹⁰ The Minister for Water explained that as a result of Target 155:

Victorians, or Melburnians, have reduced their water use from 245 litres per day per person in [the year] 2000 to 161 litres per day per person. That is the average. At the moment we are running at 133 as of the last week. But to get us from 161 to 155 would save us 11 gig[alitre]—more than what we save in, say, stage 1 water restrictions. We already, from the drop from 245 to 161, save 150 gigs a year. Melburnians have saved that through those water savings. All our water authorities have a strong focus on reaching Target 155 ... Interestingly most of our water use occurs now in our home—almost 70 per cent ...⁹¹¹

The Government ordered 125 gegalitres of desalinated water to underpin the State's 2019–2020 supply after Melbourne's average water storage levels dropped below 55%.⁹¹² The Minister for Water advised the Committee that on average, households would pay an extra \$10 to fund the 125 gegalitre order.⁹¹³ In total, the Government has budgeted \$696 million in 2019–20 to fund the Victorian Desalination Project.⁹¹⁴

FINDING 89: In total, the Government has budgeted \$696 million in 2019–20 to fund the Victorian Desalination Project.

RECOMMENDATION 45: The Department of Environment, Land, Water and Planning consider budget paper performance measures to monitor the Victorian water consumption target of 155 litres per person per day.

⁹⁰⁸ Department of Environment, Land, Water and Planning, *Integrated Water Management Program*, 21 May 2019, <<https://www.water.vic.gov.au/liveable/integrated-water-management-program>> accessed 28 August 2019.

⁹⁰⁹ Hon. Lisa Neville MP, Minister for Water, *Transcript of evidence*, pp. 11–12.

⁹¹⁰ Department of Environment, Land, Water and Planning, *Liveable cities and towns: Target 15*, 16 July 2019, <<https://www.water.vic.gov.au/liveable-cities-and-towns/using-water-wisely/target-155-target-your-water-use>> accessed 28 August 2019.

⁹¹¹ Hon. Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 2.

⁹¹² Premier of Victoria, *Desalination Water To Protect Supply After Dry Summer: Minister for Water*, media release, Melbourne, 18 March 2019.

⁹¹³ Hon. Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 4.

⁹¹⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 99.

8.9 Department wide: key issues

8.9.1 Employees who identify as having a disability

As noted in the Committee's *Report on the 2018–19 Budget Estimates*, the Government has set a target of 6% of public sector employees with a disability by 2020, increasing to 12% by 2025 as part of the Every Opportunity: Victorian Economic Participation Plan for People with Disability 2018–2020.⁹¹⁵ The *State of the Public Sector in Victoria 2017–2018* stated:

Representation of people with disability within the public sector is currently at 2.6 per cent, which is lower than the proportion of people with disability within the Victorian labour force (9 per cent).⁹¹⁶

In its *Report on the 2018–19 Budget Estimates* the Committee recommended:

Recommendation 2: Departments begin collecting data on the proportion of their workforce who have a disability based on their own payroll and human resources systems, in order to establish baseline data and meet the recruitment targets set out in the Government's *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.⁹¹⁷

The Government supported this recommendation and stated:

Departments will enhance reporting systems to meet the recruitment targets set out in the Government's *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.⁹¹⁸

DELWP's response to the Committee's 2019–20 questionnaire, recorded zero staff members who identify as having a disability.⁹¹⁹ The reasons for this were not provided the Committee. However, DELWP's response to the Committee's 2018–19 questionnaire indicated: 'The department does not collect data to determine the number of staff with a disability'.⁹²⁰

⁹¹⁵ Department of Health and Human Services, *Every opportunity: Victorian economic participation plan for people with disability 2018–2020*, Victorian Government, Melbourne, 2018, p. 5.

⁹¹⁶ Victorian Public Sector Commission, *State of the public sector in Victoria 2017–2018*, Victorian Government, Melbourne, 2018, p. 76.

⁹¹⁷ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 50.

⁹¹⁸ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2018–19 Budget Estimates*, 5 March 2019, p. 2.

⁹¹⁹ Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, p. 62.

⁹²⁰ *Ibid.*, p. 34.

RECOMMENDATION 46: The Department of Environment, Land, Water and Planning collect data on the proportion of its workforce who have a disability to meet the recruitment targets set out in the Government’s Every Opportunity: Victorian economic participation plan for people with disability 2018–2020.

8.10 Performance measures

8.10.1 Energy, Environment and Climate Change portfolio

During the estimates hearing with the Minister for Energy, Environment and Climate Change, the Committee noted there are no performance measures or targets in the budget papers for the diversion of waste from landfill despite the 2019–20 Budget providing an additional \$66 million for related initiatives bringing the Government’s total investment to date to more than \$135 million.⁹²¹

A Committee member queried this with the Minister noting such targets had been established in other jurisdictions:

Minister, just continuing on the recycling crisis, in February this year the South Australian government announced a range of grants ... [for various projects] to help the South Australian government achieve their target of 83.4 per cent of all waste diverted from landfill. What is Victoria’s target?⁹²²

The Minister responded by outlining the current rate of waste recovery in Victoria and emphasised the Government was focused on improving upon this moving forward.⁹²³

RECOMMENDATION 47: The Department of Environment, Land, Water and Planning consider new performance measures and targets for the 2020–21 Budget providing insights into the effectiveness and efficiency of state-wide waste diversion and recycling initiatives.

8.10.2 Department wide: analysis of new performance measures

DELWP added 30 new performance measures in the 2019–20 Budget. The vast majority, 25 out of the 30 new measures, provide useful insights and/or improve the comprehensiveness of performance information already contained in the budget papers. However, the remaining five measures have weaknesses.

Table 8.3 below summarises the issues for each of the problematic measures by the relevant output.

⁹²¹ Hon. Lily D’Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 2.

⁹²² Mr Danny O’Brien MP, Public Accounts and Estimates Committee, 2019–20 Budget estimates (Energy, Environment, and Climate Change) hearing, Melbourne, *Transcript of Evidence*, 11 June 2019, p. 16.

⁹²³ Hon. Lily D’Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 16.

Table 8.3 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Environment and Biodiversity	Victorian local council sites supported to undertake infrastructure upgrades to safely dispose of e-waste (Quality)	The metric is more equivalent to a 'quantity' measure given its focus on reporting the number of local council sites supported. Consequently, the new metric lacks relevance to the performance attribute it purports to measure (i.e. 'quality'). The measure should be reviewed.
Solar Homes	Rebated installations (i.e. solar PV, solar hot water systems and batteries) audited by Solar Victoria (Quality)	This measure does not provide any insights on 'quality', as it only reflects the number of installations audited. This measure should be reviewed.
Management of Public Land and Forests	Native Title and Traditional Owner Settlement Act agreements being implemented by the Department (Quantity)	The utility of this measure is low as it does not provide insights into the timeliness of specific implementation activities. The measure also focuses on basic minimum standards because it relates to the Department's implementation of its obligations within its negotiated legal agreements. The measure should be reviewed.
Planning, Building and Heritage	Government buildings identified as high priority that have commenced cladding rectification (Quantity)	By only focusing on government buildings, and the absolute number of commencements, this measure offers limited insight into the extent to which funded works have started and been completed on all high risk government and privately owned buildings. The measure should be revised.
Local Government	Average number of monthly page views on www.knowyourcouncil.vic.gov.au (Quantity)	Although it is a relevant 'quantity' metric that should be retained, its usefulness as a measure of engagement is limited by the absence of supporting metrics reflecting user satisfaction.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, Appendix A; Department of Environment, Land, Water and Planning, *Response to the 2019–20 Budget estimates general questionnaire*, received 31 May 2019.

FINDING 90: The Department of Environment, Land, Water and Planning added 30 new performance measures in the 2019–20 Budget. 25 provide useful insights. However, five measures from five different outputs have weaknesses.

RECOMMENDATION 48: Ahead of the 2020–21 Budget the Department of Environment, Land, Water and Planning consider the issues with the five new performance measures identified in relation to the Environment and Biodiversity; Solar Homes; Management of Public Land and Forests; Planning, Building and Heritage; and Local Government outputs.

8.10.3 Department wide: analysis of proposed discontinued performance measures

DELWP identified 21 performance measures for discontinuation in the 2019–20 Budget.

The Committee supports DELWP's rationale in all cases noting it resulted in the following key changes:

- Replacement of five metrics within the Energy output focused narrowly on the achievement of milestones with more meaningful measures of the impact of related activities within the energy efficiency, solar trams, renewable energy, and microgrid related work programs.
- Discontinuation of six measures following the completion of funded activities across various outputs.
- Replacement of five metrics across the Local Government, Land Use Victoria, and Statutory Activities and Environment Protection outputs with measures better reflecting material changes to program and/or funding arrangements.
- Replacement of the former measure of inspections for non-compliant cladding within the Planning, Building and Heritage output with a broader metric more comprehensively reflecting the regulator's role to monitor compliance with the wider aspects of the *Building Act 1993* (Vic).
- Replacement and disaggregation of the former generic measure 'Area treated for biodiversity conservation in priority locations' with additional more granular measures offering greater transparency by reporting on the individual components of conservation treatments as recommended by the Committee in 2018–19.⁹²⁴
- Replacement of three measures within the Fire and Emergency Management output, in effect, strengthening the focus on outcomes by shifting the focus from the development of bushfire management and engagement plans to assessing their effectiveness in implementation and related community partnerships.

FINDING 91: The Department of Environment, Land, Water and Planning proposed 21 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the Department's rationale for the discontinuation in all cases noting most were replaced with superior metrics offering better insights into the performance and impact of funded activities.

⁹²⁴ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 143.

9

Department of Jobs, Precincts and Regions

Key findings

- The 2019–20 Budget makes significant investments to help Victoria’s small scale and craft food and beverage producers to promote and grow their businesses.
- The 2019–20 Budget shows that \$12.6 million was allocated in 2018–19 to the ‘Support for drought-affected farmers’ output initiative.
- The Committee commends the Department of Jobs, Precincts and Regions for including new performance measures that identify attendance at individual creative facilities such as the Australian Centre for the Moving Image.

9.1 Overview

The Department of Jobs, Precincts and Regions (DJPR) supports ten portfolios: Agriculture; Creative Industries; Jobs, Innovation and Trade; Priority Precincts; Racing; Regional Development; Resources; Small Business; Suburban Development; and Tourism, Sport and Major Events. DJPR was created as a result of machinery of government changes coming into effect on 1 January 2019.

DJPR has six objectives underpinning its work:

- Create and maintain jobs
- Foster a competitive business environment
- Be a globally connected economy
- Build prosperous and liveable regions and precincts
- Grow vibrant, active and creative communities
- Promote productive and sustainably used natural resources.⁹²⁵

9.2 Budget summary

In 2019–20 DJPR ranks as the sixth largest budget compared to other departments representing 3.6% of total funding provided to all output groups across the departments.⁹²⁶

⁹²⁵ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, pp. 229–31.

⁹²⁶ *Ibid.*, p. 6 (Committee calculations). The Committee has used the funding allocated by output group in each department’s Performance Statement as provided in the 2019–20 budget papers to measure the funding across all departments.

As set out in the budget papers, in 2019–20 DJPR allocates \$2.3 billion to fund its outputs (compared to \$2.8 billion in 2018–19). It has \$2.2 billion of income from transactions available (compared to \$1.5 billion in 2018–19).⁹²⁷

With regard to capital spending, the 2019–20 Budget allocates \$160.4 million in 2019–20 of which \$26.2 million is for new projects.⁹²⁸ DJPR's new capital projects include:

- \$10.2 million (39% of the total new spend) to the Regional Development in Victoria project
- \$6.5 million (25% of the total new spend) to the Victoria: The Basketball Capital of Australia–Melbourne Arena Upgrade project.⁹²⁹

DJPR's existing capital projects such as the Australian Centre for the Moving Image redevelopment saw further funding of \$30.3 million allocated in 2019–20 and the Melbourne Arts Precinct transformation saw further funding of \$72.8 million allocated.⁹³⁰

DJPR has a total savings target of \$1.8 million for 2019–20 which makes up 1% of the \$201.3 million whole of government efficiencies for 2019–20. DJPR aims to achieve this target by reducing expenditure on labour hire and consultancies.⁹³¹

9.3 Agriculture portfolio: key issues

The Minister for Agriculture is responsible for the Agriculture output (funding in 2019–20: \$470.9 million), which consists of the following sub-outputs:

- Agriculture Industry Development and Regulation (funding in 2019–20: \$171.5 million)
- Agriculture Research (funding in 2019–20: \$142.9 million)
- Biosecurity and Agriculture Services (funding in 2019–20: \$114.3 million)
- Sustainably Manage Forest and Game Resources (funding in 2019–20: \$42.3 million).⁹³²

The objective of the Agriculture portfolio is to 'promote productive and sustainably-used natural resources'.⁹³³

⁹²⁷ Ibid., p. 233.

⁹²⁸ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 46.

⁹²⁹ Ibid., p. 46 (Committee calculations).

⁹³⁰ Ibid.

⁹³¹ Ibid., p. 48.

⁹³² Ibid., p. 65; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 253–57.

⁹³³ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 65.

The following six new output initiatives relevant to the Agriculture portfolio received funding through the 2019–20 Budget:

- Strengthening Victoria’s biosecurity system (\$34.3 million)
- Supporting recreational hunters and sporting shooters (\$3.5 million)
- Taking our local produce to the world (\$2.6 million)
- Rural Financial Counselling Service (\$1.7 million)
- Master planning for the Royal Melbourne Showgrounds (\$1.5 million)
- Rehoming pets and supporting low-cost veterinary clinics (\$0.9 million).⁹³⁴

The key issues relevant to the Agriculture portfolio identified during the Committee’s 2019–20 budget estimates inquiry are discussed below.

9.3.1 Agricultural exports

The Minister for Agriculture, Hon Jaclyn Symes MLC, informed the Committee at the budget estimates hearings that the Government has set a target ‘to grow food and fibre exports to \$20 billion per annum by 2030’.⁹³⁵ The Minister for Agriculture explained:

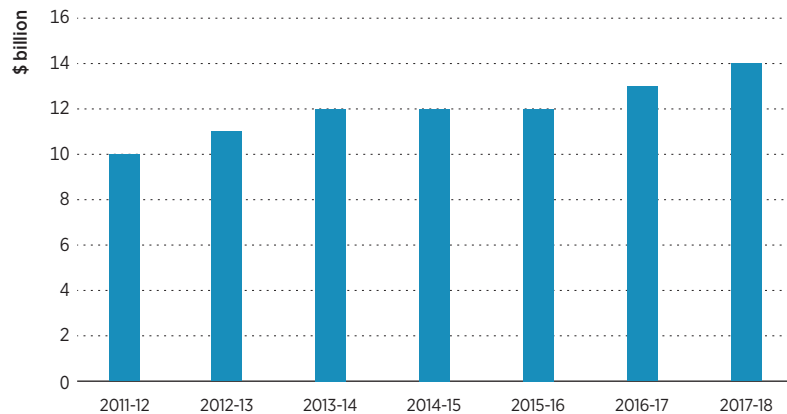
The sector employs around 90 000 Victorians, contributes almost 6 per cent of our state’s GSP ... In fact we are the number one exporter of food and fibre in the nation, making up around 27 per cent of the nation’s food and fibre exports worth over \$14 billion in 17–18, and that is an amount that is growing year on year.⁹³⁶

The Figure 9.1 below demonstrates that the value of Victoria’s food and fibre exports has grown from \$10 billion in 2011–12 to \$14 billion in 2017–18.

⁹³⁴ Ibid., p. 33; Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

⁹³⁵ Hon. Jaclyn Symes MLC, *2019–20 Budget estimates hearing presentation: Agriculture*, supplementary evidence, received 12 June 2019, p. 7.

⁹³⁶ Hon. Jaclyn Symes MLC, Minister for Agriculture, 2019–20 Budget estimates (Agriculture) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 1.

Figure 9.1 Value of Victoria's food and fibre exports from 2011–12 to 2017–18 (financial years)

Source: Hon. Jaclyn Symes MLC, *2019–20 Budget estimates hearing presentation: Agriculture*, supplementary evidence, received 12 June 2019, p. 2.

The 2019–20 Budget allocates \$2.6 million in 2019–20, \$2.5 million in 2020–21, \$2.5 million in 2021–22 and \$2.5 million in 2022–23 to the ‘Taking our local produce to the world’ initiative.⁹³⁷ This funding is aimed to help Victoria’s small scale and craft food and beverage producers to promote and grow their businesses. The budget papers state: ‘Grants of up to \$200 000 will be available to producers who can show that the investment will help them scale up their operations, create local jobs and increase our agricultural exports’.⁹³⁸ The Minister for Agriculture explained:

Victoria has a strong reputation for premium food, beer, spirits and wine. We believe that these premium products, often made at least initially on a small scale, represent a huge opportunity for the sector to grow exports, create new job opportunities and attract even more visitors from interstate and overseas, particularly to country areas.⁹³⁹

The Committee sought further information from the Minister for Agriculture about the nature of the small scale operations that these grants will support:

We have got more than 3300 small-scale producers, and they contribute about \$730 million to the Victorian economy. They are some pretty dynamic industries, they are really shaking up the sector, and they are creating jobs and a lot of excitement. So these grants are going to support their development and ... really capitalise on what Victoria is renowned for—the food and wine capital of the country. People really like to know where their food comes from. They are seeking unique food experiences, and they like to understand the story of how their food has been produced and the families that are producing it. Again, the tourism—out and about in country Vic you are always running into people that are visiting purely to experience the food and wine sector of Victoria. So we have a really good reputation here for quality produce, and this is supporting that sector.⁹⁴⁰

⁹³⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

⁹³⁸ *Ibid.*, p. 70.

⁹³⁹ Hon. Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 2.

⁹⁴⁰ *Ibid.*, p. 20.

At the budget estimates hearings, the Minister for Agriculture provided the Committee with some examples of the types of businesses and projects that these grants support, such as a grant to Hop Nation. Hop Nation is a Footscray based craft brewery, that received a \$5000 grant to purchase a separate canning line to produce a new line of sour beer.⁹⁴¹

The 2019–20 Budget also makes some other industry related investments, such as:

- \$5.2 million over four years to the Wine to the World output initiative⁹⁴²
- \$14 million over four years for the creation of the Victoria Live festival, a 10 day winter music festival that showcases Victoria’s live music scene, food, wine and craft beer, while boosting local jobs.⁹⁴³

The Government’s investment in programs relating to the wine industry is supported by the Victorian Wine Industry Development Strategy 2017–21. The strategy:

... aims to deliver an industry that is more profitable, coordinated, skilled and better informed. It outlines challenges and opportunities currently before the wine industry, and provides an agreed pathway for addressing these challenges and enabling industry to capture new opportunities.

FINDING 92: The 2019–20 Budget makes significant investments to help Victoria’s small scale and craft food and beverage producers to promote and grow their businesses.

9.3.2 Biosecurity

The Minister for Agriculture explained to the Committee at the budget estimates hearings that biosecurity is a very important issue to Victorian farmers and the agriculture sector as it is ‘a major risk to operations and the economy’.⁹⁴⁴

The 2019–20 Budget allocates \$34.3 million in 2019–20, \$35.1 million in 2020–21, \$36.1 million in 2021–22 and \$37 in 2022–23 to the ‘Strengthening Victoria’s biosecurity system’ output initiative.⁹⁴⁵ The budget papers state that this funding:

... will expand critical capabilities in Victoria’s biosecurity services, ensuring Victoria is better prepared to manage and respond to escalating biosecurity risks, minimising impacts on the agricultural sector and the community.⁹⁴⁶

⁹⁴¹ Ibid.

⁹⁴² Department of Treasury and Finance, *Budget Paper No. 3*, pp. 6, 13. This initiative contributes to the Department of Jobs, Precincts and Regions’ Trade and Global Engagement output.

⁹⁴³ Ibid., pp. 68, 71. This initiative contributes to the Department of Jobs, Precincts and Regions’ Creative Industries Access, Development and Innovation output.

⁹⁴⁴ Hon. Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 3.

⁹⁴⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

⁹⁴⁶ Ibid., p. 69.

The Minister for Agriculture explained that, in terms of the increased funding and focus on biosecurity in the 2019–20 Budget:

... there will be a concerted effort in making sure the community understands what risks biosecurity threats have to us as a society—not just the economy but also our way of life.⁹⁴⁷

At the budget estimates hearings, the Minister for Agriculture informed the Committee about recent biosecurity detections in Victoria, including foot and mouth and varroa mite (a parasitic mite).⁹⁴⁸ Recognising that biosecurity is an ‘ever-changing aspect of agriculture’ the Minister explained that the 2019–20 investment in Victoria’s biosecurity:

... will fund 150 vets, scientists and agricultural officers, including critical animal health expertise and scientific capability in marine biosecurity, forest diseases, epidemiology— ... operational staff to work with industry; livestock traceability, animal welfare and on-farm issues; and greater capacity to demonstrate area freedom from pests and diseases of supply to ensure domestic and international market access.⁹⁴⁹

FINDING 93: The Committee notes the Government’s investment in Victoria’s biosecurity systems to manage the evolving biosecurity risks to Victoria’s agricultural industry and the economy.

9.3.3 Drought assistance and climate change

The 2019–20 Budget shows that \$12.6 million was allocated in 2018–19 to the ‘Support for drought-affected farmers’ output initiative.⁹⁵⁰

This initiative is in addition to the Government’s 2018–19 \$45.8 million commitment to support famers, farming families and communities affected by drought and dry seasonal conditions.⁹⁵¹ Acknowledging that in recent years Victorian ‘farmers have been struggling with drought, fire, flood, storm damage and frost’ the Minister for Agriculture informed the Committee that the Government is:

... helping farmers to respond to the current drought through an almost \$46 million drought package, and this budget will help us in our long-term preparedness for more extreme weather events by continuing the ongoing funding of our Agriculture Victoria research facilities, which are leading the world in research on adapting and mitigating the effects of climate change on farms.⁹⁵²

⁹⁴⁷ Hon. Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 7.

⁹⁴⁸ *Ibid.*, pp. 3-4.

⁹⁴⁹ *Ibid.*, p. 3.

⁹⁵⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 6.

⁹⁵¹ Hon. Jaclyn Symes MLC, Minister for Agriculture, 2019-20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 12.

⁹⁵² Hon. Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 2.

In response to questions taken on notice at the hearings, the Minister for Agriculture explained that the 2018–19 \$45.8 million commitment, included \$8.5 million to the East Gippsland and Wellington shires in family support. This Minister explained that this funding was administered by the Department of Education and Training (DET) and delivered from DET’s budget through the ‘Back to School Support, Camps, Sport and Excursion Funding and Kindergarten Support for families’.⁹⁵³ The response emphasised:

These programs recognise that drought has social and economic impact on whole communities, not only individual farms and farmers. The entire community benefits when families with kindergarten and school aged children are supported to continue to participate fully in education, and when community-based kindergartens are supported to remain open.⁹⁵⁴

Noting that the drought assistance package for the Wellington and East Gippsland shires was available to a wide range of people, including those not involved in agriculture or related industries, the Committee sought information from the Minister for Agriculture about the focus of this drought assistance funding. The Minister explained:

... when you have a community that is impacted by drought the whole community suffers ... it is not just a farm. Obviously a reduced farm income means that reduced money is going into your local bakery, your local pub, [and] you[r] local services.⁹⁵⁵

When asked by the Committee about providing rate relief to drought affected farmers, the Minister for Agriculture explained:

... not every farmer owns their farm and therefore is responsible for rates but still has the same pressures. Farms are businesses and farmers are very good businesspeople, so making the decisions themselves as to how to spend the money, I think, was an appropriate measure to have. I have no doubt that many people spent that money on their rates, and that was open to them.⁹⁵⁶

The Minister for Agriculture informed the Committee that the Government had not ruled out providing rate relief to drought-affected farmers in the future but that ‘rates are a matter for councils to apply’.⁹⁵⁷ The Minister stated that the Government is ‘... looking at further measures that may be required to support farmers impacted by drought and dry conditions’.⁹⁵⁸

⁹⁵³ Hon. Jaclyn Symes MLC, Minister for Agriculture, response to questions on notice, p. 12.

⁹⁵⁴ Ibid.

⁹⁵⁵ Hon. Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 5.

⁹⁵⁶ Ibid., p. 6.

⁹⁵⁷ Ibid.

⁹⁵⁸ Ibid.

With regard to research and innovation undertaken by the Government to support agricultural industries adapt to climate change, the Minister for Agriculture informed the Committee that Agriculture Victoria is, among other things:

- a world leader in research into low methane feed supplements, improved farm management and the genomics of pastures and methane producing livestock
- developing technologies to support production in hotter, drier environments
- working with industry to improve livestock and crop management.⁹⁵⁹

FINDING 94: The 2019–20 Budget shows that \$12.6 million was allocated in 2018–19 to the ‘Support for drought-affected farmers’ output initiative.

FINDING 95: The Government provides support funding to both Victorian farmers and families living in drought affected areas.

9.3.4 Game Management Authority

The 2019–20 Budget allocates \$3.5 million in 2019–20, \$3.5 million in 2020–21, \$3.5 million in 2021–22 and \$3.5 million in 2022–23 for the ‘Supporting recreational hunters and sporting shooters’ initiative.⁹⁶⁰ This funding will be used to increase staffing at the Game Management Authority (GMA) ‘to improve local enforcement, compliance with hunting regulations and stakeholder engagement’.⁹⁶¹

At the budget estimates hearings the Minister for Agriculture explained that the increase in GMA staffing would not result in resources across rural communities being reduced. The Minister explained:

A new structure for the GMA was enacted in March of this year, and as part of the funding for growing the GMA eight new roles have been created to support the compliance and enforcement obligations as well as a focus on strategy and research. The new roles will certainly ensure that there is no reduction of these staff in country areas. As part of the organisational restructure the GMA is consolidating the location of staff to improve culture and cooperation between regionally based staff. So although they will still be in the regions, we are looking to make sure that we can avoid single officer postings ...⁹⁶²

FINDING 96: The funding provided in the 2019–20 Budget to the ‘Supporting recreational hunters and sporting shooters’ output initiative to increase staffing at the Game Management Authority (GMA) will not result in a reduction of GMA staff in country areas.

⁹⁵⁹ Hon. Jaclyn Symes MLC, Minister for Agriculture, response to questions on notice, p. 13.

⁹⁶⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

⁹⁶¹ *Ibid.*, p. 70.

⁹⁶² Hon. Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, pp. 15-16.

9.4 Creative Industries portfolio: key issues

The Minister for Creative Industries is responsible for the following three outputs:

- Creative Industries Portfolio Agencies (funding in 2019–20: \$399.4 million)
- Cultural Infrastructure and Facilities (funding in 2019–20: \$112.3 million)
- Creative Industries Access Development and Innovation (funding in 2019–20: \$72.6 million).⁹⁶³

The objective of the Creative Industries portfolio is to ‘grow vibrant, active and creative communities’.⁹⁶⁴ The Minister for Creative Industries, Hon Martin Foley MP, explained to the Committee that Victorian creative industries brings \$31 billion into the Victorian economy each year and employs over 260,000 Victorians.⁹⁶⁵

The following seven output initiatives relevant to the Creative Industries portfolio are funded through the 2019–20 Budget:

- Sustaining the successful National Gallery of Victoria (NGV) exhibition model (\$15.9 million in 2019–20, 2020–21 and 2021–22)
- Creative State—driving the growth of the Victorian creative industries (\$6.4 million in 2019–20)
- Victorian Screen Industry (\$6.2 million in 2019–20)
- Victoria Live—a new winter festival which incorporates White Night Melbourne (\$0.5 million in 2018–19 and \$4.5 million in 2019–20, 2020–21 and 2021–22)
- Australian Centre for the Moving Image redevelopment (\$2.8 million in 2019–20)
- Indian Cinema and Bollywood Attraction Fund (\$1 million in 2019–20 and \$1 million in 2020–21 and 2021–22)
- Silo art and large-scale murals (\$0.3 million in 2019–20, 2020–21, 2021–22 and 2022–23).⁹⁶⁶

The following two asset initiatives relevant to the Creative Industries portfolio are funded through the 2019–20 Budget:

- Creative Industries Creative Victoria Cultural Facilities Maintenance Fund (\$5 million)
- Exhibition and experience program renewal—Museums Victoria (\$4.5 million).⁹⁶⁷

⁹⁶³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 66.

⁹⁶⁴ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 66.

⁹⁶⁵ Hon. Martin Foley MP, Minister for Creative Industries, 2019–20 Budget estimates (Creative Industries) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 1.

⁹⁶⁶ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 33; Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

⁹⁶⁷ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 34; Department of Treasury and Finance, *Budget Paper No. 3*, p. 79.

The 2019–20 Budget also shows the 2018–19 \$7 million investment in the State Library redevelopment asset initiative.⁹⁶⁸

9.4.1 Creative State—Victoria’s creative industries strategy

In response to written questions on notice the Minister for Creative Industries informed the Committee: ‘All *Creative State* programs are being evaluated and consultation with the sector and community is now occurring to inform proposals for future investment in Creative State 2.’⁹⁶⁹

The Committee sought information from the Minister for Creative Industries about how the Government’s investment in the Creative State—Victoria’s creating industries strategy would build on Victoria’s live music scene. The Minister for Creative Industries stated:

Whilst Melbourne is identified in terms of per capita the music capital of the world by measure of population and the number of live music venues, indeed the same extends well beyond Melbourne through the work that our Music Works program did in the first term, on which we hope to build, not just through Victoria Live but the refreshing of Music Works in our upcoming *Creative State* consultation process.⁹⁷⁰

DJPR’s response to the Committee’s questionnaire explained that the Music Works program is renewed through the 2019–20 Budget as part of the Creative State output initiative.⁹⁷¹ Music Works supports contemporary music artists to perform and record music.⁹⁷²

RECOMMENDATION 49: The Department of Jobs, Precincts and Regions consider developing budget paper performance measures relevant to key targeted actions contained in the Creative State 2020–24 strategy.

9.4.2 Australian Centre for the Moving Image (ACMI) investment

As stated above, the 2019–20 Budget allocated \$2.8 million in 2019–20 to the ACMI redevelopment output initiative.⁹⁷³ This funding is in addition to the \$39.8 million total estimated investment in redevelopment for the existing capital project.⁹⁷⁴ This investment in ACMI is ‘its first renewal since its opening almost two decades ago’.⁹⁷⁵

⁹⁶⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 79.

⁹⁶⁹ Hon. Martin Foley MP, Minister for Creative Industries, response to the 2019–20 Budget estimates written questions on notice, received 16 July 2019, p. 8.

⁹⁷⁰ Hon. Martin Foley MP, Minister for Creative Industries, *Transcript of evidence*, p. 3.

⁹⁷¹ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 37.

⁹⁷² Department of Treasury and Finance, *Budget Paper No. 3*, p. 70.

⁹⁷³ *Ibid.*, p. 68.

⁹⁷⁴ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 68.

⁹⁷⁵ Hon. Martin Foley MP, Minister for Creative Industries, *Transcript of evidence*, pp. 1–2.

Noting the Government's significant investment in the ACMI redevelopment, in its *Report on the 2018-19 Budget Estimates* the Committee considered that the success of the investment will be difficult to determine as the budget paper performance measures of 'users/attendances at all agencies' under Creative Industries Portfolio Agencies applied to all agencies. The Committee recommended:

Recommendation 11: The performance measure identifying attendance at creative facilities be amended to allow for attendance at individual facilities to be identified.⁹⁷⁶

The Government supported this recommendation⁹⁷⁷ and the 2019-20 budget papers include new performance measures that identify attendance at individual creative facilities.⁹⁷⁸

FINDING 97: The Committee commends the Department of Jobs, Precincts and Regions for including new performance measures that identify attendance at individual creative facilities such as the Australian Centre for the Moving Image.

9.4.3 Victoria Live

As stated above, the 2019-20 Budget allocates a total of \$14 million (\$0.5 million in 2018-19 and \$4.5 million in 2019-20, 2020-21 and 2021-22) to the Victoria Live output initiative. Victoria Live is a new winter festival which incorporates White Night Melbourne.

At the budget estimates hearings the Minister for Creative Industries stated that Victoria Live:

... will not just be a celebration of contemporary live music but will expand participation and leadership in contemporary music creation and activity. Songwriting, development, engagement with global markets are a really important part of the Music Works program. It will generate economic activity, it will grow our creative and social capital and it will enhance Melbourne's and Victoria's reputation as the live music capital of Australia...⁹⁷⁹

Noting that there are no performance measures in the 2019-20 budget papers to assess the impact of the new \$14 million Victoria Live initiative, the Committee recommends that:

RECOMMENDATION 50: The Department of Jobs, Precincts and Regions consider specific budget paper performance measures and targets for Victoria Live.

⁹⁷⁶ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018-19 Budget Estimates*, September 2018, p. 112.

⁹⁷⁷ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2018-19 Budget estimates*, 5 March 2019, p. 52.

⁹⁷⁸ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 246-47.

⁹⁷⁹ Hon. Martin Foley MP, Minister for Creative Industries, *Transcript of evidence*, p. 3.

9.4.4 Digital games industry

The Committee sought information from the Minister for Creative Industries about the level of funding allocated in the 2019–20 Budget to support the Victorian digital games industry. The Minister explained that the Government's various 'global strategies around investment support and attraction through some of the world's largest outward bound trade missions' support the industry. The Minister also highlighted:

Melbourne International Games Week support, which is again being funded in the forthcoming budget, now sees some \$23 million worth of economic activity brought to this state on the basis of that work and over 77 000 people engaged by showing up, let alone those that log on. The PAX Australia program that is part of a global PAX industry gathering, whether it is the \$1.2 million worth of support that Film Victoria brings to over 23 projects whether it is the path alternative funding brings through The Arcade, which successive governments have supported and which now houses in both a collaborative and a competitive sense dozens of start-ups and others ...⁹⁸⁰

PAX is a series of gaming culture festivals. The 2019–20 Budget also allocates \$6.2 million in 2019–20 to the Victorian Screen Industry output initiative.⁹⁸¹ This funding will provide for a package of screen and games industry initiatives delivered by Film Victoria which include 'digital games industry development'.⁹⁸²

9.5 Jobs, Innovation and Trade portfolio

The Minister for Jobs, Innovation and Trade is responsible for the following two outputs:

- Jobs (funding in 2019–20: \$131.1 million)
- Trade and Global Engagement (funding in 2019–20: \$42.2 million).⁹⁸³

The Minister for Jobs, Innovation and Trade and the Minister for Small Business share responsibility for the Industry, Innovation and Small Business Output (funding in 2019–20: \$153.5 million).⁹⁸⁴

The objectives of the Jobs, Innovation and Trade portfolio are to: foster a competitive business environment, create and maintain jobs and be a globally connected economy.⁹⁸⁵ The objective indicators, as outlined by DJPR, are: change in Victoria's real gross state product; engagement with business; people employed in Victoria; export sales generated from government programs; and international students attracted to Victoria.⁹⁸⁶

⁹⁸⁰ Ibid., p. 6.

⁹⁸¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

⁹⁸² Ibid., p. 72.

⁹⁸³ Ibid., p. 233; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 66–67.

⁹⁸⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 237; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 66–67.

⁹⁸⁵ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 67.

⁹⁸⁶ Ibid.

A total of three new output initiatives relevant to the Jobs, Innovation and Trade portfolio are funded through the 2019–20 Budget:

- Small business services and support (funding in 2019–20: \$2.5 million), responsibility for this output initiative is shared with the Jobs Innovation and Trade portfolio
- Jobs Victoria (funding in 2019–20: \$8.8 million)
- Inbound trade missions and World Expo 2020 (funding in 2019–20: \$4 million).⁹⁸⁷

At the budget estimates hearings a number of issues were discussed, including:

- Victoria’s role in China’s Belt and Road initiative and more specifically the Memorandum of Understanding signed between Global Victoria and the Shanghai Sports Administration
- Emissions targets for DJPR and the whole of government
- Australian steel content requirements for the West Gate Tunnel project
- Local Jobs First Commissioner
- LaunchVic: an independent Government agency responsible for developing Victoria’s startup community.⁹⁸⁸

The Minister for Jobs, Innovation and Trade is responsible for a number of funds through the portfolio which aim to increase either trade or drive innovation in a number of different sectors. For example, the Jobs Victoria Innovation Fund provides small grants to support new and innovative approaches to employment services.⁹⁸⁹ Grants range from \$50,000 to \$250,000.

DJPR has not detailed in the 2019–20 Budget how much money has been or will be expended through the Fund.

9.6 Priority Precincts and Suburban Development portfolios: key issues

The Minister for Priority Precincts and the Minister for Suburban Development are responsible for the Priority Precincts and Suburban Development output (funding in 2019–20: \$22.8 million).⁹⁹⁰ The Priority Precincts and Suburban Development output

⁹⁸⁷ Ibid., p. 33.

⁹⁸⁸ Hon. Martin Pakula MP, Minister for Jobs, Innovation and Trade, 2019–20 Budget estimates (Jobs, Innovation and Trade) hearing, Melbourne, 11 June 2019, *Transcript of evidence; About LaunchVic*, LaunchVic, <<https://launchvic.org/about-launchvic>> accessed 14 October 2019.

⁹⁸⁹ Jobs Victoria, *Jobs Victoria Innovation Fund*, <<https://jobs.vic.gov.au/about-jobs-victoria/our-programs/jobs-victoria-innovation-fund>> accessed 14 October 2019.

⁹⁹⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 66.

aims to ‘deliver activities to build vibrant and prosperous precincts and suburbs that drive economic growth and opportunities’.⁹⁹¹

The 2019–20 Budget contains details of two initiatives that will contribute to the delivery of the output:

- Establishing the Priority Precincts portfolio—This output initiative has been allocated \$6.3 million in 2019–20 and \$6.3 million in 2020–21, 2021–22 and 2022–23 to establish the portfolio.⁹⁹²
- Suburban revitalisation—This output initiative has been allocated \$3.5 million in 2019–20 and no further funding across the forward estimates. Funding will be provided to continue the Broadmeadows Town Centre and Frankston Station revitalisation projects. Activities will include: investigating and planning an Integrated GovHub and Innovation Hub; master planning for affordable housing; place activation programs in Broadmeadows and Frankston; youth engagement and pathway support programs; and seed funding to commence community led priority projects.⁹⁹³

9.6.1 Coordination across portfolios

Priority Precincts is a new portfolio within DJPR. It is ‘tasked with identifying geographic areas of opportunity ...’.⁹⁹⁴ The initial priority precincts include Parkville (including the Melbourne Biomedical Precinct), Arden, Fishermans Bend, Richmond to Docklands, and Sunshine.⁹⁹⁵ In response to written questions on notice the Minister for Priority Precincts, Hon Gavin Jennings MLC, explained:

Further areas to be developed as priority precincts by the portfolio are subject to Cabinet decision-making. Priority precincts are unique areas of state-significance that will be designed and delivered to realise important opportunities to improve social and economic outcomes.⁹⁹⁶

Noting the potential overlap between the DJPR’s Priority Precincts and Suburban Development portfolios, and the Department of Environment, Land, Water and Planning’s, Planning portfolio, the Committee sought clarification about the relationship between these portfolios. In response to questions taken on notice at the budget estimates hearings the Minister for Suburban Development, Hon Marlene Kairouz MP, explained that the three portfolios play ‘complementary and critical roles in helping

⁹⁹¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 241.

⁹⁹² *Ibid.*, pp. 68, 73.

⁹⁹³ *Ibid.*

⁹⁹⁴ Department of Jobs, Precincts and Regions, *Priority Precincts*, <<https://djpr.vic.gov.au/what-we-do/precincts-suburbs-and-regions/priority-precincts>> accessed 14 October 2019.

⁹⁹⁵ Hon. Gavin Jennings MLC, Minister for Priority Precincts, response to the 2019-20 Budget estimates written questions on notice, received 19 July 2019, p. 3.

⁹⁹⁶ *Ibid.*

manage the city's future growth and development'.⁹⁹⁷ The Minister for Suburban Development explained the following roles of each portfolio:

- Planning (state-wide focus)—through strategies such as Plan Melbourne, sets key directions for future land use and infrastructure investment and manages statutory planning systems
- Suburban Development (metropolitan wide focus)—primary focus is on community engagement through the metro partnerships to identify local priorities
- Priority Precincts (targeted areas)—develops and delivers strategically significant precincts in ways that optimise outcomes for Victoria's economy and future growth.⁹⁹⁸

FINDING 98: The Committee notes the strong links between the Planning, Suburban Development and Priority Precincts portfolios and considers it essential that these portfolios adopt a coordinated approach to avoid duplication of effort and ensure the effective and efficient delivery of public services and assets.

9.7 Racing portfolio: key issues

The Minister for Racing is responsible for the Sport, Recreation and Racing output (funding in 2019–20: \$374.9 million).⁹⁹⁹ This includes thoroughbred racing, harness racing, greyhound racing, integrity and animal welfare standards in the racing industry and the Victorian Racing Industry Fund (VRIF). VRIF provides grants to the Victorian racing industry for improvements at racing and training venues and for selected programs designed to stimulate industry growth and development.

The 2019–20 Budget allocates \$9.6 million in 2018–19, \$38.3 million in 2019–20, \$28.1 million in 2020–21 and \$18 million 2021–22 and 2022–23 to the 'Boosting jobs and investment in Victorian racing' output initiative.¹⁰⁰⁰ This funding will be provided to continue VRIF and 'upgrade greyhound training facilities and tracks and increase prize money across thoroughbred, greyhound and harness racing'.¹⁰⁰¹

At the budget estimates hearings the Minister for Racing, Hon Martin Pakula MP, drew attention to the significant contribution the racing industry makes to Victoria's economy. Using the Melbourne Cup Carnival as an example, the Minister for Racing stated:

In 2018 the value-added economic impact of the carnival was over \$215 million, and that was despite the fact that on Cup Day the weather was—to put it

⁹⁹⁷ Hon. Marlene Kairouz MP, Minister for Suburban Development, 2019-20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 1.

⁹⁹⁸ Ibid.

⁹⁹⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 67.

¹⁰⁰⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 68.

¹⁰⁰¹ Ibid., p. 74.

mildly—increment. There was \$33.7 million in accommodation spending, over \$62 million in fashion-associated spending, \$29.3 million in food and beverage sales and 21 000 people working onsite at Flemington. There was something like 330 000 people attending the carnival, with more than 66 000 coming from interstate.¹⁰⁰²

Topics relevant to the Racing portfolio that were discussed at the hearings included: efforts to ensure Victoria remains the pre-eminent racing state in Australia,¹⁰⁰³ the application of the livestock insurance stamp duty to thoroughbred horses,¹⁰⁰⁴ the future of the Sandown Racecourse,¹⁰⁰⁵ and greyhound racing. The evidence obtained regarding greyhound racing is analysed in further detail below.

9.7.1 Greyhound Racing

The Committee sought information from the Minister for Racing about how the ‘Boosting jobs and investment in Victorian racing’ output initiative would assist greyhound racing participants and improve animal welfare outcomes. The Minister for Racing informed the Committee that of the funding allocated, \$1 million is to boost prize money, \$2 million is to upgrade training facilities across Victoria and \$1 million is for track upgrades to improve safety at Cranbourne and Traralgon.¹⁰⁰⁶ With regard to animal welfare outcomes, the Minister stated:

Those track upgrades are as much about animal welfare as they are about anything else, because the surface, the camber and the run-off areas all have an impact on greyhound safety during the race.¹⁰⁰⁷

The Minister for Racing explained to the Committee that the Government recognises that the greyhound racing industry ‘contributes half a billion dollars to our economy and it supports over 4300 jobs across the state, many of those jobs in regional areas’.¹⁰⁰⁸ In this context, the Minister for Racing also informed the Committee about both the increase in the numbers of greyhounds being adopted and the reduction in euthanasia rates across Victoria:

... in 2017–18 over 2600 greyhounds were rehomed, with more than 1100 of those through the GAP [Greyhound Adoption Program] program. There are also non-GAP channels for adoption through third-party organisations like Gippsland Greyhounds, the Greyhound Safety Net and the RSPCA. The number of racing greyhounds that have been rehomed each year has increased by more than 50 per cent from 1755 in 2015–16

¹⁰⁰² Hon. Martin Pakula MP, Minister for Racing, 2019–20 Budget estimates (Racing) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 2.

¹⁰⁰³ *Ibid.*, pp. 4–5.

¹⁰⁰⁴ *Ibid.*, pp. 5–6; Hon. Martin Pakula MP, Minister for Racing, 2019–20 Budget estimates hearing, response to questions on notice, received 10 July 2019, p. 1.

¹⁰⁰⁵ Hon. Martin Pakula MP, Minister for Racing, *Transcript of evidence*, p. 7; Hon. Martin Pakula MP, Minister for Racing, response to questions on notice, p. 1.

¹⁰⁰⁶ Hon. Martin Pakula MP, Minister for Racing, *Transcript of evidence*, p. 5.

¹⁰⁰⁷ *Ibid.*

¹⁰⁰⁸ *Ibid.*

to 2641 in 2017–18. So that is an excellent outcome, and as a consequence we have seen a substantial fall in euthanasia rates for racing greyhounds by something like over 35 per cent.¹⁰⁰⁹

In response to written questions on notice from the Committee the Minister for Racing emphasised that ‘the Government is committed to ensuring that the greyhound racing industry treats all greyhounds with care and promotes the welfare of the dogs throughout their racing career and into retirement’.¹⁰¹⁰ The Minister explained:

Animal welfare is one of GRV’s [Greyhound Racing Victoria] highest priorities. GRV has implemented several initiatives designed to reduce on track injuries and fatalities within the industry. This places a greater focus on the incorporation of safety considerations into track design.¹⁰¹¹

By way of example, the Minister for Racing provided the following information about the new track at Horsham:

That track has increased turn cambers that reduce the pressure on the greyhounds’ legs and joints on bends. It is also wider to enable smooth transitions and provide greater space for the dogs in running to reduce the potential for injuries and interference. The use of moisture meters and penetrometers has also been introduced to more accurately control track moisture content and surface hardness. This enables track managers to consistently prepare a safe racing surface.¹⁰¹²

The Minister for Racing highlighted GRV’s Greyhound Recovery Initiative that ‘provides funding towards the off-track veterinary treatment of greyhounds that are seriously injured at a race or coursing meeting, or during post-race or qualifying trials, on a Victorian greyhound race track’.¹⁰¹³

9.8 Regional Development portfolio: key issues

The Minister for Regional Development is responsible for the Regional Development output (funding in 2019–20: \$311.4 million).¹⁰¹⁴ The objective of the Regional Development portfolio is to ‘build prosperous and liveable regions and precincts’.¹⁰¹⁵

At the budget estimates hearings, the Minister for Regional Development, Hon Jaclyn Symes MLC, highlighted the falling unemployment rate in regional Victoria as one of the portfolio’s achievements. The Minister stated that since 2014 there has been ‘an increase in regional employment of more than 60,000 jobs’ leading to Victoria having the

¹⁰⁰⁹ Ibid., p. 3.

¹⁰¹⁰ Hon. Martin Pakula MP, Minister for Racing, response to the 2019–20 Budget estimates written questions on notice, received 23 July 2019, p. 2.

¹⁰¹¹ Ibid.

¹⁰¹² Ibid.

¹⁰¹³ Ibid.

¹⁰¹⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 67–68.

¹⁰¹⁵ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 67.

'lowest regional unemployment rate in Australia, with regional unemployment falling from 6.6 per cent in November 2014 to 4.2 per cent in April of this year [2019]'.¹⁰¹⁶

The Minister for Regional Development also brought to attention the reduction to regional payroll tax contained in the 2019–20 budget papers.¹⁰¹⁷

The key issues relevant to the Regional Development portfolio identified during the Committee's 2019–20 budget estimates inquiry are discussed below.

9.8.1 Regional Jobs and Infrastructure Fund

The Delivering for Regional and Rural Victoria program is a \$2.6 billion¹⁰¹⁸ whole of government initiative introduced in the 2019–20 Budget. It contributes to DJPR, Department of Health and Human Services, Department of Education and Training, and Department of Environment, Land, Water and Planning outputs.¹⁰¹⁹ The Minister for Regional Development explained that the aim of the Delivering for Regional and Rural Victoria program investment is:

... to boost regional tourism, create local jobs, underpin key industries and provide the infrastructure and services that local communities rely on. The program will improve public transport, country roads and TAFE [Technical and Further Education] facilities and provide critical health facility upgrades. Modelling by the Department of Treasury and Finance forecasts the creation of 4500 jobs. The program covers many portfolios, reflecting our whole-of-government approach to regional development.¹⁰²⁰

DJPRs response to the Committee's questionnaire states that the Regional Jobs and Infrastructure Fund (RJIF) is 'renewed through 2019–20 Budget—Delivering for Regional and Rural Victoria Program'.¹⁰²¹ The Minister for Regional Development's presentation to the Committee at the budget estimates hearings outlined:

Over the past 4 years RJIF has supported more than 700 projects valued at \$1.72 billion—creating or retaining more than 8,570 jobs.¹⁰²²

At the budget estimates hearings the Minister for Regional Development clarified for the Committee that \$134 million of the \$2.6 billion funding for the Delivering for Regional and Rural Victoria program is dedicated to 'deliver regional development portfolio priorities'.¹⁰²³ The Minister of Regional Development elaborated:

¹⁰¹⁶ Hon. Jaclyn Symes MLC, Minister for Regional Development, 2019–20 Budget estimates (Regional Development) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 1.

¹⁰¹⁷ *Ibid.*, p. 5.

¹⁰¹⁸ Department of Treasury and Finance, *Delivering for all Victorians: 2019–20 overview*, Melbourne, 2019, p. 18.

¹⁰¹⁹ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 6–19.

¹⁰²⁰ Hon. Jaclyn Symes MLC, Minister for Regional Development, *Transcript of evidence*, p. 2.

¹⁰²¹ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 38.

¹⁰²² Hon. Jaclyn Symes MLC, *2019–20 Budget estimates hearing presentation: Regional Development*, supplementary evidence, received 12 June 2019, p. 9.

¹⁰²³ Hon. Jaclyn Symes MLC, Minister for Regional Development, *Transcript of evidence*, p. 4.

It could have been possible to call the \$134 million line item the Regional Jobs and Infrastructure Fund, which would mimic the approach that has occurred over several years ... Of the \$134 million I can inform the committee that there is \$30.8 million that is wholly for grants-based funding on its own. This is a much clearer indication to local councils and community groups and employers of what they can access through RDV [Regional Development Victoria], and I can confirm that from now until the end of next financial year there is around \$50 million available for job-creating projects under a grants-based system that RDV are responsible for. We have got a strong pipeline of projects that we are currently considering.¹⁰²⁴

The Committee sought an explanation from the Minister for Regional Development as to why the 2019–20 Budget does not include a long term commitment to funding the RJIF. The Minister stated that funding for the RJIF in future years will be sought in a future budget.¹⁰²⁵

DJPR's response to the Committee's questionnaire states that the 2019–20 target for the performance measure 'Economic development and service delivery projects supported' that demonstrates the individual RDV projects approved is reduced from 120 to 60. The response states that the lower target 'reflects [a] focus on job creation and delivery of election commitments' and that the 'expected outcome is forecast based on year-to-date data (progress to date), previous trends and planned program activity'.¹⁰²⁶ The 2019–20 Budget states the decrease in grants and transfers for DJPR is 'mainly driven by a rephrasing of Regional Development Victoria grants to local councils from 2018–19 into 2019–20'.¹⁰²⁷ Mr Simon Phemister, Secretary, DJPR, stated:

The performance measure cut from 120 to 60 ... comes down to the technical measurement ... The funding for these projects comes from the Regional Jobs and Infrastructure Fund. The lower target reflects a shift in focus towards larger projects with greater impact across the regions. So effectively we will be doing half the amount of projects that are double the size.¹⁰²⁸

At the budget estimates hearings the Committee confirmed with the Minister for Regional Development that no jobs would be lost at RDV as a result of the changes in the 2019–20 Budget.¹⁰²⁹

FINDING 99: The Regional Jobs and Infrastructure Fund is renewed through the new 'Delivering for Regional and Rural Victoria Program' in the 2019–20 Budget. \$134 million of the \$2.6 billion funding allocated to the Delivering for Regional and Rural Victoria Program is dedicated to deliver Regional Development portfolio priorities.

¹⁰²⁴ Ibid., pp. 4–5.

¹⁰²⁵ Ibid., p. 9.

¹⁰²⁶ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 68.

¹⁰²⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 408.

¹⁰²⁸ Mr Simon Phemister, Secretary, Department of Jobs, Precincts and Regions, 2019–20 Budget estimates (Regional Development) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 12.

¹⁰²⁹ Hon. Jaclyn Symes MLC, Minister for Regional Development, *Transcript of evidence*, p. 10.

9.9 Resources portfolio: key issues

The Minister for Resources is responsible for the Resources output (funding in 2019–20: \$122.6 million).¹⁰³⁰ The objective of the output is to promote productive and sustainably used natural resources. The two objective indicators are: number of metres drilled for minerals exploration in Victoria; and level of production of minerals and extractives.¹⁰³¹

There are two new output initiatives relevant to the Resources portfolio which are funded through the 2019–20 Budget:

- Protecting raw materials for Victoria's infrastructure pipeline (funding allocated in 2019–20 \$4 million)¹⁰³²
- State of Discovery: growing confident communities and responsible mining (funding allocated in 2019–20: \$0.8 million).¹⁰³³

The issues highlighted in the public hearings focussed primarily on royalties from gold, gas exploration, emissions and quarries. Royalties from gold mining and gas exploration are discussed below.

9.9.1 Royalties from gold mining

The 2019–20 Budget introduced a 2.75% royalty on gold mining. The royalty already applied to all minerals mined in Victoria except lignite and gold. The introduction of the gold royalty brings Victoria into line with other Australian states that impose a similar royalty.¹⁰³⁴

The Committee asked the Minister for Resources, Hon Jaclyn Symes MLC, at the budget estimates hearing about the level of consultation undertaken by the Government before the initiative was introduced. The Minister for Resources explained to the Committee that as the gold market is very sensitive, it would be irresponsible to 'flag to the industry in a selective way that you are going to introduce a gold tax'.¹⁰³⁵

The royalty is expected to raise \$8 million in revenue in 2019–20 and \$16 million a year over the forward estimates.¹⁰³⁶

¹⁰³⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233.

¹⁰³¹ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 68.

¹⁰³² *Ibid.* p. 33.

¹⁰³³ *Ibid.*

¹⁰³⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 125.

¹⁰³⁵ Hon. Jaclyn Symes MLC, Minister for Resources, 2019–20 Budget estimates (Resources) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 8.

¹⁰³⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 123.

9.9.2 Gas

In May 2018, the Victorian Government released five new oil and gas exploration blocks in the Otway Basin. The five blocks are near major existing producing gas fields, infrastructure and gas storage facilities. Companies were able to tender for the five blocks in February 2019.¹⁰³⁷ In response to questions raised by the Committee at the budget estimates hearings, Mr Anthony Hurst, Executive Director, Resources, Rural and Regional Victoria Group, DJPR explained:

Victoria has responsibility for petroleum, gas and oil exploration and development within 3 nautical miles of the coastline; the commonwealth has outside the 3 nautical mile line. The Victorian government's position is to support further exploration and development of offshore gas, as is the case of the development of the Beach Energy project down near Peterborough. The area is prospective for further discoveries. The Geological Survey of Victoria is doing further work in that area as well. There was an aerial gravity survey conducted a little while ago to help identify those broad geological formations based on the density of the rock formations underneath. The areas have been released via a competitive tender process and adjoin similar areas in commonwealth waters. We are currently going through the process of evaluating the tenders that have come in. The expectation is that any tenders that lead to the allocation of a tenement would be for the supply of domestic gas.¹⁰³⁸

During the public hearings, the Minister for Resources advised that the Government is:

... progressing the Victorian gas program, which is a \$40 million science-led program to assess the potential for further discoveries of onshore conventional and offshore gas in the Otway and Gippsland geological basins. We launched the 2018 Victorian offshore petroleum acreage release to help ensure that long-term affordable gas supplies are available to Victorian homes and businesses.¹⁰³⁹

The Committee questioned the Minister regarding the Australian Energy Market Operator's assessment that production from the southern gas fields is expected to decline over the 20 year outlook.¹⁰⁴⁰ The Minister outlined that while the moratorium on gas will not be scrapped immediately, it is a temporary measure.¹⁰⁴¹ The Minister indicated that a decision would be made by June 2020.¹⁰⁴²

¹⁰³⁷ Minister for Resources, *Offshore Gas Exploration To Build Future Supply*, media release, 16 May 2018.

¹⁰³⁸ Mr Anthony Hurst, Executive Director—Resources, Rural and Regional Victoria Group, Department of Jobs, Precincts and Regions, 2019–20 Budget estimates (Resources) hearing, Melbourne, 12 June 2019, *Transcript of evidence*, p. 14.

¹⁰³⁹ Hon. Jaclyn Symes MLC, Minister for Resources, *Transcript of evidence*, p. 2.

¹⁰⁴⁰ *Ibid.*, p. 9.

¹⁰⁴¹ *Ibid.*

¹⁰⁴² *Ibid.*, p. 13.

9.10 Small Business portfolio: key issues

The Minister for Small Business and the Minister for Jobs Innovation and Trade share responsibility for the Industry, Innovation and Small Business output (funding in 2019–20: \$153.5 million). The Industry, Innovation and Small Business output has been reduced by 21% from \$196.4 million in 2018–19 to \$153.5 million in 2019–20 in the 2019–20 Budget.¹⁰⁴³ The stated objective of the Small Business portfolio is to foster a competitive business environment.¹⁰⁴⁴

There is one new output initiative relevant to the Small Business portfolio which is funded through the 2019–20 Budget: Small business services and support (funding allocated in 2019–20: \$2.46 million).¹⁰⁴⁵ Responsibility for this output initiative is shared with the Jobs Innovation and Trade portfolio.¹⁰⁴⁶

Issues relevant to the Small Business portfolio that were addressed at the public hearings include: the role of the Victorian Small Business Commission, funds designed to support small businesses, regional and rural businesses and the cut to the regional payroll tax rate, and the Small Business Regulation Review.¹⁰⁴⁷ The Small Business Regulation Review is discussed below.

9.10.1 Small Business Regulation Review

The 2019–20 Budget allocates \$59 million for Small Business Regulatory Reform up from \$15 million in the 2018–19 Budget.¹⁰⁴⁸ The budget papers states that this funding is ‘to deliver reforms that drive economic performance, including reforms that reduce the regulatory burden on small business’.¹⁰⁴⁹ At the budget estimates hearings, the Minister for Small Business, Hon Adem Somyurek MLC, explained to the Committee:

The small business regulation review and the Better Approvals project are cutting red tape, saving businesses time and money and reducing the time it takes to start a business.¹⁰⁵⁰

The Better Approvals Project stems from the reforms identified during the ‘Retail sector’ Small Business Regulation Review. The project is run by Small Business Victoria and aims to implement the approvals related reforms of the retail sector. The project aimed to develop better approval processes and introduce greater efficiencies whilst working

¹⁰⁴³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233 (Committee calculations).

¹⁰⁴⁴ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 68.

¹⁰⁴⁵ *Ibid.*, p. 33.

¹⁰⁴⁶ *Ibid.*, pp. 66–68.

¹⁰⁴⁷ Hon. Adem Somyurek MLC, Minister for Small Business, 2019–20 Budget estimates (Small Business) hearing, Melbourne, 11 June 2019, *Transcript of evidence*.

¹⁰⁴⁸ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 180.

¹⁰⁴⁹ *Ibid.*

¹⁰⁵⁰ Hon. Adem Somyurek MLC, Minister for Small Business, *Transcript of evidence*, p. 2.

in partnership with local councils.¹⁰⁵¹ An open tender was released and closed in 2018 for a suitably qualified supplier to work with councils to design and implement the reforms.¹⁰⁵²

9.11 Tourism, Sport and Major Events portfolio: key issues

The Minister for Tourism, Sport and Major Events is responsible for the Tourism, Major Events and International Education output (funding in 2019–20: \$123.5 million).¹⁰⁵³

The objective indicators of the portfolio are:

- employment in the Visitor Economy
- tourists attracted to Victoria
- increase rates of community engagement, including through participation in sport and recreation.¹⁰⁵⁴

There are several new output initiatives relevant to the Tourism Sport and Major Events portfolio that are funded through the 2019–20 Budget, including:

- Scenic railway to boost tourism in the Yarra Valley (\$1.3 million)
- Securing Victoria's leadership in a new era of tourism: building the visitor economy (\$32 million).¹⁰⁵⁵

A number of matters relevant to the Tourism, Sport and Major Events portfolio were discussed at the budget estimates hearings, including; attendance at the Melbourne Grand Prix, Puffing Billy Railway, the proposal for an Apple store within Federation Square and the visitor economy in Victoria.¹⁰⁵⁶ The visitor economy in Victoria is discussed in further detail below.

9.11.1 Visitor economy in Victoria

At the budget estimates hearings, the Minister for Tourism, Sport and Major Events, Hon Martin Pakula MP, explained the benefits tourism has on the overall economy. The visitor economy in Victoria is growing faster than the economy overall and is a large contributor to economic growth. To date, Visit Victoria has facilitated more than 80 events, including some 200 regional events.¹⁰⁵⁷

¹⁰⁵¹ Department of Economic Development, Jobs, Transport and Resources, *Improving Small Business Interaction with Regulators: Small Business Regulation Review (Regulatory Interaction—Construction Sector)*, Discussion paper, May 2018, p.21.

¹⁰⁵² Buying for Victoria, *Display Tender 1890523*, <<https://www.tenders.vic.gov.au/tender/view?id=86518>> accessed 14 October 2019.

¹⁰⁵³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 233; Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 68.

¹⁰⁵⁴ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 68.

¹⁰⁵⁵ *Ibid.*, p. 34.

¹⁰⁵⁶ Hon. Martin Pakula MP, Minister for Tourism, Sport and Major Events, 2019–20 Budget estimates (Tourism, Sport and Major Events) hearing, Melbourne, 11 June 2019, Transcript of evidence.

¹⁰⁵⁷ *Ibid.*, p. 8.

The 2019–20 Budget provides \$32 million in 2019–20 to the new ‘Securing Victoria’s leadership in a new era of tourism: building the visitor economy’ initiative. This funding is provided to Visit Victoria to fund marketing in order to attract visitors to Victoria.¹⁰⁵⁸ The money will contribute to meeting the targets set out in the Victorian Visitor Economy Strategy.¹⁰⁵⁹ DJPR’s response to the Committee’s questionnaire explains that this initiative ‘replaces both the Putting Victoria on the Map and Visit Victoria Marketing initiative’.¹⁰⁶⁰

Noting that since its inception in 2016, Visit Victoria had not received more than two years of funding in any Budget, the Committee sought an explanation from the Minister for Tourism, Sport and Major Events as to why no longer term commitment to funding had been made to support the primary tourism and events company for Victoria.¹⁰⁶¹ The Minister stated:

... the fact is that we are going through a range of reviews at the moment, including the regional tourism review which is occurring, and one of the things that is within the remit of Visit Victoria is that they fund those regional tourism boards. So in that context and in the context of the budget that I have commented on in previous answers during the jobs and innovation questions, what we achieved was a maintenance of Visit Victoria’s marketing funding for the upcoming financial year. We will continue to work with Visit Victoria and indeed other tourism stakeholders to ensure that by the time we get to next year’s budget there is a long-term strategy where we seek funding certainty for Visit Vic and the sector moving forward.¹⁰⁶²

9.12 Department wide: key issues

9.12.1 Machinery of government changes

Machinery of government changes effective on 1 January 2019 resulted in the creation of the Priority Precincts portfolio. The 2019–20 budget papers include information about the establishment of the Priority Precincts portfolio under the ‘establishing the Priority Precincts portfolio’ output initiative, but not in the section of the budget papers about output movements as a result of machinery of government changes.¹⁰⁶³

DJPR’s response to the Committee’s questionnaire demonstrates that the Minister for Priority Precincts and the Minister for Suburban Development have shared responsibility for one output: Priority Precincts and Suburban Development.¹⁰⁶⁴ While the response to the questionnaire also explains how the performance measures under the output are

¹⁰⁵⁸ Hon. Martin Pakula MP, Minister for Tourism, Sport and Major Events, response to the 2019-20 Budget estimates written questions on notice, received 23 July 2019.

¹⁰⁵⁹ Government of Victoria, *Victorian Visitor Economy Strategy*, July 2016.

¹⁰⁶⁰ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, p. 43.

¹⁰⁶¹ Hon. Martin Pakula MP, Minister for Tourism, Sport and Major Events, *Transcript of evidence*, p. 7.

¹⁰⁶² *Ibid.*

¹⁰⁶³ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 73, 129-32.

¹⁰⁶⁴ Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 67-68.

divided between both portfolios, it does not provide information about how funding for this output is demarcated.¹⁰⁶⁵

DJPR's response to the Committee's questionnaire demonstrates that the Minister for Small Business and the Minister for Jobs, Innovation and Trade have shared responsibility for one output: Industry, Innovation and Small Business.¹⁰⁶⁶ While the response to the questionnaire also explains how the performance measures under the output are divided between both portfolios, it does not provide information about how funding for this output is demarcated.¹⁰⁶⁷

DJPR's response to the Committee's questionnaire outlines a number of new output initiatives related to 'sport' which fall under the Sport, Recreation and Racing output for which the Minister for Racing is responsible.¹⁰⁶⁸ These include: Metropolitan and statewide local sports grants (funding allocated in 2019–20: \$55.7 million); State Sport Centres Trust (funding allocated in 2019–20: \$10.7 million); Grassroots Boost for the World Game (funding allocated in 2019–20: \$8.4 million); and the Community Cricket Program (funding allocated in 2019–20: \$2.9 million).¹⁰⁶⁹ It is unclear to the Committee why these initiatives are not the responsibility of the Minister for Tourism, Sport and Major Events.

RECOMMENDATION 51: Where a department or portfolio is created, including a Department of Jobs, Precincts and Regions portfolio, this information be included in the budget papers together with the information about output movements as a result of these machinery of government changes.

9.13 Performance measures

9.13.1 Suburban Development portfolio

The 2019–20 budget papers do not contain any performance measures relating to the progress of suburban revitalisation projects. Specifically, while the Priority Precincts and Suburban Development output identifies the number of projects in the design, planning or delivery phases there are no related quality or timeliness measures providing insights into the adequacy of progress of these projects.¹⁰⁷⁰ At the budget estimates hearings a Committee member queried:

¹⁰⁶⁵ Ibid., p. 67.

¹⁰⁶⁶ Ibid., pp. 67–68.

¹⁰⁶⁷ Ibid., p. 67.

¹⁰⁶⁸ Ibid., p. 33.

¹⁰⁶⁹ Ibid.

¹⁰⁷⁰ Department of Treasury and Finance, *Budget Paper No. 3*, p. 241.

I understand that there are a lot of projects, but have you put in place any clear milestones in which the success of these two projects in particular can be measured?¹⁰⁷¹

The Minister for Suburban Development outlined the funding provided in the 2019–20 Budget to revitalise established suburbs and noted key projects remained in-progress:

... the government is investing \$3.5 million to revitalise Melbourne’s established suburbs to ensure that they have the infrastructure and services they need for a liv[e]able and sustainable future ... but there is still work to do for the Broadmeadows revitalisation and Frankston revitalisation projects.¹⁰⁷²

FINDING 100: The 2019–20 budget papers do not contain any performance measures in the Priority Precincts and Suburban Development output relating to the progress of suburban revitalisation projects.

RECOMMENDATION 52: The Department of Jobs, Precincts and Regions review and expand on the quality and timeliness performance measures for suburban revitalisation projects in the budget papers.

9.13.2 Department wide: analysis of new performance measures

DJPR added 26 new performance measures in the 2019–20 Budget. 11 of these replaced discontinued measures. 15 of the new measures provide valuable insights, however the remaining 11 new measures have weaknesses.

Table 9.1 below summarises the issues for each of these measures by the relevant output.

¹⁰⁷¹ Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2019–20 Budget Estimates (Suburban Development) hearing, 11 June 2019, *Transcript of Evidence*, p.7.

¹⁰⁷² Hon. Marlene Kairouz MP, Minister for Suburban Development, 2019–20 Budget estimates (Suburban Development) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 8.

Table 9.1 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Priority Precincts and Suburban Development	Priority precincts in the design or delivery phase (Quantity)	The measure consolidates projects in both the design and delivery phases. It offers limited insight into the adequacy of progress of priority projects. Disaggregating these components into separate measures and increasing the focus on adequacy of progress would assist.
	Integrated Precinct Plans in place for priority precincts in the design or delivery phase (Quality)	This measure does not provide meaningful insights into 'quality' as it primarily measures the completion of an activity. The measure consolidates projects in both the design and delivery phases. The measure should be reviewed, disaggregated and adjusted to provide a more relevant and reliable assessment of 'quality'.
	Delivery of financial obligations for departmental Public Private Partnership projects in accordance with contractual timelines (Timeliness)	The value of this measure is limited given its focus on the State's contractual obligations to pay concessionaires. This is an administrative activity reflecting basic minimum standards of performance. Consequently, this measure is not sufficiently challenging. The metric should be reviewed and revised to ensure it provides more meaningful insights into the Department's timeliness in planning and delivering the State's priority precincts.
	Projects in the planning or delivery phase to support and facilitate the revitalisation of Broadmeadows and Frankston (Quantity)	The new measure consolidates projects in both the planning and delivery phases. Disaggregating these components into separate measures would assist.
Agriculture Industry Development and Regulation	Strategic agriculture industry development and regulatory policy briefings (Quantity)	Replaces the discontinued measure ' <i>Strategies developed to overcome identified trade barriers</i> '. The new measure shifts the focus from outcomes (i.e. development of strategies to overcome barriers) to input activities (i.e. industry development and policy briefings). The Department has not sufficiently explained the merits of this change. The measure would be improved by refocusing it on the effectiveness of output initiatives.
	Number of workshops / mentoring programs (Quantity)	The purpose and unit of measurement of this metric do not appear aligned. Although the measure is titled ' <i>Number of workshops/ mentoring programs</i> ', the Department's response to the questionnaire indicates the measure actually counts the number of businesses attending these programs—not workshops. ^a

Output	New performance measure	Issues identified by the Committee
Biosecurity and Agriculture Services	Animal and plant certificates issued within specified timeframes to support domestic and international market access. (Timeliness)	Replaces and consolidates the discontinued measures ' <i>Animal health certificates issued within specified timeframes to support international market access</i> ' and ' <i>Plant health certificates issued within specified timeframes at the Melbourne Wholesale Fruit and Vegetable Market to support domestic market access</i> '. The Department has not provided a sufficient explanation demonstrating the merits of aggregating the two former component measures into one.
	Clients engaged with agriculture services (Quantity)	Replaces and consolidates the discontinued measures ' <i>Client interactions with land health Services</i> ' and ' <i>Clients engaged with agriculture productivity services</i> '. The Department has not provided a sufficient explanation demonstrating the merits of aggregating the two former component measures into one. The former component measures ' <i>Client interactions with land health services</i> ' and ' <i>Clients engaged with agriculture productivity services</i> ' had individual targets of 1,700 and 3,910 respectively for 2018–19. However, the 2019–20 target for the new combined measure is only 4,300. The 2019–20 budget papers do not reconcile the difference between the targets.
Resources	Extractive Industries Work Authority work plans processed within regulatory timeframes (Timeliness)	The measure is not sufficiently challenging as it reflects statutory requirements (i.e. basic minimum standards of performance).
Sport, Recreation and Racing	Facilitate the delivery of the Community Cricket Program milestones in line with grant agreements (Timeliness)	The measure lacks sufficient clarity/specificity and is composed of multiple activities. It is not clear what ' <i>Facilitate the delivery of ...</i> ' and ' <i>... in line with grant agreements ...</i> ' means and what specific milestones and standards of performance are being measured. Consequently, this measure could mask poor performance in key program areas by focusing selectively on a subset of initiatives. The measure should be reviewed and improved to strengthen its utility and transparency.
Trade and Global Engagement	Visits to the Global Victoria website (Quantity)	Although the metric is a reasonable quantity measure of engagement with the website, it could be supplemented with additional quality metrics to provide a more comprehensive picture of engagement.

a. Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 51.

Source: Department of Jobs, Precincts and Regions, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019.

FINDING 101: The Department of Jobs, Precincts and Regions added 26 new performance measures in the 2019–20 Budget. 15 of the new measures provide valuable insights. However, 11 of the new measures have weaknesses that impede performance assessment.

RECOMMENDATION 53: Ahead of the 2020–21 Budget, the Department of Jobs, Precincts and Regions address the issues with the 11 new performance measures identified in relation to the following outputs: Priority Precincts and Suburban Development; Agriculture Industry Development and Regulation; Biosecurity and Agriculture Services; Resources; Sport, Recreation and Racing, and Trade and Global Engagement.

9.13.3 Department wide: analysis of proposed discontinued performance measures

DJPR proposed 16 performance measures for discontinuation in the 2019–20 Budget.

The Committee supports discontinuing 11 of these measures noting:

- four were replaced with new measures more relevant to the Priority Precincts and Suburban Development output. Notwithstanding, as noted in Table 9.1 above, these new measures had weaknesses limiting their usefulness which the Department should review and address.
- four were obsolete due to the completion of activities and/or cessation of funding relating to the Automotive Transition Plan, Future Industries Fund, Five-year Plans for Jobs, Services and Infrastructure, and Fishermans Bend Employment Precinct Plan.
- one was focused on measuring the completion of internal activities (i.e. completion of research and evaluation projects) offering little or no insights into output effectiveness.
- one was focussed on the timeliness of annual community sport and recreation awards held and was replaced with a more meaningful measure capturing the impact across the sector of these awards.
- the remaining measure ‘Users/attendances at all agencies’ in the Creative Industries Portfolio Agencies output was disaggregated in line with the Committee’s 2018–19 recommendation to improve transparency of performance for attendances at individual venues.¹⁰⁷³

However, in relation to five proposed discontinued measures, the Committee does not support discontinuation as either the Department did not provide clear justification, or it will reduce the availability and quality of performance information in the budget papers.

As explained in Table 9.1 above in relation to new performance measures which replace discontinued performance measures, the Committee does not support the Department’s rationale for the proposed discontinuation of the following performance measures relating to the Agriculture output:

- Client interactions with land health services

¹⁰⁷³ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, p. 112.

- Clients engaged with agriculture productivity services
- Strategies developed to overcome identified trade barriers
- Animal health certificates issues within specified timeframes to support international market access
- Plant health certificates issued within specified timeframes at the Melbourne Wholesale Fruit and Vegetable Market to support domestic market access.

FINDING 102: The Department of Jobs, Precincts and Regions identified 16 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the discontinuation of 11 of these measures and considers the remaining measures should be reviewed and reinstated.

RECOMMENDATION 54: The Assistant Treasurer, in conjunction with the Department of Jobs, Precincts and Regions, review the issues raised with the five discontinued measures identified in relation to the Agriculture output.

10 Court Services Victoria

Key findings

- The 2019–20 Budget allocates \$166.2 million over four years for the Bendigo law courts redevelopment. The redevelopment will reflect both the growth in demand for court services in the region and the needs of vulnerable people in court precincts including children.
- The non-cost performance measures for the Courts output in the 2019–20 Budget have remained unchanged from the previous financial year.

10.1 Overview

Court Services Victoria (CSV) is an independent statutory body corporate that provides services and facilities to Victoria's courts, Victorian Civil and Administrative Tribunal (VCAT), the Judicial College of Victoria and the Judicial Commission of Victoria.¹⁰⁷⁴

Victoria's courts and tribunals are part of the ministerial portfolio of the Attorney-General and aim to:

- provide equal access to justice
- ensure fairness, impartiality and independence in decision making
- follow processes that are transparent, timely and certain
- strive for leadership and best practice in court administration
- strengthen links with the community.¹⁰⁷⁵

10.2 Budget summary

In 2019–20 CSV has the seventh largest budget compared to the departments representing 1% of all output funding across all departments.¹⁰⁷⁶

¹⁰⁷⁴ *Court Services Victoria Act 2014 (Vic)*; Court Services Victoria, *Court Services Victoria Annual Report 2017-18*, Melbourne, 2018, p. 2.

¹⁰⁷⁵ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 378.

¹⁰⁷⁶ *Ibid.*, p. 379 (Committee calculations). The Committee has used the funding allocated by output group in each department's Performance Statement as provided in the 2019–20 budget papers to measure the funding across all departments.

In 2019–20 CSV is allocated \$667 million to fund its outputs. Output funding was \$635 million in 2018–19. It has \$667 million of income from transactions available. In 2018–19 \$635 million of income from transactions was available.¹⁰⁷⁷

CSV's output appropriations and employee benefits in 2019–20 remain largely unchanged from 2018–19.¹⁰⁷⁸

With regard to capital spending, the 2019–20 Budget allocates \$83.5 million to CSV programs in 2019–20, of which \$30.3 million is for the Specialist Family Violence Integrated Courts Response project, and \$21.9 million is for the Bendigo Law Court redevelopment.¹⁰⁷⁹

CSV has a total savings target of \$808,000 in 2019–20. CSV states that it 'will undertake a review process to determine appropriate efficiency and expenditure reduction measures'.¹⁰⁸⁰

10.3 Key issues

CSV is responsible for one output: Courts (funding in 2019–20: \$666.7 million).¹⁰⁸¹

Several topics relevant to CSV were discussed at the budget estimates hearing with the Attorney-General including the Bendigo law courts redevelopment; a pilot of active case management at the County Court; security equipment at Courts; the Coroners Court; and the Family Drug Treatment Court. The Bendigo law courts redevelopment is discussed in more detail below, together with CSV's response to the Committee's budget estimates questionnaire regarding employees who identify as having a disability.

10.3.1 Bendigo law courts redevelopment

At the budget estimates hearings the Attorney-General, Hon Jill Hennessy MP, outlined the investment of \$166.2 million over four years for the Bendigo law courts redevelopment as a key commitment in the 2019–20 Budget.¹⁰⁸² The budget papers state:

The Government will provide funding for a multi-jurisdictional regional headquarter court facility for Bendigo and the wider Loddon Mallee region. The new court facility

¹⁰⁷⁷ Ibid., p. 379.

¹⁰⁷⁸ Court Services Victoria, *Response to the 2019–20 Budget estimates general questionnaire*, received 29 May 2019, p. 32 (Committee calculations).

¹⁰⁷⁹ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, pp. 88–89 (Committee calculations); Court Services Victoria, *Response to the 2019–20 Budget estimates general questionnaire*, p. 38 (Committee calculations).

¹⁰⁸⁰ Court Services Victoria, *Response to the 2019–20 Budget estimates general questionnaire*, p. 40.

¹⁰⁸¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 380.

¹⁰⁸² Hon. Jill Hennessy MP, *2019–20 Budget estimates hearing presentation: Attorney-General*, supplementary evidence, received 14 June 2019, pp. 2–4.

will feature eight courtrooms, two hearing rooms, two mediation suites and 16 custody holding cells. The new court facility will bring together a range of specialist court programs and services locally.¹⁰⁸³

At the budget estimates hearings, the Attorney-General informed the Committee:

There are over 100 000 people that rely on and utilise the Bendigo court, that attend every year. Demand is projected to grow by about 1.5 per cent each and every single year in that region ... At the moment we cannot separate offenders from victims in that set of circumstances. We cannot separate juries from other people at court, and that brings a whole range of other attendant risks with it. So that is clearly not ideal.¹⁰⁸⁴

The Attorney-General explained that the design for the Bendigo law courts will ‘set a new benchmark’ for court facilities:

There will be dedicated entrances and waiting areas for vulnerable people, including witnesses. That means that the court will be far safer for victims and court staff, using the latest court security systems—secure paths as well. It will comply—there were a series of recommendations around court design that were made in the Royal Commission into Family Violence, so things like dedicated entrances for children and having proper children’s foyers. When you go to courts that do not have that facility, whether that is around family violence or Children’s Court or just children whose families are caught up in the criminal justice system, the impact of this on people, without having proper facilities, makes the experience even more traumatising for them.¹⁰⁸⁵

The Committee sought further information from the Attorney-General about how the Bendigo law court will benefit the region more broadly. The Attorney-General stated that the development will help contribute to the broader regeneration of central Bendigo as it will be ‘collocated with the new education precinct and bring learning and practice together’.¹⁰⁸⁶

FINDING 103: The 2019–20 Budget allocates \$166.2 million over four years for the Bendigo law courts redevelopment. The redevelopment will reflect both the growth in demand for court services in the region and the needs of vulnerable people in court precincts including children.

10.3.2 Employees who identify as having a disability

As noted in the Committee’s *Report on the 2018–19 Budget Estimates*, the Government has set a target of 6% of public sector employees with a disability by 2020, increasing to 12% by 2025 as part of the Every Opportunity: Victorian economic participation

¹⁰⁸³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 15.

¹⁰⁸⁴ Hon. Jill Hennessy MP, Attorney-General, 2019–20 Budget estimates (Attorney-General) hearing, Melbourne, 14 June 2019, *Transcript of evidence*, p. 9.

¹⁰⁸⁵ *Ibid.*, p. 8.

¹⁰⁸⁶ *Ibid.*

plan for people with disability 2018–2020.¹⁰⁸⁷ The *State of the Public Sector in Victoria 2017–2018* stated:

Representation of people with disability within the public sector is currently at 2.6 per cent, which is lower than the proportion of people with disability within the Victorian labour force (9 per cent).¹⁰⁸⁸

In its *Report on the 2018–19 Budget Estimates* the Committee recommended:

Recommendation 2: Departments begin collecting data on the proportion of their workforce who have a disability based on their own payroll and human resources systems, in order to establish baseline data and meet the recruitment targets set out in the Government’s *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.¹⁰⁸⁹

The Government supported this recommendation and stated:

Departments will enhance reporting systems to meet the recruitment targets set out in the Government’s *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.¹⁰⁹⁰

CSV’s response to the Committee’s 2019–20 questionnaire, recorded zero staff members who identify as having a disability.¹⁰⁹¹ The reasons for this were not provided the Committee. However, CSV’s response to the Committee’s 2018–19 questionnaire indicated that ‘CSV intends to gather data on this in 2018–19’.¹⁰⁹²

RECOMMENDATION 55: Court Services Victoria collect data on the proportion of its workforce who have a disability to meet the recruitment targets set out in the Government’s *Every Opportunity: Victorian economic participation plan for people with disability 2018–2020*.

10.4 Performance measures

The non-cost performance measures for the Courts output have remained unchanged from the previous financial year. There are three types of performance measures broken down by the type of court (i.e. Supreme Court, County Court, Magistrates’ Court) and matter (i.e. civil, criminal, coronial). The performance measures are:

¹⁰⁸⁷ Department of Health and Human Services, *Every opportunity: Victorian economic participation plan for people with disability 2018–2020*, Victorian Government, Melbourne, 2018, p. 5.

¹⁰⁸⁸ Victorian Public Sector Commission, *State of the public sector in Victoria 2017–2018*, Victorian Government, Melbourne, 2018, p. 76.

¹⁰⁸⁹ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 50.

¹⁰⁹⁰ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Inquiry into the 2018–19 Budget Estimates*, 5 March 2019, p. 2.

¹⁰⁹¹ Court Services Victoria, *Response to the 2019–20 Budget estimates general questionnaire*, p. 45.

¹⁰⁹² Court Services Victoria, *Response to the 2018–19 Budget estimates general questionnaire*, received 15 May 2018, p. 26.

- Quantitative: Average cost per case and case clearance rate
- Qualitative: Court file integrity – availability, accuracy and completeness
- Timeliness: On time case processing.¹⁰⁹³

No performance measures for the Courts output were proposed to be discontinued in the 2019–20 budget papers.

FINDING 104: The non-cost performance measures for the Courts output in the 2019–20 Budget have remained unchanged from the previous financial year.

¹⁰⁹³ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 381-84.

Key findings

- Base reviews of departments are currently being undertaken and are expected to report to the Government by the end of 2019. The base reviews will inform the 2020–21 Budget.
- The 2018–19 Budget allocated \$3.6 million in 2018–19 and \$5.0 million in 2019–20 to the Victorian African Communities Action Plan (VACAP). The VACAP is a 10 year Action Plan that aims to build inclusive Victorian African communities.
- \$30.4 million has been allocated over two years to the ‘Treaty and self-determination for Aboriginal Victorians’ output initiative to fund a Treaty for Aboriginal Victorians and other projects, such as the First Peoples’ Assembly of Victoria, Elder’s Voice and advertising.
- The Department of Premier and Cabinet added 16 new performance measures in the 2019–20 Budget. 11 provide useful insights. However, five measures from four different outputs have weaknesses.
- The Department of Premier and Cabinet identified 13 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the discontinuation of 11 of these measures.

11.1 Overview

The Department of Premier and Cabinet (DPC) supports the following nine portfolios: Premier; Special Minister of State; Aboriginal Affairs; Equality; Industrial Relations; Multicultural Affairs; Veterans; Women; and Youth. Machinery of government changes effective 1 January 2019 saw the Women’s Portfolio move from the Department of Health and Human Services (DHHS) to DPC.

DPC’s main responsibilities include:

- Leadership of the State and the Parliament
- Strategic Advice and Government Support
- Aboriginal policy reform
- LGBTIQ (Lesbian, Gay, Bisexual, Transgender, Intersex and Queer) equality policy and programs
- Industrial Relations Victoria, Central Bargaining Unit and Wage Inspectorate Victoria
- Multicultural affairs policy and programs

- Veteran related issues at the State level
- Safe and Strong: A Victorian Gender Equality Strategy
- Whole of government policy advice regarding women and youth.

11.2 Budget summary

In 2019–20 DPC ranks as the eighth largest department when compared to other departments representing 1% of total funding (\$654 million in 2019–20) provided to all output groups across the departments.¹⁰⁹⁴

In 2019–20, DPC's output appropriations and employee benefits remained largely unchanged from 2018–19. However, the special appropriations in 2019–20 decreased by 53.2% from 2018–19 'primarily due to the 2018 Victorian election';¹⁰⁹⁵ and the grants received in 2019–20 decreased by 56.5% from 2018–19 'primarily due to machinery of government changes for the transfer of GovHubs from DPC'¹⁰⁹⁶ to the Department of Jobs, Precincts and Regions.¹⁰⁹⁷ GovHubs are government office accommodation.

With regard to capital spending, the 2019–20 Budget allocates \$14 million in 2019–20 to DPC projects. This is a decrease of 44% from 2018–19 as a result of no funding being allocated to Project Ignite in 2019–20. In 2018–19 this project was allocated \$24 million.¹⁰⁹⁸

DPC's response to the Committee's questionnaire did not identify any savings targets to be achieved in 2019–20. DPC's questionnaire response, states that it:

... undertakes a range of measures to create savings and efficiencies, including reduced usage of consultants and labour contractors (including agency staff), through minimising duplication and waste in administration, procurement and communication functions and rationalisation of accommodation across DPC. This is managed in a way to ensure no impact on service delivery.¹⁰⁹⁹

However, the Committee notes that during the Special Minister of State's budget estimates hearing the Secretary of DPC, Mr Chris Eccles informed the Committee that in 2019–20, a \$1.8 million savings target has been allocated to DPC.¹¹⁰⁰

¹⁰⁹⁴ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 264. The Committee has made this calculation based on the funding allocated by output group in each department's Performance Statement as provided in the 2019–20 budget papers.

¹⁰⁹⁵ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 5.

¹⁰⁹⁶ Ibid.

¹⁰⁹⁷ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 68.

¹⁰⁹⁸ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 16.

¹⁰⁹⁹ Ibid., p. 19.

¹¹⁰⁰ Mr Chris Eccles, Secretary, Department of Premier and Cabinet, 2019–20 Budget estimates (Special Minister of State) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, pp. 16, 17.

11.3 Premier: key issues

The Premier is responsible for the following five outputs:

- Government-wide Leadership Reform and Implementation (funding in 2019–20: \$103.5 million), responsibility for this output is shared with the Special Minister of State (SMOS)
- Strategic Advice and Government Support (funding in 2019–20: \$112.2 million), responsibility for this output is shared with the SMOS
- Office of the Victorian Government Architect (funding in 2019–20: \$1.2 million)
- Advice and Support to the Governor (funding in 2019–20: \$16.8 million)
- Public Administration Advice and Support (funding in 2019–20: \$10.1 million), responsibility for this output is shared with the SMOS.¹¹⁰¹

The objectives of the portfolio are to pursue, lead and support strong policy outcomes; and foster, ensure and protect professional public administration.¹¹⁰² The Premier is responsible for leadership of the State, the Parliament and is Chair of Cabinet. The Premier chooses ministers and allocates portfolios and is the main channel of communication between the Governor and Cabinet and the Victorian Government and State, Territory, Commonwealth and overseas governments.

Several issues relevant to the Premier's portfolio were discussed at the budget estimates hearings and further details were provided to the Committee through questions on notice. The issues included: the Sustainability Fund, departmental advertising campaigns, level crossing removals, the North East Link, the West Gate Tunnel, China's Belt and Road Initiative, Victoria's health system and health workers, Forest Industry Taskforce, emissions targets, school infrastructure, drought assistance, the Royal Commission into Mental Health, staff numbers in the Office of the Premier, departmental base reviews and the introduction of new taxes.¹¹⁰³ The issues discussed at the hearing regarding the provision of steel for the West Gate Tunnel project are discussed in further detail below.

¹¹⁰¹ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 57-58; Department of Treasury and Finance, *Budget Paper No. 3*, p. 295.

¹¹⁰² Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 57-58; Department of Treasury and Finance, *Budget Paper No. 3*, p. 293.

¹¹⁰³ Hon. Daniel Andrews MP, Premier of Victoria, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019; Hon. Daniel Andrews MP, Premier of Victoria, 2019–20 Budget estimates (Premier) hearing, Melbourne, 31 May 2019, *Transcript of evidence*.

11.3.1 West Gate Tunnel project—local steel content

Estimated expenditure on the West Gate Tunnel project in 2019–20 is \$1.6 billion.¹¹⁰⁴ At the budget estimates hearings the Committee sought information from the Premier about the steel requirements for the West Gate Tunnel project.¹¹⁰⁵ The Premier, Hon Daniel Andrews MP, confirmed that the contractor was required to deliver 92% local steel content for the project.¹¹⁰⁶ The Premier informed the Committee that the most recent advice is that the contractor will likely deliver 85% local steel content.¹¹⁰⁷ The Premier explained:

... the key to this issue is that the contractor has not given local steel manufacturing businesses sufficient notice in order to fulfil the orders ... So what has happened is they have essentially put the order in. They have not given local manufacturers, Australian steel manufacturers, enough time to scale up to fulfil that order, and then they have said, 'Well, it can't be supplied locally so we have to go offshore'. We are not pleased about that in any way.¹¹⁰⁸

In evidence before the Committee the Premier emphasised that the Government is working with:

... the coordinator-general and others are working with each—of the contractors who build our infrastructure to try and make sure that they place their orders much earlier and give that local supply chain time to appropriately fulfil the order ...¹¹⁰⁹

The Committee was keen to understand what consequences would be incurred by the contractor as a result of their failure to comply with the local steel content requirement of the contract. The Premier outlined that the Government is 'working through those issues with the contractor involved'.¹¹¹⁰ The Premier stated:

I am disappointed that it would seem that the contractor will not deliver the 92 per cent local content that they were contractually obliged and had agreed to deliver. I would just make the point that we are still examining options, we are still examining ways in which we might be able to increase other elements of local content on that project. And to your point about how significant this is, we are also working hard to make sure that this does not happen again on any other project, and the key to that—and the point I am making to you—is that those contractors need to place their orders, give the certainty to that supply chain, to that local manufacturing industry, much, much earlier. Otherwise I think they will from time to time struggle to fulfil orders ...¹¹¹¹

¹¹⁰⁴ Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 82.

¹¹⁰⁵ Hon. Daniel Andrews MP, Premier of Victoria, *Transcript of evidence*, pp. 6–9. The West Gate Tunnel project will link the West Gate Freeway at Yarraville with the Port of Melbourne and CityLink at Docklands via twin tunnels beneath Yarraville.

¹¹⁰⁶ *Ibid.*, p. 6.

¹¹⁰⁷ *Ibid.*

¹¹⁰⁸ *Ibid.*

¹¹⁰⁹ *Ibid.*

¹¹¹⁰ *Ibid.*, p. 7.

¹¹¹¹ *Ibid.*

With regard to the quality of the steel used in the project, the Premier confirmed to the Committee:

All steel involved, no matter where it comes from in any government project, needs to meet the highest of standards, and we have a whole range of experts that make those judgements for us.¹¹¹²

In response to concerns raised by the Committee about other projects encountering similar issues regarding the sourcing of local steel, the Premier explained:

The way that we will ensure that this does not occur again is to make sure that each and every one of the contractors who are delivering the record infrastructure boost that we funded gives the steel industry adequate notice in order for them to gear up to have sufficient capacity to fulfil the orders. If the orders can be fulfilled locally, then we will not get into this issue of, 'You cannot produce it for us; therefore we will have to go offshore'. That is what the contractors are saying; that is where they are at. The best way to ensure that this does not occur again is to make sure that every single contractor gives the steel industry appropriate notice, and that is what we are engaged in discussions to give effect to.¹¹¹³

FINDING 105: Estimated expenditure on the West Gate Tunnel project in 2019–20 is \$1.6 billion. The contractor delivering the West Gate Tunnel project is unlikely to meet the 92% local steel requirement. The Committee was advised it is on track to deliver 85% local steel content to the project. The Government is investigating ways to strengthen these provisions in future contracts.

11.4 Special Minister of State: key issues

The Special Minister of State (SMOS) is responsible for the following nine outputs:

- Government-wide Leadership Reform and Implementation (funding in 2019–20: \$103.5 million), responsibility for this output is shared with the Premier
- Strategic Advice and Government Support (funding in 2019–20: \$112.2 million), responsibility for this output is shared with the Premier
- Infrastructure Victoria (funding in 2019–20: \$9.9 million)
- Digital government and communications (funding in 2019–20: \$52.9 million)
- Chief Parliamentary Counsel Services (funding in 2019–20: \$7.4 million)
- Management of Victoria's Public Records (funding in 2019–20: \$17.2 million)
- Public Administration Advice and Support (funding in 2019–20: \$10.1 million), responsibility for this output is shared with the Premier

¹¹¹² Ibid.

¹¹¹³ Ibid., p. 8.

- Public Sector Integrity (funding in 2019–20: \$79.6 million)
- State Electoral Roll and Electoral Events Objective (funding in 2019–20: \$43.7 million).¹¹¹⁴

The objectives of the portfolio are to: pursue, lead and support strong policy outcomes; and foster, ensure and protect professional public administration.¹¹¹⁵ SMOS oversees government transparency, integrity, accountability and public sector administration and reform.

At the budget estimates hearing the SMOS, Hon Gavin Jennings MLC, drew to the Committee's attention the following 2019–20 Budget initiatives:

- Building capacity in the Office of the Chief Parliamentary Counsel (\$2.5 million over five years)—for additional legislative drafters and publishers to assist in delivering the Government's legislative agenda, including an IT systems upgrade.
- Understanding and responding to citizen need (\$3.6 million over two years)—aim to improve Government's social media capability and resources to better understand and respond to citizen needs.
- Public Record Office Victoria Grants and Awards Program (\$1.6 million over four years)—for the continued delivery of the Local History Grants Program and the Victorian Community History Awards, such as the Victorian Premier's History Award.
- Best practice integrity oversight (\$2.3 million over three years (of which \$0.5 million is capital funding)—for the Victorian Inspectorate (VI) to support governance and finance activities in the lead up to the agency achieving budgetary independence from 1 July 2020. Upgrades will also be made to the VI's IT systems.
- Funding to the Ombudsman's Office (\$16.3 million over four years).
- Funding to meet increased demand and remit of the Local Government Inspectorate (\$3.3 million over four years)—this includes one off surge resourcing to meet increased activity resulting from the October 2020 local government elections.¹¹¹⁶

The following matters relevant to the SMOS's portfolio arose during the budget estimates inquiry: coordination across the Victorian Public Service (VPS), building the capacity of the VPS, Infrastructure Victoria, the Public Record Office Victoria, Whole of Government efficiencies, the Victorian Centre for Data Insights sharing of information, Service Victoria, and the Victorian Electoral Commission and voter participation. The issues discussed at the hearing regarding Whole of Government efficiencies are discussed below.

¹¹¹⁴ Ibid., pp. 57-58; Department of Treasury and Finance, *Budget Paper No. 3*, p. 295.

¹¹¹⁵ Hon. Daniel Andrews MP, Premier of Victoria, *Transcript of evidence*, pp. 57-58; Department of Treasury and Finance, *Budget Paper No. 3*, p. 293.

¹¹¹⁶ Hon. Gavin Jennings MLC, *2019–20 Budget estimates hearing presentation: Special Minister of State*, supplementary evidence, received 11 June 2019, p. 6.

11.4.1 Whole of Government efficiencies

The 2019–20 Budget outlines Whole of Government efficiencies of \$201.3 million in 2019–20, \$462.8 million in 2020–21; \$524.2 million in 2021–22; and \$548.6 million in 2022–23 (\$1.7 billion total over four years).¹¹¹⁷ With reference to these efficiencies the budget papers state:

To enable the Government to invest in priority areas, departments will deliver a range of further efficiency measures from 2019–20. This includes aligning indexation of output funding with forecast inflation in 2019–20, along with expanding the General Efficiency Dividend from 2020–21.

To support these efficiencies, a comprehensive program of expenditure base reviews will be undertaken across all portfolios.¹¹¹⁸

While DPC's response to the Committee's questionnaire did not provide detail on the savings allocated to the Department,¹¹¹⁹ at the budget estimates hearings the Secretary of DPC, Mr Chris Eccles, informed the Committee that 'the amount that has been allocated [to DPC] in 19-20 is \$1.8 million'.¹¹²⁰ Mr Eccles explained:

The remainder is yet to be allocated and will largely be referenced to the work that is being undertaken through the base reviews ... That will give government an insight into how best to align its resources to its documented priorities.¹¹²¹

In response to questions posed by the Committee about the indicative timeline for the base reviews, Mr Eccles stated:

... the base reviews are being undertaken to inform the budget for budget 20–21, and the base reviews themselves will be reporting to government at the end of the year. So I would imagine that the outcome of the base reviews will inform government decision-making for the next budget and subsequent budgets.¹¹²²

With regard to the 2019–20 \$1.8 million target, Mr Eccles explained that DPC:

... intend to address that through matters such as a reduction in our reliance on consultants, contractors, labour hire, some rationalisation of our accommodation, some further reforms in relation to our ICT investment.¹¹²³

Mr Eccles confirmed to the Committee that currently there are no staff reductions targets related to the Whole of Government efficiencies for each of the departments.¹¹²⁴

¹¹¹⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 126 (Committee calculations).

¹¹¹⁸ *Ibid.*, p. 126.

¹¹¹⁹ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 19.

¹¹²⁰ Mr Chris Eccles, Secretary, Department of Premier and Cabinet, 2019–20 Budget estimates (Special Minister of State) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 17.

¹¹²¹ *Ibid.*

¹¹²² *Ibid.*

¹¹²³ *Ibid.*, p. 16.

¹¹²⁴ *Ibid.*, p. 17.

In response to questions from the Committee about where efficiencies will be realised, the SMOS explained that there are a number of options including telecommunication costs:

The telecommunications and communications costs to government have been reduced significantly by us bundling up and re-tendering those services and saving significant moneys across the public service and encouraging other aspects of the public sector to join in with those savings. We have embarked upon similar management in relation to accounting and management functions across the government.¹¹²⁵

The Committee noted in its *Report on the 2017-18 Budget Estimates* that the Government expected to save \$34 million per annum as a result of renegotiating Whole of Government telecommunication contracts in 2017.¹¹²⁶

The SMOS informed the Committee that the magnitude of efficiencies in the 2019-20 Budget 'is greater than we have experienced' before, but indicated that this does not necessarily lead to job losses or a 'significant change in the profile of effort and outcome that the public sector supports'.¹¹²⁷ The SMOS explained:

The real issue will be how can we build on what we have already done. How can we extend the way in which programs could perhaps function better, to wrap around services in a more efficient way? ... one of the things that we very clearly need to do is to be able to align services in a better way so that they are more efficiently delivered. Information sharing provides that opportunity. Multidisciplinary collaborative work enables that.¹¹²⁸

In addition to emphasising that what the Government 'want[s] to be particularly hard on is the use of labour hire and contracting out' due to 'quite significant outlays' over time,¹¹²⁹ the SMOS suggested a need for 'flexibility in the workforce' and informed the Committee:

—at the moment we actually have public servants who operate in the silos of their departments and are not seen as a resource across the public service. We want to actually have a look at the way in which we can drive greater flexibility and transferability of skills, maybe some skills uplifts to enable greater flexibility across the public service.¹¹³⁰

With reference to reducing labour hire reliance in the public sector, the Committee sought information from the SMOS about what the Government was doing to build the capacity of the public sector workforce. In response, the SMOS drew the Committee's

¹¹²⁵ Hon. Gavin Jennings MLC, Special Minister of State, 2019-20 Budget estimates (Special Minister of State) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 9.

¹¹²⁶ Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates, Report on the 2017-18 Budget Estimates*, 30 April 2018, p. 216.

¹¹²⁷ Hon. Gavin Jennings MLC, Special Minister of State, *Transcript of evidence*, p. 10.

¹¹²⁸ *Ibid.*

¹¹²⁹ *Ibid.*

¹¹³⁰ *Ibid.*

attention to programs outlined in the Minister’s presentation that support an innovative high performing public sector, such as:

- Nesta States of Change partnership—a global collective set-up to develop and support public innovation learning for creating public impact.¹¹³¹
- CivVic Labs—Government will work with startups to co-design solutions to defined public sector challenges that would benefit from innovative thinking and new technology.¹¹³²

FINDING 106: Base reviews of departments are currently being undertaken and are expected to report to the Government by the end of 2019. The base reviews will inform the 2020–21 Budget.

RECOMMENDATION 56: The 2020–21 Budget specify the amounts allocated to each department to realise the \$1.7 billion Whole of Government efficiencies outlined in the 2019–20 Budget.

11.5 Youth portfolio: key issues

The Minister for Youth has responsibility for one output: Youth (funding in 2019–20: \$27.4 million).¹¹³³ The objective of the portfolio is ‘engaged citizens’.¹¹³⁴ In this context, the Minister for Youth is responsible for leading and supporting whole of government advice regarding youth, delivering a range of initiatives for young people aged between 12 and 25, and providing opportunities for young people to actively participate in their communities.

The Minister for Youth, Hon Gabrielle Williams MP, informed the Committee that of the total investment in grants for youth programs across Victoria, 28% relate to rural and regional Victoria, 24% to metropolitan areas and 48% to programs that are delivered on a statewide basis.¹¹³⁵

At the budget estimates hearings, the Minister for Youth drew the Committee’s attention to the following 2019–20 Budget initiatives relevant to the portfolio:

¹¹³¹ Hon. Gavin Jennings MLC, *2019–20 Budget estimates hearing presentation: Special Minister of State*, p. 6; Nesta, *Exploring new perspectives: States of Change in Victoria*, <<https://www.nesta.org.uk/blog/exploring-new-perspectives-states-change-victoria>> accessed 30 August 2019.

¹¹³² Hon. Gavin Jennings MLC, *2019–20 Budget estimates hearing presentation: Special Minister of State*, p. 6; CivVicLabs, *The program - for government*, <<https://civvic.org.au/the-program/government>> accessed 30 August 2019.

¹¹³³ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 56; Department of Treasury and Finance, *Budget Paper No. 3*, p. 295.

¹¹³⁴ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 56; Department of Treasury and Finance, *Budget Paper No. 3*, p. 293.

¹¹³⁵ Hon. Gabrielle Williams MP, Minister for Youth, 2019–20 Budget estimates (Youth) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 7.

- \$5.5 million over four years to the ‘Supporting a new generation of Scouts’ output initiative to build new facilities and upgrade existing facilities.¹¹³⁶
- \$6 million in 2019–20 to the ‘Supporting young people’ output initiative to continue Community Support groups for South Sudanese people and extend the Le Mana Pasifika Project for vulnerable Pasifika young people.¹¹³⁷

The Minister for Youth also informed the Committee about the portfolio’s active engagement with young people including the ‘youth engagement policy, Youth Parliament, the Victorian Youth Congress and ... [the] annual Youth Summit’.¹¹³⁸

The investment in Scout facilities in 2019–20 and across the forward estimates was discussed extensively at the public hearings and is examined in more detail below.

11.5.1 Scout facilities

The 2019–20 Budget allocates \$1.4 million in 2019–20 and \$1.4 million in each year across the forward estimates to the ‘Supporting a new generation of Scouts’ output initiative.¹¹³⁹ The budget papers explain that this funding will be provided to upgrade and refurbish a number of ageing Scout facilities across Victoria.¹¹⁴⁰ The budget papers state:

This will enable scout groups to support an increasing number of young people who want to participate in scouting and to provide access to halls and other facilities for community use.¹¹⁴¹

At the budget estimates hearings, the Minister for Youth explained to the Committee:

Scouts Victoria will be matching the government contribution of \$5.5 million by working with community partners which will bring the total investment to build new scout halls and upgrade existing ones to \$11 million over the next four years, so a genuine partnership in that sense. These partners might include community organisations, schools, sporting clubs, philanthropic trusts and different levels of government. Scouts Victoria is also considering which existing facilities may be surplus to their needs, such as in areas where there are high concentrations of scout halls, in order to raise funds for new facilities elsewhere.¹¹⁴²

The Committee questioned the Minister about why the Government was investing in scouting and what benefits it brings to young people and families. The Minister stated:

¹¹³⁶ Hon. Gabrielle Williams MP, *2019–20 Budget estimates hearing presentation: Youth*, supplementary evidence, received 13 June 2019, p. 4.

¹¹³⁷ *Ibid.*, p. 8.

¹¹³⁸ Hon. Gabrielle Williams MP, Minister for Youth, *Transcript of evidence*, p. 2.

¹¹³⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 92.

¹¹⁴⁰ *Ibid.*, p. 98. This includes funding for the following facilities: New Ballan Scout Hall; New Epping North Scout Hall; New Narre Warren South Scout Hall; New Port Melbourne Scout Group Hall; Upgrade 1st Ivanhoe Sea Scout Group Hall; Upgrade 1st Mt Evelyn Scout Group (Montrose Hall); Upgrade 1st South Frankston Scout Group Hall; Upgrade Healesville’s Scout Hall; Upgrade Strathfieldsaye Scout Hall in Bendigo; Upgrade Upwey Scout Hall; and Upgrade Woodend Scout Hall.

¹¹⁴¹ *Ibid.*

¹¹⁴² Hon. Gabrielle Williams MP, Minister for Youth, *Transcript of evidence*, p. 4.

Effectively it provides children and young people between the ages of six and 25 with a range of really, really fun but also challenging opportunities to grow through adventure, effectively—is the philosophy behind it. It is also a youth development program that encourages active citizenship. It also develops skills in young people, the sorts of skills that many programs that we would seek to support as a government would be trying to foster—you know, leadership, teamwork, problem-solving through community involvement, also getting outdoors, which in a time of screens is increasingly hard for parents to do or to inspire, but also experience and skills around working in small teams and learning by doing, which we know is really important to the development of young people. There are almost 20 000 young Victorians who participate in scouting programs each and every year, and more than a million young Victorians have participated in scouts since 1907. Its membership is on the rise, with last year marking 12 consecutive years of membership growth for Scouts Victoria ...¹¹⁴³

With regard to the process undertaken by the Government to decide which Scout facilities would receive funding under the 2019–20 Budget initiative the Minister stated:

... effectively the government worked with Scouts Victoria, who were able to identify the list of priorities as they saw them, and I think from memory they actually circulated quite a broad list of where they felt investment needed to be made in their scout halls to many members of Parliament, if not all of us, prior to the election. So that was something we worked with Scouts Victoria on and took our lead from them about what needed to be prioritised.¹¹⁴⁴

In this context the Minister informed the Committee that Scouts Victoria has been very alive to the need for more community space in high growth areas and that has played a significant part in the conversation.¹¹⁴⁵ Ms Jill McCabe, Office for Youth, DPC also outlined that the new Scout halls will be used as shared facilities. For example, for before school child care or during school hours if schools need access to such facilities.¹¹⁴⁶

In light of the investment in Scouts, the Committee sought information from the Minister about funding for Girl Guides. The Minister explained:

There is quite a difference in the scale between scouts and guides, so while we do support both organisations, the funding that we are allocating to the scouting movement on this occasion is for the infrastructure projects that we have outlined and in meeting that demand, the challenges as previously described by me, also noting that the scouting movement is somewhat larger than the guides movement. But we also as part of the budget in 17–18 committed \$1 million to Girl Guides Victoria over four years, so that funding obviously will continue—¹¹⁴⁷

¹¹⁴³ Ibid.

¹¹⁴⁴ Ibid., p. 6.

¹¹⁴⁵ Ibid., p. 7.

¹¹⁴⁶ Ms Jill McCabe, Director, Office for Youth, Department of Premier and Cabinet, 2019–20 Budget estimates (Youth) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 7.

¹¹⁴⁷ Hon. Gabrielle Williams MP, Minister for Youth, *Transcript of evidence*, p. 6.

FINDING 107: Scouts Victoria will be matching the Government contribution of \$5.5 million to the ‘Supporting a new generation of Scouts’ output initiative in the 2019–20 Budget which will bring the total investment to build new scout halls and upgrade existing ones to \$11 million over the next four years.

11.6 Women’s portfolio: key issues

The Minister for Women has responsibility for one output: Women’s policy (funding in 2019–20: \$26.3 million).¹¹⁴⁸

The Women’s portfolio provides ‘whole of government advice and leadership to address structural barriers to gender equality, with a particular focus on’:

- increasing women’s leadership across all sectors of Victoria’s economy
- improving women’s participation in work and financial security, including through reducing the gender pay gap
- reducing the impact of gender inequality on vulnerable groups of women.¹¹⁴⁹

The Minister for Women, Hon Gabrielle Williams MP, discussed several Victorian Government campaigns, strategies and plans relating to women’s initiatives at the budget estimates hearings, including the:

- Change our Game campaign¹¹⁵⁰
- Free from Violence: Victoria’s strategy to prevent family violence and all forms of violence against women (Free from Violence)¹¹⁵¹
- Respect Women: Call it out campaign¹¹⁵²
- Safe and Strong: Victoria’s gender equality strategy (Safe and Strong)¹¹⁵³
- Women’s sexual and reproductive health plan¹¹⁵⁴
- Women in Construction Strategy¹¹⁵⁵
- Women in Transport program.¹¹⁵⁶

¹¹⁴⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 311.

¹¹⁴⁹ Hon. Gabrielle Williams MP, *2019–20 Budget estimates hearing presentation: Women*, supplementary evidence, received 13 June 2019, p. 3.

¹¹⁵⁰ Hon. Gabrielle Williams MP, Minister for Women, 2019–20 Budget estimates (Women) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 2.

¹¹⁵¹ *Ibid.*, pp. 3, 4, 8, 12.

¹¹⁵² *Ibid.*, p. 4.

¹¹⁵³ *Ibid.*, pp. 2-7, 11.

¹¹⁵⁴ *Ibid.*, p. 8.

¹¹⁵⁵ *Ibid.*, pp. 11, 13.

¹¹⁵⁶ *Ibid.*, p. 2.

The performance measures in the 2019–20 budget papers relevant to the Women’s policy output indicate that the Minister for Women is responsible for the Safe and Strong and Free from Violence strategies.¹¹⁵⁷ Topics relevant to these two strategies that were discussed during the budget estimates hearings include: women’s workforce participation and economic security; gender equality budget statements; the development of a gender baseline; implementation of gender auditing; the appointment of women to senior executive roles; and the Royal Commission into Family Violence. These matters are considered further in Chapters 3 and 4.

At the budget estimates hearings the Minister for Women also provided information about: the delay in completion of the Gender Equality Bill milestones;¹¹⁵⁸ the support provided to vulnerable women to develop small business skills;¹¹⁵⁹ the rates of, and mechanisms in place to mitigate, bullying and harassment in public sector workplaces;¹¹⁶⁰ strategies relating to women’s initiatives and investment in Women’s sport and health.¹¹⁶¹ Efforts to improve gendered health inequalities are discussed in further detail below.

11.6.1 Improving gendered health inequalities

The Minister for Women advised the Committee that the Government ‘is really committed to improving health outcomes for the whole community’ through ‘reducing gendered health inequalities’.¹¹⁶² To achieve this, in 2019–20 the Government has invested:

- \$115 million to support and promote women’s participation in sport¹¹⁶³
- \$98.8 million for initiatives addressing maternal and reproductive health¹¹⁶⁴
- \$20.7 million to make tampons and pads free and available in all government schools¹¹⁶⁵
- \$500,000 to support the Country Women’s Association and its ongoing advocacy for the health and wellbeing of women living in rural and regional communities.¹¹⁶⁶

At the budget estimates hearings, the Minister drew the Committee’s attention to:

[The development of] eight new community-based sexual and reproductive health hubs across Victoria, with the latest hubs to be opened in Ringwood and in Gippsland¹¹⁶⁷

¹¹⁵⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 311.

¹¹⁵⁸ Hon. Gabrielle Williams MP, Minister for Women, *Transcript of evidence*, pp. 13-14.

¹¹⁵⁹ *Ibid.*, p. 3.

¹¹⁶⁰ Hon. Gabrielle Williams MP, Minister for Women, response to the 2019-20 Budget estimates written questions on notice, received 17 July 2019, pp. 1-2.

¹¹⁶¹ Hon. Gabrielle Williams MP, Minister for Women, *Transcript of evidence*, pp. 1-4,6-8.

¹¹⁶² *Ibid.*, p. 7.

¹¹⁶³ *Ibid.*

¹¹⁶⁴ *Ibid.*

¹¹⁶⁵ *Ibid.*

¹¹⁶⁶ *Ibid.*

¹¹⁶⁷ *Ibid.*, p. 8.

... the [launch of the] 1800 My Options website and ... phone line ... an information service on women's contraceptive, pregnancy and sexual health options across Victoria ...¹¹⁶⁸

The Minister for Women does not maintain responsibility for the implementation of these initiatives, but instead, provides guidance to reduce gendered health inequalities to those portfolios tasked with the service delivery of the associated programs, for example, the Health, and Tourism, Sports and Major Events portfolios. Effective coordination across Government is therefore imperative to ensure that the Women's portfolio is delivering on its objectives.

11.7 Equality portfolio

The Minister for Equality is responsible for one output: LGBTI equality policy and programs (funding in 2019–20: \$9.8 million).¹¹⁶⁹ The Equality portfolio sets out to ensure 'that lesbian, gay, bisexual, trans and gender diverse, intersex and queer (LGBTIQ) Victorians have the right to equality, fairness and full inclusion', through:

- removing discrimination from Victorian laws, services and society, and
- promoting inclusion and celebrating diversity.¹¹⁷⁰

Since the Equality portfolio was formed in 2014, the Government's key investments have centred on:

- \$15 million capital contribution for the construction of the Victorian Pride Centre
- \$17.1 million in funding for a variety of grants and programs, clinical, non-clinical and community based settings and projects
- \$0.5 million in support for the national marriage equality debate.¹¹⁷¹

At the budget estimates hearings, the Minister for Equality, Hon Martin Foley MP, advised the Committee that the 2019–20 Budget invests in the following programs in the Equality portfolio, including:

- \$0.2 million for 2019–20 towards planning for Melbourne Pride 2021
- \$0.2 million over four years boosting Pride Events and Festivals Fund for regional/ rural events
- \$0.25 million for 2019–20 to support victim survivors of 'conversion therapy'
- \$3 million for 2019–20 to assist homelessness providers to improve LGBTIQ inclusion

¹¹⁶⁸ Ibid.

¹¹⁶⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 310.

¹¹⁷⁰ Hon. Martin Foley MP, *2019–20 Budget estimates hearing presentation: Equality*, supplementary evidence, received 13 June 2019, p. 1.

¹¹⁷¹ Hon. Martin Foley MP, Minister for Equality, 2019–20 Budget estimates (Equality) hearing, Melbourne, 13 June 2019, *Transcript of evidence*, p. 2.

- \$2.5 million over four years boosting counselling for LGBTIQ Victorians and their loved ones
- \$0.5 million for 2019–20 to increase mental health support through existing services
- \$0.8 million over four years to support JOY FM's relocation to the Victorian Pride Centre
- \$3.2 million over [four] years for funding of the Equality branch [within DPC].¹¹⁷²

Other topics that were discussed during the budget estimates hearings include: overrepresentation of LGBTIQ youth presenting to homeless and mental health services,¹¹⁷³ the composition and resources of the Equality branch within DPC¹¹⁷⁴ and the support of LGBTIQ students and teachers at school.¹¹⁷⁵

The Committee sought information from the Minister about the construction milestones and financial reporting methods of the Victorian Pride Centre (VPC). In response to questions taken on notice at the hearing, the Minister for Equality outlined:

The [VPC] Limited is a registered charity with the Australian Charities and Not-for-Profits Commission (ACNC) and therefore must comply with public financial reporting requirements. The Victorian Pride Centre's Annual Information Statements and Financial Reports are published on the ACNC Register and are publicly available.¹¹⁷⁶

At the budget estimates hearings, the Minister informed the Committee that \$8 million of the total \$15 million allocated to the VPC 'has been paid to date'.¹¹⁷⁷ In response to questions on notice the Minister explained:

Further payments will be made in accordance with the funding agreement between the State and the VPC. These payments will occur periodically as construction proceeds to enable the VPC to meet its contractual obligations to the builder.¹¹⁷⁸

The four current performance measures in the 2019–20 budget papers measure engagement with LGBTIQ communities, the proportion of grant recipients meeting or exceeding outcomes and payments for events meeting DPC milestones.¹¹⁷⁹ The Committee notes the equality portfolio is increasing one of its targets due to meeting milestones and achieving better than expected outcomes.

¹¹⁷² Hon. Martin Foley MP, *2019–20 Budget estimates hearing presentation: Equality*, p. 6.

¹¹⁷³ Hon. Martin Foley MP, Minister for Equality, *Transcript of evidence*, pp. 2–3.

¹¹⁷⁴ *Ibid.*

¹¹⁷⁵ *Ibid.*, pp. 7–8.

¹¹⁷⁶ Hon. Martin Foley MP, Minister for Equality, 2019–20 Budget Estimates hearing, response to questions on notice, received 15 July 2019, p. 3.

¹¹⁷⁷ Hon. Martin Foley MP, Minister for Equality, *Transcript of evidence*, p. 4.

¹¹⁷⁸ Hon. Martin Foley MP, Minister for Equality, response to the 2019–20 Budget estimates written questions on notice, received 12 July 2019, p. 1.

¹¹⁷⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 310.

RECOMMENDATION 57: The Department of Premier and Cabinet consider introducing performance measures in the 2020–21 budget papers to gauge outcomes of the Government’s equality policies, programs and capital expenditure.

11.8 Industrial Relations portfolio

The Minister for Industrial Relations is responsible for the Industrial Relations output (funding in 2019–20: \$16 million).¹¹⁸⁰ The objective of the portfolio is to pursue, lead and support ‘strong policy outcomes’.¹¹⁸¹ The Minister for Industrial Relations has oversight of enterprise bargaining across the Victorian Public Sector (VPS) and supports Victoria’s participation in the national workplace relations system.¹¹⁸²

Topics that were discussed at the Industrial Relations portfolio budget estimates hearings included: the labour hire licencing scheme, portable long service leave, the Women in Construction Strategy, the impact of the efficiency dividend on the public sector, and Victoria’s on-demand workforce.¹¹⁸³

11.9 Veterans portfolio: key issues

The Minister for Veterans is responsible for the Support to Veterans in Victoria output (funding in 2019–20: \$7.7 million).¹¹⁸⁴ The portfolio provides coordination of veteran related issues at a state level, such as, commemoration; education and grant programs; research and veteran welfare.¹¹⁸⁵ The Veterans portfolio also supports the Shrine of Remembrance and the Victorian Veterans Council.¹¹⁸⁶

A number of issues were discussed in the budget estimates hearings including: veterans transitioning out of the services and into the workforce, Public Sector Veterans Employment Strategy, Returned and Services League, Anzac Centenary, 75th Anniversary of the Second World War, and funding in the portfolio. Matters relating to the Shrine of Remembrance were discussed in detail at the hearings and are examined below.¹¹⁸⁷

¹¹⁸⁰ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 55; Department of Treasury and Finance, *Budget Paper No. 3*, p. 303.

¹¹⁸¹ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 55; Department of Treasury and Finance, *Budget Paper No. 3*, p. 293.

¹¹⁸² Department of Treasury and Finance, *Budget Paper No. 3*, p. 303.

¹¹⁸³ Hon. Tim Pallas MP, Minister for Industrial Relations, 2019–20 Budget estimates (Industrial Relations) hearing, Melbourne, 31 May 2019, *Transcript of evidence*.

¹¹⁸⁴ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 56; Department of Treasury and Finance, *Budget Paper No. 3*, p. 309.

¹¹⁸⁵ Department of Treasury and Finance, *Budget Paper No. 3*, p. 309.

¹¹⁸⁶ *Ibid.*

¹¹⁸⁷ Hon. Robin Scott MP, Minister for Veterans, 2019–20 Budget estimates (Veterans) hearing, Melbourne, 7 June 2019, *Transcript of evidence*.

11.9.1 The Shrine of Remembrance

The 2019–20 Budget allocates \$0.1 million in 2019–20 to the ‘Keeping the Shrine of Remembrance safe’ output initiative.¹¹⁸⁸ The 2019–20 budget papers state that the funding will ‘address security needs’ at the Shrine of Remembrance to ensure it continues to be a safe place for reflection and commemoration for all Victorians.¹¹⁸⁹

Funding of the Shrine of Remembrance was discussed at the public hearings. The Minister for Veterans, Hon Robin Scott MP, gave assurance to the Committee that ‘the activities of the shrine receive both support from the government and an acknowledgement and understanding of the importance of that work’.¹¹⁹⁰

11.10 Multicultural Affairs portfolio: key issues

The Minister for Multicultural Affairs is responsible for one output: Multicultural Affairs policy and programs (funding in 2019–20: \$59.2 million).¹¹⁹¹ The Multicultural Affairs portfolio provides policy advice on Multicultural Affairs, settlement coordination for newly arrived migrants and refugees and delivers programs to support Victoria’s whole of government approach to multiculturalism. The Minister also coordinates the monitoring of government departments’ responsiveness to Victorians from culturally, linguistically and religiously diverse backgrounds.¹¹⁹²

The following matters relevant to the Multicultural Affairs portfolio arose during the budget estimates inquiry: funding for treaty and self-determination for Aboriginal Victorians, the Chair of the Victorian Multicultural Commission, funding for Multicultural affairs policy and programs and the Victorian African Communities Action Plan (VACAP).¹¹⁹³ The latter is discussed in detail below.

11.10.1 Victorian African Communities Action Plan

At the budget estimates hearings, the Committee sought information from the Minister for Multicultural Affairs about the funding allocated to the VACAP.¹¹⁹⁴ The 2018–19 Budget allocated \$3.6 million in 2018–19 and \$5.0 million in 2019–20 to the VACAP output initiative.¹¹⁹⁵

¹¹⁸⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 92.

¹¹⁸⁹ *Ibid.*, p. 96.

¹¹⁹⁰ Hon. Robin Scott MP, Minister for Veterans, 2019–20 Budget estimates (Veterans) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 6.

¹¹⁹¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 92; Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 55.

¹¹⁹² Department of Treasury and Finance, *Budget Paper No. 3*, p. 308.

¹¹⁹³ Hon. Richard Wynne MP, Minister for Multicultural Affairs, *Transcript of evidence*.

¹¹⁹⁴ *Ibid.*, p. 6.

¹¹⁹⁵ Department of Treasury and Finance, *Budget Paper No. 3: 2018–19 service delivery*, Melbourne, 2018, p. 102.

The VACAP is a 10 year Action Plan that aims to build inclusive Victorian African communities, by improving outcomes and creating opportunities through more than 250 actions across six focus areas—including business, employment, education and training, health and wellbeing, inclusion and empowerment, as well as leadership, cohesion and connection.¹¹⁹⁶ In response to VACAP's release in July 2018, the Government identified the following three areas of the plan for immediate attention:

- \$500,000 to develop and deliver programs that respond to drug and alcohol abuse
- \$1 million to support more people into jobs
- \$1.5 million to improve education through support for homework clubs and school community liaison officers.¹¹⁹⁷

At the budget estimates hearings, Mr Hakan Akyol, Lead Director, Multicultural Affairs and Social Cohesion Division, DPC, informed the Committee: 'the total commitment was \$8.6 million in total over two years—\$3.6 million in the first year and \$5 million next financial year'.¹¹⁹⁸

The Minister for Multicultural Affairs, Hon Richard Wynne MP, stated that in April 2019, the first tranche of funding for the VACAP of \$1.5 million was allocated to:

... strengthen engagement with education through schools and community liaison officers and homework clubs. Self-evidently, keeping kids in school is absolutely fundamental, keeping them in sport is fundamental and giving them a pathway towards employment is the next stage of that. In that context we are committing \$1 million towards finding pathways, particularly for these young people, into employment ...¹¹⁹⁹

With regard to the \$1 million towards finding employment pathways under the VACAP, the Committee inquired about whether the budget papers include performance measures to assess the number of people who find employment as a result of these support services. Mr Akyol explained:

... the whole process in developing the African Communities Action Plan has been a co-designed process with the community leading that process. So the implementation committee that was established late last year established three working groups that are working with departments in terms of how to roll that out. The funding out of the African Communities Action Plan, the ministers approve the allocation, the communities are working out in terms of its actual implementation and we expect that that money will roll out in between June and August of this year.¹²⁰⁰

¹¹⁹⁶ Department of Premier and Cabinet, *Government Response To The African Communities Action Plan*, 2018, <<https://www.premier.vic.gov.au/government-response-to-the-african-communities-action-plan>> accessed 2 September 2019.

¹¹⁹⁷ Ibid.

¹¹⁹⁸ Mr Hakan Akyol, Lead Director, Multicultural Affairs and Social Cohesion Division, Department of Premier and Cabinet, 2019–20 Budget estimates (Multicultural Affairs) hearing, Melbourne, 7 June 2019, *Transcript of evidence*, p. 5.

¹¹⁹⁹ Hon. Richard Wynne MP, Minister for Multicultural Affairs, *Transcript of evidence*, p. 5.

¹²⁰⁰ Mr Hakan Akyol, Lead Director, Multicultural Affairs and Social Cohesion Division, *Transcript of evidence*, p. 6 (Multicultural Affairs).

FINDING 108: The 2018–19 Budget allocated \$3.6 million in 2018–19 and \$5.0 million in 2019–20 to the Victorian African Communities Action Plan (VACAP). The VACAP is a 10 year Action Plan that aims to build inclusive Victorian African communities.

11.11 Aboriginal Affairs portfolio: key issues

The Minister for Aboriginal Affairs is responsible for one output: Aboriginal policy, strengthening Aboriginal cultural heritage and Communities output (funding in 2019–20: \$53.3 million).¹²⁰¹ The portfolio supports the Victorian Government’s commitment to advancing self-determination for Aboriginal Victorians and to improving long term social and economic outcomes for Aboriginal Victorians. This includes the protection and management of Aboriginal cultural heritage; strengthening Aboriginal community organisations; progress towards treaty; broad community engagement; and work to reform government to enable self-determination.¹²⁰²

The following issues relevant to the Aboriginal Affairs portfolio were raised during the Committee’s 2019–20 budget estimates inquiry: design, process and funding of the First Peoples Assembly; and incarceration rates for Indigenous people in Victoria. The funding and process for a treaty and self-determination for Aboriginal Victorians is discussed below.

11.11.1 Treaty and self-determination for Aboriginal Victorians

The 2019–20 Budget allocates \$30.4 million over two years to the ‘Treaty and self-determination for Aboriginal Victorians’ Whole of Government output initiative for which the Aboriginal Affairs portfolio has responsibility.¹²⁰³ The budget papers state that this funding is for phase two of the treaty and self-determination process for Aboriginal Victorians, which includes:

- establishing and funding the operations of the First Peoples’ Assembly of Victoria and
- ensuring Traditional Owners are equipped and ready for treaty negotiations.¹²⁰⁴

In response to questions taken on notice at the hearings, the Minister for Aboriginal Affairs, Hon Gavin Jennings MLC, explained that of \$30.4 million over two years:

- \$11 million over two years will be provided to the First Peoples’ Assembly of Victoria. The Minister states:

¹²⁰¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 92; Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, p. 55.

¹²⁰² Department of Treasury and Finance, *Budget Paper No. 3*, p. 305.

¹²⁰³ *Ibid.*, pp. 3–5.

¹²⁰⁴ *Ibid.*, p. 5.

The majority of this funding will support the Assembly's operations, including staffing accommodation. Some of this funding will also go towards the establishment of Elder's Voice, which will oversee and guide to work of the Assembly and ensure its cultural accountability. This allocation also includes funding to enable the Assembly's representatives to engage with their communities to ensure that Aboriginal Victorians are adequately represented in the Assembly's work with the State to establish the elements necessary to support future treaty negotiations.¹²⁰⁵

- \$5.8 million over two years has been designated to resource the State for the treaty process. The Minister states:

In addition to funding [a] specialist negotiating team, this funding will also be used to support the continuation and expansion of the Deadly Questions campaign which in June 2018 ... This funding will also support other government communications to ensure that all Victorians are kept informed throughout the treaty process.¹²⁰⁶

At the budget estimates hearings, the Committee requested information from the Minister for Aboriginal Affairs about what steps the Government had taken to engage with the Victorian Aboriginal community in relation to the design of the First Peoples Assembly.¹²⁰⁷ The Minister outlined that previous investments have enabled the creation of the independent office of the Victorian Treaty Advancement Commissioner role and:

... A Secretariat has been established to support her efforts, which has seen significant community consultation over a number of years that has led to advice that she has seen through that community development process fully into the election of the First Peoples Assembly.¹²⁰⁸

The Minister explained that funding had been provided in the 2019–20 Budget and previous budgets:

... to assist traditional owners in being able to develop their own capacity to actually seize the opportunity to participate in that [community development] process and to make sure that they are ready to embark upon what will be the considerations of the First Peoples Assembly, what are the likely issues that the communities may wish to negotiate on ...¹²⁰⁹

With regard to the participation of the federation of traditional owners, the Minister advised the Committee that an 'ongoing challenge' for the Government is to increase the number of traditional owners who 'fulsomely participate in this process'.¹²¹⁰

¹²⁰⁵ Hon. Gavin Jennings MLC, Minister for Aboriginal Affairs, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 1.

¹²⁰⁶ Ibid., p. 2.

¹²⁰⁷ Ibid.

¹²⁰⁸ Ibid., pp. 2–3.

¹²⁰⁹ Ibid., p. 3.

¹²¹⁰ Ibid.

The Minister also drew attention to the, the Deadly Questions awareness campaign, and its recognition of ‘elevating the status of Aboriginal people and their aspiration for treaty making’.¹²¹¹ The Minister stated:

Part of the Deadly Questions campaign has been to increase the recognition within the Aboriginal community but the population more broadly. There are also a series of materials that have been provided—videos, Facebook advertisements—material that has actually been provided through the network of Aboriginal community organisations.¹²¹²

FINDING 109: \$30.4 million has been allocated over two years to the ‘Treaty and self-determination for Aboriginal Victorians’ output initiative to fund a Treaty for Aboriginal Victorians and other projects, such as the First Peoples’ Assembly of Victoria, Elder’s Voice and advertising.

11.12 Department wide: key issues

DPC’s response to the Committee’s questionnaire demonstrates that the Premier and the SMOS have shared responsibility for three outputs: Government-wide Leadership Reform and Implementation; Strategic Advice and Government Support; and Public Administration Advice and Support.¹²¹³ While the response to the questionnaire explains how the performance measures under these outputs are divided between both portfolios, it does not provide information about how funding for these outputs is demarcated.¹²¹⁴

11.13 Department wide: performance measures

11.13.1 Analysis of new performance measures

DPC added 16 new performance measures in the 2019–20 Budget. The majority, 11 out of the 16 new measures provide useful additional insights about a range of departmental initiatives including industrial relations, support to veterans, the digital Service Victoria platform, the Local Government Inspectorate, IBAC (Independent Broad-based Anti-corruption Commission), and initiatives focused on improving outcomes for Aboriginal Victorians. However, five of the new measures have weaknesses.

Table 11.1 below summarises the issues for each of the problematic measures by the relevant output.

¹²¹¹ Ibid.

¹²¹² Ibid., p. 4.

¹²¹³ Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 57–59.

¹²¹⁴ Ibid.

Table 11.1 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Aboriginal policy, strengthening Aboriginal cultural heritage and communities	Delivery of an annual Premier's Gathering and a public report on outcomes for Aboriginal Victorians to be tabled in parliament (Quantity)	Replaces and consolidates the discontinued measures ' <i>Premier's Gatherings and Community Consultations conducted</i> ' and ' <i>Delivery of the Victorian Government Aboriginal Annual Affairs Report to Parliament</i> '. The new consolidated measure combines two formerly separate measures based on different units of measurements (i.e. 'consultations conducted' with 'annual reports delivered') Given the above, it is not evident how the new consolidated measure 'better captures and measures activity across the portfolio' as suggested in Appendix A of the 2019–20 budget papers.
Aboriginal policy, strengthening Aboriginal cultural heritage and communities	Engagement of Victorian Traditional Owner groups on treaty, through support for country planning. (Quantity)	Replaces the discontinued measure ' <i>Community consultations relating to treaty</i> '. It is unclear what the new metric is measuring (i.e. number of traditional owner groups engaged or level of support for country planning or both). Neither the 2019–20 budget papers nor the Department's response to the Committee questionnaire provides sufficient context demonstrating the need and rationale for this new measure.
Public sector Integrity	Councillor Conduct Panel applications within 30 days of sustained allegations (Timeliness)	The new measure offers insights into the timeliness of establishing a Councillor Conduct Panel from when an allegation has been sustained. However, the budget papers do not detail the timeliness of investigations leading to sustained allegations.
Youth	Number of Scout Hall Capital Projects Completed (Quantity)	In its current form, the target appears to set a minimum standard of performance giving the Department significant latitude and flexibility on the number of projects delivered above the minimum. Consequently, this metric may mask poor performance.
Industrial Relations	Long service leave investigations commenced within 90 days of lodgment (Timeliness)	This metric offers insights into the timeliness of commencing an investigation. However, the budget papers do not detail the timeliness of completing investigations.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019; Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019.

FINDING 110: The Department of Premier and Cabinet added 16 new performance measures in the 2019–20 Budget. 11 provide useful insights. However, five measures from four different outputs have weaknesses.

RECOMMENDATION 58: Ahead of the 2020–21 Budget, the Department of Premier and Cabinet consider the issues with the five new performance measures identified in relation to the Aboriginal Policy; Public Sector Integrity, Youth; and Industrial Relations outputs.

11.13.2 Analysis of proposed discontinued performance measures

DPC identified 13 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the Department’s rationale in 11 out of the 13 cases, noting the reasons predominantly relate to the cessation of funding or completion of programs rendering the former measures obsolete.

In the remaining two cases the Committee does not support discontinuation either because the budget papers do not provide sufficient justification for the proposed change, or reduce the information available.

Table 11.2 below shows the affected measures by the relevant budget paper output, and summarises the issues identified by the Committee.

Table 11.2 Issues with performance measures proposed for discontinuation (2019–20)

Output	Discontinued performance measure	Issues identified by the Committee
Aboriginal policy, strengthening Aboriginal cultural heritage and communities	Premier’s Gatherings and Community	See Table 11.1–replaced by the new consolidated measure ‘ <i>Delivery of an annual Premier’s Gathering and a public report on outcomes for Aboriginal Victorians to be tabled in parliament</i> ’.
	Consultations conducted	
	Delivery of the Victorian Government Aboriginal Annual Affairs Report to Parliament	See issues for discontinued measure ‘ <i>Premier’s Gatherings and Community Consultations conducted</i> ’ described immediately above.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019; Department of Premier and Cabinet, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019.

FINDING 111: The Department of Premier and Cabinet identified 13 performance measures for discontinuation in the 2019–20 Budget. The Committee supports the discontinuation of 11 of these measures.

RECOMMENDATION 59: The Assistant Treasurer, in conjunction with the Department of Premier and Cabinet, review the two discontinued performance measures identified in relation to the Aboriginal Policy, Strengthening Aboriginal Cultural Heritage and Communities output.

12 Department of Treasury and Finance

Key findings

- Eight departments are subject to the expenditure base review process which is being undertaken in 2019. Following these reviews specific savings targets will be allocated to each department. The savings are expected to total \$1.7 billion over four years.
- The Western Roads Upgrade project is the first availability model Public Private Partnership (PPP) that will be used by Victoria for an arterial roads project that includes road maintenance. The 2019–20 Budget outlines that the Government is currently tendering two other packages of arterial road upgrades which will be procured as availability PPPs in the northern and south eastern suburbs of Melbourne.
- In the 2019–20 financial year, \$937 million will be invested in the Western Roads Upgrade project, \$36.5 million in new metropolitan road maintenance projects and \$67.8 million in new regional road maintenance projects.
- Invest Victoria is a new economic development agency dedicated to build Victoria's investment capability. Invest Victoria is currently developing an economic development strategy for the State of Victoria.
- The Victorian Social Procurement Framework requires each department and agency to prepare a Social Procurement Strategy. All departments were expected to submit a draft strategy to the Department of Treasury and Finance by 1 September 2019.
- The Essential Services Commission is currently undertaking a Victorian Default Offer (VDO) price review regarding the Commission's approach to determining VDOs from 1 January 2020.
- The Department of Treasury and Finance added five new performance measures in the 2019–20 Budget. Three of the new measures improved the quality of performance information about the Office of the Commissioner for Better Regulation.
- The Department of Treasury and Finance identified three performance measures for discontinuation in the 2019–20 Budget. The Committee supports the Department's rationale in all cases.

12.1 Overview

The Department of Treasury and Finance (DTF) supports the portfolios of the Treasurer, Assistant Treasurer and Economic Development. On 1 January 2019 as a result of machinery of government changes:

- the investment component of the former Jobs and Investment output was transferred to DTF from the former Department of Economic Development, Jobs, Transport and Resources (DEDJTR) and renamed Invest Victoria¹²¹⁵
- the Economic Development portfolio was created
- the Finance portfolio was renamed as the Assistant Treasurer.

DTF is responsible for:

- preparing and delivering the Budget
- revenue policy and collection, including stamp duty, payroll tax and land tax
- economic growth, investment opportunities, planning and delivery of major infrastructure projects
- developing the fiscal objectives and economic strategy of the Government
- the State's financial reporting and accountability, and financial and risk management frameworks
- the Government's purchasing and procurement arrangements.

12.2 Budget summary

In 2019–20 DTF will receive 0.8% of total funding provided to all output groups across the departments.¹²¹⁶

In 2019–20 DTF is allocated \$503 million to fund its outputs. In 2018–19 it was allocated \$428 million. It has \$729 million of income from transactions available. In 2018–19 \$643 million income from transactions was made available.¹²¹⁷

DTF's output appropriations in 2019–20 will increase by 18.6% from \$416.6 million to \$493.6 million; and employee benefits in 2019–20 will increase by 12.1% from \$246.9 million to \$276.8 million. DTF's response to the Committee's questionnaire states these increases are 'mainly due to the full year budget transferred ... for Invest Victoria from the former DEDJTR ... [and] new funding from 2019–20 Budget initiatives,

¹²¹⁵ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 355. The Jobs and Investment output was a 2018–19 output. It is not a 2019–20 output.

¹²¹⁶ *Ibid.*, p. 350. The Committee has used the funding allocated by output group in each department's Performance Statement as provided in the 2019–20 budget papers to measure the funding across all departments.

¹²¹⁷ *Ibid.*

including the *Victorian Jobs and Investment Fund* and *State Revenue Office Compliance Program*.¹²¹⁸

With regard to capital spending, the 2019–20 Budget allocates \$32.8 million in 2019–20, of which \$4.7 million (14.3%) relates to capital projects and \$28.1 million (85.7%) relates to ‘other capital expenditure’.¹²¹⁹ DTF’s response to the Committee’s questionnaire states that ‘other capital expenditure’ includes ‘funding for ongoing DTF owned buildings capital maintenance; ... [and] replacement of IT assets and property, plant and equipment including vehicles’.¹²²⁰

DTF has a total savings target of \$1.3 million in 2019–20. DTF aims to achieve this savings target through reducing ‘purchase of supplies and services by finding further efficiency measures such as better use of technology and systems; and building in-house capability to reduce expenditure on consultants and contractors’.¹²²¹ DTF’s response to the Committee’s questionnaire states: ‘There will be no impact of these actions on service delivery’.¹²²²

12.3 Treasurer: key issues

The Treasurer is responsible for the following five outputs:

- Budget and Financial Advice (funding in 2019–20: \$27.7 million), responsibility for this output is shared with the Assistant Treasurer
- Revenue Management and Administrative Services to Government (funding in 2019–20: \$140.8 million)
- Economic and Policy Advice (funding in 2019–20: \$32.6 million), responsibility for this output is shared with the Assistant Treasurer
- Economic Regulatory Services (funding in 2019–20: \$30.7 million)
- Commercial and Infrastructure Advice (funding in 2019–20: \$54.4 million), responsibility for this output is shared with the Assistant Treasurer.¹²²³

The objectives of the Treasurer’s portfolio are to: optimise Victoria’s fiscal resources; strengthen Victoria’s economic performance; and improve how government manages its balance sheet, commercial activities and public sector infrastructure.¹²²⁴

¹²¹⁸ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 50.

¹²¹⁹ *Ibid.*, p. 58 (Committee calculations).

¹²²⁰ *Ibid.*

¹²²¹ *Ibid.*, p. 60.

¹²²² *Ibid.*

¹²²³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 350; Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 70–77.

¹²²⁴ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 70–77.

Topics discussed at the budget estimates hearing with the Treasurer included efficiency dividends (see Chapter 2), expenditure base reviews of departments, the Delivery for Regional and Rural Victoria program and employment growth. The Victorian Transport Fund and planned infrastructure spending on fast rail to Geelong, major roads projects, road maintenance and the Regional Health Infrastructure Fund were examined. Taxes such as payroll tax, land tax and new tax measures were also debated.¹²²⁵ Base reviews and major road projects and road maintenance are discussed in detail below.

12.3.1 Expenditure base reviews across government

The 2019–20 Budget outlines Whole of Government efficiencies of \$201.3 million in 2019–20; \$462.8 million in 2020–21; \$524.2 million in 2021–22; and \$548.6 million in 2022–23¹²²⁶ (totalling \$1.7 billion over four years).¹²²⁷ With reference to these efficiencies the budget papers state:

To enable the Government to invest in priority areas, departments will deliver a range of further efficiency measures from 2019–20. This includes aligning indexation of output funding with forecast inflation in 2019–20, along with expanding the General Efficiency Dividend from 2020–21.

To support these efficiencies, a comprehensive program of expenditure base reviews will be undertaken across all portfolios.¹²²⁸

The Treasurer, Hon Tim Pallas MP, explained:

... the whole-of-government efficiencies are part and parcel of the process that will be set up through base reviews ... [that] are all about making sure that we can basically get into a line-by-line expenditure review. It is a process that we intend implementing to ensure that we can get the value for money outcome that the taxpayer would expect of us.¹²²⁹

Whole of Government efficiencies are discussed in detail in Chapter 11 of this report under the Special Minister of State's portfolio. This section focuses on the base reviews that will be undertaken to support these efficiencies. DTF will contribute to eight funding reviews in 2019–20 up from three in the previous year. This is reflected in the budget papers performance measures.¹²³⁰

At the budget estimates hearings the Treasurer emphasised that governments 'need to expand and recognise that they have to provide increasing levels of services to the community but in an efficient way'.¹²³¹

¹²²⁵ Hon. Tim Pallas MP, Treasurer, 2019–20 Budget estimates (Treasurer) hearing, Melbourne, 31 May 2019, *Transcript of evidence*.

¹²²⁶ Department of Treasury and Finance, *Budget Paper No. 3*, p. 126.

¹²²⁷ *Ibid.*, p. 126 (Committee calculations).

¹²²⁸ *Ibid.*, p. 126.

¹²²⁹ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 15.

¹²³⁰ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 64.

¹²³¹ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 15.

With reference to delivering reform with sustainable expenditure, the 2019–20 budget papers highlight that the Government will continue to review ‘expenditure to ensure it is best focused to achieve intended policy outcomes’.¹²³² The budget papers also state: ‘Traditional budget processes have concentrated on allocating new spending, but less so on examining what government is already doing’.¹²³³ In this context, the base reviews examine what government is currently doing.

In response to questions from the Committee regarding the scope and purpose of the base reviews, the DTF Secretary, Mr David Martine outlined:

Essentially the purpose of the base reviews for this calendar year will be comprehensive, so that is the language that has been used. Effectively it is to examine general government sector expenditure, which is \$70 billion—so revenue is \$71 billion, expenses are \$70 billion. The purpose of the base reviews is to be comprehensive. The process is just kicking off, just starting, and it is going to be governed by a secretary’s committee for each of the base reviews. Essentially there is a base review for each department with DPC and DTF combined into one, so it is effectively seven base reviews, and the extent to which those base reviews will then go down beyond the department into agencies will depend on the extent to which those agencies are part of the general government sector ...¹²³⁴

The Committee sought further information from the Treasurer about the direction of the base reviews and whether frontline programs and workers would be impacted by the reviews. The Treasurer stated:

It is a matter of fact that they are looking at every line-by-line expenditure. Does that mean that the government expects that there will be a reduction in frontline expenditure? No, but there may be. In employment, for example, we would expect that we would see increasing investment in our frontline services. We are committed to that; for example, whether it is teachers or nurses. In this budget alone I think we have made very clear commitments in that respect, and of course our continuing investment to employ over 3000 police is continuing and occurring. So from a practical point of view, if you note that in the year to 2018 the government employed a significant number of new frontline staff—1500 nurses, 1600 teachers, 900 police, 650 doctors, 400 ambulance workers. We do not anticipate that those sort of key workers will be adversely affected in terms of their numbers and the provision of services.¹²³⁵

DTF officials were asked by the Committee whether certain services would be exempt from a reduction in frontline expenditure as a result of the base reviews. Mr Martine and the Treasurer indicated that any choices that come out of the base reviews will be decisions of government.¹²³⁶ The Treasurer explained that ‘the government will look at

¹²³² Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2019, p. 44.

¹²³³ Ibid.

¹²³⁴ Mr David Martine, Secretary, Department of Treasury and Finance, 2019–20 Budget estimates (Treasurer) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 20.

¹²³⁵ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 16.

¹²³⁶ Ibid., p. 21; Mr David Martine, Secretary, *Transcript of evidence*, p. 21.

these items line by line¹²³⁷ and confirmed: 'It is not the government's intention to see that there would be a reduction in service delivery'.¹²³⁸

Mr Martine stated 'the base review process' will determine 'what is the best way to deliver on the savings that are included in these numbers that are held centrally'.¹²³⁹ With regard to the timing of the base reviews and when departments would be allocated specific savings, Mr Martine explained:

... from 2021 there are additional savings, which I should note are being held centrally, so they have not been allocated to the specific departments yet, because they are subject to the base review process which is being undertaken through the course of 2019. Then with all of that information the government will make a decision, I am assuming, late 2019 in terms of the allocation.¹²⁴⁰

In response to questions from the Committee regarding whether the base reviews will be made public, the Treasurer outlined:

... the outcomes of the reviews will be clearly public, because the government's priorities will be reflected in its expenditure ... this is about making sure, under the 'Whole of government efficiencies' heading, that we are capable of investing in priority areas that the government has set. So departments will deliver a range of further efficiency measures. It will be quite transparent in terms of the choices that we make and the consequence of those choices. They will be in the public domain.¹²⁴¹

FINDING 112: Eight departments are subject to the expenditure base review process which is being undertaken in 2019. Following these reviews specific savings targets will be allocated to each department. The savings are expected to total \$1.7 billion over four years.

12.3.2 Road projects and maintenance

The 2019–20 Budget provides that the total estimated investment for the Western Roads Upgrade is \$1.8 billion, with an estimated investment of \$937 million in 2019–20.¹²⁴² At the budget estimates hearings the Treasurer explained:

The \$1.8 billion roads upgrade involves duplicating and improving arterial roads in Melbourne's west, including eight high-priority road projects. The contract for the PPP [Public Private Partnership] was awarded in December 2017. Work is well underway with all eight major upgrades now under construction—from Altona North to Tarneit. The upgrade will improve eight main roads across the west. We will also repair and

¹²³⁷ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 22.

¹²³⁸ Ibid.

¹²³⁹ Mr David Martine, Secretary, *Transcript of evidence*, p. 11.

¹²⁴⁰ Ibid., p. 10.

¹²⁴¹ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 15.

¹²⁴² Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, p. 82.

resurface some 37 roads and strengthen seven structures. It is just an enormous investment.¹²⁴³

The 2019–20 budget papers state: ‘The construction project will be completed in 2020 with road rehabilitation and maintenance continuing for 20 years’.¹²⁴⁴ The Winslow Infrastructure Company will play a major role in the delivery of the Western Roads Upgrade project. It described the availability model PPP that will be used for the arterial roads project that ‘extends to road maintenance’ as ‘an Australian-first’.¹²⁴⁵

The 2019–20 Budget outlines that the Government is currently tendering two other packages of arterial roads upgrades which will be procured as availability PPPs:

- Suburban Roads Upgrade – Northern Roads Upgrade
- Suburban Roads Upgrade – South Eastern Roads Upgrade.¹²⁴⁶

The Northern Roads Upgrade aims to improve and maintain six priority roads across Melbourne’s north. The South Eastern Roads Upgrade aims to make improvements to capacity and enhance safety on six priority roads, as well as improve and maintain roads across the south eastern suburbs. The Northern and South Eastern Roads Upgrades will be constructed over the next five years, with the maintenance and rehabilitation contracts continuing for a further 20 years.¹²⁴⁷

With regard to the Western Roads project, the Treasurer drew the Committee’s attention to the benefits of the project, including: the creation of 4,300 jobs in the context of the delivery of the project in addition to the long-term economic benefits to local communities,¹²⁴⁸ such as:

It will make it quicker and easier for all road users. It will give local businesses opportunities for growth, improve priority truck routes, it will improve access to jobs, it will improve safety for cyclists and pedestrians, with more than 50 kilometres of walking and cycling paths, including three new overpasses along Federation Trail... Melbourne’s population continues to grow, more than any other capital city, with 60 per cent of our growth happening in our outer suburbs.¹²⁴⁹

At the budget estimates hearings, the Committee sought information from DTF officials about investment in road maintenance more generally. In this regard, the 2019–20 Budget outlines a total estimated investment for new projects of \$36.5 million

¹²⁴³ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*.

¹²⁴⁴ Department of Treasury and Finance, *Budget Paper No. 4*, p. 16.

¹²⁴⁵ Winslow Constructors, *Winslow Infrastructure Wins Major Contract to Help Deliver Victoria’s Largest Single Investment in Arterial Roads*, 2018, <<https://www.winslow.com.au/press-release/victorian-arterial-roads>> accessed 14 October 2019.

¹²⁴⁶ Department of Treasury and Finance, *Budget Paper No. 4*, p. 14.

¹²⁴⁷ *Ibid.*, p. 16.

¹²⁴⁸ Hon. Tim Pallas MP, Treasurer, Department of Treasury and Finance, 2017-18 Budget Estimates hearing, Melbourne, 12 May 2017, *Transcript of evidence*, p. 26.

¹²⁴⁹ *Ibid.*

towards metropolitan road maintenance and \$67.8 million towards regional road maintenance.¹²⁵⁰ The Treasurer informed the Committee that the Government is:

... investing in new roads ... [and] also fixing and maintaining roads right across Victoria's suburbs and regions, with investments like \$425 million to carry out maintenance costs across regional Victoria and an additional \$229 million for further maintenance costs across metropolitan Melbourne.¹²⁵¹

The Treasurer explained that this continued investment in existing and new projects:

... will improve travel times. It will boost safety, which is of vital importance, building on last year's unprecedented investment and the establishment of Regional Roads Victoria to target thousands of kilometres of country roads that are in need of repair.¹²⁵²

FINDING 113: The Western Roads Upgrade project is the first availability model Public Private Partnership (PPP) that will be used by Victoria for an arterial roads project that includes road maintenance. The 2019–20 Budget outlines that the Government is currently tendering two other packages of arterial road upgrades which will be procured as availability PPPs in the northern and south eastern suburbs of Melbourne.

FINDING 114: In the 2019–20 financial year, \$937 million will be invested in the Western Roads Upgrade project, \$36.5 million in new metropolitan road maintenance projects and \$67.8 million in new regional road maintenance projects.

12.4 Economic Development portfolio: key issues

The Minister for Economic Development is responsible for the output Invest Victoria with funding in 2019–20 of \$137.8 million.¹²⁵³ The objective of the Economic Development portfolio is to 'Strengthen Victoria's economic performance' through facilitating private sector investment in Victoria.¹²⁵⁴

The following topics were discussed at budget estimates hearings for the Economic Development portfolio: development of an economic development strategy for Victoria, Victorian Jobs and Investment Fund, Invest Victoria and the Victorian economy more generally.¹²⁵⁵

¹²⁵⁰ Department of Treasury and Finance, *Budget Paper No. 4*, p. 76.

¹²⁵¹ Hon. Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 27.

¹²⁵² *Ibid.*

¹²⁵³ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 75; Department of Treasury and Finance, *Budget Paper No. 3*, p. 350.

¹²⁵⁴ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 75; Department of Treasury and Finance, *Budget Paper No. 3*, p. 362.

¹²⁵⁵ Hon. Tim Pallas MP, Minister for Economic Development, 2019–20 Budget estimates (Economic Development) hearing, Melbourne, 31 May 2019, *Transcript of evidence*.

12.4.1 Invest Victoria

At the budget estimates hearings the Committee sought information from the Minister for Economic Development about the responsibilities of the new agency, Invest Victoria. The Minister for Economic Development, Hon Tim Pallas MP, explained that the purpose of Invest Victoria is to build on Victoria's investment capability and:

... also start to look at some of the leading global investment attraction promotion agencies for where we continue to grow and attempt to be world-leading in that regard. How we attract investment is initially through foreign direct investment and working very closely with the Victorian government trade and investment network around the globe.¹²⁵⁶

The Minister highlighted that currently there are over 20 organisations across many different sectors – including technology and retail – that bring different investment opportunities to Victoria. The Minister outlined that Invest Victoria will offer a range of services to these organisations to enable them ‘to grow while they are here, be it through their jobs, expanding their facilities’.¹²⁵⁷ Specifically, the Minister stated that Invest Victoria will work with those organisations to:

... help them understand the opportunities and competitive strengths in Victoria, be it technology, R&D [Research and Development], the education sector.

... [facilitate] their entry into Victoria, be it through planning regulation, site selection—connecting them, ideally, with other organisations and other professional groups or connecting them with parts of the supply chain and also working clearly with different precincts to enable us to grow some precincts where the government is particularly keen to be able to grow those as they transition their economies.¹²⁵⁸

The Minister informed the Committee that ‘Invest Victoria is looking beyond the traditional grant programs to develop a broader range of programs and financial mechanisms to attract investment’.¹²⁵⁹ Ms Lisa Gray, Chief Executive Officer, Invest Victoria, DTF, confirmed that Invest Victoria is ‘both about investment globally from outside of Victoria and Australia but also then for reinvestment within Australia as well’.¹²⁶⁰

At the budget estimates hearings, the Committee inquired about the performance measures that are in place to assess the effectiveness of Invest Victoria noting that the budget papers include only quantity performance measures transferred directly from the former DEDJTR.¹²⁶¹ The Committee was informed by the Secretary of DTF, Mr David Martine, that as this is a new function that has been transferred to DTF from the former DEDJTR as a result of machinery of government changes, Invest Victoria is:

¹²⁵⁶ Ibid., p. 3.

¹²⁵⁷ Ibid.

¹²⁵⁸ Ibid.

¹²⁵⁹ Ibid., p. 1.

¹²⁶⁰ Ms Lisa Gray, Chief Executive Officer, Invest Victoria, Department of Treasury and Finance, 2019–20 Budget estimates (Economic Development) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 4.

¹²⁶¹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 362.

... currently going through a process to establish and set up various structures and then, in terms of moving forward, developing an economic development strategy essentially for the state of Victoria. So part of that process will be picking up what are the best ways to actually deliver on a number of these indicators, or in fact a more fundamental question, which is: are some of these indicators the right sorts of indicators looking forward?¹²⁶²

With regard to funding for Invest Victoria to lead a coordinated and whole of government approach to investment, the Minister for Economic Development stated:

The approach will be supported by \$150 million over two years that will be allocated to the Victorian Jobs and Investment Fund from 19–20. The fund will support state-significant opportunities, attract investments in the state and bring the innovation and jobs projects that drive growth and support the transition of the state's economy into high-growth areas.¹²⁶³

The 2019–20 Budget allocates \$90 million in 2019–20 and \$60 million in 2020–21 to the Victorian Jobs and Investment Fund output initiative. This initiative contributes to the Department of Jobs, Precincts and Regions' Industry, Innovation and Small Business output; the Department of Premier and Cabinet's Government-wide Leadership, Reform and Implementation output; and DTF's Invest Victoria output.¹²⁶⁴ The budget papers state:

This initiative builds on Victoria's existing economic strengths and supports investment and innovation, which will help create sustainable jobs for Victorians, and drive long-term growth in the State. It also streamlines Victoria's economic development focus and decision-making framework, ensuring that the planning and implementation of development projects is well coordinated across the State.¹²⁶⁵

FINDING 115: Invest Victoria is a new economic development agency dedicated to build Victoria's investment capability. Invest Victoria is currently developing an economic development strategy for the State of Victoria.

RECOMMENDATION 60: Ahead of the 2019–20 Budget the Department of Treasury and Finance consider new performance measures and targets to provide insights into the impact of Invest Victoria on building the State's investment capability.

¹²⁶² Mr David Martine, Secretary, Department of Treasury and Finance, 2019–20 Budget estimates (Economic Development) hearing, Melbourne, 31 May 2019, *Transcript of evidence*, p. 4.

¹²⁶³ Hon. Tim Pallas MP, Minister for Economic Development, *Transcript of evidence*, p. 2.

¹²⁶⁴ Department of Treasury and Finance, *Budget Paper No. 3*, p. 20.

¹²⁶⁵ *Ibid.*

12.5 Assistant Treasurer: key issues

The Assistant Treasurer is responsible for the following four outputs:

- Budget and Financial Advice (2019–20: \$27.7 million), responsibility for this output is shared with the Treasurer
- Economic and Policy Advice (2019–20: \$32.6 million), responsibility for this output is shared with the Treasurer
- Commercial and Infrastructure Advice (2019–20: \$54.4 million), responsibility for this output is shared with the Treasurer
- Services to Government (2019–20: \$78.5 million).¹²⁶⁶

The objectives of the portfolio are to optimise Victoria’s fiscal resources, strengthen Victoria’s economic performance, improve how government manages its balance sheet, commercial activities and public sector infrastructure, and deliver efficient whole of government common services.

The following topics were discussed at the budget estimates hearing with the Assistant Treasurer: the Government’s vehicle fleet, Energy Fairness Plan, Essential Services Commission (ESC), social procurement, Victorian Managed Insurance Authority, and the Transport Accident Fund.¹²⁶⁷ Social procurement and issues related to the ESC are discussed in detail below.

12.5.1 Social procurement

The Assistant Treasurer, Hon Robin Scott MP, explained to the Committee at the budget estimates hearings that Victoria’s Social Procurement Framework (SPF) ‘enables government to increase the value of all procurement activities’.¹²⁶⁸ The Assistant Treasurer explained:

This framework allows organisations right across government to use their buying power to generate social value above and beyond the value of goods and services or construction being procured and to improve the benefits that accrue to all Victorians when social and sustainable outcomes are achieved. By leveraging government’s significant buying power the framework helps to achieve social and sustainable outcomes, and supports important government policy and legislation initiatives.¹²⁶⁹

The Assistant Treasurer informed the Committee that the SPF applied to all government departments and agencies from 1 September 2018¹²⁷⁰ and affects ‘the procurement

¹²⁶⁶ Ibid., p. 350; Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 74.

¹²⁶⁷ Hon. Robin Scott MP, Assistant Treasurer, 2019–20 Budget estimates (Assistant Treasurer) hearing, Melbourne, 7 June 2019, *Transcript of evidence*.

¹²⁶⁸ Ibid., p. 3.

¹²⁶⁹ Ibid.

¹²⁷⁰ Hon. Robin Scott MP, *2019–20 Budget estimates hearing presentation: Assistant Treasurer*, supplementary evidence, received 7 June 2019, p. 6.

of all goods, services and constructions and adopts a scalable approach based on the value of the procurement activity'.¹²⁷¹ The SPF has four bands of procurement activity requirements for government buyers based on the value of a contract and whether it is regional, metropolitan or state wide. The four bands are:

- Below threshold – Regional under \$1 million, Metro or State wide under \$3 million
- Lower band – Regional \$1 to \$20 million and Metro or State wide \$3 to \$20 million
- Middle band – \$20 to \$50 million
- Upper band – Over \$50 million.¹²⁷²

The Assistant Treasurer emphasised to the Committee that the SPF 'establishes a consistent and streamlined approach that embeds social procurement into government's existing procurement processes and everyday buying activity'.¹²⁷³

With regard to assessing the outcomes of the SPF, the Assistant Treasurer stated:

The Department of Treasury and Finance has established a measurement and reporting framework to ensure that progress against social and sustainable objectives and outcomes in the social procurement framework will be measured, monitored and reported over time. Agencies will also report on their activity against the framework in their own annual reports.¹²⁷⁴

At the estimates hearing, the Committee sought information from the Assistant Treasurer about whether the SPF included specific outcomes and targets related to waste diverted from landfill and certain categories of workers employed.¹²⁷⁵

The Assistant Treasurer outlined:

... the upper band above \$50 million—it includes targets and contractor requirements that pursue social and sustainable objectives. So the intent is to absolutely have written within the contractual arrangements related targets. Now obviously there is a variety of different elements—from social enterprises and Aboriginal businesses to disadvantaged communities, gender issues, disability, family violence leave, environmental sustainability and climate change. So there is an intent in 2019 to create metrics.¹²⁷⁶

The Assistant Treasurer assured the Committee that there is a reporting process within DTF 'to ensure that there are measurable outcomes' and that this process will start from 2019–20.¹²⁷⁷ Departments and agencies will submit their first annual reports against the SPF for the period ending on 30 June 2019.¹²⁷⁸

¹²⁷¹ Hon. Robin Scott MP, Assistant Treasurer, *Transcript of evidence*, p. 3.

¹²⁷² Department of Economic Development, Jobs, Transport, and Resources, *Victoria's social procurement framework: Building a fair, inclusive and sustainable Victoria through procurement*, 2018, p. 19.

¹²⁷³ Hon. Robin Scott MP, Assistant Treasurer, *Transcript of evidence*, p. 3.

¹²⁷⁴ *Ibid.*

¹²⁷⁵ *Ibid.*, p. 10. The Committee notes that procurement and incentives to maximise prospects of attracting new entrants into the recycling sector is discussed in detail in Chapter 8.

¹²⁷⁶ *Ibid.*

¹²⁷⁷ *Ibid.*

¹²⁷⁸ Hon. Robin Scott MP, Assistant Treasurer, 2019–20 Budget estimates hearing, response to questions on notice, received 4 July 2019, p. 3.

Departmental Social Procurement Strategies

As the SPF requires each department and agency to prepare a Social Procurement Strategy, the Committee sought an update from the Assistant Treasurer on the preparation of these strategies.¹²⁷⁹ The Assistant Treasurer informed the Committee:

The requirement for departments and agencies to develop a Social Procurement Strategy is being phased in over a 12-month period. All departments and several agencies have submitted a draft strategy for review by the Department of Treasury and Finance. Remaining agencies are expected to submit a draft strategy by 1 September 2019.¹²⁸⁰

The SPF provides that each department and agency is to prepare a Social Procurement Strategy, which includes consideration of the development of a reporting and management framework that comprises:

- a data collection model to track against government requirements and the targets and measures outlined in the Social Procurement Strategy;
- tools and methods for data collection and analysis; and
- reporting on achievements against the strategy and organisational targets.¹²⁸¹

The Committee was also interested in whether the Social Procurement Strategies would be made public and what evidence of the outcomes will be included in reporting.¹²⁸² The Assistant Treasurer stated: ‘There will be a report that I will be putting out in terms of my responsibilities in relation to this.’¹²⁸³

FINDING 116: The Victorian Social Procurement Framework requires each department and agency to prepare a Social Procurement Strategy. All departments were expected to submit a draft strategy to the Department of Treasury and Finance by 1 September 2019.

Reporting of office based environmental data by government entities

The Committee has previously commented on Financial Reporting Directions that are applicable to the Victorian public sector.¹²⁸⁴

¹²⁷⁹ Hon. Robin Scott MP, Assistant Treasurer, *Transcript of evidence*, p. 12.

¹²⁸⁰ Hon. Robin Scott MP, Assistant Treasurer, response to questions on notice, p. 3.

¹²⁸¹ Department of Economic Development, Jobs, Transport, and Resources, *Victoria’s social procurement framework: Building a fair, inclusive and sustainable Victoria through procurement*, 2018, p. 20.

¹²⁸² Hon. Robin Scott MP, Assistant Treasurer, *Transcript of evidence*, p. 20.

¹²⁸³ *Ibid.*

¹²⁸⁴ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 66; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2015–16 Financial and Performance Outcomes*, May 2017, p. 156. Financial Reporting Directions aim to: prescribe the accounting treatment and disclosure of financial transactions in circumstances where there are choices in accounting treatment, or in the absence of guidance and/or requirements in existing accounting pronouncements; and achieve consistency and improved disclosure in financial reporting for Victorian public sector entities by eliminating and/or reducing divergence in accounting practices.

The Committee notes that Financial Reporting Direction 24D – ‘Reporting of Office-based Environmental Impacts by Government Entities’ (FRD 24D) specifies a core list of environmental performance indicators that must be measured and reported by relevant entities implementing environmental management systems.¹²⁸⁵ Under FRD 24D:

Entities are to discuss whether and how their procurement activities are environmentally responsible and support the objectives of the Environmental impact in procurement – procurement guide such as:

- examples of how the Entity has successfully integrated environmental considerations into procurement decision making;
- a list of any tenders, contracts, or products for which the Entity has developed sustainability clauses or specifications.
- progress in achieving any procurement related whole of Victorian Government targets¹²⁸⁶

FRD 24D links to the ‘Environmental impact in procurement – procurement guide’, however, neither this guide nor FRD 24D make reference to the SPF or the relevant department or agencies Social Procurement Strategy.

FINDING 117: Financial Reporting Direction 24D—‘Reporting of Office-based Environmental Impacts by Government Entities’ requires entities to discuss whether and how their procurement activities are environmentally responsible and support the objectives of the ‘Environmental impact in procurement – procurement guide’. However, neither FRD 24D nor the procurement guide have been amended to reference the Social Procurement Framework or the relevant department or agency Social Procurement Strategy.

RECOMMENDATION 61: The Department of Treasury and Finance review Financial Reporting Direction 24D—‘Reporting of Office-based Environmental Impacts by Government Entities’ and the Environmental impact in procurement – procurement guide to consider whether it should be amended to align with the Social Procurement Framework.

12.5.2 Essential Services Commission

The 2019–20 Budget allocates \$6 million in 2019–20, \$7 million in 2020–21, \$7.2 million in 2021–22 and \$7.1 million in 2022–23 to the ‘Fairer energy regulation’ output initiative.¹²⁸⁷ The budget papers state that under this initiative:

The Essential Services Commission (ESC) will deliver on the Government’s Energy Fairness Plan through reforms to pricing and marketing practices, and the strengthening

¹²⁸⁵ Department of Treasury and Finance, *Guidance for FRD 24D Reporting Guidance manual for FRD 24D Reporting of Office-based Environmental Data by Government Entities* 2018, p. 1.

¹²⁸⁶ *Ibid.*, p. 23.

¹²⁸⁷ Department of Treasury and Finance, *Budget Paper No. 3*, p. 116.

of its enforcement powers. This will include the implementation of the Victorian Default Offer, and new requirements for energy retailers in billing, marketing and contract terms and conditions. In addition, the ESC's enforcement and investigative powers will be strengthened to improve the effectiveness of its monitoring of energy markets and retailers.¹²⁸⁸

The Victorian Default Offer (VDO) was introduced on 1 July 2019, and is an electricity option that safeguards consumers who are unable or unwilling to engage in the electricity retail market. Victorian households and small businesses can now ask for a default offer, and use it to compare offers to ensure they are getting value for money on electricity. Electricity retailers must make the VDO available to customers who request it.¹²⁸⁹

At the budget estimates hearings the Assistant Treasurer stated:

The energy fairness plan represents a tasking with the Essential Services Commission to overhaul energy rules and to help customer trust in the market. The commission has been tasked with setting new roles so customers have fairer contract terms and conditions as well as access to the Victorian default offer. It includes funding to ensure that these activities can be effectively undertaken by the commission.

The Assistant Treasurer explained to the Committee that there are two elements to the 'Fairer energy regulation' output initiative: 'One is about the powers of the Essential Services Commission and the other is the resourcing to allow those powers to effectively be utilised'.¹²⁹⁰ The Assistant Treasurer informed the Committee that the ESC:

... has an expanded remit to deal with issues that arise in the energy sector, particularly with the appointment of an additional commissioner responsible for enforcement. So one of the issues is not just the powers of the Essential Services Commission—and these reforms improve the powers of the Essential Services Commission to deal with issues relating to the energy market, particularly energy retailers—but also additional resources, in particular an additional commissioner who will be responsible for resourcing powers.¹²⁹¹

In terms of the powers of the ESC, the Assistant Treasurer stated they will:

... be strengthened by increasing information gathering powers that abrogate the privilege against self-incrimination, which is in line with similar regulators such as the Australian Competition and Consumer Commission and Consumer Affairs Victoria.

¹²⁸⁸ Ibid.

¹²⁸⁹ Essential Services Commission, *Victorian Default Offer: We determine prices for standing offers covering electricity retail services in Victoria - Victorian Default Offer prices*, <<https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer>> accessed 5 September 2019.

¹²⁹⁰ Hon. Robin Scott MP, Assistant Treasurer, *Transcript of evidence*, p. 13.

¹²⁹¹ Ibid.

... enable the Essential Services Commission to require attendance to give information and to administer oath to attendees; broaden prohibitions on the provision of false or misleading information; introduce search and seizure powers for the Essential Services Commission in relation to gas and electricity industries; replace existing civil penalty provisions in section 54A of the Essential Services Commission Act with court-ordered civil penalties and civil penalty notices; improve a range of orders that courts can make on application of the Essential Services Commission, including the capacity to obtain injunctions and a range of other orders for the benefit of consumers; and it also has some technical elements to clarify the role of the Essential Services Commission and the chief executive officer.¹²⁹²

While the Assistant Treasurer is 'principally responsible for the Essential Services Commission' and its 'effective functioning', the Minister for Energy, Environment and Climate Change is responsible for energy policy.¹²⁹³ In response to questions from the Committee about the implications for households opting for the VDO, the Minister for Energy, Environment and Climate Change, Hon Lily D'Ambrosio MP, explained that the VDO:

... is not the cheapest price in the market but a fair price, so that people who do not want to go through the vagaries of the retail market and all of its complexities and deliberate complications can decide, if they choose, to be on that fair price, knowing that that fair price is one that is set independently of retailers.¹²⁹⁴

With regard to a discrepancy between the Government's final numbers on the approximate savings for households through the VDO and the ESC's initial recommendation,¹²⁹⁵ the Minister for Energy, Environment and Climate Change explained:

... the Essential Services Commission was tasked on behalf of government to prepare a recommendation for the Victorian default offer. So the first default offer was a draft one that they put out for public consultation. They accepted a range of submissions from a whole range of stakeholders in the community, as is their requirement. They revised their recommendation, and the final recommendation that they made to government is one that we have adopted.

At the budget estimates hearings the Minister for Energy, Environment and Climate Change also informed the Committee that 'the Essential Services Commission will have an ongoing role and authority to monitor the VDO'.¹²⁹⁶ In this context, the Committee

¹²⁹² Ibid.

¹²⁹³ Ibid., pp. 12-13.

¹²⁹⁴ Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, 2019-20 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 11 June 2019, *Transcript of evidence*, p. 11.

¹²⁹⁵ The ESC outlined that a typical Victorian household (using 4,000kWh per year) on a standing offer (VDO) would save between \$390 and \$520 a year (depending on where you live). The Government's 'Tips for Victorian households' July 2019 Update outlined that a typical household (using 4,000kWh per year) should expect a reduction in electricity bills by \$310-450 per year on the VDO. Essential Services Commission, *Energy regulator puts Victorian Default Offer on the table*, 2019, <<https://www.esc.vic.gov.au/media-centre/energy-regulator-puts-victorian-default-offer-table>> accessed 5 September 2019. Energy Victoria, *Tips for Victorian households*, <https://www.energy.vic.gov.au/_data/assets/pdf_file/0028/420958/Tips-for-Victorian-households_JulyUpdate_V1.pdf> accessed 4 September 2019.

¹²⁹⁶ Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 28.

notes that the ESC is currently undertaking a VDO price review regarding the Commission's approach to determining VDOs from 1 January 2020.¹²⁹⁷

FINDING 118: The Essential Services Commission is currently undertaking a Victorian Default Offer (VDO) price review regarding the Commission's approach to determining VDOs from 1 January 2020.

12.6 Department wide: key issues

DTF's response to the Committee's questionnaire demonstrates that the Treasurer and the Assistant Treasurer have shared responsibility for three outputs: Budget and Financial Advice; Economic and Policy Advice and Commercial and Infrastructure Advice.¹²⁹⁸ While the response to the questionnaire explains how the performance measures under these outputs are divided between both portfolios, it does not provide information about how funding for these outputs is demarcated.¹²⁹⁹ The 2019–20 budget papers also do not provide this information.

12.7 Department wide: performance measures

12.7.1 Analysis of new performance measures

DTF added five new performance measures in the 2019–20 Budget. Three of the new measures improve performance information about the quality and timeliness of advice provided by the Office of the Commissioner for Better Regulation. However, the remaining two measures had shortcomings.

Table 12.1 below summarises the issues for each of the problematic measures by the relevant output.

¹²⁹⁷ Essential Services Commission, *Victorian Default Offer price review 2020: We are making our price determination for the Victorian Default Offer to apply from 1 January 2020*, <<https://www.esc.vic.gov.au/electricity-and-gas/prices-tariffs-and-benchmarks/victorian-default-offer/victorian-default-offer-price-review-2020#tabs-container1>> accessed 5 September 2019.

¹²⁹⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 350; Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 70–77.

¹²⁹⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 350; Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 70–77.

Table 12.1 Issues with problematic new performance measures (2019–20)

Output	New performance measure	Issues identified by the Committee
Revenue Management and Administrative Services to Government	Compliance revenue assessed meets target (Quantity)	The Department's response to the Committee's questionnaire does not provide sufficient context clarifying the unit of measurement and how the target has been constructed. The new metric reports on activities associated with the assessment of compliance revenue. In the absence of complimentary quality/timeliness measures it offers limited insight into the department's effectiveness and efficiency in improving actual compliance rates.
Economic Regulatory Services	Setting of regulated price and tariffs (Quantity)	The measure reflects basic minimum standards of performance and what the Essential Services Commission (ESC) is required to do by legislation. Additionally, the new measure focuses solely on the activity of 'price setting'. The measure should be supplemented with additional quality/timeliness metrics.

Source: Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 50; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019.

FINDING 119: The Department of Treasury and Finance added five new performance measures in the 2019–20 Budget. Three of the new measures improved the quality of performance information about the Office of the Commissioner for Better Regulation.

RECOMMENDATION 62: Ahead of the 2010–21 Budget, the Department of Treasury and Finance consider the issues with the three new performance measures identified in relation to the Revenue Management and Administrative Services to Government and Economic Regulatory Services outputs.

12.7.2 Analysis of proposed discontinued performance measures

DTF identified three performance measures for discontinuation in the 2019–20 Budget.

The Committee supports the Department's rationale in all cases noting it resulted in the following key changes:

- Discontinuation of the measure 'Respond to correspondence within agreed timeframes' recognising this reflects a 'business as usual' function and basic minimum standards of performance.
- Discontinuation of the two measures 'Advice on adequacy of final Regulatory Impact Statements and Legislative Impact Assessments prepared by departments' and 'Completion of assessment of Regulatory Impact Statements and Legislative Impact Assessments within agreed timeframes' noting their limited usefulness due to changes in agency coordination arrangements on regulatory assessments, and the dynamic nature of sunseting regulations requiring review that is beyond the control of the Office of the Commissioner for Better Regulation.

FINDING 120: The Department of Treasury and Finance identified three performance measures for discontinuation in the 2019–20 Budget. The Committee supports the Department’s rationale in all cases.

13 Parliament, the Victorian Auditor-General's Office and the Parliamentary Budget Office

Key findings

- The Electoral Office Accommodation initiative received an increase in funding in the 2019–20 Budget to support the increase in electorate office rent and fit out costs. For a number of years, the escalation of Parliament's funding for rental and relocation costs had not kept pace with the property market. Offices that are identified as having occupational health and safety issues are prioritised for refurbishment.
- The Victorian Auditor-General's Office (VAGO) will receive \$45.4 million of funding in 2019–20 up 4.4% from the previous financial year. Cost indexation and the effect of new accounting standards have been identified by VAGO as the reasons for the increased costs expected in 2019–20 to deliver audit opinions on financial and performance statements and parliamentary reports and services.
- The scope of three performance measures of the Parliamentary Budget Office has been broadened in the 2019–20 budget papers to better reflect the breadth of work undertaken by the office.

13.1 Overview

The Department of Parliamentary Services (DPS) is responsible for the provision of infrastructure resources and support services to Members of Parliament and the Parliamentary departments of the Legislative Assembly and the Legislative Council.¹³⁰⁰

The Parliamentary departments:

- oversee the provision of procedural advice to Members of Parliament
- process legislation
- prepare records of parliamentary proceedings and documentation required for the sittings of Parliament
- provide assistance to parliamentary committees

¹³⁰⁰ Department of Parliamentary Services, *Annual Report 2017-18*, Melbourne, 2018, p. 7.

- provide information relating to parliamentary proceedings
- promote public awareness of the Parliament.

The Victorian Auditor-General's Office (VAGO) and the Parliamentary Budget Office (PBO) are included as outputs within Parliament in the 2019–20 Budget.¹³⁰¹ VAGO provides assurance to the Parliament on the accountability and performance of the Victorian public sector. The PBO provides policy costing and advisory services to all members of Parliament.

13.2 Budget summary

In 2019–20 DPS will receive 0.4% of total funding provided to all output groups across the departments.¹³⁰²

In 2019–20 DPS is allocated \$244 million to fund its output (from \$229 million in 2018–19). It has \$244 million of income from transactions available (from \$231 million in 2018–19).¹³⁰³

DPS' output appropriations and employee benefits in 2019–20 remain largely unchanged from 2018–19.¹³⁰⁴

With regard to capital spending, DPS stated 'no new or existing capital projects are applicable in 2019–20'.¹³⁰⁵ In 2018–19 the following two capital projects were undertaken by DPS: Remediation-Office Accommodation in the Parliamentary Precinct (new annex building) and Spring Street Security Upgrade.¹³⁰⁶

DPS's response to the Committee's questionnaire stated that 'no savings targets were applied to DPS in the budget papers'.¹³⁰⁷

13.3 Parliament: key issues

The Parliament is responsible for the following four outputs:

- Legislative Council (funding in 2019–20: \$21.2 million)¹³⁰⁸
- Legislative Assembly (funding in 2019–20: \$40.6 million)¹³⁰⁹

¹³⁰¹ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 369.

¹³⁰² The Committee has used the funding allocated by output group in each department's Performance Statement as provided in the 2019–20 budget papers to measure the funding across all departments.

¹³⁰³ Department of Treasury and Finance, *Budget Paper No. 3*, p. 370.

¹³⁰⁴ Department of Parliamentary Services, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 8.

¹³⁰⁵ *Ibid.*, p. 15.

¹³⁰⁶ *Ibid.*, p. 11.

¹³⁰⁷ *Ibid.*, p. 18.

¹³⁰⁸ Department of Treasury and Finance, *Budget Paper No. 3*, p. 371.

¹³⁰⁹ *Ibid.*, p. 372.

- Parliamentary Services (funding in 2019–20: \$127.9 million)¹³¹⁰
- Parliamentary Investigative Committees (funding in 2019–20: \$5.7 million).¹³¹¹

The 2019–20 Budget transfers funding from Parliamentary Investigative Committees to the Legislative Council and Legislative Assembly.¹³¹² Following the formation of the 59th Parliament, the number of Joint Investigative Committees fell from nine to four, and three new Legislative Assembly Standing Committees were formed.¹³¹³

Several topics relevant to Parliament were discussed at the budget estimates hearings with Parliamentary departments and further details were provided to the Committee through questions on notice. Topics included: renewal of the Parliamentary Precinct, electricity usage, upgrades to physical and ICT security frameworks and operations, tours and events at Parliament House, community and youth engagement strategies and programs, sexual harassment and bullying policies and procedures, and the financial independence of Parliament.¹³¹⁴ Electorate office accommodation is examined in more detail below, together with DPS' response to the Committee's budget estimates questionnaire regarding staff numbers by Indigenous or disability status.

13.3.1 Electorate office accommodation

In response to questions taken on notice Parliament outlined that there are currently 37 electorate office projects to be funded from the 2019–20 Budget Parliamentary Services output.¹³¹⁵ Of these, 23 are for electorate office relocation and refurbishment, while 14 are for refurbishment only.¹³¹⁶ The response provides that the estimated cost to refurbish an electorate office is \$200,000 and states:

This figure is likely to be the same for when an electorate office is relocated and refurbished, due to the incentives offered by landlords in securing a new tenant.¹³¹⁷

DPS' response to the Committee's questionnaire noted that the 'Electoral Office Accommodation' initiative received an increase in funding of \$4 million in 2019–20 and future years to fund the increase in electorate office rents and fit out costs.¹³¹⁸ The Speaker of the Legislative Assembly, the Hon Colin Brooks MP, explained the need for this increase in funding to the Committee as follows:

¹³¹⁰ Ibid., p. 373.

¹³¹¹ Ibid., p. 374.

¹³¹² Department of Treasury and Finance, *Budget Paper No. 3: 2018–19 service delivery*, Melbourne, 2018, pp. 371–72.

¹³¹³ Parliament of Victoria, *Committees*, 3 May 2019, <<https://www.parliament.vic.gov.au/committees/list-of-committees>> accessed 14 October 2019.

¹³¹⁴ Hon. Colin Brooks MP, Speaker of the Legislative Assembly, Parliament of Victoria, 2019–20 Budget estimates (Parliamentary Departments) hearing, Melbourne, 31 May 2019, *Transcript of evidence*.

¹³¹⁵ Hon. Colin Brooks MP, Speaker of the Legislative Assembly, 2019–20 Budget estimates hearing, response to questions on notice, received 8 July 2019, p. 2.

¹³¹⁶ Ibid.

¹³¹⁷ Ibid.

¹³¹⁸ Department of Parliamentary Services, *Response to the 2019–20 Budget estimates general questionnaire*, p. 11.

... there has been an escalation in rental prices that we have faced, and that has led to us having some difficulty in placing members [of Parliament] in suitable electorate office accommodation within their electorates.¹³¹⁹

The Speaker emphasised to the Committee that 'for a number of years the escalation of our funding for rental and relocation costs had not kept pace with [the] property market'.¹³²⁰ The Speaker stated:

... there was a growing gap between what we should be providing to members, what members would expect and what we were able to provide. And if we did not resolve that issue, it would have meant that there would a lessening in the standard of accommodation that members would have received or the locations would have been less than desirable. At the moment we are paying average rent in regional areas of some \$45 000, and in metro areas \$55 000. According to our property unit the sort of rentals we should be looking at in broad terms in regional areas would be about \$65 000, and \$85 000 for metro areas. So it is significantly more than where we are currently at. There has also been an increase in the costs of the physical work involved in relocating—the fit-out and the cost of moving someone from one place to another. We put a submission forward through the budget process to government, and that has been funded.¹³²¹

Other challenges noted with regard to sourcing suitable electorate accommodation were the scarcity of ready made commercial accommodation for lease in regional areas, and rental prices being too high in Melbourne.¹³²² The Speaker stated that the increased funding will assist in bridging this gap and getting members into suitable accommodation.¹³²³

In response to questions regarding disability access and Occupational Health and Safety (OH&S) requirements at electorate office accommodation, the Committee was advised that offices that are identified as having OH&S issues are prioritised for refurbishment.¹³²⁴

FINDING 121: The Electoral Office Accommodation initiative received an increase in funding in the 2019–20 Budget to support the increase in electorate office rent and fit out costs. For a number of years, the escalation of Parliament's funding for rental and relocation costs had not kept pace with the property market. Offices that are identified as having occupational health and safety issues are prioritised for refurbishment.

¹³¹⁹ Hon. Colin Brooks MP, Speaker of the Legislative Assembly, *Transcript of evidence*, p. 1.

¹³²⁰ *Ibid.*, pp. 4-5.

¹³²¹ *Ibid.*

¹³²² *Ibid.*

¹³²³ *Ibid.*

¹³²⁴ *Ibid.*, pp. 8-9.

13.3.2 Workplace diversity

The benefits of having a diverse workforce are well established. For example, in its *Report on the 2018–19 Budget Estimates* the Committee recommended:

Recommendation 2: Departments begin collecting data on the proportion of their workforce who have a disability based on their own payroll and human resources systems, in order to establish baseline data and meet the recruitment targets set out in the Government's *Every Opportunity: Victorian economic participation plan for people with disability 2018-2020*.¹³²⁵

DPS' response to the Committee's 2019–20 questionnaire provided a breakdown of Full Time Equivalent staff numbers by gender identification, but not by Indigenous or disability status.¹³²⁶ DPS' response to the Committee's 2018–19 questionnaire also did not include this information.¹³²⁷

RECOMMENDATION 63: The Department of Parliamentary Services collect data on the proportion of its workforce that identify as Indigenous or as having a disability.

13.4 Victorian Auditor-General's Office (VAGO): key issues

The Auditor-General is an independent officer of the Victorian Parliament, with a primary purpose of providing assurances to the Parliament about how effectively public sector agencies are providing services and using public money.¹³²⁸ The Auditor-General fulfils these responsibilities through a program of financial and performance audits of public sector agencies.

There are two outputs which relate to VAGO:

- Audit opinions on financial and performance statements (funding in 2019–20: \$28 million)
- Parliamentary Reports and Services (funding in 2019–20: \$17.4 million).¹³²⁹

At the budget estimates hearing with VAGO a number of issues were discussed, including: the role of VAGO, performance audit priorities, funding allocations to VAGO compared with other jurisdictions and the use of consultants by VAGO.¹³³⁰

¹³²⁵ Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2018–19 Budget Estimates*, September 2018, p. 50.

¹³²⁶ Department of Parliamentary Services, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 41–42.

¹³²⁷ Department of Parliamentary Services, *Response to the 2018–19 Budget estimates general questionnaire*, received 2 May 2018, Attachment.

¹³²⁸ Victorian Auditor-General's Office, *About us: Our role*, <<https://www.audit.vic.gov.au>> accessed 10 September 2019.

¹³²⁹ Department of Treasury and Finance, *Budget Paper No. 3*, p. 377.

¹³³⁰ Mr Andrew Greaves, Auditor-General, Victorian Auditor General's Office, 2019–20 Budget estimates (Victorian Auditor General's Office) hearing, Melbourne, 31 May 2019, *Transcript of evidence*.

Cost indexation and the effect of new accounting standards have been identified by VAGO as the reasons for the increased costs expected in 2019–20 to deliver audit opinions on financial and performance statements and parliamentary reports and services.¹³³¹

FINDING 122: The Victorian Auditor-General's Office (VAGO) will receive \$45.4 million of funding in 2019–20 up 4.4% from the previous financial year. Cost indexation and the effect of new accounting standards have been identified by VAGO as the reasons for the increased costs expected in 2019–20 to deliver audit opinions on financial and performance statements and parliamentary reports and services.

13.5 Parliamentary Budget Office (PBO): key issues

The Parliamentary Budget Officer is an independent officer of the Parliament, with primary responsibility for: preparing election policy costings, pre-election and post-election reports; preparing costings of other policies or proposed policies at the request of a Member of Parliament; and providing advisory services to Members of Parliament on financial, fiscal or economic matters (including in relation to the costing of proposals included in the State Budget).

The objectives of the PBO are to provide 'trusted fiscal, economic and financial advice'.¹³³²

PBO is responsible for one output: Parliamentary Budget Office (funding in 2019–20: \$3.3 million).¹³³³

The Committee did not extend an invitation to the PBO to appear at the 2019–20 budget estimates hearings.

13.6 Performance measures

There have been minimal changes to the performance measures of the Parliament and VAGO from the last financial year. Some changes to performance measure targets have been made, including higher report targets for:

- Parliamentary Investigatory Committees to reflect normal Committee activity after an election year
- VAGO to reflect the performance audit program in the 2019–20 VAGO Annual Plan.¹³³⁴

¹³³¹ Department of Treasury and Finance, *Budget Paper No. 3*, pp. 376-77.

¹³³² *Ibid.*, p. 368.

¹³³³ *Ibid.*, p. 375.

¹³³⁴ *Ibid.*, pp. 374-377.

Several changes have been made to the performance measures of the PBO. There are five performance measures in the 2019–20 budget papers relevant to the PBO. The main changes are the broadening of the scope of three measures:

- from the 'Number of costing requests' to all PBO service requests, not only costing requests
- from 'Satisfaction of parliamentary stakeholders with policy costing and financial advice' to reporting on all PBO services including the full range of advice – fiscal, economic and financial
- from 'Costing requests responded to by the due date' to include all PBO service requests, not only costing requests.¹³³⁵

A new measure has been added—'Request completion rate' with a target of 80%. This will measure the requests received that result in policy costing or advisory responses being prepared and provided to the Member of Parliament making the request.

One PBO performance measure has been discontinued—'Operational framework established and implemented' as it is no longer relevant.

FINDING 123: The scope of three performance measures of the Parliamentary Budget Office has been broadened in the 2019–20 budget papers to better reflect the breadth of work undertaken by the office.

¹³³⁵ Ibid., p. 375.

Appendix 1

New accounting standards

A1.1 AASB 1059—Service Concession Arrangements: Grantors

AASB 1059 provides accounting guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators.

A service concession arrangement is a contract between a grantor (public sector entity) and an operator in which the operator has a right of access to an asset or group of assets (referred to as a ‘service concession asset’) to provide public services on behalf of the grantor for a period of time, and where the operator manages at least some of those services under its own discretion.¹³³⁶

The standard requires public sector entities to recognise a service concession asset and a corresponding liability on the balance sheet.¹³³⁷

For arrangements where users of the assets fund the construction or upgrade of the assets (commonly referred to as Public Private Partnerships), these are recorded as service concession assets at current replacement cost at the time of their construction with recognition of an associated liability.¹³³⁸

Depending on the arrangements with the operator and stage of the infrastructure project, the State applies either the ‘financial liability model’ or a ‘Grant of a Right to the Operator (GORTO)’ model.

A financial liability is where the operator receives specified amounts from the State and will recognise an interest expense over the term of the concession period as payments are made.

A GORTO liability is where the State allows the operator to charge the users of the assets (for example, toll roads).¹³³⁹ The GORTO liability represents the equivalent of unearned revenue and therefore is reflected as part of Payables as a non-financial liability.¹³⁴⁰

¹³³⁶ Pitcher Partners, *Service Concession Arrangements: Financial Reporting and Accounting Guide*, March 2018, <<http://www.pitcher.com.au/sites/default/files/downloads/Service%20Concession%20Arrangements%20%28March%202018%29.pdf>> accessed 12 July 2019.

¹³³⁷ KPMG, *Service concessions: grantor accounting: Reporting Update*, August 2017, <<https://home.kpmg/content/dam/kpmg/au/pdf/2017/17ru-004-service-concessions-grantor-accounting.pdf>> accessed 12 July 2019.

¹³³⁸ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 54.

¹³³⁹ KPMG, *Service concessions: grantor accounting*.

¹³⁴⁰ Department of Treasury and Finance, *Budget Paper No. 5*, p. 54.

A1.2 AASB 16—Leases

AASB 16 defines a lease as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration.¹³⁴¹

AASB 16 changes the accounting treatment of leased assets. Previously lease arrangements were classified as either finance leases (reported on the balance sheet) or operating leases (not recorded on the balance sheet but as an operating expense). This new standard removes the distinction that currently exists between an operating lease and a finance lease, and treats all leasing transactions consistently.¹³⁴²

With the implementation of AASB 16, all leases will be recorded on the balance sheet as a Right of Use asset with an associated lease liability. The income statement (statement of profit or loss and other comprehensive income) will show the lease expense as depreciation (relating to the Right of Use asset) and the interest relating to the lease liability as an operating expense.¹³⁴³

A1.3 AASB 15—Revenue from Contracts with Customers AASB 1058—Income of Not-for-Profit Entities

AASB 15 aims to align the timing of recognition of revenue with the satisfaction of performance obligations under contracts with customers.¹³⁴⁴

Revenue recognition under AASB 15 requires the determination of numerous estimates and extensive use of judgement. AASB 15 introduces new complexities both for the timing of revenue recognition and the portion of revenue to be recorded.¹³⁴⁵

To address specific concerns from the ‘not-for-profit’ sector in Australia, the AASB also issued AASB 1058 to supplement AASB 15 and provide criteria to be applied by not-for-profit entities in establishing the timing of recognising income for government grants and other types of contributions. The new requirements are expected to result in better matching of income and related expenses as income will now be recognised when the entity fulfils the performance obligation.

For example, if a not-for-profit entity receives a grant or donation which comes with a sufficiently specific and enforceable performance obligation, the entity will recognise revenue when it fulfils its performance obligation. This is in contrast to the previous

¹³⁴¹ Bentleys Chartered Accountants & Business Advisors Australia, *New leases accounting standard – how different will your balance sheet look?*, 31 May 2018, <<https://www.bentleys.com.au/knowledge-centre/new-leases-accounting-standard/>> accessed 12 July 2017.

¹³⁴² PriceWaterhouse Coopers, *New Leases Standard - AASB 16*, 2018, <<https://www.pwc.com.au/assurance/audit-risk-insights/leases-standard-audit-risk-insights-oct18.pdf>> accessed 12 July 2019.

¹³⁴³ Bentleys Chartered Accountants & Business Advisors Australia, *New leases accounting standard – how different will your balance sheet look?*, 31 May 2018.

¹³⁴⁴ Department of Treasury and Finance, *Budget Paper No. 5*, p. 56.

¹³⁴⁵ Deloitte Australia, *AASB 15 Revenue from contract with customers*, report prepared by Deloitte Australia, 2016, p. 7.

requirements which commonly force income recognition on day one despite the fact that the entity is yet to fulfil its performance obligation.¹³⁴⁶

¹³⁴⁶ New Zealand Chartered Accountants Australia, *A new approach to income recognition by Not-for-Profit entities*, 2017, <https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=4&cad=rja&uact=8&ved=2ahUKewijq-DJr_jAhVe6nMBHSVABVYQFjADegQIARAC&url=https%3A%2F%2Fwww.charteredaccountantsanz.com%2F-%2Fmedia%2Fd3a63c999ebf49ffa677b36e1cdf1bbb.ashx&usg=AOvVaw173qHLNdOIGizWM-WGzpU3> accessed 12 July 2019.

A1.4 Transitional impacts of the new Accounting Standards

	2019-20 Budget		2020-21 estimate		2021-22 estimate		2022-23 estimate		
	Before	After change (%)	Before	After change (%)	Before	After change (%)	Before	After change (%)	
Estimated comprehensive operating statement									
Revenue from transactions	70,818	71,032	74,229	74,453	77,755	77,984	81,836	82,151	0.38
Expenses from transactions	69,375	69,982	72,427	73,000	73,409	74,084	76,293	77,204	1.19
Net result from transactions - net operating balance	1,443	1,050 (27.23)	1,802	1,453 (19.37)	4,346	3,901 (10.24)	5,543	4,947 (10.75)	
Estimate balance sheet									
Total assets	281,497	300,075	293,953	314,722	302,026	325,663	312,641	337,719	8.02
Total liabilities	90,117	104,992	94,834	111,666	95,353	114,679	96,324	116,850	21.31
Net debt	30,867	38,975 26.27	37,697	46,912 24.44	39,532	51,118 29.31	41,827	54,879 31.20	

Source: Department of Treasury and Finance, *Budget Paper No. 5: 2019-20 statement of finances*, Melbourne, 2019, p. 51.

Appendix 2

New revenue initiatives

A2.1 Harmonisation of foreigner property surcharges

Foreign buyers will see an increase in the rate of the absentee landowner surcharge and land transfer duty surcharge applicable on the purchase of residential property. The initiative will align Victoria with New South Wales.¹³⁴⁷

The absentee landowner surcharge is expected to generate \$45.7 million in 2019–20, increasing to \$55 million in 2022–23. The measure is expected to contribute a total of \$196.1 million in 2019–20 and over the forward estimates. The land transfer duty surcharge is expected to generate \$23.2 million in 2019–20, increasing to reach \$39.6 million in 2022–23. The surcharge will raise a total of \$131.9 million in revenue in 2019–20 and over the forward estimates. The two combined are expected to raise \$328 million over the budget estimates period.¹³⁴⁸

Landowners who do not reside in Australia will be liable to pay an absentee landowner surcharge, for which the rate will increase from 1.5% to 2% from 2020. Foreign buyers of residential property are subject to land transfer duty surcharge, this rate will increase from 7% to 8% on the larger of the purchase price or market value of the property. The increase came into force for contracts entered into on or after 1 July 2019.¹³⁴⁹

The expected outcome outlined in the Department of Treasury and Finance's response to the Committee's questionnaire is to 'increase the contributions made by absentee owners who benefit from Government investment through the increased value of their property but largely do not contribute to a wide range of taxes and charges paid by local property owners'.¹³⁵⁰

A2.2 Expand the qualifying provisions for the corporate reconstruction duty relief

From 1 July 2019, the corporate reconstruction exemption was replaced with a corporate reconstruction concession. Eligible transactions arising out of corporate reconstructions now attract duty at the concessional rate of 10% of the duty otherwise payable. A corporate reconstruction is the transfer of assets, under an eligible transaction, between

¹³⁴⁷ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, received 28 May 2019, p. 51.

¹³⁴⁸ *Ibid.*, pp. 51–3.

¹³⁴⁹ Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 124.

¹³⁵⁰ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 51.

members of the same corporate group. A corporate reconstruction usually occurs to achieve a more efficient corporate structure. Eligible transactions include transfers of dutiable property and of a lease.¹³⁵¹

The measure is expected to raise \$36 million in 2019–20 and each year over the forward estimates, generating a total of \$144 million over the budget estimates period.¹³⁵²

The Department of Treasury and Finance outlined that the reason for the new initiative is to ‘promote business efficiency, the qualifying provisions for corporate reconstruction relief under the *Duties Act 2000* [(Vic)] will be expanded. This is expected to facilitate business restructuring and reduce compliance costs’.¹³⁵³ The Department also outlined that the measure is expected to support greater business efficiency.

A2.3 Motor vehicle duty – luxury vehicles

From 1 July 2019, used passenger vehicles valued over the luxury car threshold will be charged at a rate of \$10.40 per \$200 of market value, compared to the previous rate of \$8.40. This change will align motor vehicle duty across new and used luxury motor vehicles and brings Victoria in line with other Australian jurisdiction. Two new luxury thresholds will also be introduced.¹³⁵⁴

The first applies to all passenger vehicles valued between \$100,001 and \$150,000, which will be charged a motor vehicle duty at a rate of \$14 per \$200 of market value. The second applies to all passenger vehicles valued over \$150,000, which will be charged a motor vehicle duty at a rate of \$18 per \$200 of market value. The Department’s response to the Committee’s questionnaire states that this initiative will improve equity through more targeted taxation of high value motor vehicles.¹³⁵⁵

The changes are expected to generate \$61 million in 2019–20, rising over the forward estimates to reach \$69.1 million. Overall, the measure is expected to generate \$260.7 million in 2019–20 and over the forward estimates.¹³⁵⁶

A2.4 Removing the exemption for gold from royalties

From 2020, a 2.75% royalty on the net market value of gold production will be introduced. Currently, Victoria is the only jurisdiction in Australia that does not apply a gold royalty. The measure is expected to increase Victoria’s resource royalties and generate \$56 million in 2019–20 and over the forward estimates.¹³⁵⁷

¹³⁵¹ State Revenue Office Victoria, *Corporate reconstruction concession*, 1 July 2019, <<https://www.sro.vic.gov.au/corporate-reconstruction-concession>> accessed 14 October 2019.

¹³⁵² Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, pp. 51–2.

¹³⁵³ *Ibid.*, p. 51.

¹³⁵⁴ Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 125.

¹³⁵⁵ *Ibid.*, p. 124; Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 52.

¹³⁵⁶ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 52.

¹³⁵⁷ *Ibid.*; Department of Treasury and Finance, *Budget Paper No. 3*, p. 125.

A2.5 Removing the land tax exemption for contiguous land in metropolitan areas

From 2020, land in metropolitan Melbourne that is ‘contiguous with a principal place of residence but on a separate title and without a separate residence will no longer be exempt from land tax’. This means vacant properties adjacent to primary residences in Melbourne will be liable for land tax. The measure is being introduced to reduce land banking and to increase housing supply and improve housing affordability. The removal of the exemption is expected to generate \$10.9 million a year from 2019–20 until 2022–23.¹³⁵⁸

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¹³⁵⁸ Department of Treasury and Finance, *Response to the 2019–20 Budget estimates general questionnaire*, p. 53; Department of Treasury and Finance, *Budget Paper No. 3*, p. 125.

