

# PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



## Report on the 2020–21 Budget Estimates

Parliament of Victoria  
Public Accounts and Estimates Committee

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# Committee membership



**Lizzie Blandthorn**  
Pascoe Vale



**Richard Riordan**  
Polwarth



**Sam Hibbins**  
Prahran



**David Limbrick**  
South Eastern Metropolitan



**Gary Maas**  
Narre Warren South



**Danny O'Brien**  
Gippsland South



**Pauline Richards**  
Cranbourne



**Tim Richardson**  
Mordialloc



**Nina Taylor**  
Southern Metropolitan



**Bridget Vallence**  
Evelyn

# About the Committee

## Functions

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

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

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

- any proposal, matter or thing concerned with public administration or public sector finances
- the annual estimates or receipts and payments and other Budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council
- audit priorities for the purposes of the *Audit Act 1994*.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General and Parliamentary Budget Office.

## Secretariat

Dr Caroline Williams, Executive Officer  
Janithri Wickramaratne, Lead Analyst, Budget Estimates and Outcomes  
Igor Dosen, Analyst, Budget Estimates and Outcomes  
Charlotte Lever, Analyst, Budget Estimates and Outcomes  
Dr Lucas Grainger-Brown, Research Assistant  
Jacqueline Coleman, Administration Officer  
Steven Vlahos, Consultant

## Contact details

**Address** Public Accounts and Estimates Committee  
Parliament of Victoria  
Spring Street  
EAST MELBOURNE VIC 3002

**Phone** 61 3 8682 2867

**Email** [paec@parliament.vic.gov.au](mailto:paec@parliament.vic.gov.au)

**Web** <https://parliament.vic.gov.au/paec>

This report is available on the Committee's website.

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# Chair's foreword

On behalf of the Parliament, it's my pleasure to present the Committee's report on the 2020-21 Budget Estimates.

Each year the Public Accounts and Estimates Committee scrutinises the Government's financial management. The year 2020 was a year like no other, beginning with devastating bushfires and immediately followed by a global public health crisis. The dual impacts of bushfires and COVID-19 required a substantial response from the Government and wider public sector.

The 2020-21 Budget is characterised by the Government's response to bushfires, and the health and economic crisis caused by COVID-19. The Victorian Government's fiscal support is in line with other national and sub-national jurisdictions and in-step with recommendations made by the Reserve Bank of Australia to stimulate economic activity through large scale government spending.

In 2020-21 the Victorian Government is estimated to spend \$90 billion in output initiatives and \$19.8 billion in capital investment. At a time of substantially increased government spending, the Committee's role to ensure sufficient transparency and accountability of public sector finances is more important than ever.

The report considers a broad range of issues, including challenges facing the Government in relation to financial sustainability in the context of the pandemic along with the success of outcomes achieved with increased funding. The report scrutinises how departments have responded to the crisis both in terms of service delivery and financial management. The Committee's 51 recommendations to departments and the Court Services Victoria are designed to promote accountability, transparency and integrity of the Executive Government and the public sector.

I note that a considerable amount of departmental resources is allocated to preparing for Committee hearings and responding to requests for information. I would like to acknowledge this significant investment made by Ministers, the Presiding Officers and departmental staff throughout the budget estimates inquiry process.

I would also like to acknowledge the extensive work of my Committee colleagues throughout this inquiry, including Mr Richard Riordan MP, Deputy Chair of the Committee.

Lastly, I would like to thank the Committee Secretariat and supporting Parliamentary Officers for their diligent work and sound advice on this inquiry.



**Lizzie Blandthorn MP**  
**Chair**



# Executive summary

## Introduction and economic outlook

The compounding effects of bushfires and the COVID-19 pandemic, along with slowing growth in the first half of 2019–20, resulted in all economic indicators falling sharply in Victoria. Public health restrictions implemented in the June quarter brought about decreasing consumer and business confidence. The closure of Australia's border cost Victoria in terms of lost income from international students and tourists.

Because of the significant impact COVID-19 has had on the state's workforce, the Committee considered changes in employment since March 2020. Victoria's unemployment rate was 6.5% in the December quarter 2020, less than the 8.25% forecast in the 2020–21 Budget. The Committee found that both the participation rate and underemployment in Victoria have rebounded more quickly than anticipated by the time the 2020–21 Budget was handed down in November 2020.

There are, however, ongoing employment challenges facing Victorians. Young Victorians—aged 15 to 29 years of age—have experienced the most job losses including casual and part-time roles.

Wages within the state have further stagnated since the onset of COVID-19. Wages in Victoria grew by 1% for private sector workers and 1.8% for public sector workers between September 2019 and September 2020. Victoria recorded the lowest quarterly rise to September 2020 of 0.2%, with almost all industries in the state experiencing slower wage growth compared to the September quarter 2019.

In terms of prices, after recording the lowest Consumer Price Index (CPI) growth of all states and territory capitals in 2020, Melbourne's CPI grew by 1.5% from the September quarter 2020 to the December quarter 2020. This was the largest increase out of all the capital cities. The Committee notes that current levels of inflation in Melbourne are below the Reserve Bank Australia's target rate. The Committee expects that inflation will remain below the target rate over the forward estimates due to ongoing economic disruption related to COVID-19.

The Committee notes that as Victoria and other jurisdictions recover from the economic shock of COVID-19, sub-national fiscal capacity challenges are likely to persist. The existing vertical fiscal imbalance between the Commonwealth Government and the Victorian Government has been exacerbated by the COVID-19 crisis.

## Budget overview

The 2020–21 Budget comes at a time of substantial and widespread disruption to public finances. The COVID-19 pandemic has required the Government to respond with substantial fiscal policy initiatives. These initiatives, and their impact on state finances, largely define this year's budget.

The Budget is broadly characterised by a substantial increase in spending, a significant write-down in revenue and a large-scale borrowing program. In turn, the Government has applied three principles to budget decisions:

- COVID-19 and economic recovery expenditure to focus on the short to medium term.
- Growth in this expenditure to taper off as the economy recovers.
- Infrastructure investment to support jobs and ensure Victoria has a pipeline of work to support business confidence.

In 2020–21, the State's total revenue is expected to be \$66.7 billion, a 1.9% decrease from \$67.9 billion collected in 2019–20. Revenue estimates in the 2020–21 Budget are characterised by substantial write-downs in state-based taxation revenue and transfers from the Commonwealth through the goods and services tax.

Government expenditure in 2019–20 and 2020–21 has been characterised by sharp increases in response to the COVID-19 pandemic. Total output expenditure in 2020–21 is expected to be \$90 billion. This is a 20.8% increase on the result for 2019–20 and a 28.6% increase on the original amount budgeted for 2019–20. Expenses are expected to decline in 2021–22 by 6.2%, before growing by 0.1% in 2022–23 and 3.4% in 2023–24.

The 2020–21 Budget includes total estimated investment of \$19.8 billion to fund capital projects. This is the largest capital program in the State's history. A further \$134 billion worth of projects are commencing or currently underway in 2020–21. Increased net asset investment is largely due to transport infrastructure projects, followed by housing, education and health projects.

In response to the economic crisis caused by COVID-19, the Government has substantially increased the uptake of debt to offset falling revenue and rising expenditure. Actual net debt in 2019–20 was recorded at \$44.3 billion, or 9.6% of Gross State Product (GSP). Net debt is forecast to rise to \$154.8 billion, or 28.9% of GSP, in 2023–24—up approximately two and a half times previous forecasts. Although the cost of borrowing is at historic lows, the increase in debt is considerable and substantially more than previously forecast.

The changes in revenue, expenditure and debt in response to COVID-19 are largely sustainable and will not compromise the State's fiscal position over the long-term.

## Department of Health and Human Services

In 2020–21 DHHS had the largest budget (just over \$31 billion) accounting for 39% of all departmental output funding.

Initiatives responding to the COVID-19 pandemic account for 37% (approximately \$3.4 billion) of DHHS's new total output expenditure across the 2020–21 budget year and forward estimates period.

The 2020–21 Budget provides \$6.5 billion for DHHS in capital investment. The *Big Housing Build* comprises almost half of this new spend (\$3.2 billion) and is expected to support around 10,000 Victorian jobs per year over the next four years.

The Government's \$2.8 billion investment in maintaining hospital capacity is a key 2020–21 Budget initiative. The investment includes a \$300 million 'blitz' on elective surgeries deferred during the pandemic. The need to wind back non-urgent surgeries at the height of the pandemic significantly affected the wait list that grew to around 66,242 people by September 2020.

Approximately three-quarters of the planned \$62.2 million in capital expenditure for mental health did not occur in 2019–20. The Royal Commission into Victoria's Mental Health System recommended the Government fund 170 additional beds to help address demand. The 2020–21 Budget provides \$516 million to deliver 179 new acute mental health beds—nine more than recommended by the Royal Commission.

The Committee examined the Government's response to the Victorian Ombudsman's recommendations for improving Child Protection residential care. It noted the 2020–21 Budget provides \$40.9 million to deliver 25 new two and three bedroom residential homes. This addresses the Ombudsman's related recommendations to support better placement decisions and care.

The State Disability Plan 2021–24, originally scheduled for release in 2020, has been delayed due to the impacts of the coronavirus pandemic. The consultation program was reinitiated on 3 December 2020 and the new plan will include benchmarks supporting inclusion across all aspects of society.

The Committee queried the Minister about media reports highlighting a longstanding culture within Ambulance Victoria of sexual discrimination and harassment of female employees. The Minister for Ambulance Services informed the Committee about Ambulance Victoria's response, which includes engagement with the Victorian Equal Opportunity and Human Rights Commission to investigate and report on the issues by November 2021.

Family Safety Victoria is coordinating the delivery of 17 support and safety hubs known as *The Orange Door* to make it easier for people affected by family violence to find help. The Committee noted that the Auditor-General found the hubs were not yet realising their full potential and queried how the Government was addressing the issues raised. The Minister for the Prevention of Family Violence outlined the

governance improvements initiated noting actions responding to the Auditor-General's recommendations were well advanced.

DHHS added 19 new performance measures and proposed 21 performance measures for discontinuation. The Committee supports the department's rationale in all cases.

## Department of Education and Training

In 2020–21 DET has the second largest budget (just under \$17 billion) accounting for around 21% of all output funding.

Initiatives responding to the COVID-19 pandemic account for 39% (approximately \$2 billion) of DET's total forecast new output expenditure across the 2020–21 budget year and forward estimates period.

The 2020–21 Budget provides \$3.1 billion in new capital projects. DET's total capital spend is \$5.7 billion, which is approximately 8.3% of the total general government capital spend.

The Government's \$1.6 billion disability inclusion package will establish a new disability funding and support model that will be progressively introduced to government schools over the next five years from mid-2021. The reform will double the number of students receiving extra support in the classroom to an estimated 55,000 children and create 1,730 additional jobs. The reforms respond to recommendations from the 2016 *Review of the Program for Students with Disabilities* to increase the participation and achievement of students with disabilities in government schools.

The 2020–21 Budget provides \$250 million over two years to address the impact of interrupted face-to-face schooling on student learning. The initiative will provide for more than 4,100 tutors to support students at-risk of becoming disengaged or experiencing adverse learning outcomes due to the pandemic.

The 2020–21 Budget also invests \$38 million to reform the vocational and applied learning system resulting in a single integrated secondary school certificate from 2023. The reforms seek to improve access to and transitions between school, post-secondary education and work opportunities.

The Government's \$631 million investment in free TAFE will boost subsidised and free training places in priority areas most impacted by the COVID-19 pandemic. The Minister for Training and Skills stated the investments would ensure Victorians who lost work due to the pandemic can reskill and retrain. TAFE commencements grew by 88% in the first year of free TAFE in 2019. There were notable increases in demand from women, unemployed people, and those from culturally and linguistically diverse backgrounds.

The Government established a \$744.5 million *VET viability package* in 2020 to support the State's training and TAFE system due to the expected decline in student numbers because of COVID-19. DET confirmed the package is funded from reprioritised funds

allocated for training delivery and therefore is not separately identified in the 2020–21 Budget Papers.

The Committee notes that the 2020–21 Budget Papers do not include updated targets and performance measures reflecting the expected outcome of the Government’s \$58 million investment to support increased apprenticeships and traineeships, and the \$350 million *Victorian Higher Education State Investment Fund*.

DET added eight new performance measures in the 2020–21 Budget. The Committee supports the department’s rationale in four cases but considers that four have weaknesses.

## Department of Transport

In 2020–21 DoT has the third largest budget allocation of the departments representing 12.8% of total output funding. DoT’s new asset initiatives for 2020–21 is \$704.3 million with a total estimated investment (TEI) of \$4.7 billion.

DoT’s COVID-19 response initiatives include *Public transport coronavirus (COVID-19) response* and *Coronavirus (COVID-19) support: Rent relief for commercial tenants*. These two initiatives account for 70.6% of DoT’s total output expenditure for 2020–21 (\$649.8 million). These two initiatives will account for 41.4% of DoT’s total forecast output initiatives in 2020–21 and over the forward estimates (\$1.1 billion).

The 2020–21 Budget outlined DoT’s general government capital program of \$47.8 billion, accounting for 69% of the total general government capital program. Unlike previous years, the significant infrastructure spend is the Government’s response to mitigate the impact caused by COVID-19 on businesses, particularly the labour market. The Government’s annual capital investment has averaged \$14.3 billion over the nine years from 2015–16 to 2023–24. The funding for capital projects in the 2020–21 Budget will increase to an average of \$19.6 billion over the next four years.

The 2020–21 Budget did not contain a Budget Paper No. 4: State Capital Program, detailing each individual project cost. The Committee was advised that updated information on the capital programs would be available in the 2021–22 Budget.

The Committee notes that Victoria was among the few states and territories that did not publish an ‘Economic and Fiscal Update’ between the 2019–20 Budget Update published in December 2019, and the 2020–21 Budget.

DoT reported that there have been delivery challenges, particularly in relation to the *Metro Tunnel* project. The Minister for Transport Infrastructure and the Suburban Rail Loop advised that issues with contractors have been resolved and as a result, the *Metro Tunnel* project is expected to be completed in 2024, two years ahead of the original project completion date.

The Victorian Government added 450 train services weekly from 31 January 2021. The cost of adding the train services is estimated to be \$75 million.

The 2020–21 Budget allocated funding of \$1.5 billion to *Next Generation Trams* which includes the purchase of 100 trams. As at February 2021, Melbourne’s tram fleet is currently about 511 trams of which 185 (36%) are low floor trams. The 2020–21 Budget has a target of just two tram stops to be upgraded compared to the previous year’s target of 16 (13 actual). There is a risk that DoT will not be meeting the *Disability Standards for Accessible Public Transport 2002* compliance requirement by 31 December 2032.

Better Boating Victoria completed the review into the management of boat ramp infrastructure in Port Phillip and Western Port. The findings of this review will support the Victorian recreational boating strategy. The Victorian recreational boating strategy will be published in mid-2021.

DoT added seven new performance measures in the 2020–21 Budget. The Committee supports the department’s rationale in adding six performance measures but considers one can be further enhanced.

## Department of Justice and Community Safety

In 2020–21 DJCS has the fourth largest budget (\$9 billion) representing 11.2% of total departmental output funding. The 2020–21 Budget allocates \$276 million to DJCS for new capital projects. DJCS’s 2020–21 Budget includes funding for nine initiatives that respond to the COVID-19 pandemic, accounting for 29% of DJCS’s total forecast output expenditure over the forward estimates.

The 2020–21 Budget includes an uncosted line item entitled *Technology and resources to support Victoria’s fines system*. This initiative will deliver further functionality to the department’s infringements IT system. This project has experienced significant functionality issues, a large increase in expected costs and delays to its delivery date.

The number of prisoners on remand, rehabilitation and recidivism rates were discussed at the estimates hearings. The number of prisoners on remand in Victoria’s corrections system has increased significantly in the last 10 years, especially for women and Aboriginal Victorians. While changes to Victoria’s bail laws have contributed to this rise, DJCS continues to work on reducing incarceration through prevention and early intervention programs.

COVID-19 Quarantine Victoria was established as an administrative office under DJCS on 1 December 2020. While it is expected that there will be significant costs associated with quarantining international arrivals to Victoria, DJCS is yet to publish these estimated costs. The Committee has made recommendations to increase transparency regarding the program.

In 2019–20, DJCS did not meet its target for operational emergency management volunteers. Similarly, operational volunteers in the Country Fire Authority (CFA) have decreased each year since 2014. The 2020–21 Budget provides over \$180 million in

output funding over four years for *Fire services reform*, which includes funding for the CFA. DJCS believes this funding will grow the number of operational volunteers.

In 2019–20 WorkSafe Victoria recorded a \$3 billion deficit due to initiatives enacted to respond to the COVID-19 pandemic and long-term trends such as increased duration of claims and less workers coming off the scheme. The funding ratio for WorkSafe Victoria continues to be within the target range of 100 to 140 per cent.

The 2020–21 Budget includes a further \$141.2 million in asset funding for the new youth justice facility at Cherry Creek, increasing the total estimated investment to \$429.9 million. The completion date has been extended by a year. A number of changes have been made to the project in response to the 2017 *Youth Justice Review and Strategy*, including a dedicated mental health and health service and a reduction in the number of beds at the facility.

The 2020–21 Budget also allocates funding to supporting staff in youth justice through workforce incentives, enhanced learning and development; and recruitment and retention. The youth justice workforce has experienced a number of issues over many years as highlighted by the *Youth Justice Review and Strategy*. The 2019 Youth Justice People Matter survey suggests that there continues to be ongoing issues regarding safety, violence and sexual harassment in associated workplaces but that sentiment is positive with regard to human rights, diversity and inclusion and role clarity.

DJCS added three new performance measures in the 2020–21 Budget. The Committee notes one improved transparency, however two of the new measures were found to have weaknesses.

## Department of Jobs, Precincts and Regions

In 2020–21 the Department of Jobs, Precincts and Regions (DJPR) holds the fifth largest budget allocation of the departments representing 8.4% of total funding.

DJPR's *Business Support* initiative had a funding allocation of \$2.2 billion. This accounts for more than half of the department's output initiatives in 2020–21. The initiative contributes to three separate outputs across two other departments. The budget papers do not contain details of how much each department will receive under the initiative.

A key new initiative under the Employment portfolio is *Jobs for Victoria*. While the initiative aims to create jobs in Victoria, the Committee attempted to establish a link between the number of jobs created through the Government's initiatives and the contribution made to the Government's Jobs Target of creating 400,000 jobs by 2025. The relationship between the number of jobs created through *Jobs for Victoria* initiative and the Jobs Target outlined in the 2020–21 Budget is unclear.

The *Agriculture Workforce Plan* received \$50 million in funding under the *Working for Victoria* initiative in April 2020. The agriculture industry continues to face challenges in recruiting employees.

The Budget also provides funding to the *International Education Sector Recovery Strategy* which consists of a Short Term Economic Recovery Action Plan to reset the international education sector. This plan is scheduled to be published in mid 2021.

The *Gippsland Plantation Investment Program* was announced in 2017, however there have been no new hectares of land planted since the announcement. Due to a range of variables, the Committee was advised that the Government is unable to forecast the exact number of plantations from the initiative.

The Victorian Small Business Commission's (VSBC) performance measure on client satisfaction with the VSBC mediation service in 2019–20 exceeded the target. However, the 2020–21 target remained the same despite the potential increase in demand for the services provided by the VSBC upon expiration of the Commercial Tenancy Relief Scheme on 28 March 2021.

DJPR added 19 new performance measures, 10 of which were transferred from the Department of Environment, Land, Water and Planning. The Committee supports the department's rationale in all cases. With regards to new initiatives, the Committee identified several performance measures that could be introduced to provide meaningful information on the outcomes achieved.

## Department of Environment, Land, Water and Planning

The Department of Environment, Land, Water and Planning (DELWP) has the sixth largest budget of the departments accounting for 4.2% of all 2020–21 output funding.

DELWP identified 20 output initiatives in the 2020–21 Budget directly responding to the COVID-19 pandemic. These initiatives account for 62% (approximately \$1.8 billion) of DELWP's total forecast output expenditure across the 2020–21 budget year and forward estimates period.

The Minister for Energy, Environment and Climate Change highlighted that the 2020–21 Budget invests approximately \$1.6 billion to improve energy services and support renewable energy. The Minister acknowledged parts of Victoria's energy system needed to be upgraded to fully leverage the increasing capacity available and expected from emerging renewable energy sources. The investment will assist the State to achieve its target of 50% renewable energy generation in Victoria by 2030. The Government expects that the investment will support the creation of approximately 24,000 jobs over the next 10 years to 2030.

The 2020–21 Budget allocated \$195.3 million across the forward estimates to the *Solar Homes* program. The Minister informed the Committee about some of the emerging outcomes from the program noting two-thirds of households supported by the program to-date earned less than \$100,000 per year, with around 31% being in regional Victoria.

The *Solar Homes* program also includes a \$45.9 million investment expanding access to the *Solar Homes program* for small businesses. When asked if this expansion of the program would affect the originally announced \$1.3 billion total cost (over 10 years) of

the *Solar Homes program*, the department confirmed that the program's total budget had not changed.

The 2020–21 Budget provides approximately \$224 million over four years to improve the health of Victoria's waterways and catchments.

Melbourne's water storages were at around 75% capacity and according to DELWP, without the desalination plant, Melbourne's storage levels would be substantially lower at around 60%. The forecast cost of the desalination plant in 2020–21 was \$663 million.

Approximately 85% of new funding for the Planning portfolio in 2020–21 is for initiatives reforming Victoria's planning system, supporting the fast tracking of projects and Victoria's *Big Housing Build* in response to COVID-19 (\$111.2 million). The Government's planning system reforms focus on amendments to planning provisions, permitting construction to commence on around 14,500 buildings over the next four years.

The 2020–21 Budget Papers show the Victorian Building Authority undertook 373 building audits in 2019–20 to identify non-compliant cladding materials—22% fewer than the Government's target of 480 building audits. Approximately \$54 million was spent on cladding rectification works across private (\$36 million) and government buildings (\$17 million) as at February 2021. Works had commenced on 70 buildings with detailed plans in place for a further 339 buildings. The Government expects the remainder of the \$600 million committed to cladding rectification works to be spent over the forward estimates.

DELWP added 23 new performance measures in the 2020–21 Budget, 11 of which replaced discontinued measures. The Committee identified weaknesses with five of the new measures.

## Department of Premier and Cabinet

In 2020–21 the Department of Premier and Cabinet (DPC) will receive \$746 million to fund its outputs, or 0.9% of total departmental output funding. This represents an increase of 32.1% compared to the 2019–20 Budget, in which DPC's output funding totalled \$564.7 million.

DPC received funding for 19 initiatives related to the Government's COVID-19 response, totalling \$28.03 million in 2019–20 and \$150.7 million in 2020–21. Funding for Multicultural Affairs policy and programs increased 53% (\$31.4 million) in 2020–21 compared to the 2019–20 budget allocation, primarily due to COVID-19 output initiatives. The whole of government output funding for Aboriginal Affairs includes \$22.6 million in 2020–21 to support Victoria's Aboriginal community during the COVID-19 response and recovery phase.

The *Breakthrough Victoria Fund* is DPC's largest single output initiative from the 2020–21 Budget, receiving \$201 million in 2020–21 and a total of \$801 million between 2020–21 and 2023–24. The Budget makes a further provision for additional funding of

\$1.2 billion between 2024–25 and 2029–30. The *Breakthrough Fund* is intended to drive investment in translational research, innovation and commercialisation across Victoria.

The 2020–21 Budget included \$189.2 million over 2020–21 and the forward estimates for a range of digital government and communications initiatives. \$156.1 million has been allocated to establish Digital Victoria, an agency to drive digital transformation across government.

The Wage Inspectorate Victoria received \$13.5 million in output funding to support the enforcement of the *Wage Theft Act 2020*, a new piece of legislation that gives the Inspectorate broad powers to inspect, penalise and bring criminal proceedings against employees in breach of the Act.

DPC added 35 new performance measures in the 2020–21 Budget and modified three existing measures. The Committee recommends that DPC consider formulating performance measures and targets for its COVID-19 recovery initiatives, which were not captured in the 2020–21 Budget.

## Court Services Victoria

In 2020–21 Court Services Victoria had the eighth largest budget out of all the 10 departments, receiving \$723 million in funding.

The 2020–21 Budget allocates \$11.8 million over four years to three output initiatives aimed at reducing the impact of COVID-19 on Victoria's court system. The Attorney-General stated that each court jurisdiction faced a number of challenges during the pandemic associated with abiding by restrictions imposed in Victoria while endeavouring to continue delivering justice services. As a result, pending matters have increased significantly in the court system.

The funding provided to Court Services Victoria to reduce these impacts includes funding for physical distancing infrastructure in courts, upgrades to audio-visual technology, the initiation of an online courts pilot and funding for the Victorian Civil and Administrative Tribunal to hear more matters remotely. The funding provided to Court Services Victoria in the budget forms part of the Government's \$80 million justice recovery plan.

The 2020–21 Budget includes funding for several capital projects, the most significant being the new Wyndham law court, which has a total estimated investment (TEI) of \$271 million. The project will establish a new law court in western Melbourne to respond to growing demand and will include a number of specialist court services. The 2020–21 will also include an upgrade and expansion of Sunshine law courts at a TEI of \$16.3 million.

CSV's performance measures remained unchanged since 2019–20 Budget. The Committee notes that some areas of CSV's objective statement are not sufficiently reflected in the department's current performance measures.

## Department of Treasury and Finance

In 2020–21 DTF will receive the ninth largest allocation of controlled funds compared to other departments. Unlike previous years, in 2020–21 DTF is responsible for administering a significant volume of funds on behalf of the State, primarily through its contribution to the Government's *Big Housing Build*.

DTF is also responsible for managing a significant debt burden resulting from the response to the COVID-19 pandemic and charting the way to an operating surplus. DTF has updated its objective indicators between 2019–20 and 2020–21 to reflect the impacts of the pandemic on the State's finances.

DTF is responsible for two elements of the *Big Housing Build*, totalling \$861.7 million in 2020–21. The *Expanded Social Housing Growth Fund* will deliver up to 4,200 new social housing dwellings in 2020–21 and 2021–22. The *Victorian Homebuyer Fund* will provide \$500 million to assist Victorians in the purchase of private homes. The *Big Housing Build* also includes a conditional 50% waiver on land transfer duties for both residential and commercial property transactions.

The 2020–21 Budget outlines a decline in the State's revenue as a number of new revenue initiatives have been provided to bushfire affected areas. The Budget also provides support for households and businesses through payroll tax deferral and refunds of liquor licencing fees for affected businesses.

The Government is currently undertaking consultation regarding a distance-based charging regime for Victorian registered zero and low emission vehicles (the 'electric vehicles tax'), which the Government proposes to commence on 1 July 2021.

The budget papers include funding for ongoing reform programs designed to streamline the way that the Government does business. A total of \$30.9 million is allocated in 2020–21 to enhance ICT capabilities in the public service, maximise the efficient use of government resources, and increase the accessibility of government services to the public.

DTF added six new performance measures into the 2020–21 budget. The Committee considers that five of the six new performance measures have weaknesses.

## Parliament, the Victorian Auditor-General's Office, the Parliamentary Budget Office and Integrity Agencies

In 2020–21 the Parliament, Parliamentary Budget Office (PBO), Victorian Auditor-General's Office (VAGO) and Integrity Agencies will receive \$330.6 million or 0.4% of total output funding. As of 2020–21, the Independent Broad-based Anti-Corruption Commission (IBAC), the Victorian Inspectorate, and the Victorian Ombudsman are incorporated in the Budget as outputs of the Parliament. Previously these three agencies were aggregated within the Department of Premier and Cabinet's Public Sector Integrity output.

The Parliament received three Treasurer's Advances totalling \$4.9 million during 2019–20. These Advances were necessitated by delays to the 2018–19 relocation and refurbishment of Electorate Offices, Parliamentary Advisers for minor party and independent Members of the Parliament, and implementation of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards* legislation.

The *Charity Meals Program* is the largest output initiative undertaken by the Parliament in 2020–21. The Program enabled the Parliament's catering unit to keep working during the COVID-19 public health restrictions, while Parliament House was closed to the public. The Program was allocated \$3.8 million in 2020–21 and had produced 890,000 meals for donation to selected charities as of December 2020.

The Department of Parliamentary Services (DPS) calculated the actual cost of adapting the Parliament for COVID-safe operation at \$0.19 million in 2019–20 and \$0.22 million in 2020–21. In addition to these direct costs, DPS expended \$2.28 million on technology upgrades to facilitate remote working and paid \$0.7 million to Parliamentary Officers and Electorate Officers as the Work from Home Allowance.

The Parliamentary departments introduced three new performance measures in 2020–21. The Committee supports these additional three measures as it improves the quality of information available to the public.

# Findings and recommendations

## 1 Introduction and economic outlook

**FINDING 1:** Wages in Victoria are likely to stay subdued, with only moderate wage growth expected over the forward estimates. 6

**FINDING 2:** New loan commitments for owner-occupier dwellings in Victoria increased substantially in the fourth quarter of 2020. 7

**FINDING 3:** Housing loan deferrals in Victoria have dropped substantially since mid-2020 and are following the decline already seen in other states and territories. 8

**FINDING 4:** Victoria's unemployment rate was 6.5% in the December quarter 2020, less than the 8.25% that was forecast in the 2020–21 Budget. 10

**FINDING 5:** Both the participation rate and underemployment in Victoria have rebounded more quickly than anticipated in the 2020–21 Budget. 11

**FINDING 6:** The employment-to-population ratio has recovered more quickly than forecast in the Budget, recorded at 61.7% in December, only slightly lower than the Australian average of 61.8%. 12

**FINDING 7:** Payroll jobs data shows that Victorians aged 15 to 29 have experienced the most job losses. 13

**FINDING 8:** Assumptions underpinning forecasts in both the Victorian and Commonwealth Budgets are broadly aligned. 15

**FINDING 9:** The existing vertical fiscal imbalance between the Commonwealth Government and the Victorian Government has been exacerbated by the COVID-19 crisis. 17

**FINDING 10:** The Government has removed targets on net debt to gross state product and expenditure growth from the Budget. 21

**RECOMMENDATION 1:** The Government include in State Budgets numerical components to measures and targets that are measurable and specific. 22

## 2 Budget overview

**FINDING 11:** The 2020–21 Budget is characterised by a substantial increase in spending, a broad write-down in revenue and large-scale borrowing program in response to the COVID-19 pandemic. 24

**FINDING 12:** The increase in debt has pushed several fiscal sustainability indicators higher (such as net debt to revenue, non-interest payment to revenue and debt servicing costs) representing a decrease in the Government’s fiscal capacity. 26

**FINDING 13:** The largest percentage increase in expenses is in economic affairs, which is expected to increase by 220% from \$2 billion allocated in 2019–20 to \$6.4 billion in 2020–21. 35

**FINDING 14:** In 2020–21, the employee expenses to revenue ratio is forecast to reach 44.9%. This is 9.4 percentage points above the 10-year average of 35.5%. This is largely due to the increase in employee expenses in the areas of health, education and community safety in response to COVID-19. 37

**FINDING 15:** For the 2020–21 Budget, despite record infrastructure investment commitments, the Government did not produce a State Capital Program budget paper. 39

**FINDING 16:** There are currently four public private partnerships (PPPs) projects in development representing more than \$10 billion in capital investment and a further four PPP projects in the construction phase. 43

**FINDING 17:** Actual net debt in 2019–20 was recorded at \$44.3 billion, or 9.6% of gross state product (GSP). Net debt is forecast to rise to \$154.8 billion, or 28.9% of GSP, in 2023–24. 47

**FINDING 18:** Data from all Australian budgets shows that Victoria is forecast to record the highest levels of net debt out of all states and territories both in 2020–21 and over the forward estimates. 49

**FINDING 19:** Data from all Australian budgets shows that Victoria is forecast to record the largest deficit out of all states and territories in 2020–21 and over the forward estimates. 49

**FINDING 20:** Victoria's downgraded credit rating will not have a substantial impact on the State's debt issuance or repayment program and is expected to cost the State around \$3 million to \$9 million per annum. 52

**RECOMMENDATION 2:** The Department of Treasury and Finance continue to publish in the budget papers data and modelling on changes to Victoria's credit ratings and any subsequent impacts on borrowing costs. 52

### 3 Department of Health and Human Services

**FINDING 21:** Funds drawn down by Department of Health and Human Services (DHHS) from the Treasurer's Advance account for 35% of the approximately \$2.5 billion in emergency COVID-19 expenditure relating to DHHS portfolios prior to the 2020–21 Budget. 56

**RECOMMENDATION 3:** The Department of Health and the Department of Families, Fairness and Housing report on the status and source(s) of funds used to meet the cost of all output and asset COVID-19 response initiatives announced prior to the 2020–21 Budget. 56

**RECOMMENDATION 4:** The Department of Health and the Department of Families, Fairness and Housing report on the nature and impact of all internal reprioritisation of funds to meet the cost of COVID-19 response initiatives. 56

**FINDING 22:** The 2020–21 Budget provides \$2.8 billion over four years for hospitals to maintain their performance, support frontline workers, and meet increased costs associated with changing patterns of demand and new workplace practices. 60

**FINDING 23:** The Government’s decision to wind back non-urgent elective surgeries had a significant impact on the associated waiting list which, at the end of the September 2020, had grown to approximately 66,242 people. The 2020–21 Budget includes a \$300 million ‘blitz’ on elective surgery over four years to mitigate the impacts of this growth. 61

**FINDING 24:** The progressive rollout of emerging COVID-safe practices within public and private hospitals since 2020 means it was difficult for the Department of Health and Human Services to reliably update its targets for elective surgeries in 2020–21. 61

**RECOMMENDATION 5:** The Department of Health review the impact of the Government’s investments in all elective surgery blitzes initiated in response to COVID-19 and where possible revise the targets for associated performance measures to better reflect the intended impact of these investments. 62

**FINDING 25:** The *Community Hospitals Program* has slowed in recent months due to the impact of COVID-19. Experience from the pandemic to-date highlights opportunities for sharpening the program’s focus by leveraging changes in service demand and the shift towards telehealth. 62

**FINDING 26:** The Government’s \$33 million investment to improve cancer outcomes will support projects aiming to expand treatment options for low survival cancers. It also seeks to improve outcomes for patients in regional and disadvantaged communities. 64

**FINDING 27:** Approximately three-quarters of the planned \$62.2 million in capital expenditure for mental health initiatives did not occur in 2019–20. 65

**RECOMMENDATION 6:** The Department of Health and Department of Families, Fairness and Housing report the status of all capital investments since 2019–20 for the department’s portfolios (including mental health). 66

**FINDING 28:** COVID-19 impacted the mental health of Victorians, which in turn contributed to a growth in demand for mental health services, as well as increased presentations to emergency departments during 2020. The 2020–21 Budget provides \$152.5 million for a range of response initiatives previously announced by the Government in the period April–September 2020. 68

**FINDING 29:** The 2020–21 Budget includes \$571 million for initiatives addressing the interim recommendations from the Royal Commission into Victoria’s Mental Health system. The investment supports delivery of 179 acute mental health beds—nine more than recommended by the Royal Commission to boost the system’s capacity. It also supports expansion of suicide prevention programs and initiatives focused on strengthening Victoria’s mental health workforce. **70**

**FINDING 30:** The proportion of emergency patients admitted to a mental health bed within eight hours in 2019–20 was 54.4%—substantially lower than the Government’s target of 80%. The Department of Health and Human Services advised that this reflects longstanding weaknesses impeding effective coordination between primary and acute services including delivery of earlier interventions. **71**

**FINDING 31:** Funding in the 2020–21 Budget for the Better Futures: Home Stretch initiative aims to increase the supports available to young people as they transition towards independent living. **73**

**FINDING 32:** The 2020–21 Budget provides \$40.9 million in capital funds to deliver 25 new two and three bedroom residential homes consistent with the Victorian Ombudsman’s related recommendation to support better placement decisions and care. **74**

**FINDING 33:** The 2020–21 Budget provides an additional \$461.5 million over four years across the disability, ageing and carers portfolio. The State Disability Plan 2021–24, originally scheduled for 2020, has been delayed due to the impacts of the coronavirus pandemic. The consultation program recommenced on 3 December 2020. **77**

**RECOMMENDATION 7:** Ambulance Victoria should report the progress of all actions addressing the causes and incidence of discrimination and harassment towards women and other vulnerable groups in the workplace in its 2020–21 Annual Report. **78**

**FINDING 34:** The Government’s \$10.7 million investment in family violence perpetrator responses is focused on reducing the risk of family violence through perpetrator intervention and education initiatives, as well as addressing barriers to their participation in related services. **81**

## 4 Department of Education and Training

**FINDING 35:** A significant portion of Treasurer’s Advances have been spent on recurrent initiatives. The Committee notes that these are broad programs as well as programs that were repurposed for COVID-19 to meet urgent needs. The Department of Education and Training received \$342.6 million from Treasurer’s Advances in 2019–20. About \$90.2 million was to fund COVID-19 initiatives with the remaining \$252.4 million spent on recurrent initiatives.

86

**FINDING 36:** The \$1.2 billion committed to education infrastructure through the *Building Works* package together with the \$1.9 billion provided in the 2020–21 Budget amounts to \$3.1 billion of additional capital investment since the 2019–20 Budget. This investment aims to support more than 7,000 jobs across metropolitan and regional areas including 11 new schools, seven additional stages of new schools in metropolitan and regional Victoria and 234 school upgrades.

88

**FINDING 37:** The significant scale, urgency and expeditious nature of these investments may heighten the risks to effective planning, project management and budgeting, including the timely delivery of intended outcomes.

88

**FINDING 38:** The 2020–21 Budget provides \$1.6 billion across the forward estimates to fund the progressive rollout of a new funding and support model for students with disability. The reforms respond to recommendations from the 2016 *Review of the Program for Students with Disabilities* and contribute to the Department of Education and Training’s Support for Students with Disabilities output.

90

**FINDING 39:** The Government’s \$250 million investment in the 2020–21 Budget for 4,100 tutors in schools is expected to support around 200,000 disadvantaged students at risk of falling behind due to the COVID-19 pandemic. The Minister for Education informed the Committee the program has the potential to make a five-month difference in the learning level of participating students.

91

**FINDING 40:** The 2020–21 Budget allocates \$24.5 million to reimburse schools for around 71,000 digital devices loaned to students at the height of the COVID-19 pandemic. The funding should enable students to retain the devices and seeks to address the inequity in students accessing technology at home revealed during the pandemic.

92

**FINDING 41:** The 2020–21 Budget invests \$3.1 billion in school infrastructure comprising the Government’s \$1.1 billion commitment in May 2020 as part of the *Building Works* package and a further \$1.9 billion in the 2020–21 Budget mainly for 169 *School upgrades* (\$1.4 billion), *New schools construction* (\$122.4 million) and *Land acquisition* (\$147.3 million). The Government expects this investment to support growth by delivering additional capacity for around 22,700 students. 93

**FINDING 42:** The 2020–21 Budget provides \$38 million to reform the vocational and applied learning system by first creating a specialist pathway within the Victorian Certificate of Education followed by a fully integrated senior secondary certificate by 2025. 94

**FINDING 43:** The 2020–21 Budget invests \$1 billion in the Technical and Further Education (TAFE) and training system which is expected to play a key role in supporting Victoria’s economic recovery. 98

**FINDING 44:** Technical and Further Education (TAFE) commencements grew by 88% in the first year of free TAFE (2019) with notable increases in demand evident among women, unemployed people, and those from culturally and linguistically diverse backgrounds. 98

**RECOMMENDATION 8:** The Department of Education and Training disclose the nature and impact of all internal reprioritisation of funds to meet the cost of COVID-19 response initiatives and report on this in its 2020–21 Annual Report. 99

**FINDING 45:** The 2020–21 Budget allocates \$107.6 million to two TAFE redevelopment projects –\$101.1 million from the *Better TAFEs Fund* and a further \$7.5 million from the new *Infrastructure Planning and Acceleration Fund*. The 2020–21 Budget Papers do not clarify the process, criteria, and basis for funding decisions involving allocations from these funds. 100

**FINDING 46:** The Committee observed that the apprenticeships performance measures have not changed since the previous year and do not clearly reflect the expected impact from the Government’s investments in either the 2020–21 or previous State budgets. 101

**RECOMMENDATION 9:** The Department of Education and Training should review and expand its performance measures for apprenticeship and trainee programs. 102

**FINDING 47:** The 2020–21 budget papers do not include performance indicators, measures or targets for the new \$350 million Victorian Higher Education State Investment Fund. 103

**RECOMMENDATION 10:** The Department of Education and Training establish clear performance indicators, measures and targets in the 2021–22 budget papers for the Victorian Higher Education State Investment Fund. 103

**FINDING 48:** The 2020–21 Budget provides \$170 million to make free or low-cost kindergarten programs available in eligible services during 2021. The initiative is forecast to save families around \$2,000 per child enrolled in a participating program in 2021. 104

**FINDING 49:** The 2020–21 Budget provides \$302 million to continue the progressive rollout of universal three year old kinder. A further 15 local government areas will be able to offer subsidised three year old kinder in 2021. All eligible families across Victoria will be able to access a minimum of five hours a week from 2022 increasing progressively to 15 hours by 2029. 106

**FINDING 50:** Thirty eight percent of eligible children known to child protection services attend three year old kindergarten as at the end of 2020. 106

**FINDING 51:** The early childhood agreement for children in out-of-home care (OoHC) aims to double the number of three year old children placed in OoHC in Early Start Kindergarten in the next three years (with 2018 as the baseline). 106

**FINDING 52:** The proportion of Aboriginal children in four-year-old kindergarten has grown steadily in recent years and has increased to almost full participation in 2019–20. The targets for related performance measures in the budget papers, however, have yet to be adjusted to reflect the higher-than-expected performance outcomes. 107

**RECOMMENDATION 11:** The Department of Education and Training should review existing performance measures in the Early Childhood output to ensure targets are sufficiently challenging in light of recent performance outcomes. It should also establish separate performance measures identifying the take-up of universal three year old kindergarten among eligible Aboriginal children. 107

**RECOMMENDATION 12:** The Department of Education and Training should clarify the demarcation of responsibilities between the Minister for Training and Skills and the Minister for Higher Education for the ‘Training, Higher Education and Workforce Development’ output in the 2021–22 Budget Papers.

107

## 5 Department of Transport

**FINDING 53:** The Department of Transport received \$712 million in Treasurer’s Advances during 2019–20, of which \$257.2 million was in response to the COVID-19 pandemic and bushfire emergencies. Most of the programs that received funding through Treasurer’s Advances were for existing programs such as the *Level Crossing Removal* program.

113

**FINDING 54:** In 2020–21 the Department of Transport’s capital programs account for 69% of the total general government capital program. The general government’s funding for capital projects between 2015–16 and 2023–24 is estimated to be an average of \$14.3 billion a year. This will increase to an average of \$19.6 billion a year over the next four years.

114

**FINDING 55:** Victoria was among the few states and territories that did not publish an ‘Economic and Fiscal Update’ in the interim between the 2019–20 Budget Update and the 2020–21 Budget.

117

**RECOMMENDATION 13:** The Department of Transport and the Department of Treasury and Finance provide up to date information on the Government’s large infrastructure program.

117

**FINDING 56:** There have been significant challenges and complexities involved in delivering the *Metro Tunnel* project. The Government successfully negotiated with the contractors and avoided a costly legal dispute. *Metro Tunnel* has the opportunity to be completed in 2024, two years ahead of the original schedule.

118

**FINDING 57:** The Victorian Government has faced significant challenges in delivering mega transport infrastructure projects through a private public partnership delivery model.

120

**FINDING 58:** The Victorian Government has recognised the increased risks associated with the private public partnership delivery model. Accordingly increasing use is being made of the alliance contracting model to deliver infrastructure projects. 121

**FINDING 59:** The Level Crossing Removal project is delivered via an alliance model. As at December 2020 the Government has removed 44 out of the scheduled 75 level crossings. The actual cost to date of the project was not disclosed in the 2020–21 Budget. 121

**FINDING 60:** The Victorian Government added 450 train services weekly from 31 January 2021, of which 280 are for metropolitan train services while 170 are for regional services. The cost of adding 450 train services per week is estimated to be \$75 million. However it is unclear if \$75 million is the cost for the budget year 2020–21 or if it is for the total over the four years. 122

**FINDING 61:** The performance measure to track the total kilometres scheduled for metropolitan trains outlined in the 2020–21 Budget is not updated to reflect the increased services provided. The total kilometres scheduled for metropolitan trains will increase from the current 23.8 kms to 24.9 kms in the 2021–22 budget papers. 122

**RECOMMENDATION 14:** The Department of Transport clearly outline the financial impact on the department’s bottom line as a result of initiatives such as providing a 30% discount to myki holders. 122

**FINDING 62:** Prior to the removal of the Frankston Line from the city loop, the Department of Transport undertook passenger and pedestrian modelling and a survey. The survey indicated that 60% of commuters go directly to Southern Cross station or Flinders Street station on the Frankston line, leaving about 40% of commuters affected by the timetable changes. 124

**FINDING 63:** The Victorian Government has added 45 additional services weekly to the Frankston line which will accommodate 1,800 extra commuters. The Frankston line will be added to the city loop in 2025 with the opening of the Metro Tunnel. 124

**FINDING 64:** The 2020–21 Budget allocated \$1.5 billion to purchase 100 Next Generation Trams. The project aims to source at least 60% of the content locally and create 1,900 jobs. The new trams will begin to roll out from 2025. 125

**FINDING 65:** Only 38% of the Department of Transport’s rolling stock of trams are low floor trams and more than 50% of tram stops are not level access. The Victorian Government is at risk of not meeting the *Disability Standards for Accessible Public Transport 2002* compliance requirements by 2032. 125

**FINDING 66:** The *Keeping Victorians Moving* package will address increased road congestion. The package will enhance clearway management and provide additional resources to enable a faster response to incidents and congestion. As of 1 December 2020, 217 of 221 clearways on major roads within 20 kilometres of Melbourne’s CBD have been converted into tow-away zones. 127

**FINDING 67:** The 2020–21 Budget contains improved performance measures that report on the outputs from the delivery of congestion projects and other minor road improvement projects and capture the timeliness of responses to road incidents against the Australian industry standard. 127

**FINDING 68:** In 2019–20 the Transport Accident Commission was provided with \$10.6 million for the repair and maintenance of safety barriers. 128

**FINDING 69:** The Department of Transport (DoT) is enhancing the inventory record management of road safety barriers. DoT is investigating if the department is able to report the length of barrier damaged each year. 128

**RECOMMENDATION 15:** The Department of Transport together with the Transport Accident Commission (TAC) publish the outcomes of the maintenance of safety barriers in TAC’s annual report. The outcomes could include the length of safety barrier that is repaired each year, repaired safety barrier as a percentage of damaged safety barrier, average repair time and average time taken to respond to damaged safety barriers. 128

**FINDING 70:** The ‘Sustainably Managed Fish and Boating Resources’ output funding allocation increased by 70% in 2020–21 compared to the 2019–20 Budget due to the inclusion of the *Better Boating* initiative. 129

**FINDING 71:** Better Boating Victoria completed the review into the management of boat ramp infrastructure in Port Phillip and Western Port. The findings of this review will support the Victorian recreational boating strategy. The Victorian recreational boating strategy will be published in mid 2021. 130

**FINDING 72:** An independent review into the Victorian ports system was launched in February 2020. The review will assess the function and performance of the current port system. The review was scheduled to be published by mid 2020. **130**

**FINDING 73:** The Department of Transport introduced seven new performance measures and discontinued 14 performance measures from 2019–20. **132**

**FINDING 74:** The Department of Transport has modified the performance measures relating to the number of active transport projects completed during the year 2020–21. **132**

**RECOMMENDATION 16:** The Department of Transport reinstate the performance measure on the timelines of processing commercial passenger vehicle registrations with a focus on delivering an enhanced service to the industry. **132**

## 6 Department of Justice and Community Safety

**FINDING 75:** As part of the 2020–21 Budget the Department of Justice and Community Safety announced nine COVID-19 response initiatives. These initiatives account for 29% of the department’s total forecast output expenditure over the forward estimates. **135**

**FINDING 76:** In 2019–20, the Department of Justice and Community Safety received over \$595 million in funding from Treasurer’s Advances. 44% was for recurrent programs, 41% was for new programs and 15% was unspecified. Almost 53% of the total Treasurer’s Advance funding provided to the department was used for programs unrelated to the Victorian bushfire emergency or the COVID-19 pandemic. **136**

**RECOMMENDATION 17:** The Department of Justice and Community Safety develop and publish performance measures and targets relating to the progress and outcomes of all COVID-19 initiatives in the 2021–22 Budget. **137**

**FINDING 77:** In the 2020–21 Budget the output initiative *Corrections and youth justice coronavirus (COVID-19) response* was part funded by the reprioritisation of funding from other initiatives. As a result, funding for the output initiative *Men’s prison system capacity* announced in the 2019–20 Budget has declined by 22%. **138**

**FINDING 78:** In the 2019–20 revised budget the Department of Justice and Community Safety estimated \$1.3 billion was to be spent on existing capital projects. The 2019–20 actual figures show the department spent \$319.9 million, or 24% of the revised budget on existing capital projects. 140

**RECOMMENDATION 18:** The Department of Justice and Community Safety include further information about the progress of existing capital projects in their next annual report, including the amount of funding expended in each financial year, any changes to Total Estimated Investment, differences between the budgeted amount, revised budget and actual spend and reasons for variations. 140

**FINDING 79:** The 2020–21 Budget includes an output and asset initiative *Technology and resources to support Victoria's fines system* which is not yet costed. The initiative will allow for further technologies and functionality to be added to the established Victorian Infringements Enforcement Warrant (VIEW) IT system. 142

**RECOMMENDATION 19:** The Department of Justice and Community Safety include any determined costs for the *Technology and resources to support Victoria's fines system* initiative in the next Budget Update. 142

**FINDING 80:** The Victorian Infringements Enforcement Warrant (VIEW) IT system was previously unable to produce all of the required financial reports to perform month-end reconciliation procedures. This resulted in errors in the Department of Justice and Community Safety's reported income for the years 2017–18 and 2018–19. 143

**FINDING 81:** In 2019–20 the Department of Justice and Community Safety has continued to improve functionality of the Victorian Infringements Enforcement Warrant (VIEW) IT system. However there are ongoing issues with the system's functionality, particularly with the rate of clearance of infringements. 143

**FINDING 82:** The original planned delivery cost of the *New Infringements ICT System* was \$43.05 million, with an expected delivery date of 31 December 2017. The cost of the project was revised to \$63.34 million, with a new delivery date of 27 April 2020. The system has not been delivered in full and the status of the project is currently unclear. 144

**RECOMMENDATION 20:** The Department of Justice and Community Safety publish the updated total cost and expected delivery date of the Victorian Infringements Enforcement Warrant (VIEW) IT system in the 2021–22 Budget. 144

**FINDING 83:** The 2020–21 Budget provides \$21.2 million over two years to continue Vocational Education and Training in Victoria’s correctional facilities. **144**

**FINDING 84:** The rate of incarceration and the number of people held on remand had been increasing over a 10 year period prior to the COVID-19 pandemic. While Victoria’s bail laws have contributed to the number of people held on remand, the Government is focussed on diverting individuals from the justice system and rehabilitating individuals after conviction. **146**

**RECOMMENDATION 21:** The Department of Justice and Community Safety develop additional comprehensive performance measures and targets for future budgets to enable the assessment of programs and initiatives intended to divert individuals from the justice and corrections system. **146**

**RECOMMENDATION 22:** The Department of Justice and Community Safety develop performance measures and targets for the 2021–22 Budget related to the number of individuals held on remand in Victoria’s corrections system. **146**

**FINDING 85:** Prior to the establishment of COVID-19 Quarantine Victoria, the Department of Justice and Community Safety expended \$10.9 million on hotel quarantine and an additional \$78.6 million on hotel quarantine staffing costs. **148**

**FINDING 86:** The *Financial Management Act 1994* requires the financial statements of an administrative office such as COVID-19 Quarantine Victoria to be incorporated in and consolidated with the financial statements of the department. **150**

**RECOMMENDATION 23:** The Department of Justice and Community Safety account for all costs incurred from 30 June 2020 in regard to Victoria’s hotel quarantine program, including all costs related to COVID-19 Quarantine Victoria in their 2020–21 Annual Report. **150**

**RECOMMENDATION 24:** The Department of Justice and Community Safety include performance measures for COVID-19 Quarantine Victoria in the 2021–22 Budget. If COVID-19 Quarantine Victoria receives funding in the 2021–22 Budget, the Department of Justice and Community Safety should ensure this is reported in the budget. **150**

**FINDING 87:** In 2019–20, the Department of Justice and Community Safety did not meet its targets for the number of operational volunteers in the emergency management sector. Approximately 4,000 Country Fire Authority volunteers were moved from operational to support roles in 2019–20. 151

**FINDING 88:** In 2019–20 the total number of volunteers in the Country Fire Authority has declined by approximately 5,000 since its peak in 2013–14 while the number of operational volunteers has declined by 8,000. 151

**RECOMMENDATION 25:** The Department of Justice and Community Safety add specific performance measures and targets for recruiting operational and support volunteers to the Country Fire Authority in the 2021–22 Budget. 152

**FINDING 89:** In the 2019–20 financial year WorkSafe Victoria recorded a negative result of \$3 billion, in part due to the COVID-19 response and continued trends in workplace injuries and insurance claims. The funding ratio for WorkSafe Victoria is currently 123%, within the target range of 100–140%. 153

**FINDING 90:** The 2020–21 Budget provides \$141.2 million in asset funding for the new youth justice facility at Cherry Creek. The total estimated investment in the project has increased from \$278.4 million in 2019–20 to \$429.9 million in 2020–21 to incorporate and respond to the recommendations made by the 2017 *Youth Justice Review*. The delivery date has extended from mid-2021 to late 2022/early 2023. 155

**FINDING 91:** The number of anticipated beds in the Cherry Creek youth justice facility has been rescoped from 244 to 140 in response to Victorian reviews of the youth justice system. The Department of Justice and Community Safety projects it will require 297 beds in youth justice by 2028. 468 will be available across the youth justice system when the Cherry Creek facility is completed in late 2022/early 2023. 155

**FINDING 92:** The 2020–21 Budget provides funding of \$29.5 million over the forward estimates for ensuring a secure youth justice system and for youth justice staffing and programs. 157

**FINDING 93:** The youth justice workforce has experienced long-term challenges related to staff retention, training and safety in the workplace. The Department of Justice and Community Safety has initiated a workforce plan for youth justice and advised retention of staff and the frequency of category 1 incidences has improved. 157

**FINDING 94:** The 2019 Youth Justice People Matter’s survey demonstrates ongoing issues with sexual harassment and aggression or violent behaviour in the workplace. 23% of respondents said they have experienced sexual harassment in the workplace in the last 12 months, while 47% said they had experienced aggression or violent behaviour. 157

**RECOMMENDATION 26:** The Department of Justice and Community Safety develop budget paper performance measures and targets to assess the effectiveness of its initiatives to retain and train youth justice staff. 157

**FINDING 95:** The Department of Justice and Community Safety added three new performance measures in the 2020–21 Budget. 159

**RECOMMENDATION 27:** The Department of Justice and Community Safety consider adding further performance measures related to adoption services provided by the department to address shortcomings of the measure ‘Number of adoption records released’. 159

**FINDING 96:** The Department of Justice and Community Safety identified one performance measure for replacement. The Committee considers the discontinued performance measure should be reinstated and the new performance measure retained. 160

## 7 Department of Jobs, Precincts and Regions

**FINDING 97:** In 2019–20 DJPR received \$1.3 billion of funds through Treasurer’s Advances. The majority of the programs (totalling \$134 million) that received Treasurer’s Advances did not relate to either the COVID-19 pandemic or the bushfire emergencies. 163

**FINDING 98:** The \$2.2 billion allocated in the 2020–21 Budget under the *Business Support* output initiative contributes to three separate outputs across three separate departments. The 2020–21 Budget does not specify the amount allocated to each department under this output initiative. 164

**RECOMMENDATION 28:** Where output initiatives contribute to several outputs across different departments, the Department of Treasury and Finance publish the funding amount allocated to each department in the budget papers. 164

**FINDING 99:** The 2020–21 Budget does not contain any performance measures for the \$2.2 billion Business Support output initiative. 165

**RECOMMENDATION 29:** The Department of Jobs, Precincts and Regions establish performance measures for the \$2.2 billion Business Support output initiative to measure the outcomes of the support packages. 165

**FINDING 100:** The Department of Treasury and Finance uses Australian Bureau of Statistics (ABS) unemployment data in the budget papers, however, the 2020–21 Budget does not state which unemployment data release by ABS was used to prepare the 2020–21 Budget Paper No. 2: Strategy and Outlook. Consequently the starting point for the target of 400,000 jobs by 2025 is unclear in the budget papers. 167

**RECOMMENDATION 30:** In line with the international best practice, the Department of Treasury and Finance ensure future budgets contain the base level of macroeconomic indicators such as unemployment and employment rate and explain the assumptions used to forecast these indicators in the forward estimates. 167

**FINDING 101:** The Department of Jobs, Precincts and Regions (DJPR) introduced new performance measures for the *Jobs for Victoria* initiative. However the number of jobs and the quality of the jobs created through the *Jobs for Victoria* initiative is not included in the performance measures. The number of jobs created through DJPR initiatives as a proportion of the Jobs Target is also unclear. 168

**RECOMMENDATION 31:** The Department of Treasury and Finance and the Department of Jobs, Precincts and Regions introduce performance measures for the Jobs output. The performance targets include reporting the estimated number of jobs created and the actual number of jobs created. Another performance target could be developed to monitor jobs created as a percentage of the Jobs Target outlined in the 2020–21 Budget. 168

**FINDING 102:** The *Working for Victoria* initiative was announced in 2019–20 with a funding allocation of \$500 million. In the 2020–21 Budget there was a further allocation of \$87.5 million for 2020–21, bringing the total to \$587.5 million. According to the Department of Jobs, Precincts and Regions, there is about \$91.6 million of funds unallocated to the initiative. 170

**FINDING 103:** The *Agriculture Workforce Plan* received \$50 million in funding under the *Working for Victoria* initiative. However the agriculture industry is experiencing difficulty in attracting a workforce as a result of border closures during the pandemic. The Government has announced several other initiatives to attract a different cohort to the agriculture workforce. 171

**FINDING 104:** The 2020–21 Budget allocates \$425 million over four years to the tourism industry. The Victorian Government also announced various support measures to the hospitality and tourism sectors throughout the pandemic. However the budget papers do not appear to provide a breakdown of the numerous support packages announced and the allocation of funds through the 2020–21 Budget. 172

**FINDING 105:** Department of Treasury and Finance recommends administration costs of support packages are less than 5% of the cost of the program. 173

**FINDING 106:** The Budget allocates \$33.4 million in 2020–21 to the *International Education Sector Recovery Strategy*, however there are no performance measures to track the outcomes of the initiative. 174

**RECOMMENDATION 32:** The Department of Jobs, Precincts and Regions develop and establish performance measures to account for the recovery of the international education sector. 174

**FINDING 107:** The 2020–21 Budget allocates \$1.4 billion to phase one transformation of the *Melbourne Arts Precincts*. The project is forecast to create 5,000 construction jobs and 200 ongoing jobs in the creative industries. The number of jobs created in the creative industry represents a recovery of approximately 1% of the jobs lost in the arts industry during the COVID-19 pandemic. 176

**FINDING 108:** The early works of the phase one transformation of the Melbourne Arts Precincts are scheduled to commence in late 2021, however project details such as the completion date are not outlined in the budget papers. 176

**FINDING 109:** In 2019–20 VicForests reported a financial loss of \$7.5 million. There was a drawdown of \$15.6 million in Treasurer’s Advances in 2019–20 against the Victorian Forestry Plan (VFP). However the VFP did not come into effect until 2020–21. 179

**FINDING 110:** Of the \$11.2 million allocated to the timber salvage operation initiative in the 2020–21 Budget, \$4.2 million has been allocated to VicForests. 179

**RECOMMENDATION 33:** The Department of Jobs, Precincts and Regions and VicForests ensure the initiatives announced as part of the transition from native forest harvesting to a plantation based sector by 2030 are transparent. **180**

**FINDING 111:** The Gippsland region, which the Latrobe Valley Authority (LVA) is situated in, is currently undergoing major transition in industries away from mining coal fired power generation and native logging. The 2020–21 Budget allocates \$124.5 million to the Delivering for Rural and Regional Victoria initiative over four years. Under this initiative the LVA will receive \$26.9 million over two years to support economic transition in the region. **182**

**FINDING 112:** The Commercial Tenancy Relief Scheme has been extended until 28 March 2021. In the 2020–21 Budget the performance targets relating to the Victorian Small Business Commission (VSBC) are the same as previous years and do not reflect the VSBC's performance in meeting the increased demand during the COVID-19 pandemic. **183**

**RECOMMENDATION 34:** The Department of Jobs, Precincts and Regions update the performance measures target for services provided by the Victorian Small Business Commission during the COVID-19 pandemic to reflect the increased demand for services. **183**

**FINDING 113:** The Local Government Rating System Review was released on 31 March 2020 and contained 56 recommendations. The Victorian Government response to the review supported 27 of the recommendations and did not support 18 recommendations. **185**

**RECOMMENDATION 35:** The Department of Jobs, Precincts and Regions introduce performance measures to monitor the progress the Government is making in improving the fairness and equity of the council rating system. **186**

**FINDING 114:** The Department of Jobs, Precincts and Regions introduced 19 new performance measures and six were discontinued from 2019–20. There are several performance measures that could be enhanced to provide more meaningful information on the outcomes achieved. **187**

## 8 Department of Environment, Land, Water and Planning

**FINDING 115:** The Department of Environment, Land, Water and Planning identified 20 output initiatives in the 2020–21 Budget directly responding to the COVID-19 pandemic. These initiatives collectively account for 68% (approximately \$1.9 billion) of the department’s total forecast output expenditure across the 2020–21 budget year and forward estimates period. 192

**FINDING 116:** The Government initiated several emergency COVID-19 support initiatives relating to key Department of Environment, Land, Water and Planning portfolios in the period preceding the 2020–21 Budget. 192

**RECOMMENDATION 36:** The Department of Environment, Land, Water and Planning detail the status and source(s) of funds used to meet the cost of all output and asset COVID-19 response initiatives announced prior to 2020–21 Budget and report on this in its 2020–21 Annual Report. 192

**FINDING 117:** The 2020–21 Budget provides around \$1.6 billion to improve energy services and support renewable energy. The funding aims to facilitate the creation of renewable energy hubs, improvements to grid infrastructure, lower greenhouse emissions, and more Solar Homes. The Government expects the investment will support the creation of approximately 24,000 jobs over the next 10 years to 2030. 196

**FINDING 118:** The 2020–21 Budget provides \$199.8 million over four years to expand the Solar Homes program and address ongoing demand from eligible households and small businesses. The Government had paid out \$217 million for 122,000 approved rebates at the time of the 2020–21 Budget resulting in the installation of around 110,000 systems. 198

**FINDING 119:** The 2020–21 Budget provides approximately \$224 million over four years to improve the health of Victoria’s waterways and catchments. The initiative aims to respond to the impacts of climate change by supporting a range of on-ground environmental works and related projects. 201

**FINDING 120:** The Victorian Desalination plant plays a prominent role in securing the supply of water to Melbourne and regional areas with current Melbourne storage levels of 75% estimated to be 60% in the absence of the plant. 201

**FINDING 121:** The Government has budgeted \$663 million in 2020–21 to fund the Victorian Desalination plant. This includes the cost of the Government’s 125-gigalitre purchase order for 2020–21 (which was \$76 million). 201

**FINDING 122:** Approximately \$54 million was spent on cladding rectification works across private (\$36 million) and government buildings (\$17 million) as at February 2021. Works had commenced on 70 buildings with detailed plans in place for a further 339 buildings. The Government expects the remainder of the \$600 million committed to cladding rectification works to be spent over the forward estimates. 204

**FINDING 123:** The Department of Environment, Land, Water and Planning added 23 new performance measures in the 2020–21 Budget, 11 of which replaced discontinued measures. There is a risk five of the new performance measures are not sufficiently challenging or transparent. 206

**RECOMMENDATION 37:** The Department of Environment, Land, Water and Planning reviews and addresses the issues with new performance measures summarised in Table 8.3 of this report. 206

**FINDING 124:** The Department of Environment, Land, Water and Planning identified 22 performance measures in Appendix A of the budget papers for discontinuation in the 2020–21 Budget. The Committee supports the discontinuation of 19 of these measures but does not support discontinuation of three of these measures. This is because the department did not provide a clear justification, or because it risks reducing the availability and quality of performance information in the budget papers. 207

**RECOMMENDATION 38:** The Assistant Treasurer, in conjunction with the Department of Environment, Land, Water and Planning, review the three discontinued measures listed in Table 8.4 of this report and consider modifications addressing the issues identified. 208

## 9 Department of Premier and Cabinet

**FINDING 125:** In 2019–20 the Department of Premier and Cabinet received \$148.7 million under Treasurer’s Advances. \$23.5 million of the Treasurer’s Advances contributed directly to the COVID-19 response and \$80.3 million of Treasurer’s Advances was allocated to bushfire recovery. 213

**RECOMMENDATION 39:** The Department of Premier and Cabinet’s 2020–21 Annual Report contain an explanation of any Treasurer’s Advances, including a detailed justification for each Treasurer’s Advance. 213

**FINDING 126:** The *Breakthrough Victoria Fund* has been allocated \$801 million over the four years to 2023–24 and has a total \$2 billion in earmarked funding over ten years to 2029–30. The Department of Premier and Cabinet (DPC) introduced two new performance measures in the 2020–21 Budget that relate to the establishment of the fund. DPC is expected to update performance measures in the 2021–22 Budget to capture in detail how the fund will operate as a long-term investment vehicle. 216

**FINDING 127:** The Department of Premier and Cabinet will establish the agency Digital Victoria to centralise and simplify the Victorian Government’s Information Technology services. 217

**RECOMMENDATION 40:** Ahead of the 2021–22 Budget, the Department of Premier and Cabinet formulate additional performance measures that capture the scope of activities Digital Victoria will undertake once established. 218

**FINDING 128:** The Behavioural Insights Unit does not have a performance measure relating to client satisfaction. 218

**RECOMMENDATION 41:** Ahead of the 2021–22 Budget, the Department of Premier and Cabinet consider the addition of client satisfaction performance measures for entities such as the Behavioural Insights Unit that primarily deliver client services. 218

**FINDING 129:** Wage Inspectorate Victoria received \$13.5 million in output funding in the 2020–21 Budget to support the enforcement of the *Wage Theft Act 2020*. Under the legislation the Inspectorate will have broad powers to inspect, penalise and bring criminal proceedings against employers found to be dishonestly withholding wages, superannuation or other employee entitlements. 221

**FINDING 130:** The whole of government output funding for Aboriginal Affairs includes \$22.6 million in 2020–21 to support Victoria’s Aboriginal community during the COVID-19 response and recovery phase. A further \$40 million is allocated to support service delivery by Aboriginal Community Controlled Organisations and \$20.2 million to support economic recovery via Traditional Owners’ Corporations. **223**

**FINDING 131:** The Department of Premier and Cabinet is currently working with over 300 public sector entities to devise tailored gender equality action plans by October 2021. **225**

**FINDING 132:** The cost of the Victorian Pride Centre to the State Government has increased from an allocated \$15 million in 2016–17 to \$25 million in 2020–21. This cost increase was not due to a change in the project scope but rather a shortfall in expected funding co-contributions from the Commonwealth coupled with work delays created by the COVID-19 pandemic. **226**

**FINDING 133:** The Department of Premier and Cabinet added 35 new performance measures in the 2020–21 Budget and modified three measures. Twenty-eight of the measures improved the quality of performance information provided, while 7 would benefit from additional information capture. None of these measures relate to the department’s COVID-19 expenditure initiatives. **228**

**RECOMMENDATION 42:** Ahead of the 2021–22 Budget, the Department of Premier and Cabinet consider formulating performance measures and targets for its COVID-19 recovery initiatives. **228**

## 10 Court Services Victoria

**FINDING 134:** In the 2020–21 Budget Court Services Victoria received \$36.2 million in output and asset funding for COVID-19 initiatives such as the court response to COVID-19 including the online courts pilot and the Victorian Civil and Administrative Tribunal remote hearing service. **234**

**FINDING 135:** One of the strategic issues affecting Court Services Victoria as a result of the COVID-19 pandemic, is an increase in pending matters across the court system. Backlogs in high-volume jurisdictions such as the Magistrates’ Court increased by 10.5% between 30 June 2019 and 2020. The 2020–21 Budget includes several output initiatives aimed at reducing pending matters such as *Court response to coronavirus (COVID-19)* (\$8.2 million), *Online courts pilot* (\$2.8 million) and *Victorian Civil and Administrative Tribunal remote hearing services* (\$0.8 million). **235**

**FINDING 136:** The Victorian Government has initiated an \$80 million justice recovery plan to address the impacts of COVID-19 on Victoria’s court system. \$57.8 million of this funding is allocated in the 2020–21 Budget across several output initiatives for Court Services Victoria and the Department of Justice and Community Safety. **235**

**FINDING 137:** Court Services Victoria has not added new performance measures or targets for the 2020–21 year to track the implementation and outcomes of COVID-19 initiatives funded in the 2020–21 Budget. It is unclear how Court Services Victoria will report on the outcomes of the COVID-19 initiatives **235**

**RECOMMENDATION 43:** Court Services Victoria establish performance measures in the 2021–2022 Budget Papers to track the clearance of pending matters related to the COVID-19 pandemic and to monitor the implementation of the *Court response to coronavirus (COVID-19)*, the *Online courts pilot* and the *Victorian Civil and Administrative Tribunal remote hearing services*. **236**

**FINDING 138:** The 2020–21 Budget allocates \$272 million over four years to the new Wyndham law court project. The Wyndham law courts will incorporate multiple specialist court programs and will allow the Victorian Civil and Administrative Tribunal to service six additional lists. The new court is expected to ease demand on other courts in the region. **237**

**RECOMMENDATION 44:** Court Services Victoria publish information regarding new and in-progress capital projects in its annual report, including status, cost and expected delivery date of projects. **237**

**FINDING 139:** Due to challenges arising from the COVID-19 pandemic, Court Services Victoria (CSV) did not publish its annual report by the timeframes set out in the *Financial Management Act 1994 (Vic)*. The Assistant Treasurer provided an explanation for the delay to Parliament as required by the Act. While the Assistant Treasurer said the annual report would be received by Parliament no later than 31 December 2020, CSV’s was tabled on 4 February 2021. **238**

**FINDING 140:** A number of Court Services Victoria’s objectives are not represented or measured in the department’s performance measures outlined in the 2020–21 Budget Papers, including access to justice services and community engagement. **239**

**FINDING 141:** Court Services Victoria is reviewing its Budget Paper objective indicators and performance measures. Court Services Victoria has stated additional indicators may be considered but extensive consultation would be required with courts, tribunals and stakeholders to do so. Court Services Victoria has indicated its short to medium term focus is clearing pending cases, which have increased during the COVID-19 pandemic.

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## 11 Department of Treasury and Finance

**FINDING 142:** The Department of Treasury and Finance has added two objective indicators to the output 'Optimising Victoria's Fiscal Resources' and updated two others to reflect the Government's revised macroeconomic framework. These changes do not include numerical indicators or relevant timeframes and key terms are undefined. **243**

**RECOMMENDATION 45:** The Department of Treasury and Finance revise the objective indicators for 'Optimising Victoria's Fiscal Resources' to define key terms, attach numerical objectives and stipulate the timeframe for completion. **243**

**FINDING 143:** The new COVID-19 initiatives announced for the Department of Treasury and Finance in 2020–21 comprise 59% (\$1,002 million) of the department's total forecast output expenditure to 2023–24 (\$1,693 million). Several initiatives (totalling 93% of the 2020–21 COVID-19 spend) are funded through a combination of departmental output and Payment on Behalf of the State (POBOS) appropriations. The Committee was unable to determine how much of this funding is received as POBOS. **246**

**RECOMMENDATION 46:** For those output initiatives that were announced as part of the Government's response to the COVID-19 pandemic, the Department of Treasury and Finance consider whether it is possible to report controlled and administered expenses separately. **246**

**FINDING 144:** In 2019–20 the Department of Treasury and Finance received \$61.5 million under Treasurer's Advances of which \$43 million contributed directly to the COVID-19 response and \$18.5 million to non COVID-19 related initiatives. An additional \$114.5 million was drawn from the Treasurer's Advances in 2020–21 for the Alcohol and Drug Treatment Services Program (\$85 million) and Gambling Harm Prevention Program (\$29.5 million). **248**

**RECOMMENDATION 47:** The 2021–22 budget papers contain details of any Treasurer's Advances for the 2019–20 and 2020–21 budget year. **248**

**RECOMMENDATION 48:** The Victorian Government introduce an open data source that provides details of COVID-19 related support packages including budgeted allocation, actual amount expended, administration cost (including as a percentage of total funds), the number of beneficiaries and outcomes achieved through the support package to enhance the legitimacy of the support packages announced. **249**

**FINDING 145:** The *Big Housing Build* program is shared between three departments and involves significant expenditure as well as a complex range of ownership arrangements. The Department of Treasury and Finance is responsible for a significant portion—\$1,446.8 million—of the *Big Housing Build*. **253**

**RECOMMENDATION 49:** The Department of Treasury and Finance develop new performance measures and targets that provide insight into the *Big Housing Build*'s impact on economic recovery and achievement of housing outcomes. **253**

**FINDING 146:** The State Government is undertaking consultations regarding a new zero and low emission vehicles tax announced in the budget. The new tax is intended to take effect from 1 July 2021 and will guarantee a greater portion of state funding for the state road network by decreasing reliance on the federal fuel excise. **255**

**FINDING 147:** Invest Victoria's three new output initiatives—totalling \$39.95 million in 2020–21—are a key part of the Government's domestic jobs and skills creation strategy. Invest Victoria has attracted international investment to Victoria despite COVID-19 and the associated international border closures. **258**

**FINDING 148:** The 2020–21 Budget contains a total of \$12.8 million in revenue reduction measures over 2021–22 and 2022–23 that target bushfire affected areas of Victoria. **261**

**RECOMMENDATION 50:** The Department of Treasury and Finance provide a detailed account of the financial and performance outcomes of each COVID-19 recovery and bushfire recovery initiative administered by the department. **262**

## 12 Parliament, the Victorian Auditor-General's Office, the Parliamentary Budget Office and Integrity Agencies

**FINDING 149:** As of December 2020, the Department of Parliamentary Services had expended \$218,129 on delivering a COVID-safe environment at Parliament. The 2020–21 Budget includes expenditure on laptops for Electorate Offices, remote technology upgrades, and the working from home allowance, totalling \$2.9 million. 267

**FINDING 150:** During the COVID-19 public health restrictions the Parliament repurposed its catering service. The 2020–21 Budget included a \$3.8 million output initiative to provide meals to Melbourne charities. As of December 2020, an estimated 890,000 meals had been distributed under the program since commencement in March 2020. 268

**FINDING 151:** The Parliamentary Budget Office outperformed its current performance measure targets in both 2018–19 and 2019–20. This indicates scope for revising performance measure targets. 270

**FINDING 152:** The Victorian Inspectorate (VI) has introduced new performance measures in the 2020–21 Budget which reflect its new status as a standalone reporting entity. The VI measure 'Improvements to the integrity system' requires further detail regarding the method of quantification. 271

**RECOMMENDATION 51:** The Victorian Inspectorate revise the 'Improvements to the integrity system' performance measure to provide meaningful performance information. 271

**FINDING 153:** The Victorian Ombudsman has provided an updated list of performance measures that will improve the quality of information disclosed through the budget process. 271

**FINDING 154:** The Parliamentary departments have added three new performance measures to the 2020–21 Budget and modified three others. The three new measures improve the quality of information available to the public regarding the Parliament's performance. 272

# Acronyms

ABS	Australian Bureau of Statistics
ACFE	Australian Centre of Further Education
ACM	Active Case Management
ADDC	Australian Data and Digital Council
AoD	Alcohol and Other Drug
ASO	Apprenticeship Support Officer
ASU	Affordable School Uniforms
AVL	Audio Visual Links
CALD	Culturally and Linguistically Diverse
CBD	Central Business District
CCTV	Closed Circuit Television
CCV	County Court of Victoria
CFA	Country Fire Authority
ChCV	Children's Court of Victoria
CPI	Consumer Price Index
CQV	COVID-19 Quarantine Victoria
CSF	Community Support Fund
CSG	Community Support Group
CSV	Court Services Victoria
CSV	Cladding Safety Victoria
CTRS	Commercial Tenancy Relief Scheme
DCM	Discontinued Measures
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DFFH	Department of Families, Fairness and Housing
DFP	Development Facilitation Program
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Safety
DJPR	Department of Jobs, Precincts and Regions
DoH	Department of Health
DoT	Department of Transport
DPC	Department of Premier and Cabinet
DPS	Department of Parliamentary Services

DSAPT	Disability Standards for Accessible Public Transport
DTAU	Drug Treat Activity Unit
DTF	Department of Treasury and Finance
EC	Environmental Contribution
EO	Electorate Office
EV	Electric Vehicles
FOI	Freedom of Information
FSV	Family Safety Victoria
FVIO	Family Violence Intervention Order
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GSP	Gross State Product
GST	Goods and Services Tax
HOPE	Victoria's Hospital Outreach Post-Suicidal Engagement
HVHR	High Value High Risk Assurance Framework Committee
IBAC	Independent Broad-Based Anti-Corruption Commission
ICT	Information and Communications Technology
IMF	International Monetary Fund
IT	Information Technology
ITE	Initial Teacher Education
ITS	Information Technology Systems
JSE	Jobs and Skills Exchange
LGBTIQ+	Lesbian, Gay, Bisexual, Trans and gender diverse, Intersex, Queer and questioning
LVA	Latrobe Valley Authority
MCV	Magistrates' Court of Victoria
MoG	Machinery of government
Moody's	Moody's Investors Service
MP	Member of Parliament
MTIP	major transport infrastructure projects
NDIS	National Disability Insurance Scheme
OBR	Office for Budget Responsibility
OCR	Office of the Conservation Regulator
OECD	Organisation for Economic Co-operation and Development
OMC	Online Magistrates' Court
OoHC	Out-of-Home Care
OPV	Office of Projects Victoria
OVIC	Office of the Victorian Information Commissioner

## Acronyms

PAEC	Public Accounts and Estimates Committee
PAR	Project Assurance Reviews
PBO	Parliamentary Budget Office
PFC	Public Financial Corporation
PNFC	Public Non-Financial Corporation
POBOS	Payments on Behalf of the State
PPE	Personal Protective Equipment
PPP	Public Private Partnership
R&DTI	Research and Development Tax Incentive scheme
RBA	Reserve Bank of Australia
RSO	Resident Support Officer
S&P	Standard and Poor's
SCC	State Control Centre
SCV	Supreme Court of Victoria
SFVC	Specialist Family Violence Courts
SPF	Social Procurement Framework
SRL	Suburban Rail Loop
TAC	Transport Accident Commission
TAFE	Technical and Further Education
TCV	Treasury Corporation of Victoria
TEI	Total Estimated Investment
VAAF	Victorian Aboriginal Affairs Framework
VAGO	Victorian Auditor-General's Office
VCAT	Victorian Civil and Administrative Tribunal
VCCC	Victorian Comprehensive Cancer Centre
VCDI	Victorian Centre for Data Insights
VEOHRC	Victorian Equal Opportunity and Human Rights Commission
VET	Vocational Education and Training
VFBV	Volunteer Fire Brigades Victoria
VFP	Victorian Forestry Plan
VGAAR	Victorian Government Aboriginal Affairs Report
VI	Victorian Inspectorate
VIEW	Victorian Infringements Enforcement Warrant system
VJIF	Victorian Jobs and Investment Fund
VMIA	Victorian Managed Insurance Authority
VOIP	Voice Over Internet Protocol
VPS	Victorian Public Service
VSBC	Victorian Small Business Commission

## 1.1 Terms of reference and objectives

*The Parliamentary Committees Act 2003* (Vic) enables the Public Accounts and Estimates Committee (Committee) to inquire into, consider and report to the Parliament on the annual estimates and other budget papers.<sup>1</sup>

This inquiry considers the budget estimates of government revenue and expenditure as well as performance measurement information in the 2020–21 Budget.

The aim of the Committee's inquiry into the 2020–21 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
- 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.

## 1.2 The inquiry process

The inquiry is conducted annually by the Committee soon after the Government tables the budget papers and the Appropriation Bills in the Parliament. The Victorian Budget is typically handed down in May each year. However, the COVID-19 crisis disrupted the budget cycle. The Victorian Government delayed the release of the 2020–21 Budget to gain a more comprehensive view of the impact of COVID-19 on the Victorian economy and the Budget over the forward estimates.

On 24 November 2020, the Government tabled the Appropriation Bills relating to 2020–21 and the accompanying budget papers in the Parliament.

To assist the Committee members with their deliberations as part of this inquiry, a questionnaire was sent to all departments containing questions on:

- grant programs announced as part of the COVID-19 response
- new and existing capital programs, particularly those capital programs identified as post-COVID-19 economic repair and recovery programs

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<sup>1</sup> *Parliamentary Committees Act 2003* (Vic).

- programs and initiatives announced as part of the COVID-19 response
- strategic issues caused by the pandemic that influenced the department's estimates for the 2020–21 Budget
- utilisation of Treasurer's Advances.

The Committee held public hearings with all Ministers and the Parliamentary Presiding Officers from 27 November 2020 to 18 December 2020. Each witness made a presentation and answered questions from the Committee relevant to their portfolio.

This report is based on an analysis of the 2020–21 budget estimates, responses to the Committee's questionnaire, evidence given at the public hearings, and other information, including responses to questions on notice.

### 1.3 Chapter structure

This chapter examines the broader economic and fiscal outlook for Victoria, along with a brief analysis of the state's economy in the context of COVID-19. It also looks at underlying forecasts and assumptions and how they have been used to assess expected results over the forward estimates.

Because of the extraordinary nature of budgeting during the COVID-19 pandemic, along with the importance of sound budgetary processes, this report considers best practice budgeting and how Victoria compares. Specifically, it discusses the International Monetary Fund's *Fiscal Transparency Framework* and to what extent the Victorian Budget follows international best practice.

Overall, the Committee found that while the economic effect of COVID-19 in the state has been severe, key indicators are showing an earlier than anticipated recovery. This is particularly true in regard to employment, with the unemployment rate currently lower than the forecast in the Budget.

### 1.4 Victoria's economic outlook

2020 has been an exceedingly difficult year for the state's economy. Victoria's economic output was first impacted by severe bushfires and then by restrictions implemented by the Government to stem the transmission of COVID-19.

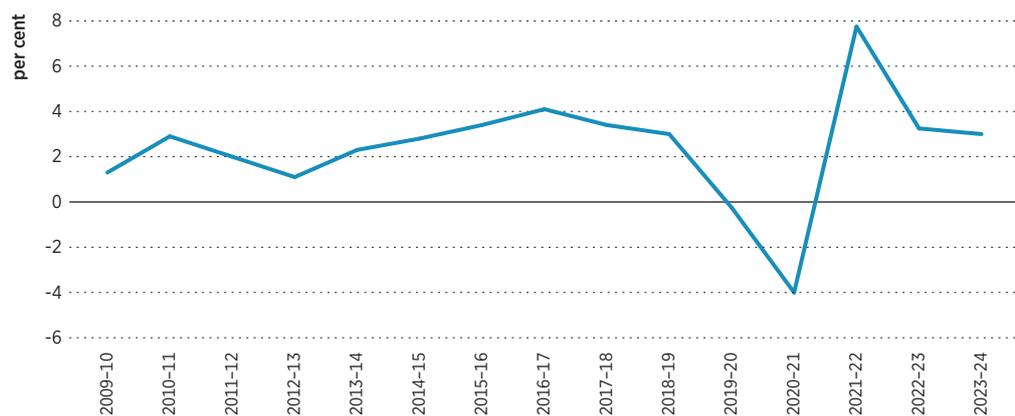
The compounding effects of bushfires and COVID-19, along with slowing growth in the first half of 2019–20 meant that all economic indicators fell sharply in Victoria. Public health restrictions implemented in the June quarter brought about decreasing consumer and business confidence, while the closure of Australia's border cost Victoria in terms of international students and tourists.

## 1.4.1 Economic growth

Prior to 2020, the Victorian economy recorded 27 years of consecutive growth, while in 2018–19 unemployment had fallen to an 11-year low of 4.6%.<sup>2</sup> From 2013–14 to 2019–20, the Victorian economy grew above trend, averaging 3.5% a year, the strongest of all states and territories.<sup>3</sup> At the time of the 2019–20 Budget, the Victorian economy was expected to grow at a stable rate over the forward estimates with stronger than expected labour force conditions.<sup>4</sup>

However, the 2020–21 Budget is largely characterised by the negative economic conditions caused by COVID-19 and related public health measures. The pandemic has resulted in the largest global recession since the Great Depression in the 1930s and has markedly affected the Victorian economy.<sup>5</sup> The economic shock caused the Victorian economy to contract by 0.25% in 2019–20, with a further 4% contraction expected<sup>6</sup> in 2020–21. Figure 1.1 below illustrates the growth of real Gross State Product (GSP) in Victoria over the past decade and projections over the forward estimates.

**Figure 1.1** Real gross state product, Victoria, 2009–10 to 2023–24



Source: Department of Treasury and Finance, *Macroeconomic indicators*, Melbourne, 2020.

Risks to sustained economic growth and the State's finances had heightened before the onset of COVID-19. This is discussed further in this section and Chapter 2 of this report.

Victoria's GSP growth is forecast to be slower than Commonwealth GDP growth, leaving Victoria potentially lagging behind the rest of Australia. Moreover, there are a number of assumptions underpinning growth forecasts that could change. A broader discussion regarding forecasts and assumptions in the 2020–21 Budget can be found in Section 1.4.3.

<sup>2</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 2.

<sup>3</sup> Ibid. (Committee calculation).

<sup>4</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 18.

<sup>5</sup> Ibid., p. 2.

<sup>6</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 17.

## Prices

The consumer price index (CPI) measures the change over time in prices paid by households for a fixed basket of goods and services. The CPI is a general measure of price changes and collects data from the eight state and territory capitals.<sup>7</sup>

Melbourne's CPI grew 0.9% between the June and the September quarter 2020 and 0.7% from the September quarter 2019 to the September quarter 2020. The quarter on quarter growth of 0.9% was the lowest out of all the capital cities, which recorded a weighted average of 1.6% growth.<sup>8</sup> However, from the September quarter 2020 to the December quarter 2020, Melbourne's CPI grew by 1.5%, the largest increase out of all capital cities.

Melbourne saw household spending on furnishings, household equipment and services rise by 5.1% in the September quarter. This was primarily due to childcare price increases following the discontinuation of free childcare on 13 July 2020. The increase, however, was smaller than in other capital cities reflecting low childcare attendance during Stage 4 restrictions in metropolitan Melbourne.<sup>9</sup> In the December quarter 2020, however, childcare out-of-pocket expenses returned to pre-COVID levels as Stage 4 lockdown restrictions ended. Melbourne also experienced an increase of 3.4% in motor vehicle prices and a 2.1% increase in restaurant meals in the December quarter 2020.

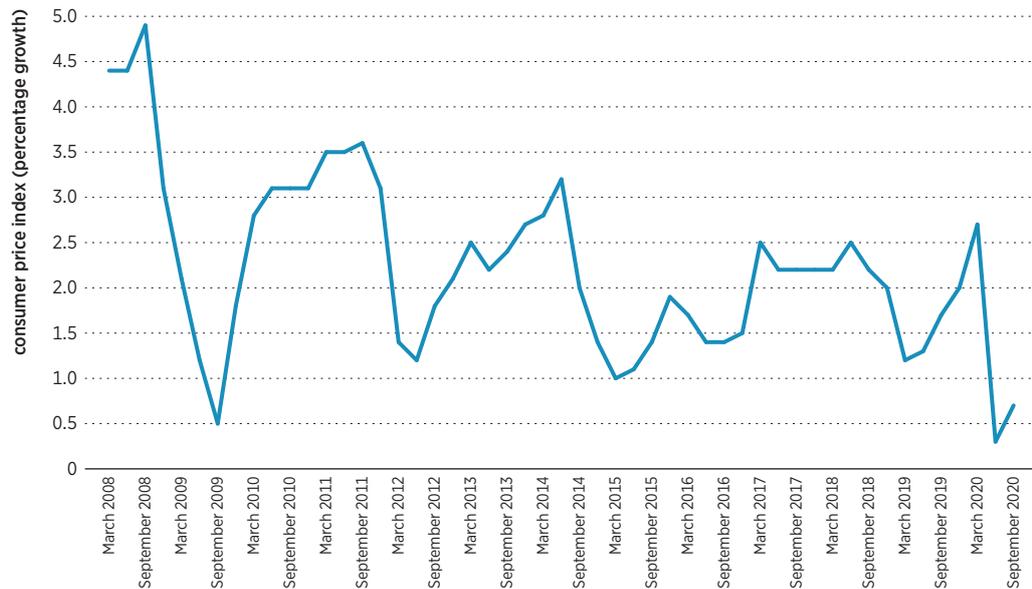
Inflation in Victoria and Australia more broadly has continued to grow at a slower pace since the Global Financial Crisis (GFC) in 2008. The onset of COVID-19 saw further and sharper drops in inflation with Australia as a whole seeing CPI growth of 0.9% in the December quarter 2021.<sup>10</sup> The appropriate target for monetary policy, according to the Reserve Bank of Australia, is an inflation rate of 2% to 3%. Figure 1.2 illustrates inflation in Melbourne since the GFC.

7 The Australian Bureau of Statistics uses CPI to measure the changes in the price of a fixed basket of goods and services, acquired by household consumers who are resident in the eight State/Territory capital cities. CPI measurements outside State/Territory capitals are not available.

8 Australian Bureau of Statistics, *Consumer Price Index, Australia*, December 2020, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#capital-cities-comparison>> accessed 10 February 2021 (Committee calculation).

9 Ibid.

10 Reserve Bank of Australia, *Measures of Consumer Price Inflation*, 27 January 2020, <<https://www.rba.gov.au/inflation/measures-cpi.html>> accessed 28 January 2021.

**Figure 1.2 Consumer Price Index, Melbourne, March 2008 to September 2020**

Source: Australian Bureau of Statistics, *Consumer Price Index, Australia*, December 2020, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#capital-cities-comparison>> accessed 10 February 2021.

The Committee notes that current levels of inflation in Melbourne are below the Reserve Bank of Australia's (RBA) target rate. The Committee expects that inflation will remain below the target rate over the forward estimates due to ongoing economic disruption related to COVID-19. While monetary policy would normally be eased to give short-term stimulus to economic activity, the cash rate is close to zero and is unlikely to move up over the forward estimates. The Committee is concerned that without monetary policy as a tool to stimulate economic activity, inflation will remain below optimal levels and have negative effects on wages and economic growth.

## Wages

Despite strong employment in recent years, wage growth in the state has not been particularly strong. The economic contraction experienced by Victoria, and consequent impacts on the labour market, are expected to put downward pressure on wage growth going forward.<sup>11</sup> In a statement by the RBA in February 2021, the Governor stated that:

Wage and price pressures remain subdued. The CPI increased by just 0.9 per cent over the year to the December quarter and wages (as measured by the Wage Price Index) are increasing at the slowest rate on record. Both inflation and wages growth are expected to pick up, but to do so only gradually, with both remaining below 2 per cent over the next couple of years.<sup>12</sup>

<sup>11</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 32.

<sup>12</sup> Reserve Bank of Australia, *Statement by Philip Lowe, Governor: Monetary Policy Decision*, 2 February 2021, <<https://www.rba.gov.au/media-releases/2021/mr-21-01.html>> accessed 4 February 2021.

Wages in Victoria grew by 1% for private sector workers and 1.8% for public sector workers between September 2019 and September 2020.<sup>13</sup> Victoria recorded the lowest quarterly rise to September 2020 of 0.2%, with almost all industries in the state experiencing slower wage growth compared to the September quarter 2019.<sup>14</sup>

As economic recovery continues to take place and spare capacity in the labour market is reduced, the Committee expects wages to increase moderately over the forward estimates.

**FINDING 1:** Wages in Victoria are likely to stay subdued, with only moderate wage growth expected over the forward estimates.

## Housing

The Budget outlines that dwelling investment is expected to be a drag on GSP growth in 2020–21, softening in 2019–20 from historically high levels before public health restrictions were introduced in early 2020. Construction is expected to continue to weaken further due to the closure of international borders and ongoing restrictions. The Government expects dwelling investment to contribute to growth from 2022–23 as house prices recover and population growth increases.<sup>15</sup>

The lack of international migration and other factors are likely to have an ongoing impact on house prices along with transaction volumes. However, the Committee notes that prices and transaction volumes are likely to grow at a significantly quicker rate than outlined in the Budget, as recent data shows an uptick in prices, transactions volumes and lending commitments in late 2020 and early 2021.

Data from CoreLogic shows that housing values in Melbourne rose 2.1% in the three months to January 2021 and 4.8% in regional Victoria. From January 2020 to January 2021, dwelling values decreased by 2.1% in Melbourne but grew 6.5% in regional Victoria. As at January 2021, Melbourne and Sydney continue to be the only Australian capital city housing markets where values are lower since the onset of COVID-19. However, the trend for both cities is showing a consistent recovery.<sup>16</sup>

In terms of stock, Melbourne continues to be the only capital city where total stock on the market is higher in January 2021 than in January 2020. Melbourne recorded a 5.8% increase in total listings, compared to declines ranging between -16.2% in Sydney to -39.8% in Darwin.<sup>17</sup>

<sup>13</sup> Australian Bureau of Statistics, *Wage Price Index, Australia*, 18 November 2020, <<https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/wage-price-index-australia/latest-release#wage-growth-by-states-and-territories>> accessed 20 January 2021.

<sup>14</sup> Ibid.

<sup>15</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 26.

<sup>16</sup> Corelogic, *Housing Market Update*, February 2021, <<https://www.corelogic.com.au/reports/housing-market-update>> accessed 15 February 2021.

<sup>17</sup> Ibid.

Lending commitments to households in the financial market, particularly for owner-occupier dwellings, increased substantially in the second half of 2020. The latest data from the ABS shows that new loan commitments in December 2020 rose significantly. Owner-occupier home loan commitments in Victoria were up 20.1% in seasonally adjusted terms in December, after recording a 19.6% rise in November. The increase reflects a resurgence in Victoria's residential property market since the easing of restrictions in October 2020.<sup>18</sup>

**FINDING 2:** New loan commitments for owner-occupier dwellings in Victoria increased substantially in the fourth quarter of 2020.

The RBA's indication that the cash rate is expected to remain at emergency levels over the next three years is also likely to contribute to house prices, given the reduced cost of credit.<sup>19</sup> In the year to November 2020, lending rates for owner-occupiers declined by an average of 65 basis points and 70 basis points for investors.<sup>20</sup> The expected period of low interest rates for borrowers is likely to encourage more buyers into the residential property market.

Loan deferral data from the Australian Prudential Regulation Authority shows that the number of temporary loan repayment deferrals due to COVID-19 has declined steadily since May 2020. The share of total loans subject to repayment deferral has also declined in step with total deferrals.

Victoria experienced a higher proportion of housing loan deferrals compared to other states throughout 2020, primarily due to ongoing public health restrictions. In August 2020, housing loan deferrals in Victoria made up 10% of housing loans. This figure dropped substantially throughout late 2020 to reach 3% in December.<sup>21</sup>

Figure 1.3 illustrates housing loan deferrals and a proportion of all housing loans since the onset of COVID-19 and Victoria's share of housing loan deferrals.

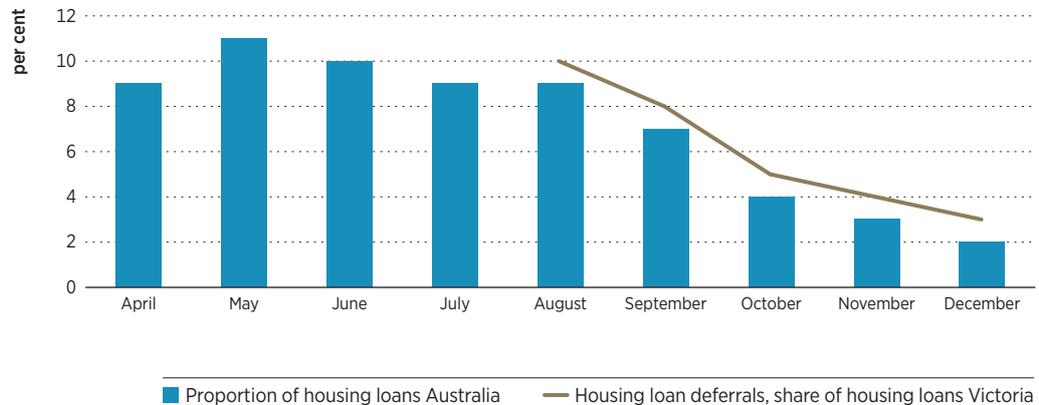
18 Australian Bureau of Statistics, *Lending indicators, December 2020*, <<https://www.abs.gov.au/statistics/economy/finance/lending-indicators/latest-release#key-statistics>> accessed 17 February 2021.

19 Reserve Bank of Australia, *Statement by Philip Lowe, Governor: Monetary Policy Decision*, 3 November 2020, <<https://www.rba.gov.au/media-releases/2020/mr-20-28.html>> accessed 2 February 2021.

20 Corelogic, *Housing Market Update*, February 2021, <<https://www.corelogic.com.au/reports/housing-market-update>> accessed 15 February 2021.

21 Australian Prudential Regulation Authority, *Temporary loan repayment deferrals due to COVID-19*, December 2020, <<https://www.apra.gov.au/temporary-loan-repayment-deferrals-due-to-covid-19-december-2020-accessible-version>> accessed 15 February 2021.

**Figure 1.3** Housing loan deferrals as a proportion of total loans—Australia and Victoria’s share of housing loan deferrals, 2020



Source: Australian Prudential Regulation Authority, *Temporary loan repayment deferrals due to COVID-19, December 2020*, <<https://www.apra.gov.au/temporary-loan-repayment-deferrals-due-to-covid-19-december-2020-accessible-version>> accessed 15 February 2021.

**FINDING 3:** Housing loan deferrals in Victoria have dropped substantially since mid-2020 and are following the decline already seen in other states and territories.

### Population

Before 2020, Melbourne and Sydney made up more than 50% of Australia’s population growth over the previous 10 years.<sup>22</sup> During the second wave of COVID-19 in Victoria, the state had more people leaving than entering for the first time in 10 years. In the September quarter of 2020, Victoria experienced the second largest outflow of residents, after NSW. Figure 1.4 illustrates net interstate migration in the September quarter of 2020 by state and territory.

**Figure 1.4** Net interstate migration, September quarter 2020



Source: Australian Bureau of Statistics, *Regional internal migration estimates, provisional, 2 February 2021*, <<https://www.abs.gov.au/statistics/people/population/regional-internal-migration-estimates-provisional/latest-release>> accessed 4 February 2021.

22 Australian Bureau of Statistics, *Regional population, 25 March 2020*, <<https://www.abs.gov.au/statistics/people/population/regional-population/2018-19>> accessed 10 February 2021.

Interstate arrivals decreased from 15,900 in the June quarter to 13,400 in the September quarter 2020, while departures also decreased from 19,000 to 17,100. The amount of arrivals recorded in the September quarter 2020 is the lowest experienced in Victoria since the December 1995 quarter. In net terms, Victoria did not gain people from any state or territory in Australia from the June to September quarter.<sup>23</sup>

International arrivals to Victoria have remained incredibly low due to border closures. In December 2020, there were 1,620 short-term visitor arrivals, a decrease of 99.5% compared to December 2019.<sup>24</sup> Long-term visitor arrivals were even lower at 300, representing a decrease of 97% compared to December 2019. Forty international students arrived in Victoria in December 2020, a decrease of 99.7% compared to December 2019.<sup>25</sup>

The lack of international immigration during the pandemic is limiting economic growth in Victoria. Historically Victoria has relied heavily on international migrants to grow the economy.<sup>26</sup>

## 1.4.2 Employment

As the 2020–21 Budget is largely defined by the COVID-19 pandemic and the Government's response, the Committee considered changes in employment since March 2020.

Before the onset of COVID-19, the Victorian labour market was strong, with employment growth averaging 3% a year over the five years to 2018–19.<sup>27</sup> During the first six months of 2019–20, unemployment grew at an annualised rate of 2.6% while the unemployment rate was 4.8%. The onset of COVID-19, however, has had a severe impact on the state's labour market. The effects of COVID-19 on employment can be divided into two phases. Both phases broadly align with the initial implementation of restrictions at the beginning of both the first and second waves of COVID-19 in Victoria:

- April and May 2020, when employment fell by almost 200,000 persons
- August and September 2020, when employment fell by 73,000 persons.<sup>28</sup>

At the public hearings, the Treasurer told the Committee that unemployment is expected to peak at 8.25% in the December quarter and average 7.75% in 2020–21.<sup>29</sup>

<sup>23</sup> Australian Bureau of Statistics, *Regional internal migration estimates, provisional*, 2 February 2021, <<https://www.abs.gov.au/statistics/people/population/regional-internal-migration-estimates-provisional/latest-release>> accessed 4 February 2021.

<sup>24</sup> Australian Bureau of Statistics, *Overseas Arrivals and Departures, Australia*, 17 February 2021, <<https://www.abs.gov.au/statistics/industry/tourism-and-transport/overseas-arrivals-and-departures-australia/latest-release>> accessed 11 February 2021.

<sup>25</sup> Ibid.

<sup>26</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 20.

<sup>27</sup> Ibid., p. 29.

<sup>28</sup> Ibid.

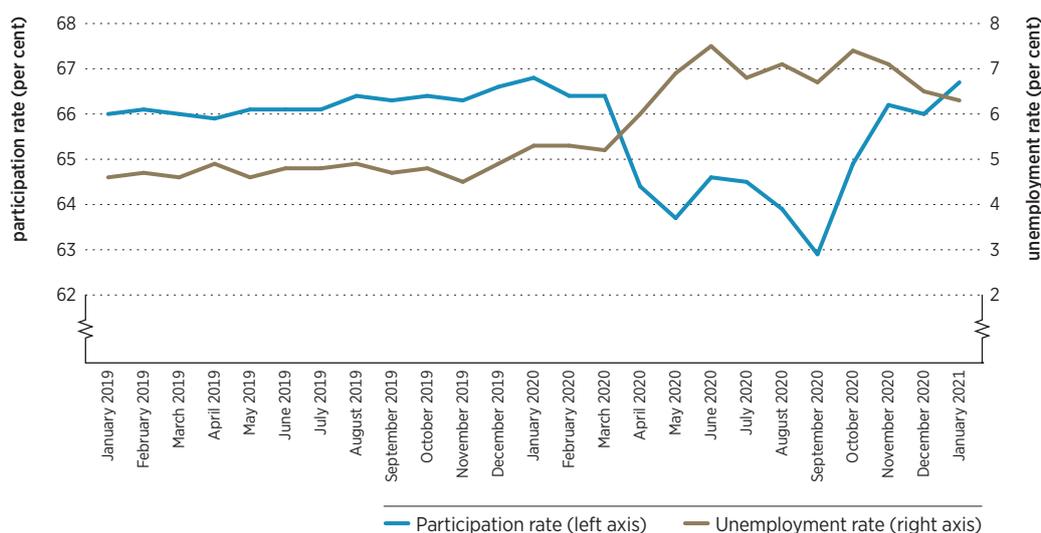
<sup>29</sup> Hon Tim Pallas MP, Treasurer, 2020–21 Budget estimates (Treasurer) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 2.

The unemployment rate reached its peak of 7.4% in October 2020, moderating to 6.5% in December 2020 and falling to 6.3% in January 2021.<sup>30</sup>

**FINDING 4:** Victoria's unemployment rate was 6.5% in the December quarter 2020, less than the 8.25% that was forecast in the 2020–21 Budget.

While the unemployment rate is lower than forecast in the Budget, it does not fully capture the impact of COVID-19 on Victoria's labour market. Firstly, this is due to the measurement of those who lost work and did not seek reemployment, as they are not counted in the unemployment rate. While the Budget outlines that the participation rate<sup>31</sup> dropped from the March quarter to the September quarter, in the December quarter it largely returned to trend levels. Figure 1.5 shows the movement of the seasonally adjusted participation rate and unemployment rate throughout 2019 and 2020.

**Figure 1.5** Participation rate, Victoria, January 2019 to January 2021



Source: Australian Bureau of Statistics, *Labour Force, Australia*, Table 5. Labour force status by Sex, Victoria - Trend, Seasonally adjusted and Original, 18 February 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>> accessed 18 February 2021.

Secondly, the Commonwealth Government's JobKeeper wage-subsidy program maintains the link between employers and employees while work is unavailable or prohibited under public health restrictions. This left a proportion of employees effectively working zero hours while maintaining a link with their employer. In Victoria, the number of people working zero hours for economic reasons doubled between July and August, but between September and October almost halved, and halved again in November. The latest data from the ABS shows that in December 2020 there were

<sup>30</sup> Australian Bureau of Statistics, *Labour Force, Australia*, Table 5. Labour force status by Sex, Victoria - Trend, Seasonally adjusted and Original, 18 February 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>> accessed 18 February 2021.

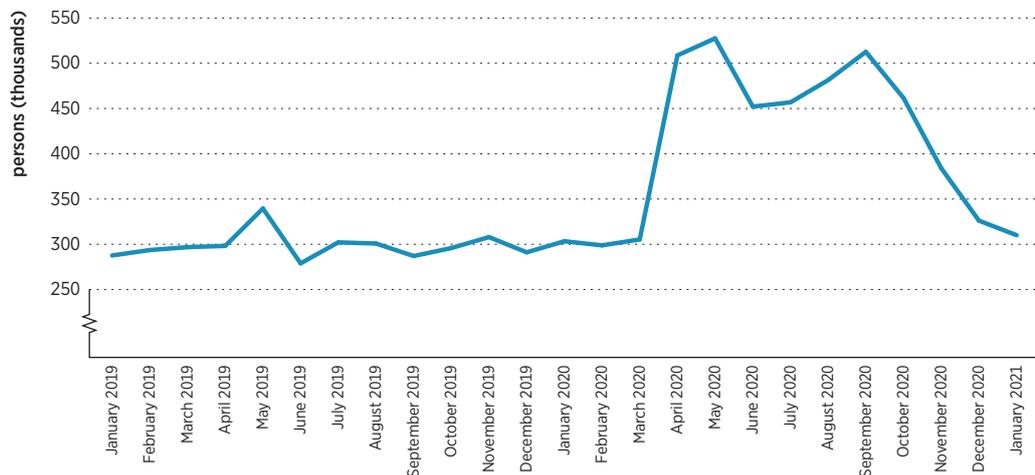
<sup>31</sup> The participation rate can be more reliable than the unemployment rate as a labour force indicator as it accounts for those who have unwillingly dropped out of the workforce.

still around 15,400 persons working zero hours for economic reasons.<sup>32</sup> However, this is almost back to pre-COVID levels and far from the peaks experienced in April, when there were around 229,700 persons recorded as working zero hours for economic reasons.<sup>33</sup>

While there were many who left the labour force or were reduced to zero hours, a large proportion of workers saw their hours curtailed. Those seeking more work for economic reasons are usually considered underemployed.<sup>34</sup> The Budget outlines that underemployment grew substantially in 2020 and is expected to remain high throughout the year.<sup>35</sup> While underemployment increased significantly, it is returning to trend levels more quickly than anticipated by the Government.

Figure 1.6 illustrates the total number of underemployed persons in Victoria, seasonally adjusted, from January 2019 to January 2021.

**Figure 1.6 Underemployed persons, Victoria, January 2019 to January 2021**



Source: Australian Bureau of Statistics, *Labour Force, Australia*, Table 23. Underutilised persons by State and Territory and Sex - Trend, Seasonally adjusted and Original, 21 January 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/dec-2020#underemployment>> accessed 25 January 2021.

**FINDING 5:** Both the participation rate and underemployment in Victoria have rebounded more quickly than anticipated in the 2020–21 Budget.

The employment-to-population ratio is also used in the Budget to gauge Victorian labour market conditions. The Budget states that the ‘decline in employment since March 2020 has caused the employment-to-population ratio to fall from a record high

<sup>32</sup> Australian Bureau of Statistics, *Insights into hours worked, December 2020*, 21 January 2021, <<https://www.abs.gov.au/articles/insights-hours-worked-december-2020>> accessed 18 February 2021.

<sup>33</sup> Ibid.

<sup>34</sup> Underemployment is the underutilisation of productive capacity of the employed population. It describes a situation where the potential for labour of employed people is not being fully utilised. Along with unemployment, it is an important indicator of unused capacity in the labour market.

<sup>35</sup> Department of Treasury and Finance, *Budget Paper No. 2*, pp. 30–31.

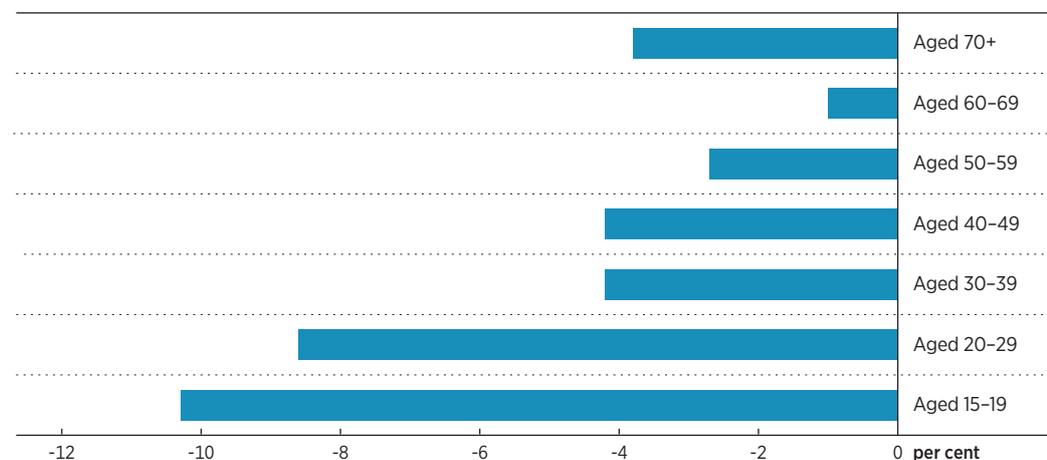
of 63.3 per cent in the December quarter 2019 to 59.5 per cent in the September quarter 2020'.<sup>36</sup> The Budget forecasts that the employment-to-population ratio is expected to increase gradually over time, from an expected December quarter 2020 trough. The Committee notes, however, that in December 2020 the employment-to-population ratio in Victoria was 61.7%.<sup>37</sup> In the Budget, the ratio was forecast to recover to this level only in late 2021 or early 2022.<sup>38</sup> While this is lower than what was recorded in the December quarter in 2019, it is just ten basis points below the Australian average of 61.8%.<sup>39</sup>

**FINDING 6:** The employment-to-population ratio has recovered more quickly than forecast in the Budget, recorded at 61.7% in December, only slightly lower than the Australian average of 61.8%.

### The demographics of unemployment

ABS data from January 2021 shows that since the onset of the pandemic, there has been a -5.9% change in payroll jobs in Victoria. A -7.5% change was recorded for male employees and -6.3% for female employees over the same period.<sup>40</sup> In terms of demographics, there is also a correlation between the age of jobholders and the proportion of payroll jobs lost. The change in payroll jobs by age-group from 14 March 2020 to 16 January 2021 is illustrated in Figure 1.7.

**Figure 1.7** Change in payroll jobs by age-group, Victoria, 14 March 2020 to 16 January 2021



Source: Australian Bureau of Statistics, *Weekly Payroll Jobs and Wages in Australia*, Table 5: Sub-state – Payroll jobs indexes, 16 February 2021, <<https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/latest-release#data-download>> accessed 17 February 2021.

<sup>36</sup> Ibid., p. 31.

<sup>37</sup> Australian Bureau of Statistics, *Labour Force, Australia*, 18 February 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>> accessed 25 January 2021.

<sup>38</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 31.

<sup>39</sup> Australian Bureau of Statistics, *Labour Force, Australia*.

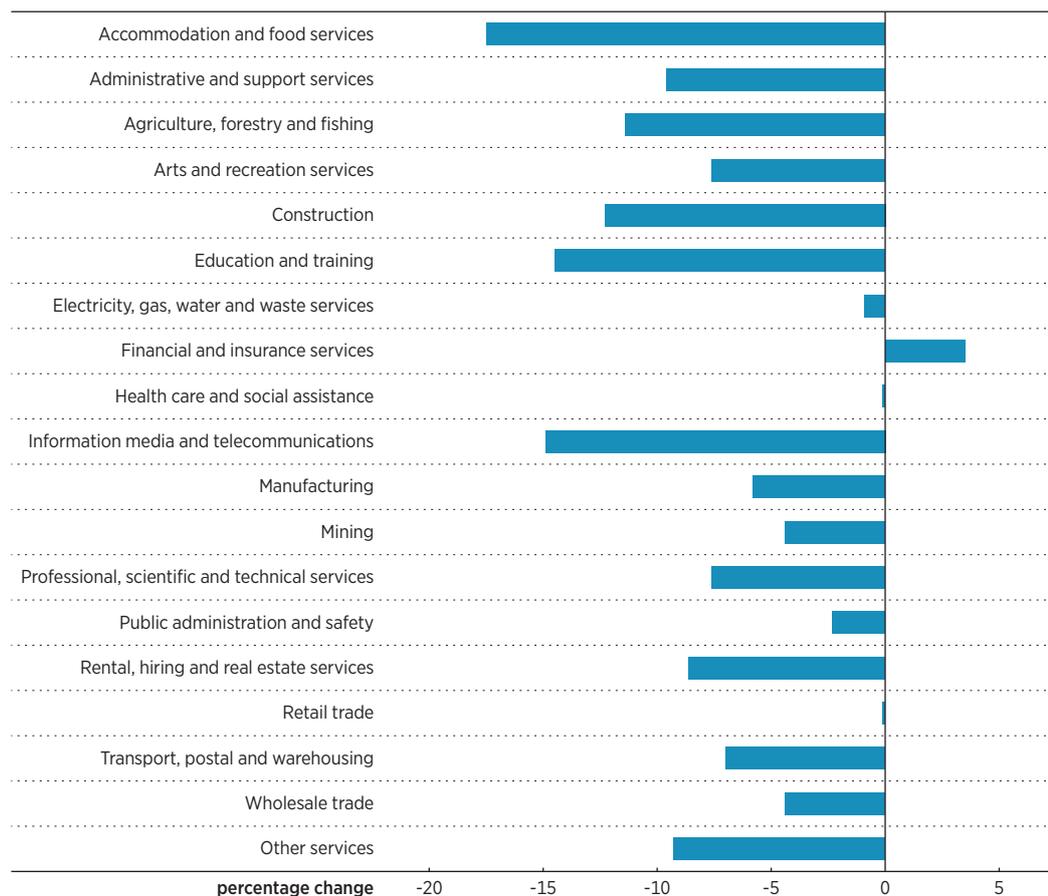
<sup>40</sup> Australian Bureau of Statistics, *Weekly Payroll Jobs and Wages in Australia*, Table 5: Sub-state – Payroll jobs indexes, 16 January 2021, <<https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/latest-release#data-download>> accessed 17 February 2021.

As shown above, young workers have been disproportionately impacted by the effects that COVID-19 has had on the state's labour market. Those aged 15 to 19 and 20 to 29 have been particularly hardest hit, recording a decline of 10.3% and 8.6% in payroll jobs respectively.

**FINDING 7:** Payroll jobs data shows that Victorians aged 15 to 29 have experienced the most job losses.

The impact COVID-19 has had on Victoria's labour market has not been felt evenly across industries. Public health restrictions mostly impacted customer-facing industries like accommodation and food services. Most job losses have also been casual and part-time roles, which are prevalent in many of the most heavily affected industries.<sup>41</sup> These industries, along with casual employment more broadly, employ a higher concentration of young people. The change in employment since 14 March 2020 in payroll jobs is illustrated in Figure 1.8.

**Figure 1.8** Change in employment by industry, payroll jobs, 14 March 2020 to 16 January 2021



Source: Australian Bureau of Statistics, *Weekly Payroll Jobs and Wages in Australia*, Table 5: Sub-state – Payroll jobs indexes, 16 February 2021, <<https://www.abs.gov.au/statistics/labour/earnings-and-work-hours/weekly-payroll-jobs-and-wages-australia/latest-release#data-download>> accessed 17 February 2021.

41 Department of Treasury and Finance, *Budget Paper No. 2*, p. 29.

The only industry to report an increase in payroll jobs was financial and insurance services.

### 1.4.3 Forecasts and assumptions

Economic and fiscal forecasts are inherently uncertain and can present a risk to fiscal planning. The 2020–21 Budget is the first public update to budget forecasts released by the Victorian Government since the onset of COVID-19, meaning it is subject to even greater uncertainty than usual.

While at the time of the writing of this report COVID-19 is largely under control in Victoria and Australia, there is a high degree of uncertainty regarding the spread of the virus, the timing of vaccines and treatments and timelines of when international borders can fully re-open.<sup>42</sup>

Each budget contains several key assumptions that underpin the economic and fiscal forecasts. Key assumptions for the 2020–21 Victorian Budget include:

- Victorian public health restrictions continue to ease over the remainder of 2020, to be at COVID Normal by the end of 2021
- any further localised outbreaks, in Victoria and nationally, are contained and do not lead to any further city or state-wide restrictions
- Australian borders remain closed to most major markets, and international travel remains at current low levels, until at least mid-2021
- there is a gradual return of international students and overseas migrants as borders reopen—a significant return of international students does not occur until the 2022 academic year.<sup>43</sup>

The Committee notes that there are several macro risks which could impact on the accuracy of forecasting in 2020–21 and over the forward estimates. While there are both upside and downside risks, the Committee notes that the downside risks include, but are not limited to:

- slower than expected recovery of the global economy
- renewed onset and spread of COVID-19 in Australia and globally
- further escalation of global trade tensions and protectionist trade policies
- increased volatility in financial markets.

It is also important to note that the further out a forecast extends, the more uncertain it is. In the public hearings, the Treasurer explained to the Committee how this is applied to forecasts in the Budget:

<sup>42</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 18.

<sup>43</sup> *Ibid.*, p. 22.

the way that we put together forward estimates, it is only the first two years of the forward estimates—the first year and the second year of the forward estimates—that are on actual projections. The remaining two are trend-based projections. So we will have to wait to see how this economic event plays out.<sup>44</sup>

The Secretary of DTF told the Committee that economic forecasts included in the Budget were probably the most difficult set of forecasts the department has produced in a long time:

Because there is so much uncertainty both in terms of the economic forecast but also the revenue forecast—we have tried to factor in everything that we are aware of at the time we finalise our forecast, which is obviously not a couple of days before the budget. We need to finalise our forecast probably about a month out, because that has flow-on implications for a whole range of different aspects of the budget, particularly on the revenue side. So the forecast you see in front of you—yes, the main driver of the change in economic forecasts since the last public release deals with the COVID-19 pandemic, but we have tried to pick up any other factors that are at play, including anything that might be happening on the trade side, and then tried to bring all that together.<sup>45</sup>

The Committee also examined the assumptions and forecasts in the 2020–21 Commonwealth Budget as a basis from which to compare those found in the Victorian Budget. The Committee notes that assumptions underpinning the Victorian and Commonwealth 2020–21 Budgets are largely consistent.

**FINDING 8:** Assumptions underpinning forecasts in both the Victorian and Commonwealth Budgets are broadly aligned.

Given the increase in uncertainty regarding government finances there has been a broader discussion around the level of funding required by the State to finance government services and its ability to collect revenue. Section 1.4.4 briefly examines the concept of a fiscal imbalance and how it applies in Victoria's case.

#### 1.4.4 Fiscal imbalance

Australia's federal to state financial relations are characterised by a high degree of vertical fiscal imbalance. Vertical fiscal imbalance refers to the significant mismatch between the states' broad spending responsibilities but limited revenue raising capacity and the Commonwealth's capacity to raise significantly more revenue than it requires for its own expenditure needs.<sup>46</sup>

<sup>44</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 35.

<sup>45</sup> Mr David Martine, Secretary, Department of Treasury and Finance, 2020–21 Budget estimates (Treasurer) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 26.

<sup>46</sup> Federal-State Relations Committee, *Register of Specific Purpose Payments Received by Victoria*, 1999, Melbourne, <<https://www.parliament.vic.gov.au/archive/fsrc/report4/body/chapter1.htm>> accessed 10 January 2021.

An excessive degree of vertical fiscal imbalance can have several undesirable consequences. Long-standing concerns around vertical fiscal imbalances in Australia include the potential to:

- lessen accountability to the public by breaking the connection between policy decisions at the level of service provision and the revenue raised to fund those policies
- reduce transparency around responsibility for government services thus allowing governments to shift responsibility of funding and operational shortages to other levels of government
- maintain inefficient government services through bureaucratic overlap, duplication and costs for administering grants between levels of government
- inefficiently allocate resources through either inadequate or inappropriate funding of services
- slow the ability of government to react quickly to needs that develop in the community.<sup>47</sup>

The Government's response to the COVID-19 pandemic has shown that the vertical fiscal imbalance is becoming more apparent. Key areas of policy responses to COVID-19 in Victoria (such as health and community order and safety) have been largely delivered by the State Government. In the public hearings, the Treasurer told the Committee that:

we operate in a federation and that a key part of our capacity, about 50 per cent of our cash inflows, our revenue, comes from the commonwealth; that has a direct impact upon the state of Victoria. I have already indicated to you that there has been an appreciable reduction in commonwealth inflows out of GST because of what is nothing short of an unfair recasting of the methodology of the GST, specifically against the interests of Victoria.<sup>48</sup>

The Organisation for Economic Co-operation and Development (OECD) has also highlighted that subnational governments are playing a crucial role in responding to the pandemic.<sup>49</sup> Much like in Australia, subnational jurisdictions across the OECD are increasing spending through the uptake of debt with little capacity to increase revenue.<sup>50</sup>

In the context of the 2020–21 Budget, the State has provided households and business with substantial tax concessions, credit and fee waivers to support economic activity. This intervention by the State has resulted in increased debt and a decline in revenue. It is unclear to the Committee if the Commonwealth Government will provide any compensation to Victoria for the substantial increase in expenditure in response to COVID-19.

<sup>47</sup> Senate Select Committee on the Reform of the Australian Federation, *Australia's Federation: an agenda for reform*, Parliament of Australia, 2011, Canberra, p. 63.

<sup>48</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 21.

<sup>49</sup> Organisation for Economic Co-operation and Development, *COVID-19 and fiscal relations across levels of government*, 31 July 2020, p. 3.

<sup>50</sup> *Ibid.*, pp. 25–27.

In its report on COVID-19 and fiscal relations across levels of government, the OECD highlights that sub-national governments' 'budget rigidity, limited access to borrowing and compliance with fiscal rules tends to reduce their room to manoeuvre and, they thus react less counter-cyclically than central governments'.<sup>51</sup> The report also outlines that:

A substantial part of subnational expenditures is either mandatory or regards essential services and [sub-national governments] SNGs have limited autonomy to increase revenues since they depend on inter-governmental transfers and have limited autonomy to change tax policies.<sup>52</sup>

The issue of vertical fiscal imbalance has also previously been highlighted by Commonwealth Parliamentary Committees, including by the Joint Committee of Public Accounts and Audit and the Senate Select Committee on the Reform of the Australian Federation. In its 2011 inquiry, the Senate Select Committee highlighted that by comparison with all other federations, Australia has a high level of vertical fiscal imbalance. It also expressly stated that over time, 'the [vertical fiscal imbalance] has severely undermined the capacity of the states and territories to raise the revenue necessary to undertake their assigned constitutional responsibilities'.<sup>53</sup>

The Committee notes that as Victoria and other jurisdictions recover from the economic shock of COVID-19, sub-national fiscal capacity challenges are likely to persist. The Committee further highlights the importance of a broader discussion around the consequences of current financial relations between states and the Commonwealth in the context of the pandemic.

**FINDING 9:** The existing vertical fiscal imbalance between the Commonwealth Government and the Victorian Government has been exacerbated by the COVID-19 crisis.

## 1.5 Best practice budgeting

The process of budgeting has always been complex. However, COVID-19 has highlighted the importance of best practice budgeting. The Committee has previously emphasised the importance of legislative oversight of the Budget and highlights that in emergency budget responses it is even more important to have effective legislative oversight and accountability.<sup>54</sup>

The Committee examined best practice budgeting internationally. Specifically, it chose to focus on relevant material from the OECD and the International Monetary Fund's (IMF) Fiscal Transparency Code.

<sup>51</sup> Ibid., p. 23.

<sup>52</sup> Ibid., p. 24.

<sup>53</sup> Senate Select Committee on the Reform of the Australian Federation, *Australia's Federation: an agenda for reform*, Parliament of Australia, 2011, Canberra, p. 63.

<sup>54</sup> Organisation for Economic Co-operation and Development, *Legislative budget oversight of emergency responses: Experiences during the coronavirus (COVID-19) pandemic*, 2020, p. 2.

## 1.5.1 Background

As COVID-19 puts pressure on budgets and potentially limits the ability of legislatures to oversee and scrutinise government spending, it is important that best practice is utilised throughout the budget process.

The *OECD Recommendation of the Council on Budgetary Governance* states that ‘parliament has a fundamental role in authorising budget decisions and in holding government to account’<sup>55</sup> and that governments should ‘provide for an inclusive, participative and realistic debate on budgetary choices by offering opportunities for the parliament and its committees to engage with the budget process at all key stages of the budget cycle, both ex ante and ex post’.<sup>56</sup>

The OECD has outlined some of the challenges faced by member countries that threatened to disrupt legislative oversight of budgets. The key challenges highlighted by the OECD that may be considered relevant to the Victorian experience include:

- suspension of meetings and restrictions to accessing parliament
- the annual budget formation and reporting cycle was disrupted.<sup>57</sup>

Like many jurisdictions, Victoria experienced difficulties in both budget formation and parliamentary meetings because of the pandemic. However, the Committee has continued to scrutinise the Budget and related policies throughout the COVID-19 period.

## 1.5.2 Fiscal transparency

Transparency in the budget process is critical for effective fiscal management and accountability of the Government to the Parliament and wider community. Fiscal transparency relates to the comprehensiveness, clarity, reliability, timeliness, and relevance of public reporting on the past, present and future state of public finances.<sup>58</sup>

The Committee notes that fiscal transparency is critical to ensure effective fiscal management remains strong during times of crisis and when public budgets are under strain. In response to a Committee question at the public hearings on the Government’s approach to budget management in response to COVID-19, the Treasurer stated that:

in each of the previous five budgets the government has adhered to a clear and robust fiscal management framework. We have been clear about what our objectives are and we have held them up transparently in our budget settings ...<sup>59</sup>

<sup>55</sup> Organisation for Economic Co-operation and Development, *Recommendation of the Council on Budgetary Governance*, 2015, p. 4.

<sup>56</sup> *Ibid.*, p. 8.

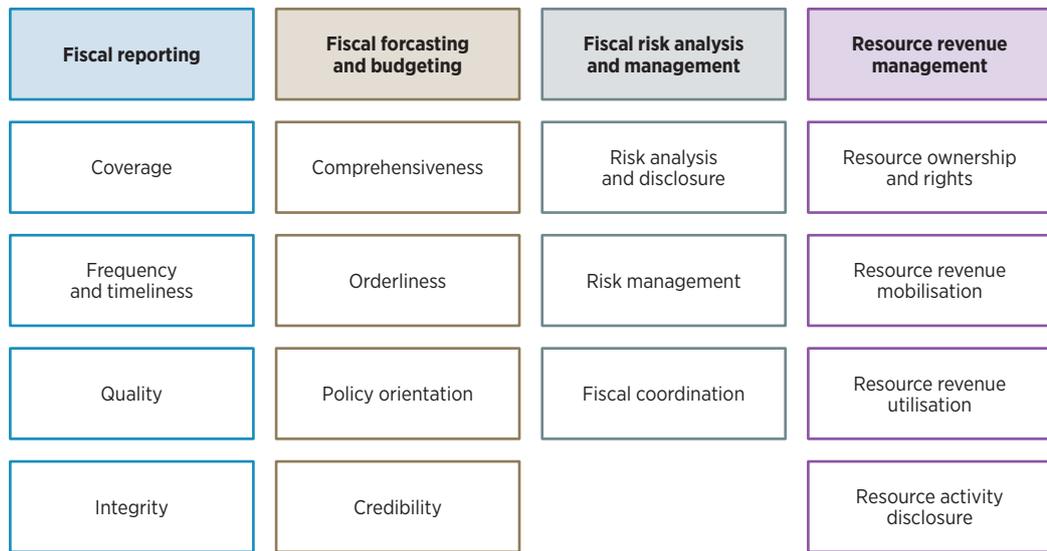
<sup>57</sup> Organisation for Economic Co-operation and Development, *Legislative budget oversight of emergency responses: Experiences during the coronavirus (COVID-19) pandemic*, 2020, p. 3.

<sup>58</sup> International Monetary Fund, *Fiscal Transparency Handbook*, 2018, Washington DC, p. 3.

<sup>59</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 21.

The IMF's Fiscal Transparency Code (the Code) is one of the primary international standards for disclosure of information relating to public finances. The code consists of a set of principles set around four pillars; fiscal reporting; fiscal forecasting and budgeting; fiscal risk analysis and management; and resource revenue management. The pillars and principles are illustrated in Figure 1.9.

**Figure 1.9** International Monetary Fund Fiscal Transparency Code pillars



Source: International Monetary Fund, *Fiscal Transparency Handbook*, 2018, Washington DC, p. 3.

### 1.5.3 Assessment

In their *Fiscal Transparency Handbook*, the IMF highlight that greater fiscal transparency requires not only clear reporting standards, but also effective monitoring and enforcement of those standards.<sup>60</sup>

The following discussion on best practice budgeting principles is based around the fiscal forecasting and budgeting pillar of the Code. The following principles make up the pillar:

- **Comprehensiveness**—fiscal forecasts and budgets should provide a comprehensive overview of fiscal prospects
- **Orderliness**—the powers and responsibilities of the executive and legislative branches of government in the budget process should be defined in law, and the budget should be presented, debated, and approved in a timely manner
- **Policy orientation**—fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability
- **Credibility**—economic and fiscal forecasts and budgets should be credible.

<sup>60</sup> International Monetary Fund, *Fiscal Transparency Handbook*, 2018, Washington DC, p. 7.

## Comprehensiveness

The Committee analysed the 2020–21 Victorian Budget against the Code and found that in terms of comprehensiveness, Victoria’s performance overall was satisfactory, recording a mid-range result. Victoria scored similarly across the four components that make up the comprehensiveness principle, which include budget unity, macroeconomic forecasts, medium-term budget framework and investment projects.<sup>61</sup> However, there is potential to improve performance across all four components. There is sufficient capacity and expertise to provide a more advanced and comprehensive overview of fiscal prospects in the Budget. Improvements can be made in including more extensive information on extrabudgetary funds and contingencies in the Budget. There are also opportunities for improvement in regular disclosures of financial obligations under large-scale and long-term investment projects and outturns of the two preceding years in the budget papers. The Committee also notes the absence of a State Capital Program budget paper in the 2020–21 Budget.

## Orderliness

Orderliness first refers to a clear legal framework that defines a timetable for budget preparation, key concepts and the powers and responsibilities of the executive and the legislature in the budget process. Second, it assesses whether the legislature and the public are consistently given adequate time to scrutinise and approve the budget.<sup>62</sup> The IMF’s timeliness measure for an advanced budget process indicates that the budget is submitted to the legislature at least three months before the start of the financial year and is approved and published at least one month before the start of the financial year.

The Committee notes that there are opportunities for improvement through legislative reform options regarding the content, timeliness and amendment procedures of the Victorian Budget.

Victoria records results below average in both components due to two primary factors:

- Legislation in Victoria governing budget preparation and approval does not make provisions for changes to the Budget nor does it specify key content requirements.
- The Budget is not made available to the legislature and public three months before the start of the financial year.

## Policy orientation

The policy objectives and budget documentation are assessed in terms of accountability, accessibility and completeness. The Code outlines several requirements for practices to be assessed as advanced, including:

- Regular reporting on a numerical objective for the main fiscal aggregates which is both time-bound and has been in place for more than three years.

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<sup>61</sup> Ibid., p. 9.

<sup>62</sup> Ibid.

- Reporting on, and performance against, the outcomes to be achieved under each major policy area in the Budget.
- The publication of accessible recent economic and fiscal performance and prospects, along with a detailed account of the implications of the budget for different demographic groups.<sup>63</sup>

With regards to fiscal policy<sup>64</sup> orientation, the Victorian Government does not state and report on clear and measurable objectives for public finances. Instead, the 2020–21 budget contains high level fiscal aggregates. The Committee notes that some fiscal targets and objectives have changed due to the economic impact of COVID-19 in Victoria.

Regarding fiscal sustainability objectives, the objectives surrounding expenditure growth and net debt have been removed in the 2020–21 Budget. The Government's first sustainability objective relates to the net operating balance and in 2019–20 targeted 'net operating surpluses over the next four years'. In the 2020–21 Budget, the target has been modified to 'the operating deficit will reduce over the budget and forward estimates'. Net debt and expenditure growth were targeted as follows in 2019–20:

- Net debt—net debt to gross state product will be no greater than 12 per cent over the medium term.<sup>65</sup>
- Expenditure growth—expenditure growth will be no greater than revenue growth, on average, over the next four years.<sup>66</sup>

The Committee notes that both of these objectives are not included in the 2020–21 Victorian Budget.

**FINDING 10:** The Government has removed targets on net debt to gross state product and expenditure growth from the Budget.

Financial measures and targets have also been modified to support the Budget and economic forecasts. There have been three major changes:

- Net debt to GSP—the 2019–20 target of 'general government net debt as a percentage of GSP to be maintained at a sustainable level over the medium term', has been changed to 'general government net debt as a percentage of GSP to stabilise in the medium term'.
- Operating cash surplus—the 2019–20 target of 'a net operating surplus consistent with maintaining general government debt as a sustainable level over the

<sup>63</sup> Ibid., pp. 11–12.

<sup>64</sup> Fiscal policy requires a strategic vision of public finances that anchors the budget in a medium-term perspective. Source: International Monetary Funds, *The Macroeconomic Function and its Organizational Arrangements, Technical notes and manuals*, November 2018, p. 3

<sup>65</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2020, p. 5.

<sup>66</sup> Ibid., p. 4.

medium term', has been changed to 'a net operating cash surplus consistent with maintaining general government net debt at a sustainable level after the economy has recovered from the coronavirus (COVID-19) pandemic'.

- An interest expense to revenue measure has been added, which targets general government interest expense as a percentage of revenue to stabilise in the medium term.<sup>67</sup>

The Committee notes that the two modified targets, and the new target, lack a numerical objective—contrary to the Code's best practice framework. The new measure—aimed at measuring and stabilising debt servicing costs, does not provide numerical objectives. Without specific, clear and numerical objectives and targets it is difficult to assess performance against measures, or promote accountability through oversight and review mechanisms.

Further insight from the Victorian Parliamentary Budget Office highlights that the Government has maintained three of its long-term financial management objectives. However, it appears that these objectives are not linked to its financial measures and targets.<sup>68</sup>

**RECOMMENDATION 1:** The Government include in State Budgets numerical components to measures and targets that are measurable and specific.

### Credibility

The credibility of economic and fiscal forecasts in the budget are measured through the following three components:

- The Government's economic and fiscal forecasts and performance are subject to independent evaluation.
- Any material changes to the approved budget are authorised by the Legislature.
- Budget documentation and any subsequent updates explain any material changes to the Government's previous fiscal forecasts, distinguishing the fiscal impact of new policy measures from the baseline.<sup>69</sup>

Budget documentation in Victoria does not include independent evaluation of the Government's economic and fiscal forecasts nor does it include a comparison between the Government's projections and those of independent forecasters. Further, a supplementary budget does not occur in Victoria to give legislative approval and outline any altered policy objectives regarding expenditure exceeding the approved budget.

<sup>67</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 11.

<sup>68</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2020.

<sup>69</sup> International Monetary Fund, *Fiscal Transparency Code*, 2019, Washington DC, p. 3.

# 2 Budget overview

## 2.1 Introduction

Each year the Government tables the budget papers and the Appropriation Bills in the Parliament. The budget papers include expenditure for the next financial year as well as projections of government expenditure and revenue over the forward estimates (three years). They also outline the fiscal outlook for the state's economy.

The 2020–21 Budget was delivered on 24 November 2020. This was delayed from the usual May timing due to the social and economic impacts of the COVID-19 pandemic.

The budget papers are split into four sections along with supplementary budget information papers. The Government has removed the State Capital Program budget paper as the State's capital program is being reviewed in light of COVID-19. Instead, information on the State's capital program has been included in budget paper two.

This chapter examines government revenue, expenditure, asset investment and debt. A discussion on best practice budgeting in the context of COVID-19 and the Victorian Budget can be found in Chapter 1.

### 2.1.1 Characteristics of the 2020–21 Budget

The 2020–21 Budget comes at time of substantial and widespread disruption to public finances and the operation of government more broadly. The COVID-19 pandemic has required governments to respond with sizable fiscal policy initiatives. Such initiatives have largely defined this year's State Budget. Consequently, the Government's budget strategy and public finances have been modified substantially. The Government has applied three broad principles to budget decisions:

- COVID-19 and economic recovery expenditure to focus on the short to medium term
- Growth in this expenditure to taper as the economy recovers
- Infrastructure investment to support jobs and ensure Victoria has a pipeline of work to support business confidence.<sup>1</sup>

These principles have resulted in a number changes in the Budget. These can be characterised by a substantial increase in spending, a significant write-down in revenue and a large-scale borrowing program. These changes are expected to be mainly reflected in 2020–21 but are also likely to continue into the forward estimates. Table 2.1 summarises changes in the main fiscal aggregates from 2019–20 budgeted and actual figures to 2020–21 estimates.

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<sup>1</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 10.

**Table 2.1** Changes in primary fiscal aggregates

	2019–20 budget (\$ billion)	2019–20 actual (\$ billion)	2020–21 budget (\$ billion)	Variance between 2019–20 budget and 2020–21 budget		Variance between 2019–20 actual and 2020–21 budget	
Output initiatives	70.0	74.5	90.0	↑	28.6%	↑	20.8%
Capital investment	14.2	12.0	19.8	↑	39.4%	↑	65.0%
Revenue	71.0	67.9	66.7	↓	-6.1%	↓	-1.9%
Debt	39.0	44.3	86.7	↑	122.3%	↑	95.7%

Source: compiled by the Public Accounts and Estimates Committee.

The Committee expects that changes in revenue, expenditure and debt in response to COVID-19 are largely sustainable and will not compromise the State's fiscal position over the long-term. The Committee notes that the State will likely stay in deficit until 2024–25.

**FINDING 11:** The 2020–21 Budget is characterised by a substantial increase in spending, a broad write-down in revenue and large-scale borrowing program in response to the COVID-19 pandemic.

## 2.2 Fiscal metrics and outlook

The COVID-19 pandemic and related restrictions on economic activity have weighed heavily on the State's finances. The Government has stated that its response to the crisis is to prioritise the use of its balance sheet in the short-term to support employment, confidence and household budgets.<sup>2</sup> Changes to key fiscal metrics include:

- Revenue has been revised down by \$19.6 billion over the period from 2020–21 to 2022–23 and is expected to fall by 1.9% in 2020–21 from the 2019–20 result<sup>3</sup>
- Forecasts for operating expenses have increased \$33.5 billion over the period 2020–21 to 2022–23, with expenses expected to rise by 20.8% in 2020–21 from the 2019–20 result<sup>4</sup>
- Net debt is expected to be \$86.7 billion in 2020–21, an increase of over 95% from the 2019–20 result. Net debt is then forecast to reach \$154.9 billion in 2023–24<sup>5</sup>

<sup>2</sup> Ibid., p. 4.

<sup>3</sup> Department of Treasury and Finance, *2020–21 Budget Consolidated General Government Comprehensive Operating Statement*, Melbourne, 2020.

<sup>4</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

<sup>5</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21*, p. 7 (Committee calculation).

- Net debt as a proportion of GSP is expected to reach 26% in June 2023, up from 10.5% in the 2019–20 Budget Update, and 28.9% of GSP in June 2024<sup>6</sup>
- Net asset investment is expected to be \$25.4 billion over the period from 2020–21 to 2022–23, up by \$12.4 billion compared to the 2019–20 Budget Update<sup>7</sup>
- Government infrastructure investment is expected to be \$19.4 billion in 2020–21, reaching a peak of \$20.3 billion in 2022–23 before declining to \$19.2 billion in 2023–24<sup>8</sup>
- An operating deficit of \$6.5 billion was recorded in 2019–20, with a deficit of \$23.3 billion expected in 2020–21. The Government’s net operating balance has been revised down by \$24.5 billion compared to the 2019–20 Budget Update. Forecasts for the net operating balance has also been revised down for 2021–22 and 2022–23<sup>9</sup>
- A deficit is expected in 2020–21 and over the whole of the forward estimates.

The Committee notes that nearly all fiscal metrics have changed substantially from last year’s Budget and Budget Update. The majority of changes can be attributed to economic restrictions in place in 2020 and 2021 and the Government’s economic response to the crisis.

## 2.2.1 Fiscal sustainability and performance

Fiscal objectives and targets that drive and monitor progress and performance are key in guiding medium to long-term financial management.<sup>10</sup> In response to the unforeseen economic impacts of COVID-19, the Government has modified its fiscal objectives and targets. There have been three primary changes from last year’s budget regarding fiscal targets and objectives:

- Objectives surrounding expenditure growth and net debt have been removed
- The objective for the State’s net operating balance has been substantially altered
- Only one fiscal sustainability objective aimed at operating deficits remains.<sup>11</sup>

The Committee notes that expected net borrowing will be \$28 billion higher in 2020–21 compared to the 2019–20 Budget Update.<sup>12</sup> Moreover, the net borrowing to revenue ratio is expected to be 48.3% in 2020–21, representing an increase of 42.7 percentage

6 Ibid.

7 Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

8 Department of Treasury and Finance, *Budget Paper No. 2*, p. 7.

9 Ibid., p. 74.

10 Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

11 Department of Treasury and Finance, *Budget Paper No. 2*, p. 11.

12 Ibid.

points when compared to the 2019–20 Budget Update.<sup>13</sup> The Parliamentary Budget Office has also conducted assessments around the State’s fiscal sustainability indicators and found that:

- Net debt as a proportion of revenue will be 63.9 percentage points higher in 2020–21 and will increase from 65.2% at 30 June 2020 to 190% at 30 June 2024
- Non-interest payments as a percentage of revenue will be 35.9 percentage points<sup>14</sup> higher in 2020–21 and the ratio will remain above 100% from 2020–21 to 2023–24
- Debt servicing costs—measured by the interest payment as a proportion of revenue—will be 0.7 percentage points higher in 2020–21 and increase to 4.8% in 2023–24
- Employee expense as a percentage of revenue will be 8.0 percentage points higher in 2020–21 and will remain higher than the 10-year average from 2021–22 to 2023–24.<sup>15</sup>

Credit ratings and the impact on fiscal strategy is explored in Section 2.6.3.

**FINDING 12:** The increase in debt has pushed several fiscal sustainability indicators higher (such as net debt to revenue, non-interest payment to revenue and debt servicing costs) representing a decrease in the Government’s fiscal capacity.

Victoria experienced a much more substantial COVID-19 infection wave than the rest of Australia. As the Committee outlined in its *Report on the Inquiry into the Victorian Government’s Response to the COVID-19 Pandemic*, the economic downturn in Victoria has been compounded by declines in international migration, Victoria’s trade exposure, industry composition and fiscal capacity of the Victorian Government.

Forecasts suggest that Victoria is likely to stay in deficit throughout the forward estimates, with the average operating deficit being 7.7% of operating revenues between 2019 and 2023.<sup>16</sup> The Treasurer told the Committee that:

The combined impact of reductions in revenue as a result of the global recession and increases in expenditure to deal with the COVID event has resulted in an operating deficit of course of the 2019–20 year of \$6.5 billion. We are forecasting \$23.3 billion, reducing by 75 per cent over the forward estimates, and that really does tell us that we are making very substantial inroads into those deficit positions.<sup>17</sup>

<sup>13</sup> Ibid.

<sup>14</sup> A percentage point is the difference between two percentages and is usually used to indicate a change. An increase in percentage points is different from a percentage increase in that it measures the numerical change between two percentages rather than the percentage change.

<sup>15</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

<sup>16</sup> S&P Global Ratings, *Australian State of Victoria Rating Lowered To ‘AA’ On Structurally Weaker Fiscal Outlook; Outlook Stable*, 6 December 2020, <[https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/type/HTML/id/2566012](https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2566012)> accessed 20 December 2020.

<sup>17</sup> Hon Tim Pallas MP, Treasurer, 2020–21 Budget estimates (Treasurer) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 22.

The Committee questioned the Treasurer further about the Government's plan to returning the Budget to a stronger position. The Treasurer told the Committee that:

We are currently in an operating deficit. The first step when we get to an operating deficit is that, when conditions allow, we will return to an operating cash surplus, as this will mean that the state is generating sufficient revenue for us to offset its cash outflows on its operating activities. You would understand that a lot of the operating activities that we are investing in at the moment will be as a consequence of the spike of the pandemic event.<sup>18</sup>

While the COVID-19 crisis has had a substantial and negative impact on the State's Budget, the Committee has been advised that the State has the capacity to return to an operating surplus in the medium to long-term. This is largely due to an expected increase in revenue over the forward estimates and a reduction in expenses related to the Government's response to COVID-19 going forward.

Specific elements of fiscal sustainability in relation to best practice budgeting are further discussed in Chapter one.

## 2.3 Revenue

This section examines the Government estimates for revenue in 2020–21 and across the forward estimates. It will also look at expected movements and changes in the major categories of revenue between 2019–20 and 2023–24.

Revenue estimates in the 2020–21 Budget are characterised by substantial write-downs in state-based taxation revenue and transfers from the Commonwealth through the goods and services tax (GST).

In 2020–21 the State's total revenue is expected to be \$66.7 billion, a 1.9% decrease from \$67.9 billion collected in 2019–20.<sup>19</sup> The drop in revenue is largely driven by a decline in state taxation revenue.

### 2.3.1 Revenue projections

The COVID-19 pandemic and related public health restrictions have had a substantial impact on state-based revenue streams. The number of total hours worked by Victorians has fallen dramatically since March 2020, lowering payroll tax collections. Property transaction volumes have also dropped to historically low levels in 2020, which has severely impacted stamp duty payments to the State.<sup>20</sup>

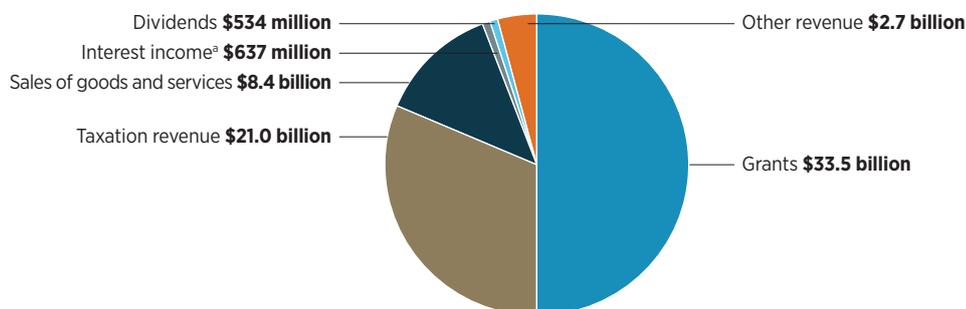
<sup>18</sup> Ibid., p. 23.

<sup>19</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 153.

<sup>20</sup> Ibid., p. 157.

Figure 2.1 illustrates government revenue by source in 2020–21.

**Figure 2.1 Government revenue by source, 2020–21**



a. Interest income incorporates income tax equivalent and rate equivalent income.

Source: Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, 2020, p. 153.

Due to the fall in state-based taxation revenue in 2020, grants from the Commonwealth Government make up a larger proportion of overall revenue compared to previous years.

Total revenue, particularly conveyance duties, payroll tax, and GST grants, have fallen substantially since early 2020. Actual revenue in 2019–20 was \$67.9 billion, down 4.3% from the \$71 billion the Government had forecast to collect in 2019–20 in last year's budget.<sup>21</sup>

With economic recovery expected to continue in 2020–21 and over the forward estimates, taxation revenue is expected to recover from 2021–22 along with an increase in grants from the Commonwealth through GST.<sup>22</sup> The 2020–21 Budget outlines that total revenue is forecast to grow by an annual average of 6.9% over the forward estimates, reflecting an expectation of strong economic recovery.<sup>23</sup>

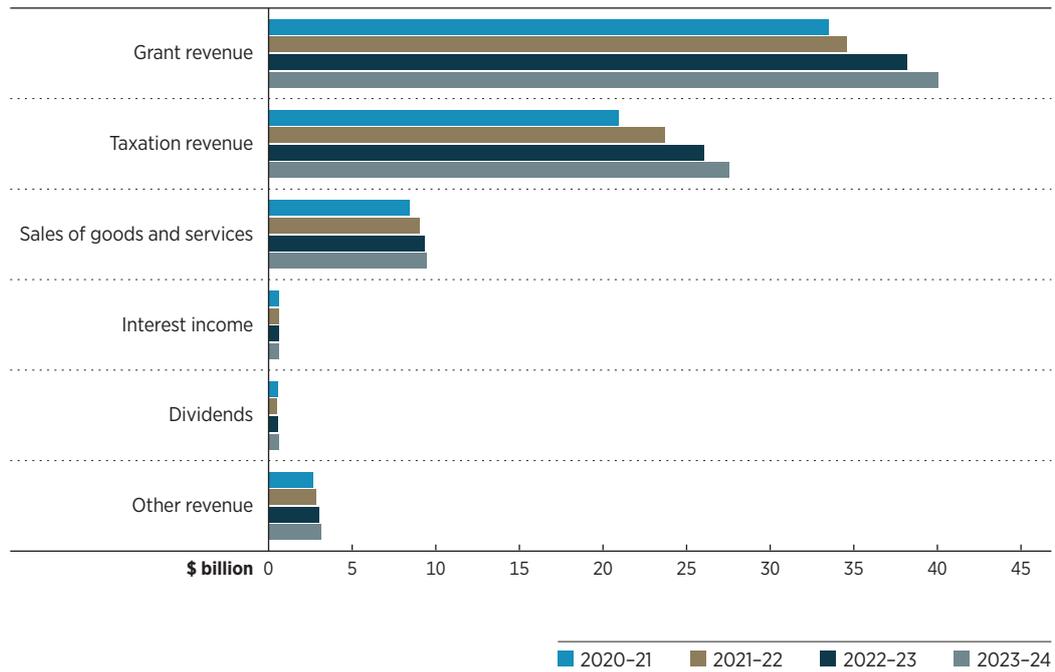
Figure 2.2 illustrates the sources of revenue for Victoria in 2020–21 and over the forward estimates.

<sup>21</sup> Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 159.

<sup>22</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 153.

<sup>23</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 70.

**Figure 2.2 Government revenue by source, 2020–21 to 2023–24**



Source: Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 153.

The Committee notes that when examining revenue growth over the forward estimates, it becomes clear that different revenue streams are expected to grow at significantly different rates. Taxation revenue is expected to grow fastest, at an average annual growth rate of 9.6% over the forward estimates. While all other revenue streams are expected to grow over the forward estimates, interest income is expected to decline from \$637 million in 2020–21 to \$605 million in 2023–24.

Forecasts for the State’s taxation revenue involves a number of methods and factors, including:

- Assessing economic and other factors influencing the tax base
- Analysing historical information and relationships using econometric and other statistical methods
- Consulting with relevant market participants, industry associations and government authorities.<sup>24</sup>

The Committee notes that due to COVID-19 and the uncertain nature of economic recovery, revenue forecasts are subject to a higher than normal degree of uncertainty.

<sup>24</sup> Ibid., p. 20.

### 2.3.2 Grant revenue

Grant revenue comes from the Commonwealth to assist in meeting general or specific service delivery obligations. Grant revenue can be divided into the following four categories:

- General purpose grants—revenue distributed from the national GST pool.
- Specific purpose grants for on-passing—grants from the Commonwealth to fund specific policy initiatives or programs.
- Grants for specific purposes—Commonwealth grants immediately passed on to other entities.
- Other contributions and grants—other payments made by the Transport Accident Commission, the Victorian Managed Insurance Authority and WorkSafe Victoria.<sup>25</sup>

Grant revenue is expected to be \$33.5 billion in 2020–21, an increase of 2.1% from the 2019–20 actual result, but 1.8% lower than was originally budgeted from 2019–20.<sup>26</sup> All grant categories, other than grants for specific purposes, are expected to decrease in 2020–21 compared to 2019–20 results.

#### GST

In 2020–21, the Government expects to receive \$15.3 billion in revenue from GST. This revenue is the largest component of grant revenue in 2020–21 and over the forward estimates. In 2020–21, 45.7% of all grant revenue is expected to come from general purpose grants. The Government forecasts GST revenue to grow by an average of 8.7% a year over the forward estimates.<sup>27</sup>

GST revenue collected by the Commonwealth Government is expected to decline in 2020–21 due to a decrease in economic activity as a result of COVID-19. The Committee questioned the Treasurer in regard to GST revenue and the impact of changes to the GST distribution methodology. The Treasurer explained to the Committee that:

The Commonwealth Grants Commission estimated that the net impact of the Commonwealth Grants Commission 2020 methodology review on Victoria's relativities would see about \$802 million reduced to Victoria's GST revenue in 2020–21. These changes were signed off by the federal Treasurer in April, after the pandemic was upon us, and this change represents the single largest redistribution away from any state in the methodology review since the introduction of the GST. Based on Victoria's own forecast, the methodology change is expected to redistribute approximately \$1 billion per year in GST away from Victoria across the budget in the forward estimates.<sup>28</sup>

<sup>25</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 165.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid., p. 166.

<sup>28</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 2.

The Commonwealth Grants Commission's 2020 report on the impact of the COVID-19 pandemic on GST distribution outlined possible issues regarding the distribution of GST revenue among states.<sup>29</sup> These include:

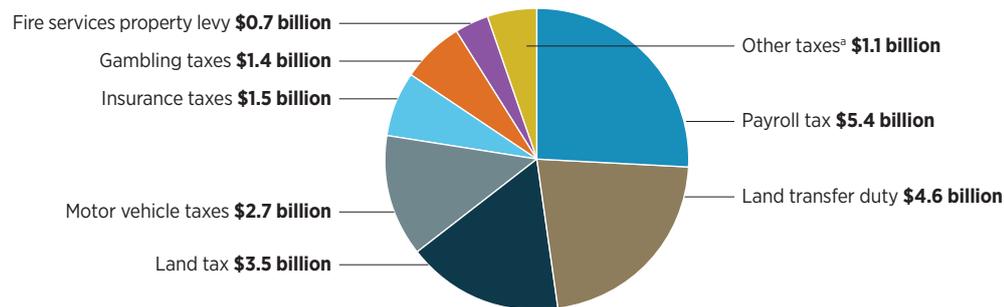
- the potential of gaps developing between assessed and actual fiscal circumstances of states and territories resulting in gaps between a jurisdiction's needs and the GST revenue it receives in a given year
- potential difficulties in assessing whether a reduction in a state's fiscal capacity is a consequence of the pandemic or rather because of its own policy decisions.<sup>30</sup>

The Committee notes that there is a potential these risks will impact on the amount of revenue Victoria receives through GST redistribution.

### 2.3.3 Taxation revenue

Taxation revenue is revenue received from the State's taxpayers. The main components<sup>31</sup> of state taxation revenue and their expected figure for 2020–21 is illustrated in Figure 2.3.<sup>32</sup>

**Figure 2.3 State taxation revenue components, 2020–21**



a. This includes the congestion levy, other property duties, growth areas infrastructure contribution, levies on statutory corporations, liquor license fees, landfill levy, metropolitan improvement rate, metropolitan planning levy, financial accommodation levy, the Commercial Passenger Vehicle Service Levy and transport fees including, fees paid by Transurban in respect of Melbourne Citylink and allowance for prepaid port licence fees.

Source: Department of Treasury and Finance, *Budget Paper No. 4*, p. 165.

In 2020–21, state taxation revenue is expected to provide 31% of all revenue to the Government, or \$20.9 billion. Taxation revenue declined in 2019–20 and is predicted to decrease a further 9.7% in 2020–21 compared to the \$23.2 billion collected in 2019–20. The Government forecasts that taxation revenue will recover in 2021–22.<sup>33</sup>

<sup>29</sup> Commonwealth Grants Commission, *Occasional Paper No 1: Impact of the COVID-19 pandemic on GST distribution*, Canberra, 2020, p. 8.

<sup>30</sup> *Ibid.*, p. 9.

<sup>31</sup> Department of Treasury and Finance, *State taxation revenue*, Melbourne, 2020.

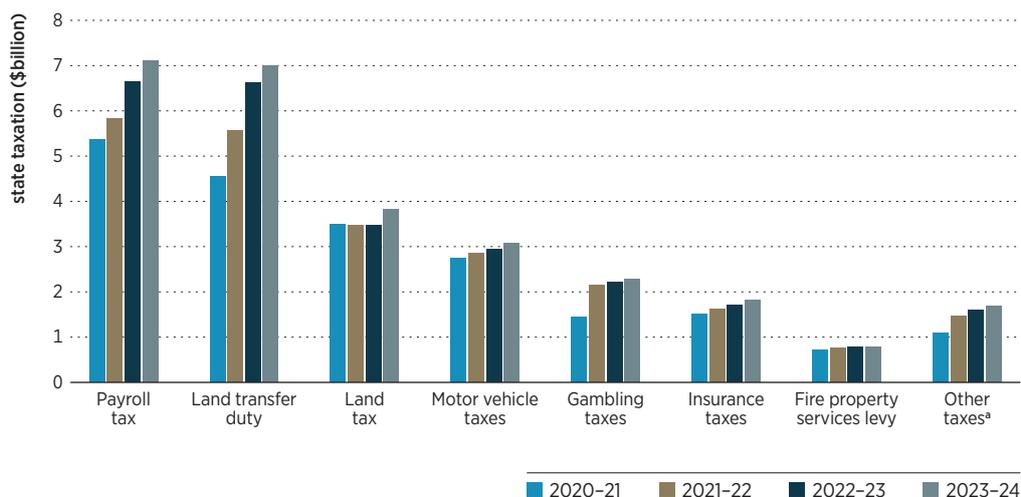
<sup>32</sup> *Ibid.*

<sup>33</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 154.

In 2020–21, the highest proportion of taxation revenue is expected to be levied from taxes on the provision of goods and services, which includes land transfer duty, at 38.7%. The second highest proportion of revenue is expected from payroll taxes at 25.7% followed by taxes on property at 21.4%.

Figure 2.4 illustrates state taxation by source in 2019–20, 2020–21 and over the forward estimates.

**Figure 2.4 State taxation by revenue stream, 2020–21 to 2023–34**



Source: Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 155.

### The impact of COVID-19 on taxation revenue

State based taxation has been heavily impacted by restrictions on economic activity imposed in response to COVID-19. Total taxation revenue dropped 1.8% from 2018–19 to 2019–20 and is expected to drop a further 9.7% from 2019–20 to 2020–21.<sup>34</sup>

Payroll tax fell 7.6% from 2018–19 to 2019–20 and is expected to fall by a further 7.3% from \$5.8 billion in 2019–20 to \$5.4 billion in 2020–21.<sup>35</sup> The fall is driven primarily by weak labour market conditions, which can be largely attributed to COVID-19 restrictions. It also reflects government tax expenditure initiatives for small and medium sized businesses. Payroll tax revenue is expected to recover in 2021–22 and grow by an average of 9.8% a year over the forward estimates.<sup>36</sup>

Gambling tax revenue fell by 14.8% from 2018–19 to 2019–20 and is expected to fall by a further 15.8% between 2019–20 and 2020–21.<sup>37</sup> The substantial decrease in revenue collected from gambling taxes can be largely attributed to the temporary closure of Crown Casino and other gaming venues as part of COVID-19 restrictions. Gambling

<sup>34</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 154 (Committee calculation).

<sup>35</sup> Ibid., p. 155 (Committee calculation).

<sup>36</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 155.

<sup>37</sup> Ibid.

revenue is expected to recover moderately, driven primarily by increases in electronic gaming machine revenue and supported by lotteries, racing and sports betting. Gambling revenue overall is expected to grow by an average of 16.4% over the forward estimates.<sup>38</sup>

Motor vehicle taxes were not impacted by COVID-19 as strongly as other state taxation revenue streams. In 2019–20, the Government collected around \$2.7 billion in motor vehicle taxes, down from the \$2.8 billion that was forecast in the 2019–20 Budget.<sup>39</sup> The drop comes primarily from falls in the duty collected on vehicle registrations and transfers. The fall is attributable to there being less vehicle registrations for the period due to the restrictions on mobility during the pandemic, as well as less consumer spending. While revenue in this category is expected to increase over the forward estimates, the Committee notes that consumer spending in response to weaker economic conditions will continue to be a drag on revenue growth.<sup>40</sup>

Taxes collected from insurance are expected to be \$1.5 billion in 2020–21, a 2.4% increase from 2019–20 result, and are forecast to grow by 6.3% a year on average over the forward estimates. Revenue collected from taxes on insurance is expected to be broadly unaffected by COVID-19 and related restrictions.<sup>41</sup>

### Land transfer duty and land tax

Land transfer duty is a tax payable on most transactions resulting in a change of ownership of land and other real estate assets, while land tax is an annual tax on land. They are major components of the State's taxation revenue stream and in 2020–21 are expected to make up 38% of such revenue. Movements in land transfer duty and land tax estimates are outlined in Table 2.2.

**Table 2.2** Changes to land transfer duty and land tax estimates

	2019–20 budget (\$ billion)	2019–20 actual (\$ billion)	2020–21 budget (\$ billion)	Percentage change 2019–20 budget to 2020–21 budget		Percentage change 2019–20 actual to 2020–21 budget	
Land tax	3.7	3.4	3.5	↓	-4.3%	↑	1.6%
Land transfer duty	5.9	6.1	4.6	↓	-22.8%	↓	-25.9%

Note: Percentage variances may not add up due to rounding.

Source: compiled by the Public Accounts and Estimates Committee.

<sup>38</sup> Ibid., p. 156.

<sup>39</sup> Ibid., p. 155.

<sup>40</sup> Ibid. pp. 155–156.

<sup>41</sup> Ibid. p. 156.

### 2.3.4 Sales of goods and services

Revenue from the sale of goods and services is expected to be \$8.4 billion in 2020–21, up 6.7% from the 2019–20 result of \$7.9 billion.<sup>42</sup> Growth in revenue from the sale of goods and services is expected to average 3.9% a year over the forward estimates. This growth largely reflects:

- An expected recovery in public transport fare revenue from 2021–22 onward
- Increases in capital asset charge revenue from VicTrack.<sup>43</sup>

### 2.3.5 Dividends

Dividends and income tax equivalent income are primarily sourced from the public non-financial corporation (PNFC) and public financial corporation sectors. Forecast income from this stream is based on the State's dividend policy and expected profitability.<sup>44</sup>

Total dividends, income tax equivalent and rate equivalent income revenue for 2020–21 is expected to be \$534 million. This represents a decrease of 34.1% on the 2019–20 result of \$810 million. Revenue is then expected to increase at an average of 4.3% a year over the forward estimates.<sup>45</sup> The budget papers outline that the decline in 2020–21 is primarily due to lower profits from the metropolitan water corporations due to public health restrictions.<sup>46</sup>

## 2.4 Expenditure and expenses

The Government's output expenditure relates to the delivery of services, including education, health, public order and safety, and transport. This section of the report provides an overview of output expenditure for the general government sector in 2020–21 and over the forward estimates. It also examines spending on major outputs.

Government expenditure in 2019–20 and 2020–21 has been characterised by sharp increases in response to the COVID-19 pandemic. Total output expenditure in 2020–21 is expected to be \$90 billion.<sup>47</sup> This represents an increase of 20.8%<sup>48</sup> on the result for 2019–20 and a 28.6% increase on the original amount budgeted for 2019–20.<sup>49</sup> Expenses are expected to decline in 2021–22 by 6.2%, before growing by 0.1% in 2022–23 and 3.4% in 2023–24.<sup>50</sup>

<sup>42</sup> Ibid.

<sup>43</sup> Ibid., p. 173.

<sup>44</sup> Ibid., p. 20.

<sup>45</sup> Ibid., p. 174.

<sup>46</sup> Ibid.

<sup>47</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 73.

<sup>48</sup> Ibid., p. 69.

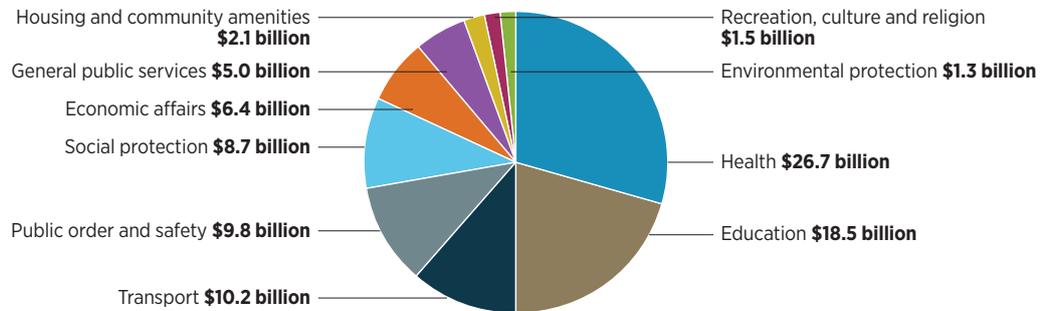
<sup>49</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2019, p. 52.

<sup>50</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 69.

## 2.4.1 Expenses by functions of government

Expenses incurred by the Government can be categorised by function of government (Figure 2.5).

**Figure 2.5 Expenses by classification of the functions of government, 2020–21**



Source: Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 21.

Health and education together make up over just 50% of all government expenditure in 2020–21.<sup>51</sup>

Compared to allocations made in the 2019–20, all but the housing and community amenities functions of government are forecast to increase in 2020–21.<sup>52</sup> The largest percentage increase in expenses by function of government is in the area of economic affairs, which is expected to increase by 220% from \$2 billion allocated<sup>53</sup> in 2019–20 to \$6.4 billion in 2020–21.<sup>54</sup> This is largely due to initiatives around supporting businesses and households as part of the Government’s response to COVID-19. Spending in the economic affairs classification will drop significantly over the forward estimates, with a decline of 60% in 2021–22 with slower but steady declines to 2023–24.<sup>55</sup>

In dollar terms, the largest increases from 2019–20 to 2020–21 are in health (\$5.9 billion), economic affairs (\$4.4 billion) and social protection (\$2.9 billion).

**FINDING 13:** The largest percentage increase in expenses is in economic affairs, which is expected to increase by 220% from \$2 billion allocated in 2019–20 to \$6.4 billion in 2020–21.

<sup>51</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 29.

<sup>52</sup> Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 31.

<sup>53</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

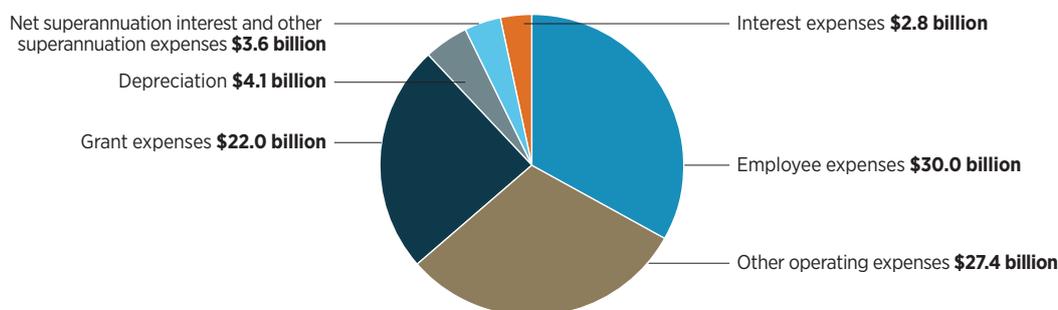
<sup>54</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 29 (Committee calculation).

<sup>55</sup> Ibid.

## 2.4.2 Components of output expenditure

Components of output expenditure for the general government sector in 2020–21 are illustrated in Figure 2.6.

**Figure 2.6** Components of output expenditure, 2020–21



Source: Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 9.

The three largest components of output expenditure in 2020–21 are employee expenses (33%), other operating expenses (30%) and grant expenses (25%).

### Employee expenses

Employee expenses are the largest component of the Government's output expenditure and the State's largest expense overall. Employee expenses encompass the costs of employment, including wages and salaries, superannuation, fringe benefits tax, leave entitlements and redundancy payments.<sup>56</sup>

In 2020–21, employee expenses are expected to be \$30 billion.<sup>57</sup> While employee expenses in 2020–21 are forecast to be 10.1% higher than the 2019–20 actual result of \$27.2 billion, they are 14.4% higher than the initial \$26.2 billion budgeted for 2019–20. While growth in most other expenses is expected to moderate over the forward estimates, employee expenses are expected to grow at an annual average of 3.4%, reaching \$33.3 billion in 2023–24.<sup>58</sup>

According to the budget papers, increases in employee expenses are primary attributable to increased service delivery in health, education and community safety sectors in response to COVID-19, along with salary growth.<sup>59</sup>

The employee expense to revenue ratio can be used as an indicator to assess the capacity of the Government to service public sector employee costs. In 2020–21, the employee expenses to revenue ratio is forecast to reach 44.9%. This is 9.4 percentage points above the 10-year average of 35.5%. The ratio is then expected to average at

<sup>56</sup> Ibid., p. 224.

<sup>57</sup> Ibid., p. 9.

<sup>58</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 69.

<sup>59</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 224.

42.5% from 2020–21 to 2023–24.<sup>60</sup> Over the same period, nominal employee expenses are expected to be 8.1% higher compared to the Government's 2019–20 Budget Update, largely reflecting increases in employment in response to COVID-19.<sup>61</sup>

Employee expenses also represent a fiscal risk to the Government. Wage growth and the number of employees are two important determinants in how much the Government will spend. Rostering arrangement and the composition of the workforce also have an impact on projected employee expenses.

**FINDING 14:** In 2020–21, the employee expenses to revenue ratio is forecast to reach 44.9%. This is 9.4 percentage points above the 10-year average of 35.5%. This is largely due to the increase in employee expenses in the areas of health, education and community safety in response to COVID-19.

### Other operating expenses

Other operating expenses represent the general running costs of government operations and include the purchase of supplies, consumables and services.<sup>62</sup> Other operating expenses are the second highest operating expense to the State and are expected to reach \$27.4 billion in 2020–21. Other operating expenses are expected to be 23.2% higher in 2020–21 than in 2019–20 but are then forecast to decline by 12.9% in 2021–22. Over the forward estimates, other operating expenses are expected to decline by an average of 4.4% a year.<sup>63</sup> The decline is in line with the Government's strategy to reduce expenditure over the forward estimates.

### Grant expenses

Grant expenses refer to grants, subsidies, personal benefit payments made in cash to individuals, transfer payments made to the Commonwealth, local government, non-government school and community groups. Grant expense amounts are forecast on the basis of known activity and adjusted by the appropriate economic parameters.

In 2020–21, grant expenses are expected to be \$22 billion, an increase of 43.6%<sup>64</sup> from the 2019–20 result.<sup>65</sup> The substantial increase primarily reflects payments made by government to businesses as part of COVID-19 support measures. Consistent with reduced economic stimulus over the forward estimates, grant expenses are expected to decline by 14.5% in 2021–22 and continue to decline by an average of 7.3% a year over the forward estimates.<sup>66</sup>

<sup>60</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

<sup>61</sup> Ibid.

<sup>62</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 28.

<sup>63</sup> Ibid.

<sup>64</sup> Department of Treasury and Finance, *Budget Paper No. 5: 2019–20 statement of finances*, Melbourne, 2019, p. 159.

<sup>65</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 73.

<sup>66</sup> Ibid.

## Depreciation expenses

Depreciation expenses are forecast on the basis of known asset profiles, the asset sales program and approved new investment. In 2020–21, depreciation expenses are expected to be \$4.1 billion, an increase of 6.4% from 2019–20.<sup>67</sup> Depreciation expenses are then expected to grow steadily over the forward estimates by an average of 5.3%. The Committee notes that this growth is generally in line with the Government's increase in infrastructure investment. The major components of depreciation expenses in 2020–21 include buildings (50.6%), roads and road networks (23.1%), and plant, equipment and vehicles (19.8%).<sup>68</sup>

## Interest expenses

Interest expenses are based on forecast levels of outstanding general government sector debt and non-current financial liabilities. The budget papers outline that government debt is expected to primarily comprise of fixed-rate facilities from the Treasury Corporation Victoria, lease liabilities and service concession financial liabilities. The Budget forecasts interest expenses to be \$2.8 billion in 2020–21, an increase of 20.8% from the 2019–20 result of \$2.3 billion.<sup>69</sup> The Treasurer told the Committee that record low interest rates mean that the increase in borrowing remains manageable:

To give you an illustration, interest expenses as a total share of revenue remains more than manageable, averaging only 4.4 per cent of revenue per year over the forward estimates period, just 1 per cent higher than in 1920.<sup>70</sup>

The Committee notes, however, that recent credit ratings have increased the Government's cost of borrowing. As a consequence, interest expenses are likely to increase beyond \$2.8 billion in 2020–21 and above forecasts over the forward estimates. A further discussion on the State's debt profile is available in Section 2.6 while further information on the impact of credit ratings changes is available in Section 2.6.3.

## Superannuation expenses

Superannuation expenses are expected to be \$3.6 billion in 2020–21, rising moderately over the forward estimates to reach a forecast \$3.8 billion in 2023–24.<sup>71</sup>

<sup>67</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 69.

<sup>68</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 35.

<sup>69</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 69.

<sup>70</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 2.

<sup>71</sup> *Ibid.*

## 2.5 Asset investment

Asset investment is government funding used to acquire or construct non-financial assets, including road infrastructure, land, buildings and rolling stock.<sup>72</sup> Asset investment differs from output expenditure, which funds the provision of goods and services.

The 2020–21 Budget includes total estimated investment (TEI) of \$19.8 billion to fund capital projects, the largest capital program in the State's history.<sup>73</sup> Further, \$134 billion worth of projects are commencing or currently underway in 2020–21.<sup>74</sup> These include projects in both the general government and PNFC sector.

Increased net asset investment is largely due to transport infrastructure projects, followed by housing, education and health projects. The Committee notes that the 2020–21 Budget does not include a separate budget paper relating to the State Capital Program and therefore does not provide TEI for all projects.

### 2.5.1 Omission of the State Capital Program budget paper

For the 2020–21 Budget, the Government did not produce a State Capital Program budget paper. Due to the lack of detailed information in the Budget, the Committee is unable to determine the extent to which increasing costs related to asset investment reflect rephasing of spending, or higher than expected costs, on existing projects.

In response to the Committee's Questionnaire, DTF and the Department of Transport outlined several mechanisms for reporting on the outcomes of large-scale infrastructure projects. These include:

- Budget papers
- DTF annual reports
- Respective project and program governance arrangements.<sup>75</sup>

With an historic increase in infrastructure investment it is important there is clear reporting that allows the Parliament and the community more broadly to effectively access all relevant information.

**FINDING 15:** For the 2020–21 Budget, despite record infrastructure investment commitments, the Government did not produce a State Capital Program budget paper.

<sup>72</sup> Net asset investment is asset investment less sales of non-financial assets, depreciation and amortisation, and other movements in non-financial assets.

<sup>73</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 83.

<sup>74</sup> *Ibid.*, p. 96.

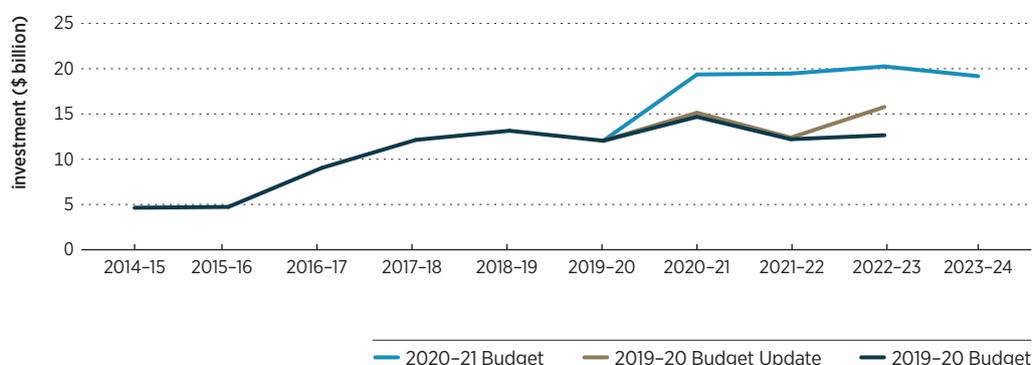
<sup>75</sup> Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, received 1 December 2020, pp. 72–78.

## 2.5.2 Infrastructure investment

General government infrastructure investment refers to the purchases of property, plant and equipment and net contributions to other sectors of government. The figures outlined in this section refer to general government infrastructure investment and estimated construction costs for public private partnerships.

Infrastructure investment has increased substantially in the 2020–21 Budget. Total government infrastructure investment is expected to be \$19.4 billion in 2021, an increase of 22.8% from what was forecast in 2020–21 in the 2019–20 Budget Update.<sup>76</sup> Figure 2.7 illustrates increases in infrastructure investment as outlined in the 2020–21 Budget and the 2019–20 Budget Update, using figures from the 2019–20 Budget as a base.

**Figure 2.7** General government infrastructure investment, 2014–15 to 2023–24



Source: Department of Treasury and Finance, 'Government infrastructure investment - General Government', November 2020.

The Government forecasts net asset investment to be \$12.4 billion higher in the period from 2020–21 to 2022–23 compared to the 2019–20 Budget Update. This rise is largely due to an upwards revision of non-financial asset purchases by \$18.3 billion. This upwards revision is partly offset by \$5.9 billion in other movements in non-financial assets, driven by the transfer of assets to other sectors of government, recognition of the right-to-use assets under lease arrangements and recognition of public private partnerships (PPPs) and other service concession arrangements.<sup>77</sup>

### Key components of infrastructure investment

Three major components make up government infrastructure investment. They are:

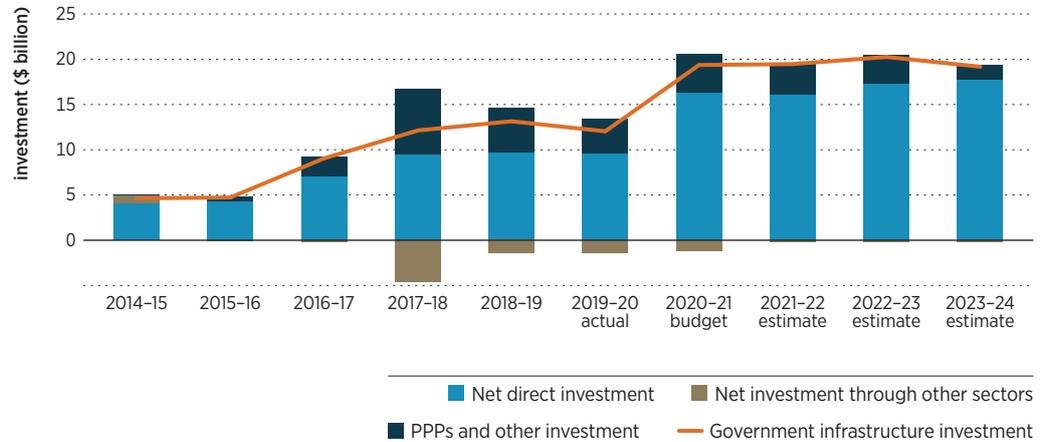
- Net direct investment
- Net investment through other sectors
- PPPs and other investment.

<sup>76</sup> Department of Treasury and Finance, *2019–20 Budget Update*, Melbourne, 2019, p. 4 (Committee calculation).

<sup>77</sup> Parliamentary Budget Office, *Victorian Budget 20/21 - Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

Figure 2.8 below illustrates the three major components of government infrastructure investment since 2014–15 and over the forward estimates.

**Figure 2.8 Components of government infrastructure investment, 2014–15 to 2023–24**



Source: Department of Treasury and Finance, *Consolidated Cash Flow Statement – General Government Sector* (2020)

While government infrastructure investment overall has increased, net direct investment has also increased in proportion to net investment through other sectors and investment through PPPs.

### 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.

Net direct investment has been and continues to be the largest component of government infrastructure investment. Net direct investment in 2020–21 is expected to be \$16.3 billion, growing moderately over the forward estimates to reach \$18.1 billion in 2023–24.<sup>78</sup>

In 2020–21, the Department of Transport holds the largest proportion of net direct investment at \$7 billion, followed by the Department of Education and Training at \$2.2 billion and the Department of Health and Human Services at \$2 billion.<sup>79</sup> There is also \$6.7 billion classified under asset contingencies not allocated to departments, most of which is attributable to decisions made but dollars not yet allocated. The Committee notes that asset contingencies not allocated to departments are expected to grow substantially over the forward estimates to reach \$12.6 billion in 2023–24.<sup>80</sup>

<sup>78</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 31.

<sup>79</sup> *Ibid.*, p. 31.

<sup>80</sup> *Ibid.*

The Budget also makes \$3.3 billion worth of negative adjustments to net direct investment in 2020–21. The Government outlines that these adjustments primarily comprise of estimated departmental underspend, which may be subject to carryover, and other regulatory bodies and part-funded agencies' estimated underspend.<sup>81</sup>

### Net investment through other sectors

Net investment through other sectors refers to the Government determining that an asset will be owned by a government business enterprise, normally a PNFC. Under such an arrangement, the Government invests in the business enterprise then directs the business to invest in the asset.

Net investment through other sectors, or net cash flows from investment in financial assets for policy purposes, is expected to be negative \$1.2 billion in 2020–21. Cashflow is expected to move closer to positive territory over the forward estimates and is forecast to reach negative \$220 million in 2023–24.<sup>82</sup>

### Public private partnerships and other investment

Public private partnerships (PPPs) and other investment refers to financial arrangement 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 \$4.3 billion in 2020–21, an increase of 11.7% on the 2019–20 result of \$3.8 billion.<sup>83</sup> The Committee notes, however, that initially \$5 billion was allocated to PPPs and other investment in the 2019–20 Budget. Expenditure on PPPs is expected to drop steadily over the forward estimates, reaching an expected \$2.8 billion in 2023–24.<sup>84</sup>

There are currently four PPP projects in development which in total represent more than \$10 billion in capital investment. These four projects are:

- Frankston Hospital Redevelopment
- New Footscray Hospital
- North East Link
- Public Housing Renewal Project.<sup>85</sup>

There are also currently four PPP projects in the construction phase:

- High Capacity Metro Trains
- Metro Tunnel

<sup>81</sup> Ibid.

<sup>82</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 103.

<sup>83</sup> Department of Treasury and Finance, *2020–21 Budget Consolidated General Government Comprehensive Operating Statement*, Melbourne, 2020.

<sup>84</sup> Ibid.

<sup>85</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 98.

- West Gate Tunnel
- Western Roads Upgrade.<sup>86</sup>

The Victorian Government states that the ‘PPP model promotes efficiency and social and economic returns from government expenditure and ensures value for money in the long-term’.<sup>87</sup> Partnership Victoria’s *Excellence in public private partnerships* document outlines that risk allocation for project sustainability is balanced with acceptable risk transfer from the public to private sector.<sup>88</sup> Transport PPPs are discussed in detail in Chapter 5 of this report.

**FINDING 16:** There are currently four public private partnerships (PPPs) projects in development representing more than \$10 billion in capital investment and a further four PPP projects in the construction phase.

## Risks

The Government’s large-scale infrastructure investment program represents a fiscal risk that needs to be carefully managed. The increase in construction projects in Victoria coincides with similar increases in other states and territories. The Committee notes that investment is likely to remain elevated over the medium-term. This is likely to put pressure on some sections in the construction industry and strain supply chains, potentially leading to delayed delivery timetables and increased costs.<sup>89</sup> The Treasurer told the Committee that:

If you are looking on the infrastructure side, already [...] we are seeing capacity constraints, and we are multiplying by a figure of four times the investment we are making in our infrastructure. You get a law of diminishing returns if you cannot deal with the capacity constraints, whether it be around skills in the workforce, whether it be competition in the marketplace or indeed the state’s capacity to oversight delivery. So there is a point at which you say the law of diminishing returns starts to take effect.<sup>90</sup>

The global credit ratings agency, Standard & Poor’s, have highlighted similar concerns, flagging risks of cost overruns, skilled labour shortages and project delays. The agency argues that Victoria may struggle to deliver on its budgeted capital spending, forecasting that only 85% of planned asset investment will be delivered each year.<sup>91</sup>

<sup>86</sup> Ibid.

<sup>87</sup> Partnerships Victoria, *Excellence in public private partnerships*, Melbourne, 2017, p. 1.

<sup>88</sup> Ibid., pp. 3–5.

<sup>89</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 80.

<sup>90</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 25.

<sup>91</sup> S&P Global Ratings, *Australian State of Victoria Rating Lowered To ‘AA’ On Structurally Weaker Fiscal Outlook; Outlook Stable*, 6 December 2020, <[https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/type/HTML/id/2566012](https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2566012)> accessed 20 December 2020.

## 2.6 Debt

In response to the economic crisis caused by COVID-19, the Government has substantially increased the uptake of debt to offset falling revenue and rising expenditure. Actual net debt in 2019–20 was recorded at \$44.3 billion, or 9.6% of GSP. Net debt is forecast to rise to \$154.8 billion, or 28.9% of GSP, in 2023–24 – up approximately two and a half times compared to previous forecasts.<sup>92</sup>

The Committee previously highlighted the Government’s commitment of stabilising net debt at 12% of GSP over the medium term. The increase in the debt to GSP ratio was primarily due to the uptake of debt to deliver the North East Link, Melbourne Airport Rail link and 25 additional level crossing removals. The Committee was told that the Government will consider further financial reform opportunities in the 2021–22 Budget.<sup>93</sup>

The Committee notes that although the cost of borrowing is currently at historic lows, the increase in debt is considerable and substantially more than previously forecast. The Treasurer told the Committee that COVID-19 related debt would only begin to be paid back after the forward estimates period, from years five to eight.<sup>94</sup> Moreover, Victoria is projected to have the highest levels of net debt of all states and territories both in 2020–21 and over the forward estimates.<sup>95</sup>

### 2.6.1 COVID-19 borrowing

A large portion of government debt is related to the ongoing public infrastructure program, although increases in asset investment can also be classified as part of the Government’s overall response to the crisis.

Net borrowing represents operating revenue minus expenses for the financial year and is an indicator of the Government’s need to raise debt to fund its policies and programs. From 2015–16 to 2019–20, net borrowing averaged 3.7% of revenue.<sup>96</sup> From 2020–21 to 2023–24, net borrowing as a proportion of revenue is expected to average 29.3%.<sup>97</sup> The Treasury Corporation of Victoria is expected to raise \$19.4 billion in 2020–21 and around \$25.6 billion in 2021–22.<sup>98</sup>

The State of Victoria borrows from several sources. Figure 2.9 illustrates the sources of borrowings from 2020 to 2024 with current and non-current borrowings aggregated.

<sup>92</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 7.

<sup>93</sup> Hon Danny Pearson, Assistant Treasurer, 2020–21 Budget estimates (Assistant Treasurer) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 2.

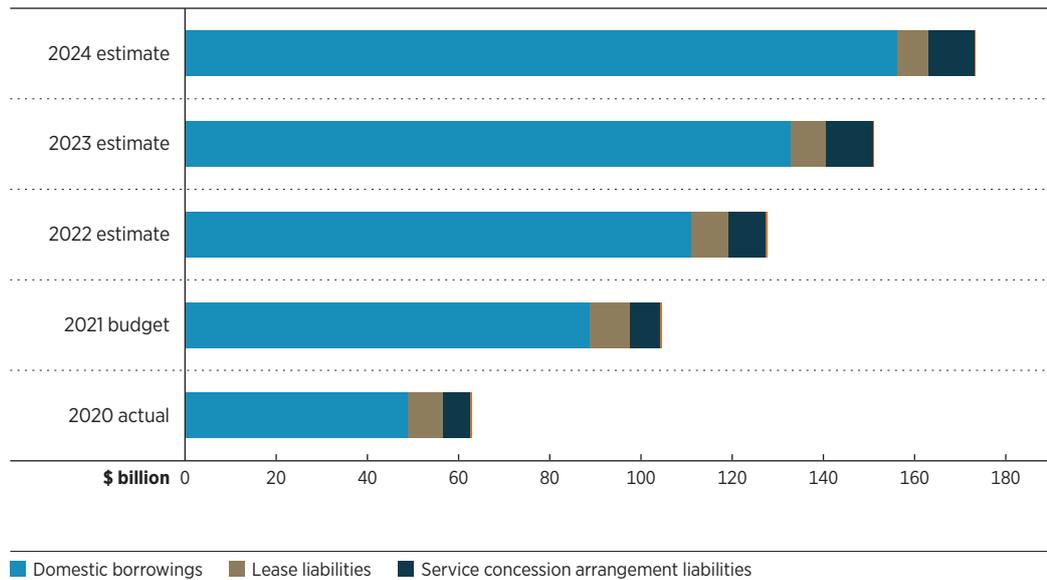
<sup>94</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 7.

<sup>95</sup> Committee calculation, see Section 2.6.2.

<sup>96</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

<sup>97</sup> *Ibid.*

<sup>98</sup> Mr David Martine, Secretary, Department of Treasury and Finance, 2020–21 Budget estimates (Treasurer) hearing, 1 December 2020, *Transcript of evidence*, p. 16.

**Figure 2.9 State of Victoria, sources of borrowings, 2020–2024**

Source: Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 38 (Committee calculation).

The chart shows that the vast amount of borrowings conducted by the Government are sourced from domestic borrowings. Such borrowings are issued by the Treasury Corporation of Victoria in the form of government bonds.

In his presentation to the Committee at the public hearings, the Treasurer outlined that borrowing to respond to the crisis is not only prudent but necessary. Explaining the cost of debt, the Treasurer told that Committee:

The governor of the RBA has been very clear about the economic prescription for these unprecedented times, and that message is clear: ‘Increase your borrowing’. That is exactly what we are doing. We are putting our credit rating to work where it is needed most to help Victorians now and into the future, and we are prioritising the use of our balance sheet to support employment, business and consumer confidence and of course household budgets. Record low interest rates mean that the increase in borrowing remains manageable.<sup>99</sup>

The Committee notes that the cost of debt is at historic lows. Bond prices have also reflected the ongoing decline in interest rates, with TCV 10-year bond yields at 1.27% and 10-year Commonwealth bond yields at 0.97%<sup>100</sup> in early 2021.<sup>101</sup>

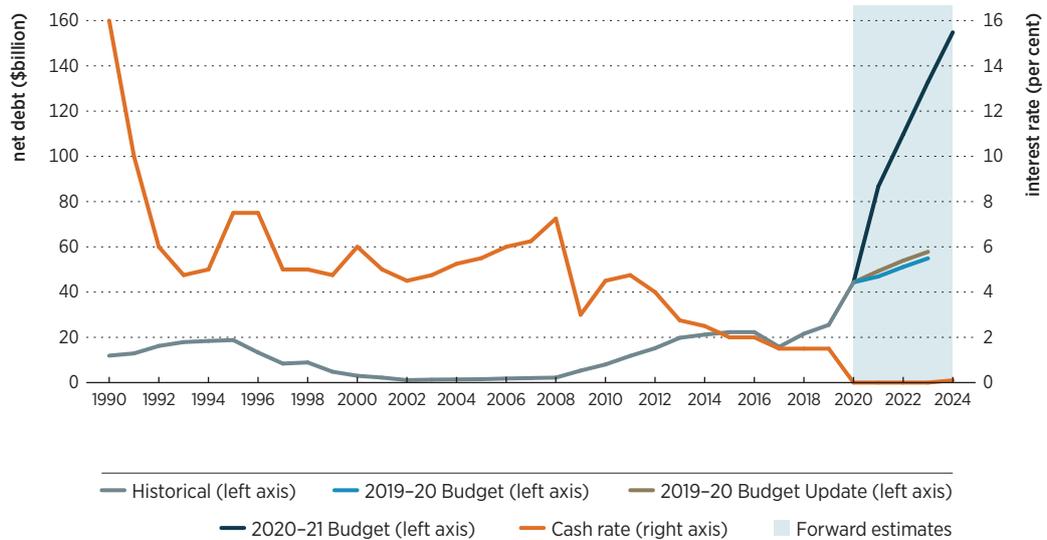
Figure 2.10 illustrates historic public net debt from 1990 until the end of the forward estimates period. The chart also plots debt expectations from the 2019–20 Budget and 2019–20 Budget Update and incorporates the RBA’s target cash rate over the period.

<sup>99</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 2.

<sup>100</sup> As at 18 January 2021.

<sup>101</sup> Treasury Corporation of Victoria, *Interest Rates*, 2021, <<https://www.tcv.vic.gov.au/tcv-bonds/interest-rates>> accessed 18 January 2021.

Figure 2.10 Net debt, general government sector and interest rate, 1990 to 2024



Source: Department of Treasury and Finance, *2020-21 Budget Consolidated General Government Comprehensive Operating Statement*, Melbourne, 2020; Reserve Bank of Australia, *Cash Rate Target*, 2021, <<https://www.rba.gov.au/statistics/cash-rate>> accessed 22 January 2021 (Committee calculation).

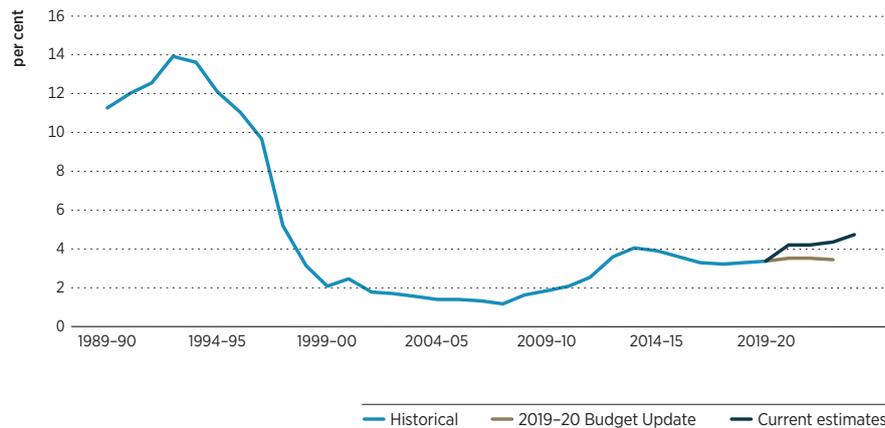
As shown above, the increase in net debt in 2020 and over the forward estimates is substantial. The Committee also notes the increase in forecast debt from the previous budget and budget update compared to this year’s budget, particularly regarding debt levels over the forward estimates.

The Government has outlined that low interest rates means the increase in borrowings can be managed without significantly increasing the proportion of funds spent on interest payments.<sup>102</sup> The Budget also provides that borrowings will continue to grow until there is an alignment of revenues with expenses.<sup>103</sup>

The interest expense to revenue ratio—a long-term indicator of the State’s ability to service its debt—is expected to remain manageable. The Committee notes that from highs in the early 1990s, the ratio saw a significant decline until trending upwards since the late 2000s. Figure 2.11 visualises historical changes in the ratio and its expected trend over the forward estimates.

<sup>102</sup> Department of Treasury and Finance, *Budget Overview*, Melbourne, 2020, p. 5.

<sup>103</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020-21 strategy and outlook*, Melbourne, 2020, pp. 7-8.

**Figure 2.11 Interest expense to revenue ratio**

Source: Department of Treasury and Finance, *Budget Paper No. 2: 2020-21 strategy and outlook*, Melbourne, 2020, p. 65.

The Government highlights that the ratio is expected to average 4.4% a year over the forward estimates.<sup>104</sup> However, the ratio will trend upwards over the forward estimates, with forecast interest expense to revenue to reach 4.8% in 2023-24.<sup>105</sup>

S&P, in their fiscal outlook for Victoria, highlighted the effect large-scale investment and borrowing will have on the State's finances, stating:

Although the state's four-year A\$78.4 billion capital plan will help stimulate the economy and address infrastructure needs, it will drive the state's after-capital account into very large and persistent deficits. We forecast these deficits will average more than 20% of total revenues for the foreseeable future. They will peak at a large 56% of total revenues in 2021. The state's record infrastructure program is focused on needed transport projects, including roading, rail crossing removals, and public transport. Before the second outbreak we expected after-capital account deficits to narrow to about 5% of total revenues in 2022. We now project them to be 24%.<sup>106</sup>

Overall, while the increase in debt is substantial, the Committee believes it will be manageable.

**FINDING 17:** Actual net debt in 2019-20 was recorded at \$44.3 billion, or 9.6% of gross state product (GSP). Net debt is forecast to rise to \$154.8 billion, or 28.9% of GSP, in 2023-24.

<sup>104</sup> Ibid. p. 65.

<sup>105</sup> Parliamentary Budget Office, *Victorian Budget 20/21 – Independent Snapshot*, 2020, <[https://pbo.vic.gov.au/Victorian\\_Budget\\_20%2f21\\_-\\_independent\\_snapshot](https://pbo.vic.gov.au/Victorian_Budget_20%2f21_-_independent_snapshot)> accessed 10 January 2021.

<sup>106</sup> S&P Global Ratings, *Australian State of Victoria Rating Lowered To 'AA' On Structurally Weaker Fiscal Outlook; Outlook Stable*, 6 December 2020, <[https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/type/HTML/id/2566012](https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2566012)> accessed 20 December 2020.

## 2.6.2 Jurisdictional comparison

There has been a rise in public debt worldwide in 2020 and 2021 as governments provide support to their economies the wake of COVID-19. The International Monetary Fund predicts that global public debt will reach a record high, with deficits set to increase significantly.<sup>107</sup> The uptake of debt by the Victorian Government reflects a broader trend both nationally and internationally of increased public borrowing.

Other states and territories have also undertaken varying amounts of public borrowing, depending on both their population size and economic responses to the COVID-19 crisis. Victoria has one of the largest populations, and has experienced the most extensive restrictions in response to the COVID-19 pandemic, which in turn has required the Government to provide greater economic support than other states. As such, Victoria has borrowed the most out of all states and territories, meaning it is projected to have the highest levels of net debt out of all states and territories both in 2020–21 and over the forward estimates. Table 2.3 below outlines net debt of Australian jurisdictions.

**Table 2.3** General government sector net debt, Commonwealth and Australian states and territories, 2020–21 and forward estimates

	2020–21	2021–22	2022–23	2023–24
	(\$ billion)	(\$ billion)	(\$ billion)	(\$ billion)
Victoria	86.7	109.7	132.9	154.8
New South Wales	53.2	75.4	91.8	104.3
Queensland	25.5	35.5	44.2	50.8
Western Australia	39.3	41.7	42.9	42.8
South Australia	15.3	19.4	22	24.5
Northern Territory	8.4	10.1	11.1	12.0
Australian Capital Territory <sup>a</sup>	4.9	6.3	7.2	7.9
Tasmania	1.9	2.9	3.7	4.4
Commonwealth	703.2	812.1	899.8	966.2

a. As the ACT budget has been postponed until later in 2021, forecasts used here are from the Pre-Election Budget Update released in September 2020.

Source: Compiled by the Public Accounts and Estimates Committee.

Given the increased expenditure and falling revenue state and territory governments have recorded, operating balances have come under pressure. Budget deficits are forecast to become a feature of state and territory budgets in 2020–21 and over the forward estimates. Again, Victoria is expected to record the largest deficit aside from the Commonwealth in 2020–21 and over the forward estimates. Table 2.4 outlines operating surpluses and deficits across Australian jurisdictions.

<sup>107</sup> International Monetary Fund, *Fiscal Monitor – Policies for the Recovery*, October 2020, Washington, p. xi.

**Table 2.4** Operating balances, Commonwealth and Australian states and territories, 2020–21 and forward estimates

	2020–21	2021–22	2022–23	2023–24
	(\$ billion)	(\$ billion)	(\$ billion)	(\$ billion)
Victoria	(23.3)	(13.1)	(6.7)	(5.9)
New South Wales	(16)	(6.8)	(2.1)	(0.5)
Queensland	(8.6)	(4.3)	(2.5)	(1.4)
Western Australia	1.2	0.4	1.1	1.5
South Australia	(2.6)	(1.4)	(0.4)	0.4
Northern Territory	(1.7)	(0.8)	(0.8)	(0.7)
Australian Capital Territory <sup>a</sup>	(0.9)	(0.7)	(0.5)	(0.4)
Tasmania	(1.1)	(0.3)	0.01	0.02
Commonwealth	(213.7)	(112)	(87.9)	(66.9)

a. As the ACT budget has been postponed until later in 2021, forecasts used here are from the Pre-Election Budget Update released in September 2020.

Note: Brackets signify a negative number.

Source: Compiled by the Public Accounts and Estimates Committee.

The tables show that only the Commonwealth Government is expected to record higher levels of net debt and larger deficits than Victoria in 2020–21 and over the forward estimates.

**FINDING 18:** Data from all Australian budgets shows that Victoria is forecast to record the highest levels of net debt out of all states and territories both in 2020–21 and over the forward estimates.

**FINDING 19:** Data from all Australian budgets shows that Victoria is forecast to record the largest deficit out of all states and territories in 2020–21 and over the forward estimates.

### 2.6.3 Credit ratings

Credit ratings are long-term forward-looking opinions on the ability and willingness of debt issuers, in this case governments, to meet their full financial obligations in a timely manner. The State of Victoria is rated by two international rating agencies, Standard and Poor's (S&P) and Moody's Investors Service (Moody's). Both agencies conduct an annual review of the State's:

- economic structure and prospects
- financial performance and outlook
- balance sheet position

- liquidity and debt management strategy
- the Government's fiscal strategy.<sup>108</sup>

The current ratings of state debt are provided in Table 2.5.

**Table 2.5 Credit ratings for the State of Victoria**

Agency	Long-term domestic rating	Long-term rating foreign currency	Short-term rating
S&P	AA	AA	A-1+
Moody's	Aaa	Aaa	P-1

Source: Treasury Corporation of Victoria, *Credit Ratings*, 2021, <<https://www.tcv.vic.gov.au/tcv-bonds/credit-ratings>> accessed 18 January 2021.

The State has held an 'Aaa' rating from Moody's since it was upgraded in 2002,<sup>109</sup> while it held a 'AAA' rating from S&P since 1998.<sup>110</sup> On 7 December 2020, S&P lowered its long-term issuer credit rating on Victoria from 'AAA' from 'AA'. On 23 February 2021, Moody's downgraded Victoria's credit rating to Aa1 from Aaa.<sup>111</sup>

The downgrade comes after a review was initiated on 10 December 2020 and reflects Moody's assessment that the State's 'governance has weakened, with policy priorities leading to a very sharp increase in the state's debt burden for a prolonged period, significantly diminishing the state's capacity to respond to future shocks'.<sup>112</sup>

Moody's further outlined that Victoria is facing substantial operating deficits as the Government responds to the COVID-19 crisis, along with a significant capital spending program.<sup>113</sup>

Moody's states that Victoria's debt burden will rise sharply and remain elevated for the remainder of the decade. Moody's forecasts that the State's net debt will exceed 200% of its revenue in 2023–24, compared with 79% in 2019–20.<sup>114</sup>

S&P outlined that COVID-19 has dealt Victoria a severe economic and fiscal shock, weakening its credit metrics more than domestic and international 'AAA' and 'AA+' rated states. As part of their rationale, S&P further stated that:

the Victorian government's path to fiscal repair will be more challenging and prolonged than other states because of the significant increase in debt stock projected over the

<sup>108</sup> Department of Treasury and Finance, *State Credit Rating*, 2020, <<https://www.dtf.vic.gov.au/economic-and-financial-updates/state-credit-rating>> accessed 20 January 2021.

<sup>109</sup> Moody's Investors Service, *Treasury Corporation of Victoria*, 17 December 2020, <<https://www.moodys.com/credit-ratings/Treasury-Corporation-of-Victoria-credit-rating-800934>> accessed 18 December 2020.

<sup>110</sup> Ibid.

<sup>111</sup> Moody's Investor Service, *Moody's downgrades the state of Victoria's rating to Aa1; changes outlook to negative*, 23 February 2021, <[https://www.moodys.com/research/Moodys-downgrades-the-state-of-Victorias-rating-to-Aa1-changes--PR\\_439839](https://www.moodys.com/research/Moodys-downgrades-the-state-of-Victorias-rating-to-Aa1-changes--PR_439839)> accessed 23 February 2021.

<sup>112</sup> Ibid.

<sup>113</sup> Ibid.

<sup>114</sup> Ibid.

next few years and the state's more limited flexibility to repair its balance sheet through asset sales and some degree of uncertainty about the government's policy position with respect to expense management.<sup>115</sup>

S&P contend that the Government's response to the economic crisis—including large spending initiatives and record infrastructure investment—is materially weakening its budgetary performance and leading to persistent operating deficits and large after-capital account<sup>116</sup> deficits.<sup>117</sup> The agency expects that Victoria's debt levels will triple relative to operating revenues over the forward estimates while remaining elevated for many years.

Although downgraded, the 'AA' rating reflects S&P's belief that the economy is recovering and remains structurally wealthy and diverse. The State's strong financial management should ensure liquidity coverage is extensive during the crisis.

The Committee questioned DTF in regard to the impact of a change in Victoria's credit rating. DTF explained that:

changes to the credit rating, if they do occur, do not affect the existing stock of debt because the existing stock is all fixed. So it relates to new issuance. So the new issuance for the rest of this financial year is roughly about \$19 billion, and TCV bonds are currently priced—three-year bonds are priced at about 20 basis points, which is 0.2 per cent, and they go up, because yield curve—are positive sloping. So five-year bonds at about 0.4—seven years is about 0.7. So the rates are incredibly low at the moment and the spreads are even lower.<sup>118</sup>

DTF further advised the Committee that depending on the reactions of the market, the State is anticipating an increase in interest payment of about \$3 to \$9 million per annum as a result of the issuance for 2020–21.<sup>119</sup> The table outlines modelling conducted by DTF relating to the impact of a change in interest rates on the forecast Budget Sector Debt Portfolio financing task from December 2020 to 30 June 2024.

<sup>115</sup> S&P Global Ratings, *Australian State of Victoria Rating Lowered To 'AA' On Structurally Weaker Fiscal Outlook; Outlook Stable*, 6 December 2020, <[https://www.standardandpoors.com/en\\_US/web/guest/article/-/view/type/HTML/id/2566012](https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2566012)> accessed 20 December 2020.

<sup>116</sup> The capital account records the net change of the State's assets and liabilities over a period of time.

<sup>117</sup> S&P Global Ratings, *Australian State of Victoria Rating Lowered To 'AA' On Structurally Weaker Fiscal Outlook; Outlook Stable*, 6 December 2020.

<sup>118</sup> Mr David Martine, Secretary, Department of Treasury and Finance, *Transcript of evidence*, p. 16.

<sup>119</sup> *Ibid.*

**Table 2.6** Modelling the annual impact of a change in interest rates, December 2020 to June 2024

	2020–21 estimate (\$)
Total budget financing task	20,555,425,924
Change in the interest cost due to a 1 basis point movement	1,027,771
Change in the interest cost due to a 2 basis point movement	2,055,543
Change in the interest cost due to a 5 basis point movement	5,138,856

Source: Hon Tim Pallas, Treasurer, 2020–21 Budget Estimates hearing, *response to questions on notice*, received 18 December 2020, p. 3.

The Committee notes while the change in ratings will cost the state, it is manageable and unlikely to have a material impact on the State's finances.

Going forward S&P predict that Victoria's budgetary performance will remain in deficit with elevated debt levels for many years but with liquidity remaining exceptional. A downside scenario could be triggered by larger than forecast deficit. An upside scenario would entail achieving an operating surplus earlier than forecast.<sup>120</sup>

**FINDING 20:** Victoria's downgraded credit rating will not have a substantial impact on the State's debt issuance or repayment program and is expected to cost the State around \$3 million to \$9 million per annum.

**RECOMMENDATION 2:** The Department of Treasury and Finance continue to publish in the budget papers data and modelling on changes to Victoria's credit ratings and any subsequent impacts on borrowing costs.

### Other states and territories

New South Wales had its credit rating downgraded from AAA to AA+ by S&P. Other Australian states and territories have not seen any changes to their credit ratings by either S&P or Moody's.

<sup>120</sup> S&P Global Ratings, *Australian State of Victoria Rating Lowered To 'AA' On Structurally Weaker Fiscal Outlook; Outlook Stable*, 6 December 2020

# 3

## Department of Health and Human Services

### 3.1 Overview

This chapter examines the budget initiatives for portfolios supported by the former Department of Health and Human Services (DHHS). At the time of the 2020–21 Budget and related estimates hearings DHHS was responsible for developing policies and programs and for delivering services to support and enhance the wellbeing of all Victorians.<sup>1</sup>

DHHS supported the ministerial portfolios of Health, Ambulance Services, Housing, Disability, Ageing and Carers, Mental Health, Child Protection and the Prevention of Family Violence.<sup>2</sup>

Following machinery of government changes on 1 February 2021, the department was split into the Department of Health (DoH), and the Department of Families, Fairness and Housing (DFFH).<sup>3</sup>

### 3.2 Financial analysis

DHHS had the largest budget of the departments in 2020–21 with just over \$31 billion allocated to output funding. This accounted for 39% of all funding to output groups across all departments, representing an increase of approximately 12.6% compared to the 2019–20 actuals (\$27.5 billion).<sup>4</sup>

The budget papers show DHHS was forecasting an operating deficit of \$490 million for 2020–21 (compared to a surplus of \$788 million for the 2019–20 actuals) which it mainly attributed to expenses for personal protective equipment (PPE) and other equipment for public hospitals.<sup>5</sup>

It also had around \$32.4 billion in total income from transactions in 2020–21—an increase of \$2.2 billion (7.3%) compared to the 2019–20 actuals.<sup>6</sup> This increase reflects substantial growth in output appropriations of \$2.6 billion (i.e. 14.8 %) compared to the

1 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 213.

2 Ibid.

3 Hon Daniel Andrews MP, *New Departments to Deliver a Healthier, Fairer Victoria*, media release, Victorian Government, Melbourne, 30 November 2020.

4 Department of Treasury and Finance, *Budget Paper No. 3*, p. 214 (Committee calculation).

5 Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, pp. 93–95.

6 Department of Treasury and Finance, *Budget Paper No. 3*, p. 215.

2019–20 actuals.<sup>7</sup> The 2020–21 increase in total income for DHHS was due to additional funding for services and initiatives in response to the COVID-19 pandemic and for new initiatives announced in the 2020–21 Budget.<sup>8</sup>

DHHS also projected a \$3.5 billion increase in total operating expenses for 2020–21. This was mainly due to a 10.5% increase in spend for employee benefits (i.e. an increase of \$1.4 billion) and an 18.8% rise in ‘other operating expenses’ relative to the 2019–20 actuals (i.e. an increase of \$1.7 billion).<sup>9</sup> DHHS advised this increase in expenditure related to additional funding for new government initiatives as part of the 2020–21 Budget and utilisation of the State Supply Arrangement for PPE and other equipment for public hospitals, which was expected to be fully expended in 2020–21.<sup>10</sup>

DHHS identified no new savings initiatives for 2020–21,<sup>11</sup> consistent with the Government’s decision to revise its approach to efficiency measures and prioritise the economic recovery.<sup>12</sup> However, it advised it was continuing to implement prior savings initiatives across all non-frontline areas with reductions targeted to avoid impacting service delivery.<sup>13</sup>

### 3.3 COVID-19 response expenditure

DHHS identified three output initiatives in the 2020–21 Budget directly responding to the *COVID-19 pandemic: Coronavirus (COVID-19) health response* (\$2,956 million over four years); *Coronavirus (COVID-19) social services response* (\$241.3 million over four years); and *Coronavirus (COVID-19) mental health response* (\$152.5 million over four years).<sup>14</sup> These initiatives collectively account for around 37% (approximately \$3.4 billion) of DHHS’ total output expenditure across the 2020–21 budget year and forward estimates period.<sup>15</sup>

DHHS advised that the COVID initiatives were new programs that were to be funded from output appropriations with 98% of total forecast expenditure over the next four years occurring in the 2020–21 budget year (\$3.3 billion).<sup>16</sup> These initiatives also account for most of DHHS’ budgeted \$5.2 billion output expenditure in 2020–21 (i.e. 64%).<sup>17</sup>

7 Ibid.

8 Department of Treasury and Finance, *Budget Paper No. 4*, p. 93.

9 Ibid., p. 93.

10 Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, received 27 November 2020, p. 150; Department of Treasury and Finance, *Budget Paper No. 4*, p. 95.

11 Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 169.

12 Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 67.

13 Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 169.

14 Ibid., p. 152; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 63–64, 68, 74 and 77.

15 Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

16 Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 152 (Committee calculation).

17 Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

### 3.3.1 COVID-19 response initiatives announced prior to the 2020–21 Budget

The Government also announced emergency COVID-19 support initiatives for the health and human services sector in the period March to November 2020. The announcements committed approximately \$2.5 billion for various output and asset initiatives that included boosting the capacity of the health system to respond to the pandemic.<sup>18</sup>

The Government's funding principles during this period required agencies to manage cost pressures within existing allocations in the first instance, and then exhaust other sources of funding, including uncommitted cash reserves, before requesting a Treasurer's Advance.<sup>19</sup>

DHHS' drawdown from the Treasurer's Advance in 2019–20 accounts for around 35% of the \$2.5 billion in emergency COVID-19 related expenditure announced for the Department's portfolios. The budget papers and DHHS' response to the Committee's questionnaire do not clarify the source and status of the balance of all committed emergency funding not expended by DHHS from the Treasurer's Advance in 2019–20 (approximately \$1.6 billion).<sup>20</sup> The Auditor-General similarly found COVID-19 costs funded through alternate funding streams were not clearly identifiable in the Annual Financial Report for the State of Victoria or in agencies' financial reports.<sup>21</sup>

### 3.3.2 Initiatives funded from the Treasurer's Advance

DHHS received \$1.4 billion from the Treasurer's Advance in 2019–20.<sup>22</sup> Approximately \$886.7 million was for new initiatives in direct response to the COVID-19 crisis.<sup>23</sup> Of the remaining \$516.2 million drawn down, approximately \$211.6 million was spent by DHHS on recurrent programs and a further \$297.3 million on other new initiatives unrelated to the COVID-19 response. Approximately \$7.3 million was spent on various bushfire response and recovery initiatives.<sup>24</sup>

<sup>18</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 152; Hon Daniel Andrews MP, *Building Works: More Jobs for Victorians*, media release, Victorian Government, Melbourne, 18 May 2020 (Committee calculation).

<sup>19</sup> Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20*, Melbourne, 2020, pp. 22–23.

<sup>20</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 164–168; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 63–64 (Committee calculation).

<sup>21</sup> Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20*, pp. 22–23.

<sup>22</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 164–167.

<sup>23</sup> Ibid. (Committee calculation).

<sup>24</sup> Ibid. (Committee calculation).

### 3.3.3 Initiatives funded from other appropriations

#### Investments in infrastructure

In May 2020, the Government committed a further \$559 million to infrastructure projects across several DHHS portfolios as part of its \$2.7 billion *Building Works* package to address the impact of COVID-19 on the economy.<sup>25</sup> Most of this funding (\$498 million) was allocated to build and upgrade community and public housing, which is expected to generate around 600 jobs.<sup>26</sup> The remaining \$61 million was committed to aged care facilities (\$20 million), disability accommodation (\$30 million), and mental health facilities (\$11 million).<sup>27</sup>

The *Building Works* package also provided \$180 million to ensure a pipeline of new projects state-wide. The announcement indicated a portion of these funds will go to community hospitals as well as the business case development for the Caulfield Hospital redevelopment. It also foreshadowed two-thirds of the *Building Works* program would be under construction by the end of December 2020.<sup>28</sup> DHHS' response to the Committee's questionnaire does not clarify the status of investments in community and public housing or disability accommodations funded from the Government's *Building Works* package.<sup>29</sup>

Further the 2020–21 budget papers do not identify the specific projects relating to these investments or their progress and expenditure to-date.

**FINDING 21:** Funds drawn down by Department of Health and Human Services (DHHS) from the Treasurer's Advance account for 35% of the approximately \$2.5 billion in emergency COVID-19 expenditure relating to DHHS portfolios prior to the 2020–21 Budget.

**RECOMMENDATION 3:** The Department of Health and the Department of Families, Fairness and Housing report on the status and source(s) of funds used to meet the cost of all output and asset COVID-19 response initiatives announced prior to the 2020–21 Budget.

**RECOMMENDATION 4:** The Department of Health and the Department of Families, Fairness and Housing report on the nature and impact of all internal reprioritisation of funds to meet the cost of COVID-19 response initiatives.

<sup>25</sup> Department of Treasury and Finance, *Budget Paper No. 2*, pp. 84, 91 (Committee calculation).

<sup>26</sup> Department of Health and Human Services, *Almost \$500 million social housing boost to strengthen our economy and provide stability for Victorians*, 10 June 2020, <[https://www.dhhs.vic.gov.au/news/social-housing-boost-to-strengthen-our-economy#:~:text=The%20Victorian%20Government%20is%20investing,\(COVID%2D19\)%20pandemic](https://www.dhhs.vic.gov.au/news/social-housing-boost-to-strengthen-our-economy#:~:text=The%20Victorian%20Government%20is%20investing,(COVID%2D19)%20pandemic)> accessed 23 February 2021.

<sup>27</sup> Department of Treasury and Finance, *Budget Paper No. 2*, pp. 91–92.

<sup>28</sup> Ibid.

<sup>29</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 179–181.

### 3.4 COVID-19 management response

DHHS' response to the Committee's questionnaire outlines nine strategic issues that will guide the department's COVID management response in 2020–21.<sup>30</sup> These include:

- Expanding public health capacity to manage the pandemic
- Keeping vulnerable Victorians safe during the pandemic by integrating social and health supports
- Supporting hospitals in tackling COVID-19, including keeping frontline workers and their families safe
- Strengthening understanding of COVID-19 and its transmission to contain future outbreaks.<sup>31</sup>

Appendix A of this report summarises the budget initiatives relating to these strategic issues.

### 3.5 New capital spend in the 2020–21 Budget

The \$559 million committed through the *Building Works* package together with the additional \$5.9 billion provided in the 2020–21 Budget for DHHS asset initiatives<sup>32</sup> amounts to \$6.5 billion of additional capital investment since the previous Budget. A substantial portion of this new spend (\$3.2 billion) relates to the Government's investment in the *Big Housing Build* which, on average, is expected to support around 10,000 jobs per year over the next four years throughout Victoria.<sup>33</sup>

DHHS advised it allocated \$754.8 million to new capital projects in 2020–21.<sup>34</sup> This covers all new DHHS asset initiatives shown in the 2020–21 Budget Papers except for:

- \$1.6 billion in 2020–21 for the Big Housing Build
- \$16.3 million in 2020–21 for the Coronavirus (COVID-19) health response
- \$10 million in 2020–21 for the Coronavirus (COVID-19) mental health response
- \$12.6 million in 2020–21 for improving energy efficiency in public hospitals.<sup>35</sup>

DHHS identified the following major projects with new funding in 2020–21:

- additional mental health beds
- a new Metropolitan Health Infrastructure Fund

<sup>30</sup> Ibid., pp. 20–24.

<sup>31</sup> Ibid.

<sup>32</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 21–26, 78–82 (Committee calculation).

<sup>33</sup> Department of Treasury and Finance, *Budget Paper No. 2*, pp. 53, 88.

<sup>34</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 177.

<sup>35</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 78 (Committee calculation).

- the upgrade and replacement of critical engineering infrastructure and medical equipment in hospitals
- the Regional Health Infrastructure Fund
- acquiring land and capital planning and design of community hospitals.<sup>36</sup>

DHHS also allocated a further \$1.1 billion to its existing capital projects in 2020–21—a 58% increase compared to the 2019–20 actuals (\$687.4 million).<sup>37</sup> Projects with significant increases in allocations included:

- Victorian Heart Hospital Project—an increase of \$174.4 million in 2020–21
- Regional Health Infrastructure Fund—an increase of \$98.9 million in 2020–21.<sup>38</sup>

### 3.6 Health portfolio: key issues

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

- Acute Health Services (funding in 2020–21: \$17.1 billion)
- Public Health (funding in 2020–21: \$1.2 billion)
- Primary, Community and Dental Health (funding in 2020–21: \$797.4 million)
- Drug Services (funding in 2020–21: \$314.8 million)
- Small Rural Services (relating to acute and primary health sub-outputs only) (funding in 2020–21: \$468.9 million).<sup>39</sup>

The Government's \$2.8 billion investment in maintaining hospital capacity is a key initiative in the 2020–21 Budget. The Minister for Health emphasised this investment will support hospitals to manage service delivery requirements as Victoria transitions to COVID Normal.<sup>40</sup> It includes a \$300 million 'blitz' on the delivery of elective surgery that was deferred during the pandemic.<sup>41</sup>

A further \$2.9 billion is allocated for the Government's *Coronavirus (COVID-19) public health response*.<sup>42</sup> This investment, also a key budget priority, supports the cost of meeting additional demands on the health system including support for frontline healthcare workers, increased testing capacity, and optimisation of Victoria's pathology and supply chain processes.<sup>43</sup>

<sup>36</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 177.

<sup>37</sup> *Ibid.*, pp. 177–179.

<sup>38</sup> *Ibid.* (Committee calculation).

<sup>39</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 116–117; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 214–237 (Committee calculation).

<sup>40</sup> Hon Martin Foley MP, *2020–21 Budget estimates hearing presentation: Health*, supplementary evidence, received 4 December 2020, p. 2.

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 63, 77.

<sup>43</sup> *Ibid.*

The 2020–21 Budget also provides \$121 million for the Government’s *Better at Home* initiative to deliver more flexible medical treatment within patients’ homes where appropriate.<sup>44</sup>

It also invests approximately \$2 billion in asset initiatives for the health sector over 2020–21 and the forward estimates period.<sup>45</sup>

The key issues relevant to the Health portfolio identified during the Committee’s 2020–21 budget estimates inquiry are discussed below.

### 3.6.1 Machinery of government changes

On 30 November 2020, the Premier announced the former Department of Health and Human Services would be separated into two new departments—the Department of Health (DoH), and the Department of Families, Fairness and Housing (DFFH). The Premier noted this would allow for a more dedicated focus on Victoria’s health system and social recovery in response to the impacts of coronavirus.<sup>46</sup> The new departments commenced operation from 1 February 2021.<sup>47</sup>

The Committee asked the Minister to explain the basis for the Government’s decision to separate the former DHHS into the two new departments. The Minister stated the decision was reached following extensive consultations with stakeholders and after considering the response to-date to the COVID-19 pandemic, including findings of the National Contact Tracing Review Panel chaired by Australia’s Chief Scientist, Dr Alan Finkel.<sup>48</sup>

When elaborating on the rationale for the recent machinery of government changes the Minister for Health informed the Committee:

the circumstances of 2020 bear no relationship whatsoever to ... [those] ... of 2014 and 2015, when the Department of Health and Human Services, for very good public policy reasons at the time, was brought together.

...

in response to ... [the] ... unprecedented ... impact ... from ... COVID-19 ... and based on the evidence...at hand, government made a very sensible decision to have a dedicated focus on the one hand on public health and ... on the other a department focused on community recovery and responses.<sup>49</sup>

<sup>44</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 64–65.

<sup>45</sup> Hon Martin Foley MP, *2020–21 Budget estimates hearing presentation: Health*, pp. 4–6.

<sup>46</sup> Hon Daniel Andrews MP, *New Departments to Deliver a Healthier, Fairer Victoria*, media release.

<sup>47</sup> *Ibid.*

<sup>48</sup> Hon Martin Foley MP, Minister for Health, 2020–21 Budget estimates (Health) hearing, Melbourne, 4 December 2020, *Transcript of evidence*, p. 4.

<sup>49</sup> Hon Martin Foley MP, Minister for Health, *Transcript of evidence*, p. 5.

## 3.6.2 Maintaining hospital capacity

### Hospitals' response to changing demand

The 2020–21 Budget provides \$2.8 billion over four years to support the continuation of baseline health services including elective surgery, operation of new facilities opened to increase capacity in response to the COVID-19 pandemic, and the cost of new therapies.<sup>50</sup>

The Minister for Health acknowledged hospitals and healthcare services had worked to keep communities safe during the pandemic and this investment aims to manage service delivery requirements as Victoria transitions to COVID Normal.<sup>51</sup> The Minister indicated the funding will assist hospitals to maintain performance. It will support the efforts of frontline workers, meet the increased costs associated with the need for additional staff in response to changing patterns of demand, and new safer workplace practices involving social distancing and the increased use of PPE.<sup>52</sup>

**FINDING 22:** The 2020–21 Budget provides \$2.8 billion over four years for hospitals to maintain their performance, support frontline workers, and meet increased costs associated with changing patterns of demand and new workplace practices.

### Elective surgery blitz

The Minister for Health noted that the 2020–21 Budget includes a \$300 million 'blitz' on elective surgery to ensure Victorians can get the surgeries they need, acknowledging hospitals across the state had to wind back elective surgery as part of Victoria's pandemic preparedness.<sup>53</sup> This investment builds on the \$60 million announced by the Government in March 2020 funded from the Treasurer's Advance to boost elective surgeries before the peak of the pandemic.<sup>54</sup>

The Government announced the staged resumption of elective surgeries in September 2020 noting all Victorian hospitals were progressively scaling up their activity to 100% of usual levels by 23 November 2020, coinciding with the easing of COVID-19 restrictions.<sup>55</sup>

At the public hearings, the Committee asked the Minister how the Government ensured hospitals had enough resources to address the elective surgery waitlist. The Minister emphasised Urgent (Category 1) elective surgeries were largely unaffected by COVID-19

<sup>50</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 63, 66.

<sup>51</sup> Hon Martin Foley MP, *2020–21 Budget estimates hearing presentation: Health*, p. 2.

<sup>52</sup> Hon Martin Foley MP, Minister for Health, *Transcript of evidence*, p. 8.

<sup>53</sup> Hon Martin Foley MP, *2020–21 Budget estimates hearing presentation: Health*, p. 2.

<sup>54</sup> Hon Daniel Andrews MP, *COVID-19 Capacity Boost As Elective Surgery Blitz Starts*, media release, Victorian Government, Melbourne, 15 March 2020.

<sup>55</sup> Hon Daniel Andrews MP, *Safely Reopening Elective Surgery For Victorians*, media release, Victorian Government, Melbourne, 16 September 2020; Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 164.

restrictions and continued to be delivered on-time.<sup>56</sup> He also acknowledged the decision to wind back non-urgent elective surgeries had a significant impact on the wait list which, at the end of the September 2020, had grown to approximately 66,242 people.<sup>57</sup>

The Minister stated:

That is why ... there is ... \$300 million allocated to ensure that the blitz in this space is delivered. That will require significant cooperation and engagement with both our public and private hospitals—the workforce surrounding them from surgeons all the way through to other non-medical and non-clinical staff ...<sup>58</sup>

The Committee notes the target in the 2020–21 budget papers for the number of patients admitted from the elective surgery waiting list had not changed since 2019–20 levels despite the Government’s \$300 million investment.<sup>59</sup> DHHS explained the challenges with setting a precise target for 2020–21:

services are still grappling with how to provide elective surgery efficiently in a COVID-safe environment ... [and] ... are all operating at less than 100 per cent, or less than their usual productivity ... We opted for a target that reflects the same, optimistically hoping that the additional funding would offset the negative impacts of the pandemic so far, and we may well exceed that, but it was not possible to...come up with a precise number .... If we get back to the previous year’s target, we will have done a terrific job in terms of offsetting the impact of the pandemic to date ...<sup>60</sup>

DHHS further explained that funding in the Budget extends over a four-year period but noted it was primarily loaded in the first two years reflecting the Government’s priority to address the backlog.<sup>61</sup>

**FINDING 23:** The Government’s decision to wind back non-urgent elective surgeries had a significant impact on the associated waiting list which, at the end of the September 2020, had grown to approximately 66,242 people. The 2020–21 Budget includes a \$300 million ‘blitz’ on elective surgery over four years to mitigate the impacts of this growth.

**FINDING 24:** The progressive rollout of emerging COVID-safe practices within public and private hospitals since 2020 means it was difficult for the Department of Health and Human Services to reliably update its targets for elective surgeries in 2020–21.

<sup>56</sup> Hon Martin Foley MP, Minister for Health, *Transcript of evidence*, pp. 8–9.

<sup>57</sup> *Ibid.*

<sup>58</sup> *Ibid.*

<sup>59</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 217.

<sup>60</sup> Mr Terry Symonds, Deputy Secretary, Health and Wellbeing, *2020–21 Budget estimates (health) hearing*, Melbourne, 4 December 2020, *Transcript of evidence*, p. 26.

<sup>61</sup> *Ibid.*

**RECOMMENDATION 5:** The Department of Health review the impact of the Government's investments in all elective surgery blitzes initiated in response to COVID-19 and where possible revise the targets for associated performance measures to better reflect the intended impact of these investments.

### 3.6.3 Capital investment initiatives

#### Community Hospitals Program

The 2020–21 Budget allocates \$66.1 million in 2020–21 for the next stage of the Government's community hospital program.<sup>62</sup> Funding is provided to acquire land in key growth areas, continue capital planning, and for design works.<sup>63</sup> The Minister for Health indicated that the investment supports the Government's \$675 million election commitment to deliver 10 new community hospitals close to nominated growth areas.<sup>64</sup> It responds to increased demand within these communities and aims to provide access to high-quality health care services.<sup>65</sup>

The Minister acknowledged delivery of the *Community Hospitals Program* had slowed over the last nine months due to the impacts of COVID-19. He also indicated experience from the pandemic to-date highlighted opportunities for sharpening the program's focus within local communities.<sup>66</sup> The Minister explained:

We have seen changing patterns of how communities want to seek access ... We have seen a massive growth in telehealth, and we have got to make sure ... these facilities ... take account of ... changing ... consumer and patient requirements and ... [of] ... the technology for service delivery [needed by] clinicians and community health providers ... In many respects we will not be going back to much of the service delivery model pre pandemic.<sup>67</sup>

The Minister informed the Committee that consultations were underway with the 10 communities to resolve these issues, identify their needs, and to inform the future delivery of localised healthcare services across the state.<sup>68</sup>

**FINDING 25:** The *Community Hospitals Program* has slowed in recent months due to the impact of COVID-19. Experience from the pandemic to-date highlights opportunities for sharpening the program's focus by leveraging changes in service demand and the shift towards telehealth.

<sup>62</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 78.

<sup>63</sup> Ibid.

<sup>64</sup> Hon Martin Foley MP, Minister for Health, *Transcript of evidence*, p. 18; Australian Labor Party, *Labor's Financial Statement 2018*, 2018, Melbourne, p. 12.

<sup>65</sup> Ibid.

<sup>66</sup> Hon Martin Foley MP, Minister for Health, *Transcript of evidence*, p. 18.

<sup>67</sup> Ibid.

<sup>68</sup> Ibid.

## Rural and regional hospital upgrades

The Committee inquired about the Government's infrastructure investments across rural and regional health services. The Minister explained investments in the 2020–21 Budget were focused on addressing disparities in access to health services experienced by rural and regional communities. He highlighted the key investments which include \$384.2 million for Warrnambool Base Hospital redevelopment, \$217 million for the next stage of Latrobe Regional Hospital's development, \$80 million towards the rebuild of the Ballarat Hospital, \$7.5 million for the Wangaratta Base Hospital, \$3.6 million for the new Women's and Children's Hospital in Geelong, and a \$1.7 million initial contribution to the future expansion of the Maryborough Hospital.<sup>69</sup>

The Minister stated these investments build on the *Regional Health Infrastructure Fund*.<sup>70</sup>

### 3.6.4 Improving cancer outcomes

The 2020–21 Budget invests \$33 million in 2020–21 and across the forward estimates to *Improving cancer outcomes* for Victorian patients.<sup>71</sup> The funding is allocated to the Victorian Comprehensive Cancer Centre (VCCC) alliance to continue its work on improving cancer research and patient outcomes. It aims to contribute to Victoria's biomedical industry and generate more equitable cancer care across Victoria.<sup>72</sup> At the estimates hearing, the Committee asked how the initiative will support the work of the VCCC alliance. The Minister explained:

This funding will support projects that build on the limited treatment options for low-survival cancers, particularly lung cancer, which tragically has a 14 per cent five-year survival rate, and pancreatic cancer, which has a devastating 4 per cent five-year survival rate, and make sure that we have increased personal medicines through the testing of genomic precision oncology and other significant investments that will ... seek to improve those outcomes.<sup>73</sup>

The Minister also highlighted the initiative's goal to improve cancer outcomes in regional and rural Victoria:

Victorians experience a five-year survival rate, if they live in regional Victoria, of 67 per cent of responses to different forms of cancer treatment. That compares to 71 per cent for their cousins in metropolitan Victoria. That disparity cannot be allowed to stand unchallenged, and it is a major focus for the VCCC alliance. This funding will facilitate the expansion of cancer treatments, particularly teletrials and access to services in regional and rural Victoria.<sup>74</sup>

<sup>69</sup> Ibid., p. 20.

<sup>70</sup> Ibid.

<sup>71</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 83.

<sup>72</sup> Ibid., p. 91.

<sup>73</sup> Hon Martin Foley MP, Minister for Health, *Transcript of evidence*, p. 24.

<sup>74</sup> Ibid.

The Minister informed the Committee that cancer continues to be the greatest health burden in Australia. One in three men and one in four women are diagnosed with cancer before they are 75 years of age. He highlighted cancer disproportionately affects vulnerable populations. Higher mortality rates are evident not just in regional communities but also amongst disadvantaged communities, particularly Aboriginal and Torres Strait Islander communities.<sup>75</sup> When elaborating on how funding in the 2020–21 Budget will improve patient outcomes, the Minister stated:

Our investment in the VCCC is an investment into ...reducing the incidence of the unnecessary burden of disease and preventable death... We want to make sure...cancer research and initiatives that lead from...testing and...trials provide us with the tools to continue to refine these programs, continue a strong emphasis on early detection and continue better treatment options...[and]...better outcomes...for Victorians.<sup>76</sup>

**FINDING 26:** The Government's \$33 million investment to improve cancer outcomes will support projects aiming to expand treatment options for low survival cancers. It also seeks to improve outcomes for patients in regional and disadvantaged communities.

### 3.7 Mental health portfolio: key issues

The Minister for Mental Health is responsible for the single output: Mental Health (funding in 2020–21: \$2.1 billion).<sup>77</sup> The 2020–21 Budget invests \$869 million in new initiatives for Victoria's mental health system.<sup>78</sup> This includes a 21.7% increase in output funding compared to the 2019–20 Budget.<sup>79</sup> The Minister for Mental Health highlighted that this investment builds on the Government's responses to the pandemic to-date and provides additional funding to implement interim recommendations from the Royal Commission into Victoria's Mental Health System.<sup>80</sup>

The key issues relevant to the Mental Health portfolio identified during the 2020–21 budget estimates inquiry are discussed below.

#### 3.7.1 Underspend of capital expenditure for mental health services

The Committee has noted that the department's response to the Committee's questionnaire demonstrates that almost three-quarters of the planned \$62.2 million in capital expenditure for mental health initiatives did not occur in 2019–20.<sup>81</sup>

<sup>75</sup> Ibid.

<sup>76</sup> Ibid., p. 25.

<sup>77</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 120.

<sup>78</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 13.

<sup>79</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 214.

<sup>80</sup> Hon James Merlino MP, *2020–21 Budget estimates hearing presentation: Mental health*, supplementary evidence, received 2 December 2020, p. 2.

<sup>81</sup> Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 177–178.

**Table 3.1** Capital expenditure for mental health initiatives—2019–20 (budget vs actual)

Capital project	2019–20 budget	2019–20 revised	2019–20 actual	Variance: actual – budget
	(\$million)	(\$million)	(\$million)	(\$million)
Forensic Mental Health Bed-based Services Expansion	19.86	0.48	2.06	-17.80
Forensic mental health implementation plan—priority service reforms (Footscray)	5.26	4.21	3.96	-1.30
Mental Health and alcohol and other drugs facilities renewal	3.45	0.20	0.79	-2.66
Mental Health and alcohol and other drugs facilities renewal 18–19	9.98	3.00	4.05	-5.93
Orygen Youth Mental Health	5.63	3.25	3.34	-2.29
Reforming Clinical Mental Health Services (Statewide)	11.61	2.71	1.24	-10.37
Statewide Child and Family Mental Health Intensive Treatment Centre (statewide)	3.60	0.30	0.09	-3.51
Thomas Embling Hospital—Additional 10 bed infill and SPICU	2.76	0.45	0.40	-2.36
<b>Total</b>	<b>62.15</b>	<b>14.6</b>	<b>15.93</b>	<b>-46.22</b>

Source: Department of Health and Human Services, *Response to the 2020–21 Budget estimates general questionnaire*, received 27 November 2020, p. 177–178.

The Committee queried the Minister about the reasons for this under expenditure noting it was at odds with the longstanding shortages in system capacity highlighted by the Royal Commission. DHHS explained:

that money is effectively for ageing assets in the portfolio. It is cosmetic upgrades. It is not beds; it is not intended to be beds. It is for everything from a lick of paint or a new carpet—cosmetic upgrades—right through to more safety-related enhancements. So the expenditure of that money is not on new beds. By contrast, the money in this budget, which is really focused on the 144 beds—that is entirely new public capacity. The 120 new beds across those four sites will be that additional capacity.<sup>82</sup>

...

the forensic mental health beds particularly at Thomas Embling, ... the secure psychiatric intensive care unit, has been completed recently. That is eight additional beds. In addition to that there have been 10 additional beds, including an additional two women's beds, at that facility, all within the last budget cycle. So there is a growth in capacity at that site.<sup>83</sup>

**FINDING 27:** Approximately three-quarters of the planned \$62.2 million in capital expenditure for mental health initiatives did not occur in 2019–20.

<sup>82</sup> Mr Chris Hotham, Deputy Secretary, Infrastructure, Department of Health and Human Services, 2020–21 Budget estimates (Mental Health) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, p. 7.

<sup>83</sup> *Ibid.*, p. 8.

**RECOMMENDATION 6:** The Department of Health and Department of Families, Fairness and Housing report the status of all capital investments since 2019–20 for the department’s portfolios (including mental health).

### 3.7.2 Responding to mental health impacts of COVID-19

The 2020–21 Budget invests \$152.5 million in mental health initiatives responding to the impacts of COVID-19. These initiatives address increased demand for mental health and alcohol and other drug (AOD) services, including additional infection prevention training, increased cleaning, and the extension of service operating hours. The funds also support the mental health workforce and a range of other initiatives including wellbeing checks, engagement with Aboriginal communities, and programs connecting people requiring emotional support with services in their local area.<sup>84</sup>

The Minister for Mental Health noted the restrictions limiting physical interactions during the pandemic were vital to slowing the spread of the virus, but acknowledged this came at a cost, particularly for those already living with mental illness.<sup>85</sup>

In response to questions taken on notice at the budget estimates hearings, the Minister for Mental Health informed the Committee that 6,059 emergency patients presenting to Victorian hospital emergency departments during 2019–20 (i.e. 46%) waited longer than the government’s target of eight hours before being admitted to a mental health bed.<sup>86</sup>

Table 3.2 below shows the number and proportion of emergency patients admitted to a mental health bed after eight hours of arrival by health service.

**Table 3.2** Emergency patients admitted to a mental health within and after eight hours arrival by health service (2019–20).

Health Service	Emergency department presentations departing to a mental health bed (Number)	Emergency department presentations departing to a mental health bed within 8 hours of arrival (%)	Emergency department presentations departing to a mental health bed after 8 hours of arrival (%)
Albury Wodonga Health	3.0	66.7	33.3
Alfred Health	486.0	67.9	32.1
Austin Health	513.0	69.2	30.8
Bairnsdale Regional Health Service	148.0	81.1	18.9

<sup>84</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 74.

<sup>85</sup> Hon James Merlino MP, *2020–21 Budget estimates hearing presentation: Mental health*, p. 2.

<sup>86</sup> Hon James Merlino MP, Minister for Mental Health, 2020–21 Budget estimates (Mental Health) hearing, response to questions on notice, received 3 February 2020, p. 2.

Health Service	Emergency department presentations departing to a mental health bed	Emergency department presentations departing to a mental health bed within 8 hours of arrival	Emergency department presentations departing to a mental health bed after 8 hours of arrival
	(Number)	(%)	(%)
Ballarat Health Services	252.0	72.2	27.8
Barwon Health	517.0	78.9	21.1
Bass Coast Health	60.0	78.3	21.7
Bendigo Health	724.0	83.8	16.2
Central Gippsland Health Service	85.0	68.2	31.8
Eastern Health	1,945.0	66.5	33.5
Echuca Regional Health	57.0	82.5	17.5
Goulburn Valley Health	270.0	84.1	15.9
La Trobe Regional Hospital	330.0	70.0	30.0
Melbourne Health	185.0	17.3	82.7
Mercy Hospitals Victoria Ltd	690.0	56.4	43.6
Mildura Base Hospital	172.0	87.2	12.8
Monash Health	1,869.0	31.2	68.8
Northeast Health Wangaratta	125.0	46.4	53.6
Northern Health	1,484.0	26.3	73.7
Peninsula Health	943.0	66.1	33.9
Royal Children's Hospital	107.0	82.2	17.8
The Royal Victorian Eye and Ear Hospital	1.0	100.0	0.0
Royal Women's Hospital	1.0	100.0	0.0
South West Healthcare	187.0	88.2	11.8
St Vincent's Health	474.0	75.1	24.9
Swan Hill District Health	66.0	72.7	27.3
West Gippsland Healthcare Group	116.0	65.5	34.5
Western District Health Service	31.0	80.6	19.4
Western Health	1,428.0	23.2	76.8
Wimmera Health Care Group	43.0	65.1	34.9

Note: Data reflects aggregate results across Health Service campuses.

Source: Hon James Merlino MP, Minister for Mental Health, 2020–21 Budget estimates (Mental Health) hearing, response to questions on notice, received 3 February 2021, pp. 4–6.

**FINDING 28:** COVID-19 impacted the mental health of Victorians, which in turn contributed to a growth in demand for mental health services, as well as increased presentations to emergency departments during 2020. The 2020–21 Budget provides \$152.5 million for a range of response initiatives previously announced by the Government in the period April–September 2020.

### 3.7.3 Response to Royal Commission into Victoria’s Mental Health System

The Minister for Mental Health explained to the Committee that the \$868.6 million allocated for mental health in this year’s budget includes \$260.4 million to progress the Government’s response to the interim recommendations from the Royal Commission into Victoria’s Mental Health system.<sup>87</sup> The Government established the Royal Commission in February 2019 to make recommendations focused on improving Victoria’s mental health system. The Royal Commission released its interim report on 28 November 2019. It contains nine interim recommendations laying the foundations for future reform.<sup>88</sup> The interim report states the Victorian Government has committed to implementing all recommendations.<sup>89</sup>

#### Need for increased bed capacity

The Royal Commission’s interim report noted Victoria’s public specialist clinical mental health services are operating in a state of crisis because of underinvestment and growing demand for services.<sup>90</sup> It found very few additional acute mental health beds were planned for across the system, meaning immediate investment in new acute service capacity was necessary to address critical demand pressures from population growth.<sup>91</sup> The report recommended the Government fund 170 additional youth and adult acute mental health beds to help address the demand pressure.<sup>92</sup>

At the estimates hearing the Minister for Mental Health explained how investments in the 2020–21 Budget respond to the Royal Commission’s recommendations. The Minister stated:

we announced full funding for the 179 new acute mental health beds...nine more than recommended by the royal commission. The 179 beds will be delivered as 120 mental health beds in Geelong, Epping, Sunshine and Melbourne; 24 Hospital in the Home beds; and 35 private beds for public patients to be delivered by a private health service.

...

<sup>87</sup> Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 63–64.

<sup>88</sup> State of Victoria, *Royal Commission into Victoria’s Mental Health System, Interim Report*, Parl Paper No. 87 (2018–19), Melbourne, 2019, p. 23.

<sup>89</sup> Ibid., p. 1.

<sup>90</sup> Ibid., p. 428.

<sup>91</sup> Ibid.

<sup>92</sup> Ibid.

the budget...[provides]...\$492 million for the 120 mental health beds...\$4.9 million... [for]...the Hospital in the Home program...[and]... \$18.9 million...to deliver a 35-bed women's mental health unit... In total...\$516 million...<sup>93</sup>

### Suicide prevention

The Royal Commission highlighted that the improvement of Victoria's response to suicide prevention was fundamental to designing a new mental health system.<sup>94</sup> The interim report emphasised one of the most effective ways to reduce the suicide rate was to provide follow-up care to people who have attempted suicide, given it is one of the biggest predictors of a future suicide attempt. It noted Victoria's Hospital Outreach Post-Suicidal Engagement (HOPE) program had a positive impact on those it supported but was not available statewide or to children and young people under 18 years of age.<sup>95</sup> The interim report recommended the Government expand follow-up care and support for people after a suicide attempt by recurrently funding all area mental health services to offer the HOPE program.<sup>96</sup>

The Committee queried the Minister for Mental Health about how the Government's \$21.4 million investment into HOPE services will help address suicide in Victoria. The Minister explained:

this budget ...expand[s] suicide prevention services and follow-up care for adults and to support a new child and youth program aimed at suicide prevention. We will provide ongoing funding for the existing HOPE services and expand the program to statewide coverage by the end of 2021...<sup>97</sup>

The Minister informed the Committee the new funding will enable significant enhancement to funded services including new referral pathways, additional outreach services for rural and regional areas, and design of a new outreach service for children and young people at risk of suicide.<sup>98</sup>

### Mental health workforce

The Royal Commission's interim report notes that Victoria's mental health workforce is overstretched and recommended recruiting and developing a pipeline of well-trained and supported graduates, including a workforce comprising people with lived experience of mental illness.<sup>99</sup> At the estimates hearing, the Committee inquired about what the Government was doing to attract new people to the mental health sector. The Minister for Mental Health highlighted the Government's \$7.6 million investment in the

<sup>93</sup> Hon James Merlino MP, Minister for Mental Health, *Transcript of evidence*, p. 10.

<sup>94</sup> State of Victoria, *Royal Commission into Victoria's Mental Health System, Interim Report*, p. 445.

<sup>95</sup> *Ibid.*

<sup>96</sup> *Ibid.*, p. 444.

<sup>97</sup> Hon James Merlino MP, Minister for Mental Health, *Transcript of evidence*, p. 5.

<sup>98</sup> *Ibid.*

<sup>99</sup> State of Victoria, *Royal Commission into Victoria's Mental Health System, Interim Report*, pp. 491-542.

‘workforce readiness initiative’.<sup>100</sup> The 2020–21 Budget Papers show this funding seeks to address workforce shortages in the mental health sector to support future expansion of the workforce. It also facilitates an increase in the annual number of graduate nurses as well as an increase in the provision of postgraduate mental health nurse scholarships.<sup>101</sup>

The Minister indicated that the workforce readiness initiative will enable planning for 60 new allied health workforce roles across Melbourne and regional Victoria. It will also support development of the junior nursing workforce, collection of workforce data, and scoping of a new integrated workforce information management system to better understand workforce patterns.<sup>102</sup>

The Committee queried the Minister about how people with lived experience of mental illness will be incorporated into future workforce planning. The Minister referred the Committee to the three-year \$16 million *Lived experience workforce* initiative in the 2020–21 Budget.<sup>103</sup>

**FINDING 29:** The 2020–21 Budget includes \$571 million for initiatives addressing the interim recommendations from the Royal Commission into Victoria’s Mental Health system. The investment supports delivery of 179 acute mental health beds—nine more than recommended by the Royal Commission to boost the system’s capacity. It also supports expansion of suicide prevention programs and initiatives focused on strengthening Victoria’s mental health workforce.

### 3.7.4 Emergency patients admitted to a mental health bed

At the estimates hearing the Committee noted the proportion of emergency patients admitted to a mental health bed within eight hours in 2019–20 was 54.4%—substantially lower than the Government’s target of 80%. This outcome was primarily due to the increasing trend in the number of people presenting directly to metropolitan emergency departments. The budget papers show this result reflects a marginal improvement compared to 2018–19.<sup>104</sup> DHHS advised:

The challenges that public health services have are largely related...[but not solely]...to the availability of mental health beds.... The royal commission is devoting a lot of time to how many acute beds the system requires. They have already made recommendations around initial investments in beds, and I have to say the work to establish those beds and the investment to create the additional 179 acute beds will be far and away the most significant intervention to improve timeliness of transfer from an emergency department to a mental health bed.

<sup>100</sup> Hon James Merlino MP, Minister for Mental Health, *Transcript of evidence*, p. 13.

<sup>101</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 76.

<sup>102</sup> Hon James Merlino MP, Minister for Mental Health, *Transcript of evidence*, p. 13.

<sup>103</sup> *Ibid.*, pp. 13–14.

<sup>104</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 230.

There are other initiatives underway. The work to establish mental health and alcohol crisis hubs in emergency departments helps to stream people to appropriate care inside the emergency department. So instead of them spending long periods of time in resuscitation cubicles or general cubicles, they can get to specialist areas where they can get help.<sup>105</sup>

The Committee queried the reasons behind the increase in mental health presentations to emergency departments noted in the 2020–21 Budget Papers. DHHS further explained:

One of our hopes, I think, for the royal commission is that they will recommend significant changes to the whole system, not only more capacity in the acute system, so that collectively primary care and state-funded services in the community are responding earlier and more effectively to prevent people deteriorating to the point where they attend an emergency department. I have to say the system overall has not worked effectively in that way to date, and that is why each year we have seen increasing numbers.<sup>106</sup>

**FINDING 30:** The proportion of emergency patients admitted to a mental health bed within eight hours in 2019–20 was 54.4%—substantially lower than the Government’s target of 80%. The Department of Health and Human Services advised that this reflects longstanding weaknesses impeding effective coordination between primary and acute services including delivery of earlier interventions.

### 3.8 Housing portfolio: key issues

The Minister for Housing is responsible for the Housing Assistance output (funding in 2020–21: \$1.4 billion).<sup>107</sup> The Government’s \$5.3 billion investment in the *Big Housing Build* is a key initiative of the 2020–21 Budget. The Minister for Housing emphasised it is the biggest investment ever by any state government across Australia in public and social housing.<sup>108</sup> The Treasurer also noted the initiative will transform thousands of lives.<sup>109</sup> The Minister for Housing highlighted the 2020–21 Budget provides a 118.4% increase in output funding to housing and homelessness programs since the 2019–20 Budget.<sup>110</sup> The *Big Housing Build* investment is discussed in detail in Chapter 11.

<sup>105</sup> Mr Terry Symonds, Deputy Secretary, Health and Wellbeing, 2020–21 Budget estimates (health) hearing, Melbourne, 4 December 2020, *Transcript of evidence*, pp. 3–4.

<sup>106</sup> *Ibid.*, p. 6.

<sup>107</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 214.

<sup>108</sup> Hon Richard Wynne MP, 2020–21 Budget estimates hearing presentation: *Housing*, supplementary evidence received 18 December 2020, p. 2.

<sup>109</sup> Department of Treasury and Finance, *Budget Paper No. 1: 2020–21 Treasurer’s speech*, Melbourne, 2020, p. 6.

<sup>110</sup> Hon Richard Wynne MP, 2020–21 Budget estimates hearing presentation: *Housing*, p. 3.

### 3.9 Child protection portfolio: key issues

The Minister for Child Protection is responsible for the Child Protection and Family Services output (funding in 2020–21: \$1.7 billion).<sup>111</sup> The 2020–21 Budget invests approximately \$1.2 billion over four years in child protection and family support initiatives. The Minister for Child Protection noted these investments build on the \$77.5 million in emergency funding for children and families services announced by the Government on 23 April 2020 in response to the COVID-19 pandemic.<sup>112</sup>

The key issues relevant to the Child Protection portfolio identified during the 2020–21 budget estimates inquiry are discussed below.

#### Better Futures: Home Stretch initiative

At the estimates hearings the Committee inquired into how the Government's investment in the *Better Futures: Home Stretch* initiative will improve support for young people leaving care. The Minister advised that around 500 children annually leave the child protection system to begin the challenging journey towards independence.<sup>113</sup> The Minister stated:

Often that means leaving home ...and, let us be honest, many of them end up in homelessness, unemployment and the like. ...This is very much in stark contrast, as we know, to the general population whose family support does not expire...on their 18th birthday...Leaving home is hard enough for people at 18 years of age, let alone those who have obviously suffered trauma through their childhood.<sup>114</sup>

The *Better Futures* program, previously known as *Leaving Care Support Services* is designed to engage earlier with care leavers, supporting them to have an active voice in their transition planning, and providing individualised supports both in-care and post-care across a range of life areas including housing, health and wellbeing, education, employment, and community and cultural connections.<sup>115</sup>

The Minister told the Committee the *Better Futures* program begins supporting children from when they turn 15 years and nine months. They transition to the *Home Stretch* initiative from 18 years of age onwards.<sup>116</sup> The Minister explained the support provided to children under the initiative:

What they receive is casework support; access to flexible funding...to purchase items they...need to assist them in work,...study,...doing what they need to do; an

<sup>111</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 214.

<sup>112</sup> Hon Luke Donellan MP, *2020–21 Budget estimates hearing presentation: Child Protection*, supplementary evidence, received 15 December 2020, p. 2.

<sup>113</sup> Hon Luke Donellan MP, Minister for Child Protection, 2020–21 Budget estimates (Child Protection) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, pp. 3–4.

<sup>114</sup> Ibid.

<sup>115</sup> Department of Health and Human Services, *Children, youth and families, better futures*, 27 January 2021, <<https://providers.dhhs.vic.gov.au/better-futures>> accessed 23 February 2021.

<sup>116</sup> Hon Luke Donellan MP, Minister for Child Protection, 2020–21 Budget estimates (Child Protection) hearing, *Transcript of evidence*, p. 4.

accommodation and care allowance so young people can remain...[in]...foster or kinship care; and also support...in their transition to independent living. This...is part of our early intervention...[as]...far too many of these young people end up in the justice system ... That is...why we...introduced...Better Futures...to provide that support,...care,...love and... guidance, more than anything else, they need.<sup>117</sup>

The Minister emphasised when combined with the Government's \$5.3 billion investment in social housing, the *Better Futures: Home Stretch* initiative seeks to ensure vulnerable young Victorians have the best chance of thriving as they enter adulthood.<sup>118</sup>

**FINDING 31:** Funding in the 2020–21 Budget for the Better Futures: Home Stretch initiative aims to increase the supports available to young people as they transition towards independent living.

### Responding to reviews of the child protection system

The Victorian Ombudsman's report on the *Investigation into complaints about assaults of five children living in Child Protection residential care units* highlighted longstanding systemic problems with the residential care system, influenced by resource constraints forcing child protection workers to make 'least-worst' decisions for children that did not always align with their best interests.<sup>119</sup> The Ombudsman recommended moving the system from a four-bed residential care model to a two-bed model, to support better placement decisions and therapeutic care as well as establishing an independent advocate for children in care.<sup>120</sup>

The Committee queried the Minister about the Government's response to the issues raised by the Ombudsman and related recommendations. The Minister informed the Committee the Government had accepted the Ombudsman's recommendations and was focused on providing better wraparound support to those in residential care.<sup>121</sup> Whilst the Government had yet to address the recommendation to establish an independent advocate, the Minister stated the 2020–21 Budget provides \$40.9 million to develop more two and three bedroom residential facilities directly addressing the Ombudsman's related recommendation. The Government also provided \$90.2 million for targeted support packages focused on preventing children from entering residential care.<sup>122</sup>

In a response to a question taken on notice, the Minister confirmed capital funding in the 2020–21 Budget will deliver 25 new two and three bed homes and output funding will support a further 35 residential care beds, increasing the number of funded residential care beds to 507 statewide.<sup>123</sup>

**FINDING 32:** The 2020–21 Budget provides \$40.9 million in capital funds to deliver 25 new two and three bedroom residential homes consistent with the Victorian Ombudsman’s related recommendation to support better placement decisions and care.

### Aboriginal children in care

The Committee sought further context from the Minister about the Government’s initiatives to reduce the over-representation of Aboriginal children in the child protection system. The Minister informed the Committee that Aboriginal children comprised approximately 25% of all children in out-of-home care and emphasised this was ‘far too high’.<sup>124</sup> The Minister stated:

in terms of the number of children overall that we take into care we are the lowest in the country—six per thousand; I think the average across the country is eight per thousand—but that being said, we have far too many Aboriginal children in the statutory child protection system.

So in this budget we have allocated \$85.5 million in programs that will give Aboriginal committees and Aboriginal community-controlled organisations greater control over decisions and resources for Aboriginal children in care, and we are supporting more Aboriginal children with culturally appropriate care...<sup>125</sup>

The Minister emphasised transitioning Aboriginal children into culturally appropriate care arrangements was an important step in achieving the Government’s commitment to self-determination and self-management for Aboriginal communities. He also highlighted that the 2020–21 Budget provides \$44.2 million to grow and expand the nation’s first Aboriginal Children in Aboriginal Care program offering a co-designed model of Aboriginal care.<sup>126</sup>

## 3.10 Disability, ageing and carers portfolio: key issues

The Minister for Disability, Ageing and Carers is responsible for the following outputs:

- Disability Services (funding in 2020–21: \$2.2 billion –includes a \$1.7 billion contribution to the National Disability Insurance Scheme (NDIS))<sup>127</sup>

<sup>123</sup> Hon Luke Donellan MP, Minister for Child Protection, 2020–21 Budget estimates (Child Protection) hearing, response to questions on notice, received 14 January 2021, p. 5.

<sup>124</sup> Hon Luke Donellan MP, Minister for Child Protection, *Transcript of evidence*, p. 11.

<sup>125</sup> *Ibid.*, pp. 11–12.

<sup>126</sup> *Ibid.*

<sup>127</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 214, 248.

- Ageing, Aged and Home Care (funding in 2020–21: \$886.9 million)
- Concessions to Pensioners and Beneficiaries (funding in 2020–21: \$804.6 million)
- Small Rural Services (where they relate to aged care and Home and Community Care services) (funding in 2020–21: \$253.1 million)<sup>128</sup>
- Empowering Individuals and Communities (funding in 2020–21: \$116.6 million).<sup>129</sup>

The 2020–21 Budget provides an additional \$461.5 million over four years across the disability, ageing and carers portfolio.<sup>130</sup>

The key issues relevant to the Disability, Ageing and Carers portfolio identified during the 2020–21 budget estimates inquiry are discussed below.

### Investment in residential aged care facilities

At the estimates hearing, the Minister highlighted the Government's continuing capital investments focused on modernising and upgrading the State's public sector residential aged care facilities. He noted the 2020–21 Budget provides:

- \$134.6 million total estimated investment (TEI) for the Public Sector Residential Age Care Services Metropolitan Melbourne: Stage 3 Kingston Project
- \$10 million TEI for the Rural Residential Aged Care Facilities Renewal Program
- \$0.9 million for planning and design of Melbourne Public Sector Residential Aged Care Services Strategy: Stage 4 Coburg Project.<sup>131</sup>

The Committee asked the Minister to explain how Stage 3 of the Kingston project will enhance the quality of care residents receive. The Minister stated the project was focused on vulnerable low-income people with dementia and mental health needs because the not-for-profit and private sector did not currently adequately cater to this cohort.<sup>132</sup> The Minister further explained:

This building will be fit for purpose. It is very much going to be dementia friendly, with a focus on high levels of mobility. It will also have pandemic air conditioning...[with]...the capacity to zone off areas, flush the air out of the area and bring in only fresh air on an ongoing basis. ...memory boxes for people with dementia will be outside their room ... so that might jolt the memory of someone suffering dementia that ...[it]...is actually their room.... These are...design innovations... to the building fabric...<sup>133</sup>

<sup>128</sup> Ibid., pp. 236–237 (Committee calculation).

<sup>129</sup> Ibid., p. 214.

<sup>130</sup> Hon Luke Donellan MP, *2020–21 Budget estimates hearing presentation: Disability, Ageing and Carers*, supplementary evidence, received 15 December 2020, p. 2.

<sup>131</sup> Ibid., pp. 2, 5.

<sup>132</sup> Hon Luke Donellan MP, Minister for Disability, Ageing and Carers, 2020–21 Budget estimates (Disability, Ageing and Carers) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, p. 3.

<sup>133</sup> Ibid., p. 4.

The Minister stated the planned improvements to the building fabric reflected a key focus of the Government's broader approach to modernising Victoria's public sector residential aged care facilities as a significant proportion of residents in these facilities had very complex care needs.<sup>134</sup>

### State Disability Plan 2021–24 and Victorian Autism Plan

At the estimates hearing the Minister for Disability, Ageing and Carers updated the Committee on the Government's progress in developing the State Disability Plan 2021–24. The Minister explained the plan, originally scheduled for 2020, was delayed due to the COVID-19 pandemic and its impact on the planned consultation program.<sup>135</sup> He noted the new plan will support all people with a disability and include benchmarks supporting inclusion across all aspects of society.<sup>136</sup> The Minister stated:

I am glad to report...[the consultation]...program ...has now restarted as of 3 December. And ahead of next year's budget we have committed an extra \$11.7 million for a range of activities in support of the current plan and ongoing advocacy. ...there is more than \$7 million to deliver the new Victorian Autism Plan... with particular focus on clinical assessments so...people can then get the publicly funded services they require.<sup>137</sup>

The Government released the Victorian Autism Plan in December 2019 in response to the Family and Community Development Committee's final report on its Parliamentary Inquiry into services for people with Autism Spectrum Disorder.<sup>138</sup> The Minister noted it has a five-year outlook guided by outcomes in the current State Disability Plan 2017–20.<sup>139</sup>

The Committee queried the Minister about how the 2020–21 Budget supports implementation of the Victorian Autism Plan. The Minister explained:

we are backing our autism plan with a further \$7 million for 3150 extra publicly-funded autism assessments over the next four years to improve access to early intervention and support...because so many parents simply do not have the capacity to get these assessments...and that adds to \$2 million ...funded in the last budget for 475 autism assessments and diagnoses through child and adolescent mental health services.<sup>140</sup>

The Minister emphasised autism assessments were vital for accessing NDIS services.<sup>141</sup>

<sup>134</sup> Ibid., p. 6.

<sup>135</sup> Hon Luke Donellan MP, Minister for Disability, Ageing and Carers, *Transcript of evidence*, p. 11.

<sup>136</sup> Ibid., p. 1.

<sup>137</sup> Ibid.

<sup>138</sup> Parliament of Victoria, Family and Community Development Committee, *Inquiry into services for people with Autism Spectrum Disorder: Final Report*, June 2017.

<sup>139</sup> Hon Luke Donellan MP, Minister for Disability, Ageing and Carers, *Transcript of evidence*, p. 10.

<sup>140</sup> Ibid.

<sup>141</sup> Ibid.

**FINDING 33:** The 2020–21 Budget provides an additional \$461.5 million over four years across the disability, ageing and carers portfolio. The State Disability Plan 2021–24, originally scheduled for 2020, has been delayed due to the impacts of the coronavirus pandemic. The consultation program recommenced on 3 December 2020.

### 3.11 Ambulance services portfolio: key issues

The Minister for Ambulance Services is responsible for the Ambulance Services output, which includes both emergency and non-emergency services (funding in 2020–21: \$1.3 billion).<sup>142</sup> The 2020–21 Budget invests \$135.7 million over four years in ambulance services.<sup>143</sup>

The key issues relevant to the Ambulance Services portfolio identified during the 2020–21 budget estimates inquiry are discussed below.

#### Discrimination and harassment in Ambulance Victoria

At the estimates hearing, the Committee expressed its deep concern about recent reports in the media<sup>144</sup> highlighting a longstanding culture within Ambulance Victoria of sexual discrimination and harassment of female employees and paramedics. The Committee queried the Minister for Ambulance Services and senior Ambulance Victoria officials about these issues and the actions being taken to address them.

The Minister stated he was deeply shocked to learn of the allegations raised by former and current employees. He commended those who had come forward, particularly affected women, and emphasised the Government had a zero-tolerance approach for all forms of discrimination, harassment and bullying.<sup>145</sup>

The Minister outlined to the Committee how Ambulance Victoria and the Government had responded to-date:

I can report that the chair and the CEO have been working with the Victorian Equal Opportunity and Human Rights Commission [VEOHRC] to undertake an extensive process whereby they will respond to not just the immediate issues but the deep, systemic problems that this issue is starting to highlight and equally to use the process ... to ... deal with the issues that it is highlighting. The inquiry will... take some time. I have met with both Commissioner Hilton and her team. I have met with industrial representatives of Ambulance Victoria, and ...on a number of occasions with both

<sup>142</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 214.

<sup>143</sup> Hon Martin Foley MP, *2020–21 Budget estimates hearing presentation: Ambulance Services*, supplementary evidence, received 4 December 2020, p. 2.

<sup>144</sup> Wendy Tuohy, 'Sex discrimination and harassment widespread in Ambulance Victoria, say paramedics', *The Age*, 26 October 2020, <<https://www.theage.com.au/national/victoria/sex-discrimination-and-harassment-widespread-in-ambulance-victoria-say-paramedics-20201025-p568h5.html>> 1 March 2021.

<sup>145</sup> Hon Martin Foley MP, Minister for Ambulance Services, 2020–21 Budget estimates (Ambulance Services) hearing, Melbourne, 4 December 2020, *Transcript of evidence*, p. 2.

Mr Walker [CEO of Ambulance Victoria] and Mr Lay [Chair of the Board of Ambulance Victoria]...<sup>146</sup>

The Committee sought further context about the actions initiated by Ambulance Victoria. The Chief Executive Officer, Ambulance Victoria explained:

I was equally distressed with the reports...We have very quickly engaged VEOHRC to do this work. We have made it very clear that this needs to be a transparent and open process so that there is a clear understanding both internally and externally of the ... issues that are found. Importantly, we are working with VEOHRC to ensure that the recommendations are implemented and are to be audited at the completion of those recommendations, again to be held to public account around implementing those findings.<sup>147</sup>

The Chief Executive Officer further highlighted Ambulance Victoria had, in the interim, created several pathways for staff to safely raise issues directly with either VEOHRC, WorkSafe or Victoria Police, and all claims of bullying and harassment were now externally investigated. The Chief Executive Officer accepted there was a significant problem with the culture of Ambulance Victoria.<sup>148</sup> He acknowledged that as the Chief Executive Officer he was ultimately accountable.<sup>149</sup>

The Minister affirmed the Government supported Ambulance Victoria's response to-date, and noted it was awaiting VEOHRC's report, expected in November 2021, before determining any further changes needed in Ambulance Victoria.<sup>150</sup>

**RECOMMENDATION 7:** Ambulance Victoria should report the progress of all actions addressing the causes and incidence of discrimination and harassment towards women and other vulnerable groups in the workplace in its 2020–21 Annual Report.

### Stroke services

The 2020–21 Budget includes \$21.6 million for Victoria's Mobile Stroke Unit and related telemedicine to ensure life-saving treatment is delivered to patients in the critical hour after a stroke.<sup>151</sup> The Committee queried the Minister about how this investment will improve patient outcomes. The Minister noted Ambulance Victoria launched Australia's first stroke ambulance in 2017 and has since attended over 1,000 patients at the scene providing critical treatment.<sup>152</sup> The Minister explained:

<sup>146</sup> Ibid.

<sup>147</sup> Associate Professor, Tony Walker, Chief Executive Officer, Ambulance Victoria, 2020–21 Budget estimates (Ambulance Services) hearing, Melbourne, 4 December 2020, *Transcript of evidence*, pp. 2–3.

<sup>148</sup> Ibid.

<sup>149</sup> Ibid., pp. 5–6.

<sup>150</sup> Hon Martin Foley MP, Minister for Ambulance Services, *Transcript of evidence*, p. 6.

<sup>151</sup> Hon Daniel Andrews MP, *Supporting The Healthcare Workers That Support Us*, media release, Victorian Government, Melbourne, 24 November 2020.

<sup>152</sup> Hon Martin Foley MP, Minister for Ambulance Services, *Transcript of evidence*, p. 3.

Research clearly points to what is referred to as the golden hour, in that first hour of response to a stroke when patients have the greatest chance of avoiding long-term damage, if not worse. That is why the announcement of \$21.6 million to help reach more Victorians experiencing a stroke faster...<sup>153</sup>

The Minister highlighted stroke ambulances were equipped with a CT scanner and crewed by a neurologist, stroke nurse, radiographer and highly skilled paramedics which meant patients could access treatment sooner in the ‘golden hour’ before arriving at a hospital.<sup>154</sup> He also indicated the investment will support further improvements to pre-hospital stroke care, particularly in regional Victoria, by enabling up-to-date imaging and telehealth technologies including the world’s first purpose-built scanner for mobile environments.<sup>155</sup>

### 3.12 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 the 2020–21 Budget: \$439.2 million).<sup>156</sup> The Minister highlighted the 2020–21 Budget invests \$435 million in gender equality and preventing family violence, recognising the 2015 Royal Commission into Family Violence highlighted gender inequality was a leading cause.<sup>157</sup> Approximately \$238 million of this is for family violence initiatives across government.<sup>158</sup> The Minister is directly responsible for \$108.7 million in family violence service delivery initiatives, and \$9.7 million for primary prevention initiatives.<sup>159</sup>

The key issues relevant to the Prevention of Family Violence portfolio identified during the 2020–21 budget estimates inquiry are discussed below.

#### The Orange Door Program

The Royal Commission into Family Violence found that people affected by family violence were not getting the services and support they needed. It recommended the Government establish 17 support and safety hubs in communities throughout Victoria to make it easier for people to find help.<sup>160</sup> The Government committed \$448.1 million to

<sup>153</sup> Ibid.

<sup>154</sup> Ibid.

<sup>155</sup> Ibid., p. 4.

<sup>156</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 214.

<sup>157</sup> Hon Gabrielle Williams MP, *2020–21 Budget estimates hearing presentation: Prevention of Family Violence*, supplementary evidence, received 27 November 2020, p. 2.

<sup>158</sup> Ibid., p. 3.

<sup>159</sup> Hon Gabrielle Williams MP, Minister for the Prevention of Family Violence, 2020–21 Budget estimates (Prevention of Family Violence) hearing, Melbourne, 27 November 2020, *Transcript of evidence*, p. 2.

<sup>160</sup> Victorian Government, *Support and Safety Hubs in the 17 Department of Health and Human Services regions*, 6 January 2021, <<https://www.vic.gov.au/family-violence-recommendations/support-and-safety-hubs-17-department-health-and-human-services>> accessed 23 February 2021.

open the hubs by 2021.<sup>161</sup> Family Safety Victoria (FSV) is coordinating the delivery of the hubs—now known as *The Orange Door*. FSV opened the first five hubs in 2018 and plans to open the remaining 12 by the end of 2022.<sup>162</sup>

At the estimates hearing, the Committee noted that the Victorian Auditor-General's May 2020 report *Managing Support and Safety Hubs* found that the hubs were not yet realising their full potential. Specifically, the report highlighted rushed implementation and weaknesses in service coordination resulted in the first five hubs opening without all the infrastructure, processes and staff needed to meet demand.<sup>163</sup> The Committee asked the Minister how the Government was addressing the issues raised by the Auditor-General. The Minister informed the Committee:

since the release of the VAGO report we have opened another two networks ...which are in Loddon and Bendigo and Central Highlands...

...

it is worth noting...we were already on the path to addressing some of the VAGO feedback because it had come up in the context of the implementation monitor. So some of our response to that was already well underway by the time the VAGO report was handed down....we accepted all nine of the Auditor-General's recommendations...<sup>164</sup>

The Minister stated learnings to-date, including new governance and implementation structures established before the Auditor-General's report, have since been incorporated into planning for the next phase of the rollout which is currently proceeding in a more streamlined way.<sup>165</sup>

### Perpetrator accountability

The Minister for the Prevention of Family Violence outlined the key components of the Government's additional \$10.7 million investment in perpetrator responses at the estimates hearing. The Minister explained that the funding supports the expansion of the *Caring Dads* intervention program and case management brokerage.<sup>166</sup>

Under the *Caring Dads* program, fathers attend voluntary group sessions over 17 weeks where they learn parenting skills and the impact of family violence on their children as well as the importance of a respectful relationship with their children's mother.<sup>167</sup> Referrals to the program are made through alcohol and other drug services, mental

161 Victorian Government, *About the Family violence rolling action plan 2017 to 2020*, 17 December 2020, <<https://www.vic.gov.au/family-violence-rolling-action-plan-2017-2020>> accessed 23 February 2021.

162 Victorian Auditor-General's Office, *Managing Support and Safety Hubs*, 2020, Melbourne, pp. 10–11.

163 Ibid.

164 Hon Gabrielle Williams MP, Minister for the Prevention of Family Violence, *Transcript of evidence*, p. 5.

165 Ibid.

166 Ibid., pp. 3–4, 7.

167 Hon Jenny Mikakos MP, *Stopping Fathers Committing Family Violence*, media release, Victorian Government, Melbourne, 13 December 2016.

health services, child protection, Child FIRST, maternal and child health services, police and other community service providers.<sup>168</sup>

The Committee asked the Minister about the purpose of brokerage funding in the 2020–21 Budget. The Minister stated that the funding is designed to address crises such as homelessness or other barriers preventing men who use violence from engaging with family violence services.<sup>169</sup> Specifically, funds are mostly used to meet immediate basic needs such as transport and short-term accommodation for perpetrators so as to avoid them immediately returning to the family home. In turn this provides for ‘breathing space’ and enables crisis safety planning for the victim-survivor.<sup>170</sup>

**FINDING 34:** The Government’s \$10.7 million investment in family violence perpetrator responses is focused on reducing the risk of family violence through perpetrator intervention and education initiatives, as well as addressing barriers to their participation in related services.

### 3.13 Performance measures

#### 3.13.1 Department wide: analysis of new performance measures

DHHS added 19 new performance measures in the 2020–21 Budget. The Committee supports all of the proposed new measures as they improve the comprehensiveness of performance information contained in the budget papers for initiatives relating to public housing, family violence, mental health, disability, child protection, public, maternal and child health services.

#### 3.13.2 Department wide: analysis of discontinued performance measures

DHHS proposed 21 performance measures for discontinuation in the 2020–21 Budget. The Committee supports the department’s rationale in all cases noting 11 of these were replaced with improved measures, with the remainder discontinued mainly due to the cessation of program funding and/or transition to the NDIS.

Appendix B contains more information on DHHS’ performance measures.

<sup>168</sup> Ibid.

<sup>169</sup> Hon Gabrielle Williams MP, Minister for the Prevention of Family Violence, *Transcript of evidence*, p. 7.

<sup>170</sup> Ibid.



# 4 Department of Education and Training

## 4.1 Overview

The Department of Education and Training (DET) is responsible for delivering and regulating learning and development services across Victoria's early childhood, school education, and training and skills sectors. It currently supports the four ministerial portfolios of Education, Training and Skills, Higher Education, and Early Childhood.

DET's objectives are to:

- raise standards of learning and development achieved by Victorians using education, training, and early childhood development services
- increase the number of Victorians actively participating in education, training, and early childhood development services
- 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
- increase the productivity of DET services.<sup>1</sup>

## 4.2 Financial analysis

In 2020–21 DET is allocated just under \$17 billion to fund its outputs representing an increase of 8.3% compared to the 2019–20 actuals (\$15.7 billion).<sup>2</sup>

DET has the second largest budget of all of the departments, accounting for around 21% of output funding.<sup>3</sup> It has \$17.4 billion available in total income from transactions in 2020–21 representing a 7.1% increase compared to the 2019–20 actuals (\$16.3 billion).<sup>4</sup>

In 2020–21 DET's output appropriations will increase by approximately \$1.4 billion (i.e. 9.3%) from the 2019–20 actuals. DET advised this is primarily due to funding for new initiatives approved in the 2020–21 Budget and the Crisis Council of Cabinet in response to the COVID-19 pandemic.<sup>5</sup> These initiatives include support to universities,

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1 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 160.

2 Ibid., p. 161.

3 Ibid., p. 160–399 (Committee calculation).

4 Ibid., p. 162.

5 Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 16.

the Technical and Further Education (TAFE) sector, kindergartens, additional funding and support for students with a disability, and *Enhanced School Cleaning*.<sup>6</sup> DET noted the variance also relates to indexation, carryover from 2019–20 into 2020–21, and re-phases of funding into future years.<sup>7</sup>

Employee benefits will increase by 4.1% in 2020–21 compared to the 2019–20 actuals.<sup>8</sup> DET advised this primarily relates to new funding for supporting students with a disability, the deployment of tutors, enrolment-based funding for schools, and indexation.<sup>9</sup>

DET identified no new savings targets or initiatives for 2020–21<sup>10</sup> consistent with the Government's decision to revise its approach to efficiency measures and prioritise the economic recovery.<sup>11</sup> It advised that it was continuing to implement savings initiatives from previous budgets by streamlining corporate functions or reducing the use of contractors, consultants and/or labour hire services. DET affirmed these initiatives will not have an impact on service delivery or front-line staffing levels as allocations will only be applied to corporate back office areas.<sup>12</sup>

DET stated that the Victorian and the Commonwealth Governments have signed a new school funding agreement expiring in 2023 and were negotiating a new national skills agreement but noted there was ongoing uncertainty about the future of Commonwealth funding in early childhood education. It advised the Commonwealth Budget only provides a further one-year extension to the *National Partnership on Universal Access to Early Childhood Education* and no funding was allocated beyond 2021 at the time of the State Budget.<sup>13</sup>

### 4.3 COVID-19 response expenditure

DET identified 19 output initiatives in the 2020–21 Budget responding to the COVID-19 pandemic.<sup>14</sup> These initiatives collectively account for 39% (approximately \$2.0 billion) of DET's total forecast output expenditure across the 2020–21 budget year and forward estimates period.<sup>15</sup>

<sup>6</sup> Ibid.

<sup>7</sup> Ibid.

<sup>8</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 80.

<sup>9</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 17.

<sup>10</sup> Ibid., p. 75.

<sup>11</sup> Department of Treasury and Finance, *Budget Paper No. 2, 2020–21 strategy and outlook*, Melbourne, 2021, p. 67.

<sup>12</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 75.

<sup>13</sup> Ibid., p. 94.

<sup>14</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 19–23.

<sup>15</sup> Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

DET advised that the COVID-19 initiatives were new programs to be funded from output appropriations, with 35% of total forecast expenditure over the next four years occurring in the 2020–21 budget year (\$707.1 million).<sup>16</sup> These initiatives also account for most of DET’s \$1.2 billion budgeted output expenditure in 2020–21 (59%).<sup>17</sup>

### 4.3.1 COVID-19 response initiatives announced prior to the 2020–21 Budget

The Government announced emergency COVID-19 support initiatives for the education sector in the period preceding the Budget during April and May 2020.<sup>18</sup>

These announcements committed \$1.5 billion to support the viability of education providers, job creation, and the State’s economic recovery mainly through significant investments in education infrastructure (approximately \$1.2 billion) discussed below.

The Government’s funding principles during this period required agencies to manage cost pressures within existing allocations in the first instance, and then exhaust other sources of funding, including uncommitted cash reserves, before requesting a Treasurer’s Advance.<sup>19</sup>

The Committee notes DET’s drawdown from the Treasurer’s Advance accounts for a small proportion of the \$1.5 billion in emergency expenditure announced during this period.

### 4.3.2 Initiatives funded from the Treasurer’s Advance

DET received \$342.6 million from a Treasurer’s Advance in 2019–20.<sup>20</sup> Approximately \$90.2 million was for new initiatives in direct response to the COVID-19 crisis including:

- \$68.9 million for the TAFE sector to partially replace lost revenue in 2019–20 and minimise the risk of job losses and redundancies
- \$20.3 million to support the viability of sessional kindergarten services impacted by periods of closure, reduced enrolments and/or fee income due to COVID-19
- \$1 million to fund COVID-safe training for hospitality businesses and local government.<sup>21</sup>

<sup>16</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 25–27.

<sup>17</sup> Ibid; Department of Treasury and Finance, *Budget Paper No. 3*, p.1 (Committee calculation).

<sup>18</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 55–67.

<sup>19</sup> Victorian Auditor-General’s Office, *Auditor-General’s Report on the Annual Financial Report of the State of Victoria: 2019–20*, Melbourne, 2020, pp. 22–23.

<sup>20</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 72–74.

<sup>21</sup> Ibid.

DET explained the remainder was spent on recurrent initiatives such as *Essential Maintenance and Compliance in Schools* (\$112.6 million), *School Enrolment Based Funding* (\$74 million) and *Camps, Sports and Excursions Fund* (\$36.6 million).<sup>22</sup>

**FINDING 35:** A significant portion of Treasurer’s Advances have been spent on recurrent initiatives. The Committee notes that these are broad programs as well as programs that were repurposed for COVID-19 to meet urgent needs. The Department of Education and Training received \$342.6 million from Treasurer’s Advances in 2019–20. About \$90.2 million was to fund COVID-19 initiatives with the remaining \$252.4 million spent on recurrent initiatives.

### 4.3.3 Initiatives funded from other appropriations

#### Vocational Education and Training provider viability package

In April 2020 the Government announced \$260.8 million in emergency funding to support the state’s training and TAFE system due to the expected decline in student numbers because of COVID-19.<sup>23</sup> The commitment included \$191.9 million to lock in funding at expected pre-COVID-19 levels in addition to the \$68.9 million in crisis support to the TAFE sector from the Treasurer’s Advance.<sup>24</sup>

DET reported the Vocational Education and Training (VET) provider viability package is now expected to cost \$744.5 million over 2019–20 and 2020–21 inclusive of the \$68.9 million Treasurer’s Advance. It also indicated most of the cost will be met from DET’s existing resources through internal reprioritisation as there are no funds allocated in the 2020–21 Budget for this initiative.<sup>25</sup>

#### Investment in education infrastructure

The Government committed a further \$1.2 billion to education infrastructure projects in May 2020 as part of its \$2.7 billion *Building Works* package to drive new economic activity in response to the coronavirus crisis.<sup>26</sup> This investment aims to create space for more than 21,000 extra students and more than 1,600 local jobs through the construction of new schools, upgrades to existing schools, and maintenance works.<sup>27</sup>

DET’s response to the Committee’s questionnaire shows the \$1.2 billion committed through the package will be funded by the State through the 2020–21 Budget with all initiatives currently underway and most having commenced from the date of the

<sup>22</sup> Ibid.

<sup>23</sup> Hon Daniel Andrews MP, *Skilling up Victorians to get through the coronavirus crisis*, media release, 17 April 2020.

<sup>24</sup> Ibid.

<sup>25</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 19.

<sup>26</sup> Hon Daniel Andrews MP, *Building Works: More Jobs for Victorians*, media release, 18 May 2020.

<sup>27</sup> Ibid.

announcement.<sup>28</sup> DET also identified \$89.2 million had been spent by 1 October 2020 from the \$576.2 million in projected expenditure for the 2020–21 budget year.<sup>29</sup>

#### 4.3.4 Strategic issues caused by the COVID-19 pandemic

DET's response to the Committee's questionnaire outlines five strategic issues that will guide the department's COVID-19 management response in 2020–21.<sup>30</sup> These include:

- addressing interrupted school-based learning in 2020
- addressing financial hardship due to COVID-19
- keeping schools open and safe
- addressing economic impacts on industries, women, young people and migrants
- contributing to the State's economic recovery.

Appendix C summarises the budget initiatives relating to these strategic issues.

### 4.4 New capital spend in the 2020–21 Budget

The \$1.2 billion committed through the *Building Works* package combined with the \$1.9 billion provided in the 2020–21 Budget for education asset initiatives<sup>31</sup> amounts to \$3.1 billion of additional investment in education infrastructure since the previous State Budget. DET's total capital spend is \$5.7 billion, which is about 8.3% of the total general government capital spend.<sup>32</sup>

The Government estimates this total investment will support more than 7,000 jobs across metropolitan and regional areas including 11 new schools, seven additional stages of new schools in metropolitan and regional Victoria and 234 school upgrades.<sup>33</sup>

The 2020–21 Budget allocates \$343.4 million in 2020–21 for existing *New Schools* programs, an increase of 155% from 2019–20 levels.<sup>34</sup> It also provides a further \$279.5 million in 2020–21 for new school construction mainly for projects announced prior to the 2020–21 Budget as part of the Government's \$1.2 billion *Building Works* package.<sup>35</sup>

<sup>28</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 119–121.

<sup>29</sup> Ibid. (Committee calculation).

<sup>30</sup> Ibid., pp. 12–14.

<sup>31</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 2.

<sup>32</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 102.

<sup>33</sup> Ibid., p. 89.

<sup>34</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 118 (Committee calculation).

<sup>35</sup> Ibid.

The 2020–21 Budget also allocated \$336.8 million in 2020–21 for existing school upgrades, representing a 2.4% decrease from 2019–20 levels.<sup>36</sup> However, this will be offset by an additional \$86.4 million allocation in 2020–21 for school upgrades announced prior to the budget as part of the *Building Works* package.<sup>37</sup>

#### 4.4.1 Risks to infrastructure delivery and outcomes

The Committee understands the intended contribution these significant capital investments will make to the State's broader economic recovery and *Jobs Plan*. It also notes the significant scale, urgency and expeditious nature of these investments may heighten the risks to effective planning, project management and budgeting, including the timely delivery of intended outcomes.

The absence of the usual progress report on the State's capital program in the 2020–21 Budget means the magnitude of these risks and any impacts to date were not visible to the Committee during the inquiry into the 2020–21 Budget Estimates.

A paper titled *Managing Public Investment Spending During the Crisis* was issued as part of the International Monetary Fund's (IMF) special series on COVID-19. The IMF stated the investment spending to support economic recovery and growth requires strong prioritisation and project selection processes, as well as clearly stated policy objectives and high transparency. The IMF emphasises the importance of a transparent process so the information underlying the investment decision is well known and understood by different stakeholders and the public. The IMF recommends 'an information portal on public investment as part of the overall process of publishing data on the government's fiscal response to the crisis is useful'.<sup>38</sup>

**FINDING 36:** The \$1.2 billion committed to education infrastructure through the *Building Works* package together with the \$1.9 billion provided in the 2020–21 Budget amounts to \$3.1 billion of additional capital investment since the 2019–20 Budget. This investment aims to support more than 7,000 jobs across metropolitan and regional areas including 11 new schools, seven additional stages of new schools in metropolitan and regional Victoria and 234 school upgrades.

**FINDING 37:** The significant scale, urgency and expeditious nature of these investments may heighten the risks to effective planning, project management and budgeting, including the timely delivery of intended outcomes.

<sup>36</sup> Ibid.

<sup>37</sup> Includes funds allocated for *Labor's Financial Statement (LFS)* and Non LFS school upgrades, Education Plan and Regeneration Project, and the Clifton Creek Primary School Rebuild). Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 118.

<sup>38</sup> International Monetary Fund, *Special Series on COVID-19: Managing Public Investment Spending During the Crisis*, May 2020, p. 5.

## 4.5 Education portfolio: key issues

The Minister for Education is responsible for the following outputs:

- School education – Primary (funding in 2020–21: \$6.4 billion)
- School education – Secondary (funding in 2020–21: \$5.2 billion)
- Support for Students with Disabilities (funding in 2020–21: \$1.2 billion)
- Support Services Delivery (funding in 2020–21: \$387.7 million)
- Strategy, Review and Regulation (funding in 2020–21: \$118.4 million).<sup>39</sup>

The key issues relevant to the Education portfolio identified during the Committee's 2020–21 budget estimates inquiry are discussed below.

### 4.5.1 Disability inclusion package

The \$1.6 billion disability inclusion package will establish a new disability funding and support model that will be progressively introduced to government schools over the next five years from mid-2021.<sup>40</sup> The Minister for Education described it as a 'once in a generation' reform that will double the number of students receiving extra support in the classroom to an estimated 55,000 children and create 1,730 additional jobs.<sup>41</sup>

The initiative will introduce a new school-level funding allocation to deliver classroom and school-wide adjustments.<sup>42</sup> Additionally, it invests \$102 million to build the capability of the education workforce across government schools in delivering inclusive education.<sup>43</sup> The 2020–21 Budget also provides \$388.8 million to upgrade 39 specialist schools to create modern safe places for students with disability to learn and explore.<sup>44</sup>

At the budget estimates hearings, the Committee sought further context from the Minister on the reasons for the reform and associated investment in the 2020–21 Budget. The Minister explained that in 2015, a review of the *Program for Students with Disabilities (PSD)* was undertaken. The final review was released in 2016<sup>45</sup> and made 25 recommendations 'to increase the participation and achievement of students with disabilities in government schools, including recommendations to deliver a brand new approach to funding and support for students with disabilities.'<sup>46</sup>

<sup>39</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 161.

<sup>40</sup> Ibid.

<sup>41</sup> Hon James Merlino MP, *2020–21 Budget estimates hearing presentation: Education*, p. 3.

<sup>42</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 36.

<sup>43</sup> Hon James Merlino MP, *2020–21 Budget estimates hearing presentation: Education*, p. 3.

<sup>44</sup> Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 46.

<sup>45</sup> Department of Education and Training, *Review of the program for students with disabilities*, April 2016, Victoria.

<sup>46</sup> Hon James Merlino MP, Minister for Education, 2020–21 Budget estimates (Education) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, pp. 12–13.

The Committee inquired into how the new model will differ from the current program for students with disability. The Minister explained a critical feature of the new approach will be the establishment of a new facilitator workforce to engage with students, parents, school staff and medical practitioners to identify individual student strengths, needs, and the required adjustments in the school.<sup>47</sup>

The Minister stated all schools will benefit from the change as they will be better able to support students who previously may have been ineligible for funding including students with autism, dyslexia, or students with complex behaviours.<sup>48</sup> A new 'diverse learners hub' will be established under the initiative as a virtual centre of excellence to provide online professional learning and capability-building support to all schools to help them meet the educational needs of children and young people with neurodevelopmental differences.<sup>49</sup>

**FINDING 38:** The 2020–21 Budget provides \$1.6 billion across the forward estimates to fund the progressive rollout of a new funding and support model for students with disability. The reforms respond to recommendations from the 2016 *Review of the Program for Students with Disabilities* and contribute to the Department of Education and Training's Support for Students with Disabilities output.

## 4.5.2 Support to students and families impacted by COVID-19

### Tutors to support school children

The 2020–21 Budget provides \$250 million over two years to deliver small group learning support to students who need it, to address the impact of interrupted face-to-face schooling on their learning.<sup>50</sup> Approximately \$220 million will be directed to government schools with \$30 million allocated for non government schools.<sup>51</sup> The Minister indicated the investment reflects the Government's commitment at the height of the pandemic 'to leave no student behind'. It will provide for more than 4,100 tutors to support students at-risk of becoming disengaged or experiencing adverse learning outcomes due to the pandemic.<sup>52</sup>

At the estimates hearing, the Committee asked the Minister to explain how the tutoring program will work, noting the 2020–21 Budget shows the funding is short term in nature. The Minister confirmed the program was focused on the 2021 calendar year to promptly address the impacts on student learning and engagement from the period of remote and flexible learning due to COVID-19. The Minister said that while a number of

<sup>47</sup> Ibid., p. 17.

<sup>48</sup> Ibid., p. 18.

<sup>49</sup> Ibid.

<sup>50</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 35.

<sup>51</sup> Ibid., pp. 27–28.

<sup>52</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 2.

students thrived during remote flexible learning, there were also a number of students that faced difficulties, ‘particularly from low socioeconomic disadvantage—vulnerable kids are most at risk’.<sup>53</sup>

DET informed the Committee that schools were planning to roll the program out in a way that avoided stigmatising students by placing tutors in the classroom to team-teach with the teacher but working with small groups who might need additional support.<sup>54</sup> DET stated:

[the initiative is] targeted at those students whose learning was most impacted—and disadvantaged students and vulnerable students are disproportionately represented in that, but they can be students who are high achievers as well as students who struggled before the pandemic, so a young person who has really got high aspirations but who struggled for whatever reason because of their home circumstances through remote learning will have the chance to catch up back to that high performance—as well as supporting the students who have experienced learning difficulties.<sup>55</sup>

The Minister affirmed the tutoring model was chosen because research showed it offered the greatest value and impact on learning outcomes for students needing to catch up and because of the Government’s focus on disadvantaged and vulnerable children.<sup>56</sup>

In response to a query from the Committee about the potential use of alternative commercial tutoring programs, DET further explained the selected model enables the state to ensure tutors are qualified, have permission to teach, and the program can be rolled out consistently across both metropolitan and regional areas.<sup>57</sup>

The Committee also inquired about the number of students and tutoring sessions funded by the program. The Minister advised the program’s costings assumed around 200,000 students would require additional support of around two to three 45-minute tutoring sessions.<sup>58</sup> The Minister stated this reflected research that showed small group tutoring could make a five-month difference in the learning level achieved by students engaging in the program.<sup>59</sup>

**FINDING 39:** The Government’s \$250 million investment in the 2020–21 Budget for 4,100 tutors in schools is expected to support around 200,000 disadvantaged students at risk of falling behind due to the COVID-19 pandemic. The Minister for Education informed the Committee the program has the potential to make a five-month difference in the learning level of participating students.

<sup>53</sup> Ibid., p. 14.

<sup>54</sup> Mr David Howes, Deputy Secretary, Schools and Regional Services, 2020–21 Budget estimates (Education) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, p. 15.

<sup>55</sup> Ibid.

<sup>56</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 15.

<sup>57</sup> Mr David Howes, Deputy Secretary, Schools and Regional Services, *Transcript of evidence*, pp. 15–16.

<sup>58</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 19.

<sup>59</sup> Ibid.

### Supporting students to retain digital devices

The 2020–21 Budget allocates \$24.5 million to allow government school students to retain school owned computer devices loaned to them during the pandemic to support flexible and remote learning.<sup>60</sup> The Minister informed the Committee the funds would be used to reimburse government schools for more than 71,000 devices loaned to students to bridge the digital divide and ensure they have access to technology at home.<sup>61</sup>

The Committee sought further context from the Minister about the initiative including how the funds will be used and types of devices students will be able to keep. The Minister informed the Committee that the pandemic revealed areas of inequality during the urgent shift to remote and flexible learning in terms of the students who had access to devices at home and those who did not.<sup>62</sup> The Minister explained:

if the device was loaned from the school to the student, this funding will go to the school to replace that equipment, but the students themselves can keep them. We sent a message out, I think around the middle of the year, to schools that students who have a device should keep it, and they should keep it for the rest of the year. What we are doing through this budget is saying that they can keep those devices permanently.<sup>63</sup>

The Committee inquired about the future provision of digital devices to students. The Minister explained the 2020–21 Budget initiative addresses the immediate need identified in response to COVID-19 and acknowledged there was a need for longer term thinking about this issue.<sup>64</sup>

**FINDING 40:** The 2020–21 Budget allocates \$24.5 million to reimburse schools for around 71,000 digital devices loaned to students at the height of the COVID-19 pandemic. The funding should enable students to retain the devices and seeks to address the inequity in students accessing technology at home revealed during the pandemic.

### 4.5.3 School infrastructure

The 2020–21 budget papers show the Government is investing \$3.1 billion in the school capital program over the forward estimates.<sup>65</sup> The Minister described the level of investment to-date as ‘unprecedented’ noting the Government had now invested more than \$9 billion over the past five years to deliver more than 1,600 school upgrades.<sup>66</sup>

<sup>60</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 31.

<sup>61</sup> Hon James Merlino MP, *2020–21 Budget estimates hearing presentation: Education*, p. 2.

<sup>62</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p.2.

<sup>63</sup> *Ibid.*, p. 8.

<sup>64</sup> *Ibid.*, p.9.

<sup>65</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 89; Department of Treasury and Finance, *Budget Paper No. 3*, p. 41 (Committee calculation).

<sup>66</sup> Hon James Merlino MP, *2020–21 Budget estimates hearing presentation: Education*, p.2.

During the budget estimates hearings, the Committee asked the Minister for Education to detail the core components of the Government's \$3.1 billion investment. The Minister indicated it comprised around \$1.2 billion for projects previously announced as part of the May 2020 *Building Works* package and provided a breakdown of the additional \$1.9 billion invested in the 2020–21 Budget:

So of that \$1.9 billion ... \$1.28 billion is for 162 upgrades, with the architects to be appointed from January of next year and construction work on every project to start within 16 months. In regional Victoria this provides \$347.9 million for 54 regional school upgrades, and if you combine regional and rural schools across the \$3 billion, the investment is the biggest ever. And, as I said, there is more than \$388.8 million for 39 specialist schools—again the single biggest ever for our specialist settings. More than \$85 million will expand seven existing schools, providing extra space for 1175 students. More than \$147 million has been allocated to acquire land for 11 new schools, \$122.4 million for the new vertical primary school in North Melbourne, opening in 2023, and a further four stages of new school projects.<sup>67</sup>

The Committee queried the Minister about whether the Government was building enough classrooms for future growth.<sup>68</sup> The Minister highlighted the Government's latest investment provides for various initiatives including new schools, school expansions, land for future schools, and relocatable classrooms that will contribute to delivering additional capacity for 22,700 students.<sup>69</sup>

Recognising the market's finite capacity for delivering the Government's significant infrastructure projects, the Committee asked the Minister how any capacity constraints would be managed in the education portfolio to avoid adversely impacting the cost and delivery of other government projects. The Minister acknowledged this represented a challenge requiring close consultation with industry and that the level of industry engagement had increased significantly.<sup>70</sup> The Victorian School Building Authority, explained the Government was working to engage with new builders to ensure it had access to a broad range of big and small suppliers.<sup>71</sup>

**FINDING 41:** The 2020–21 Budget invests \$3.1 billion in school infrastructure comprising the Government's \$1.1 billion commitment in May 2020 as part of the *Building Works* package and a further \$1.9 billion in the 2020–21 Budget mainly for 169 *School upgrades* (\$1.4 billion), *New schools construction* (\$122.4 million) and *Land acquisition* (\$147.3 million). The Government expects this investment to support growth by delivering additional capacity for around 22,700 students.

<sup>67</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p.7.

<sup>68</sup> *Ibid.*, p. 7.

<sup>69</sup> *Ibid.*

<sup>70</sup> *Ibid.*, p. 16.

<sup>71</sup> Mr Christopher Keating, Chief Executive Officer, Victorian School Building Authority, 2020–21 Budget estimates (Education) hearing, Melbourne, 2 December 2020, *Transcript of Evidence*, p. 16.

#### 4.5.4 Vocational and applied learning reforms

The 2020–21 Budget provides \$38 million to implement the recommendations from the *Review into Vocational and Applied Learning Pathways in Senior Secondary Schooling* by Mr John Firth former Chief Executive Officer, Victorian Curriculum and Assessment Authority (the Firth review). Specifically, the funding will support:

- new Jobs, Skills and Pathways Coordinators in government secondary schools to help students with vocational and applied learning pathways and transitions
- new Jobs, Skills and Pathways Managers to support schools and facilitate industry engagement
- development of a broader senior secondary qualification and better data on post-school outcomes.<sup>72</sup>

The Minister informed the Committee that the Government was determined to design a high-quality applied learning system that improves access to and transitions between school, post-secondary education and work for all students.<sup>73</sup> The Minister explained that recommendations from the review will ‘improve skills and work readiness of young people.’ The Minister further stated that:

initiatives in the budget will support the development of ... an applied pathway within the VCE as well as a new foundations pathway certificate—and we will have our first student cohort commencing that in 2023.<sup>74</sup>

The Committee sought further context from the Minister on the expected benefits from having a single integrated secondary school certificate. The Minister outlined that one of the benefits is that it will provide students flexibility to combine academic and applied learning in line with their interests, strengths and career aspirations.<sup>75</sup> The Minister stated:

The move to a single certificate will happen in stages. The first is the creation of a new vocational specialist pathway within the VCE ... The next stage will create a fully integrated senior secondary certificate by 2025.<sup>76</sup>

**FINDING 42:** The 2020–21 Budget provides \$38 million to reform the vocational and applied learning system by first creating a specialist pathway within the Victorian Certificate of Education followed by a fully integrated senior secondary certificate by 2025.

<sup>72</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 27, 35.

<sup>73</sup> Hon James Merlino MP, Minister for Education, *Transcript of evidence*, p. 21.

<sup>74</sup> *Ibid.*

<sup>75</sup> *Ibid.*, p. 22.

<sup>76</sup> *Ibid.*

## 4.6 Training and Skills and Higher Education portfolios: key issues

The Minister for Training and Skills and the Minister for Higher Education share responsibility for the single output: Training, Higher Education and Workforce Development (funding in 2020–21: \$2.8 billion).<sup>77</sup>

The 2020–21 Budget invests \$1.0 billion in TAFE and training that will contribute towards supporting the state’s economic recovery.<sup>78</sup> It also provides \$350 million to support Victorian universities through the *Higher Education State Investment Fund* that will contribute to capital works, applied research, and research partnerships.<sup>79</sup>

The key issues relevant to the Training and Skills and Higher Education portfolios identified during the 2020–21 budget estimates inquiry are discussed below.

### 4.6.1 Technical and Further Education (TAFE)

#### Free TAFE courses

The 2020–21 Budget Papers state the Government’s \$631 million investment will boost free TAFE and subsidised training places in priority areas to meet expected demand from eligible students and those impacted by the COVID-19 pandemic.<sup>80</sup> This investment builds on the Government’s \$163 million commitment in July 2020 to expand free TAFE as part of its COVID-19 recovery package.<sup>81</sup> In addition to funding 10,000 extra free places, the package added three new qualifications to the free TAFE course list including Certificate III in Health Services Assistance, Certificate III in Civil Construction Plant Operations and Certificate IV in Mental Health Peer Work—the latter in response to a recommendation from the Royal Commission into Victoria’s Mental Health System.<sup>82</sup>

At the budget estimates hearings, the Minister for Training and Skills informed the Committee that the investments will ensure Victorians who lost work due to the pandemic can reskill and retrain, placing the training and skills sector at the centre of Victoria’s economic recovery.<sup>83</sup> The Minister highlighted the 2020–21 Budget supports an additional 60,000 free TAFE places out of the extra 80,000 training places funded, building on the 10,000 free TAFE places the Government announced as part of its economic recovery package in July 2020.<sup>84</sup>

<sup>77</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 161.

<sup>78</sup> Department of Treasury and Finance, *Budget Paper No. 2*, pp. 52, 57; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 28, 38–40.

<sup>79</sup> Ibid.

<sup>80</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 39.

<sup>81</sup> Hon Gayle Tierney MLC, *Free TAFE expansion to boost skills and drive economic recovery*, media release, Victorian Government, Melbourne, 7 July 2020.

<sup>82</sup> Ibid.

<sup>83</sup> Hon Gayle Tierney MLC, *2020–21 Budget estimates hearing presentation: Training and Skills and Higher Education*, supplementary evidence, received on 2 December 2020, pp. 1–2.

<sup>84</sup> Ibid.

The Committee queried the Minister about the three additional free TAFE courses announced by the Government in July 2020. The Minister explained the rationale for adding these courses to the free TAFE list:

So there was an addition of certificate IV in mental health peer work ... in response to the increased need from the impact of COVID-19 and ... the Royal Commission into Victoria's Mental Health System. ...It is really important because it will attract people with lived experience and provide them with future employment, and of course they will be able to present their stories in a way that other people that they are seeking to help will be able to relate to, so very important.

The ... certificate III in health services assistance ... supports the government's workforce priorities in health care but also ... women who have been disproportionately affected by immediate job losses as a result of the pandemic.

...

[The] ... certificate III in civil construction plant operations ... was needed for bushfire recovery ... [and] ... provides great assistance to local communities in the face of massive destruction to property. I am really pleased that people are starting to take up construction plant operator roles as well as earthmoving plant operator roles across the state.<sup>85</sup>

In response to questions taken on notice at the budget estimates hearings, the Minister for Training and Skills provided a breakdown of the total VET delivery budget for 2020–21 noting it comprised \$173.8 million for Free TAFE courses and \$814.6 million for Non-Free TAFE courses.<sup>86</sup>

The Committee sought clarification on the extent to which funding allocated for free TAFE covers the cost of delivering courses. DET explained initial funding allocations mainly covered the cost associated with fee waivers and this was adjusted in later budgets taking account of demand modelling.<sup>87</sup> DET stated:

So when free TAFE was first announced provision was made for fee waivers and for some growth in overall activity, but part of what contributes towards the overall cost of free TAFE delivery is the existing subsidies budget. There are those two components: there is the budget offset, the fact that the TAFE cannot charge a fee, and then there is the subsidy which we would otherwise pay to any training provider. With the initial announcement around that, the majority of those funds were for the new fee waivers and there were some for subsidy growth. In subsequent announcements there has been ... a different combination, and that has depended on ... our overall modelling on what demand looks like and what is in the forward estimates.<sup>88</sup>

<sup>85</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, 2020–21 Budget estimates (Training and Skills and Higher Education) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, p. 11.

<sup>86</sup> Hon Gayle Tierney MLC, Minister for Training and Skills, 2020–21 Budget estimates hearing, response to questions on notice, received 24 December 2020, p. 5.

<sup>87</sup> Dr Simon Booth, Executive Director, Tertiary Education Policy and Performance, Department of Education and Training, 2020–21 Budget estimates (Training and Skill and Higher Education) hearing, Melbourne, 2 December 2020, *Transcript of Evidence*, p. 13.

<sup>88</sup> *Ibid.*

### Accessibility, take up and completion of free TAFE courses

The Committee questioned the Minister about the ongoing accessibility of free TAFE courses recalling the Minister's previous testimony at the 2019–20 Budget Estimates hearing that 'no one had been turned away...'.<sup>89</sup> The Minister indicated this was still the case and outlined to the Committee the arrangements for supporting students to determine the best pathway for meeting their training and further education needs. This involves assessment of students to determine the required education and training. The Minister informed that the continued relationship between agencies such as Learn Local and the Australian Centre of Further Education (ACFE) is beneficial to assist students when entering TAFE.<sup>90</sup>

The Minister informed the Committee there were 145,359 government subsidised course enrolments in the TAFE Network between January and November 2020. Of these, 57,972 were in courses on the Free TAFE course list.<sup>91</sup>

The Committee inquired about which groups in the Victorian community were taking up the opportunity for free TAFE courses. The Minister explained:

it has been across the board, but there has been a significant increase in women. ... Again it proves that often it is the financial barrier that just sets the divide between those that can and those that cannot, and that is the big thing that free TAFE delivers.<sup>92</sup>

The Minister also stated:

At the end of its first year more than 39 700 students had commenced free TAFE courses across the TAFE network. This was 88 per cent higher than the commencements in the same courses at the same time in 2018.

Free TAFE is also supporting equity and diversity ... women accounted for more than half of all free TAFE commencements in the first three quarters of 2020. Around one in four free TAFE students is from a culturally and linguistically diverse background, and some 29 per cent of free TAFE students were unemployed at enrolment and 43 per cent of students had no prior certificate III.

...

regional Victorians ... made up 25 per cent of all free TAFE commencements as at 30 September.<sup>93</sup>

<sup>89</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, p. 107.

<sup>90</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, *Transcript of evidence*, p. 13.

<sup>91</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, responses to questions on notice, p. 4.

<sup>92</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, *Transcript of evidence*, p. 11.

<sup>93</sup> *Ibid.*, p. 1.

Noting the increase in free TAFE commencements outlined by the Minister, the Committee queried what indications existed about the completion or dropout rates for free TAFE courses to-date. DET informed the Committee:

it is a bit too early to measure completion. Our standard measure of completion is completion within two years of commencement, and so for people who commenced in 2019 we do not yet track that. We certainly have seen a pleasing number of continuing enrolments across the system over the course of this year. So even though commencements have unsurprisingly dropped off given the COVID situation, students have maintained their attachment in really positive numbers with the system overall. But yes, the ... data around completions for free TAFE is not yet ... available.<sup>94</sup>

According to the latest released data on government funded students and courses published by the National Centre for Vocational Education Research statistics, the completion rate of programs in Victoria provided by TAFE and other government providers, has continued decline since 2012 from 69.4% to 42.8% in 2018.<sup>95</sup>

**FINDING 43:** The 2020–21 Budget invests \$1 billion in the Technical and Further Education (TAFE) and training system which is expected to play a key role in supporting Victoria’s economic recovery.

**FINDING 44:** Technical and Further Education (TAFE) commencements grew by 88% in the first year of free TAFE (2019) with notable increases in demand evident among women, unemployed people, and those from culturally and linguistically diverse backgrounds.

### VET viability package

In April 2020, the Government announced \$260.8 million in emergency funding to support the State’s training and TAFE system due to the expected decline in student numbers because of COVID-19.<sup>96</sup> The commitment included \$191.9 million to lock in funding at expected pre-COVID-19 levels. This is in addition to the \$68.9 million in crisis support to the TAFE sector funded from the Treasurer’s Advance as noted earlier in section 4.3.3 of this report. The support package aimed to give providers funding certainty until at least the middle of 2020.<sup>97</sup>

At the budget estimates hearing, the Committee noted there was no reference in the 2020–21 Budget to the \$744.5 million ‘*VET provider viability package*’ and sought further context about this initiative. The Department’s response to the questionnaire

<sup>94</sup> Dr Simon Booth, Executive Director, Tertiary Education Policy and Performance, Department of Education and Training, *Transcript of evidence*, p. 8.

<sup>95</sup> National Centre for Vocational Education Research, *Government-funded VET students and courses 2019, Historical time series of government-funded vocational education and training in Australia, from 1981*, 17 August 2020, <<https://www.ncver.edu.au/research-and-statistics/data>> accessed 3 February 2020.

<sup>96</sup> Hon Daniel Andrews MP, *Skilling up Victorians to get through the coronavirus crisis*, media release, 17 April 2020.

<sup>97</sup> Ibid.

notes that the package has been funded through appropriations and internal reprioritisation. At the public hearings, DET confirmed that it was reprioritised from funds allocated for training delivery.<sup>98</sup>

The Minister for Training and Skills confirmed in response to questions taken on notice that the \$744.5 million *VET viability package* was composed of approximately \$260.8 million in funding allocated in the 2019–20 year and a further \$483.7 million allocated to the 2020–21 financial year.<sup>99</sup> The Committee queried how the *VET provider viability package* was funded by DET from reprioritisation. DET informed the Committee:

We have an understanding of what training providers would have expected to get, and we made sure that they had certainty for that funding during COVID to support continuity for their businesses.

That was the funding already within the department's appropriation.

...

The general funding model is there is funding based on activity, so over the period where these continuity payments were in place if their activity level fell below what we expected that we would have funded them, we maintained their funding level.<sup>100</sup>

DET observed an 18% decline in course commencements across the sector during 2020. However, overall enrolments were down by around 5% compared to the previous year indicating good retention of existing students.<sup>101</sup>

The Minister for Training and Skills confirmed to the Committee that, except for the \$68.9 million funded from the Treasurer's Advance, the '*VET provider viability package*' did not include new funding.<sup>102</sup> Consequently, the 2020–21 Budget has not identified '*VET provider viability package*' as an initiative. It is unclear to the Committee which programs saw a funding a reduction as a result of the \$483.7 million reprioritisation.

The Department of Education and Training (DET) identified \$744.5 million will support the viability of the TAFE and community training sector over 2019–20 and 2020–21— an increase of \$483.7 million from the crisis funding announced by the Government in April 2020.

**RECOMMENDATION 8:** The Department of Education and Training disclose the nature and impact of all internal reprioritisation of funds to meet the cost of COVID-19 response initiatives and report on this in its 2020–21 Annual Report.

<sup>98</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 17; Dr Simon Booth, Executive Director, Tertiary Education Policy and Performance, Department of Education and Training, *Transcript of evidence*, p. 8.

<sup>99</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, response to questions on notice, p. 2.

<sup>100</sup> *Ibid.*, pp. 8–9.

<sup>101</sup> *Ibid.*, p. 9.

<sup>102</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, *Transcript of evidence*, p. 9.

## Building Better TAFEs Fund

The 2020–21 Budget allocates \$107.6 million for asset initiatives relating to two TAFE redevelopment projects:

- *Chisholm Institute's Frankston Campus Redevelopment Stage 2*
- *Melbourne Polytechnic's Collingwood Campus Redevelopment*.<sup>103</sup>

The budget papers show the total funding comprises \$101.1 million over three years from the *Building Better TAFEs Fund*, with a further \$7.5 million allocated to the above projects from the *Infrastructure Planning and Acceleration Fund*.<sup>104</sup> At the budget estimates hearings, the Minister for Training and Skills explained that the *Better TAFEs Fund* aims to provide modernised TAFE, with updated equipment and enhanced architecture.<sup>105</sup>

The Committee's *Report on the 2019–20 Budget Estimates* found the budget papers did not clarify the criteria and basis for funding allocations from the *Better TAFEs Fund*. The Committee observed this issue has yet to be resolved and applied equally to the new \$180 million *Infrastructure Planning and Acceleration Fund* announced by the Government in May 2020.<sup>106</sup>

**FINDING 45:** The 2020–21 Budget allocates \$107.6 million to two TAFE redevelopment projects – \$101.1 million from the *Better TAFEs Fund* and a further \$7.5 million from the new *Infrastructure Planning and Acceleration Fund*. The 2020–21 Budget Papers do not clarify the process, criteria, and basis for funding decisions involving allocations from these funds.

### 4.6.2 Apprenticeships

The 2020–21 Budget invests approximately \$58 million in initiatives to support apprenticeships and traineeships including:

- \$19.3 million over two years in the Government's *Apprenticeships growth strategy* to strengthen supports for apprentices and their employers, and to enhance the Apprenticeship Support Officer program to target those most at risk of dropping out
- \$33.1 million over four years for the *Big Build apprenticeships* initiative to expand opportunities for apprentices and trainees on the Government's Big Build infrastructure projects
- \$6 million over three years to develop and pilot *Higher apprenticeships and traineeships* in the social services sector.<sup>107</sup>

<sup>103</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 41, 48.

<sup>104</sup> Ibid.

<sup>105</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, *Transcript of evidence*, p. 17.

<sup>106</sup> Hon Daniel Andrews MP, *Building Works: More Jobs for Victorians*, media release, 18 May 2020.

<sup>107</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 2, 8, 37–38.

The Committee queried how the Government's \$9.3 million investment in the Apprenticeship Support Officer (ASO) program will operate. The Minister explained:

The ASOs will be expected to deal with the employers as well and any other people that are connected to the apprentice that might be able to assist in making sure that they keep on track.<sup>108</sup>

During the estimates hearings the Committee noted data showing the number of apprentice and trainee commencements in Victoria declined between 2016 and 2020 (Table 4.1).

**Table 4.1** Apprenticeship and trainee commencements—State and territory comparison Jurisdiction

Jurisdiction	2016	2017	2018	2019	2020	2019 to 2020 (% change)	2016 to 2020 (% change)
New South Wales	46,890	46,175	47,065	45,310	39,275	-13.3	-16.2
Victoria	44,035	38,710	36,805	34,680	28,695	-17.3	-34.8
Queensland	36,470	37,980	38,935	37,315	32,115	-13.9	-11.9
South Australia	9,380	8,925	8,115	8,585	8,765	2.1	-6.5
Western Australia	21,665	19,530	17,760	17,105	14,730	-13.9	-32.0
Tasmania	4,555	4,850	5,035	5,525	4,180	-24.4	-8.2
Northern Territory	1,990	1,845	1,990	2,400	1,715	-28.4	-13.8
Australian Capital Territory	4,040	4,610	4,580	4,710	4,025	-14.6	-0.5
Australia	169,030	162,625	160,280	155,630	133,505	-14.2	-21.0

Source: National Centre for Vocational Education Research (NCVER), *Apprentices and trainees 2020: June quarter - State and territory comparison*, 16 December 2020, <<https://www.ncver.edu.au/research-and-statistics/publications/all-publications/apprentices-and-trainees-2020-june-quarter-australia/apprentices-and-trainees-2020-june-quarter-state-and-territory-comparison>> accessed 3 February 2020.

The Committee asked the Minister how many new commencements the Government was expecting to generate from its *Apprenticeships Growth Strategy* initiative in the 2020–21 Budget. The Minister stated it aims 'to encourage as many Victorians as possible to seriously undertake an apprenticeship.'<sup>109</sup> However the Committee notes that the performance measures in the budget papers have not been updated to reflect the initiatives announced in the 2020–21 Budget.

**FINDING 46:** The Committee observed that the apprenticeships performance measures have not changed since the previous year and do not clearly reflect the expected impact from the Government's investments in either the 2020–21 or previous State budgets.

<sup>108</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, *Transcript of evidence*, p. 16.

<sup>109</sup> *Ibid.*, p. 15.

**RECOMMENDATION 9:** The Department of Education and Training should review and expand its performance measures for apprenticeship and trainee programs.

### 4.6.3 Higher Education State Investment Fund

In May 2020 the Government announced a \$350 million *Victorian Higher Education State Investment Fund* to support universities with capital works, applied research, and research partnerships to boost Victoria's productivity and economy as the state recovers from the impacts of COVID-19.<sup>110</sup> The 2020–21 budget papers show the announced funds are to be expended over the two-year period from 2020–21 to 2021–22.<sup>111</sup>

At the budget estimates hearings, the Committee queried the Minister for Higher Education about why none of the \$350 million committed in May 2020 had been expended as of 1 October 2020.<sup>112</sup> The Minister for Higher Education explained:

there was \$350 million announced for that fund. There was also an immediate relief initiative by the government and that was a \$110 million payroll tax deferral. So that provided the immediate relief and the \$350 million fund has been worked through in terms of the actual allocations and how those allocations will be made. That has now been determined. The fund now has received a range of projects and ... there is a very important, imminent announcement that will be made.

In response to further queries from the Committee about the focus of funded projects, the Minister outlined a range of priority initiatives under development that included advanced manufacturing, medical technology and healthcare advancements with projects focused on the digital economy and clean energy at the forefront.<sup>113</sup>

The Committee also inquired about what performance measures and targets had been applied to the fund. The Minister stated:

there will be formalised compacts or memorandums of understanding between the universities and the government so that there is a clear understanding as to the new relationship that is being formed as a result of this fund.<sup>114</sup>

The Government's announcement of the investment had come prior to the finalisation of the memorandums of understanding. Consequently, the 2020–21 Budget does not include any performance measures for the new \$350 million *Victorian Higher Education State Investment Fund*.

<sup>110</sup> Hon Gayle Tierney MLC, *Supporting Victorian Universities*, media release, 19 May 2020.

<sup>111</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 28.

<sup>112</sup> Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 25.

<sup>113</sup> Hon Gayle Tierney MLC, Minister for Training and Skills and Minister for Higher Education, *Transcript of evidence*, p.3.

<sup>114</sup> *Ibid.*

**FINDING 47:** The 2020–21 budget papers do not include performance indicators, measures or targets for the new \$350 million Victorian Higher Education State Investment Fund.

**RECOMMENDATION 10:** The Department of Education and Training establish clear performance indicators, measures and targets in the 2021–22 budget papers for the Victorian Higher Education State Investment Fund.

## 4.7 Early Childhood portfolio: key issues

The Minister for Early Childhood is responsible for the Early Childhood output. In the 2020–21 Budget there was a funding allocation of \$857.6 million, an increase of 32% compared to 2019–20 actuals.<sup>115</sup> This is mainly due to the \$54.5 million allocated in 2020–21 under the *Supporting Victorian kindergartens and indexation* initiative.<sup>116</sup>

### 4.7.1 Free kindergarten services in 2021

The 2020–21 Budget allocates approximately \$170 million to make free or low-cost kindergarten programs available during 2021.<sup>117</sup> Subsidies will provide free kindergarten programs in eligible sessional services and a fee reduction for children attending a funded program in long day care centres. Unfunded three year old programs in eligible sessional services will also receive funding to reduce fees. The initiative aims to support kindergarten participation, service viability, employment in the early childhood education sector and women’s workforce participation.<sup>118</sup> The Minister for Early Childhood highlighted that the investment will save families around \$2,000 per child enrolled in a participating program in 2021 and will benefit up to 100,000 Victorian families across sessional kindergartens and long day care.<sup>119</sup>

The Committee sought further context from the Minister for Early Childhood about the purpose and intended benefits of the Government’s investment in free kindergarten services for 2021. The Minister informed the Committee:

This investment will ... make sure that it was easier for women to take up employment opportunities as part of our economic recovery as we come out of the coronavirus pandemic. We know ... women have been disproportionately affected ... and this

<sup>115</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 161.

<sup>116</sup> *Ibid.*, pp. 27, 166.

<sup>117</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 49.

<sup>118</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 30.

<sup>119</sup> Hon Ingrid Stitt MLC, *2020–21 Budget estimates hearing presentation: Early Childhood*, supplementary evidence, received 2 December 2020, p. 1.

initiative ... will ... make it easier for them to re-enter the workforce, or it may be that they want to increase their hours.<sup>120</sup>

The Committee queried the Minister about the inclusion of long day care within the scope of the free kindergarten initiative. The Minister explained the Government wanted to include as many operators as possible recognising that higher numbers of working parents are shifting to long day care providers offering kindergarten programs.<sup>121</sup> The Minister outlined the expected savings to these households:

a family with a child who attends a kindergarten program in a long day care centre for two days a week with a daily fee of \$120 and a childcare subsidy rate of 65 per cent will have their out-of-pocket fees reduced by approximately half, so it will be a significant saving in that scenario. Their weekly cost would drop from \$84 to approximately \$42.<sup>122</sup>

At the budget estimates hearings, the Committee inquired into how the initiative will support the sustainability of small community kindergarten operators. DET explained:

small rural services already have a funding guarantee of a certain number of places, regardless of their number of enrolments. So it creates a funding floor that allows those services to operate sustainably even if their enrolments—because they are in a very small community, for example—actually would result in them getting a lower amount than that in the normal course of things. So they are already funded at a significantly higher rate than services in other areas.

...

community kindergartens ... would normally charge fees between \$1,700 and \$2,000. The funding rate for them will be \$2122—so, for the vast majority of them, significantly higher ... [and] ... for those standard kindergartens charging standard fees they would absolutely be covered by this amount.<sup>123</sup>

**FINDING 48:** The 2020–21 Budget provides \$170 million to make free or low-cost kindergarten programs available in eligible services during 2021. The initiative is forecast to save families around \$2,000 per child enrolled in a participating program in 2021.

## 4.7.2 Universal three year old kindergarten

The 2020–21 Budget provides \$302 million (\$258 million in output funding and \$44.2 million for asset initiatives) over four years to continue the progressive rollout of universal three year old kindergarten – \$17.9 million in 2020–21, \$24.3 million in 2021–22, \$11.1 million in 2022–23 and \$248.9 million in 2023–24.<sup>124</sup> The funding will support

<sup>120</sup> Hon Ingrid Stitt MLC, Minister for Early Childhood, 2020–21 Budget estimates (Early Childhood) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, p. 2.

<sup>121</sup> *Ibid.*, p. 3.

<sup>122</sup> *Ibid.*

<sup>123</sup> Ms Kim Little, Deputy Secretary, Early Childhood Education, Department of Education and Training, 2020–21 Budget estimates (Early Childhood) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, p. 6.

<sup>124</sup> Department of Treasury and Finance, *Budget Paper No. 3, 2020*, pp. 27, 41.

continued expansion to meet demand as the state progresses towards full rollout by 2029 where three year old children across Victoria will have access to up to 15 hours of subsidised kindergarten per week.<sup>125</sup>

The Minister for Early Childhood updated the Committee on the progress of the initiative and explained the additional funding support staged implementation:

We have ... six local government areas ... participating currently in funded three-year-old kinder ... that covers around 580 children, and in 2021 we will be adding a further 15 regional local government areas ... able to provide ... up to 15 hours a week of three-year-old funded kindergarten programs ...

...

we will be building the number of areas that have access to that next year. And then in 2022 families in all parts of the state will ... have access to a minimum of 5 hours a week ... [that] ... will be progressively scaled up to 15 ... [by] ... 2029.

...

once ... fully rolled out ... we anticipate that around 90 000 children will be benefiting from this reform each year ...<sup>126</sup>

The Minister outlined the take-up of reforms within the six local government areas covered by the initial rollout noting approximately 80% of families had taken advantage of the initiative, and more than 90% of early childhood providers to offer a funded three year old kinder program.<sup>127</sup> The Minister provided the following additional information in response to questions taken on notice at the budget estimates hearings:

In total, 434 of 572 enrolments were fully subsidised ... (at least for Terms 2, 3 and 4) either through the Kindergarten Fee Subsidy or Free Kinder payments.

...

the remaining 138 children may also have been provided a free sessional program for part of the year if their service provider was in receipt of JobKeeper funding ... and elected to waive kindergarten fees or, if they were in a long day care kindergarten program, would have received this for free in Term 2 as part of the Commonwealth childcare assistance package.<sup>128</sup>

The Committee queried the Minister during the estimates hearings on how the State was supporting the participation of children known to child protection in three year old kindergarten. The Minister stated:

<sup>125</sup> Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, Parliament of Victoria, p. 101.

<sup>126</sup> Hon Ingrid Stitt, MLC, Minister for Early Childhood, *Transcript of evidence*, p. 4.

<sup>127</sup> Ibid.

<sup>128</sup> Hon Ingrid Stitt MLC, Minister for Early Childhood, 2020–21 Budget estimates hearing, response to questions on notice, received 17 December 2020, p. 1.

The number of children attending kindergarten that are known to child protection is around 1790 that are having early start kindergarten and access to early learning. So that is ... 38 per cent ... of eligible children.

...

initiatives that we have put in place include making kinder free for those children. Of course many children who come from a disadvantaged background have access to free kinder already.<sup>129</sup>

The early childhood agreement for children in out-of-home care (OoHC) was introduced in 2019. The agreement identified several targets, the predominant one being 'doubling the number of three year old children placed in OoHC in Early Start Kindergarten (for 15 hours a week), using 2018 data as the baseline in the next three years'.<sup>130</sup>

**FINDING 49:** The 2020–21 Budget provides \$302 million to continue the progressive rollout of universal three year old kinder. A further 15 local government areas will be able to offer subsidised three year old kinder in 2021. All eligible families across Victoria will be able to access a minimum of five hours a week from 2022 increasing progressively to 15 hours by 2029.

**FINDING 50:** Thirty eight percent of eligible children known to child protection services attend three year old kindergarten as at the end of 2020.

**FINDING 51:** The early childhood agreement for children in out-of-home care (OoHC) aims to double the number of three year old children placed in OoHC in Early Start Kindergarten in the next three years (with 2018 as the baseline).

### 4.7.3 Aboriginal children in kindergarten

During the estimates hearings the Committee noted the 2020–21 Budget showed no change in the target for the performance measure relating to the number of 'Aboriginal children funded to participate in kindergarten the year before school' despite the outcome in the previous two years having exceeded the target. The Minister explained:

Participation for Aboriginal children for four-year-old kinder has steadily increased ... and we are now close to full participation by that cohort. In 2019 Aboriginal participation rates increased to 99.9 per cent, ...and in 2019 that represented an increase of 7.5 percentage points from 2018. So in terms of the number of children accessing early start kindergarten, which is targeted to three-year-old kinder, it has increased by

<sup>129</sup> Hon Ingrid Stitt MLC, Minister for Early Childhood, *Transcript of evidence*, p. 5.

<sup>130</sup> Department of Education, *The early childhood agreement for children in out-of-home care*, 6 January 2020, <<https://www.education.vic.gov.au/childhood/professionals/health/outofhomecare/Pages/earlychildhoodagreement.aspx>> accessed 3 February 2020.

106 per cent since 2016, with almost 2500 children who are known to child protection or have an Aboriginal background benefiting from that additional year of kinder last year. So I think one of the good news stories out of our kindergarten programs is that we are seeing very, very high participation rates from Aboriginal kids across the state.<sup>131</sup>

The Committee also notes that current performance measures in the budget papers for universal three-year-old kinder do not provide transparent insights into the take up among eligible Aboriginal children.

**FINDING 52:** The proportion of Aboriginal children in four-year-old kindergarten has grown steadily in recent years and has increased to almost full participation in 2019–20. The targets for related performance measures in the budget papers, however, have yet to be adjusted to reflect the higher-than-expected performance outcomes.

**RECOMMENDATION 11:** The Department of Education and Training should review existing performance measures in the Early Childhood output to ensure targets are sufficiently challenging in light of recent performance outcomes. It should also establish separate performance measures identifying the take-up of universal three year old kindergarten among eligible Aboriginal children.

## 4.8 Department wide: key issues

DET's response to the Committee's questionnaire demonstrates the Minister for Training and Skills and the Minister for Higher Education share responsibility for the 'Training, Higher Education and Workforce Development' output. However, the budget papers do not explain how responsibility is divided between the two portfolios.

The Committee's *Report on the 2019–20 Budget Estimates* similarly noted this issue and recommended future budget papers clarify the demarcation of responsibilities and funding for this output between the two Ministers.<sup>132</sup> This issue has yet to be addressed.

**RECOMMENDATION 12:** The Department of Education and Training should clarify the demarcation of responsibilities between the Minister for Training and Skills and the Minister for Higher Education for the 'Training, Higher Education and Workforce Development' output in the 2021–22 Budget Papers.

<sup>131</sup> Ibid., p. 9.

<sup>132</sup> Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, Parliament of Victoria, p. 110.

## 4.9 Performance measures

### 4.9.1 Department wide: analysis of new performance measures

DET added eight new performance measures in the 2020–21 Budget, three of which replaced discontinued measures. The Committee identified weaknesses with four of the new measures. Table 4.2 below summarises the issues with these measures by the relevant output group.

**Table 4.2 Issues with problematic new performance measures (2020–21)**

Output	New performance measure	Issues identified by PAEC
Early Childhood Education	Average number of inspections per service (Quantity)	<p>The utility of this measure is limited as the ‘average number of inspections’ does not provide clear insights into the coverage of service providers inspected.</p> <p>Transparency would be enhanced by the inclusion of additional measures showing the number and proportion of services inspected across Victoria, and the impact of inspections on their performance.</p>
	Proportion of approved eligible services assessed and rated (Quantity)	<p>The measurement methodology for this metric lacks transparency, which impedes interpretation and assessment of performance results.</p> <p>DET has advised the metric measures the proportion of quality ratings issued to services within the ‘target period’. However, the term ‘target period’ is not defined in the budget papers meaning it is not evident how DET will ensure the measure will be sufficiently challenging.</p>
School Education—Primary	Proportion of eligible schools in receipt of funding for the Swimming in Schools program (Quantity)	<p>The utility of this metric is low as it does not provide insights into the accessibility and performance of the program.</p> <p>DET has acknowledged these limitations and has committed to replacing the metric in 2021–22 with a more rigorous measure focusing on school and/or student participation which the Committee supports.</p>
	Percentage of government schools compliant with the Child Safety Standards three months after review (Quality)	<p>This measure does not provide clear insights into the effectiveness of the school review process as it does not convey the levels of compliance of schools at the time of review.</p> <p>Further limitations with the metric include:</p> <ul style="list-style-type: none"> <li>• it does not disaggregate the performance levels of primary, secondary and special schools.</li> <li>• it does not provide insights into the current level of compliance across all schools given the measure’s domain is limited to assessing the compliance of schools that have undergone a review in the past 3 months.</li> </ul> <p>As compliance levels are likely to be higher among recently reviewed schools, there is also a risk this measure may mask underperformance state-wide in the absence of broader metrics covering the performance of all schools.</p> <p>Transparency for performance would be enhanced by supplementing this metric with additional measures showing the number and percentage of all primary, secondary and special schools that currently comply with the standards.</p>

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 407; Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 78–82.

## 4.9.2 Department wide: analysis of discontinued performance measures

DET identified six performance measures for discontinuation in the 2020–21 Budget.<sup>133</sup> The Committee supports DET’s rationale in all cases noting it resulted in the following key changes:

- Discontinuation of two measures in the Early Childhood Education output following the transfer of Early Childhood Intervention Services to the National Disability Insurance Scheme (NDIS)
- Cessation of a further ‘grants’ related measure in the Training, Higher Education and Workforce Development output due to the expiration of most funded grants
- Replacement of three general measures of ‘parent satisfaction with schools’ across the School Education – Primary, School Education – Secondary, and Support for Students with Disabilities outputs with alternative measures more clearly focused on aspects of desirable performance.

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<sup>133</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 407.



# 5 Department of Transport

## 5.1 Overview

The Department of Transport (DoT) supports the portfolios of Transport Infrastructure, the Suburban Rail Loop, Public Transport, Roads and Road Safety, Ports and Freight and Fishing and Boating.<sup>1</sup>

DoT has identified the following objectives:

- Reliable and people focused transport services.
- Safe and well regulated transport services.
- Deliver investments that achieve social and economic benefits.
- Sustainably managed fish and boating resources.<sup>2</sup>

## 5.2 Financial analysis

In 2020–21 DoT has the third largest budget allocation of the departments representing 12.8% of total output funding.<sup>3</sup> In 2020–21, DoT is allocated \$10.2 billion to fund its outputs, representing an increase of 7.9% compared to the 2019–20 actual (\$9.5 billion).<sup>4</sup>

DoT's output appropriations in 2020–21 will increase by \$837 million, an 11.1% increase compared to the 2019–20 actual. The increase is a result of DoT's response to COVID-19.

In 2020–21 DoT's new output initiatives totalled \$649.8 million in the budget year and \$459.3 million across the forward estimates.<sup>5</sup>

The 2020–21 Budget outlined new asset initiatives of \$704.3 million in the budget year with a total estimated investment (TEI) of \$4.7 billion. DoT's new asset initiatives represent about 24% of the government's new asset initiatives TEI.<sup>6</sup>

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1 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 337; Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 65–66.

2 Department of Treasury and Finance, *Budget Paper No. 3*, pp. 337–338.

3 Ibid., p. 339 (Committee calculation).

4 Ibid.

5 Ibid., p. 127.

6 Ibid., pp. 2, 132.

In addition the following DoT programs received the largest amount of funds for new output appropriation in 2020–21:

- Public transport coronavirus (COVID-19) response—\$438.1 million
- Keeping Victorians moving—\$108.7 million
- School and Community Safety Program<sup>7</sup>—\$37.7 million
- Coronavirus (COVID-19) support: Rent relief for commercial tenants—\$20.6 million.<sup>8</sup>

In 2020–21 the following five DoT asset initiatives received the largest funding allocations:

- Suburban Rail Loop—\$420.0 million
- Dandenong corridor readiness works—\$107.7 million
- Keeping Victorians moving—\$106.7 million
- Regional rail sustainability—\$105.6 million
- Car parks for commuters—\$43.5 million.<sup>9</sup>

### 5.3 COVID-19 response expenditure

The *Public transport coronavirus (COVID-19) response* initiative and *Coronavirus (COVID-19) support: rent relief for commercial tenants* initiative account for 70.6% of DoT's total output expenditure for 2020–21 (\$649.8 million) and 41.4% of DoT's total forecast output initiatives in 2020–21 and over the forward estimates (\$1.1 billion).<sup>10</sup>

The *Public transport coronavirus (COVID-19) response*—\$438.1 million in 2020–21 is to support the sustainability of public transport operations and commercial passenger vehicle services during the pandemic and to undertake additional cleaning of public transport to slow the spread of COVID-19.<sup>11</sup>

The *Coronavirus (COVID-19) support: Rent relief for commercial tenants* is to cover expenditures associated with the loss in commercial rental revenues for properties owned or operated by the department and its agencies as a result of the Government's rent relief policy for commercial tenants experiencing hardship during the COVID-19 pandemic.<sup>12</sup>

7 School and Community Safety Program includes funding for increased road safety around schools, new and enhanced pedestrian crossings, regional intersection upgrades, temporary walking and cycling infrastructure, and development funding for a shared user path as part of the Hurstbridge line works. Source: Victorian Budget, *Improving our road network*, 23 November 2020, <<https://www.budget.vic.gov.au/improving-our-road-network>> accessed 22 March 2021.

8 Department of Treasury and Finance, *Budget Paper No. 3*, p. 127.

9 Ibid., pp. 21, 132.

10 Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, p. 19; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1.

11 Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, p. 19.

12 Ibid.

### 5.3.1 Initiatives funded through Treasurer's Advances

In response to the Committee's questionnaire, DoT outlined 25 programs that received funding through Treasurer's Advances in 2019-20, totalling \$712 million.<sup>13</sup> Of the 25 programs, only two were new programs—bushfire remediation works on the road network (\$16.1 million) and *Drive Easy* (\$1.2 million). There were six existing programs that received funding due to the COVID-19 emergency (\$241.2 million), one program (\$16.1 million) directed to the bushfire response and the remaining 18 programs were identified as 'other'—not relating to either the COVID-19 response or bushfire emergencies.<sup>14</sup>

The programs that were listed as 'other' included:

- Level Crossing Removal program—\$336.8 million
- Public transport rail partnership agreements—\$45 million
- V/Line operations and maintenance—\$27.5 million.<sup>15</sup>

**FINDING 53:** The Department of Transport received \$712 million in Treasurer's Advances during 2019-20, of which \$257.2 million was in response to the COVID-19 pandemic and bushfire emergencies. Most of the programs that received funding through Treasurer's Advances were for existing programs such as the *Level Crossing Removal* program.

### 5.3.2 Strategic issues caused by COVID-19 pandemic

DoT identified several strategic issues caused by the COVID-19 pandemic that influenced the development of the department's estimates for the 2020-21 financial year. DoT stated its main concern is the long term impact on patronage on public transport due to public health concerns about safety and cleanliness.<sup>16</sup>

More details on DoT's strategic issues can be found in Appendix D.

## 5.4 Capital expenditure

The 2020-21 Budget outlined that DoT's TEI is \$47.8 billion in 2020-21, representing 69% of the total general government capital spend.<sup>17</sup> The 2020-21 Budget added \$874 million in new transport capital spend to DoT's existing projects worth \$46.9 billion.<sup>18</sup> The projects that received a funding allocation include the *Suburban*

<sup>13</sup> Ibid., pp. 35-37.

<sup>14</sup> Ibid. (Committee calculation).

<sup>15</sup> Ibid., pp. 35-38.

<sup>16</sup> Ibid., p. 11.

<sup>17</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020-21 strategy and outlook*, Melbourne, 2020, p. 102 (Committee calculation).

<sup>18</sup> Ibid.

Rail Loop project (\$2.2 billion over four years), Geelong Fast Rail (\$2.0 billion over four years), and Next Generation Trams (\$1.5 billion over four years).<sup>19</sup> In addition \$359 million for transport infrastructure was allocated under the \$2.7 billion *Building Works* package.<sup>20</sup>

Unlike previous years, the significant infrastructure spend is the Government’s response to mitigate the impact caused by COVID-19 on businesses, particularly the labour market.<sup>21</sup> As illustrated below the Government’s annual capital investment has averaged \$14.3 billion over the nine years from 2015–16 to 2023–24.<sup>22</sup> The funding for capital projects in the 2020–21 Budget will increase to an average of \$19.6 billion over the next four years.<sup>23</sup>

Figure 5.1 Government infrastructure investment (GI)<sup>a</sup> average



a. Includes general government net infrastructure investment and estimated construction costs for public private partnership projects.

Source: Department of Treasury and Finance, *Other financial aggregates*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/other-financial-aggregates>> accessed 24 February 2021; Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 84.

**FINDING 54:** In 2020–21 the Department of Transport’s capital programs account for 69% of the total general government capital program. The general government’s funding for capital projects between 2015–16 and 2023–24 is estimated to be an average of \$14.3 billion a year. This will increase to an average of \$19.6 billion a year over the next four years.

The 2020–21 Budget did not contain a Budget Paper No. 4: State Capital Program, detailing each individual project cost. Likewise the budget papers did not disclose the cost over the four years for two large transport infrastructure projects: *Geelong Fast Rail* (TEI of \$2.0 billion) and *Next Generation Trams* (TEI of \$1.5 billion). The budget

19 Ibid., p. 86.

20 Ibid., p. 91.

21 Ibid., p. 84.

22 Department of Treasury and Finance, *Other financial aggregates*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/other-financial-aggregates>> accessed 24 February 2021; Department of Treasury and Finance, *Budget Paper No. 2*, p. 84.

23 Department of Treasury and Finance, *Budget Paper No. 2*, p. 84.

papers state that the *Geelong Fast Rail* project's cashflows are to be confirmed pending negotiations with the Commonwealth<sup>24</sup> while the *Next Generation Trams* project costs have not been disclosed due to the commercial sensitivity of the tender process.<sup>25</sup>

The Committee asked the Premier the reason for not producing the State Capital Program budget paper, which in previous years was known as Budget Paper No. 4. The Premier said:

given the unprecedented impact the virus had had on, for instance, construction projects, whether they were running at 50 per cent or 75 per cent in order to be safe workplaces and in order to have appropriate social distancing, there had been very significant impacts—I think more in time than in cost, although that is yet to be determined. The outcome of all of those discussions was that Treasury recommended to us and advised us that they simply could not produce a typical budget paper 4 and that coming to those conclusions with any sense of accuracy and fairness ...

...

it was simply impossible at this time to produce the usual documentation that would run through the state's largest ever capital works program and infrastructure program, projects large and small.<sup>26</sup>

The Committee notes that in 2019–20 DoT projects had a total capital spend of \$46.93 billion.<sup>27</sup> In 2020–21 DoT's existing transport projects (that is 2019–20 capital spend) cost remained the same, at \$46.90 billion.<sup>28</sup> The Committee asked the Minister for Transport Infrastructure whether the publicly reported cost overruns in the Metro Tunnel project budget has been accounted for in the 2020–21 capital spend. The Minister stated:

I think it is important to note that this is a feature in delivering transport infrastructure: whether it is delivering it here in Victoria, in New South Wales or at a national level, there is no doubt that when you have a big program like we do here in Victoria it comes with some challenges. I think that has also been recognised in other states and other jurisdictions.<sup>29</sup>

VicTrack's capital expenditure in 2019–20 was \$27.43 billion while in 2020–21 the existing project cost for VicTrack was \$29.43 billion (a 7.3% increase).<sup>30</sup> A Committee member asked the Minister to clarify if this increment indicates any potential cost runs. The Minister stated:

24 Department of Treasury and Finance, *Budget Paper No. 3*, p. 21.

25 Ibid., p. 132.

26 Hon Daniel Andrews MP, Premier, 2020–21 Budget estimates (Premier) hearing, Melbourne, 27 November 2020, *Transcript of evidence*, p. 8.

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

28 Department of Treasury and Finance, *Budget Paper No. 2*, p. 102.

29 Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, 2020–21 Budget estimates (Transport Infrastructure and Suburban Rail Loop) hearing, Melbourne, 17 December 2020, *Transcript of evidence*, pp. 4–5.

30 Ibid., p. 4.

Well, the additional costs and the additional investments that we make in our transport program are clearly accounted for either through budget papers or through public statements that we make...<sup>31</sup>

As project details of VicTrack were not included in the 2020–21 Budget, the Committee was unable to conclude if this increment indicates a cost overrun or new projects that VicTrack would be undertaking in 2020–21.

At the public hearings the Committee questioned the Treasurer about the public reports on cost overruns on several Victorian capital projects.<sup>32</sup> The Committee was particularly interested in when the Government would provide updated project costs for existing infrastructure projects. The Treasurer and the Minister confirmed that this information will be provided in next year's budget in May 2021.<sup>33</sup> In its special series on Fiscal Policies to Respond to COVID-19, the International Monetary Fund (IMF) stated that the:

usual instruments and processes may need to be adjusted for ensuring effective oversight, including regular and timely reports on the implementation of the COVID-19 related policy measures, and monitoring by oversight institutions for public accountability.<sup>34</sup>

In addition to the absence of the publication of the State Capital Program as part of the budget papers the Committee notes that Victoria was among the few states and territories that did not publish an 'Economic and Fiscal Update' in the interim between the 2019–20 Budget Update published in December 2019 and the 2020–21 Budget. During a crisis the IMF recommends regular reporting of key policy documents (e.g. economic and fiscal forecast outlook) as an essential part of the budget preparation process. The IMF suggests that governments must envision more frequent revisions to the macro-fiscal frameworks.<sup>35</sup> It states:

In normal times, forecasts are often produced at the early stages of the budget process and updated at the closing stages. Forecasts will need to be revised more frequently to alert policymakers about the need to alter their policies in light of new information. Since the start of the crisis, the Office for Budget Responsibility (OBR) in the United Kingdom has revised its baseline fiscal scenario every month and refined its fiscal estimates for 2021 accordingly.<sup>36</sup>

<sup>31</sup> Ibid.

<sup>32</sup> Hon Tim Pallas MP, Treasurer, 2020–21 Budget estimates (Treasurer) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 20.

<sup>33</sup> Ibid.; Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 4.

<sup>34</sup> International Monetary Fund, *Special series on fiscal policies to respond to COVID-19; Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses*, 2020, p. 7.

<sup>35</sup> International Monetary Fund, *Special Series on COVID-19: Budgeting in a crisis: Guidance for preparing the 2020–21 Budget*, June 2020, p. 4.

<sup>36</sup> Ibid.

**FINDING 55:** Victoria was among the few states and territories that did not publish an ‘Economic and Fiscal Update’ in the interim between the 2019–20 Budget Update and the 2020–21 Budget.

**RECOMMENDATION 13:** The Department of Transport and the Department of Treasury and Finance provide up to date information on the Government’s large infrastructure program.

## 5.5 Transport Infrastructure and Suburban Rail Loop: key issues

The Minister for Transport Infrastructure and the Suburban Rail Loop (SRL) is responsible for the Transport Infrastructure output.<sup>37</sup> In 2020–21 the output had a funding allocation of \$754.4 million, an increase of 74.9% compared to the 2019–20 Budget.<sup>38</sup>

New output initiatives relating to the portfolio included *Coronavirus (COVID-19) support: Rent relief for commercial tenants* (\$20.6 million in 2020–21) and the *Women in Transport program* (\$0.6 million in 2020–21).<sup>39</sup> New asset initiatives for the portfolio included *Suburban Rail Loop* (\$420 million in 2020–21) and *Fitzroy Gasworks* (\$4.4 million in 2020–21).<sup>40</sup>

The key issues relevant to the Transport Infrastructure and the SRL portfolio identified during the Committee’s 2020–21 budget estimates inquiry are discussed below.

### 5.5.1 Delivery challenges—transport infrastructure projects

At the public hearings the Minister discussed the delivery challenges the Government is experiencing and the approach the Government is taking to meet these challenges. The Minister said that there are 165 projects currently on track, within budget and on time:

When you look at the procurement and contractual arrangements for each project, we make each decision based on what is right for that project. We do not take a cookie-cutter approach; it is based on what is right for each project, and particularly on larger projects, where the use of an early works package not only helps get the project underway but also helps inform the tendering and the procurement process for the major part of works on each project.

<sup>37</sup> Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, p. 65.

<sup>38</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 339 (Committee calculation).

<sup>39</sup> *Ibid.*, p. 127.

<sup>40</sup> *Ibid.*, p. 132.

As I said, we have been quite upfront about where we have met some challenges, and the most recent announcement we made around the *Metro Tunnel* project is an example of this. The Metro Tunnel is a terrific project, but there is no doubt that through some of the delivery phases there have been some challenges, and rather than have fights and see the project go through a lengthy legal dispute we sat down, and the team of Rail Projects Victoria sat down, and negotiated with the contractors, and last week announced the outcome of those negotiations.<sup>41</sup>

The Minister said an alternative approach would have been to engage in a costly legal process which would have added to the cost of the project and created further delays. As a result of negotiations the *Metro Tunnel* project has the potential to be completed in 2024, two years ahead of the original project completion date.<sup>42</sup>

Explaining the contractual obligations under the *Metro Tunnel* project, the Major Transport Infrastructure Authority stated that *Metro Tunnel* has three contracts which adds to the complexity of the project. DoT advised there is a contract for the tunnel, a rail systems alliance (signalling that goes through the tunnel as well as end to end for the corridors) and a rail infrastructure alliance (a contract to extend station platforms and enable High Capacity Metro Trains to run);

those three contracts have to talk to one another, so it is quite a complex environment. We have two alliance contracts in the PPP, and we have had to make sure that they talk to one another, they work closely together and they are going to finish at the same time, so we have been able to actually grab those three parties and just make sure that we line up certainly going forward. Contracts are also a continuous improvement process from start to finish as well, so just making sure that we do learn lessons, we do apply them to the next projects and we do carefully manage what we do. That is of the utmost importance to us for value for money.<sup>43</sup>

**FINDING 56:** There have been significant challenges and complexities involved in delivering the *Metro Tunnel* project. The Government successfully negotiated with the contractors and avoided a costly legal dispute. *Metro Tunnel* has the opportunity to be completed in 2024, two years ahead of the original schedule.

<sup>41</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, pp. 9–10; Department of Transport, *2017–18 and 2018–19 Financial and Performance Outcomes General Questionnaire*, p. 60.

<sup>42</sup> Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 9.

<sup>43</sup> Mr Corey Hannett, Director-General, Major Transport Infrastructure Authority, 2020–21 Budget estimates (Transport Infrastructure and Suburban Rail loop) hearing, Melbourne, 17 December 2020, *Transcript of evidence*, pp. 24–25.

## 5.5.2 Infrastructure delivery

### Public Private Partnerships

Public Private Partnership (PPP)<sup>44</sup> expenditure for infrastructure projects in Victoria has continuously increased since 2018–19. In 2019–20 PPP expenditure increased by 18.3% compared to 2018–19 (\$474.3 million). DoT estimates PPP expenditure for 2020–21 to be \$738.6 million, an increase of 31.6% compared to 2019–20 (\$561.1 million).<sup>45</sup>

One of the key factors for using PPP models in delivering infrastructure projects is the distribution of risk across parties involved.<sup>46</sup> When asked about the Government's role in bearing risks in PPP projects, the Minister stated:

'Isn't it always government taking the financial risk?' Because ultimately these are projects that governments commit to, so yes, they are government projects. They are projects that government—and particularly our government, we are determined to deliver the projects we commit to. When we say we will do something we do it, and we work very hard to deliver those projects.<sup>47</sup>

The Minister mentioned COVID-19 particularly contributed to the ongoing delivery challenges:

- by reducing the movement of finance internationally
- with the deteriorating financial sustainability of companies involved.<sup>48</sup>

As the nature of the mega projects is such that ultimately governments step into take larger portion of the risk, the Committee asked whether this would translate to a lower risk premium built into the tenders the industry would put forward in the future. DoT explained that tenders are based on assumptions and that:

sometimes those assumptions can work, sometimes they have challenges and we have that contractual relationship that they rely upon to work with us to finish the project.<sup>49</sup>

The Minister said that based on feedback from construction companies and industry, the Government is making modifications to the PPP tendering processes associated with

44 A public private partnership (PPP) is a contractual arrangement between the private sector and national (or subnational) governments. The Government pays the private sector (typically a consortium) to deliver infrastructure and related services over a long term period. The private provider will build the facility and operate or maintain it to specified standards over a long period. The private provider usually finances the project. Sources: Parliament of the Commonwealth of Australia, Joint Standing Committee on Foreign Affairs, Defence and Trade, *Partnering for the greater good*, June 2015, p. 176; Department of Infrastructure, Transport, Regional Development and Communications, *National Guidelines for Infrastructure Project Delivery*, 18 July 2018, <<https://www.infrastructure.gov.au/infrastructure/ngpd/index.aspx>> accessed 15 February 2021.

45 Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, p. 33.

46 Global Infrastructure Hub (GI Hub), *Allocating Risks in Public-Private Partnerships*, 2016, pp. 16–17.

47 Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 11.

48 Ibid.

49 Mr Corey Hannett, Director-General, Major Transport Infrastructure Authority, *Transcript of evidence*, p. 24.

the *North East Link* project.<sup>50</sup> The Minister and the department stated that DoT carefully monitors infrastructure projects, both nationally and internationally, and applies to lessons learned to the current projects.<sup>51</sup> DoT stated:

[with regards to the] North East Link we have made a very conscious decision to alter how we actually manage risk in a more collaborative way where we believe we will get a better outcome with our contracting parties.<sup>52</sup>

**FINDING 57:** The Victorian Government has faced significant challenges in delivering mega transport infrastructure projects through a private public partnership delivery model.

### Alliance contracting

At the estimates hearing the Minister spoke about the successful collaboration with the private sector in the delivery of the *Level Crossing Removal* project through alliance contracting.<sup>53</sup> The program objective is to remove 75 level crossings by 2025.<sup>54</sup> The Minister said 44 level crossings have been removed as at December 2020 and that the Government had awarded \$1.5 billion worth of contracts to the project.<sup>55</sup>

The Committee notes that the actual cost of removing the 44 level crossing has not been disclosed in the 2020–21 Budget. In addition in 2019–20 there was a drawdown from the Treasurer’s Advances of \$336.8 million for the project.<sup>56</sup>

The Minister explained the advantages of alliance contracting to the Committee:

A really good example of that is the level crossing removal program, where by delivering that under an alliance model means that we can fast-track projects. We work collaboratively with the companies, we can work ... with the rail operator, we can package projects up that give those alliances a pipeline that they can gear their work around. As a consequence of that approach, it is credited with the fact that we are well ahead of schedule on removing those level crossings and also that we can add work very quickly and easily,... works are added to those alliances, because they have got their teams geared up, they have got workers in the ground and they can get the work done more quickly.<sup>57</sup>

50 Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 12.

51 *Ibid.*, pp. 10, 24.

52 Mr Corey Hannett, Director-General, Major Transport Infrastructure Authority, *Transcript of evidence*, p. 24.

53 Under an alliance contract, the Government works collaboratively with private suppliers to deliver the project. In alliance contracts, risks of project delivery are often jointly managed by the parties, although financial exposure lies mostly with the State. Source: Department of Infrastructure, Transport, Regional Development and Communications, *National Guidelines for Infrastructure Project Delivery*, 18 July 2018.

54 Department of Treasury and Finance, *Budget Paper No. 2*, p. 53.

55 Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, p. 9.

56 Department of Transport, *2017–18 and 2018–19 Financial and Performance Outcomes General Questionnaire*, p. 35.

57 Hon Jacinta Allan MP, Minister for Transport Infrastructure and Minister for the Suburban Rail Loop, *Transcript of evidence*, pp. 11–12.

Providing a further example, the Minister said that initially the suburban roads program, which is to deliver 12 road projects in the north and the south east, was to be delivered via PPP. Considering the immense cost and risk involved in PPPs, the road project will now be delivered through an alliance model.<sup>58</sup>

With the availability of information such as the project cost at announcement and the actual cost of projects, the Committee could calculate the variances and thereby compare the variances according to the delivery models of the projects.

**FINDING 58:** The Victorian Government has recognised the increased risks associated with the private public partnership delivery model. Accordingly increasing use is being made of the alliance contracting model to deliver infrastructure projects.

**FINDING 59:** The Level Crossing Removal project is delivered via an alliance model. As at December 2020 the Government has removed 44 out of the scheduled 75 level crossings. The actual cost to date of the project was not disclosed in the 2020–21 Budget.

## 5.6 Public Transport: key issues

There are five outputs that support the Public Transport portfolio.<sup>59</sup> In 2020–21 the funding allocated to these outputs totalled \$6.6 billion compared to \$6.3 billion in the 2019–20 Budget.<sup>60</sup> The *Public transport coronavirus (COVID-19) response* was allocated \$438.1 million which is the largest output initiative announced in the 2020–21 Budget, accounting for 67% of DoT's total output initiatives in 2020–21.<sup>61</sup>

Key issues relating to the Public Transport portfolio are discussed below.

### 5.6.1 Changes in the public train network

In December 2020 the Victorian Government announced increased train services under a timetable redesign.<sup>62</sup> DoT is providing an extra 450 train services weekly from 31 January 2021. Of the 450 train services, 280 services are directed to the metropolitan train network while the remaining are dedicated to regional train services. To encourage commuters to travel during off peak times, DoT is also offering a 30% discount on myki for three months from 31 January.<sup>63</sup> The additional services aim to provide social distancing and reduce crowding.<sup>64</sup>

<sup>58</sup> Ibid., p. 12.

<sup>59</sup> Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 55–60.

<sup>60</sup> The outputs include: bus services, tram services, tram services, regulation of commercial passenger vehicle, and transport safety and security. Department of Treasury and Finance, *Budget Paper No. 3*, p. 339 (Committee calculation).

<sup>61</sup> Ibid., p. 127.

<sup>62</sup> Hon Ben Carroll, *Building a train network for the future*, media release, Victorian Government, Melbourne, 1 December 2020.

<sup>63</sup> Ibid.

<sup>64</sup> Ibid.

The Committee asked the Minister for Public Transport whether the increased services would be reflected in the performance measure ‘total kilometres scheduled: metropolitan train.’ Currently the budget papers indicate the target for total kilometres (kms) travelled in 2020–21 to be the same as the previous two years at 23.8 kms.<sup>65</sup> In response to a question taken on notice, DoT stated that:

The next uplift in timetabled services will commence on 31 January 2021 which will see an increase in total scheduled kilometres of approximately 1.1 million kilometres. This will result in the revised 2020/21 total scheduled kilometres being approximately 24.2 million kilometres and 2021/22 being approximately 24.9 million kilometres.<sup>66</sup>

When asked about the cost of the increased services, the Minister stated that it is ‘around \$75 million’;<sup>67</sup> however it is unclear to the Committee if \$75 million is for the budget year 2020–21, or the total over the four years.<sup>68</sup>

The purpose of additional train services is to assist the train network to manage crowds and thereby reduce the spread of COVID-19. The impact of these initiatives on DoT’s bottom line is also unclear given the 30% discount on transport fares.

**FINDING 60:** The Victorian Government added 450 train services weekly from 31 January 2021, of which 280 are for metropolitan train services while 170 are for regional services. The cost of adding 450 train services per week is estimated to be \$75 million. However it is unclear if \$75 million is the cost for the budget year 2020–21 or if it is for the total over the four years.

**FINDING 61:** The performance measure to track the total kilometres scheduled for metropolitan trains outlined in the 2020–21 Budget is not updated to reflect the increased services provided. The total kilometres scheduled for metropolitan trains will increase from the current 23.8 kms to 24.9 kms in the 2021–22 budget papers.

**RECOMMENDATION 14:** The Department of Transport clearly outline the financial impact on the department’s bottom line as a result of initiatives such as providing a 30% discount to myki holders.

The 2020–21 Budget allocated \$0.5 million in output funding to Timetable Planning. The initiative has a funding allocation of \$2.5 million over the forward estimates.<sup>69</sup> The Committee asked the Minister for Public Transport the reason for the Frankston

<sup>65</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 347.

<sup>66</sup> Hon Ben Carroll MP, Minister for Public Transport, 2020–21 Budget estimates hearing, response to questions on notice, received 11 January 2021, p. 1.

<sup>67</sup> Hon Ben Carroll MP, Minister for Public Transport, 2020–21 Budget estimates (Public Transport) hearing, Melbourne, 17 December 2020, *Transcript of evidence*, p. 7.

<sup>68</sup> The Committee could assume this is part of DoT’s 2020–21 Budget output initiative—Public transport coronavirus (COVID-19) response \$438.1 million in 2020–21. Department of Treasury and Finance, *Budget Paper No. 3*, p. 127.

<sup>69</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 127.

line trains going directly to Flinders Street station rather than through the City Loop.<sup>70</sup> The Minister stated that:

we have surveyed the commuters that use the Frankston line. In fact 62 per cent of respondents said they want to go directly to Southern Cross or Flinders Street. However, if you do want to continue to go through the city loop, you can still get off at Richmond station or South Yarra station. And I should also make note that once the exciting Metro Tunnel is completed, as we have highlighted, the Frankston line will return to it a lot better, a lot faster and more frequent than ever before.<sup>71</sup>

Responding to a question taken on notice, DoT stated that the department undertook passenger and pedestrian modelling during the development process for the 2021 timetable.<sup>72</sup> DoT stated that the specific data behind the Frankston line passenger preference was sourced from the Origin Destination survey which ‘asks people on board public transport services to report where they have come from and where they are going to’.<sup>73</sup> DoT stated that 62% of the users work around Flinders Street and Southern Cross stations (including newer workplaces such as Southbank and Docklands). According to DoT the remaining 38% of the users in the north of the CBD can access the CBD via a City Loop station by interchanging at either Richmond or South Yarra stations.<sup>74</sup>

The Frankston Line will be added to the city loop in 2025 with the opening of the Metro Tunnel.<sup>75</sup>

The Minister was asked the additional time this change would add to a commuter’s travel. The Minister stated it would add 1–2 minutes.<sup>76</sup> The Committee asked if skipping the city loop would add to the congestion and wait times at train stations to which the Minister responded:

we are adding 45 additional services to the Frankston line. It is actually going to increase capacity for about 1800 extra Victorians to get on the Frankston line. It is very important coming out of COVID to have more social distancing and more frequency of services, both off peak and on peak. Yes, there may be a little bit of extra time to get on and off the train, but this is very much the feedback we have had from commuters.<sup>77</sup>

70 The City Loop is a four track, five station loop that encircles downtown. Trains operate from Flinders Street station to and from their suburban destination via the City Loop stations of Southern Cross, Flagstaff, Melbourne Central, and Parliament. Source: Australian Rail Maps, *Melbourne Train and Tram Map*, <<https://railmaps.com.au/melbourn.htm>> accessed 16 February 2021; Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, p. 3.

71 *Ibid.*, p. 4.

72 Hon Ben Carroll MP, Minister for Public Transport, 2020–21 Budget estimates hearing, response to questions on notice, received 11 January 2021, p. 1.

73 *Ibid.*

74 Hon Ben Carroll MP, Minister for Public Transport, 2020–21 Budget estimates hearing, response to questions on notice, received 4 February 2021, p. 1.

75 Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, p. 4; Hon Ben Carroll, *Building a train network for the future*, media release, Victorian Government, Melbourne, 1 December 2020.

76 Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, p. 3.

77 *Ibid.*, p. 4.

The last Annual Report of Public Transport Victoria outlined that there were 2,296 new weekly services added in 2018–19 on trains, trams, and buses.<sup>78</sup> However this information was not available in the 2019–20 Annual Report of DoT.

**FINDING 62:** Prior to the removal of the Frankston Line from the city loop, the Department of Transport undertook passenger and pedestrian modelling and a survey. The survey indicated that 60% of commuters go directly to Southern Cross station or Flinders Street station on the Frankston line, leaving about 40% of commuters affected by the timetable changes.

**FINDING 63:** The Victorian Government has added 45 additional services weekly to the Frankston line which will accommodate 1,800 extra commuters. The Frankston line will be added to the city loop in 2025 with the opening of the Metro Tunnel.

The 2020–21 Budget allocated funding of \$1.5 billion in *Next Generation Trams* to allow the Government to purchase 100 Next Generation Trams. This will commence with the retirement of the high-floor tram fleet and support Victoria’s compliance with Commonwealth Disability Standards for Accessible Public Transport.<sup>79</sup> The funding for each year was not reported due to the commercial sensitivity of the tender process.<sup>80</sup>

The 2020–21 Budget outlines that:

Next Generation Trams will be manufactured in Victoria, supporting a significant number of local manufacturing and supply chain jobs over the next decade and contribute to Victoria’s economic recovery.<sup>81</sup>

The DoT website states that the Government is aiming for at least 60% local content on the project to support Victoria’s strong rolling stock manufacturing industry. This is expected to support up to 1,900 local jobs including in the wider economy.<sup>82</sup> At the public hearing the Minister explained that:

it has been well known now that Victoria, as a manufacturer of buses, trams and trains, is really the Australian leader in this space... as you see on the trams now that come around Spring Street and the CBD, there is that important signage of ‘Made in Melbourne’. I think coming out of COVID, supporting manufacturing, supporting jobs and keeping people in work is critically important.<sup>83</sup>

At the public hearings, the Minister addressed the report by the Victorian Auditor-General (VAGO) on the Accessibility of Tram Services. The report found that only 27% of tram stops on the network are level access and only 38% of the tram fleet is

<sup>78</sup> Public Transport Victoria, *Annual Report 2018–19*, 2019, p. 11.

<sup>79</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 132, 135.

<sup>80</sup> *Ibid.*, p. 132.

<sup>81</sup> *Ibid.*, p. 135.

<sup>82</sup> Department of Transport, *New train and tram orders*, 30 November 2020, <<https://transport.vic.gov.au/our-transport-future/our-projects/new-and-upgraded-trains-and-trams/new-train-and-tram-orders>> accessed 16 February 2021.

<sup>83</sup> Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, p. 15.

low floor.<sup>84</sup> The *Disability Standards for Accessible Public Transport 2002* (DSAPT) set milestones of: 90% compliance with the standards for bus, tram and train services by 31 December 2017, 100% compliant infrastructure by 2022, and 100% compliant trams by 31 December 2032.<sup>85</sup>

The Minister stated that there are two parts to meeting the targets under the DSAPT. One is to provide the low floor trams and the other is to build or upgrade current tram stops to provide level access stops. The Minister pointed out that the \$1.5 billion to provide 100 New Generation Trams will add to the current rolling stock of trams.<sup>86</sup> Notwithstanding the significant investment, the Committee notes that the new trams would only start rolling out from 2025.<sup>87</sup> The Committee notes that as at February 2021, Melbourne's tram fleet is about 511 trams of which 185 (36%) are low floor trams.<sup>88</sup>

With regard to level access stops and associated infrastructure, the Committee notes that the 2020–21 Budget has a target of just two tram stops to be upgraded compared to the previous year's target of 16 (13 actual).<sup>89</sup> As noted in the VAGO report there is a risk that DoT will not be meeting the tram compliance requirement by 31 December 2032.<sup>90</sup>

**FINDING 64:** The 2020–21 Budget allocated \$1.5 billion to purchase 100 Next Generation Trams. The project aims to source at least 60% of the content locally and create 1,900 jobs. The new trams will begin to roll out from 2025.

**FINDING 65:** Only 38% of the Department of Transport's rolling stock of trams are low floor trams and more than 50% of tram stops are not level access. The Victorian Government is at risk of not meeting the *Disability Standards for Accessible Public Transport 2002* compliance requirements by 2032.

## 5.7 Roads and Road Safety: key issues

The Minister for Roads and Road Safety is responsible for four outputs:

- Road Operations—\$1,901 million in 2020–21 Budget (14.3% increase compared to 2019–20 actual).
- Road Asset Management—\$807.4 million in 2020–21 Budget (21.1% increase compared to 2019–20 actual).

<sup>84</sup> Victorian Auditor-General's Office, *Accessibility of Tram Services*, Melbourne, 2020, p. 4.

<sup>85</sup> Ibid.

<sup>86</sup> Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, p. 15.

<sup>87</sup> Department of Transport, *New train and tram orders*, 30 November 2020; Hon Ben Carroll MP, *Transcript of evidence*, p. 7.

<sup>88</sup> Yarra Trams, *Melbourne's tram fleet*, June 2020, <<https://yarratrams.com.au/our-fleet-today>> accessed 25 February 2021 (Committee calculation).

<sup>89</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 350.

<sup>90</sup> Victorian Auditor-General's Office, *Accessibility of Tram Services*, p. 4.

- Regulation of Commercial Passenger Vehicle Services—\$129.6 million in 2020–21 Budget (29.9% increase compared to 2019–20 actual).
- Transport Safety and Security—\$754.4 million in 2020–21 Budget (26.2% increase compared to 2019–20 actual).<sup>91</sup>

The key issues relevant to the Roads and Road Safety portfolio identified during the public hearings are discussed below.

## 5.7.1 Keeping Victorians Moving

The *Keeping Victorians Moving* package was introduced to address the increased road congestion as a result of travellers shifting from public transport to private vehicles in response to public health concerns during the COVID-19 pandemic.<sup>92</sup>

The 2020–21 Budget allocated \$108.7 million in the budget year and \$103.5 million across forward estimates to the initiative.<sup>93</sup> This initiative also has an asset investment of \$106.7 million in 2020–21 and a TEI of \$175.9 million.<sup>94</sup> The initiative includes installing 700 closed circuit television (CCTV) road surveillance, 200 wireless travel time sensors<sup>95</sup> and 40 new virtual message boards.<sup>96</sup> This technology will provide live traffic to traffic management as well as to road network users.<sup>97</sup> The asset initiative portion of the initiative will upgrade roads and intersections across the metropolitan region.<sup>98</sup>

The package is expected to strengthen clearway management and provide additional resources to enable faster response to incidents and congestion.<sup>99</sup> There are 221 clearways on major roads within 20 kilometres of Melbourne’s CBD and as of 1 December 2020, 217 of these existing clearways (98%) have been converted into tow-away zones.<sup>100</sup> At the public hearings, the Minister for Roads and Road Safety stated that drivers of vehicles illegally parked in clearways will be fined \$165 and vehicles will be towed, with a \$361 charge issued to get the vehicle released.<sup>101</sup>

<sup>91</sup> Ibid., p. 339 (Committee calculation).

<sup>92</sup> Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, p. 9.

<sup>93</sup> Ibid., p. 127.

<sup>94</sup> Ibid., p. 132.

<sup>95</sup> Travel time sensors collect data on true travel times across a study corridor. Accurate travel time information is essential to the effective management of traffic conditions. Source: J. Mathew, Devi, V., Bullock, D., and Sharma, A, *Science Direct*, ‘Investigation of the Use of Bluetooth Sensors for Travel Time Studies under Indian Conditions’, vol. 17, 2016.

<sup>96</sup> Hon Ben Carroll MP, Minister for Roads and Road Safety, 2020–21 Budget estimates (Roads and Road Safety) hearing, Melbourne, 17 December 2020, *Transcript of evidence*, p. 1.

<sup>97</sup> Ibid.

<sup>98</sup> Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 129.

<sup>99</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 129.

<sup>100</sup> VicRoads, *Clearway and tow-away zones*, 4 February 2021, <<https://www.vicroads.vic.gov.au/safety-and-road-rules/road-rules/a-to-z-of-road-rules/tow-away-zones>> accessed 16 February 2021; Hon Ben Carroll MP, *Transcript of evidence*, p. 1.

<sup>101</sup> Hon Ben Carroll MP, Minister for Public Transport, *Transcript of evidence*, pp. 1–2.

**FINDING 66:** The *Keeping Victorians Moving* package will address increased road congestion. The package will enhance clearway management and provide additional resources to enable a faster response to incidents and congestion. As of 1 December 2020, 217 of 221 clearways on major roads within 20 kilometres of Melbourne’s CBD have been converted into tow-away zones.

### Performance measures—Road Operations

The Committee notes that in the 2020–21 Budget DoT has introduced two new performance measures in place of three performance measures from 2019–20 related to road operations. DoT states the new performance measures will better report the outputs from the delivery of congestion projects and other minor road improvement projects.<sup>102</sup>

A new performance measure has also been added to gauge the response time to road incidents meeting the industry standard. Accordingly the industry standard across Australia is to attend to 80% of incidents within 15 minutes.<sup>103</sup>

**FINDING 67:** The 2020–21 Budget contains improved performance measures that report on the outputs from the delivery of congestion projects and other minor road improvement projects and capture the timeliness of responses to road incidents against the Australian industry standard.

## 5.7.2 Road safety

Safety barriers, including wire rope safety barriers and semi-flexible steel guard fences, play a critical role in redirecting errant vehicles away from roadside hazards and in slowing vehicles. According to DoT, ‘they are known to reduce serious injuries and save lives in run-off road crashes. During 2019–20 safety barriers were hit by vehicles approximately 5,074 times—representing many serious injuries avoided and lives saved’.<sup>104</sup>

At the public hearings, the Committee asked the Minister about the cost of maintenance expenditure for wire rope barriers in 2019–20.

VicRoads does not keep records about how often it maintains flexible barriers. VicRoads advised that it performs routine maintenance on some stretches of flexible barriers, such as checking the tension of wire rope barriers, on an ad hoc basis. For others, VicRoads said it does not perform any maintenance.<sup>105</sup>

<sup>102</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 344.

<sup>103</sup> *Ibid.*, p. 346.

<sup>104</sup> Hon Ben Carroll MP, Minister for Roads and Road Safety, 2020–21 Budget estimates hearing, response to questions on notice, received 11 January 2021, p. 1.

<sup>105</sup> *Ibid.*

In responding to a question taken on notice, DoT stated that in 2019–20 the Transport Accident Commission (TAC) was provided with \$10.6 million for the repair and maintenance of safety barriers. In addition approximately \$7.5 million was allocated from State Appropriation Funding to undertake routine maintenance and repair of other safety barriers - that is those not installed under the *Safer Roads Program*.<sup>106</sup>

**FINDING 68:** In 2019–20 the Transport Accident Commission was provided with \$10.6 million for the repair and maintenance of safety barriers.

The Committee further asked if DoT has a target on the length of safety barrier that DoT will repair each year. In responding to the question taken on notice, DoT informed the Committee that they are:

implementing improvements to its asset management system that will ensure that there is an accurate inventory and record of when and where safety barrier is damaged and when it is repaired and will investigate whether it will be able to record the length of barrier damaged each year.<sup>107</sup>

DoT did not specify the length of safety barrier that the department will repair each year. However the Committee notes DoT is in the process of enhancing its record management on safety barriers.

**FINDING 69:** The Department of Transport (DoT) is enhancing the inventory record management of road safety barriers. DoT is investigating if the department is able to report the length of barrier damaged each year.

**RECOMMENDATION 15:** The Department of Transport together with the Transport Accident Commission (TAC) publish the outcomes of the maintenance of safety barriers in TAC's annual report. The outcomes could include the length of safety barrier that is repaired each year, repaired safety barrier as a percentage of damaged safety barrier, average repair time and average time taken to respond to damaged safety barriers.

## 5.8 Fishing and Boating: key issues

The Minister for Fishing and Boating is responsible for the 'Sustainably Managed Fish and Boating Resources' output.<sup>108</sup> The output had a funding allocation of \$70.6 million

<sup>106</sup> Ibid.

<sup>107</sup> Ibid.

<sup>108</sup> Sustainably Managed Fish and Boating Resources has been renamed to highlight that boating activities are included under this output (previously known as Sustainably Manage Fish Resources in 2019–20). Source: Department of Treasury and Finance, *Budget Paper No. 3*, p. 339.

in 2020–21, a 25% increase compared to the 2019–20 actual (\$56.4 million).<sup>109</sup> The 2020–21 Budget allocation was 70% higher than the 2019–20 Budget (\$41.6 million).<sup>110</sup>

At the budget estimates hearings the Minister for Fishing and Boating and DoT explained that the increase in 2019–20 actual expenditure and the 2020–21 Budget funding allocation is a result of including the *Better Boating* initiative in the Sustainably Managed Fish and Boating Resources output.<sup>111</sup> The *Better Boating* initiative had a total allocation of \$41.6 million in 2019–20, however the initiative contributed to the Ports, Freight and Boating output in 2019–20.<sup>112</sup>

In responding to a question taken on notice, DoT further stated that the 2020–21 Budget funding is allocated among the following departments/bodies:

- Victorian Fisheries Authority—\$48.4 million
- Better Boating Victoria—\$21.9 million
- Department of Transport (overheads)—\$0.3 million.<sup>113</sup>

**FINDING 70:** The ‘Sustainably Managed Fish and Boating Resources’ output funding allocation increased by 70% in 2020–21 compared to the 2019–20 Budget due to the inclusion of the *Better Boating* initiative.

At the hearing the Minister for Fishing and Boating updated the Committee on the commitments made to recreational boaters at the 2018 election.

The Minister informed the Committee that Better Boating Victoria removed boat launching and parking fees at all public boat ramps.<sup>114</sup>

The Minister also added that the review of how boating facilities are managed across Port Phillip and Western Port has been completed and findings from the review will be incorporated in the Victorian recreational boating strategy.<sup>115</sup>

The Committee notes that the review on the Port Phillip and Western Port facilities is not publicly available.

The Committee also notes that the Victorian recreational boating strategy will be published in mid 2021.<sup>116</sup>

<sup>109</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 339 (Committee calculation).

<sup>110</sup> Ibid.

<sup>111</sup> Hon Melissa Horne MP, Minister for Fishing and Boating, 2020–21 Budget estimates (Fishing and Boating) hearings, Melbourne, 17 December 2020, *Transcript of evidence*, pp. 3–4.

<sup>112</sup> Hon Melissa Horne MP, Minister for Fishing and Boating, 2020–21 Budget estimates hearing, response to questions on notice, received 12 January 2021, p. 1.

<sup>113</sup> Ibid.

<sup>114</sup> Better Boating Victoria, *Boat launching and parking fees*, 2021, <<https://betterboating.vic.gov.au/boat-ramps-fees>> accessed 16 February 2021.

<sup>115</sup> Hon Melissa Horne MP, Minister for Fishing and Boating, *Transcript of evidence*, pp. 3–4.

<sup>116</sup> Department of Transport, *Victorian Recreational Boating Strategy*, 2020, <<https://getinvolved.transport.vic.gov.au/recreational-boating-strategy>> accessed 16 February 2021.

The Minister further said that the Government fulfilled its commitment to provide eight new casual berths across Port Phillip, and an additional four berths at the Rye Pier and St Kilda Marina.<sup>117</sup>

**FINDING 71:** Better Boating Victoria completed the review into the management of boat ramp infrastructure in Port Phillip and Western Port. The findings of this review will support the Victorian recreational boating strategy. The Victorian recreational boating strategy will be published in mid 2021.

## 5.9 Ports and freight: key issues

The 2020–21 Budget allocated \$95 million to this output, a 10.6% decrease compared to the 2019–20 Budget (\$106.3 million).<sup>118</sup> This is due to the transition of the on-road compliance and enforcement function to the National Heavy Vehicle Regulator.<sup>119</sup>

At the public hearings the Minister discussed the independently assessed Victorian Ports Review which was launched in February 2020.<sup>120</sup> The review will assess the function and performance of the current port system and recommend reforms to ensure that Victorian ports are able to meet future needs.<sup>121</sup> A comprehensive review has not been completed since 2001 and the new review will address the significant changes in the governance and institutional architecture of the port system that have occurred since 2001.

The review was to be published mid-2020<sup>122</sup> however the Committee notes that it has not been finalised as at February 2021.

**FINDING 72:** An independent review into the Victorian ports system was launched in February 2020. The review will assess the function and performance of the current port system. The review was scheduled to be published by mid 2020.

<sup>117</sup> Victorian Fisheries Authority, *Better Boating Victoria*, 26 November 2018, <<https://vfa.vic.gov.au/recreational-fishing/targetonemillion2/better-boating-victoria>> accessed 16 February 2021; Hon Melissa Horne MP, Minister for Fishing and Boating, *Transcript of evidence*, p. 2.

<sup>118</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 339 (Committee calculation).

<sup>119</sup> *Ibid.*, p. 356.

<sup>120</sup> Department of Transport, *Independent review of the Victorian Ports System, Discussion paper*, Melbourne, July 2020, p. 9.

<sup>121</sup> Department of Transport, *About Victoria's commercial ports*, 13 September 2019, <<https://transport.vic.gov.au/ports-and-freight/commercial-ports>> accessed 16 February 2021.

<sup>122</sup> Department of Transport, *Independent review of the Victorian Ports System, Discussion paper*, Melbourne, July 2020, p. 9.

## 5.10 Performance measures

DoT outlined a total of 154 performance measures, of which seven were new in 2020–21. In 2019–20 there were 161 performance measures of which 14 were discontinued in 2020–21.<sup>123</sup>

One of the new performance measures introduced by DoT is ‘valid driver accreditation applications determined within 20 business days in accordance with statutory requirements.’ The performance measure will report on the per cent of accreditation applications that do not require Commercial Passenger Vehicles Victoria to extend the 20-day statutory time period.<sup>124</sup>

The new performance measure replaces the 2019–20 performance measure—‘new and renewed driver accreditation applications for commercial passenger vehicle and buses processed within 14 days’.<sup>125</sup> The Public Accounts and Estimates Committee’s *Report on the 2019–20 Budget Estimates* found that the 2019–20 performance measure was not sufficiently challenging.<sup>126</sup>

Table 5.1 below summarises the weaknesses identified by the Committee for the performance measure relating to the regulation of commercial passenger vehicles.

**Table 5.1 Issues with problematic new performance measures—2020–21**

Output	New performance measure	Issues identified by PAEC
Regulation of Commercial Passenger Vehicle Services	Valid driver accreditation applications determined within 20 business days in accordance with statutory requirements.	The Committee does not support the replacement of the previous year’s performance measure of ‘new and renewed driver accreditation applications for commercial passenger vehicle and buses processed within 14 days’. This is because the 2019–20 performance measure covers a broader spectrum of the commercial passenger vehicle industry.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 352.

The Committee believes there are reasonable grounds for discontinuation of the remaining three performance measures under the Regulation of Commercial Passenger Vehicle Services.

Under Transport Safety and Security output, four performance measures were discontinued as rail safety activities currently undertaken by Transport Safety Victoria were transferred to the Office of the National Rail Safety Regulator.<sup>127</sup>

<sup>123</sup> Department of Treasury and Finance, *Budget Paper No. 3, 2020–21 service delivery*, Melbourne, 2021, pp. 320–260, 422–242; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2020, pp. 326–347, 401–402.

<sup>124</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 352.

<sup>125</sup> Ibid.

<sup>126</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, p. 141.

<sup>127</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 423.

In 2019–20 there were three performance measures on road treatments to maintain or extend the useful life of a road.<sup>128</sup> The three performance measures are:

- road area treated: high strategic priority roads
- road area treated: low strategic priority roads
- road area treated: medium strategic priority roads.

In 2020–21 these measures are replaced by the performance measures:

- road area treated: roads in metropolitan Melbourne
- road area treated: roads in regional Victoria.

The Committee accepts the replacement as the target length of roads treated has not been reduced compared to 2019–20 in the process of modifying the performance measure.<sup>129</sup>

Three discontinued performance measures under the Road Operations output were discussed in section 5.7.1.

The Committee notes two targets relating to active transport performance measures have been modified to reduce the number of projects completed within the budget year 2020–21. The performance measures that have been modified are:

**Table 5.2 Modified targets in performance measures—2020–21**

Performance measure	Target 2019–20	Target 2020–21	Percentage change
Active transport: cycling projects completed	12	7	↓ 42%
Active transport: pedestrian projects completed	10	2	↓ 80%

Source: Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 84–85.

**FINDING 73:** The Department of Transport introduced seven new performance measures and discontinued 14 performance measures from 2019–20.

**FINDING 74:** The Department of Transport has modified the performance measures relating to the number of active transport projects completed during the year 2020–21.

**RECOMMENDATION 16:** The Department of Transport reinstate the performance measure on the timelines of processing commercial passenger vehicle registrations with a focus on delivering an enhanced service to the industry.

<sup>128</sup> Department of Economic Development, Jobs, Transport and Resources, *2017–18 Annual Report*, Melbourne, 2018, p. 239.

<sup>129</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 423–424.

# 6 Department of Justice and Community Safety

## 6.1 Overview

The Department of Justice and Community Safety (DJCS) supports nine portfolios: Attorney-General, Police and Emergency Services, Crime Prevention, Corrections, Youth Justice, Victim Support, Consumer Affairs, Gaming and Liquor Regulation and Workplace Safety.<sup>1</sup>

DJCS' objectives are:

- ensuring community safety through policing, law enforcement and prevention activities
- reduce the impact of, and consequences from, natural disasters and other emergencies on people, infrastructure, the economy and the environment
- effective management of prisoners and offenders and provision of opportunities for rehabilitation and reparation
- effective supervision of children and young people through the provision of youth justice
- a fair and accessible justice system that supports confidence in the Victorian community
- Victorians are protected with equal opportunities, secure identities, information freedoms<sup>2</sup> and privacy rights
- a fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling sectors.<sup>3</sup>

The Committee focused on key issues related to five portfolios arising from the estimates hearings.

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<sup>1</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 285.

<sup>2</sup> The Office of the Victorian Information Commissioner is an independent regulator that falls under the Department of Justice and Community Safety. Source: Department of Treasury and Finance, *Budget Paper No. 3*, p. 311.

<sup>3</sup> *Ibid.*, pp. 285–286.

## 6.2 Financial analysis

In 2020–21 DJCS has the fourth largest departmental budget, representing 11.2% of total output.<sup>4</sup>

In 2020–21 DJCS is allocated \$9.0 billion to fund its outputs, an increase of 3.7% compared to the 2019–20 actual (\$8.6 billion).<sup>5</sup>

DJCS' output appropriations in 2020–21 will increase by \$438 million, an increase of 5.3% compared to the 2019–20 actuals.<sup>6</sup> DJCS advised the Committee the variance was due to a number of factors including incremental funding announced in previous budgets, gross indexation, funding announced in the 2020–21 Budget, machinery of government changes and funding announced in the 2020–21 Budget to support the COVID-19 pandemic response.<sup>7</sup>

In the 2020–21 Budget, the following new output initiatives received the highest amount of funding through output appropriation in the 2020–21 year:

- Corrections and youth justice coronavirus (COVID-19) response—\$103.6 million
- Fire services reform implementation—\$77.8 million
- Victoria Police system enhancements and resources—\$62.3 million.<sup>8</sup>

Of DJCS' 37 new output initiatives in the 2020–21 Budget 27 outputs (or 73% of all new initiatives) are short term, receiving funding for the 2020–21 financial year only.<sup>9</sup> Only nine new initiatives are funded beyond the 2020–21 budget year. In addition, funding for the output *Technology and resources to support Victoria's fines system* has not received any funding in the 2020–21 Budget for reasons discussed in Section 6.5.1 of this chapter.<sup>10</sup>

In 2020–21 DJCS' capital program consists of \$276 million in new projects and \$3.3 billion in existing projects, representing 5.2% of the total general government capital program.<sup>11</sup> Of the new capital projects, \$141.2 million (51% of the total new spend) is for the new youth justice facility at Cherry Creek.<sup>12</sup>

4 Ibid., p. 288 (Committee calculation).

5 Ibid. (Committee calculation).

6 Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, p. 29 (Committee calculation).

7 Ibid., pp. 29–30.

8 Department of Treasury and Finance, *Budget Paper No. 3*, pp. 104–105.

9 Ibid. (Committee calculation).

10 Ibid; Hon Jill Hennessy MP, Attorney-General, 2020–21 Budget estimates (Attorney-General) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, p. 16; Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2020–21 Budget estimates (Attorney-General) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, p. 16.

11 Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 102 (Committee calculation).

12 Department of Treasury and Finance, *Budget Paper No. 3*, p. 113 (Committee calculation).

## 6.3 COVID-19 response expenditure

DJCS advised the Committee of nine initiatives that were announced as part of the COVID-19 response in the 2020–21 Budget.<sup>13</sup> These initiatives account for 29% of DJCS' total forecast output expenditure over the forward estimates.<sup>14</sup> Of DJCS' budgeted output expenditure in 2020–21, COVID-19 initiatives account for 46%.<sup>15</sup>

**FINDING 75:** As part of the 2020–21 Budget the Department of Justice and Community Safety announced nine COVID-19 response initiatives. These initiatives account for 29% of the department's total forecast output expenditure over the forward estimates.

DJCS funded its COVID-19 initiatives in 2020–21 primarily through new appropriations. One initiative was funded by a mix of new appropriations and reprioritised funds. DJCS advised the Committee that COVID-19 initiatives from the 2019–20 budget year were also funded by new appropriations. Further details on the source of funding were not provided.<sup>16</sup> In DJCS' response to the Committee's *2019–20 Financial and Performance Outcomes* questionnaire, the department indicated that many COVID-19 initiatives for the 2019–20 year received retrospective and retroactive funding approval.<sup>17</sup>

### 6.3.1 Initiatives funded through Treasurer's Advances

In 2019–20, DJCS received \$595.7 million in funds from Treasurer's Advances for 27 initiatives.<sup>18</sup> 44% of programs funded by Treasurer's Advances were recurrent, while 41% were new programs. 15% were not specified as recurrent or new.<sup>19</sup> A breakdown is shown in Table 6.1.

<sup>13</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 33–38.

<sup>14</sup> Ibid; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

<sup>15</sup> Ibid. (Committee calculation).

<sup>16</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 33–38.

<sup>17</sup> Department of Justice and Community Safety, *Response to the 2019–20 Financial and performance outcomes questionnaire*, received 5 February 2021, pp. 95–97.

<sup>18</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 66–73.

<sup>19</sup> Ibid. (Committee calculation).

**Table 6.1** Department of Justice and Community Safety Treasurer’s Advances—COVID-19 response, bushfire response or other (2019–20)

Type of program	Total number of programs	Total number of programs funded by Treasurer’s Advances (%)	Total funding received under the Treasurer’s Advances—2019–20 (\$ million)	Total Treasurer’s Advance funding (%)
COVID-19	3	11	15.65	2.6
Bushfire	5	19	266.24	44.7
Other	19	70	313.77	52.7
<b>Total</b>	<b>27</b>	<b>100</b>	<b>595.66</b>	<b>100.0</b>

Source: Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 66–73 (Committee calculation).

Over half of the funding provided through Treasurer’s Advances to DJCS in the 2019–20 year was not allocated for COVID-19 or bushfire emergency responses. These programs included:

- recurrent funding to support Victoria Police’s operations—\$121.28 million
- funding for the Royal Commission into the Management of Police Informants—\$67.32 million
- recurrent funding for the Metropolitan Fire Brigade and the Country Fire Authority to deliver salaries, conditions, equipment and training consistent with enterprise bargaining agreements—\$29.32 million.<sup>20</sup>

According to the Department of Treasury and Finance’s (DTF) *Budget Operations Framework*, Treasurer’s Advances are to be utilised to meet urgent expenditure claims that were unforeseen at the time of the budget.<sup>21</sup>

The Committee notes that a large portion of Treasurer’s Advance funds allocated to DJCS in 2019–20 are for recurrent programs unrelated to the COVID-19 pandemic and the natural emergencies that took place in Victoria. DJCS has not provided further information to explain why each item funded through Treasurer’s Advances were deemed urgent and unforeseen. As a result, it is unclear whether funding through this mechanism is consistent with the *Budget Operations Framework*.

**FINDING 76:** In 2019–20, the Department of Justice and Community Safety received over \$595 million in funding from Treasurer’s Advances. 44% was for recurrent programs, 41% was for new programs and 15% was unspecified. Almost 53% of the total Treasurer’s Advance funding provided to the department was used for programs unrelated to the Victorian bushfire emergency or the COVID-19 pandemic.

<sup>20</sup> Ibid., pp. 66–73.

<sup>21</sup> Department of Treasury and Finance, *Budget Operations Framework: For Victorian Government Departments*, Melbourne, February 2017, p. 6.

### 6.3.2 2020–21 Budget initiatives—COVID-19 response

The following initiatives form part of DJCS' response to the COVID-19 pandemic in the 2020–21 Budget:

- Corrections and youth justice coronavirus (COVID-19) response. Funding includes additional testing, services for prisoners, additional personal protective equipment (PPE) and disinfection products for the corrections system—\$103.57 million
- Addressing coronavirus (COVID-19) related delays across the justice system. Victorian Legal Aid to receive additional funding to provide more legal services to address delays in the justice system—\$26.096 million output and \$2.157 million asset
- Building stimulus package. Includes funding for the Emergency Services Refurbishment Fund, upgrades to community safety infrastructure and upgrades to corrections facilities for Aboriginal communities—\$20.777 million output and \$9 million asset.<sup>22</sup>

DJCS has not introduced new performance measures in the 2020–21 Budget related to COVID-19 initiatives. Therefore, it is unclear to the Committee how the department will publicly measure, track and report on the progress and outcomes of the COVID-19 programs funded in the 2020–21 Budget. The department has stated it will spend \$251.6 million on COVID-19 output initiatives across the 2019–20 and 2020–21 years, of which \$216 million will be expended in 2020–21.<sup>23</sup>

It is important that the department reports on the progress and outcomes of such initiatives to the Parliament and the Victorian community.

**RECOMMENDATION 17:** The Department of Justice and Community Safety develop and publish performance measures and targets relating to the progress and outcomes of all COVID-19 initiatives in the 2021–22 Budget.

#### Reprioritisation to fund COVID-19 initiatives

The Committee notes that DJCS' COVID-19 response initiative *Corrections and youth justice coronavirus (COVID-19) response* was funded in part by reallocating funds from previously announced programs (Table 6.2).

<sup>22</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 33–35.

<sup>23</sup> *Ibid.*, pp. 33–38 (Committee calculation).

**Table 6.2** Use of funds saved from other programs or initiatives

Program/initiative that has been reprioritised, curtailed or reduced	The amount expected to be spent under the program or initiative during 2020–21		The use to which funds will be put
	At the time of the 2019–20 Budget	At the time of the 2020–21 Budget	
	(\$ million)	(\$ million)	
<i>Strengthening the Youth Justice System</i> (component)	2.474	1.075	Corrections and youth justice coronavirus (COVID-19) response
<i>Men's prison system capacity</i>	83.188	8.315	

Source: Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 78–79 (Committee calculation).

At the time of announcement in the 2019–20 Budget the output initiative *Men's prison system capacity* was allocated a total of \$346.2 million over four years, with \$83.2 million of the allocation to be spent in 2020–21.<sup>24</sup> After the reallocation of funds the initiative will receive \$271.32 million over four years – a reduction of 22% of the total funding for the project.<sup>25</sup> The reallocation in 2020–21 also represents a reduction of 90% of planned spending on the project in the 2020–21 financial year.<sup>26</sup>

During the estimates hearing the Committee asked the Minister for Corrections what effect this reduction would have on the expansion of the prison system for men. The Minister told the Committee:

There have not been any beds that have been diverted from our current plans to meet demand of the system into the future because of corona[virus]... it [the rephrasing of funding] is not having an effect on what we had planned to roll out in terms of our prison infill program.<sup>27</sup>

Further details regarding how the \$75 million reduction in funding in 2020–21 would affect the progress or outcomes of the *Men's prison system capacity* project were not provided.

**FINDING 77:** In the 2020–21 Budget the output initiative *Corrections and youth justice coronavirus (COVID-19) response* was part funded by the reprioritisation of funding from other initiatives. As a result, funding for the output initiative *Men's prison system capacity* announced in the 2019–20 Budget has declined by 22%.

<sup>24</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 81 (Committee calculation).

<sup>25</sup> Ibid; Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 78–79 (Committee calculation).

<sup>26</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 78–79 (Committee calculation).

<sup>27</sup> Hon Natalie Hutchins MP, Minister for Corrections, 2020–21 Budget estimates (Corrections) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, pp. 10–11.

### 6.3.3 Strategic issues caused by COVID-19

In its response to the budget estimates questionnaire DJCS outlined several strategic issues caused by the COVID-19 pandemic which influenced the development of the department's estimates for the 2020–21 financial year. These issues included:

- maintaining the wellbeing of staff, prisoners, young people in custody and the wider community and managing the risk of COVID-19 in corrections facilities
- increased demand on justice service systems and growing client complexity
- supporting Victorian courts and justice sector agencies to continue operating during COVID-19.<sup>28</sup>

Further information regarding the department's strategic issues and the response to these issues can be found in Appendix E.

## 6.4 Capital spend

DJCS' \$276 million in new asset initiatives in the 2020–21 Budget includes funding for the *New youth justice facility at Cherry Creek* (\$141.2 million Total Estimated Investment [TEI]), *Fire services reform implementation* (\$50.8 million TEI), *Victoria Police system enhancements and resources* (\$30.3 million TEI) and *New police stations at Narre Warren and Clyde North* (\$10 million TEI), among a number of other initiatives.<sup>29</sup>

### 6.4.1 Existing capital projects

DJCS underspent significantly on existing capital projects in the 2019–20 financial year when comparing the actuals to the 2019–20 revised budget.<sup>30</sup> In the 2019–20 revised budget DJCS committed to spending \$1.3 billion dollars on existing projects, while the 2019–20 actuals demonstrate the department spent \$319.9 million on existing projects, only 24% of the revised budget amount.<sup>31</sup>

Several high-value capital projects saw a significant underspend when compared to the 2019–20 revised budget, many of which were existing corrections projects.

<sup>28</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 20–23.

<sup>29</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 102; Department of Treasury and Finance, *Budget Paper No. 3*, p. 113.

<sup>30</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 138.

<sup>31</sup> Ibid. (Committee calculation).

**Table 6.3** Existing capital projects—2019–20 expenditure

Name of project	2019–20 revised (\$ million)	2019–20 actual (\$ million)	Revised budget spent (%)
Men's prison system capacity (statewide)	483.191	40.239	8
Prison system capacity expansion and security upgrades (Melbourne)	12.634	2.132	17
Infringement Management and Services (IMES) Reform Project IT solution (statewide)	2.166	0.366	17
Chisholm Road prison project (non-metro various)	262.562	51.357	20

Source: Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, p. 138 (Committee calculation).

In the departmental questionnaire DJCS was asked to identify what progress had been made in implementing major initiatives outlined in the 2019–20 Budget and whether progress was impacted by the COVID-19 pandemic.<sup>32</sup> Of the above existing capital projects, DJCS advised there were no financial or other major impacts on the *Men's prison system capacity* initiative as a result of the pandemic.<sup>33</sup>

As *Budget Paper No. 4: State Capital Program* was not included in the 2020–21 Budget papers, the Committee was unable to determine whether the underspend on existing projects will result in changes to TEI, overall cost or delivery timeframes for capital projects.

DJCS' *Annual Report 2019–20* provides limited information on the department's capital project and asset investment program such as the cost of completed projects, a list of commenced and completed projects and the total project budget.<sup>34</sup>

**FINDING 78:** In the 2019–20 revised budget the Department of Justice and Community Safety estimated \$1.3 billion was to be spent on existing capital projects. The 2019–20 actual figures show the department spent \$319.9 million, or 24% of the revised budget on existing capital projects.

**RECOMMENDATION 18:** The Department of Justice and Community Safety include further information about the progress of existing capital projects in their next annual report, including the amount of funding expended in each financial year, any changes to Total Estimated Investment, differences between the budgeted amount, revised budget and actual spend and reasons for variations.

<sup>32</sup> Ibid., pp. 5–19.

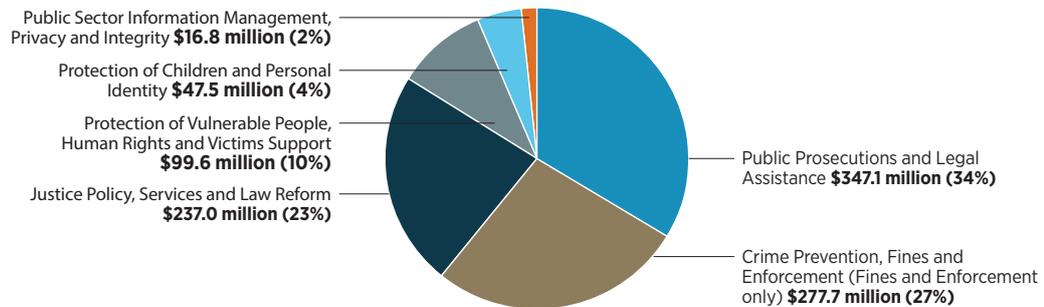
<sup>33</sup> Ibid., p. 6.

<sup>34</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, pp. 191–192.

## 6.5 Attorney-General portfolio: key issues

The Attorney-General is responsible for six outputs with a total output funding of \$1.0 billion in 2020–21. This is illustrated in Figure 6.1:

**Figure 6.1** Attorney-General portfolio—funding by output (2020–21 Budget)



Source: Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, p. 116; Department of Treasury and Finance, *Budget Paper No. 3: Service Delivery*, Melbourne, 2020, p. 288.

The Attorney-General also has portfolio responsibility for Court Services Victoria (CSV). Issues relating to CSV are discussed in Chapter 10.

The key issues relevant to the Attorney-General’s portfolio identified during the Committee’s budget estimates inquiry are discussed below.

### 6.5.1 Victoria’s fines system

The 2020–21 Budget includes an uncosted line item entitled ‘*Technology and resources to support Victoria’s fines system*’ under both output and asset initiatives. According to the Budget:

The technology to manage the administration of Victoria’s fines system will be modernised. Additional resources will be provided to support the administration of the fines system and the Fines Reform Act 2014 including support for victims of family violence.<sup>35</sup>

During the estimates hearing the Committee asked about the initiative. The Committee was advised by the Attorney-General that the initiative did not yet have confirmed costs as commercial negotiations were currently underway and the funding needed had not been determined.<sup>36</sup>

<sup>35</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 104, 106, 113.

<sup>36</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 16; Ms Rebecca Falkingham, Secretary, *Transcript of evidence*, p. 16.

The Committee sought further information regarding what specific activities the initiative would fund and whether funding was related to improving the functionality issues with the Victorian Infringements Enforcement Warrant (VIEW) IT system.<sup>37</sup> The department confirmed that the funding would be used to add additional technologies to the existing VIEW system.<sup>38</sup> The Attorney-General stated that as an outcome of the final report by the Fines Reform Advisory Board, the initiative would work towards implementing the recommendations made by the Board:

we have a fines reform review board that David Harper and Ken Lay chaired. That has made a series of recommendations around how we need to make the fines system fairer and more effective. So things, for example, like working your fines off via permits, family violence, vulnerable groups—how those matters are built into the system—are not at the point that we perhaps would like them to be.<sup>39</sup>

**FINDING 79:** The 2020–21 Budget includes an output and asset initiative *Technology and resources to support Victoria's fines system* which is not yet costed. The initiative will allow for further technologies and functionality to be added to the established Victorian Infringements Enforcement Warrant (VIEW) IT system.

**RECOMMENDATION 19:** The Department of Justice and Community Safety include any determined costs for the *Technology and resources to support Victoria's fines system* initiative in the next Budget Update.

### Ongoing functionality issues

In its *Report on the Annual Financial Report of the State of Victoria: 2019–20*, the Victorian Auditor-General's Office (VAGO) identified the following functionality issues related to the VIEW system:

- the interface with systems at Court Services Victoria (CSV) not working
- the system being unable to produce all of the required financial reports to perform the month-end reconciliation procedures
- a significant backlog in processing infringement review requests, driver nominations and payment arrangement plans
- a number of control weaknesses relating to the system, including limited monitoring and oversight controls and instances of inappropriate user access.<sup>40</sup>

<sup>37</sup> Ms Corri McKenzie, Deputy Secretary, Police, Fines and Crime Prevention, Department of Justice and Community Safety, 2020–21 Budget estimates (Attorney-General) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, pp. 16–17; Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, pp. 16–17; Ms Rebecca Falkingham, Secretary, *Transcript of evidence*, p. 16; Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2019–20 Budget Estimates*, October 2019, pp. 146–147; Parliament of Victoria, Public Accounts and Estimates Committee, *2017–18 and 2018–19 Financial and Performance Outcomes*, July 2020, pp. 109–111.

<sup>38</sup> Ms Corri McKenzie, Deputy Secretary, Police, Fines and Crime Prevention, *Transcript of evidence*, p. 16.

<sup>39</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, pp. 16–17.

<sup>40</sup> Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20*, Melbourne, November 2020, p. 35.

DJCS had identified errors in reported income for the years 2017–18 and 2018–19. VAGO stated the issues relating to CSV and the production of required financial reports had been rectified in full.<sup>41</sup>

The Attorney-General told the Committee that the functionality shortcomings identified during the 2019–20 Committee’s budget estimates inquiry had been addressed, specifically in collecting fines.<sup>42</sup> The Committee notes that in its Annual Report 2019–20, DJCS reported it administered \$607.2 million in fines income in 2019–20 and \$523.2 million in 2018–19 (a 16.1% increase).<sup>43</sup>

The department further updated the Committee by advising:

There has been a range of additional functionality that has now been introduced into the system—specifically the issue of court fine collection statements, disbursements through to enforcement agencies and the release of the legacy warrants. So a range of those things have now been introduced into the system that were not there...<sup>44</sup>

**FINDING 80:** The Victorian Infringements Enforcement Warrant (VIEW) IT system was previously unable to produce all of the required financial reports to perform month-end reconciliation procedures. This resulted in errors in the Department of Justice and Community Safety’s reported income for the years 2017–18 and 2018–19.

The Committee notes there are two performance measures in the department’s Annual Report 2019–20 that relate to the functionality of the VIEW system. Sheriff enforcements of warrants had improved significantly in the 2019–20 year, while ‘Clearance of infringements within 180 days’ was 9.1% below target. DJCS anticipated both results would improve with the introduction of new functionality to the VIEW system.<sup>45</sup>

**FINDING 81:** In 2019–20 the Department of Justice and Community Safety has continued to improve functionality of the Victorian Infringements Enforcement Warrant (VIEW) IT system. However there are ongoing issues with the system’s functionality, particularly with the rate of clearance of infringements.

### Ongoing costs and finalisation of the VIEW project

The Committee notes that the implementation of the VIEW IT system has both exceeded its original cost and anticipated delivery date significantly. According to the Department of Premier and Cabinet’s (DPC) ICT project dashboard the *New*

<sup>41</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 76; Victorian Auditor-General’s Office, *Auditor-General’s Report on the Annual Financial Report of the State of Victoria: 2019–20*, p. 35.

<sup>42</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 16.

<sup>43</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 75–76 (Committee calculation).

<sup>44</sup> Ms Corri McKenzie, Deputy Secretary, Police, Fines and Crime Prevention, *Transcript of evidence*, p. 17.

<sup>45</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 136.

*Infringements ICT System* had a planned delivery cost of \$43.05 million, revised to \$63.34 million and a delivery date of 31 December 2017, revised to 27 April 2020. A further revised delivery date has not been published.<sup>46</sup>

**FINDING 82:** The original planned delivery cost of the *New Infringements ICT System* was \$43.05 million, with an expected delivery date of 31 December 2017. The cost of the project was revised to \$63.34 million, with a new delivery date of 27 April 2020. The system has not been delivered in full and the status of the project is currently unclear.

**RECOMMENDATION 20:** The Department of Justice and Community Safety publish the updated total cost and expected delivery date of the Victorian Infringements Enforcement Warrant (VIEW) IT system in the 2021–22 Budget.

## 6.6 Corrections portfolio: key issues

The Minister for Corrections is responsible for the following two outputs: Community-Based Offender Supervision (funding in 2020–21: \$309 million)<sup>47</sup> and Prisoner Supervision and Support (funding in 2020–21: \$1.641 billion).<sup>48</sup>

The 2020–21 Budget primarily provides output funding for a *Corrections and youth justice COVID-19 response* (\$103.6 million). Funding is also provided for *Mental health service demand* (\$0.8 million) and *Bail and remand court* (\$0.5 million).<sup>49</sup>

The Budget provides \$21.2 million in funding over two years to continue the provision of vocational education and training (VET) programs in Victoria's correctional facilities.<sup>50</sup> During the estimates hearing the Minister advised the Committee that VET programs created pathways into employment when a prisoner exited the corrections system, enabling rehabilitation and reducing recidivism.<sup>51</sup>

**FINDING 83:** The 2020–21 Budget provides \$21.2 million over two years to continue Vocational Education and Training in Victoria's correctional facilities.

46 Department of Premier and Cabinet, *IT Dashboard: Projects by Stage and Status*, March 2018, <<https://itdashboard.digital.vic.gov.au/#!/projectView>> accessed 11 January 2021.

47 Department of Treasury and Finance, *Budget Paper No. 3*, p. 297; Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 119.

48 Department of Treasury and Finance, *Budget Paper No. 3*, p. 288; Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 119.

49 Department of Treasury and Finance, *Budget Paper No. 3*, p. 104.

50 *Ibid.*, pp. 104, 109.

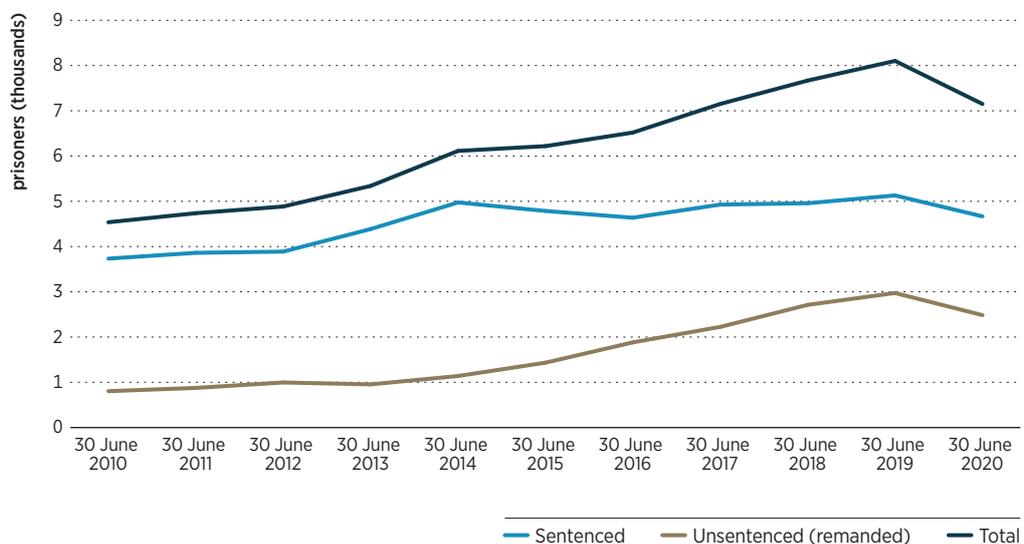
51 Hon Natalie Hutchins MP, Minister for Corrections, *Transcript of evidence*, pp. 3, 5.

## 6.6.1 Increase in prisoners on remand

In the context of increasing rates of imprisonment the Committee questioned the Minister and the Attorney-General on Victoria's bail laws and the effect of remand on low-level offenders and recidivism rates.

The Committee notes that the number of prisoners on remand has grown significantly over the last 10 years to represent 35% of all prisoners in mid-2020. Over 10 years the number of women on remand has increased by 152% while the number of Aboriginal people in prison on remand has increased by 431%.<sup>52</sup>

**Figure 6.2 Overview of all prisoners by legal status in Victoria's corrections system as at 30 June 2010–2020**



Source: Corrections Victoria, Table 1.8, *Annual Prisoner Statistical Profile 2009–10 to 2019–20*, December 2020, <<https://www.corrections.vic.gov.au/annual-prisoner-statistical-profile-2009-10-to-2019-20>> accessed 29 January 2021.

The Committee asked the Attorney-General whether Victoria's bail laws were increasing the number of prisoners on remand and in the corrections system. The Attorney-General agreed, stating:

Look, absolutely. I would not quibble with you or quibble with the assertion that bail laws have contributed to an increase in remand populations and an increase in sentence populations [but]... the overriding consideration must be keeping the community safe.<sup>53</sup>

The Attorney-General added the Government was working to address the unintended consequences of the State's bail laws.<sup>54</sup> In relation to the number of prisoners on remand the department advised that it maintained a focus on prevention and early

<sup>52</sup> Corrections Victoria, *Profile of Women in Prison*, Melbourne, 2020; Corrections Victoria, *Profile of Aboriginal People in Prison*, Melbourne, 2020.

<sup>53</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 7.

<sup>54</sup> *Ibid.*, p. 8.

intervention to keep vulnerable cohorts out of the justice system, highlighting the investment in the 2019–20 Budget to reduce the incarceration of women and assist vulnerable people at risk of entering the justice system.<sup>55</sup>

The Minister for Corrections agreed that remanding prisoners in custody represented its own risks to rehabilitation and recidivism:

I think any prisoner that is physically in the prison system is always going to be at higher risk than a person that has not been in the system. I do not deny that that is definitely a factor. Our real challenge is: how do we divert people from getting into the prison system in the first place...<sup>56</sup>

There are a number of human, fiscal and legal costs associated with remanding accused offenders.<sup>57</sup> Research suggests short-term, pre-trial detention may contribute to future offending and in this way, may be detrimental to community safety in the long term.<sup>58</sup> The Committee notes that a rise in individuals held on remand, increasing corrections costs and increased recidivism rates are areas that may be impacted by Victoria’s bail laws, which were previously reviewed and reformed in 2017 in an effort to maximise community safety.<sup>59</sup>

**FINDING 84:** The rate of incarceration and the number of people held on remand had been increasing over a 10 year period prior to the COVID-19 pandemic. While Victoria’s bail laws have contributed to the number of people held on remand, the Government is focussed on diverting individuals from the justice system and rehabilitating individuals after conviction.

**RECOMMENDATION 21:** The Department of Justice and Community Safety develop additional comprehensive performance measures and targets for future budgets to enable the assessment of programs and initiatives intended to divert individuals from the justice and corrections system.

**RECOMMENDATION 22:** The Department of Justice and Community Safety develop performance measures and targets for the 2021–22 Budget related to the number of individuals held on remand in Victoria’s corrections system.

<sup>55</sup> Ms Rebecca Falkingham, Secretary, *Transcript of evidence*, pp. 7–8.

<sup>56</sup> Hon Natalie Hutchins MP, Minister for Corrections, *Transcript of evidence*, p. 8.

<sup>57</sup> Marilyn McMahon, *No bail, more jail? Breaking the nexus between community protection and escalating pre-trial detention*, Parliament of Victoria, Melbourne, August 2019, p. 22.

<sup>58</sup> *Ibid.*

<sup>59</sup> *Ibid.*, p. 13

## 6.7 Police and Emergency Services portfolio: key issues

The Minister for Police and Emergency Services is responsible for two outputs: Policing and Community Safety (funding in 2020–21: \$3.8 billion) and Emergency Management Capability (funding in 2020–21: \$1.7 billion).<sup>60</sup>

The two outputs combined represent 61% of the department's total output funding in the 2020–21 Budget.<sup>61</sup>

The 2020–21 Budget provides significant funding for new output initiatives over the four years including to *Victoria Police system enhancements and resources* (\$299.5 million), *Fire services reform implementation* (\$180.8 million) and *Victoria Police's COVID-19 response* (\$38.9 million).<sup>62</sup>

Several topics were discussed during the budget estimates hearings, some of which are outlined in further detail below.

### 6.7.1 COVID-19 Quarantine Victoria

During the budget estimates hearings and the COVID-19 hearings the Committee asked extensive questions relating to the cost of quarantining individuals in hotels as part of the Victorian Government's efforts to suppress the spread of COVID-19.

The Minister for Police and Emergency Services assumed responsibility for the hotel quarantine program from the Attorney-General on 27 November 2020.<sup>63</sup> Between July and November 2020, DJCS had primary control of the hotel quarantine program.<sup>64</sup>

The Victorian Government established COVID-19 Quarantine Victoria (CQV) on 1 December 2020 as an administrative office to oversee Victoria's COVID-19 Accommodation Program, including mandatory quarantine for returned overseas travellers, passenger and freight aircrew and frontline worker accommodation.<sup>65</sup> As an administrative office created in relation to DJCS, CQV reports to the Secretary of DJCS.<sup>66</sup>

<sup>60</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 291, 295; Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 114.

<sup>61</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 288 (Committee calculation).

<sup>62</sup> *Ibid.*, p. 104.

<sup>63</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic*, February 2021, p. 315.

<sup>64</sup> COVID-19 Hotel Quarantine Inquiry, *COVID-19 Hotel Quarantine Inquiry Final Report and Recommendations: Volume 1*, Melbourne, December 2020, p. 24.

<sup>65</sup> Victorian Government, *Coronavirus (COVID-19) quarantine and emergency accommodation programs*, 12 January 2021, <<https://www.coronavirus.vic.gov.au/coronavirus-covid-19-quarantine-and-emergency-accommodation-programs>> accessed 29 January 2021; Hon Daniel Andrews, *A stronger quarantine program to protect what we've built*, media release, Victorian Government, Melbourne, 30 November 2020; Victoria, *Victorian Government Gazette*, No. S 622, 1 December 2020, p. 1.

<sup>66</sup> Victoria, *Victorian Government Gazette*, No. S 622, 1 December 2020, p. 1; Victorian Public Sector Commission, *The Victorian Public Sector*, 18 December 2020, <<https://vpsc.vic.gov.au/about-public-sector/the-victorian-public-sector/#:-:text=Administrative%20offices%20are%20public%20service,the%20management%20of%20the%20office>> accessed 17 February 2021.

## Expenditure by the Department of Justice and Community Safety (July to November 2020)

During the Treasurer's COVID-19 hearing DTF told the Committee the cost of the hotel quarantine before the establishment of CQV was \$195 million, of which DJCS was responsible for \$10.9 million.<sup>67</sup> DJCS also stated in its response to questions on notice that the total expenditure to 30 November 2020 for COVID-19 accommodation staff was \$78.6 million.<sup>68</sup>

The Committee was unable to access further information regarding the money expended by DJCS for the COVID-19 hotel quarantine program prior to the creation of CQV. It is unclear how costs incurred were funded – in their budget estimates questionnaire, DJCS does not refer to these costs. The COVID-19 hotel quarantine program is not listed as a program funded by Treasurer's Advances for the 2019–20 or 2020–21 year, or as a line item included in the 2020–21 Budget.<sup>69</sup>

**FINDING 85:** Prior to the establishment of COVID-19 Quarantine Victoria, the Department of Justice and Community Safety expended \$10.9 million on hotel quarantine and an additional \$78.6 million on hotel quarantine staffing costs.

## Establishment of COVID-19 Quarantine Victoria

During the Minister for Police and Emergency Service's COVID-19 hearing the Committee asked several questions regarding the cost of hotel quarantine after the establishment of CQV, including what the expected cost per person would be for the CQV Accommodation Program. The Minister for Police and Emergency Services advised:

When the Treasurer does a budget update some of that cost will be provided. For example, even on hotels I could not tell you yet, because it will depend on how many people they end up with over what period of time. There will be something in the budget update, but if you just think about the costs: we have got hotels; we have got food we provide; we have got healthcare providers—quite extensive numbers; infection prevention and control people. We have got residential support officers, which are 1300; we have got Victoria Police members, 500 of those; transport, SkyBus. It is going to touch the surface of it only.<sup>70</sup>

The Committee was notified of other significant costs to the Government through the hotel quarantine program including health services, modifications to hotels, the

<sup>67</sup> Mr David Martine, Secretary, Department of Treasury and Finance, public hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 10.

<sup>68</sup> Dr Emma Cassar, Commissioner, COVID-19 Quarantine Victoria, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic hearing, response to questions on notice received 21 January 2021, p. 2.

<sup>69</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 66–74.

<sup>70</sup> Hon Lisa Neville MP, Minister for the Coordination of Environment, Land, Water and Planning: COVID-19, and Minister for Police and Emergency Services, public hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 13.

purchasing of equipment such as radios and PPE and overtime costs for members of Victoria Police and Protective Services Officers.<sup>71</sup>

The Victorian Government has engaged 1,040 full time Resident Support Officers (RSOs)<sup>72</sup> and approximately 1,500 staff in total, including site managers and assistant managers for the hotel quarantine program.<sup>73</sup> The Committee notes that prior to the engagement of RSOs, the Government employed private security to fulfil a similar role to that of RSOs.<sup>74</sup>

The Committee sought further information regarding when staff for the program had been recruited and whether they had active duties between July and December 2020, when Victoria's hotel quarantine program had been temporarily ceased. In further information provided on notice, DJCS advised 225 RSOs and team leaders undertook alternative duties prior to the resumption of the program, while all RSOs undertook refresher training and site inductions from 19 October 2020.<sup>75</sup> Full time RSOs who did not have duties during this period were retained and paid.

### Financial and performance reporting of COVID-19 Quarantine Victoria

As an administrative office established under the *Public Administration Act 2004*, the financial statements of CQV must be incorporated and consolidated within the financial statements of DJCS.<sup>76</sup> As such, the Committee expects the total costs incurred by DJCS in administering the hotel quarantine program both prior to, and after the establishment of CQV to be included in DJCS' 2020–21 Annual Report.

As no funding has been established for CQV in the 2020–21 Budget there is no separate budget line item for the office. Similarly there were no performance measures or targets associated with CQV in the budget papers. As the Government has indicated the hotel quarantine program will continue for at least 12 months (until December 2021),<sup>77</sup> it is appropriate for DJCS to establish performance measures for CQV in the 2021–22 Budget. If CQV is to receive funding through the 2021–22 Budget, the Committee notes transparency will be increased if funding for the office is published as a separate line item in Budget Paper No. 3.

71 Dr Emma Cassar, Commissioner, COVID-19 Quarantine Victoria, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic public hearing, Melbourne, 15 December 2020, *Transcript of evidence*, p. 4; Mr Shane Patton, Chief Commissioner, Victoria Police, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic public hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 14; Hon Lisa Neville MP, Minister for the Coordination of Environment, Land, Water and Planning: COVID-19, and Minister for Police and Emergency Services, *Transcript of evidence*, p. 13.

72 A resident support officer is an employee of COVID-19 Quarantine Victoria. Resident support officers work in quarantine hotels to assist mandatory quarantine residents in safe admission, accommodation and departure from the COVID quarantine program and ensure mandatory quarantine residents are compliant with the program. Source: COVID-19 Quarantine Victoria, *Resident Support Officer – Position Description*, Melbourne, February 2020, p. 1.

73 Dr Emma Cassar, Commissioner, COVID-19 Quarantine Victoria, *Transcript of evidence*, pp. 4, 11.

74 COVID-19 Hotel Quarantine Inquiry, *COVID-19 Hotel Quarantine Inquiry Final Report and Recommendations Volume II Chapter 11*, Melbourne, December 2020, p. 62.

75 Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, Inquiry into the Victorian Government's Response to the COVID-19 Pandemic hearing, response to questions on notice received 21 January 2021, p. 3.

76 *Financial Management Act 1994* (Vic) ss 45(4).

77 Hon Lisa Neville MP, Minister for the Coordination of Environment, Land, Water and Planning: COVID-19, and Minister for Police and Emergency Services, *Transcript of evidence*, p. 13.

**FINDING 86:** The *Financial Management Act 1994* requires the financial statements of an administrative office such as COVID-19 Quarantine Victoria to be incorporated in and consolidated with the financial statements of the department.

**RECOMMENDATION 23:** The Department of Justice and Community Safety account for all costs incurred from 30 June 2020 in regard to Victoria’s hotel quarantine program, including all costs related to COVID-19 Quarantine Victoria in their 2020–21 Annual Report.

**RECOMMENDATION 24:** The Department of Justice and Community Safety include performance measures for COVID-19 Quarantine Victoria in the 2021–22 Budget. If COVID-19 Quarantine Victoria receives funding in the 2021–22 Budget, the Department of Justice and Community Safety should ensure this is reported in the budget.

## 6.7.2 Emergency management and Country Fire Authority volunteer numbers

During the estimates hearing with the Minister for Police and Emergency Services the Committee noted that in 2019–20, the department did not reach its target for operational volunteers under the emergency management capability output.

**Table 6.4** Department of Justice and Community Safety Performance Measure—number of emergency management volunteers 2019–20

Performance measure	2020–21 target (number)	2019–20 actual (number)	2019–20 target (number)
Volunteers—Operational	43,000–44,000	34,540	43,000–44,000
Volunteers—Support	21,000–22,000	24,762	21,000–22,000

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 295.

The Committee asked the Minister to clarify why the target had not been met. The Minister stated approximately 4,000 Country Fire Authority (CFA) volunteers had been moved from operational to support roles in the last financial year because they did not have the requisite training to remain operational.<sup>78</sup> The Minister added that some volunteers would undertake the required training and move from support to operational roles in 2021 or 2022.<sup>79</sup>

<sup>78</sup> Hon Lisa Neville MP, Minister for Police and Emergency Services, 2020–21 Budget estimates (Emergency Services) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, pp. 3–4, 7.

<sup>79</sup> Ibid.

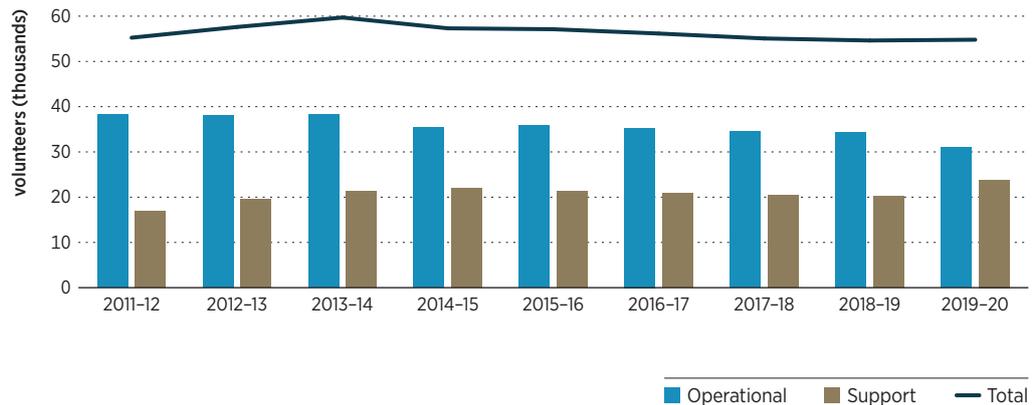
For the *Fire services reform* initiative the 2020–21 Budget includes \$180.8 million in output funding across four years and a TEI of \$50.8 million in asset initiatives.<sup>80</sup> Of the funding provided for *Fire services reform*, \$126 million is provided to the CFA for areas such as training, personal protective clothing and to replace 15 of 1,200 total CFA fire stations across the state.<sup>81</sup>

**FINDING 87:** In 2019–20, the Department of Justice and Community Safety did not meet its targets for the number of operational volunteers in the emergency management sector. Approximately 4,000 Country Fire Authority volunteers were moved from operational to support roles in 2019–20.

The Minister added that the department was confident the number of volunteers in the CFA would continue to grow, and currently there were enough CFA volunteers to manage bushfire emergencies.<sup>82</sup>

The Committee notes that a longer-term trend of decreasing operational volunteers and an increase in support volunteers has been observed (Figure 6.3).

**Figure 6.3** Country Fire Authority volunteers—Operational and support 2011–2020



Source: Country Fire Authority, *Annual Report 2011–12*, Melbourne, 2012, p. 5; Country Fire Authority, *Annual Report 2012–13*, Melbourne, 2013, p. 2; Country Fire Authority, *Annual Report 2013–14*, Melbourne, 2014, p. 4; Country Fire Authority, *Annual Report 2014–15*, Melbourne, 2015, p. 4; Country Fire Authority, *Annual Report 2015–16*, Melbourne, 2016, p. 4; Country Fire Authority, *Annual Report 2016–17*, Melbourne, 2017, p. 7; Country Fire Authority, *Annual Report 2017–18*, Melbourne, 2018, p. 8; Country Fire Authority, *Annual Report 2018–19*, Melbourne, 2019, p. 11; Country Fire Authority, *Annual Report 2019–20*, Melbourne, 2020, p. 22.

**FINDING 88:** In 2019–20 the total number of volunteers in the Country Fire Authority has declined by approximately 5,000 since its peak in 2013–14 while the number of operational volunteers has declined by 8,000.

<sup>80</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 104, 113.

<sup>81</sup> Hon Lisa Neville MP, Minister for Police and Emergency Services, *Transcript of evidence*, pp. 2, 5, 6; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 106, 113; Country Fire Authority, *Stations*, 2021, <<https://www.cfa.vic.gov.au/about/stations#:~:text=CFA%20delivers%20services%20to%20the,our%20specialist%20vehicles%20and%20equipment>> accessed 17 February 2021.

<sup>82</sup> Hon Lisa Neville MP, Minister for Police and Emergency Services, *Transcript of evidence*, pp. 4, 8.

The Committee asked whether DJCS had targets or strategies in place to grow the number of operational volunteers in the CFA. The Minister suggested that the investment announced in the budget for fire services reform and funding provided to the CFA was part of this strategy.<sup>83</sup>

**RECOMMENDATION 25:** The Department of Justice and Community Safety add specific performance measures and targets for recruiting operational and support volunteers to the Country Fire Authority in the 2021–22 Budget.

## 6.8 Workplace Safety portfolio: key issues

The Minister for Workplace Safety is responsible for WorkSafe Victoria. As the Victorian WorkCover Authority is a Public Financial Corporation there are no related outputs, objectives or performance measures assigned to the Workplace Safety portfolio in the 2020–21 Budget.<sup>84</sup>

During the estimates hearing the Committee discussed several areas relevant to the portfolio including workplace manslaughter laws, the provisional payments scheme for mental injury in the workplace and workplace health and safety reforms.

### 6.8.1 WorkSafe Victoria's financial position

The Committee questioned the Minister for Workplace Safety on WorkSafe Victoria's finances and the impacts of COVID-19 on WorkSafe's financial position during the estimates hearing, noting that in 2019–20 WorkSafe recorded a \$3 billion deficit.<sup>85</sup> The Minister informed the Committee of WorkSafe's continued financial viability;

a significant proportion of those financial impacts are COVID related ... I am very satisfied that the funding ratio for WorkSafe is well within the target range of between 100 and 140 per cent. It is currently sitting at around 123 per cent, and I am satisfied that the financial viability of WorkSafe is not in jeopardy.<sup>86</sup>

The funding ratio is the ratio of available assets to estimated liabilities and is used to monitor the long-term financial sustainability of the WorkSafe scheme. In its simplest form, an insurance funding ratio of 123% means that for every \$100 of liabilities, WorkSafe has \$123 in assets.<sup>87</sup> This indicates WorkSafe balance sheet is strong as assets exceed liabilities.

<sup>83</sup> Ibid., p. 8.

<sup>84</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 123.

<sup>85</sup> WorkSafe Victoria, *Annual Report 2019–20*, Melbourne, October 2020, p. 51.

<sup>86</sup> Hon Ingrid Stitt MLC, Minister for Workplace Safety, 2020–21 Budget estimates (Workplace Safety) hearing, Melbourne, 2 December 2020, *Transcript of evidence*, p. 7.

<sup>87</sup> iCare (Insurance and Care NSW), *The funding ratio explained, Using the funding ratio to monitor icare's schemes*, <<https://www.icare.nsw.gov.au/news-and-stories/2019/the-funding-ratio-explained#graf>> accessed 15 February 2020; WorkSafe Victoria, *Annual Report 2019–20*, p. 6.

DJCS provided further information in the departmental questionnaire regarding WorkSafe's COVID-19 initiatives as referenced by the Minister above:

- Exemption of JobKeeper from rateable remuneration—provided financial relief to businesses by not applying WorkCover premiums to eligible JobKeeper payments. \$350 million was sourced from internal equity for this initiative<sup>88</sup>
- Extension of benefits for injured workers trying to return to work during the COVID-19 pandemic through the *COVID-19 Omnibus (Emergency Measures) Act 2020*. \$81 million was sourced from internal equity for this initiative.<sup>89</sup>

In the *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20*, VAGO listed WorkSafe Victoria as an emerging financial risk for the State. VAGO outlined a decline in the number of injured workers coming out of the scheme and the increase in claims duration over several years as trends that, if they are to continue, could result in the WorkSafe scheme becoming financially unsustainable.<sup>90</sup>

**FINDING 89:** In the 2019–20 financial year WorkSafe Victoria recorded a negative result of \$3 billion, in part due to the COVID-19 response and continued trends in workplace injuries and insurance claims. The funding ratio for WorkSafe Victoria is currently 123%, within the target range of 100–140%.

## 6.9 Youth Justice portfolio: key issues

The Minister for Youth Justice is responsible for the following two outputs: Youth justice community-based services (funding in 2020–21: \$62.9 million) and Youth justice custodial services (funding in 2020–21: \$233 million).<sup>91</sup>

The Committee notes that funding in 2020–21 for both outputs demonstrates the funding for custodial services is over treble the funding for community-based services in the justice space (Figure 6.4). This trend has been demonstrated in previous budgets, with most of the funding in youth justice dedicated to the acute end of the system, whereas less is provided to prevention and early intervention.<sup>92</sup> Funding for youth justice community based services has remained relatively stable over the last six budgets, whereas funding for custodial services has increased by 171.6% between 2015–16 and 2020–21.<sup>93</sup>

<sup>88</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 37–38.

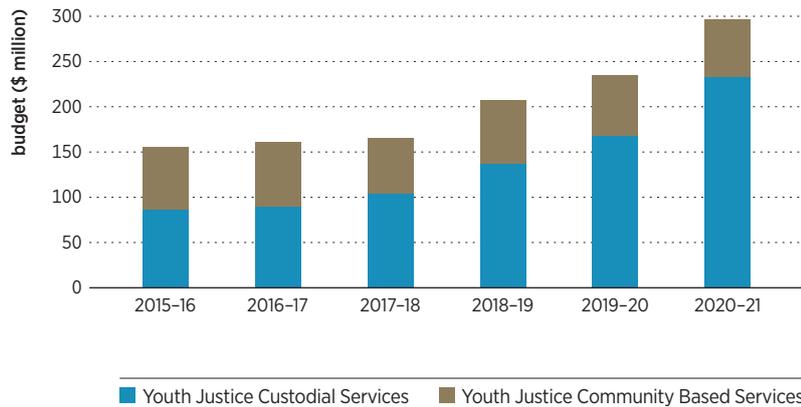
<sup>89</sup> Ibid.

<sup>90</sup> Victorian Auditor-General's Office, *Auditor-General's Report on the Annual Financial Report of the State of Victoria: 2019–20*, p. 30.

<sup>91</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 120; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 300–301.

<sup>92</sup> 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. 6.

<sup>93</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 288; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20*, p. 263; Department of Treasury and Finance, *Budget Paper No. 3: 2017–18 service Delivery*, Melbourne, 2017, p. 269; Department of Treasury and Finance, *Budget Paper No. 3: 2015–16 service delivery*, Melbourne, 2015, pp. 256–257 (Committee calculation).

**Figure 6.4** Budgeted funding for youth justice outputs—2015 to 2021

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020-21 service delivery*, Melbourne, 2020, p. 288; Department of Treasury and Finance, *Budget Paper No. 3: 2019-20 service delivery*, Melbourne, 2019, p. 263; Department of Treasury and Finance, *Budget Paper No. 3: 2017-18 service Delivery*, Melbourne, 2017, p. 269; Department of Treasury and Finance, *Budget Paper No. 3: 2015-16 service delivery*, Melbourne, 2015, pp. 256-257.

### 6.9.1 Cherry Creek youth justice facility

The Budget includes asset funding of \$141.2 million in the 2020-21 year for the new youth justice facility at Cherry Creek. The budget papers state funding is provided to enhance safety and security at the Cherry Creek facility and will allow for the delivery of a specialised facility that enhances staff and community safety and drives effective rehabilitation for young people.<sup>94</sup>

The Cherry Creek facility was originally announced by the Victorian Government in 2017 as a project that would contribute to modernising Victoria's youth justice system, improving community safety and meeting demand for youth justice custodial services over time.<sup>95</sup> According to the *2019-20 Budget Paper 4: State Capital Program* the TEI for the project was \$278.4 million with an estimated completion date of the fourth quarter of the 2020-21 year.<sup>96</sup>

During the estimates hearing the Committee asked the Minister for Youth Justice about the progress of the project. The Committee was advised with the new funding the TEI had been revised to \$429.9 million with a completion date of mid to late 2022, with the acceptance of young people by the end of 2022 or early 2023.<sup>97</sup>

<sup>94</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 113-114.

<sup>95</sup> Engage Victoria, *Project Overview*, 2020, <<https://engage.vic.gov.au/youthjusticecentre/youthjusticecentre-project-overview>> accessed 29 January 2021; Engage Victoria, *New youth justice centre*, 2020, <<https://engage.vic.gov.au/youthjusticecentre>> accessed 29 January 2021.

<sup>96</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2019-20 State capital program*, Melbourne, 2019, p. 73.

<sup>97</sup> Hon Natalie Hutchins MP, Minister for Youth Justice, 2020-21 Budget estimates (Youth Justice) hearing, Melbourne, 15 December, *Transcript of evidence*, p. 2; Ms Jodi Henderson, Commissioner, Youth Justice, Department of Justice and Community Safety, 2020-21 Budget estimates (Youth Justice) hearing, Melbourne, 15 December, *Transcript of evidence*, p. 2.

The Minister told the Committee that a number of changes had been made to the Cherry Creek project to incorporate the recommendations arising from the 2017 *Youth Justice Review and Strategy*, adding that the redesign and resulting increase to the TEI of the project was to respond to and incorporate recommendations made by the review:

The new facility will have 140 beds dedicated, and there will be also a dedicated mental health unit as well as a health service within there, as well as separate alcohol and drug treatment and an intensive intervention unit, which was not planned for initially but has been taken on board now, since receiving the youth justice review report around what facilities are required so that we can rehabilitate these young people.<sup>98</sup>

The number of beds in the facility was also reduced from an original 244 to 140 to respond to advice that smaller custodial facilities are more settled, safe and effective.<sup>99</sup> The department advised the Committee that the Cherry Creek facility would have the ability to scale up to 244 beds if needed, but projections to 2028 suggested 297 beds in total would be required. When Cherry Creek is operational it is expected there will be a total of 468 beds in the youth justice system.<sup>100</sup>

**FINDING 90:** The 2020–21 Budget provides \$141.2 million in asset funding for the new youth justice facility at Cherry Creek. The total estimated investment in the project has increased from \$278.4 million in 2019–20 to \$429.9 million in 2020–21 to incorporate and respond to the recommendations made by the 2017 *Youth Justice Review*. The delivery date has extended from mid-2021 to late 2022/early 2023.

**FINDING 91:** The number of anticipated beds in the Cherry Creek youth justice facility has been rescoped from 244 to 140 in response to Victorian reviews of the youth justice system. The Department of Justice and Community Safety projects it will require 297 beds in youth justice by 2028. 468 will be available across the youth justice system when the Cherry Creek facility is completed in late 2022/early 2023.

## 6.9.2 Custodial and community-based workforce

The 2017 *Youth Justice Review and Strategy* highlighted a number of ongoing issues related to the youth justice workforce including a high turnover of staff and a lack of stability in the custodial workforce, prolonged vacancies, the use of agency staff to fill positions and a lack of an overarching workforce plan or strategy. The Review made several recommendations related to the youth justice workforce.<sup>101</sup>

<sup>98</sup> Hon Natalie Hutchins MP, Minister for Youth Justice, *Transcript of evidence*, p. 2.

<sup>99</sup> Ibid; Department of Justice and Community Safety, *Youth Justice Strategic Plan 2020–2030*, Melbourne, May 2020, p. 30.

<sup>100</sup> Hon Natalie Hutchins MP, Minister for Youth Justice, *Transcript of evidence*, p. 2; Ms Dannii de Krester, Acting Deputy Secretary, Youth Justice, Department of Justice and Community Safety, 2020–21 Budget estimates (Youth Justice) hearing, Melbourne, 15 December, *Transcript of evidence*, p. 3.

<sup>101</sup> Penny Armytage and Professor James Ogloff AM, *Youth Justice Review and Strategy: Executive Summary*, pp. 7, 21, 26.

The 2020–21 Budget includes two new output initiatives related to the youth justice workforce:

- Ensuring a secure youth justice system—\$17.1 million. Includes workforce incentives and enhanced learning and development opportunities for custodial staff.<sup>102</sup>
- Youth justice staffing and programs—\$12.4 million. Directed towards supporting staffing and programs and includes recruitment, training and retention of custodial staff.<sup>103</sup>

The Committee sought further information from the department regarding this funding and the general safety of custodial staff. The Minister told the Committee that while challenges across the workforce had been immense, such challenges were being addressed through both a department-initiated workforce plan and the funding outlined in the 2020–21 Budget.<sup>104</sup>

On the safety of custodial staff the department told the Committee:

We are zero tolerance on any assault. We have seen a 40 per cent reduction in category<sup>105</sup> offences over the last 12 months and a 12 per cent decline in resignations, so they are pretty good indicators of a workforce that is turning around.<sup>106</sup>

The Minister provided the 2019 Youth Justice People Matters survey to the Committee on notice which demonstrates:<sup>107</sup>

- 38% of respondents agreed with the statement ‘My organisation provides a safe work environment’. 33% agreed with the statement ‘My organisation places a high priority on the learning and development of staff’.
- 70% of respondents agreed with the statement ‘I would be confident in approaching my manager to discuss concerns and grievances’. 63% agreed with the statement ‘I feel able to challenge inappropriate behaviour at work’.<sup>108</sup>

While the survey showed positive engagement with areas such as human rights, diversity and inclusion and role clarity, 23% of respondents said they had experienced sexual harassment at work in the last 12 months and 47% said they had personally

<sup>102</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 105, 112.

<sup>103</sup> Ibid.

<sup>104</sup> Hon Natalie Hutchins MP, Minister for Youth Justice, *Transcript of evidence*, p. 5.

<sup>105</sup> Category One incidents are the most serious incidents that cause or have the potential to cause the most serious harm. These include serious assaults (including young people against staff, young people against young people and staff against young people), riotous behaviour, and serious injury or illness requiring medical treatment and/or hospitalisation. Source: Department of Justice and Community Safety, *Youth justice custodial quarterly incident reporting (1 October to 31 December 2020)*, 29 January 2021, <<https://www.justice.vic.gov.au/justice-system/youth-justice/youth-justice-custodial-quarterly-incident-reporting-1-october-to-31-2>> accessed 24 February 2021.

<sup>106</sup> Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2020–21 Budget estimates (Youth Justice) hearing, Melbourne, 15 December, *Transcript of evidence*, p. 5.

<sup>107</sup> The People Matter Survey is a public sector employee opinion survey run by the Victorian Public Sector Commission. Ms Jodi Henderson, Commissioner, Youth Justice, Department of Justice and Community Safety, 2020–21 Budget estimates hearing, response to questions taken on notice, received 7 January 2021, attachment 2 p. 86.

<sup>108</sup> Ibid., p. 13.

experienced aggression or violent behaviour at work in the last 12 months.<sup>109</sup> Of those who said they experienced aggression or violent behaviour, 36% said they experienced it at least once a day.<sup>110</sup>

DJCS does not currently have budget paper performance measures that relate to the training or retention of youth justice staff. It is unclear how DJCS will publicly report on the funding provided for staffing initiatives in the 2020–21 Budget or how the department will demonstrate whether these initiatives have been successful or not.

**FINDING 92:** The 2020–21 Budget provides funding of \$29.5 million over the forward estimates for ensuring a secure youth justice system and for youth justice staffing and programs.

**FINDING 93:** The youth justice workforce has experienced long-term challenges related to staff retention, training and safety in the workplace. The Department of Justice and Community Safety has initiated a workforce plan for youth justice and advised retention of staff and the frequency of category 1 incidences has improved.

**FINDING 94:** The 2019 Youth Justice People Matter’s survey demonstrates ongoing issues with sexual harassment and aggression or violent behaviour in the workplace. 23% of respondents said they have experienced sexual harassment in the workplace in the last 12 months, while 47% said they had experienced aggression or violent behaviour.

**RECOMMENDATION 26:** The Department of Justice and Community Safety develop budget paper performance measures and targets to assess the effectiveness of its initiatives to retain and train youth justice staff.

## 6.10 Department wide: key issues

### 6.10.1 Machinery of government changes

Machinery of government (MoG) changes announced in March 2020 transferred the following entities to the department and the Attorney-General’s portfolio from DPC on 1 May 2020:

- Office of the Public Interest Monitor
- Office of the Victorian Information Commissioner
- Chief Municipal Inspector

<sup>109</sup> Ibid., pp. 8, 10, 69, 73.

<sup>110</sup> Ibid., p. 75.

- Local Government Inspectorate Administrative Office
- Victorian Ombudsman
- Independent Broad-based Anti-corruption Commission
- Victorian Inspectorate.<sup>111</sup>

## 6.10.2 Changes to output structure

For 2020–21 DJCS made several changes to its output structure. DJCS advised the Committee that changes were made to reflect MoG changes and to improve accountability by aligning outputs with lines of responsibility and service delivery streams.<sup>112</sup> The changes are detailed in Appendix F.

## 6.11 Performance measures

### 6.11.1 Department wide: analysis of new performance measures

DJCS added three new performance measures in the 2020–21 Budget. The Committee notes one of the new measures improved transparency, accountability and comprehensiveness of performance information.

‘Average daily number of Aboriginal children and young people (10–17 years) in custody’ responds to recommendation 35 of the Committee’s Report into the 2019–20 Budget Estimates and allows for insights into the effectiveness of efforts to reduce the incarceration and over-representation of Aboriginal children and young people in custody.<sup>113</sup>

However two of the new measures were found to have weaknesses limiting their usefulness.

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<sup>111</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 12, 47.

<sup>112</sup> Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, p. 114.

<sup>113</sup> *Ibid.*, p. 80.

**Table 6.5** Issues with problematic new performance measures (2020–21)

Output	New performance measure	Issues identified by PAEC
Public Sector Information Management, Privacy and Integrity (Timeliness)	FOI reviews withdrawn by agreement following internal resolution	Replaces the discontinued measure 'Responses within 15 days to written inquiries relating to the legislated responsibilities of the Office of the Victorian Information Commissioner (OVIC)'.  There is no explanation provided to demonstrate how the discontinued measure's focus on 'responses to written inquiries' relates to the new focus on 'FOI reviews withdrawn by agreement'.  There is no material relationship between the new and discontinued measure resulting in the loss of performance information within the budget papers.
Protection of Children and Personal Identity (Quantity)	Number of adoption records released	The performance measure is useful to understand the provision of adoption services by DJCS and the number of people supported per year to access information that supports their identity.  DJCS has noted shortcomings of this measure including that it does not capture requests from people who do not receive records and does not indicate the complexity of some of the records being sought. The Committee also notes that as the only measure related to adoption records, transparency would be enhanced with further performance measures related to timeliness and quality.

Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 312, 417; Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 80–82.

**FINDING 95:** The Department of Justice and Community Safety added three new performance measures in the 2020–21 Budget.

**RECOMMENDATION 27:** The Department of Justice and Community Safety consider adding further performance measures related to adoption services provided by the department to address shortcomings of the measure 'Number of adoption records released'.

### 6.11.2 Department wide: analysis of proposed discontinued performance measures

DJCS proposed the replacement of one performance measure in the 2020–21 Budget. The Committee does not support discontinuation of this performance measure as explained in Table 6.5 above. The discontinued measure appears to bear little relationship to the new measure, resulting in the loss of performance information regarding the response time of OVIC to written inquiries. The Committee considers the discontinued performance measure should be reinstated and the new performance measure retained.

**FINDING 96:** The Department of Justice and Community Safety identified one performance measure for replacement. The Committee considers the discontinued performance measure should be reinstated and the new performance measure retained.

# 7 Department of Jobs, Precincts and Regions

## 7.1 Overview

The Department of Jobs, Precincts and Regions (DJPR) supports 15 portfolios, five more than in 2019–20. A comparison of DJPR’s portfolios between 2020–21 and 2019–20 is summarised in Appendix G. DJPR’s main responsibilities are to 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 and promote productive and sustainably used natural resources.<sup>1</sup>

At the public hearing the Committee heard from Ministers responsible for the 15 portfolios and discussed relevant issues. This report discusses some key issues relating to nine of the 15 portfolios.

## 7.2 Financial analysis

In 2020–21 DJPR holds the fifth largest budget allocation of the departments representing 8.4% of total funding provided to all output groups.<sup>2</sup> In 2020–21 DJPR is allocated \$6.7 billion to fund its outputs. This is an increase of 82.2% compared to 2019–20 actual (\$3.7 billion).<sup>3</sup>

DJPR’s output appropriations in 2020–21 will increase by \$3.3 billion, representing a 108.6% increase compared to 2019–20 actual.<sup>4</sup> The variance is primarily due to the funding announced in the 2020–21 Budget for services and initiatives in response to the COVID-19 pandemic.<sup>5</sup> In 2020–21 the five programs that received the largest amount of funds through output appropriation include *Business Support* (\$2.2 billion), *Hospitality support program* (\$369 million), *Protecting Victoria’s experience economy* (\$143 million), *Coronavirus (COVID-19) direct response: Department of Jobs, Precincts and Regions* (\$121 million) and *Industry Support* (\$90 million).<sup>6</sup>

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1 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 252–254.

2 Ibid., pp. 161, 187, 214, 255, 288, 318, 339, 363, 384, 399 (Committee calculation).

3 Ibid., p. 255 (Committee calculation).

4 Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, p. 19 (Committee calculation).

5 Ibid.

6 Ibid., pp. 22–26.

In 2020–21 DJPR’s capital program consists of \$1.5 billion in new projects and \$0.5 billion in existing projects, representing about 3% of the total general government capital program.<sup>7</sup>

## 7.3 COVID-19 response expenditure

The Committee was advised of 10 output initiatives that were announced as part of the COVID-19 response in the 2020–21 Budget.<sup>8</sup> These initiatives account for about 82% (\$3.7 billion) of DJPR’s total forecast output initiatives in 2020–21 and over the forward estimates.<sup>9</sup> DJPR’s COVID-19 initiatives in 2020–21 were funded through output appropriations while initiatives that were announced in 2019–20 were funded through Treasurer’s Advances.<sup>10</sup> These initiatives account for almost all DJPR’s budgeted output expenditure in 2020–21 (92%).<sup>11</sup>

### 7.3.1 Initiatives funded through Treasurer’s Advances

In 2019–20 DJPR received \$1.3 billion in funds under Treasurer’s Advances, funding a total of 43 programs. Of the 43 programs, 13 programs were recurrent programs and 30 were new programs.<sup>12</sup>

Of the 43 programs, 12 programs (28%) were reported as COVID-19 responses, 2 programs (5%) were implemented as part of the bushfire response and the remaining 29 programs (67%) were not related to either the COVID-19 pandemic or the bushfire emergencies.<sup>13</sup> These programs accounted for \$134 million out of the \$1.3 billion and included programs such as:

- Repowering and cash advance facility to Regional Development—\$47.5 million (DJPR stated this was required to meet timing of payments)
- Drought response—\$24.3 million
- Victorian Forestry Plan—\$15.6 million
- Building the visitor economy: tourism marketing campaign—\$14.6 million.<sup>14</sup>

7 Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 102 (Committee calculation).

8 Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 22–26.

9 Ibid., pp. 22–26; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

10 Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 22–26.

11 Ibid., pp. 22–26; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

12 Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 102–109 (Committee calculation).

13 Ibid. (Committee calculation).

14 Ibid.

The Committee notes that since 2018–19, there has been an increased reliance on Treasurer’s Advances and the Government’s practice of utilising Treasurer’s Advances beyond the scope provided in the Resources Management Framework. The Committee looked at this issue in detail in its *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*.<sup>15</sup> In addition the Committee noted that the Victorian Auditor-General’s Office addressed this issue in its report on *Accessing Emergency Funding to Meet Urgent Claims* published in November 2020.<sup>16</sup>

**FINDING 97:** In 2019–20 DJPR received \$1.3 billion of funds through Treasurer’s Advances. The majority of the programs (totalling \$134 million) that received Treasurer’s Advances did not relate to either the COVID-19 pandemic or the bushfire emergencies.

### 7.3.2 Strategic issues caused by the COVID-19 pandemic

DJPR outlined five strategic issues that were caused by the COVID-19 pandemic which influenced the development of the Department’s estimates for the 2020–21 financial year. DJPR identified the COVID-19 response as a key strategic issue and stated ‘DJPR will continue to support the continuity of critical businesses, employment and workforce engagement opportunities.’<sup>17</sup>

The Committee notes that the strategic issues identified by DJPR (Appendix H) were broad and did not provide an insight into the impacts of COVID-19 pandemic on its operations.

## 7.4 Industry Support and Recovery portfolio: key issues

The Industry Support and Recovery portfolio is one of the newly created portfolios in DJPR. The Minister for Industry Support and Recovery is responsible for the outputs of Jobs and Industry, Innovation, Medical Research and Small Business, which have a combined funding allocation of \$3.4 billion in 2020–21.<sup>18</sup>

New output initiatives relating to the Industry Support and Recovery portfolio include *Business Support* (\$2.2 billion in 2020–21) and *Coronavirus (COVID-19) direct response: Department of Jobs, Precincts and Regions* (\$120.9 million in 2020–21).<sup>19</sup>

<sup>15</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, July 2020, pp. 133–134.

<sup>16</sup> Victorian Auditor General’s Office, *Accessing Emergency Funding to Meet Urgent Claims*, Melbourne, November 2020, p. 1.

<sup>17</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 17–18.

<sup>18</sup> *Ibid.*, p. 170; Department of Treasury and Finance, *Budget Paper No. 3*, p. 255 (Committee calculation).

<sup>19</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 83.

## 7.4.1 Business Support output initiative

The *Business Support* output initiative accounts for more than half of the output initiatives of DJPR in 2020–21.<sup>20</sup> The initiative contributes to the Industry, Innovation, Medical Research and Small Business output of DJPR. The Committee noted that this output only has an output funding allocation of \$507.8 million and sought clarification from DJPR and the Department of Treasury and Finance (DTF) on reconciling the output initiative to the output funding.<sup>21</sup> DJPR and DTF advised the Committee that the *Business Support* initiative in fact contributes to two outputs in DJPR; the Jobs output as well as the Industry, Innovation, Medical Research output (funding allocation of \$3.4 billion).<sup>22</sup>

The *Business Support* output initiative contributes to three separate outputs across two other departments, Department of Health and Human Services (DHHS) and Department of Justice and Community Safety (DJCS);<sup>23</sup> however the amount allocated to each department is not provided in the budget papers.

At the hearing the Committee sought clarification from the Minister for Industry Support and Recovery about the specific funding allocated to each output. The Minister stated that most programs outlined in the budget papers are undertaken by DJPR while programs such as procurement and distribution of face masks to support the public health response contributes to the DHHS Health Protection output.<sup>24</sup>

Given the significant output expenditure forecast under the *Business Support* output initiative in 2020–21, the budget papers would benefit from specifying the amount allocated to each department. The International Monetary Fund's (IMF) 'Budgeting in a crisis: Guidance for preparing the 2021 Budget' recommends that budget documentation should be used as a tool to bring 'clarity to a very complex picture and bolster confidence in the Government's fiscal, economic, and social strategies'.<sup>25</sup>

**FINDING 98:** The \$2.2 billion allocated in the 2020–21 Budget under the *Business Support* output initiative contributes to three separate outputs across three separate departments. The 2020–21 Budget does not specify the amount allocated to each department under this output initiative.

**RECOMMENDATION 28:** Where output initiatives contribute to several outputs across different departments, the Department of Treasury and Finance publish the funding amount allocated to each department in the budget papers.

<sup>20</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 83–84 (Committee calculation).

<sup>21</sup> Department of Jobs, Precincts and Regions, supplementary evidence, received 6 January 2021, p. 255.

<sup>22</sup> Ibid.

<sup>23</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 88–89.

<sup>24</sup> Ibid.; Hon Martin Pakula MP, Minister for Industry Support and Recovery, 2020–21 Budget estimates (Industry Support and Recovery) hearing, Melbourne, 3 December 2020, Transcript of evidence, p. 3.

<sup>25</sup> International Monetary Fund, *Special Series on COVID-19: Budgeting in a crisis: Guidance for preparing the 2020–21 Budget*, June 2020, p. 2.

The 2020–21 Budget does not contain performance measures for the \$2.2 billion funding of the *Business Support* initiative. At the public hearings the Committee asked the Minister to explain why no new performance measures had been developed for the biggest line item of DJPR’s output initiatives. The Minister stated:

given the recency of it, it is probably difficult to put a performance measure in this budget. That does not rule out the fact that there might be one in a future budget—I am not saying there will be—but this is a fund that we are still basically rolling out as we speak.<sup>26</sup>

As the *Business Support* output initiative accounts for 55% of the output initiatives of DJPR in 2020–21,<sup>27</sup> it is important that DJPR introduces performance measures and mechanisms to gauge the success of the initiatives introduced to support businesses that are affected by the COVID-19 pandemic.

The IMF further recommends that regular reporting on the progress of implementing the support package is required as the impacts of COVID-19 on businesses are likely to extend beyond the current financial year. Regular reporting of support packages against objectives will provide more granularity on specific expenditure items, such as data on number of beneficiaries, amounts per recipient, as well as progress made in achieving outcomes.<sup>28</sup>

**FINDING 99:** The 2020–21 Budget does not contain any performance measures for the \$2.2 billion Business Support output initiative.

**RECOMMENDATION 29:** The Department of Jobs, Precincts and Regions establish performance measures for the \$2.2 billion Business Support output initiative to measure the outcomes of the support packages.

## 7.5 Employment portfolio: key issues

The Employment portfolio has been disaggregated from the ‘Jobs, Innovation and Trade’ portfolio for 2020–21.<sup>29</sup> The Minister for Employment is responsible for the Jobs output which has a funding allocation of \$2.9 billion in 2020–21.<sup>30</sup>

<sup>26</sup> Hon Martin Pakula MP, Minister for Industry Support and Recovery, *Transcript of evidence*, p. 6.

<sup>27</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 255 (Committee calculation).

<sup>28</sup> International Monetary Fund, *Special series on fiscal policies to respond to COVID-19: Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses*, 2020, p. 7.

<sup>29</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 177.

<sup>30</sup> *Ibid*; Department of Treasury and Finance, *Budget Paper No. 3*, p. 255.

New output initiatives relating to the Employment portfolio include *Jobs for Victoria: Our plan to maximise jobs and help Victorians into work* (\$151.3 million in 2020–21) and the *Working for Victoria* initiative (\$87.5 million in 2020–21).<sup>31</sup>

Key issues relating to the employment portfolio are discussed in detail below.

## 7.5.1 Jobs for Victoria

In the 2020–21 Budget the *Jobs for Victoria* initiative received a funding allocation of \$151.3 million in 2020–21 and \$468.1 million across the forward estimates.<sup>32</sup> The initiative aims to improve labour market outcomes by supporting job seekers and businesses while also enhancing Jobs Victoria services.<sup>33</sup>

At the public hearings the Committee asked about the forecast impact of *Business Support* and *Jobs for Victoria* on employment growth in Victoria. The Committee was particularly interested in whether these initiatives will result in Victoria returning to pre-pandemic employment rates<sup>34</sup> and if jobs created through initiatives will contribute to the Victorian Government's Jobs Target of creating 400,000 jobs by 2025.<sup>35</sup> The Minister for Industry Recovery and Support stated that economic indicators presented in the budget papers account for outcomes not just from the industry support initiative but also from all other government initiatives including the Government's infrastructure program.<sup>36</sup>

At the public hearing the Committee asked the Minister for Employment to clarify the base level of employment determined by the Government when creating the Jobs Target. The Minister confirmed that DTF uses Australian Bureau of Statistics (ABS) unemployment data.<sup>37</sup> However the 2020–21 Budget does not state which ABS unemployment data release underpins the assumptions formulated in the *2020–21 Budget Paper No. 2: Strategy and Outlook*.

DTF advised the Committee that 'DTF develops economic forecasts in the budget papers drawing on a wide range of official and proprietary data sources and in-house economic models.' DTF further advised that the budget papers referred to the ABS labour force data that was released for the month of September 2020, which recorded an employment level of 3.2 million persons for the State of Victoria.<sup>38</sup>

<sup>31</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 83.

<sup>32</sup> Ibid.

<sup>33</sup> Ibid., p. 94.

<sup>34</sup> Hon Martin Pakula MP, Minister for Industry Support and Recovery, *Transcript of evidence*, p. 4.

<sup>35</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21*, p. 61; Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Employment) hearing, Melbourne, 3 December 2020, *Transcript of evidence*, p. 2.

<sup>36</sup> Hon Martin Pakula MP, Minister for Industry Support and Recovery, *Transcript of evidence*, p. 4.

<sup>37</sup> Hon Jaala Pulford MLC, Minister for Employment, 2020–21 Budget estimates (Employment) hearing, Melbourne, 3 December 2020, *Transcript of evidence*, p. 2.

<sup>38</sup> Department of Treasury and Finance, correspondence, 23 February 2021.

**FINDING 100:** The Department of Treasury and Finance uses Australian Bureau of Statistics (ABS) unemployment data in the budget papers, however, the 2020–21 Budget does not state which unemployment data release by ABS was used to prepare the 2020–21 Budget Paper No. 2: Strategy and Outlook. Consequently the starting point for the target of 400,000 jobs by 2025 is unclear in the budget papers.

According to the IMF, amid high uncertainty and stress, the budget in the 2020–21 financial year acts as a key policy document to assure stakeholders including households and businesses, that the government has a credible strategy to mitigate the pandemic and support economic recovery.<sup>39</sup> The IMF recommends that one of the ways to enhance this key policy document is by explaining assumptions and uncertainty in the fiscal and economic outlook. Accordingly the Budget should:

- explain how COVID-19 has affected the FY2020 fiscal and economic outlook
- clearly set out assumptions underpinning the central outlook
- appropriately communicate uncertainty and risks in the central forecast, possibly through sensitivity or scenario analysis.<sup>40</sup>

Given the ambiguity in the base level of employment and the starting point against which the Government will measure employment growth, DTF must clearly outline the base level of macroeconomic indicators such as the unemployment/employment rate and explain the assumptions used to forecast these indicators. This allows the Government and the community alike to measure the effectiveness of the initiatives outlined in the 2020–21 Budget.

**RECOMMENDATION 30:** In line with the international best practice, the Department of Treasury and Finance ensure future budgets contain the base level of macroeconomic indicators such as unemployment and employment rate and explain the assumptions used to forecast these indicators in the forward estimates.

The *Jobs for Victoria* initiative has several elements to the program in which the Government aims to create employment through improved and expanded Jobs Victoria services, job creation from government procurement, and wage subsidies.<sup>41</sup>

The Committee notes that DJPR has introduced four new performance measures for the initiative in 2020–21:

- Jobseekers supported through Jobs Victoria services (mentors and advocates)—target of 34,000
- Jobseekers who gain employment with the support of Jobs Victoria—target of 11,200

<sup>39</sup> International Monetary Fund, *Special Series on COVID-19: Budgeting in a crisis: Guidance for preparing the 2020–21 Budget*, June 2020, p. 9.

<sup>40</sup> Ibid.

<sup>41</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 94.

- Subsidised jobs for Victorians at risk of long-term unemployment—target of 4,000
- Jobseekers supported into work who sustain employment for at least 26 weeks—target of 45%.<sup>42</sup>

The Committee commends DJPR for introducing new performance measures for the *Jobs for Victoria* initiative. However, the relationship between the number of jobs created through this initiative and the Jobs Target outlined in the 2020–21 Budget is unclear.

Similarly the Jobs and Industry, Innovation, Medical Research outputs have a significant investment of \$3.4 billion in 2020–21,<sup>43</sup> however the 2020–21 Budget does not contain a performance measure to estimate the number of jobs and the quality of the jobs created (that is, full time, ongoing, casual or fixed) through this investment. The number of jobs created through DJPR initiatives as a percentage of the Jobs Target is also not stated in the 2020–21 Budget.

**FINDING 101:** The Department of Jobs, Precincts and Regions (DJPR) introduced new performance measures for the *Jobs for Victoria* initiative. However the number of jobs and the quality of the jobs created through the *Jobs for Victoria* initiative is not included in the performance measures. The number of jobs created through DJPR initiatives as a proportion of the Jobs Target is also unclear.

**RECOMMENDATION 31:** The Department of Treasury and Finance and the Department of Jobs, Precincts and Regions introduce performance measures for the Jobs output. The performance targets include reporting the estimated number of jobs created and the actual number of jobs created. Another performance target could be developed to monitor jobs created as a percentage of the Jobs Target outlined in the 2020–21 Budget.

## 7.5.2 Working for Victoria initiative

At the public hearings the Minister for Employment discussed the *Working for Victoria* initiative in detail. According to the DJPR's response to the Committee's 2020–21 budget estimates questionnaire, as at 1 October 2020 about 83,000 jobseekers had registered with the *Working for Victoria* online jobs platform. The initiative had created about 10,750 jobs, including 2,600 regional jobs.<sup>44</sup>

<sup>42</sup> Ibid., p. 258.

<sup>43</sup> Ibid., p. 255 (Committee calculation).

<sup>44</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 65.

The 2020–21 Budget introduced the following performance measures for the *Working for Victoria* initiative:

- Number of jobs created through *Working for Victoria*—target of 10,000 jobs in 2020–21
- Number of jobseekers placed into jobs through *Working for Victoria*—target of 7,500 in 2020–21.<sup>45</sup>

The *Working for Victoria* initiative was announced in April 2020 with a funding allocation of \$500 million and was funded through Treasurer’s Advances in 2019–20.<sup>46</sup> The 2020–21 Budget allocates a further \$87.5 million for the 2020–21 year, funded through new appropriation.<sup>47</sup> The initiative therefore had a total funding allocation of \$587.5 million.<sup>48</sup>

DJPR’s response to the Committee’s questionnaire expanded on the allocation of funds related to the initiative. The Committee notes from the \$500 million allocated at the announcement, monies were allocated to the *Business Support Fund*, Creative Victoria, the *Agriculture Workforce Plan* and the Department of Education and Training to deliver online training for jobseekers.<sup>49</sup> DJPR therefore had a total of \$391.7 million in 2019–20 under the *Working for Victoria* initiative.<sup>50</sup>

DJPR stated \$300.1 million was reinstated as an opening balance in 2020–21. The initiative received top up funding of \$87.5 million in 2020–21, totalling \$387.6 million.<sup>51</sup>

With the information supplied by DJPR, the Committee notes there is about \$91.6 million of funds unallocated within the initiative. This is illustrated in Table 7.1.

<sup>45</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 258.

<sup>46</sup> Hon Daniel Andrews MP, *Helping people get back to work, Working for Victoria*, media release, Victorian Government, Melbourne, 8 April 2020; Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 64.

<sup>47</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 83.

<sup>48</sup> Hon Jaala Pulford MLC, *2020–21 Budget estimates hearing presentation: Employment*, supplementary evidence, received 3 December 2020, p. 5.

<sup>49</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 25–26.

<sup>50</sup> *Ibid.*

<sup>51</sup> *Ibid.*, p. 65.

**Table 7.1 Working for Victoria initiative funds**

	\$ million
<b>2019–20</b>	
Amount at announcement	500.00
Less: Business Support Fund and Creative Victoria	(41.00)
Less: Agriculture Workforce Plan	(50.00)
Remaining funds - Working for Victoria	409.00
Less: Department of Education and Training	(17.30)
<b>Funds remaining in 2019–20</b>	<b>391.70</b>
<b>2020–21</b>	
Funds reinstated from 2019–20	300.10
New output initiative funding	87.50
<b>2020–21 Budget</b>	<b>387.60</b>
<b>Difference between the funds rolled over from 2019–20 to 2020–21</b>	<b>91.60</b>

Source: Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 25–26, 65 (Committee calculation).

**FINDING 102:** The *Working for Victoria* initiative was announced in 2019–20 with a funding allocation of \$500 million. In the 2020–21 Budget there was a further allocation of \$87.5 million for 2020–21, bringing the total to \$587.5 million. According to the Department of Jobs, Precincts and Regions, there is about \$91.6 million of funds unallocated to the initiative.

### Agriculture Workforce Plan

At the public hearings the Committee discussed the outcomes of the Agriculture Workforce Plan which received \$50 million in funding under the *Working for Victoria* initiative.<sup>52</sup> At the hearing a Committee member raised an article in *The Weekly Times* that was published on 15 December 2020 which showed 91% of agriculture roles advertised had not been fulfilled.<sup>53</sup> The Committee asked the Minister for the reason behind the statistics.

The Minister for Agriculture advised that border closures and a heavy reliance on international workers had resulted in worker shortages in the agriculture sector.<sup>54</sup>

<sup>52</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 68.

<sup>53</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Agriculture) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, p. 3.

<sup>54</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, 2020–21 Budget estimates (Agriculture) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, pp. 3–4.

The Minister said that DJPR was identifying ways of attracting employees from a new audience through initiatives such as:

- seasonal workforce coordinators working on the ground to help address workforce needs in key Victorian regions<sup>55</sup>
- seasonal agriculture culturally and linguistically diverse (CALD) engagement officers working with horticulture industries in northern and central-eastern Victoria to link agriculture businesses with culturally and linguistically diverse information, facilitate job connections and assist with communications<sup>56</sup>
- Big Harvest campaign—using workers to promote the jobs that are available for this season<sup>57</sup>
- \$6 million to provide financial support to pay for accommodation and transport when taking up a seasonal workforce position.<sup>58</sup>

**FINDING 103:** The *Agriculture Workforce Plan* received \$50 million in funding under the *Working for Victoria* initiative. However the agriculture industry is experiencing difficulty in attracting a workforce as a result of border closures during the pandemic. The Government has announced several other initiatives to attract a different cohort to the agriculture workforce.

## 7.6 Tourism, Sport and Major Events portfolio: key issues

The Minister for Tourism, Sport and Major Events is responsible for Tourism and Major Events, and Sport, Recreation and Racing outputs allocated \$1.1 billion in the 2020–21 Budget.<sup>59</sup>

The 2020–21 Budget is allocated \$279.6 million over four years in new output initiatives under Sports, Community Sport, Recreation and Racing. One of the other key priorities under the portfolio is \$152 million over four years for the *Major Events* fund and \$106.5 million over four years to the *Visitor Economy: Industry Support* initiative.<sup>60</sup>

The key issues relevant to the Tourism, Sports and Major Events portfolio identified during the Committee’s 2020–21 budget estimates inquiry are discussed below.

55 Ibid., p. 4; Agriculture Victoria, *Support for your business*, 29 December 2020, <<https://agriculture.vic.gov.au/crops-and-horticulture/the-big-victorian-harvest/support-for-your-business>> accessed 14 January 2021.

56 Ibid.

57 Hon Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 4.

58 Ibid.; Hon Jaclyn Symes MLC, *2020–21 Budget estimates hearing presentation: Agriculture*, supplementary evidence, received 18 December 2020, p. 5.

59 Department of Treasury and Finance, *Budget Paper No. 3*, p. 255 (Committee calculation).

60 Department of Treasury and Finance, *Budget Paper No. 3*, p. 85; Hon Marin Pakula MP, *2020–21 Budget estimates hearing presentation: Tourism, Sport and Major Events*, supplementary evidence, received 3 December 2020, pp. 7–8.

## 7.6.1 Tourism

The 2020–21 Budget introduced five new output initiatives dedicated to tourism, totalling \$425 million in the budget year and across forward estimates. These include *Visitor Economy: Regional Tourism Investment fund* (\$150 million over four years) and *Visitor Economy: Regional Tourism infrastructure* (\$120.6 million over four years).<sup>61</sup> In addition the 2020–21 Budget includes an allocation from the Industry support output initiative (\$90 million in 2020–21)<sup>62</sup> and *Protecting Victoria's experience economy* (\$141.9 million in 2020–21),<sup>63</sup> however these initiatives support a number of other outputs as well.<sup>64</sup>

The 2020–21 Budget introduced two new performance measures with regards to new funding for the *Visitor Economy: Recovery and Reform* initiative.<sup>65</sup> However there is no reference in the budget papers to an initiative named *Visitor Economy: Recovery and Reform*.<sup>66</sup>

Since the onset of the COVID-19 pandemic, the Victorian Government has announced various support measures to the hospitality and tourism sector under several names. These include the *Business Support Package* and business financial support such as \$26 million in mental health support to small businesses,<sup>67</sup> \$10 million *Business Mentoring Program*, \$20 million *Central Business District Small Hospitality Grant Stream*, the *Night-Time Economy Business Support Program* and the *Regional Tourism Accommodation Support Program*.<sup>68</sup>

There is a lack of clarity between the names used in funding announcements and initiative names outlined in the budget papers.

The IMF recommends that additional COVID-19 related spending is tracked through dedicated programs or sections of the Budget.<sup>69</sup>

**FINDING 104:** The 2020–21 Budget allocates \$425 million over four years to the tourism industry. The Victorian Government also announced various support measures to the hospitality and tourism sectors throughout the pandemic. However the budget papers do not appear to provide a breakdown of the numerous support packages announced and the allocation of funds through the 2020–21 Budget.

<sup>61</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 14, 84 (Committee calculation).

<sup>62</sup> *Ibid.*, p. 83.

<sup>63</sup> *Ibid.*

<sup>64</sup> *Ibid.*, p. 87.

<sup>65</sup> *Ibid.*, pp. 276–277.

<sup>66</sup> To which the Committee could only assume this refers to the 'Visitor Economy' initiatives outlined in 2020–21 Budget Paper 3. Department of Treasury and Finance, *Budget Paper No. 3*, pp. 14, 84.

<sup>67</sup> Hon Jaala Pulford MLC, *Mental Health Support For Business Owners And Workers*, media release, Victorian Government, Melbourne, 12 August 2020.

<sup>68</sup> Business Victoria, *Business Support Package*, 21 Aug 2020, <<https://www.business.vic.gov.au/support-for-your-business/grants-and-assistance/business-support-package>> accessed 19 January 2021.

<sup>69</sup> International Monetary Fund, *Special series on fiscal policies to respond to COVID 19; Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses*, 2020, p. 5.

## Administration cost of support packages

At the public hearings the Committee asked the Minister for Tourism, Sport and Major Events about the percentage attributable to the administration cost of the tourism support packages.<sup>70</sup> In response to a question on notice, DJPR advised that according to DTF's principles, when developing a discretionary grant the administration cost to government should generally be less than 5% of the overall program budget.<sup>71</sup>

**FINDING 105:** Department of Treasury and Finance recommends administration costs of support packages are less than 5% of the cost of the program.

## 7.7 Trade portfolio: key issues

The Trade portfolio has been disaggregated from the 'Jobs, Innovation and Trade' portfolio in 2020–21. The Minister for Trade is responsible for the Trade and Global Engagement output of the portfolio.<sup>72</sup> The output has a budget allocation of \$106.1 million in 2020–21 of which \$92.3 million is for new output initiatives.<sup>73</sup>

The new output initiatives for 2020–21 include:

- International Education Sector Recovery Strategy—\$33.4 million
- International Student Emergency Relief Fund—\$35.0 million
- Trade: Export Recovery Plan—\$23.9 million.<sup>74</sup>

The key issues relating to the Trade portfolio are discussed below.

### 7.7.1 International education sector

In 2019 the international education sector revenue contributed \$13.7 billion in export revenue in Victoria,<sup>75</sup> about 24.7% of total export revenue.<sup>76</sup> At the public hearings the Minister for Trade stated that DJPR is working closely with education providers and

<sup>70</sup> Hon Martin Pakula MP, Minister for Tourism, Sport and Major Events, 2020–21 Budget estimates (Tourism, Sport and Major Events) hearing, Melbourne, 3 December 2020, *Transcript of evidence*, pp. 6–7.

<sup>71</sup> Hon Martin Pakula MP, Minister for Tourism, Sport and Major Events, 2020–21 Budget estimates hearing, response to questions on notice, received 18 December 2020, p. 3.

<sup>72</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, p. 171.

<sup>73</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 84, 255 (Committee calculation).

<sup>74</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 84.

<sup>75</sup> Hon Martin Pakula MP, Minister for Trade, 2020–21 Budget estimates (Trade) hearing, Melbourne, 3 December 2020, *Transcript of evidence*, p. 1.

<sup>76</sup> Australian Bureau of Statistics, Australian National Accounts: State Accounts, cat. no. 5220.0, 20 November 2020, <<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#data-download>> accessed 5 January 2021 (Committee calculation).

the Federal Government to explore safe and viable options to support international students to return to Victoria in 2021.<sup>77</sup>

The 2020–21 Budget allocated \$33.4 million to the *International Education Sector Recovery Strategy* output initiative.<sup>78</sup> This consists of a Short Term Economic Recovery Action Plan (Plan) of \$24.2 million and \$9.2 million to lapsing international education strategy programs, services and initiatives.<sup>79</sup> The plan will also contribute to the long term International Education Strategy which is to be released in mid-2021.<sup>80</sup> The International Education Sector Recovery Strategy will provide funds towards a targeted international marketing campaign to promote Victoria as a study destination.<sup>81</sup>

Notwithstanding the initiative to promote the return of international students, the Committee notes that there are no new performance measures to track the outcomes of the *International Education Sector Recovery Strategy* initiative. In addition the 2020–21 Budget has not addressed the impact of the extended closure of international borders on the international education sector, which employed almost 79,000 people in 2018.<sup>82</sup> The budget papers do not contain performance measures relating to the return of international students to Victoria.

**FINDING 106:** The Budget allocates \$33.4 million in 2020–21 to the *International Education Sector Recovery Strategy*, however there are no performance measures to track the outcomes of the initiative.

**RECOMMENDATION 32:** The Department of Jobs, Precincts and Regions develop and establish performance measures to account for the recovery of the international education sector.

## 7.8 Creative Industries: key issues

The Minister for Creative Industries portfolio is responsible for:

- Creative Industries Access, Development and Innovation (funding in 2020–21: \$78.7 million)
- Creative Industries Portfolio Agencies (funding in 2020–21: \$463.2 million)

<sup>77</sup> Hon Marin Pakula MP, *2020–21 Budget estimates hearing presentation: Trade*, supplementary evidence, received 3 December 2020, p. 5.

<sup>78</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 84.

<sup>79</sup> Hon Marin Pakula MP, *2020–21 Budget estimates hearing presentation: Trade*, p. 4.

<sup>80</sup> Study Melbourne, *International Education Short-Term Recovery Plan*, 10 December 2020, <<https://www.studymelbourne.vic.gov.au/news-updates/international-education-short-term-recovery-plan>> accessed 6 January 2021.

<sup>81</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 100.

<sup>82</sup> Department of Jobs, Precincts and Regions, *International education*, 9 June 2020, <<https://djpr.vic.gov.au/priority-industries-sectors/international-education>> accessed 6 January 2021.

- Cultural Infrastructure and Facilities (funding in 2020–21: \$139.1 million).<sup>83</sup>

The 2020–21 Budget outlined the new output initiatives under the Creative industries portfolio including: *Protecting Victoria's experience economy* (\$141.9 million in 2020–21) and *Melbourne Arts Precinct Transformation* (\$28 million in 2020–21).<sup>84</sup>

The 2020–21 Budget further outlined a significant investment in the *Melbourne Arts Precincts Transformation* project. The project has a total estimated investment (TEI) of \$1.4 billion, with \$34.2 million funding allocated in 2020–21 and \$402.5 million across the forward estimates.<sup>85</sup>

## 7.8.1 Melbourne Arts Precincts transformation

The 2020–21 Budget allocates \$436.7 million of the TEI of \$1.4 billion to phase one of the transformation of the *Melbourne Arts Precincts*. This includes development of the National Gallery of Victoria Contemporary, critical maintenance for the Arts Centre Melbourne and shared infrastructure in the precinct.<sup>86</sup>

During the public hearings the Premier of Victoria stated that the project will create jobs in the construction and tourism industries. The Premier also noted that the new precinct will add another three million visitors a year to the Melbourne Arts Precincts and will aim to be one of the top 10 modern galleries in the world.<sup>87</sup> DJPR stated that the number of attendances at the National Gallery of Victoria in 2019–20 was 2.1 million, lower than the target of 2.2 million due to COVID-19 restrictions.<sup>88</sup>

According to the Premier:

it will be the largest gallery of its kind in the country, it will be one of the most significant cultural institutions in our region and it will mean that we can bring content—the demand for which is quite obvious and really, really significant, not just within Australia but within our region and across the world—that simply cannot be displayed in the current National Gallery of Victoria in either of the two buildings they have.<sup>89</sup>

New Arts Precincts aims to meet the existing demand and contribute to the visitor economic growth.<sup>90</sup>

<sup>83</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 175; Department of Treasury and Finance, *Budget Paper No. 3*, p. 255.

<sup>84</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 83.

<sup>85</sup> *Ibid.*, p. 102.

<sup>86</sup> *Ibid.*, p. 103.

<sup>87</sup> Hon Daniel Andrews MP, Premier of Victoria, 2020–21 Budget estimates (Premier) hearing, Melbourne, 27 November 2020, *Transcript of evidence*, p. 13.

<sup>88</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 272.

<sup>89</sup> Hon Daniel Andrews MP, Premier, *Transcript of evidence*, p. 13.

<sup>90</sup> *Ibid.*

The *Transformation of the Arts Precinct* was first announced in June 2018 when the Government stated it would invest \$208 million over two years for the planning and design phase of the project.<sup>91</sup> The project will create 5,000 jobs during construction and 200 ongoing jobs in the creative industries.<sup>92</sup>

In May 2019 there were 78,200 full time employees employed in the Arts and Recreation services.<sup>93</sup> In May 2020 the number of full time employees in the industry declined by 35% (about 27,000 workers)<sup>94</sup> due to the COVID-19 pandemic and associated restrictions.<sup>95</sup> The number of jobs that will be created in the arts industry by this project translates to about 1% of the number of jobs lost in the sector.<sup>96</sup>

**FINDING 107:** The 2020–21 Budget allocates \$1.4 billion to phase one transformation of the *Melbourne Arts Precincts*. The project is forecast to create 5,000 construction jobs and 200 ongoing jobs in the creative industries. The number of jobs created in the creative industry represents a recovery of approximately 1% of the jobs lost in the arts industry during the COVID-19 pandemic.

Development Victoria states that public consultation will commence in 2021 and early works are scheduled to commence in late 2021.<sup>97</sup> However there is no indication of the project's completion date. DJPR's response to the Committee's questionnaire does not provide any further details of the capital project.

**FINDING 108:** The early works of the phase one transformation of the Melbourne Arts Precincts are scheduled to commence in late 2021, however project details such as the completion date are not outlined in the budget papers.

## 7.9 Agriculture: key issues

The Minister for Agriculture is responsible for the Agriculture output which received \$564.2 million in 2020–21.<sup>98</sup> The 2020–21 Budget allocated \$25 million in 2020–21 and \$40 million across the forward estimates to develop a new strategy to grow and

91 Hon Daniel Andrews MP, *Once-In-A-Generation Transformation Of Arts Precinct*, media release, Victorian Government, Melbourne, 3 June 2018.

92 Creative Victoria, *Victorian Budget 2020–21*, 24 November 2020, <<https://creative.vic.gov.au/news/2020/victorian-budget-2020-21>> accessed on 13 January 2021.

93 Australian Bureau of Statistics, *Labour Force, Australia, Detailed*, cat. no. 6291.0.55.001, 23 December 2020, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia-detailed/latest-release>> accessed 8 January 2021 (Committee calculation).

94 Ibid.

95 Mr Joe Toohey, Co-Convenor, Arts Industry Council (Victoria), Inquiry into the Victorian Government's Response to the COVID-19 pandemic public hearing, Melbourne, 14 May 2020, *Transcript of evidence*, pp. 1–2.

96 Ibid.

97 Development Victoria, *Transforming Melbourne into one of the world's great creative and cultural destinations*, 27 November 2020, <<https://www.development.vic.gov.au/news/transforming-melbourne-into-one-of-the-worlds-great-creative-and-cultural-destinations>> accessed on 13 January 2021.

98 Department of Treasury and Finance, *Budget Paper No. 3*, p. 255; Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 180–181.

modernise Victorian agriculture.<sup>99</sup> At the hearing, the Minister for Agriculture explained that this spending consists of:

- \$15 million to access AgTech including innovative farming methods and new skills
- \$20 million for the Food to Market and Pathways to Export programs
- \$30 million to extend the Agriculture Energy Investment Plan.<sup>100</sup>

The key issues relevant to the Agriculture portfolio identified during the hearings were the *Working for Victoria* initiative (discussed in Section 7.5.2) and the 2020–21 Budget allocation for timber salvage operations. The issues relating to the timber salvage operations are discussed below.

### 7.9.1 Timber salvage operations

The Budget allocates \$11.2 million in 2020–21 to facilitate *Timber salvage operations* following the 2019–20 Victorian bushfires.<sup>101</sup> The program is designed to assist the Government to:

- meet its Victorian Forestry Plan’s timber supply targets
- maintain the supply of timber to mills
- maintain employment in the plantation processing sector.<sup>102</sup>

#### Supply of timber to mills

Forests are logged to meet existing supply contracts the Government has with the industry,<sup>103</sup> namely with Opal Australian Paper.<sup>104</sup> At the public hearing, the Minister outlined that the 30 year, \$120 million Victorian Forestry Plan aims to assist the timber industry to manage its transition away from native forest harvesting by 2030.<sup>105</sup> The Committee notes that the Victorian Government’s supply contract with Australian Paper (Opal) ends in 2030,<sup>106</sup> the same year the native forests logging ceases.

<sup>99</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 83.

<sup>100</sup> Hon Jaclyn Symes MLC, *2020–21 Budget estimates hearing presentation: Agriculture*, supplementary evidence, received 18 December 2020, p. 3.

<sup>101</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 14, 19.

<sup>102</sup> *Ibid.*, p. 19.

<sup>103</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 7.

<sup>104</sup> Australian Paper repackaged under new Opal brand on 13 May 2020. Office Products, *Australian Paper repackaged under new Opal brand*, 13 May 2020, <<https://www.officeproductsnews.com.au/newsitem/australian-paper-repackaged-under-new-opal-brand>> accessed 14 January 2021; Hon Lily D’Ambrosio MP, *Review to protect Victoria’s forests, jobs and timber industry*, media release, Victorian Government, Melbourne, 27 July 2020.

<sup>105</sup> Hon Jaclyn Symes MLC, *2020–21 Budget estimates hearing presentation: Agriculture*, p. 8; Regional Development Victoria, *Securing the future for Forestry Industry workers*, 7 November 2019, <<https://www.rdv.vic.gov.au/news/securing-the-future-for-forestry-industry-workers>> accessed 11 January 2021.

<sup>106</sup> Environmental Justice Australia, CEO and Lawyer, *Inquiry into VicForests operations hearing*, Parliament of Victoria, response to questions on notice received 8 August 2017.

### Salvage logging of burnt forests

At the hearing a Committee member raised concerns about the detrimental impacts of salvage logging of burnt forests. According to conservationists, burnt forests are an important habitat for animals struggling to recover after a bushfire by providing shade, moisture and shelter.<sup>107</sup>

At the hearing the Minister explained that there are several measures the Government takes to minimise the damage to the ecosystem by salvage logging. According to the Minister, VicForests harvests forests with low biodiversity value identified through extensive habitat surveys. The Minister further advised that salvage operations are conducted in areas that were already going to be harvested, enabling VicForests to defer the harvest of unburnt areas of forest. The Minister also stated that VicForests works closely with the Department of Environment, Land, Water and Planning and the Office of the Conservation Regulator (OCR) and seeks advice from OCR before the commencement of the salvage operations.<sup>108</sup>

### VicForests' financial sustainability

With regards to the \$11.2 million allocated in the 2020–21 Budget for the *Timber salvage operation* initiative, the Committee asked the Minister and the department to provide details of the fund allocation and activities that will be carried out.

The Committee noted that in 2019–20 VicForests made a financial loss of \$7.5 million.<sup>109</sup> The Committee also noted the drawdown of \$15.6 million in Treasurer's Advances in 2019–20 against the Victorian Forestry Plan.<sup>110</sup> According to VicForests:

In November 2019, the Victorian Government announced the Victorian Forestry Plan (VFP) signalling a gradual transition away from native forest harvesting to a plantation-based timber supply, including retaining current harvest levels to 2024, then reducing over time through to cessation by 2030. The Government has supported VicForests to commence implementation of the VFP to assist the transition of affected businesses and individuals. This includes exploring a number of potential industry transition opportunities for VicForests and affected businesses that would provide for socio-economic activity in regional areas. This work will be consolidated and considered by Government in 2020–21.<sup>111</sup>

However it is evident from the 2020–21 Budget and from the Minister's presentation that the Victorian Forestry Plan came into effect later than expected in 2020–21.<sup>112</sup>

<sup>107</sup> Professor David Lindenmayer, The Fenner School of Environment and Society, Australian National University, *Mongabay News*, 13 May 2020, <<https://news.mongabay.com/2020/05/australias-logging-madness-fuels-more-fires-hastens-ecosystem-collapse>> accessed 12 January 2021.

<sup>108</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 7.

<sup>109</sup> Mr Sam Hibbins MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Agriculture) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, p. 7.

<sup>110</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 108.

<sup>111</sup> VicForests, *Annual Report 2019–20*, Melbourne, 2020, p. 11.

<sup>112</sup> Hon Jaclyn Symes MLC, *2020–21 Budget estimates hearing presentation: Agriculture*, p. 8.

A Committee member asked the Minister to confirm that \$11.2 million of funding under the timber salvage operation initiative is not directed towards VicForests' financial viability.<sup>113</sup>

In response to questions on notice, DJPR advised that only \$4.2 million was made available to VicForests for native timber salvage to offset the additional costs associated with the salvage of burnt timber.<sup>114</sup> With the available information, the Committee could not determine with certainty how the remaining \$7 million will be expended.

**FINDING 109:** In 2019–20 VicForests reported a financial loss of \$7.5 million. There was a drawdown of \$15.6 million in Treasurer's Advances in 2019–20 against the Victorian Forestry Plan (VFP). However the VFP did not come into effect until 2020–21.

**FINDING 110:** Of the \$11.2 million allocated to the timber salvage operation initiative in the 2020–21 Budget, \$4.2 million has been allocated to VicForests.

## 7.9.2 Gippsland Plantation Investment Program

At the public hearings the Minister outlined the \$110 million *Gippsland Plantation Investment Program* which provides incentives for plantation investors to undertake industrial scale planting to strengthen Victoria's timber supplies.<sup>115</sup> The program is estimated to result in 30 million more trees being planted over the next 10 years.<sup>116</sup> The program is part of the Victorian Forestry Plan's commitment to transition from native forest harvesting to a plantation based sector by 2030.<sup>117</sup>

The Committee asked the Minister about the amount of additional plantation timber<sup>118</sup> that will be planted over the next four years. The Minister stated that due to a range of variables involved in planting such as land identification, seedling availability and weather conditions, the Government is unable to forecast the exact number of plantations.<sup>119</sup>

<sup>113</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 13.

<sup>114</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, 2020–21 Budget estimates hearing, response to questions on notice, received 13 January 2021, p. 5.

<sup>115</sup> Hon Jaclyn Symes MLC, *2020–21 Budget estimates hearing presentation: Agriculture*, p. 8.

<sup>116</sup> Department of Jobs, Precincts and Regions, *Victorian Forestry Plan plantations and timber innovation underway*, 14 October 2020, <<https://djpr.vic.gov.au/about-us/news/victorian-forestry-plan-plantations-and-timber-innovation-underway>> accessed 13 January 2021.

<sup>117</sup> Ibid.

<sup>118</sup> Plantation timber includes softwood and hardwood. Plantation softwood is mostly used for timber products such as moulding, plywood, chipboard, and structural framing timber. Pulp and paper based products from softwood includes, newsprint, toilet/tissue paper and packaged. Hardwood is used for high quality paper, packaging, some high quality products from longer rotation specially managed plantations and very old plantations of species such as Sugar Gum, and firewood. Hardwood timber from our native forests is sustainably harvested every 60–120 years, giving it time to develop strength and appearance properties. Plantations are generally managed as a farmed crop and harvested on shorter rotations to provide a financial return to investors more quickly. Source: VicForests, *Plantations – complementing Victoria's native forest timber*, <<https://www.vicforests.com.au/static/uploads/files/fs-plantation-web-wfkpsjqlbofi.pdf>> accessed 5 February 2021.

<sup>119</sup> Hon Jaclyn Symes MLC, *Transcript of evidence*, p. 9.

The Minister explained that the new plantations will be developed on a mix of VicForests land and private land with some farm forestry.<sup>120</sup> Responding to a question taken on notice, DJPR stated that:

On 2 October 2020, the Victorian Government has committed \$2 million of the \$110 million Gippsland Plantations Investment Program to VicForests for the development of the Nowa Nowa nursery.

A further \$4.9 million has been allocated for VicForests' establishment and maintenance of Crown land plantings and for the development and delivery of farm forestry.<sup>121</sup>

The 2020–21 Budget introduced a new performance measure to reflect the implementation of the Victorian Forestry Plan.<sup>122</sup> However the performance measure does not provide insight into the new hectares of land that have been or will be planted.

At the public hearings the Committee inquired about how much land had been planted since the announcement of this initiative in 2017–18.<sup>123</sup> DJPR confirmed that no new hectares of land had been planted in 2020–21.<sup>124</sup> The Committee notes that with no activity in plantation recorded in the previous three years, there will not be any matured plantings from the plantation program by 2030 – when the timber industry transitions from native forest harvesting to a plantation based sector. The lack of plantation timber could threaten the timber industry and lead to an increase in timber imports.<sup>125</sup>

**RECOMMENDATION 33:** The Department of Jobs, Precincts and Regions and VicForests ensure the initiatives announced as part of the transition from native forest harvesting to a plantation based sector by 2030 are transparent.

## 7.10 Regional Development: key issues

The Minister for Regional Development is responsible for the Regional Development output, with an output allocation of \$539.9 million in 2020–21.<sup>126</sup> The 2020–21 Budget introduced *Delivering for Rural and Regional Victoria* as a new output initiative with an allocation of \$44.4 million for the budget year and \$80.1 million across the forward estimates.<sup>127</sup>

<sup>120</sup> Ibid.

<sup>121</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, 2020–21 Budget estimates hearing, response to questions on notice, received 13 January 2021, p. 3.

<sup>122</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 282.

<sup>123</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2017–18 service delivery*, Melbourne, 2020, p. 26.

<sup>124</sup> Mr Nathan Lambert, Executive Director, Forestry and Game, Department of Jobs, Precincts and Regions, 2020–21 Budget estimates (Agriculture) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, p. 9.

<sup>125</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Agriculture) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, p. 10–11.

<sup>126</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 180; Department of Treasury and Finance, *Budget Paper No. 3*, p. 255.

<sup>127</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 14.

At the public hearings the Committee discussed the funding arrangements under the *Delivering for Rural and Regional Victoria* including the funds allocated to the Latrobe Valley Authority.

### 7.10.1 Delivering for Rural and Regional Victoria—Latrobe Valley Authority

In 2016 the Victorian Government announced the establishment of new Economic Growth Zone in the Latrobe Valley, as part of a \$266 million package to create local jobs and grow local businesses.<sup>128</sup> The Latrobe Valley Authority (LVA) received \$20 million under this package in 2017–18 to manage the economic transition.<sup>129</sup>

At the public hearing the Committee asked about the funds allocated to the LVA in the 2020–21 Budget. The Minister for Regional Development explained that the LVA will receive funding through the \$124.5 million *Delivering for Rural and Regional Victoria* initiative. Under the initiative the LVA will receive \$13.8 million to staff expenditure and \$13.1 million to programs delivery, totalling \$26.9 million over two years.<sup>130</sup>

Questions were asked by some Committee members about the decline in funds allocated to the LVA.<sup>131</sup> The LVA is a dedicated agency designed to provide support to the region through major transitions—such as the transition from mining and coal fired power generation to other industries, and the transition to zero native timber logging.<sup>132</sup> The Minister explained that:

Latrobe Valley is not excluded from the other budget initiatives that were announced this year—\$8 billion for regional Victoria is record investment; it does not mean that that money cannot go to Latrobe Valley as well.<sup>133</sup>

The Gippsland region in Victoria contributes about 18% towards Regional Victoria's gross value added.<sup>134</sup> The unemployment rate in the Gippsland region rose to 8.3% in 2016, declined to 3.8% in 2019 and has risen again to 5.8% in December 2020 as bushfires in 2019–20 and COVID-19 hindered economic growth in the region.<sup>135</sup>

<sup>128</sup> Regional Development Victoria, *Economic Growth Zone to boost Latrobe Valley business*, 4 November 2016, <<https://www.rdv.vic.gov.au/news/economic-growth-zone-to-boost-latrobe-valley-business>> accessed 15 January 2021.

<sup>129</sup> Department of Premier and Cabinet, 2016–17 Financial and Performance Outcomes hearing, response to questions on notice received 15 February 2018.

<sup>130</sup> Hon Jaclyn Symes MLC, Minister for Regional Development, 2020–21 Budget estimates (Regional Development) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, pp. 5–6.

<sup>131</sup> Mr Richard Riordan MP, Mr Sam Hibbins MP, Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Regional Development) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, pp. 3, 5, 6–7.

<sup>132</sup> Department of Jobs, Regions and Precincts, *Victorian 2019–20 Bushfires Regional Business and Economy Recovery Plan: Gippsland*, Melbourne, 15 July 2020, p. 11.

<sup>133</sup> Hon Jaclyn Symes MLC, Minister for Agriculture, *Transcript of evidence*, p. 6.

<sup>134</sup> Gross Value Added is a measure of the contribution to the Gross Domestic Product made by an individual producer, industry or sector; Department of Jobs, Regions and Precincts, *Victorian 2019–20 Bushfires Regional Business and Economy Recovery Plan: Gippsland*, p. 8.

<sup>135</sup> Australian Government Labour Market Information Portal, *Gippsland: Unemployment Rate, December 2005 - December 2020 (%)*, 28 January 2021, <<https://lmip.gov.au/default.aspx?LMIP/EmploymentRegion/VIC/Gippsland/UnemploymentRateTimeSeries>> accessed 5 February 2021.

The latest community report by LVA suggests that 74% of the of former Hazelwood workforce are currently employed or not looking for work or have retired. In addition workers have been supported to obtain more than 2,000 qualifications, in other areas such as construction and rail, and working at heights and in confined spaces.<sup>136</sup>

DJPR confirmed to the Committee that there has been no employment termination in the current financial year at the LVA and further stated that staff will have ongoing employment beyond 30 June 2021.<sup>137</sup>

**FINDING 111:** The Gippsland region, which the Latrobe Valley Authority (LVA) is situated in, is currently undergoing major transition in industries away from mining coal fired power generation and native logging. The 2020–21 Budget allocates \$124.5 million to the Delivering for Rural and Regional Victoria initiative over four years. Under this initiative the LVA will receive \$26.9 million over two years to support economic transition in the region.

## 7.11 Small Business portfolio: key issues

The Small Business portfolio contributes to the Industry, Innovation and Small Business output. The output received \$507.8 million in 2020–21, one of the new output initiatives was *Small Business: Ready for Growth* with \$12.2 million allocated across four years.<sup>138</sup>

The 2020–21 Budget provides support to small businesses through revenue initiatives such as liquor license renewal fee waivers (\$19.3 million in 2020–21), payroll tax relief (\$327.8 million) and targeted JobKeeper exemption from payroll tax (\$205.3 million).<sup>139</sup>

At the public hearings the Minister for Small Business discussed the Commercial Tenancy Relief Scheme (CTRS). Under the scheme small to medium enterprise commercial tenants with an annual turnover of less than \$50 million participating in the JobKeeper scheme are entitled to rent relief.<sup>140</sup> The scheme was extended until the 31 December 2020.<sup>141</sup> The Minister noted that the 2020–21 Budget also includes a \$60 million Commercial Landlord Hardship Fund, providing grants to small landlords who are experiencing hardship as a result of providing rent relief to tenants during COVID-19.<sup>142</sup>

The Minister further outlined the support provided to the Victorian community by the Victorian Small Business Commission (VSBC). The Minister advised that there were 2,715 eligible disputes that were lodged for mediation as part of the scheme of

<sup>136</sup> Latrobe Valley Authority, *Transitioning to a strong future – November 2016 – November 2019*, Morwell, December 2019, p. 3.

<sup>137</sup> Ms Penelope McKay, Associate Secretary, Department of Jobs, Precincts and Regions, 2020–21 Budget estimates (Regional Development) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, p. 6.

<sup>138</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 83, 255; Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 178.

<sup>139</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 150.

<sup>140</sup> Hon Jaala Pulford MLC, Minister for Small Business, 2020–21 Budget estimates (Small Business) hearing, Melbourne, 3 December 2020, *Transcript of evidence*, p. 3.

<sup>141</sup> Ibid.

<sup>142</sup> Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 89.

which 1,527 (56%) disputes had been finalised.<sup>143</sup> The Minister further highlighted the improved client satisfaction with the VSBC mediation service in 2019–20, reporting a client satisfaction rate of 90.2% compared to the target of 85%.<sup>144</sup>

Notwithstanding the improved client satisfaction, the Committee notes that the targets of performance measures relating to VSBC in 2020–21 remained the same as pre-pandemic levels.<sup>145</sup> Noting that the CTRS has been further extended until 28 March 2021,<sup>146</sup> there is potential for increased demand for the services provided by the Commission upon expiration of the CTRS.

**FINDING 112:** The Commercial Tenancy Relief Scheme has been extended until 28 March 2021. In the 2020–21 Budget the performance targets relating to the Victorian Small Business Commission (VSBC) are the same as previous years and do not reflect the VSBC’s performance in meeting the increased demand during the COVID-19 pandemic.

**RECOMMENDATION 34:** The Department of Jobs, Precincts and Regions update the performance measures target for services provided by the Victorian Small Business Commission during the COVID-19 pandemic to reflect the increased demand for services.

## 7.12 Local Government: key issues

The Minister for the Local Government is responsible for the Local Government and Suburban Development output. The 2020–21 Budget allocated \$178.6 in output funding and includes \$108.7 million in new output initiatives.<sup>147</sup>

Output initiatives under Local Government and Suburban Development include; *Growing Suburbs Fund* (\$75.2 million in 2020–21), *Suburban revitalisation and growth* (\$14.2 million in 2020–21) and *Women Building Surveyors* (\$3.2 million in 2020–21).<sup>148</sup>

Of the \$178.6 million in 2020–21, \$16.1 million is allocated to Suburban Development in 2020–21. This includes funding allocation to initiatives such as *20-minute neighbourhoods* initiative in 2020–21 (\$0.3 million) and *Let’s Stay Connected* fund in 2020–21 (\$0.5 million).<sup>149</sup>

<sup>143</sup> Hon Jaala Pulford MLC, Minister for Small Business, *Transcript of evidence*, p. 3 (Committee calculation).

<sup>144</sup> Ibid; Department of Treasury and Finance, *Budget Paper No. 3*, p. 261.

<sup>145</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 261.

<sup>146</sup> Victorian Small Business Commission, *Further extension to the Commercial Tenancy Relief Scheme*, 22 December 2020, <<https://www.vsbcc.vic.gov.au/news-publication/further-extension-to-the-commercial-tenancy-relief-scheme>> accessed 5 February 2021.

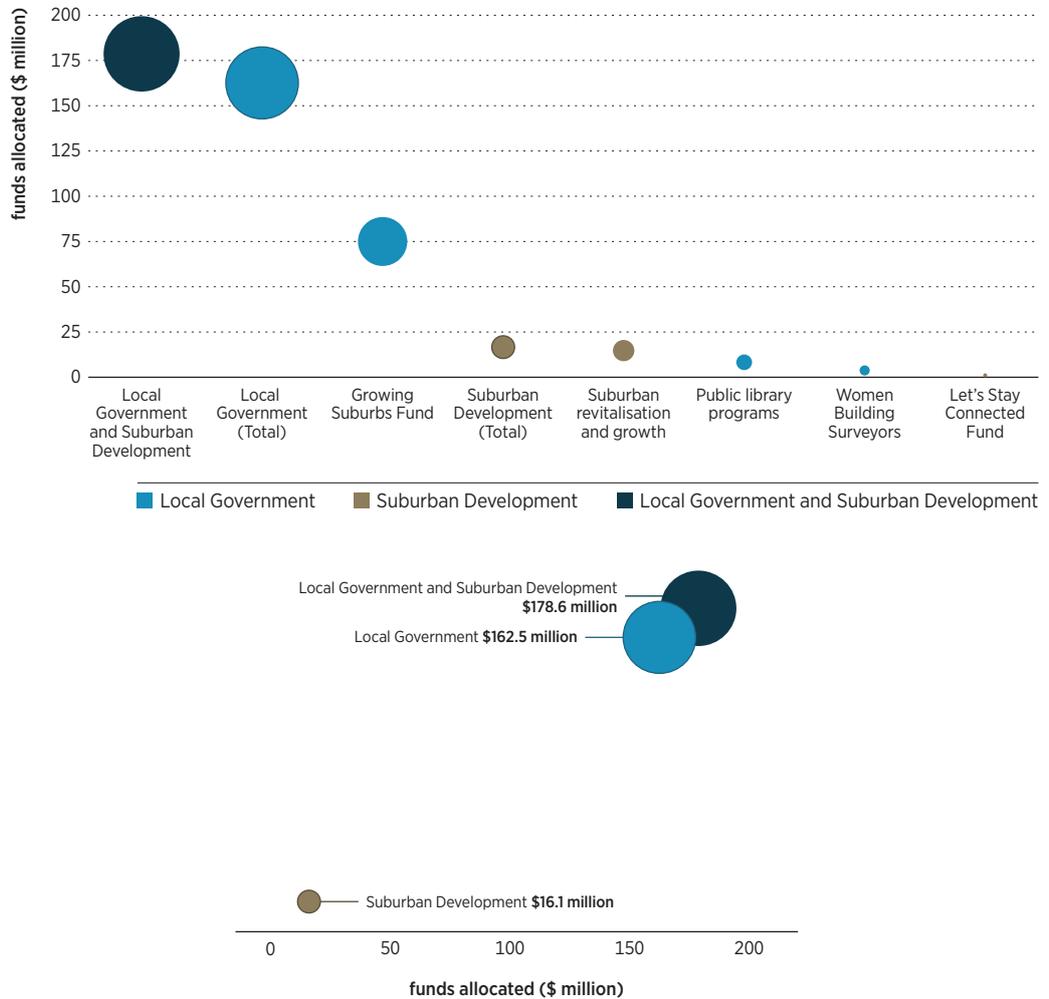
<sup>147</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, p. 167; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 84, 255 (Committee calculation).

<sup>148</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 84.

<sup>149</sup> Mr Simon Phemister, Secretary, Department of Jobs, Precincts and Regions, 2020–21 Budget estimates hearing, response to questions on notice, received 12 January 2021, p. 2.

The fund breakdown between local government and suburban development is illustrated below.

**Figure 7.1** The 2020–21 Budget allocation within Local Government and Suburban Development



Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 225; Mr Simon Phemister, Secretary, Department of Jobs, Precincts and Regions, 2020–21 Budget estimates hearing, response to questions on notice, received 12 January 2021, p. 1.

At the budget estimates hearings the following issues were discussed: the City of Casey Municipal Monitor Report, local government donations reform, mandating of single member wards across councils and potential issues arising from single member wards,<sup>150</sup> and the Victorian Local Government Rating System Review.

<sup>150</sup> A single member ward is a council ward which is represented by one councillor.

## 7.12.1 Victorian Local Government Rating System Review

The 2019–20 Budget allocated \$600,000 to establish and support an independent panel to review Victoria’s local government rating system.<sup>151</sup> The final report was submitted to the Minister for Local Government on 31 March 2020.<sup>152</sup> The review focused on understanding the application of the existing Victorian rating system and determining how to improve its fairness and equity.<sup>153</sup>

The Committee notes that the Government released the final report and its response to the 56 recommendations on 21 December 2020. It showed that the Government supports in full 27 recommendations, seven recommendations are supported in principle, two recommendations are supported in part, and 18 recommendations were not supported. The Government noted that 2 recommendations were not in the Terms of Reference of the review.<sup>154</sup>

**FINDING 113:** The Local Government Rating System Review was released on 31 March 2020 and contained 56 recommendations. The Victorian Government response to the review supported 27 of the recommendations and did not support 18 recommendations.

In its *Report on the 2019–20 Budget Estimates*, the Committee recommended:

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.<sup>155</sup>

In responding to the recommendation, DELWP stated:

The Department of Environment, Land, Water and Planning supports in principle the recommendation to create performance measures relevant to the recommendations accepted by government from the review of Victoria’s local government rating system. Additional measures are being considered for inclusion in the 2020–21 budget.<sup>156</sup>

The Committee notes that the following new performance measures were introduced in the 2020–21 Budget:

- Community meetings held with Metropolitan Partnerships

<sup>151</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, p. 188.

<sup>152</sup> Local Government, *Victorian Local Government Rating System Review*, 30 December 2020, <<https://www.localgovernment.vic.gov.au/council-governance/victorian-local-government-rating-system-review>> accessed 15 January 2021

<sup>153</sup> Engage Victoria, *Local Government Rating System Review: Report for the Ministerial Panel*, Melbourne, March 2020, p. 12.

<sup>154</sup> Victorian Government, *Victorian Government Response to the Local Government Rating System Review Final Report*, Melbourne, 2020, pp. 2–14.

<sup>155</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, p. 189.

<sup>156</sup> Government of Victoria, *Response to the Parliament of Victoria, Public Accounts and Estimates Committee, Report on the 2019–20 Budget Estimates*, 4 August 2020, p. 22.

- Council satisfaction with the communication, support and advice received from Local Government Victoria in relation to the Local Government Performance Reporting Framework.<sup>157</sup>

The Committee notes that the new performance measures introduced in the 2020–21 Budget are not applicable to the changes proposed by the Local Government Rates System. DJPR should consider introducing performance measures to monitor the progress the Government makes in improving the fairness and equity of the council rating system.

The Public Accounts and Estimates Committee's *Report on the 2019–20 Budget Estimates* recommended the Government introduce performance measures incorporating the recommendations accepted by the Government from the Local Government Rating System Review.<sup>158</sup> The Committee notes that the new performance measures introduced in the 2020–21 Budget do not respond to the review's recommendations.

**RECOMMENDATION 35:** The Department of Jobs, Precincts and Regions introduce performance measures to monitor the progress the Government is making in improving the fairness and equity of the council rating system.

## 7.13 Performance measures

DJPR outlined a total of 172 performance measures of which 19 were new performance measures.<sup>159</sup> There were 10 performance measures that were transferred from the Department of Environment, Land, Water and Planning to DJPR relating to the Local Government output and one performance measure transferred from the Department of Health and Human Services relating to medical research.<sup>160</sup>

In 2019–20 there were 145 performance measures<sup>161</sup> and six performance measures from 2019–20 were discontinued in 2020–21.<sup>162</sup> The Committee supports DJPR's rationale for discontinuation of the performance measures outlined in the 2020–21 Budget.<sup>163</sup>

Of the 19 new performance measures introduced, this chapter identified several performance measures that could be introduced to provide more meaningful information on the outcomes achieved.

<sup>157</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 266–267.

<sup>158</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, October 2019, p. 189.

<sup>159</sup> Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 114, 127; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 257–284.

<sup>160</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 257–284.

<sup>161</sup> *Ibid.*, pp. 235–259.

<sup>162</sup> *Ibid.*, p. 416.

<sup>163</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 416–417.

**FINDING 114:** The Department of Jobs, Precincts and Regions introduced 19 new performance measures and six were discontinued from 2019–20. There are several performance measures that could be enhanced to provide more meaningful information on the outcomes achieved.



# 8 Department of Environment, Land, Water and Planning

## 8.1 Overview

The Department of Environment, Land, Water and Planning (DELWP) is responsible for the State's water resources, energy supply, and its natural and built environments. DELWP supports the ministerial portfolios of Energy, Environment and Climate Change, Solar Homes, Water and Planning.

DELWP's objectives focus on achieving the following outcomes:

- net zero greenhouse gas emissions, and a climate-ready economy and community
- a healthy, resilient and biodiverse environment
- reliable, sustainable and affordable energy services
- productive and effective land management
- safe and sustainable water resources
- a safe and quality built environment
- reduced impact of major bushfires and other emergencies on people, property and the environment.<sup>1</sup>

## 8.2 Financial analysis

DELWP has the sixth largest budget of the departments accounting for 4.2% of all 2020–21 output funding.<sup>2</sup>

DELWP allocated \$3.3 billion to fund its outputs in 2020–21 representing a 24.8% increase from the 2019–20 actuals (\$2.7 billion).<sup>3</sup> DELWP's output appropriation was \$2.3 billion, an increase of 13% compared to 2019–20 actuals (\$2 billion).<sup>4</sup> DELWP stated the growth in output appropriation is primarily driven by 'funding received for energy, solar homes, cladding rectification, improving the health of Victoria's waterways and catchments in the face of escalating impacts of climate change and Power saving bonus

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<sup>1</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 184–186.

<sup>2</sup> *Ibid.*, pp. 160–399 (Committee calculation).

<sup>3</sup> *Ibid.*, p. 187.

<sup>4</sup> *Ibid.*, p. 188.

initiatives.<sup>5</sup> Collectively, these initiatives will contribute to a \$522 million increase in DELWP's operating expenses for 2020–21.<sup>6</sup>

The budget papers show DELWP expects to report a deficit of \$349 million in 2020–21 compared to a deficit of \$4 million for the 2019–20 actuals. It attributes this to the drawdown of cash balances from the Sustainability Fund for several initiatives including the delivery of new parklands and trails improving the resilience of Victoria's ecosystems and native species to climate change, and for various waste management projects.<sup>7</sup>

DELWP identified no new savings initiatives for 2020–21 consistent with the Government's decision to revise its approach to efficiency measures and prioritise the economic recovery.<sup>8</sup> However, it advised it was continuing to implement previously announced savings initiatives across various non-frontline areas.<sup>9</sup>

### 8.3 COVID-19 response expenditure

DELWP identified 20 output initiatives in the 2020–21 Budget directly responding to the COVID-19 pandemic.<sup>10</sup> These initiatives collectively account for 62% (approximately \$1.8 billion) of DELWP's total forecast output expenditure across the 2020–21 budget year and forward estimates period.<sup>11</sup>

DELWP advised the COVID-19 initiatives were new programs to be funded mainly from output appropriations with 34% of total forecast expenditure over the next four years occurring in the 2020–21 budget year (\$624.9 million).<sup>12</sup> These initiatives also account for most (60%) of DELWP's \$1 billion budgeted expenditure for output and asset initiatives in 2020–21.<sup>13</sup>

#### 8.3.1 COVID-19 response initiatives announced prior to the 2020–21 Budget

The Government initiated several emergency COVID-19 support initiatives relating to key DELWP portfolios in the period preceding the 2020–21 Budget. These included:

5 Department of Environment, Land, Water and Planning, *Response to the 21020–21 Budget estimates general questionnaire*, received 1 December 2020, p. 24.

6 Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 85.

7 Ibid.

8 Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 67.

9 Department of Environment, Land, Water and Planning, *Response to the 21020–21 Budget estimates general questionnaire*, pp. 71–72.

10 Ibid., pp. 26–31.

11 Ibid.; Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

12 Department of Environment, Land, Water and Planning, *Response to the 21020–21 Budget estimates general questionnaire*, pp. 34–38.

13 Department of Treasury and Finance, *Budget Paper No. 3*, p. 1 (Committee calculation).

- establishing the *Building Victoria's Recovery Taskforce* (the Taskforce) in April 2020 to fast-track projects supporting the State's economic recovery.<sup>14</sup> The taskforce was replaced by the *Development Facilitation Program* in October 2020<sup>15</sup>
- a commitment to improve waterways and coastal areas as part of the \$2.7 billion *Building Works* package announced in May 2020<sup>16</sup>
- a \$3.7 million package for Victorians struggling with energy bills comprising online/ phone and financial counselling support services, and a communications campaign to raise awareness of the assistance available.<sup>17</sup>

The budget papers do not clarify the full cost and source of funding for all of the emergency initiatives announced during this period. Consequently, the Committee could not determine to what extent they were funded from the Treasurer's Advance and/or other sources (e.g. reprioritisation of agency funds).

Notwithstanding this, the Committee noted the State's *2019–20 Annual Financial Report* shows funds derived from the Treasurer's Advance in 2019–20 supported the delivery of some of these initiatives.

### 8.3.2 Initiatives funded from the Treasurer's Advance

DELWP received \$439.9 million from the Treasurer's Advance in 2019–20.<sup>18</sup> Approximately \$16.1 million was for new initiatives in direct response to the COVID-19 crisis including:

- \$8.6 million for development facilitation initiatives supporting the COVID-19 recovery
- \$4.4 million in financial support for portfolio entities
- \$1.8 million in financial support for the Alpine Resort Management Board
- \$1.2 million in financial support for Committees of Management
- \$74,000 in targeted support for Victorians struggling with energy bills accounting for 2% of the \$3.7 million announced in May 2020.<sup>19</sup>

Of the remaining \$423.8 million drawn down from the Treasurer's Advance, approximately \$318.7 million was spent on bushfire response and recovery initiatives and a further \$23 million on fire fighting and preparedness programs. Approximately \$37.9 million was spent on the cladding rectification program, with the remainder spent on various other initiatives unrelated to the COVID-19 response.<sup>20</sup>

<sup>14</sup> Hon Richard Wynne MP, *Building Recovery Taskforce Continues Fast Tracking*, media release, 25 May 2020.

<sup>15</sup> Hon Richard Wynne MP, *More Building Approvals to Drive Our Economic Recovery*, media release, 24 October 2020.

<sup>16</sup> Hon Daniel Andrews MP, *Building Works: More Jobs for Victorians*, media release, 18 May 2020.

<sup>17</sup> Hon Lily D'Ambrosio MP, *Targeted Support For Victorians Struggling With Energy Bills*, media release, 13 May 2020.

<sup>18</sup> Department of Treasury and Finance, *2019–20 Financial Report*, Melbourne, 2020, pp. 163, 166.

<sup>19</sup> Ibid.; Department of Environment, Land, Water and Planning, *Response to the 21020–21 Budget estimates general questionnaire*, pp. 69–70.

<sup>20</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 163.

### 8.3.3 Initiatives funded from other appropriations

In May 2020, the Government announced its \$2.7 billion *Building Works* package included an unspecified amount for initiatives to improve waterways and coastal areas and for revitalisation and maintenance projects.<sup>21</sup> During the public estimates hearings, the Minister for Water stated DELWP received \$50 million from the *Building Works* package for various water projects—\$20 million of which was funded from the Environmental Contribution (EC) Levy.<sup>22</sup>

Although DELWP's response to the Committee's questionnaire shows it allocated \$9.4 million in 2020–21 to five projects from the *Building Works* package, it does not clarify how they relate to the \$50 million investment identified by the Minister for Water, and the balance of related funds to be expended over the forward estimates.

**FINDING 115:** The Department of Environment, Land, Water and Planning identified 20 output initiatives in the 2020–21 Budget directly responding to the COVID-19 pandemic. These initiatives collectively account for 68% (approximately \$1.9 billion) of the department's total forecast output expenditure across the 2020–21 budget year and forward estimates period.

**FINDING 116:** The Government initiated several emergency COVID-19 support initiatives relating to key Department of Environment, Land, Water and Planning portfolios in the period preceding the 2020–21 Budget.

**RECOMMENDATION 36:** The Department of Environment, Land, Water and Planning detail the status and source(s) of funds used to meet the cost of all output and asset COVID-19 response initiatives announced prior to 2020–21 Budget and report on this in its 2020–21 Annual Report.

### 8.3.4 Strategic issues caused by the COVID-19 pandemic

DELWP's response to the Committee's questionnaire outlines the strategic issues guiding the department's COVID-19 management response in 2020–21. They include:

- restoring and reforming essential public services
- delivering COVID-safe bushfire recovery services
- supporting the financial sustainability of portfolio entities impacted by COVID-19.<sup>23</sup>

<sup>21</sup> Hon Daniel Andrews MP, *Building Works: More Jobs for Victorians*, media release, 18 May 2020.

<sup>22</sup> Hon Lisa Neville MP, Minister for Water, 2020–21 Budget estimates (Water) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p.1.

<sup>23</sup> Department of Environment, Land, Water and Planning, *Response to the 21020–21 Budget estimates general questionnaire*, pp. 18–21.

More information on DELWP’s strategic issues can be found in Appendix I.

## 8.4 New capital spend in the 2020–21 Budget

The 2020–21 Budget allocates \$192 million to DELWP capital projects.<sup>24</sup> DELWP advised this includes \$23.8 million for new projects. Around 87% of this is allocated to the following four asset initiatives:

- \$7.7 million for Expanding the Werribee open range zoo in 2020–21
- \$5.6 million for Great Ocean Road management reforms in 2020–21
- \$4.5 million for Safer, better public parks in 2020–21
- \$2.8 million for More solar homes in 2020–21.<sup>25</sup>

A further \$92.2 million is allocated to existing DELWP capital projects with approximately 79% of funds allocated to the following projects in 2020–21:

- \$22.3 million for Creating a ring of new parkland in our growing suburbs
- \$17.8 million for the Historic boost for camping in Victoria’s great outdoors
- \$12 million for Enhancing Victoria’s liveability through improvements to the parks and reserves estate
- \$11 million for Reducing bushfire risk
- \$10 million for the Melbourne strategic assessment.<sup>26</sup>

## 8.5 Energy, Environment and Climate Change portfolio: key issues

The Minister for Energy, Environment and Climate Change is responsible for eight outputs as shown in Table 8.1.

<sup>24</sup> Ibid., p. 133.

<sup>25</sup> Ibid. (Committee calculation).

<sup>26</sup> Ibid.

**Table 8.1** Energy, Environment and Climate Change portfolio—outputs

Output name	Funding in 2020–21 (\$ million)
Climate Change	42.9
Environment and Biodiversity	186.1
Statutory Activities and Environment Protection	272.7
Waste and Recycling	58.3
Energy	337.0
Management of Public Land and Forests	319.2
Parks Victoria	191.7
Fire and Emergency Management	445.1

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 187.

Key issues relevant to the Energy, Environment and Climate Change portfolio identified during the Committee’s 2020–21 budget estimates inquiry are discussed below.

### 8.5.1 Renewable energy initiatives

The Minister for Energy, Environment and Climate Change highlighted that the 2020–21 Budget invests approximately \$1.6 billion to improve energy services and support renewable energy.<sup>27</sup> The funding aims to facilitate the creation of renewable energy hubs, improvements to grid infrastructure, lower greenhouse emissions, and more Solar Homes.<sup>28</sup> The investment includes:

- \$797 million for energy efficiency initiatives designed to assist Victorians reduce their bills and emissions and
- \$540 million to establish six Renewable Energy Zones across Victoria to facilitate new investments supporting regional economic growth and jobs.<sup>29</sup>

At the estimates hearings, the Committee inquired about the Government’s investments in transmission network upgrades supporting the uptake of additional capacity from renewable energy projects. The Minister acknowledged parts of Victoria’s energy system needed to be upgraded to fully leverage the increasing capacity available and expected from emerging renewable energy sources.<sup>30</sup> The Minister stated:

there is \$540 million from our budget ... to ... undertake ... significant works once our discussions with the market operator and AusNet Services are complete. ... we will be

<sup>27</sup> Hon Lily D’Ambrosio MP, *2020–21 Budget estimates hearing presentation: Energy, Environment and Climate Change*, supplementary evidence received 16 December 2020, p. 4.

<sup>28</sup> Hon Daniel Andrews MP, *Making Victoria a Renewable Energy Powerhouse*, media release, 24 November 2020.

<sup>29</sup> Ibid; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 49–57, 60–62.

<sup>30</sup> Hon Lily D’Ambrosio MP, Minister for Energy, Environment and Climate Change, 2020–21 Budget estimates (Energy, Environment and Climate Change) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 5.

moving ... swiftly to ensure ... we ... [can] ... deliver significant upgrades to particular parts of the grid ... to ensure ... there is more than sufficient capacity for ... existing ... [and] ... any new projects...<sup>31</sup>

The investment will assist the State to achieve its target of 50% renewable energy generation in Victoria by 2030.<sup>32</sup> The Minister explained:

There are some [Renewable Energy Zones] that have got capacity to ... take more renewable energy connections, generation and power into their system. Others are very much struggling. So this will really work very quickly to get the best solutions in place and get some of those benefits for Victorians. The biggest beneficiaries of our renewable energy agenda are regional Victorians. That is where a lot of these jobs are going ...<sup>33</sup>

The Committee queried the Minister about the rationale for the investment. The Minister emphasised upgrading Victoria's energy network was vital for unlocking billions of dollars of investment in clean energy initiatives supporting the creation of approximately 24,000 jobs over the next 10 years to 2030.<sup>34</sup>

## 8.5.2 Energy efficiency upgrades for homes

The 2020–21 Budget invests approximately \$447 million over four years in energy efficiency upgrades for low-income households and over 35,000 social housing properties.<sup>35</sup>

The Minister highlighted the potential for energy efficiency to deliver fairness for energy consumers, particularly for vulnerable communities.<sup>36</sup> The Minister stated that the 2020–21 Budget provided the largest such investment ever, by any state government, to the benefit of those most in need.<sup>37</sup> The Committee sought further context from the Minister about the purpose of the funding. The Minister explained:

about \$335 million will go towards a swapping out or a replacement of very costly inefficient heating systems within about 250 000 households, and they will be households that are most in need ... the savings will not just be about the ... the thermal comfort of people in the home, but it will also be about ongoing bill savings—anywhere in the order of \$300 to \$900 each and every year on energy bills.<sup>38</sup>

<sup>31</sup> Ibid., p. 5.

<sup>32</sup> Ibid., p. 17.

<sup>33</sup> Ibid.

<sup>34</sup> Ibid, p. 20.

<sup>35</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 54.

<sup>36</sup> Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change, *Transcript of evidence*, p. 7.

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

When describing the expected benefits from the initiative the Minister noted that, aside from delivering savings to consumers on their energy bills, the Government expected the investment to support around 4,500 jobs—approximately 1,500 of which will be new jobs directly arising from the initiative.<sup>39</sup> The Minister stated:

The multiplier effect of energy efficiency programs is quite significant compared to a lot of other programs. ... The programs ... will also reduce our carbon emissions by about 22 million tonnes over 10 years, and that is the equivalent of taking about 6.8 million cars off the road for an entire year—6.8 million cars is more cars than what exist in Victoria today.<sup>40</sup>

The Committee queried the Minister about how the Government will ensure intended energy efficiency savings would be realised. The Minister outlined the Essential Services Commission's role in measuring and reporting on improvements to energy bills, and the upgrades translating into sustainable efficiencies. These include transitioning to four-star appliances and implementing practical thermal proofing measures such as sealing doors, windows and fridges that are expected to yield ongoing energy savings.<sup>41</sup>

**FINDING 117:** The 2020–21 Budget provides around \$1.6 billion to improve energy services and support renewable energy. The funding aims to facilitate the creation of renewable energy hubs, improvements to grid infrastructure, lower greenhouse emissions, and more Solar Homes. The Government expects the investment will support the creation of approximately 24,000 jobs over the next 10 years to 2030.

## 8.6 Solar Homes portfolio: key issues

The Minister for Solar Homes is responsible for the Solar Homes output (funding in 2020–21: \$424.4 million—a 209% increase from the 2019–20 actuals).<sup>42</sup>

At the estimates hearing, the Minister highlighted the Government's investments in the 2020–21 Budget supporting the expansion and ongoing implementation of the 10-year Solar Homes program. The 2020–21 Budget Papers show the Government is investing a total of \$195.3 million across the forward estimates comprising:

- \$149.4 million over four years to deliver additional rebates to eligible households, including renters, to install solar panels and battery storage systems
- \$45.9 million over three years to expand the scheme by making it available to eligible small businesses to help them reduce energy costs.<sup>43</sup>

<sup>39</sup> Ibid.

<sup>40</sup> Ibid., pp. 7–8.

<sup>41</sup> Ibid., pp. 17–18.

<sup>42</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 187.

<sup>43</sup> Ibid., p. 53.

The Minister informed the Committee about some of the emerging outcomes from the program, noting two-thirds of households supported by the program to-date earned less than \$100,000 per year, with around 31% being in regional Victoria.<sup>44</sup>

The Minister also stated the Government had so far paid out \$217 million for 122,000 rebates approved under the program. This has resulted in the installation of around 110,000 systems collectively producing approximately 646 megawatts of renewable energy.<sup>45</sup>

Key issues relevant to the Solar Homes portfolio identified during the Committee's 2020–21 budget estimates inquiry are discussed below.

### 8.6.1 Expansion of the Solar Homes Program

The Committee queried the Minister during the estimates hearings about the purpose of funding in the 2020–21 Budget expanding the *Solar Homes* program. The Minister stated the program had proven very popular to-date and acknowledged demand, particularly for battery rebates, had outstripped supply in the last 18 months.<sup>46</sup>

The Minister explained:

Our intention was to sort that out and ensure that there were sufficient rebates ... for batteries. So ... there is a big investment in an additional number of rebates ... because we know batteries are ... very popular.<sup>47</sup>

The Minister highlighted that batteries increased flexibility for consumers in how and when they use power generated by their solar panels.<sup>48</sup>

The Committee also inquired about the Government's \$45.9 million investment expanding access to the *Solar Homes* program for small businesses. The Minister recognised the impact COVID-19 had on small businesses and advised the initiative was designed to provide eligible businesses with indirect financial support by reducing utility costs thereby enabling them to reinvest the savings into their business.<sup>49</sup>

The Committee further questioned the Minister about what impact the above-noted expansions to the rebate scheme had on the originally announced \$1.3 billion total cost (over 10 years) of the *Solar Homes* program. The Minister and departmental officials confirmed the program's total budget had not changed and that the 2020–21 Budget initiatives contributed to the \$1.3 billion total investment over 10 years.<sup>50</sup>

<sup>44</sup> Hon Lily D'Ambrosio MP, *2020–21 Budget estimates hearing presentation: Solar Homes*, supplementary evidence received 16 December 2020, p. 5.

<sup>45</sup> Ibid.

<sup>46</sup> Hon Lily D'Ambrosio MP, Minister for Solar Homes, 2020–21 Budget estimates (Solar Homes) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 2.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

<sup>49</sup> Ibid.

<sup>50</sup> Ibid., p. 5.

## 8.6.2 Availability of rebates to Victorian renters

In November 2018, the Government committed to providing an additional 50,000 rebates for solar panels to Victorian renters.<sup>51</sup> At the estimates hearings, the Committee asked the Minister about the status of this initiative and inquired about the number of subsidies provided to-date.

The Minister stated the Government had approved 1,076 applications for rental properties to-date with 810 installations completed. In response to additional queries from the Committee about the rate of progress, the Minister further explained:

we needed to work through how the loan component was going to operate ...

...

the Residential Tenancies Act ... had to be changed to enable ... that. There was therefore not the full opportunity available for those rebates ... That ... caused us to be slower than what we would have wanted to ... But we anticipate that with the bigger and more robust campaigning around this ... the rental side of things is really going to grow significantly.<sup>52</sup>

Solar Victoria informed the Committee the program offering rebates to renters was launched on 1 July 2020 following the passage of the legislation at the end of 2019 with further promotional activity planned for 2021.<sup>53</sup>

**FINDING 118:** The 2020–21 Budget provides \$199.8 million over four years to expand the Solar Homes program and address ongoing demand from eligible households and small businesses. The Government had paid out \$217 million for 122,000 approved rebates at the time of the 2020–21 Budget resulting in the installation of around 110,000 systems.

## 8.7 Water portfolio: key issues

The Minister for Water is responsible for the single output: Effective Water Management and Supply (funding in 2020–21: \$328.8 million).<sup>54</sup>

The 2020–21 Budget invests approximately \$561 million over four years in new initiatives to support a more sustainable, resilient, and secure water sector for Victoria.<sup>55</sup> This includes an 8.8% increase in output funding compared to the 2019–20 Budget.<sup>56</sup>

Key issues relevant to the Water portfolio identified during the Committee's 2020–21 budget estimates inquiry are discussed below.

<sup>51</sup> Hon Daniel Andrews MP, *Renters to Benefit from Labor's Solar Panels Plan*, media release, 8 November 2018.

<sup>52</sup> Hon Lily D'Ambrosio MP, Minister for Solar Homes, *Transcript of evidence*, p. 6.

<sup>53</sup> Mr Stan Krpan, Chief Executive Officer, Solar Victoria, 2020–21 Budget estimates (Solar Homes) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 6.

<sup>54</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 187.

<sup>55</sup> *Ibid.*, pp. 10–20, 49–62.

<sup>56</sup> *Ibid.*, p. 187.

## 8.7.1 Strengthening the health of Victoria's waterways and catchments

The 2020–21 Budget provides approximately \$224 million over four years to improve the health of Victoria's waterways and catchments in response to the escalating impacts of climate change.<sup>57</sup>

The Committee sought further context from the Minister for Water during the estimates hearings about the activities to be funded. The Minister clarified the initiative supports on-ground environmental works and related projects identified by the Gippsland Lakes Coordinating Committee, and improvements to priority waterways and catchments identified within the State's strategic plan *Water for Victoria*.<sup>58</sup> The Minister further explained:

It also funds ... the ... [Victorian Environmental Water Holder] ... and the work ... they do ... [distributing] ... environmental water. It is funding 10 new regional catchment strategies ... developed locally ... involving traditional owners ... and ... the projects... identified ... in those ... areas as well as ... all the monitoring programs ... the CMAs undertake.<sup>59</sup>

In response to a question taken on notice at the estimates hearing, the Minister provided a breakdown of the funding allocated to specific programs under the initiative. This is shown in Table 8.2 below.

**Table 8.2** Proposed breakdown of funding over four years for the 2020–21 Budget initiative 'Improving the health of Victoria's waterways and catchments in the face of the escalating impacts of climate change'.

Program	Funding (\$ million)
<b>Water statutory functions</b> This includes permitting activities and floodplain advice activities of CMAs under the <i>Water Act 1989</i> .	37.00
<b>Waterway on-ground works</b> This includes riparian management activities delivered by CMAs in partnership with landholders such as fencing, revegetation and weed control. It also includes implementation of regional waterway strategies and Flagship Waterway projects.	40.00
<b>Demonstrating waterway outcomes</b> This includes monitoring, evaluation and research activities that provide evidence about the condition of Victoria's waterways and the effectiveness of management interventions. Provides critical information to meet reporting obligations, including for the Murray-Darling Basin Plan.	12.00

<sup>57</sup> Ibid., p. 49.

<sup>58</sup> Hon Lisa Neville MP, Minister for Water, 2020–21 Budget estimates (Water) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 5.

<sup>59</sup> Ibid.

Program	Funding (\$ million)
<b>Environmental water reserve officers, shared benefits and community engagement</b> This includes regional planning, management and engagement for the environmental water reserve in CMAs.	19.68
<b>Environmental water works and measures and water recovery</b> This includes several, small scale infrastructure projects delivered by CMAs that will help improve the outcomes achieved from environmental water delivery.	0.75
<b>Ramsar site management</b> This includes site co-ordination, management activities and monitoring for Victoria's 12 Ramsar sites.	12.18
<b>Integrated catchment management (ICM)</b> This includes renewal of 10 regional catchment strategies and delivery of on-ground ICM projects by CMAs.	21.75
<b>Murray Programs, Investment and Reporting System, Anglesea River management</b> This includes staff and operating costs for Murray Programs, improvements to project reporting and management of the Anglesea estuary.	7.80
<b>Murray-Darling Basin Plan obligations</b> This includes staff in the northern CMAs, monitoring and other projects to meet Victoria's obligations for environmental watering under the Murray-Darling Basin Plan.	7.62
<b>State-wide policy co-ordination and projects</b> This includes DELWP staff and operational funds to deliver critical state-wide policy and projects, including the renewal of the Victorian Waterway Management Strategy and implementation of the new State Environment Protection Policy (Waters).	35.06
<b>Victorian Environmental Water Holder</b> This includes the operations, fees and charges of the VEWH.	30.00
<b>Total</b>	<b>223.84</b>

Source: Hon Lisa Neville MP, Minister for Water, 2020–21 Budget estimates (Water) hearing, response to questions on notice, received 4 February 2021, p. 2.

## 8.7.2 Water security

During the estimates hearing the Committee inquired into how the Government was securing water supplies for Melbourne and the surrounding regions. The Minister noted Melbourne's water storages were at around 75% capacity and stated the desalination plant played a critical role in securing water supplies both for Melbourne and other regions.<sup>60</sup> The Minister highlighted without the desalination plant Melbourne's storage levels would be substantially lower at around 60%, and explained:

Back in the millennium drought we went down 20 per cent in a year, so you can get from 60 to 40 pretty quickly. We do not want to ever be in that position, because that threatens not just economic growth ... but the ability of businesses to have confidence in investing in Melbourne if they do not have water security.<sup>61</sup>

<sup>60</sup> Hon Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 12.

<sup>61</sup> *Ibid.*

The Committee noted the forecast cost of the desalination plant in 2020–21 was \$663 million.<sup>62</sup> The Minister confirmed this included the cost of the Government's 125-gigalitre purchase order for 2020–21 (which was \$76 million).<sup>63</sup>

The Committee inquired about the process used by the Government to determine its purchase order. The section of DELWP responsible for Water and Catchments outlined the various options considered and explained:

In Victoria our approach to desal is to ... build our storages. Unlike some other states where they turn their desal plant on and ... have no storage, our strategy is to ... fill our storages for Melbourne. Given ... there is a connection between different parts of the state for the grid, building ... storage ... gives us more water security ...<sup>64</sup>

The Minister highlighted that the desalination plant played a critical role in securing water supplies for regional areas. The Minister stated that South Gippsland had received more than 2,300 megalitres of water from the desalination plant since 2018 meaning it was now an important water source for that region.<sup>65</sup> The Minister also highlighted the Government's investments in projects to improve integrated water management focused on achieving more effective and efficient use of water and building the available capacity from non-rainfall dependent sources.<sup>66</sup>

**FINDING 119:** The 2020–21 Budget provides approximately \$224 million over four years to improve the health of Victoria's waterways and catchments. The initiative aims to respond to the impacts of climate change by supporting a range of on-ground environmental works and related projects.

**FINDING 120:** The Victorian Desalination plant plays a prominent role in securing the supply of water to Melbourne and regional areas with current Melbourne storage levels of 75% estimated to be 60% in the absence of the plant.

**FINDING 121:** The Government has budgeted \$663 million in 2020–21 to fund the Victorian Desalination plant. This includes the cost of the Government's 125-gigalitre purchase order for 2020–21 (which was \$76 million).

<sup>62</sup> Department of Treasury and Finance, Budget Paper No. 4: 2020–21 statement of finances, Melbourne, 2020, p. 92.

<sup>63</sup> Hon Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 5.

<sup>64</sup> Ms Helen Vaughan, Deputy Secretary, Water and Catchments, 2020–21 Budget estimates (Water) hearing, Melbourne, 16 December 2020, *Transcript of evidence*, p. 6.

<sup>65</sup> Hon Lisa Neville MP, Minister for Water, *Transcript of evidence*, p. 12.

<sup>66</sup> Hon Lisa Neville MP, Minister for Water, 2020–21 Budget estimates hearing presentation: Water, supplementary evidence, received 16 December 2020, p. 4.

## 8.8 Planning portfolio: key issues

The Minister for Planning is responsible for the following outputs:

- Land Use Victoria (funding in 2020–21: \$263.4 million)
- Planning, Building and Heritage (funding in 2020–21: \$450.9 million).<sup>67</sup>

The 2020–21 Budget allocates \$135 million over four years in new initiatives for Victoria's planning system.<sup>68</sup> This includes a 30% increase in total output funding for the portfolio compared to the 2019–20 Budget.<sup>69</sup>

Key issues relevant to the Planning portfolio identified during the Committee's 2020–21 budget estimates inquiry are discussed below.

### 8.8.1 Response to COVID-19

Approximately 85% of new funding for the Planning portfolio in 2020–21 is for initiatives reforming Victoria's planning system, supporting the fast-tracking of projects and Victoria's Big Housing Build in response to COVID-19 (\$111.2 million).<sup>70</sup>

In May 2020, the Minister for Planning announced that the Government had established the *Building Victoria's Recovery Taskforce* (the taskforce) to accelerate shovel-ready priority projects delivering short and long-term jobs. At the time of this announcement the Government had fast tracked more than \$1.2 billion worth of building and development projects to kickstart Victoria's economy.<sup>71</sup>

The taskforce was replaced by the *Development Facilitation Program* (DFP) in October 2020.<sup>72</sup> The Minister established DFP as a 12-month program to speed up the assessment and determination of identified priority projects.<sup>73</sup>

More than \$7.5 billion worth of projects were approved in the period March–October 2020, after the Government identified Victoria's building and construction sector as a key mechanism to revitalise the State's economy.<sup>74</sup>

At the estimates hearings, the Committee sought further context from the Minister about planning system reforms supporting the Government's 'Big Build' projects. The Minister confirmed the reforms were focused on key amendments to planning

<sup>67</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 187.

<sup>68</sup> *Ibid.*, pp. 49–62.

<sup>69</sup> *Ibid.*, p. 187 (Committee calculation).

<sup>70</sup> Department of Environment, Land, Water and Planning, Response to the 2020–21 Budget estimates general questionnaire, p. 28.

<sup>71</sup> Hon Richard Wynne MP, *Building Recovery Taskforce Continues Fast Tracking*, media release, 25 May 2020.

<sup>72</sup> Hon Richard Wynne MP, *More Building Approvals to Drive Our Economic Recovery*, media release, 24 October 2020.

<sup>73</sup> Department of Environment, Land, Water and Planning, *Development Facilitation Program*, 7 December 2020, <<https://www.planning.vic.gov.au/policy-and-strategy/development-facilitation-program>> accessed 2 March 2021.

<sup>74</sup> Hon Richard Wynne MP, *More Building Approvals to Drive Our Economic Recovery*, media release, 24 October 2020.

provisions permitting construction to commence on around 14,500 buildings over the next four years.<sup>75</sup> The Minister explained:

there are two elements ... the [first is the] ... Big Build ... and the second is the changes that we are making in relation to the red tape commissioner.

...

the Big Build ... relates to the capacity for consideration of projects that are 10 units or below. They will be the responsibility of local governments ... For projects ... above that, they will be the responsibility of the state government.

...

the second provision is a permanent change for developments by and on behalf of Homes Victoria. These permit applications will be exempt, and Minister D'Ambrosio will be the planning authority for all the obvious reasons. I cannot be both proponent and decision-maker. Independently those applications will be assessed by the department, and I will have no oversight or knowledge of them, and nor should I because I am the proponent.<sup>76</sup>

The Minister informed the Committee the DFP will run until December 2021.<sup>77</sup>

## 8.8.2 Cladding

Cladding Safety Victoria (CSV) was established to deliver the Government's \$600 million *Private Residential Cladding Rectification Program* prioritising the rectification of the highest risk buildings. CSV has a defined scope for funding eligibility, which includes the requirement for buildings to be three or more storeys.<sup>78</sup>

The Committee noted the 2020–21 Budget Papers show the Victorian Building Authority undertook 373 building audits in 2019–20 to identify non-compliant cladding materials—approximately 22% fewer than the Government's target of 480 building audits.<sup>79</sup> During the estimates hearings, the Committee asked the Minister about the reasons for the lower than expected 2019–20 result. The Minister for Planning explained:

We had to redirect some staff to assist frontline workers in the bushfire recovery work, and we were prevented from attending on-site inspections or meetings due to the COVID limitations ... inspections have now returned, I am pleased to report ... to pre-COVID levels ...<sup>80</sup>

75 Hon Richard Wynne MP, Minister for Planning, 2020–21 Budget estimates (Planning) hearing, Melbourne, 18 December 2020, *Transcript of evidence*, p. 11.

76 Ibid.

77 Ibid., p. 9.

78 Victorian Government, *Find out about Cladding Safety Victoria's Program*, 30 June 2020, <<https://www.vic.gov.au/find-out-about-cladding-safety-victorias-program>> accessed 2 March 2021.

79 Department of Treasury and Finance, *Budget Paper No. 3*, p. 208.

80 Hon Richard Wynne MP, Minister for Planning, *Transcript of evidence*, p. 7.

The Committee requested an update from the Minister on the status of cladding rectification works. The Minister informed the Committee that works had commenced on 70 buildings with detailed plans in place for a further 339 buildings.<sup>81</sup>

In response to a question taken on notice at the estimates hearings, the Minister for Planning informed the Committee that \$36.12 million had been spent on program as at February 2021.<sup>82</sup> The Minister noted this figure was expected to increase substantially in the coming months as rectification works on 200 buildings commenced by the end of the 2020–21 financial year. The Minister stated:

The remainder of the \$600 million committed to this program is expected to be spent over the forward estimates...

For the Government Buildings Cladding Rectification Program, as at the end of November 2020, almost \$17 million has been released to departments to rectify their buildings with 48 buildings having completed cladding rectification works. The remainder of the \$150 million committed to this program is expected to be spent over the forward estimates.<sup>83</sup>

**FINDING 122:** Approximately \$54 million was spent on cladding rectification works across private (\$36 million) and government buildings (\$17 million) as at February 2021. Works had commenced on 70 buildings with detailed plans in place for a further 339 buildings. The Government expects the remainder of the \$600 million committed to cladding rectification works to be spent over the forward estimates.

### 8.8.3 Plan Melbourne

Plan Melbourne is the whole of government strategy to integrate long-term land use, infrastructure, and transport planning to meet the city's future needs. It also provides the strategic framework for responding to the planning challenges associated with the Government's public health response to COVID-19.<sup>84</sup> Plan Melbourne was originally released in 2014 and updated in 2017.

The 2020–21 Budget invests \$3.3 million in 2020–21 to deliver key remaining actions in the Plan Melbourne strategic plan and to coordinate implementation across government.<sup>85</sup> At the estimates hearings, the Committee sought further context from the Minister for Planning about the status of the initiative. The Minister emphasised Plan Melbourne remained the 'road map' guiding Victoria's development through to 2050.

<sup>81</sup> Ibid, p. 9.

<sup>82</sup> Hon Richard Wynne MP, Minister for Planning, 2020–21 Budget estimates (Planning) hearing, response to questions on notice, received 1 February 2021, p. 3.

<sup>83</sup> Ibid.

<sup>84</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 50, 59.

<sup>85</sup> Ibid.

The Minister explained how COVID-19 had affected the underlying assumptions of the strategy:

our economic growth has slowed from above national average increases for the first time in five years. The closure of our international borders has obviously seen a significant slowdown, as I indicated, both of overseas migration and intrastate migration to us. Over the last decade we did experience average annual growth of about 2.1 per cent. This has now decreased significantly and is predicted to be 0.2 for 2020–21 and 0.4 for 2021–22 before we slowly start to recover.<sup>86</sup>

The Minister informed the Committee that the long-term projections in Plan Melbourne were unchanged and Victoria was expected to reach 11.6 million people by 2056.<sup>87</sup>

## 8.9 Performance measures

### 8.9.1 Department wide: analysis of new performance measures

DELWP added 23 new performance measures in the 2020–21 Budget, 11 of which replaced discontinued measures. The Committee identified weaknesses with five of the new measures. Table 8.3 below summarises the issues with these measures by the relevant output.

**Table 8.3** Issues with problematic new performance measures (2020–21)

Output	New performance measure	Issues identified by PAEC
Land Use Victoria	Rapid Land Use Assessments completed (Quantity)	The new measure anchors assessments against the concept of an 'agreed timeframe' which is not defined in the Budget Papers. Such a target also risks masking poor performance as it is not clear if the 'agreed' timeframe reflects the original or a revised timeframe.  The proposed new metric should be amended to adequately reflect the timeliness standard underpinning the target.
Effective Water Management and Supply	Climate research activities commissioned and received that focus specifically on Victoria (Quantity)	The utility of the new measure is limited. It is not clear what this metric is measuring and how reported results are derived.  Consequently, the assessment methodology and related target is not clear.
	Area of active stewardship for catchment health and resilience (Quantity)	The utility of the new measure is limited as it is not clear what it is measuring.  The unit of measurement, source data and calculation methodology for the new measure and related target is not clearly defined in the Budget Papers or in DELWP's response to the Committee's questionnaire.

<sup>86</sup> Hon Richard Wynne MP, Minister for Planning, *Transcript of evidence*, p. 4.

<sup>87</sup> Ibid.

Output	New performance measure	Issues identified by PAEC
Effective Water Management and Supply (continued)	New flood studies underway to ensure communities understand flood risk and to inform investment in flood warning and mitigation measures (Quantity)	The measure does not provide sufficiently comprehensive insights due to its narrow focus on counting the number of flood studies initiated.  Transparency would be improved if the measure was supplemented with a metric counting the number of flood studies completed in order to provide more comprehensive insights into the performance of DELWP's flood management initiatives.
	Environmental watering actions achieved at planned sites (Quantity)	The new measure is insufficient as the basis of measurement is unclear.  The Victorian Environmental Water Holder's (VEWH's) Seasonal Watering Plan 2020–21 identifies planned actions which are used as the basis for target setting. However, the actions are described as 'potential' activities that can be varied or modified by VEWH and its partners. The dynamic nature of these 'planned' activities means the results reported by this metric cannot be reliably assessed in the absence of further information showing the causes and impact of any implemented changes to originally planned activities.  DELWP should revise the proposed new measure to improve its utility and the transparency of the performance standard underpinning the target.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 189–212; Department of Environment, Land, Water and Planning, Response to the 21020–21 Budget estimates general questionnaire, received 1 December 2020, pp. 74–98.

**FINDING 123:** The Department of Environment, Land, Water and Planning added 23 new performance measures in the 2020–21 Budget, 11 of which replaced discontinued measures. There is a risk five of the new performance measures are not sufficiently challenging or transparent.

**RECOMMENDATION 37:** The Department of Environment, Land, Water and Planning reviews and addresses the issues with new performance measures summarised in Table 8.3 of this report.

### 8.9.2 Department wide: analysis of discontinued performance measures

DELWP identified 22 performance measures in Appendix A of the budget papers for discontinuation in the 2020–21 Budget.<sup>88</sup>

The Committee supports the department's rationale in most cases (i.e. for 17 out of the 22 measures) noting the reasons predominantly relate to the completion of programs or introduction of new improved measures rendering the former measures obsolete.

<sup>88</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 408–411.

In five cases, the Committee does not support discontinuation either because the budget papers do not provide sufficient justification for the proposed change, or because of the resulting loss of performance information.

Table 8.4 below shows the affected measures by the relevant budget paper output, and summarises the issues identified by the Committee.

**Table 8.4** Issues with performance measures proposed for discontinuation (2020–21)

Output	Discontinued performance measure	Issues identified by PAEC
Energy	Microgrid projects completed under the Microgrid Demonstration Initiative (including the Latrobe Valley Microgrid program) (Quantity)	<p>The department has not provided a clear rationale to support its claim the 'completion of projects' is "no longer a relevant measure" of this initiative.</p> <p>As at February 2021, the DELWP website showed six projects received funding under the Microgrid Demonstration Initiative with one of these completed in 2019.</p> <p>A key purpose of the awarded funds was to facilitate the delivery of microgrid projects. It is not evident this aim has materially changed.</p> <p>DELWP should consider varying the target or expanding the performance measures for this initiative (where appropriate) to supplement existing measures and to reflect any approved changes to the program.</p>
Effective Water Management and Supply	Sites where works have been undertaken to improve instream health (Quantity)	<p>Discontinuation of this metric could compromise Parliament's ability to evaluate the link between funded output activity (i.e. quantity of funded improvement works undertaken at sites) to the outcomes measured by the existing departmental objective indicator (DOI) 'River reaches/wetlands with maintained or improved condition'.</p> <p>The metric should be retained to enable assessment of the impact of funded outputs on the outcomes measured by the above-noted DOI.</p>
	Environmental works and management services to improve the health and resilience of catchments (Quantity)	<p>See Table 8.3—This 'discontinued performance measure' has been replaced by the new measure <i>Area of active stewardship for catchment health and resilience</i>.</p> <p>The unit of measurement, source data and calculation methodology for the new measure and related target is not clearly defined in the Budget Papers or in DELWP's response to the Committee's questionnaire.</p>

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 189–212; Department of Environment, Land, Water and Planning, Response to the 21020–21 Budget estimates general questionnaire, received 1 December 2020, pp. 74–98.

**FINDING 124:** The Department of Environment, Land, Water and Planning identified 22 performance measures in Appendix A of the budget papers for discontinuation in the 2020–21 Budget. The Committee supports the discontinuation of 19 of these measures but does not support discontinuation of three of these measures. This is because the department did not provide a clear justification, or because it risks reducing the availability and quality of performance information in the budget papers.

**RECOMMENDATION 38:** The Assistant Treasurer, in conjunction with the Department of Environment, Land, Water and Planning, review the three discontinued measures listed in Table 8.4 of this report and consider modifications addressing the issues identified.

# 9 Department of Premier and Cabinet

## 9.1 Overview

The Department of Premier and Cabinet (DPC) supports the ministerial portfolios of the Premier, Aboriginal Affairs, Equality, Government Services, Industrial Relations, Multicultural Affairs, Prevention of Family Violence, Veterans, Women and Youth.<sup>1</sup> Government Services is a new portfolio that inherits a range of outputs from the former Special Minister of State portfolio in addition to new digitisation and Victorian Public Service (VPS) workforce initiatives.<sup>2</sup>

DPC is responsible for pursuing policy and service delivery excellence and reform and leading the public sector response to significant state issues, policy challenges and projects, amongst other roles.<sup>3</sup>

The agency Infrastructure Victoria was moved to DPC following machinery of government changes in 2019–20.<sup>4</sup> The following bodies were added to DPC between 20 March 2019 and 30 April 2020: Breakthrough Victoria, Bushfire Recovery Victoria, Local Government Inspectorate, Respect Victoria and Victorian Independent Remuneration Tribunal.<sup>5</sup>

## 9.2 Financial analysis

In 2020–21 DPC will receive \$746 million to fund its outputs, or 0.9% of total funding to all government output initiatives.<sup>6</sup> This represents an increase of 32.1% compared to the 2019–20 Budget, in which DPC's output funding totalled \$564.7 million.<sup>7</sup> In 2019–20 DPC had a budget of \$654.4 million, however, the 2020–21 Budget recorded DPC's budget allocation for 2019–20 as \$564.7 million because the Public Sector Integrity output was moved from DPC to the Department of Justice and Community Safety.<sup>8</sup>

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1 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 317.

2 Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 109–112.

3 Department of Treasury and Finance, *Budget Paper No. 3*, p. 317.

4 Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 107.

5 *Ibid.*, p. 121.

6 Department of Treasury and Finance, *Budget Paper No. 3*, p. 318 (Committee calculation).

7 *Ibid.* (Committee calculation).

8 *Ibid.*, pp. 158, 311–312, 384.

DPC's budgeted output appropriations will increase from \$610 million in 2019–20 to \$663 million in 2020–21.<sup>9</sup> The Committee notes that DPC's actual output appropriation in 2019–20 was \$688 million, which was 13% above the 2019–20 Budget and 4% above the 2020–21 Budget.<sup>10</sup>

Across the 2019–20 and 2020–21 financial years, DPC received funding for 19 initiatives related to the Government's COVID-19 response.<sup>11</sup> The following five COVID-19 response programs received the largest amount of funds through either Treasurer's Advances or output appropriation:

- COVID-19 Response—Public Health Communications Campaign—\$7.13 million in 2019–20 (Treasurer's Advance) and \$53.25 million in 2020–21.
- Economic Recovery Support for Victoria's Multicultural Communities and Young People—\$30.1 million in 2020–21.
- COVID-19 response—Multicultural and Faith Communities—\$5.18 million in 2019–20 (Treasurer's Advance/Reprioritisation/External Funding) and \$20.4 million in 2020–21.
- Coronavirus Aboriginal Community Response and Recovery Fund—\$10 million in 2020–21.
- Good Friday Appeal—\$8.56 million in 2019–20 (Treasurer's Advance).<sup>12</sup>

New DPC output appropriations will also be put towards programs such as the *Breakthrough Victoria Fund* (\$201 million), *Digital Victoria* (\$30.5 million), and *Multicultural Affairs* (\$20.4 million).<sup>13</sup>

DPC's 2020–21 Budget allocation for special appropriations is \$83 million, up from 2019–20 actuals of \$38 million. DPC explains the 2020–21 Budget increase as 'primarily due to the 2020 local council elections'.<sup>14</sup> The 2019–20 actuals for the following line items (shown in Figure 9.1) were all higher than allocated in the 2019–20 Budget due to a combination of Bushfire Recovery Victoria recovery activities and the COVID-19 recovery response.

9 Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 119.

10 Ibid. (Committee calculation).

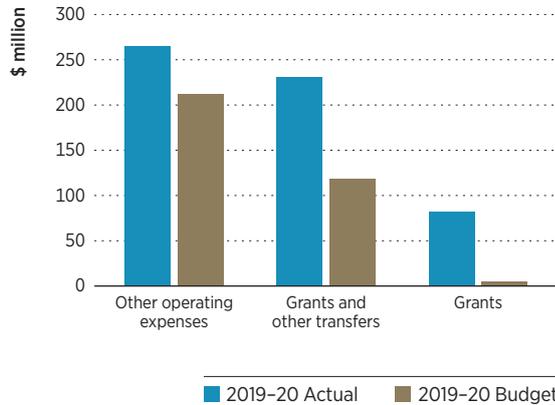
11 Ibid., pp. 23–26.

12 Ibid.

13 Ibid., pp. 28–30.

14 Ibid., p. 22.

**Figure 9.1** Department of Premier and Cabinet, selected line items—2019–20 actual vs 2020–21 Budget



Source: Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 21–22.

DPC’s sale of goods and services is budgeted to increase 104%, from \$71 million in 2019–20 actuals to \$145 million in the 2020–21 Budget. Other operating expenses are expected to increase 23%, from \$265 million in the 2019–20 actuals to \$327 million in the 2020–21 Budget. DPC advised both variances are primarily due to the ‘the machinery of government transfer of Cenitex into DPC’s portfolio from 1 August 2020’.<sup>15</sup>

Regarding capital spending, the 2020–21 Budget allocates \$64.3 million total estimated investment to new DPC projects and \$16.5 million to existing DPC projects, representing approximately 0.1% of the total general government capital program.<sup>16</sup>

### 9.3 COVID-19 response expenditure

A total of 19 output initiatives were announced in 2019–20 and 2020–21 as part of DPC’s COVID-19 response.<sup>17</sup> Eight initiatives totalling \$28.03 million were commenced in 2019–20 through either Treasurer’s Advances, reprioritised or external funding, and 11 additional initiatives were included in the 2020–21 Budget.<sup>18</sup>

<sup>15</sup> Ibid., p. 22 (Committee calculation).

<sup>16</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020 p.102 (Committee calculation).

<sup>17</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 23–26.

<sup>18</sup> Ibid. (Committee calculation).

### 9.3.1 Initiatives funded through Treasurer's Advances

The total funds allocated to DPC through Treasurer's Advances in 2019–20 was \$148.7 million,<sup>19</sup> \$105.9 million of which had been expended as at 30 June 2020.<sup>20</sup> No Treasurer's Advances have thus far been issued to DPC in 2020–21.<sup>21</sup>

The Treasurer's Advances allocated to DPC in 2019–20 were split between seven recurrent programs (\$12 million) and 24 new programs (\$136.7 million).<sup>22</sup> The DPC programs funded through Treasurer's Advances can be divided as follows:

- Six programs contributing to bushfire recovery—totalling \$80.3 million.
- Eight programs contributing to COVID-19 recovery—totalling \$23.5 million.
- 17 programs designated as 'Other'—totalling \$44.9 million.<sup>23</sup>

In the majority of cases DPC documented the reason why the 17 'Other' Treasurer's Advances were requested. However, for several Treasurer's Advances the reasons given to the Committee were vague (Table 9.1).

**Table 9.1** 2019–20 Treasurer's Advances (TA) for DPC categorised as 'Other'

Program funded	Reason given	Funding allocated (\$ million)
Suburban Rail Loop (SRL)	To cover departmental costs incurred relating to the SRL Project.	3.021
Munarra Centre for Regional Excellence	A TA reinstatement, to allow the completion and approval of the project plan.	1.150
Government House—addressing security and workplace requirements	Funding for Government House security staff.	0.3
Victorian Pride Centre	Additional funding provided to complete the Pride Centre.	10
Costs associated with administration changes	Funding for costs associated with administration changes.	1.3

Source: Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 64–69.

<sup>19</sup> The Committee notes that the total of \$148.7 million is derived from summing the initiatives listed in the questionnaire response, but the total given in the questionnaire response is \$147.659 million. Source: Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 69.

<sup>20</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 64–69 (Committee calculation).

<sup>21</sup> *Ibid.*, p. 69.

<sup>22</sup> *Ibid.*, pp. 64–69 (Committee calculation).

<sup>23</sup> *Ibid.* (Committee calculation).

The Committee's questionnaire sought information on why the Treasurer's Advance was needed and what the funding will be used for.

**FINDING 125:** In 2019–20 the Department of Premier and Cabinet received \$148.7 million under Treasurer's Advances. \$23.5 million of the Treasurer's Advances contributed directly to the COVID-19 response and \$80.3 million of Treasurer's Advances was allocated to bushfire recovery.

**RECOMMENDATION 39:** The Department of Premier and Cabinet's 2020–21 Annual Report contain an explanation of any Treasurer's Advances, including a detailed justification for each Treasurer's Advance.

### 9.3.2 2020–21 Budget initiatives—COVID-19 response

The 2020–21 Budget listed fifteen output initiatives that respond to the COVID-19 pandemic.<sup>24</sup> Four of these initiatives had already received funding through Treasurer's Advances in 2019–20.<sup>25</sup> In combination, the 2020–21 output initiatives related to COVID-19 comprised 12% (\$150.7 million) of DPC's total forecast output expenditure across the 2020–21 budget year and over the forward estimates.<sup>26</sup>

The output initiatives funded by the 2020–21 Budget which form part of DPC's ongoing response to the impacts of COVID-19 include:

- Establishment of the Board of Inquiry into Hotel Quarantine—\$5.7 million in 2020–21<sup>27</sup>
- Improved communications and engagement of multicultural communities during the coronavirus (COVID-19) pandemic—4.9 million in 2020–21<sup>28</sup>
- Creating a single digital solution for coronavirus (COVID-19) reporting—\$4.6 million in 2020–21<sup>29</sup>
- Recording visitation for coronavirus (COVID-19) contact tracing purposes—\$2.5 million in output funding in 2020–21, coupled with \$2.9 million in asset funding in the same year. An additional \$1.4 million in output funding in 2021–22 and \$0.6 million in 2022–23. The budget papers state that funding will develop and operate free-to-use digital solutions that help businesses comply with COVID-19 recordkeeping requirements for contact tracing purposes<sup>30</sup>

<sup>24</sup> Department of Premier and Cabinet, Response to the 2020–21 Budget estimates general questionnaire, pp. 23–26.

<sup>25</sup> Ibid.

<sup>26</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 1, 115–116 (Committee calculation).

<sup>27</sup> Ibid., pp. 115, 119.

<sup>28</sup> Ibid., pp. 115, 122.

<sup>29</sup> Ibid., pp. 115, 118.

<sup>30</sup> Ibid., pp. 115, 117, 126.

- Victoria Together—\$4.2 million is provided in 2020–21 for a virtual hub to connect and deliver enhanced online experiences to Victorians during the COVID-19 pandemic. Victoria Together encompasses a range of online content including virtual tours of tourist attractions and cultural experiences, games, music and films.<sup>31</sup>

### 9.3.3 Strategic issues caused by the COVID-19 pandemic

DPC outlined 10 strategic issues that were caused by the COVID-19 pandemic and which influenced the development of the Department’s estimates for the 2020–21 financial year. These top three issues nominated by DPC include ‘Economic recovery—Jobs’, ‘Economic recovery—Industry support’, and ‘Support for vulnerable Victorians over the COVID-19 pandemic’.<sup>32</sup>

More details on DPC’s strategic issues and how DPC addressed these issues can be found in Appendix K.

## 9.4 Premier’s portfolio: key issues

The Premier is responsible for the following three outputs:

- Government-wide Leadership Reform and Implementation (funding in 2020–21: \$154.4 million), responsibility shared with the Minister for Government Services.
- Strategic Advice and Government Support (funding in 2020–21: \$119.2 million), responsibility shared with the Minister for Government Services.
- Advice and Support to the Governor (funding in 2020–21: \$16.7 million).<sup>33</sup>
- Infrastructure Victoria was transferred from the Premier’s portfolio to DTF in 2019–20 following machinery of government changes.<sup>34</sup>

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. Issues discussed at the expenditure hearing regarding the *Jobs Plan* and the *Breakthrough Victoria Fund* are explored in further detail below.

### 9.4.1 Breakthrough Victoria Fund

The *Breakthrough Victoria Fund* is DPC’s largest single output initiative from the 2020–21 Budget. It is also a key contribution towards the *Jobs Plan*, albeit a long-term investment that is intended to pay dividends in coming years. The fund is allocated

<sup>31</sup> Ibid., pp. 115, 117.

<sup>32</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 13–20.

<sup>33</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318; Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 107, 109.

<sup>34</sup> Ibid., p. 107.

\$201 million in 2020–21 and a total \$801 million between 2020–21 and 2023–24.<sup>35</sup> Further, the Budget states ‘additional funding of \$1.2 billion between 2024–25 and 2029–30 brings the total funding for this initiative to \$2.001 billion over 10 years. Phasings will be confirmed once the *Breakthrough Victoria Fund* is established and has finalised its investment plan.’<sup>36</sup>

The budget papers state that the fund is intended to:

- Drive investment in translational research, innovation and commercialisation outcomes to accelerate growth in key industry sectors such as health and life-sciences; agri-food; advanced manufacturing; clean energy and digital technologies.
- Catalyse significant investment from other industry, university and government sources.
- Create a significant number of new jobs over 10 years.
- Support research and development adoption and commercialisation outcomes across Victoria.
- Support projects delivered in partnership with knowledge institutes and industry stakeholders, anchored at key innovation and employment precincts.<sup>37</sup>

The *Breakthrough Victoria Fund* is a long-term initiative that is yet to be established and operationalised. The Premier informed the Committee that ‘the board, the governance, the structure of this, how it will make decisions and the partnerships that we will have with universities across the board and research institutes’ are all yet to be determined and will be announced in the future.<sup>38</sup>

DPC’s response to the Committee’s questionnaire outlined and explained two new performance measures related to the fund:

- Establishment of Breakthrough Victoria and its associated governance arrangements. DPC described this as a ‘critical foundational step in ensuring that an appropriately constituted entity can effectively administer the *Breakthrough Victoria Fund* (over a 10-year period)’.<sup>39</sup>
- Development of a long-term investment plan for the *Breakthrough Victoria Fund*. DPC commented that this is ‘to ensure that future investments from the Breakthrough Victoria Fund are underpinned by strategic long-term planning’.<sup>40</sup>

<sup>35</sup> Ibid., pp. 115, 118.

<sup>36</sup> Ibid., p. 116.

<sup>37</sup> Ibid., p. 118.

<sup>38</sup> Hon Daniel Andrews MP, Premier, *Transcript of evidence*, p. 35.

<sup>39</sup> Department of Premier and Cabinet, Response to the 2020–21 Budget estimates general questionnaire, p. 77.

<sup>40</sup> Ibid.

Both performance measures are expected to be replaced with more detailed measures reflecting the fund's investment strategy when the entity reaches a more mature level of development, which DPC indicated would be prior to the 2021–22 Budget.<sup>41</sup>

**FINDING 126:** The *Breakthrough Victoria Fund* has been allocated \$801 million over the four years to 2023–24 and has a total \$2 billion in earmarked funding over ten years to 2029–30. The Department of Premier and Cabinet (DPC) introduced two new performance measures in the 2020–21 Budget that relate to the establishment of the fund. DPC is expected to update performance measures in the 2021–22 Budget to capture in detail how the fund will operate as a long-term investment vehicle.

## 9.5 Government Services portfolio: key issues

Government Services is a new portfolio created after the 2019–20 Budget.<sup>42</sup> The Minister for Government Services is responsible for the following eight outputs as shown below:

**Table 9.2 Government Service portfolio—outputs**

Output name	Funding in 2020–21 (\$ million)
Government-wide Leadership Reform and Implementation (responsibility shared with the Premier)	154.4
Strategic Advice and Government Support (responsibility shared with the Premier)	119.2
State Electoral Roll and Electoral Events	76.4
Digital Government and Communications	70.9
Office of the Victorian Government Architect	1.2
Management of Victoria's Public Records	17.4
Public Administration Advice and Support	9.7
Chief Parliamentary Counsel Services	6.6

Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 107, 109.

The Office of the Victorian Government Architect output and the Public Administration Advice and Support output have been transferred from the Special Minister of State's portfolio to the Government Services portfolio.<sup>43</sup>

Issues discussed at the estimates hearing regarding digital government are explored in further detail below.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid., p. 109.

<sup>43</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 109.

## 9.5.1 Digital government

The 2020–21 Budget included \$189.2 million over 2020–21 and the forward estimates for a range of digital government and communications initiatives.<sup>44</sup> These output initiatives comprised:

- Cyber Safe Victoria—\$7.5 million in 2020–21 to protect public services from cyber-attacks.
- Digital Victoria—\$30.5 million in 2020–21 and a total of \$156.1 million to 2023–24 to establish the agency Digital Victoria to drive digital transformation across government.
- Service Victoria—\$19.9 million in 2020–21 and a total of \$25.6 million to 2022–23 to continue operations and streamline citizen access to services.<sup>45</sup>

During the public hearing the Committee tried to ascertain what the new Digital Victoria agency would contribute to the Government’s existing range of Information Technology (IT) providers.<sup>46</sup> The Minister for Government Services outlined one of the goals of the new Digital Victoria agency as ‘establishing a single digital presence’.<sup>47</sup>

The goal of establishing a single digital presence is captured in a new DPC performance measure.<sup>48</sup> However, it is not clear what other objectives Digital Victoria is working towards besides the establishment of the agency itself in 2020–21.<sup>49</sup> The Committee notes the related media release stipulates that Digital Victoria will ‘centralise and simplify the Victorian Government’s IT services’, but what the scope of this work is, or how progress will be evaluated is not set out.<sup>50</sup> The performance measure ‘Digital Victoria: Milestones delivered in accordance with agreed budget and timelines’ indicates that \$5 million of the Digital Victoria allocation has been budgeted for establishing the organisation but no further details on estimated staffing or medium-term objectives are given.<sup>51</sup>

**FINDING 127:** The Department of Premier and Cabinet will establish the agency Digital Victoria to centralise and simplify the Victorian Government’s Information Technology services.

<sup>44</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 115–117 (Committee calculation).

<sup>45</sup> Ibid.

<sup>46</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Government Services) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 4.

<sup>47</sup> Hon Danny Pearson MP, Assistant Treasurer, 2020–21 Budget estimates (Government Services) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 5.

<sup>48</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 79.

<sup>49</sup> Ibid.

<sup>50</sup> Hon Daniel Andrews MP, *Digital revolution making life easier for Victorians*, media release, 24 November 2020.

<sup>51</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 79.

**RECOMMENDATION 40:** Ahead of the 2021–22 Budget, the Department of Premier and Cabinet formulate additional performance measures that capture the scope of activities Digital Victoria will undertake once established.

In addition to this initiative, the Budget included the initiative *Transforming the Victorian Public Service Through Data-Driven Insights* (\$24 million over four years) and *Behavioural Insights Victoria* (\$1.5 million in 2020–21).<sup>52</sup> These programs continue the work of the Victorian Centre for Data Insights and Behavioural Insights Victoria, respectively.<sup>53</sup>

The Behavioural Insights Unit ‘provides analysis and advisory support to government departments and agencies. This includes the delivery of behavioural analysis advice as part of the Government’s coronavirus (COVID-19) pandemic response.’<sup>54</sup> The new performance measure relating to this output initiative is the ‘number of projects and advisory support provided to departments facilitated by the Behavioural Insights Unit’.<sup>55</sup>

The Victorian Centre for Data Insights (VCDI) is responsible for improving ‘data use, management and analytics across the Victorian Public Service’ and use data to ‘generate insights in support of Victoria’s coronavirus (COVID-19) response and recovery efforts.’<sup>56</sup> The VCDI’s functions are paired with two new performance measures:

- Number of data sharing arrangements enabled by the Victorian Centre for Data Insights.
- VCDI Satisfaction Rating.<sup>57</sup>

VCDI’s Satisfaction Rating is yet to be designed in detail but will consist of an annual survey that seeks to determine how likely customers would be to recommend VCDI’s services.<sup>58</sup> The Committee supports this performance measure but notes that a satisfaction rating has not been proposed for the Behavioural Insights Unit.

**FINDING 128:** The Behavioural Insights Unit does not have a performance measure relating to client satisfaction.

**RECOMMENDATION 41:** Ahead of the 2021–22 Budget, the Department of Premier and Cabinet consider the addition of client satisfaction performance measures for entities such as the Behavioural Insights Unit that primarily deliver client services.

<sup>52</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 115–117 (Committee calculation).

<sup>53</sup> Ibid.

<sup>54</sup> Ibid., p. 117.

<sup>55</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 74.

<sup>56</sup> Ibid., p. 120.

<sup>57</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 75.

<sup>58</sup> Ibid.

## 9.6 Multicultural Affairs portfolio: key issues

The Minister for Multicultural Affairs has responsibility for one output: Multicultural Affairs Policy and Programs (funding in 2020–21: \$90.6 million).<sup>59</sup> Funding for Multicultural Affairs Policy and Programs increased 53% (\$31.4 million) in 2020–21 compared to the 2019–20 Budget allocation.<sup>60</sup>

### 9.6.1 COVID-19 support programs

The impact of COVID-19 was the primary issue discussed by the Minister for Multicultural Affairs, who stated that:

the government has committed \$25.6 million [across two years] to support Victoria's multicultural communities to get to the other side of the pandemic. This commitment has supported activities including partnerships with 162 organisations to support communities during the pandemic through the provision of emergency relief to more than 60,000 individuals and 8,000 households and funding to almost 900 multicultural seniors organisations.<sup>61</sup>

To coordinate this funding, DPC established a Culturally And Linguistically Diverse (CALD) Communities Taskforce.<sup>62</sup> The Minister's presentation listed the key achievements of the Taskforce since August 2020 as:

- \$5.4 million to 162 multicultural organisations to support their communities during the pandemic through emergency relief to 63,488 individuals and/or 8,201 families or households.
- Delivering targeted communications to the 1.5 million Victorians who speak a language other than English.
- Financial support and Public Liability Insurance to nearly 900 multicultural seniors' organisations.<sup>63</sup>

The 2020–21 budget papers show that the Multicultural Affairs portfolio has updated three of its six performance measures for the period beginning 2020–21.<sup>64</sup> Table 9.3 summarises performance against the previous set of measures for the period ending 30 June 2020.<sup>65</sup> This data indicates that DPC outperformed its consultation and partnership targets but underperformed its target of providing grant funding to regional/rural organisations.

<sup>59</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318; Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 116.

<sup>60</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318 (Committee calculation).

<sup>61</sup> Hon Ros Spence MP, Minister for Multicultural Affairs, 2020–21 Budget estimates (Multicultural Affairs) hearing, Melbourne, 3 December 2020, *Transcript of evidence*, p. 1.

<sup>62</sup> Hon Ros Spence MP, *2020–21 Budget estimates hearing presentation: Minister of Multicultural Affairs*, supplementary evidence, received 3 December, 2020, p. 5.

<sup>63</sup> Ibid.

<sup>64</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 327–328.

<sup>65</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 6–7.

**Table 9.3 Multicultural Affairs Policy and Programs—2019–20 performance measures**

2019–20 performance measure	2020–21 revised performance measure	2019–20 target	2019–20 actual	2020–21 target
Consultations with culturally and linguistically diverse (CALD) communities	Consultations with communities on issues relevant to culturally and linguistically diverse (CALD) communities	90	128	100
Number of strategic and research partnerships that support portfolio outcomes	Number of projects delivered in partnerships with CALD communities	30	38	30
Victorian population engaged by multicultural and social cohesion initiatives	Community participation in multicultural events (attendance at multicultural affairs events)	67%	N/A <sup>a</sup>	650,000
Attendance at Cultural Diversity Week flagship event, Victoria's Multicultural Festival	Unchanged	55,000	N/A <sup>b</sup>	55,000
Proportion of approved grant funding provided to organisations in regional/rural areas	Unchanged	20	13	20
Total output cost (\$ million)	Unchanged	59.7	59.2	90.6

a. DPC explanation for non-measurement: 'Measure relates to a previously funded initiative that is no longer running'. Instead a new performance measure is introduced a new performance measure to measure the community participation.

b. Festival cancelled due to COVID-19 restrictions.

Source: Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 6–8; Department of Treasury and Finance, *Budget Paper No. 3*, pp. 327–328.

## 9.7 Industrial Relations portfolio: key issues

The Minister for Industrial Relations has responsibility for one output: Industrial Relations (funding in 2020–21: \$20.7 million).<sup>66</sup> Funding for Industrial Relations outputs increased 29% (\$4.7 million) in 2020–21 compared to the 2019–20 budget allocation.<sup>67</sup> Three output initiatives relating to Industrial Relations were included in the 2020–21 Budget:

- Building Positive Public Sector Industrial Relations—\$1.5 million in 2020–21 for the continued operations of the Public Sector Industrial Relations Unit, a centralised negotiator of enterprise agreements.
- New Laws to Criminalise Wage Theft—\$5.4 million in output funding and \$3 million in asset funding in 2020–21, followed by \$8.1 million output funding in 2021–22 to establish Wage Inspectorate Victoria as a statutory authority with powers to investigate wage theft offences and prosecute in a summary jurisdiction, as legislated under the *Wage Theft Act 2020*.

<sup>66</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318; Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 113.

<sup>67</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318 (Committee calculation).

- Women in Construction—\$1.8 million in 2020–21, \$1.6 million in 2021–22 and \$1.6 million in 2022–23.<sup>68</sup>

### 9.7.1 Wage Inspectorate Victoria

From 1 July 2021 Wage Inspectorate Victoria will be responsible for enforcing the *Wage Theft Act 2020*, an expanded remit funded by the *New Laws to Criminalise Wage Theft* output initiative.<sup>69</sup> The Minister for Industrial Relations described the scope and purpose of this new legislation during the public hearings:

Victoria became the first state in the country to pass the laws establishing criminal penalties for employers who deliberately underpay or do not pay their workers. So far too long I think we have heard these stories, and perhaps if anything the pandemic has demonstrated some of the weaknesses in our community. One of the greatest weaknesses is the exploitation of insecure workers, and as a government we believe that everybody deserves the dignity of a job that is paid in accordance with the law, and we do not support the idea of workers being effectively ripped off in their employment.<sup>70</sup>

The Minister explained that to counter this phenomenon, the Wage Theft Act establishes new criminal offences that target employers who deliberately withhold wages and other employee entitlements.<sup>71</sup> Describing how the Wage Inspectorate will operate, the Minister said:

The inspectorate will be led by a commissioner who will have the power to appoint specific wage theft inspectors. In addition to that enforcement and prosecution function and powers, the inspectorate will have information and evidence-gathering powers that will be a necessary and a key function of their responsibilities...<sup>72</sup>

**FINDING 129:** Wage Inspectorate Victoria received \$13.5 million in output funding in the 2020–21 Budget to support the enforcement of the *Wage Theft Act 2020*. Under the legislation the Inspectorate will have broad powers to inspect, penalise and bring criminal proceedings against employers found to be dishonestly withholding wages, superannuation or other employee entitlements.

<sup>68</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 115, 120, 126; Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 29.

<sup>69</sup> Hon Tim Pallas MP, Minister for Industrial Relations, 2020–21 Budget estimates (Industrial Relations) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 1.

<sup>70</sup> *Ibid.*, p. 2.

<sup>71</sup> *Ibid.*

<sup>72</sup> *Ibid.*, pp. 2–3.

## 9.8 Aboriginal Affairs portfolio: key issues

The Minister for Aboriginal Affairs has responsibility for one output: Aboriginal policy, strengthening Aboriginal cultural heritage and communities.<sup>73</sup> While the portfolio resides within DPC, Aboriginal Affairs output initiatives are treated at a whole of government level as these initiatives contribute to a variety of outputs in different departments.<sup>74</sup>

In 2020–21 the total new output initiatives under the Aboriginal Affairs is \$105.7 million, with a further output allocation over the forward estimates of \$114 million.<sup>75</sup>

The five largest output initiatives announced in the 2020–21 Budget related to Aboriginal Affairs are presented in Table 9.4, along with the responsible department and output.

**Table 9.4** Aboriginal Affairs—top five output initiatives

Program	Allocation			Department	Output
	2020-21 (\$ million)	2021-22 (\$ million)	2022-23 (\$ million)		
Service delivery fund for Aboriginal Community Controlled Organisations and Aboriginal Community Controlled Health Organisations	20.0	20.0	-	Whole of government initiatives	
Support to progress agreements under the <i>Traditional Owner Settlement Act 2010</i>	25.1	-	-	Department of Justice and Community Safety	Justice Policy, Services and Law Reform
Support for Victoria's Aboriginal community during the coronavirus (COVID-19) response and recovery phase	22.6	-	-	Department of Health and Human Services	Community Health Care and Housing Assistance
Delivering Treaty for Victoria	3.0	8.6	8.6	Department of Premier and Cabinet	Strengthening Aboriginal Cultural Heritage and Communities
Enabling economic recovery and development through Traditional Owners' Corporations	6.9	13.3	-	Department of Justice and Community Safety	Justice Policy, Services and Law Reform

Source: Department of Treasury and Finance, *Budget Paper No. 3*, pp. 10–13.

<sup>73</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 114.

<sup>74</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 10–13.

<sup>75</sup> *Ibid.*, p. 10.

### 9.8.1 Victoria's Aboriginal community and the COVID-19 response

In combination with the Department of Health and Human Services, DPC provided \$22.6 million in 2020–21:

to deliver immediate support to Victorian Aboriginal communities during the coronavirus (COVID-19) pandemic and support critical recovery efforts. This package of supports includes Aboriginal-led culturally safe responses across the Health, Human Services and Aboriginal Affairs portfolios, and establishment of the \$10 million Coronavirus Aboriginal Community Response and Recovery Fund.<sup>76</sup>

The Committee notes that the 2020–21 Budget provides funding to address the long-term recovery of Aboriginal communities.

However, the Aboriginal Affairs output initiatives do not include funding for a disaster management plan tailored to Victorian Aboriginal people. Nor is funding provided in the 2020–21 Budget to expand the range of essential service areas integrated into Victoria's disaster response framework.

DPC has introduced a new performance measure to deliver a public report on government outcomes for Aboriginal Victorians to be tabled in Parliament. This measure relates to the Victorian Government Aboriginal Affairs Report (VGAAR), which is a commitment under the Victorian Aboriginal Affairs Framework 2018–2023 (VAAF). VGAAR tracks Government's commitment to improving outcomes for Aboriginal Victorians as measured against the VAAF.<sup>77</sup> The Committee notes, however, that the State Government has yet to deliver its annual VGAAR.<sup>78</sup> The 2020 VGAAR will provide additional visibility of the impact the COVID-19 pandemic has had on the Government's commitment to improving outcomes for Aboriginal Victorians.

The Committee also notes that the 2020–21 Budget provides funding to address rates of Aboriginal incarceration. Specifically, the 2020–21 Budget includes \$11.8 million over four years to 'establish and expand programs and supports to help reduce the over-representation of Aboriginal children and young people in the youth justice system'.<sup>79</sup>

**FINDING 130:** The whole of government output funding for Aboriginal Affairs includes \$22.6 million in 2020–21 to support Victoria's Aboriginal community during the COVID-19 response and recovery phase. A further \$40 million is allocated to support service delivery by Aboriginal Community Controlled Organisations and \$20.2 million to support economic recovery via Traditional Owners' Corporations.

<sup>76</sup> Ibid., pp. 10, 13.

<sup>77</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 81.

<sup>78</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 81; Department of Treasury and Finance, *Budget Paper No. 3*, p. 325.

<sup>79</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 10.

## 9.9 Women's portfolio: key issues

The Minister for Women has responsibility for one output: Women's Policy (funding in 2020–21: \$33.8 million).<sup>80</sup>

The 2020–21 Budget included three output initiatives:

- Family violence prevention and early intervention with culturally and linguistically diverse communities—\$2 million in 2020–21 and \$9.7 million in total over four years.
- Gender Equality Programs—\$3.9 million in 2020–21 and \$16.9 million in total to continue to promote gender equality in Victoria.
- Implementation of the *Gender Equality Act 2020*—\$2.4 million in 2020–21 and \$11.2 million in total to establish the Commission for Gender Equality in the Public Sector.<sup>81</sup>

### 9.9.1 Implementation of the *Gender Equality Act 2020*

The *Gender Equality Act 2020* was developed out of the gender equality strategy *Safe and Strong*.<sup>82</sup> The *Gender Equality Act 2020*:

- Requires the Victorian public sector, local councils and universities to take positive action towards achieving workplace gender equality
- Requires these organisations to consider and promote gender equality in their policies, programs and services
- Establishes the Public Sector Gender Equality Commissioner to provide education, support implementation and enforce compliance.<sup>83</sup>

During the hearing the Minister noted that the *Act* applies to 'over 300 Victorian public sector organisations, universities and local councils with 50 or more employees'.<sup>84</sup>

The Minister added:

There is currently a 10 per cent gender pay gap across the Victorian public sector. Like the gender pay gap anywhere, this is driven by a number of factors including unequal workforce participation, discrimination and occupational and industrial segregation.<sup>85</sup>

<sup>80</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 119; Department of Treasury and Finance, *Budget Paper No. 3*, p. 318.

<sup>81</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 116, 124–125.

<sup>82</sup> Hon Gabrielle Williams MP, Minister for Women, 2020–21 Budget estimates (Women) hearing, Melbourne, 27 November 2020, *Transcript of evidence*, pp. 1–2.

<sup>83</sup> Commission for Gender Equality in the Public Sector, *About the Gender Equality Act 2020*, 2020, <<https://www.genderequalitycommission.vic.gov.au/about-gender-equality-act-2020>> accessed 23 February 2020.

<sup>84</sup> Hon Gabrielle Williams MP, Minister for Women, *Transcript of evidence*, p. 2.

<sup>85</sup> *Ibid.*, p. 4.

The Committee queried how far advanced the drafting of regulations relating to the *Act* had progressed,<sup>86</sup> to which the Minister responded:

Essentially what we will be setting up first is a process where the commissioner and her team work with those entities to set the baseline, so the outcomes [come] into operation in March [2021] and the first gender equality action plan is due in October. In that 12 months the work will really be towards setting that baseline—seeing what data is available and what needs to be done to collect that data ... The regulations will then be designed over that time, working with the entities and noting of course that across the 300-odd entities across the public sector the starting points are very different.<sup>87</sup>

DPC has added a new performance measure in the 2020–21 Budget, requiring the department to supply all relevant entities with ‘tools, resources and guidelines’ in order to ‘support them to meet their obligations under the Gender Equality Act 2020 (Act)’.<sup>88</sup>

**FINDING 131:** The Department of Premier and Cabinet is currently working with over 300 public sector entities to devise tailored gender equality action plans by October 2021.

## 9.10 Equality portfolio: key issues

The Minister for Equality has responsibility for one output: LGBTIQ+ equality policy and programs (funding in 2020–21: \$7.6 million).<sup>89</sup> During the public hearing the Minister for Equality described the investments designed to assist LGBTIQ+ Victorian communities in recovering from the COVID-19 pandemic.<sup>90</sup> To this end, the 2020–21 Budget contains two output initiatives:

- LGBTIQ+ Grants Program—\$1 million in 2020–21
- LGBTIQ+ Sector Economic Recovery Grants Program—\$2 million in 2020–21.<sup>91</sup>

The Minister informed the Committee that:

Since April of this year we have funded some nine initiatives delivered by well-established and trusted LGBTIQ+ organisations to target the particular needs of these communities that have arisen over this time that were not being addressed elsewhere.<sup>92</sup>

<sup>86</sup> Mr Sam Hibbins MP, 2020–21 Budget estimates (Women) hearing, Melbourne, 27 November 2020, *Transcript of evidence*, p. 5.

<sup>87</sup> Hon Gabrielle Williams MP, Minister for Women, *Transcript of evidence*, p. 5.

<sup>88</sup> Department of Premier and Cabinet, Response to the 2020–21 Budget estimates general questionnaire, p. 89.

<sup>89</sup> Department of Premier and Cabinet, Response to the 2020–21 Budget estimates general questionnaire, p. 117; Department of Treasury and Finance, *Budget Paper No. 3*, p. 318.

<sup>90</sup> Hon Martin Foley MP, Minister for Equality, 2020–21 Budget estimates (Equality) hearing, Melbourne, 4 December 2020, *Transcript of evidence*, p. 1.

<sup>91</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 115.

<sup>92</sup> Hon Martin Foley MP, Minister for Equality, *Transcript of evidence*, p. 1.

Regarding the *LGBTIQ+ Sector Recovery Grants Program*, DPC informed the Committee that seven organisations have been funded as at 30 June 2020, with a total expenditure of \$0.6 million.<sup>93</sup> These funds have been spent to provide counselling, expanded volunteer networks, emergency financial assistance and online health resources, among other things, to LGBTIQ+ Victorians.<sup>94</sup>

### 9.10.1 Victorian Pride Centre

In terms of overall output funding, in 2020–21 LGBTIQ+ equality and policy programs decreased by 22.4% on 2019–20 budget allocations (from \$9.8 million in 2019–20 Budget down to \$7.6 million in 2020–21 Budget).<sup>95</sup> However, the 2020–21 Budget included a Treasurer’s Advance of \$1.58 million for *Youth and LGBTIQ+ equality policy and programs*, as well as a Treasurer’s Advance of \$10 million to provide additional funding to complete the Victorian Pride Centre.<sup>96</sup> These Treasurer’s Advances contributed to a 2019–20 actual expenditure for LGBTIQ+ equality and policy programs of \$18.2 million, almost double the budget allocation.<sup>97</sup>

During the public hearing, the Committee requested further details about the \$10 million additional funding for the Victorian Pride Centre, which was initially funded for \$15 million and has almost doubled in cost to the Government.<sup>98</sup> The Minister responded:

the proposition from the initiative of the Pride Centre ... was always to seek other partners, and there was a strong expectation, not unreasonable in the circumstances given the conversations that had happened with the commonwealth, that the commonwealth would contribute to that outcome. Despite numerous conversations with representatives of the commonwealth, that support from the commonwealth was not forthcoming ... In addition we have also seen the fact that like many other building projects the impact of the pandemic and COVID social-distancing arrangements and other factors have further added to those costs.<sup>99</sup>

**FINDING 132:** The cost of the Victorian Pride Centre to the State Government has increased from an allocated \$15 million in 2016–17 to \$25 million in 2020–21. This cost increase was not due to a change in the project scope but rather a shortfall in expected funding co-contributions from the Commonwealth coupled with work delays created by the COVID-19 pandemic.

<sup>93</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, p. 57.

<sup>94</sup> *Ibid.*, pp. 57–58.

<sup>95</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318.

<sup>96</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 65–66.

<sup>97</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 318.

<sup>98</sup> Mr Richard Riordan MP, Public Accounts and Estimates Committee, 2020–21 Budget estimates (Equality) hearing, Melbourne, 4 December 2020, *Transcript of evidence*, p. 3.

<sup>99</sup> Hon Martin Foley MP, Minister for Equality, *Transcript of evidence*, p. 4.

## 9.11 Performance measures

DPC added 35 new performance measures in the 2020–21 Budget.<sup>100</sup> A range of performance measures have already been discussed in parallel with the appropriate portfolio. Based on this prior analysis, the Committee notes:

- The two Breakthrough Victoria Fund performance measures reflect the developmental state of the Fund and will be updated for the 2021–22 Budget
- The two Digital Victoria performance measures do not fully capture the announced scope of the new entity
- The Behavioural Insights Unit lacks a measure to capture client satisfaction
- The 2020–21 public report on government outcomes for Aboriginal Victorians (VGAAR) is yet to be tabled in Parliament.

Table 9.5 lists the remaining new performance measures with which the Committee identified issues:

**Table 9.5 New performance measures (2020–21)**

Output	New performance measure	Issues identified by PAEC
Strong policy outcomes	Percentage of Victorian Public Sector (VPS) jobs advertised through the Jobs and Skills Exchange	Including a metric for percentage of VPS jobs successfully filled through the Jobs and Skills Exchange (JSE) would better capture the effectiveness of the JSE at enhancing workforce mobility.
	Government entities reporting cyber maturity	Measuring the cyber maturity reported by government entities as opposed to just the number of government entities completing a cyber maturity assessment would provide the Committee with a better understanding of the Government's overall cyber resilience. <sup>a</sup>
Engaged citizens	Delivery of a public report (the annual Victorian Government Aboriginal Affairs Report (VGAAR) on government outcomes for Aboriginal Victorians to be tabled in Parliament	Pairing this measure with a measure for delivery of a Government response to the VGAAR's identified areas for improvement would incentivise a positive feedback loop between data reported and policy action taken.
	Number of community leaders completing the LGBTIQ+ Leadership Program	Pairing this measure with an aggregate measure of feedback surveys would enable the Committee to gauge the perceived value of the Program to participants.

a. Cyber maturity is used as a shorthand for the ability of government entities to resist cyber-attack. DPC cited the Australian Signals Directorate's Essential Eight Maturity model as the basis of its cyber maturity assessments. Source: Australian Signals Directorate, Essential Eight Maturity Model, 2020, <<https://www.cyber.gov.au/acsc/view-all-content/publications/essential-eight-maturity-model>> accessed 23 February 2021.

Source: Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 74–92.

<sup>100</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 74–92.

In addition to these new measures, DPC modified three existing measures. The reasoning behind these modifications was either changing data or updating relevant time periods.<sup>101</sup>

The Committee notes that none of the new performance measures or modifications to existing measures relate to the COVID-19 recovery programs.<sup>102</sup>

**FINDING 133:** The Department of Premier and Cabinet added 35 new performance measures in the 2020–21 Budget and modified three measures. Twenty-eight of the measures improved the quality of performance information provided, while 7 would benefit from additional information capture. None of these measures relate to the department's COVID-19 expenditure initiatives.

**RECOMMENDATION 42:** Ahead of the 2021–22 Budget, the Department of Premier and Cabinet consider formulating performance measures and targets for its COVID-19 recovery initiatives.

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<sup>101</sup> Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 93–94.

<sup>102</sup> *Ibid.* pp. 74–92.

# 10 Court Services Victoria

## 10.1 Overview

Court Services Victoria (CSV) is an independent statutory body that provides services and facilities to the:

- Supreme Court of Victoria
- County Court of Victoria
- Magistrates' Court of Victoria
- Children's Court of Victoria
- Coroner's Court of Victoria
- Victorian Civil and Administrative Tribunal (VCAT)
- Judicial College of Victoria and
- Judicial Commission of Victoria.<sup>1</sup>

CSV's functions are to arrange or deliver administrative services and facilities to support the performance of the judicial, quasi-judicial and administrative functions of the courts, VCAT, College and Commission.<sup>2</sup> CSV serves the Victorian community through efficient and effective delivery of court and tribunal services.<sup>3</sup>

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.<sup>4</sup>

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1 Court Services Victoria, *Annual Report 2018–19*, Melbourne, 2019, p. 7.

2 Ibid.

3 Ibid., p. 8.

4 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 Service delivery*, Melbourne, 2020, p. 398.

## 10.2 Financial analysis

In 2020–21 CSV has the eighth largest budget of a total of 10 departments. This represents 0.9% of output funding to all departments.<sup>5</sup>

In 2020–21 CSV is allocated \$722.7 million to fund its outputs, representing an increase of 7.3% compared to the 2019–20 actual (\$673.8 million).<sup>6</sup>

CSV's output appropriations in 2020–21 will increase from \$480 million to \$518 million, a 7.9% increase compared to the 2019–20 actual.<sup>7</sup>

In 2020–21 the following three programs received the largest output funding:

- Court response to Coronavirus (COVID-19)—\$8.2 million
- Implementing youth control orders and intensive bail orders—\$3.5 million
- Specialist family violence court response—\$1.9 million.<sup>8</sup>

In 2020–21 CSV's capital program consists of \$312 million in new projects and \$294 million in existing projects, representing 0.9% of the total general government capital program.<sup>9</sup> Of new capital projects \$12.5 million is allocated to the court response to COVID-19 and \$9.9 million is allocated to VCAT remote hearings in 2020–21.<sup>10</sup>

## 10.3 COVID-19 response expenditure

### 10.3.1 Strategic issues caused by the COVID-19 pandemic

As part of the 2020–21 Budget Estimates questionnaire, the Committee asked CSV to nominate the strategic issues caused by the COVID-19 pandemic that influenced the development of CSV's estimates for the 2020–21 financial year.<sup>11</sup> The strategic issues identified by CSV included:

- The increase in pending matters, especially in regard to the highest volume jurisdictions—VCAT and the Magistrates' Court
- The increase in pending jury trials due to the suspension of jury trials from March to November 2020
- Operational and infrastructure works needed to support physical distancing, including COVIDsafe court hearings and jury trials

<sup>5</sup> Ibid., p. 399 (Committee calculation).

<sup>6</sup> Ibid. (Committee calculation).

<sup>7</sup> Court Services Victoria, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, p. 19 (Committee calculation).

<sup>8</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 146.

<sup>9</sup> Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 strategy and outlook*, Melbourne, 2020, p. 102 (Committee calculation).

<sup>10</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 148.

<sup>11</sup> Court Services Victoria, *Response to the 2020–21 Budget estimates general questionnaire*, p. 12.

- An increased need for court information technology systems (ITS) to support online hearings and document management
- Increase in need for family violence court services.<sup>12</sup>

More information about the strategic issues identified can be found in Appendix L.

### Increase in pending matters

During the Budget Estimates hearings the Attorney-General advised the Committee that the COVID-19 pandemic restrictions had led to significant backlogs in the court and justice system.<sup>13</sup> The Attorney-General advised all court jurisdictions in Victoria continued to operate during the pandemic but the court system was required to adapt to restrictions.<sup>14</sup> Due to the in-person nature of the entire court system, all of Victoria's court jurisdictions were required to adjourn a large proportion of matters.<sup>15</sup>

To assist Victoria's courts to continue operating the Victorian Government initiated legislative change through the Omnibus Bill to modify court processes. The Victorian Government also provided funding to enhance the audio-visual capability of the courts. Further, each jurisdiction prioritised urgent matters and transitioned to hearing some matters digitally.<sup>16</sup>

The Committee noted in its August 2020 *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic Interim Report* that while a large increase in pending matters in Victorian courts created backlogs and delays, there was no data available from CSV to quantify how many matters had been adjourned and for how long.<sup>17</sup>

On 9 November 2020 the Magistrates' Court published information about its COVID-19 response. As of 1 October 2020 case pending matters in crime had increased by approximately 50%, and in family violence by 45%. The Court noted that prior to the pandemic, case pending matters had already been increasing across past years.<sup>18</sup> In its 2018–19 Annual Report, for example, the Magistrates Court advised at 30 June 2019 it had over 52,000 pending criminal cases – an increase from the previous year of 7%.<sup>19</sup>

<sup>12</sup> Ibid., p. 13–16.

<sup>13</sup> Hon Jill Hennessy MP, Attorney-General, 2020–21 Budget estimates (Attorney-General) hearing, Melbourne, 15 December 2020, *Transcript of evidence*, p. 2.

<sup>14</sup> Ibid., p. 2.

<sup>15</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's response to the COVID-19 pandemic: Interim report*, August 2020, p. 135.

<sup>16</sup> Hon Jill Hennessy MP, Attorney-General and Minister for the Coordination of Justice and Community Safety – COVID-19, Department of Justice and Community Safety, public hearing, Melbourne, 15 December 2020, *Transcript of evidence*, p. 2.

<sup>17</sup> Parliament of Victoria, Public Accounts and estimates Committee, *Inquiry into the Victorian Government's response to the COVID-19 pandemic: Interim report*, p. 140.

<sup>18</sup> Magistrates' Court of Victoria, *Magistrates Court of Victoria (MCV) COVID-19 Response*, November 2020, <<https://www.mcv.vic.gov.au/sites/default/files/2020-11/MCV%20COVID%20recovery%20plan%20November%202020.pdf>> accessed 27 January 2021, p. 5.

<sup>19</sup> Magistrates' Court of Victoria, *Annual Report 2018–19*, Melbourne, 2019, p. 37.

The Productivity Commission's *Report on Government Services* publishes information about court backlogs based on national benchmarks. For the Magistrates' and Children's Courts no more than 10% of lodgements pending completion are to be more than six months old in both criminal and civil cases.<sup>20</sup> Both jurisdictions in Victoria have not met this target over the past four years (Table 10.1). While there were backlogs prior to the COVID-19 pandemic, backlogs have increased markedly for criminal cases in the Magistrates' Court and for civil cases in the Children's Court between June 2019 and June 2020. Civil cases in the Magistrates' Court have been less affected.

**Table 10.1** *Report on Government Services—Victorian court backlog—Magistrates' and Children's Courts—30 June 2017 to 2020*

Jurisdiction	30 June 2017 (%)	30 June 2018 (%)	30 June 2019 (%)	20 June 2020 (%)
<b>Criminal cases older than 6 months</b>				
Magistrates' Court	26.0	27.9	24.5	35.0
Children's Court	14.3	16.6	13	16.6
<b>Civil cases older than 6 months</b>				
Magistrates' Court	34.2	35	37.5	37.4
Children's Court	24.0	24.4	28.1	37.9

Sources: Productivity Commission, *Report on Government Services 2020, Courts, 2020*, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/justice/courts>> accessed 29 January 2021; Productivity Commission, *Report on Government Services 2021, Courts, 2021*, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/justice/courts>> accessed 29 January 2021; Productivity Commission, Table 7a.20 and 7a.21, *Report on Government Services 2020: Courts data tables, 2020*, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/justice/courts>> 2 February 2021.

The national benchmark for the Supreme and district/county courts is no more than 10% of lodgements pending completion are to be more than 12 months old.<sup>21</sup>

Between June 2019 and June 2020 criminal case backlogs grew by 7.2% (Table 10.2). Across the Supreme and district/county jurisdictions there were increases between 2019 and 2020 but the growth was less significant than in the Magistrates' and Children's Courts. Notably backlogs grew in eight out of nine jurisdictions during the COVID-19 pandemic.

20 Productivity Commission, *Report on Government Services 2020, Courts, 2020*, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/justice/courts>> accessed 29 January 2021.

21 Ibid.

**Table 10.2** *Report on Government Services—Victorian court backlog—Supreme and District/County Courts—30 June 2017 to 2020*

Jurisdiction	30 June 2017 (%)	30 June 2018 (%)	30 June 2019 (%)	20 June 2020 (%)
<b>Criminal cases older than 12 months</b>				
Supreme Court	9.3	14.6	18.3	19.3
District/County Court	11.0	15.5	21.0	28.2
<b>Civil cases older than 12 months</b>				
Supreme Court	35.4	32.3	29.9	33.3
District/County Court	37.9	36.4	37.8	33.3

Sources: Productivity Commission, *Report on Government Services 2020, Courts, 2020*, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2020/justice/courts>> accessed 29 January 2021; Productivity Commission, *Report on Government Services 2021, Courts, 2021*, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/justice/courts>> accessed 29 January 2021;

### 10.3.2 2020–21 Budget initiatives—COVID-19 response

Three output initiatives were announced as part of CSV's COVID-19 response in the 2020–21 Budget.<sup>22</sup> These initiatives account for 44% (\$11.8 million) of CSV's total forecast output expenditure across the 2020–21 budget year and over the forward estimates.<sup>23</sup> CSV advised that COVID-19 initiatives in the 2020–21 Budget were funded through output, asset and special appropriations.<sup>24</sup> CSV did not receive funding through Treasurer's Advances for the financial years 2019–20 and 2020–21.<sup>25</sup>

The output and asset initiatives funded by the 2020–21 Budget which form part of CSV's ongoing response to the impacts of COVID-19 on the court system are as follows:<sup>26</sup>

- Court response to coronavirus (COVID-19)—\$8.2 million in output and \$12.5 million in asset funding in the 2020–21 financial year. The budget states funding will allow Victoria's courts to operate effectively and efficiently during the COVID-19 pandemic and will provide for physical distancing infrastructure across the court network, upgrades to digital and audio-visual technology in the County Court and increasing the capacity of the Online Magistrates Court.<sup>27</sup>
- Online courts pilot—\$2.8 million output funding across the forward estimates and \$2 million in asset funding for 2020–21. Funding is to reduce the backlog of hearings by initiating an online pilot to hear more complex matters using remote technology.<sup>28</sup>

<sup>22</sup> Court Services Victoria, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 21–22.

<sup>23</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 1, 146 (Committee calculation).

<sup>24</sup> Court Services Victoria, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 21–22.

<sup>25</sup> *Ibid.*, p. 34.

<sup>26</sup> *Ibid.*, p. 21.

<sup>27</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 146–148.

<sup>28</sup> *Ibid.*, 146–149.

- VCAT remote hearing services—\$0.8 million in output and \$9.9 million in asset funding for 2020–21. This initiative is to enable VCAT to hear planning and other matters remotely, through initiation of a Digital Service Transformation project and technology upgrades.<sup>29</sup>

**FINDING 134:** In the 2020–21 Budget Court Services Victoria received \$36.2 million in output and asset funding for COVID-19 initiatives such as the court response to COVID-19 including the online courts pilot and the Victorian Civil and Administrative Tribunal remote hearing service.

Efforts to reduce the impacts of the COVID-19 pandemic on Victoria’s court system and budgetary measures directed towards CSV’s ongoing response to the pandemic were discussed at length during the budget estimates hearings. At the hearing the Attorney-General advised the Committee that the funding provided to Victoria’s courts to minimise the impact of the pandemic in the 2020–21 Budget was part of the Government’s ‘justice recovery plan’.<sup>30</sup>

Of course in an ordinary year we would have cases pending in the court system, but of course the impact of COVID does mean that we have some backlogs—and some of those backlogs are significant—that we need to respond to, so the justice recovery plan is the intervention and the treatment to respond to those. That is why we have invested \$80 million in new money since the start of the pandemic for these initiatives, and they will directly support the courts to reduce those backlogs.<sup>31</sup>

The Attorney-General provided further detail on COVID-19 initiatives:

there is \$12 million for physical distancing infrastructure across the courts and VCAT. People are working very, very hard to try and get trials running safely...We have obviously got a backlog of jury trials; that is well known. That funding will help address that... There has been some significant digitisation down at VCAT. Of course VCAT was pretty paper-based preCOVID, so there is \$20 million<sup>32</sup> for VCAT to hear planning and other matters remotely and to ensure that projects continue and Victorians can still have access to justice...<sup>33</sup>

The Attorney-General advised the Committee of other areas of funding to address pending matters in Victoria’s court system. This included funding for Victorian Legal Aid to increase client access to audio visual link (AVL) technology, the promotion of early resolution of some matters and resolving matters outside of court, and increasing AVL in custody centres.<sup>34</sup> These measures are discussed in Chapter 6.

<sup>29</sup> Ibid.

<sup>30</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 19; Hon Jill Hennessy MP, Attorney-General and Minister for the Coordination of Justice and Community Safety – COVID-19, *Transcript of evidence*, p. 6.

<sup>31</sup> Hon Jill Hennessy MP, Attorney-General and Minister for the Coordination of Justice and Community Safety – COVID-19, *Transcript of evidence*, p. 6.

<sup>32</sup> \$9.3 million provided by the Department of Environment, Land, Water and Planning in the 2020–21 Budget. Source: Department of Treasury and Finance, *Budget Paper No. 3*, p. 50.

<sup>33</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 19.

<sup>34</sup> Ibid., p. 18.

**FINDING 135:** One of the strategic issues affecting Court Services Victoria as a result of the COVID-19 pandemic, is an increase in pending matters across the court system. Backlogs in high-volume jurisdictions such as the Magistrates' Court increased by 10.5% between 30 June 2019 and 2020. The 2020–21 Budget includes several output initiatives aimed at reducing pending matters such as *Court response to coronavirus (COVID-19)* (\$8.2 million), *Online courts pilot* (\$2.8 million) and *Victorian Civil and Administrative Tribunal remote hearing services* (\$0.8 million).

**FINDING 136:** The Victorian Government has initiated an \$80 million justice recovery plan to address the impacts of COVID-19 on Victoria's court system. \$57.8 million of this funding is allocated in the 2020–21 Budget across several output initiatives for Court Services Victoria and the Department of Justice and Community Safety.

### Court Services Victoria's COVID-19 response—performance measures

Forty four per cent of CSV's total forecast output expenditure across the 2020–21 budget year and over the forward estimates is directed towards COVID-19 related programs and initiatives.<sup>35</sup> In 2020–21 Budget 8% (\$24.4 million) of CSV's total forecast asset expenditure over the next four years is allocated to COVID-19 related asset programs.<sup>36</sup>

CSV has not included performance measures to measure the impact of COVID-19 output initiatives in the 2020–21 Budget. It is unclear how CSV will report on the outcomes of COVID-19 initiatives. For example, while an increase in pending matters has been noted as a significant impact of the pandemic on Victoria's courts, it is unclear how CSV will demonstrate whether budget initiatives such as the online courts pilot are successful in reducing backlogs.

In consideration of the large impact COVID-19 has had on the operation of Victoria's court system and the significant amount of public money provided to CSV to assist Victoria's courts to recover from this impact, it is vital CSV identify performance measures and targets related to the initiatives receiving funding. Without performance measures there is little ability to determine whether CSV has responded to the COVID-19 pandemic successfully or whether the funding provided has allowed CSV to provide effective and efficient court services. Similarly, without appropriate performance measures the public is unable to determine whether funding provided to CSV has had its intended outcome or has been used efficiently.

**FINDING 137:** Court Services Victoria has not added new performance measures or targets for the 2020–21 year to track the implementation and outcomes of COVID-19 initiatives funded in the 2020–21 Budget. It is unclear how Court Services Victoria will report on the outcomes of the COVID-19 initiatives

<sup>35</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 1, 146 (Committee calculation).

<sup>36</sup> *Ibid.*, pp. 2, 148 (Committee calculation).

**RECOMMENDATION 43:** Court Services Victoria establish performance measures in the 2021–2022 Budget Papers to track the clearance of pending matters related to the COVID-19 pandemic and to monitor the implementation of the *Court response to coronavirus (COVID-19)*, the *Online courts pilot* and the *Victorian Civil and Administrative Tribunal remote hearing services*.

## 10.4 Capital program

New capital projects announced in the 2020–21 Budget include the three COVID-19 related initiatives discussed above, the new Wyndham law court and the Sunshine law court redevelopment.<sup>37</sup>

### 10.4.1 New Wyndham law court

The 2020–21 Budget outlines output and asset funding for a new law court located in the Wyndham region. The project has a total estimated investment (TEI) of \$271.1 million with \$6 million of asset funding allocated in 2020–21 and the balance across the forward estimates. The project also received an output funding allocation of \$0.9 million over the next four years.<sup>38</sup> The 2020–21 Budget described the project as ‘a new western metropolitan headquarter court that will meet the long-term demand for justice services in Wyndham and the surrounding growth corridor’.<sup>39</sup>

At the budget estimates hearing the Attorney-General provided information about the services that will be incorporated in the new court facilities.

There are going to be 13 courts, four hearing rooms, three mediation suites and 26 holding cells that will of course take some pressure off some of our other pressure points which are Sunshine courts and the Melbourne Custody Centre. It will include a new specialist family violence court as well, so we are very excited about that. It is going to have a whole range of specialist court programs, including Drug Court, Koori Court, the Assessment and Referral Court and a Children’s Court as well for the growing Wyndham and western metropolitan communities. It is also going to enable VCAT to service six additional lists, so that will enable them to increase their civil justice capability in Melbourne’s west.<sup>40</sup>

The Attorney-General added that AVL facilities will allow witnesses to appear remotely thereby increasing safety, and prisoners will be able to appear in court from correctional facilities - reducing the cost and risk associated with transportation.<sup>41</sup>

<sup>37</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 148.

<sup>38</sup> *Ibid.*, pp. 146, 148.

<sup>39</sup> *Ibid.*, p. 148.

<sup>40</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 11.

<sup>41</sup> *Ibid.*

CSV's response to the 2020–21 budget estimates questionnaire shows that in 2018–19 and 2019–20, \$8 million was expended each year to acquire land for the project.<sup>42</sup> The Government estimates the project will create around 400 local jobs.<sup>43</sup> The Committee was unable to access further information regarding the progress or current status of the project or when the project will be completed.

**FINDING 138:** The 2020–21 Budget allocates \$272 million over four years to the new Wyndham law court project. The Wyndham law courts will incorporate multiple specialist court programs and will allow the Victorian Civil and Administrative Tribunal to service six additional lists. The new court is expected to ease demand on other courts in the region.

**RECOMMENDATION 44:** Court Services Victoria publish information regarding new and in-progress capital projects in its annual report, including status, cost and expected delivery date of projects.

## 10.5 Key issues

CSV is responsible for one budget output: Courts (funding in 2020–21: \$722.7 million).<sup>44</sup> Several topics relevant to CSV were discussed by the Committee with the Attorney-General at the budget estimates hearing including specialist family violence courts, specialist Drug Courts and integrated services at court locations.

In regard to specialist court programs and integrated services the Attorney-General told the Committee family violence courts were already integrated in Heidelberg and Moorabbin Magistrates' Court, while a family violence court would also be integrated in other locations such as Bendigo and Wyndham. The Attorney-General advised family violence courts would be integrated in all new court facilities, providing the benefit of co-located services and supports.<sup>45</sup>

### 10.5.1 2019–20 Annual Report

As a public body defined in the *Financial Management Act 1994*, CSV is required to prepare an annual report as soon as practicable after the end of each financial year, to be tabled in Parliament by the relevant Minister.<sup>46</sup> The Act outlines time constraints for tabling annual reports in Parliament – all departments and public bodies must table

<sup>42</sup> Court Services Victoria, *Response to the 2020–21 Budget estimates general questionnaire*, p. 55.

<sup>43</sup> Hon Jill Hennessy MP, *Massive boost for court capacity*, media release, Victorian Government, Melbourne, 24 November 2020.

<sup>44</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 399.

<sup>45</sup> Hon Jill Hennessy MP, Attorney-General, *Transcript of evidence*, p. 12.

<sup>46</sup> *Financial Management Act 1994* (Vic) ss 3, 45(1), 46(1); Department of Treasury and Finance, *Standing Directions 2018 Under the Financial Management Act 1994*, Melbourne, February 2021, pp. 8, 33.

their annual report within four months after the end of the financial year or on the first sitting day of the House after the end of that month.<sup>47</sup>

In September 2020 the Assistant Treasurer advised the Parliament that due to the logistical difficulties faced by the public sector arising from the COVID-19 pandemic, a number of departments and public bodies, including CSV, would be unable to table their annual report in the timeframe set out in the Act. This is permitted by section 46(3) of the Act, which states if the relevant Minister is unable to table a department or public body's annual report in the timeframe provided, they must report to Parliament on why they cannot meet the specified timeline and must table the annual report 'as soon as practicable'.<sup>48</sup>

The Assistant Treasurer advised all reports would be provided to Parliament no later than 31 December 2020.<sup>49</sup> CSV tabled its 2019–20 Annual Report in Parliament on 4 February 2021. No further explanation was provided as to why it was not provided by the extended deadline of 31 December 2020.

As a result the reporting on the finances, operations and performance of CSV has been less timely and consequently, less transparent. Timely reporting of CSV's operations is vital in the context of the COVID-19 pandemic, as the pandemic has created significant challenges to the operations of Victoria's courts and the effective and efficient delivery of justice.

**FINDING 139:** Due to challenges arising from the COVID-19 pandemic, Court Services Victoria (CSV) did not publish its annual report by the timeframes set out in the *Financial Management Act 1994* (Vic). The Assistant Treasurer provided an explanation for the delay to Parliament as required by the Act. While the Assistant Treasurer said the annual report would be received by Parliament no later than 31 December 2020, CSV's was tabled on 4 February 2021.

## 10.6 Performance measures

The non-cost performance measures for the Courts output remain 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:

- Quantitative: Average cost per case and case clearance rate

<sup>47</sup> *Financial Management Act 1994* (Vic), s 46(1); Department of Treasury and Finance, *2019–20 Model Report for Victorian Government Departments*, Melbourne, June 2020, p. 5.

<sup>48</sup> *Financial Management Act 1994* (Vic), s 46(3); Hon Danny Pearson MP, Assistant Treasurer, Department of Treasury and Finance, *2019–20 Financial Reporting and Annual Reporting Arrangements: Letter to the Clerks of the Legislative Council and Legislative Assembly, Parliament of Victoria*, Melbourne, 3 September 2020 <[https://www.parliament.vic.gov.au/file\\_uploads/Letter\\_to\\_Parliamentary\\_Clerks\\_regarding\\_delayed\\_2019-20\\_non-material\\_entity\\_annual\\_reports\\_W420Fdk0.pdf](https://www.parliament.vic.gov.au/file_uploads/Letter_to_Parliamentary_Clerks_regarding_delayed_2019-20_non-material_entity_annual_reports_W420Fdk0.pdf)> accessed 3 February 2021.

<sup>49</sup> Hon Danny Pearson MP, Assistant Treasurer, Department of Treasury and Finance, *2019–20 Financial Reporting and Annual Reporting Arrangements: Letter to the Clerks of the Legislative Council and Legislative Assembly, Parliament of Victoria*.

- Qualitative: Court file integrity—availability, accuracy and completeness
- Timeliness: On time case processing.<sup>50</sup>

No performance measures for the Courts output were proposed to be discontinued in the 2020–21 Budget Papers.

### 10.6.1 Relevance of Court Service Victoria’s performance measures

As noted in the overview to this chapter, the departmental objective of CSV is the fair, timely and efficient dispensing of justice.

The Committee notes that some areas of CSV’s objective statement are not sufficiently reflected in the department’s current performance measures. For example, CSV’s performance measures<sup>51</sup> provide little insight into how successful the work of CSV is in providing equal justice for all or how well courts and tribunals engage with the communities they serve.

Poor or absent links between objectives and outcome or performance measures limit the Parliament and public from understanding whether CSV is delivering services effectively and as intended.<sup>52</sup>

In its *Inquiry into the 2017–18 and 2018–19 Financial and Performance Outcomes* the Committee recommended CSV consider expanding its budget paper objective indicators and performance measures by incorporating additional indicators from its endorsed ‘excellence frameworks’.<sup>53</sup>

While the Government is yet to officially respond to this recommendation, CSV advised the Committee through its 2019–20 Financial and Performance Outcomes questionnaire response that CSV is reviewing its objective indicators and performance measures, and additional indicators will be considered. CSV added extensive consultation would need to take place to review the relevance of any new performance indicators and that all resources were currently directed towards reducing pending caseloads in Victoria’s court system.<sup>54</sup>

**FINDING 140:** A number of Court Services Victoria’s objectives are not represented or measured in the department’s performance measures outlined in the 2020–21 Budget Papers, including access to justice services and community engagement.

<sup>50</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 402–405.

<sup>51</sup> *Ibid.*, pp. 398, 401.

<sup>52</sup> Victorian Auditor-General’s Office, *Measuring and reporting on service delivery*, 2021, <<https://www.audit.vic.gov.au/report/measuring-and-reporting-service-delivery>> accessed 28 January 2021.

<sup>53</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *2017–18 and 2018–19 Financial and Performance Outcomes*, July 2020, pp. 180, 182.

<sup>54</sup> Court Services Victoria, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received on 29 January 2021, p. 61.

**FINDING 141:** Court Services Victoria is reviewing its Budget Paper objective indicators and performance measures. Court Services Victoria has stated additional indicators may be considered but extensive consultation would be required with courts, tribunals and stakeholders to do so. Court Services Victoria has indicated its short to medium term focus is clearing pending cases, which have increased during the COVID-19 pandemic.

# 11 Department of Treasury and Finance

## 11.1 Overview

The Department of Treasury and Finance (DTF) supports the ministerial portfolios of the Treasurer, Minister for Economic Development, Assistant Treasurer and Minister for Regulatory Reform.

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.<sup>1</sup>

DTF is responsible for managing a significant debt burden resulting from the response to the COVID-19 pandemic, and charting the way to an operating surplus. DTF has updated its objective indicators<sup>2</sup> between 2019–20 and 2020–21 to reflect the impacts of the pandemic on the State's finances:

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1 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 365–379.

2 Objective indicators were introduced in the 2013–14 Budget as a response to a recommendation provided by the Public Accounts and Estimates Committees' *Report on 2013–14 and 2014–15 Financial and Performance Outcomes*. Departmental objective indicators—a piece of data that demonstrates progress towards the achievement of a department's objectives, and how they have impacted the Government's agenda over the medium to long term. Indicators provide evidence to support measurement and management of performance. Source: Department of Treasury and Finance, *The Resource Management Framework*, Melbourne, 2020, p. 6.

**Table 11.1** Revised DTF objective indicators for 2020-21 and comparison with 2019-20 indicators

2019-20	2020-21 <sup>a</sup>	Comment
General government net debt as a percentage of Gross State Product (GSP) to be maintained at a sustainable level	General government net debt as a percentage of Gross State Product (GSP) to <b>stabilise in the medium term.</b>	Changed
A net operating surplus consistent with maintaining general government net debt at a sustainable level.	A net operating cash surplus consistent with maintaining general government net debt at a <b>sustainable level after the economy has recovered from the coronavirus (COVID-19) pandemic.</b>	Changed
N/A	Fully fund the unfunded superannuation liability by 2035.	New
N/A	General government interest expense as a percentage of revenue to <b>stabilise in the medium term.</b>	New
Agency compliance with the Standing Directions under the <i>Financial Management Act 1994</i> .	Unchanged	-
Advice contributes to the achievement of Government policies and priorities relating to optimising Victoria's fiscal resources.	Unchanged	-

a. Emphasis added.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020-21 service delivery*, Melbourne, 2020, p. 365; Department of Treasury and Finance, *Budget Paper No. 3: 2019-20 service delivery*, Melbourne, 2020, p. 353.

The Committee notes that the above objectives are very broad and open to wide interpretation. For example:

- DTF has not defined the 'medium term' in the objective indicator 'General government net debt as a percentage of Gross State Product (GSP) to stabilise in the medium term'. Furthermore, it is unclear whether the word 'stabilise' refers to lower growth in future borrowings, a return to pre-COVID-19 levels of debt, or a new baseline altogether.
- With regards to the objective: 'net operating surplus consistent with maintaining general government net debt at a sustainable level after the economy has recovered from the COVID-19 pandemic', DTF has not provided a quantifiable measure of the term 'sustainable' net debt. The economic results that equate to the Victorian economy having fully 'recovered' from the COVID-19 pandemic are absent.

The Committee notes that the International Monetary Fund (IMF) released a policy brief on budget preparation during the COVID-19 pandemic. The IMF paper argues that 'while looser and more flexible fiscal plans will be necessary, unanchored and non-credible fiscal plans can undermine economic confidence and raise financing costs'.<sup>3</sup> The paper concludes governments should aim with their 2020-21 Budgets

<sup>3</sup> International Monetary Fund, *Special Series on COVID-19: Budgeting in a crisis: Guidance for preparing the 2020-21 Budget*, 2020, Washington DC, p. 4.

to ‘revise the macroeconomic framework to account for the impact of the crisis and the COVID-19 measures’ and also ‘strive to present a credible fiscal strategy, re-anchored on revised medium-term fiscal objectives’.<sup>4</sup>

In 2020–21 the Government revised its macroeconomic framework to account for the pandemic, but DTF’s updated objectives require further detail to be sound. IMF’s Fiscal Transparency Code outlines best practice for developing fiscal policy objectives. The basic level of the code outlines that ‘The government states and regularly reports on a numerical objective for the main fiscal aggregates which is both precise and time-bound’.<sup>5</sup>

**FINDING 142:** The Department of Treasury and Finance has added two objective indicators to the output ‘Optimising Victoria’s Fiscal Resources’ and updated two others to reflect the Government’s revised macroeconomic framework. These changes do not include numerical indicators or relevant timeframes and key terms are undefined.

**RECOMMENDATION 45:** The Department of Treasury and Finance revise the objective indicators for ‘Optimising Victoria’s Fiscal Resources’ to define key terms, attach numerical objectives and stipulate the timeframe for completion.

DTF has also been affected by two machinery of government changes. The 2020–21 Budget reflects the 2019–20 transfer of the new agency Invest Victoria from the former Department of Economic Development, Jobs, Transport and Resources. The machinery of government changes also includes the transfer of the state-owned enterprise Cenitex—an Information and Communications Technology (ICT) service provider—to the Department of Premier and Cabinet (DPC) as of August 2020.<sup>6</sup>

## 11.2 Financial analysis

In 2020–21 DTF will receive the ninth largest allocation of controlled funds compared to other departments, representing 0.8% of the total funding allocated to all government output initiatives.<sup>7</sup> This proportion is the same as in 2019–20.<sup>8</sup>

<sup>4</sup> Ibid., p. 2.

<sup>5</sup> International Monetary Fund, *The Fiscal Transparency Code*, 2019, Washington DC, p. 11.

<sup>6</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 11–12.

<sup>7</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 363 (Committee calculation).

<sup>8</sup> Ibid., p. 363 (Committee calculation). Albeit, the quantum of total Government output funding has increased substantially primarily due to the COVID-19 pandemic response.

**BOX 11.1: Key terms: controlled and administered items**

Departments are required to classify revenues, expenses, assets and liabilities as either 'controlled' or 'administered'.

Controlled items contribute to the output delivery of a department. Administered items do not form part of a department's outputs, and in the case of administered expenses, funding is provided under a separate appropriation.

Administered revenue and expenses are shown as 'Receipts on behalf of the State' and 'Payments made on behalf of the State' in financial statements and Appropriation Bills.

Effectively, administered items split responsibility across two or more Government entities: the administering department is responsible for transacting the funds, but a second department is responsible for delivering the outputs facilitated by the expenditure.

Source: Department of Treasury and Finance, *Financial Reporting Operations Framework: For Victorian Government Departments*, Melbourne, 2019, pp. 6–7.

Taking into account additional funds that DTF is administering on behalf of the State, DTF is responsible for \$952.1 million (6.5%) of the total funding allocated to all government outputs.<sup>9</sup> DTF's portion of the Government's Big Housing Build (\$861.7 million in 2020–21) is the biggest driver behind the increase in funds.<sup>10</sup>

The transfer of Cenitex did not affect DTF output appropriations because Cenitex is funded by the income it derives from services provided to government entities.<sup>11</sup> The income DTF received from the sale of goods and services decreased by \$173 million (85%) in 2020–21 primarily because Cenitex was transferred to DPC.<sup>12</sup>

DTF's output appropriations will increase by \$192 million in 2020–21, a 43.5% increment on the 2019–20 actual spend of \$441 million.<sup>13</sup> DTF ascribed most of the output funding increase to new COVID-19 initiatives.<sup>14</sup> In 2020–21 the following six COVID-19 response programs received the largest amount of output funding:

- Social and Affordable Housing—\$845 million
- Community Support Fund: Alcohol and Drug Treatment Services Program—\$85 million
- Venture Debt Facility—\$25.5 million

<sup>9</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 1, 137.

<sup>10</sup> *Ibid.*, p. 137.

<sup>11</sup> Cenitex, *Annual Report 2019–20*, Melbourne, 2020, p. 32.

<sup>12</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 13.

<sup>13</sup> *Ibid.*

<sup>14</sup> *Ibid.*

- Victorian Homebuyer Fund—\$16.7 million
- Investment Attraction Package—\$10 million
- Economics Survival Package: Implementation—\$9.7 million.<sup>15</sup>

New DTF output appropriation funds will also be allocated to non-COVID-19 related programs such as the *Regulatory Reform Package* (\$27.5 million) and the *Research and development tax incentive scheme* (\$4.5 million).<sup>16</sup>

In 2020–21 DTF has a capital program comprising \$176.5 million in new projects and \$24 million in existing projects. The three most material initiatives in the capital program are:

- The Victorian Homebuyer Fund portion of the Big Housing Build (\$50 million in 2020–21)
- Greener Government Buildings (\$5 million in 2020–21)
- Centralised Accommodation Management (\$2.6 million in 2020–21).<sup>17</sup>

### 11.3 COVID-19 response expenditure

Ten output initiatives were announced as part of DTF's COVID-19 response in the 2020–21 Budget.<sup>18</sup> These initiatives account for 59% (\$1,002 million) of DTF's total forecast output expenditure across the 2020–21 budget year plus the forward estimates.

DTF's response to the Committee's questionnaire described the source of funding for three of the 10 initiatives as 'DTF departmental output and Payments on Behalf of the State (POBOS) appropriation' without further demarcation.<sup>19</sup>

<sup>15</sup> Ibid., pp. 15–17.

<sup>16</sup> Ibid., p. 33.

<sup>17</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 141.

<sup>18</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 14–19.

<sup>19</sup> Ibid., pp. 15, 18.

**BOX 11.2: Definition of Payments on Behalf of the State**

Payments on Behalf of the State (POBOS) are administered expenses. POBOS appropriation is provided to enable a department to make non-discretionary payments. These are payments for which the department is not receiving goods or services in return (and therefore such payments are not related to output delivery). The department is also not authorised to vary the terms and conditions under which such payments are made.

POBOS appropriation may only be used to fund the administered expenses or administered capital payments of a department.

Source: Department Treasury and Finance, *The Resource Management Framework Part 1 of 2 – Main document*, Melbourne, 2020, p. 125.

The three initiatives referred to above are *Social and Affordable Housing; Community Support Fund— Alcohol and Drug Treatment Services Program*; and *Assistance for the Commercial Passenger Vehicle Industry*.<sup>20</sup> The three initiatives have a combined allocated funding of \$935 million. It is not clear what portion of this DTF is responsible for delivering versus what portion DTF is simply administering on behalf of another department or government entity.

DTF's seven other COVID-19 initiatives will receive a total of \$67.9 million in 2020–21, with an additional \$0.6 million already spent in 2019–20.<sup>21</sup>

**FINDING 143:** The new COVID-19 initiatives announced for the Department of Treasury and Finance in 2020–21 comprise 59% (\$1,002 million) of the department's total forecast output expenditure to 2023–24 (\$1,693 million). Several initiatives (totalling 93% of the 2020–21 COVID-19 spend) are funded through a combination of departmental output and Payment on Behalf of the State (POBOS) appropriations. The Committee was unable to determine how much of this funding is received as POBOS.

**RECOMMENDATION 46:** For those output initiatives that were announced as part of the Government's response to the COVID-19 pandemic, the Department of Treasury and Finance consider whether it is possible to report controlled and administered expenses separately.

<sup>20</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 15–18.

<sup>21</sup> *Ibid.*, pp. 14–19.

### 11.3.1 Initiatives funded through Treasurer's Advances

#### BOX 11.3: Key terms: Treasurer's Advances

The appropriations schedule in the Annual Appropriation Acts includes a specific appropriation called the Treasurer's Advance, which is made available to the Treasurer as part of DTF's appropriation. The Treasurer's Advance enables the Treasurer 'to meet urgent claims that may arise before Parliamentary sanction is obtained, which will afterwards be submitted for Parliamentary authority'.

The Treasurer's Advance gives the Government flexibility to meet funding needs that were not (or not fully) provided for during annual appropriations. Parliamentary approval for all expenditure is retroactively granted by the subsequent annual Appropriation Act.

Source: Victorian Auditor-General's Office, *Accessing Emergency Funding to Meet Urgent Claims*, Melbourne, 2020, p. 9.

The combined total of funds allocated to DTF through Treasurer's Advances in 2019–20 and 2020–21 is \$176 million.<sup>22</sup> The *Alcohol and Drug Services Program and the Gambling Harm Prevention Program* (totalling a combined \$114.5 million) were funded via Treasurer's Advances in 2020–21. According to DTF the monies from the *Community Support Fund (CSF)*<sup>23</sup> support these two programs. DTF explained to the Committee that CSF has seen a decline in receiving funds through electronic gambling machines since April 2020 due to COVID-19 and the fund's current cash balance is insufficient to cover the required payments for the two programs.<sup>24</sup>

In 2019–20 DTF received \$61.5 million in Treasurer's Advances. This was divided into \$29.8 million for DTF controlled outputs and \$31.7 million for DTF administered outputs. DTF's 2019–20 Treasurer's Advances were provided for nine programs—\$45.8 million for recurrent programs and \$15.8 million for new programs. As of 30 June 2020, approximately \$43.2 million of this total allocation had been expended.<sup>25</sup>

Three out of the nine Treasurer's Advances in 2019–20 contributed directly to the COVID-19 response. The COVID-19 Treasurer's Advances equalled \$43.3 million (70.3%) of the total received in 2019–20, and contributed to the following outputs:

- State Revenue Office Refund of Liquor Licence Fees—\$30 million

<sup>22</sup> Ibid., pp. 47–49 (Committee calculation).

<sup>23</sup> Community Support Fund is a trust fund governed by the *Gambling Regulation Act 2003* to direct a portion of gaming revenue back to the community. Department of Treasury and Finance, *Community Support Fund*, 5 January 2021, <<https://www.dtf.vic.gov.au/funds-programs-and-policies/community-support-fund>> accessed 1 March 2021.

<sup>24</sup> Tax revenue from electronic gaming machines in 2019–20 totalled \$844 million, \$296 million less than was budgeted. Source: Department of Treasury and Finance, *Budget Paper No. 2: 2020–21 Statement of Finances*, Melbourne, 2020, p. 155. Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 49.

<sup>25</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 47–48.

- Cenitex Working from Home Arrangements—\$13 million
- Implementation of Economic Survival Package—\$0.3 million.<sup>26</sup>

The remaining \$18.3 million of Treasurer's Advances in 2019–20 contributed to non-COVID programs. These six programs comprised:

- Suburban Railway Loop—\$5.8 million
- Land Remediation—\$5 million
- Commercial Advice Relating to Reform Opportunities—\$5 million
- Legal Costs Relating to Tax Decision—\$1.7 million
- Legal Costs Relating to Tax Decision—\$0.4 million (revenue management and administrative services to Government)
- Office of Projects Victoria Complementary Funding—\$0.4 million.<sup>27</sup>

The information provided to the Committee for the non-COVID advances in 2019–20 does not clarify what the funds were expended on or why such expenditure was necessary.

**FINDING 144:** In 2019–20 the Department of Treasury and Finance received \$61.5 million under Treasurer's Advances of which \$43 million contributed directly to the COVID-19 response and \$18.5 million to non COVID-19 related initiatives. An additional \$114.5 million was drawn from the Treasurer's Advances in 2020–21 for the Alcohol and Drug Treatment Services Program (\$85 million) and Gambling Harm Prevention Program (\$29.5 million).

**RECOMMENDATION 47:** The 2021–22 budget papers contain details of any Treasurer's Advances for the 2019–20 and 2020–21 budget year.

### 11.3.2 Strategic issues caused by the COVID-19 pandemic

DTF outlined three strategic issues that were caused by the COVID-19 pandemic and which influenced the development of the Department's estimates for the 2020–21 financial year. These three issues comprise the 'Creation of jobs and skills', 'Economic stimulus and recovery', and the 'Provision of essential services to the community'.<sup>28</sup> More details on DTF's strategic issues and how DTF addressed these issues can be found in Appendix M.

<sup>26</sup> Ibid.

<sup>27</sup> Ibid.

<sup>28</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 10–11.

### 11.3.3 Reporting of support packages

The Committee notes that the 2020–21 Budget outlines numerous support packages to support economic recovery.

Where the Government records a significant spend as a fiscal measure in an attempt to stimulate the economy, the Committee reiterates the requirement of fiscal transparency. An open data source providing details of all support packages is required to enhance the visibility of government expenditure. The information that should be publicly available and include (but not be limited to):

- Funding allocated according to the budget
- Actual amount spent
- Administration cost, including as a percentage of total funds
- Number of beneficiaries of the support packages along with details of the top recipients of grants
- Date announced and speed of disbursement
- Contribution to the broader economic outlook
- Performance measures and outcomes achieved against stated objectives.

**RECOMMENDATION 48:** The Victorian Government introduce an open data source that provides details of COVID-19 related support packages including budgeted allocation, actual amount expended, administration cost (including as a percentage of total funds), the number of beneficiaries and outcomes achieved through the support package to enhance the legitimacy of the support packages announced.

## 11.4 Treasurer's portfolio: key issues

The Treasurer is responsible for the following five outputs:

- Budget and Financial Advice—\$32.8 million in 2020–21 (a responsibility shared with the Assistant Treasurer)
- Revenue Management and Administrative Services to Government—\$147.5 million in 2020–21
- Economic and Policy Advice—\$66.6 million in 2020–21
- Economic Regulatory Services—\$31.7 million in 2020–21
- Commercial and Infrastructure Advice—\$96.3 million in 2020–21 (a responsibility shared with the Assistant Treasurer).<sup>29</sup>

<sup>29</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 81–87; Department of Treasury and Finance, *Budget Paper No. 3*, p. 363.

The funding allocated to each of these outputs has increased since the 2019–20 Budget. Most notably, compared to the 2019–20 Budget funding for Economic and Policy Advice increased by 104%; Commercial and Infrastructure Advice by 77% and Budget and Financial Advice by 18%.<sup>30</sup>

The following sections will discuss three topics from the hearings that are directly related to DTF's responsibilities and appropriations: its contribution to the economic recovery strategy, administered funding for the Big Housing Build and the electric vehicles tax.

### 11.4.1 Contribution to Victoria's economic recovery

DTF was responsible for implementing the Government's *Economic Survival Package*, as reflected by the \$0.3 million Treasurer's Advance in 2019–20 for additional resources to achieve this task.<sup>31</sup> An additional \$9.7 million was allocated in 2020–21 to 'enable DTF to administer the economic support package announced by the Government'.<sup>32</sup> This quantum of funding reflects the significant amount of work that DTF performed in order to formulate an immediate package of counter-cyclical measures and a recovery strategy for Victoria. The Treasurer characterised the strategy as 'aggressively pursuing economic growth'.<sup>33</sup>

During the public hearings the Treasurer noted that the immediate survival package included:

some \$3 billion of relief to business, whether it be tax reductions, tax deferrals, tax waivers. On top of that we have added \$1.5 billion in this budget in terms of support and assistance for business.<sup>34</sup>

As part of the *Economic Survival Package*, the State refunded and waived \$673 million of payroll tax for the 2019–20 financial year for small and medium-sized businesses and refunded \$23 million of liquor licencing fees for affected venues and small businesses.<sup>35</sup>

However, as the Treasurer acknowledged, the Government's aggressive economic growth and the revenue reductions measures come at a significant cost:

The combined impact of reductions in revenue as a result of the global recession and increases in expenditure to deal with the COVID event has resulted in an operating deficit ... [in] the 2019–20 year of \$6.5 billion.<sup>36</sup>

Alongside its pivotal role in formulating the survival package and the recovery strategy, DTF is also responsible for two regulatory reform packages that seek

<sup>30</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 363.

<sup>31</sup> *Ibid.*, p. 139; Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 47.

<sup>32</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 17.

<sup>33</sup> Hon Tim Pallas MP, Treasurer, 2020–21 Budget estimates (Treasurer) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 21.

<sup>34</sup> *Ibid.*, p. 23.

<sup>35</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 126.

<sup>36</sup> *Ibid.*, pg. 21.

to hasten the economic recovery. The *Regulatory Reform Package* was allocated \$27.5 million for 2020–21 and a total of \$47.3 million over the forward estimates.<sup>37</sup> As the Assistant Treasurer explained, the package is a part of the Government’s overall economic recovery strategy:

The [regulatory reform] agenda builds on existing regulatory reform activities, with 11 additional regulatory reform initiatives. Our priority is that the agenda supports economic recovery, and the regulation reform initiatives include a \$40 million allocation to establish a regulation reform initiative fund.<sup>38</sup>

The Package aims to support economic recovery and improve Victoria’s regulatory system by:

- Running a second round of the Better Approvals Program
- Establishing a Regulatory Reform Incentive Fund
- Establishing an Incentive Based Regulation Unit
- Establishing a Fast Track Review Unit that leverages technology to expedite the business approval process.<sup>39</sup>

Secondly, the *Supporting Coronavirus (COVID-19) Recovery Through Procurement* package uses social procurement to leverage training and employment opportunities for those most disadvantaged by the pandemic.<sup>40</sup> These two reform packages are discussed in more detail in section 11.6.1.

## 11.4.2 Big Housing Build

The *Big Housing Build* is one of the centrepieces of the 2020–21 Budget. The output initiative is shared between three departments: the Department of Health and Human Services, the Department of Environment, Land, Water and Planning and DTF.<sup>41</sup> Separately, the *Big Housing Build* also includes a conditional 50% waiver on land transfer duties for both residential and commercial property transactions.<sup>42</sup>

DTF has responsibility for two *Big Housing Build* outputs: the *Expanded Social Housing Growth Fund* and the *Victorian Homebuyer Fund*.<sup>43</sup> The 2020–21 Budget outlines that the *Big Housing Build* will:

- build up to 4,200 new social housing dwellings
- provide accommodation for some of the most vulnerable Victorians

<sup>37</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 138.

<sup>38</sup> Hon Danny Pearson MP, Assistant Treasurer, 2020–21 Budget estimates (Regulatory Reform) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 2.

<sup>39</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 138.

<sup>40</sup> *Ibid.*, p. 140.

<sup>41</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 50, 64, 137.

<sup>42</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 157.

<sup>43</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 137.

- be delivered through the Social Housing Growth Fund in partnership with the community housing sector to procure and operate social housing dwellings either as stand-alone social housing projects, or as part of affordable housing or larger private developments
- create opportunities for small, medium and large building contractors across the state.<sup>44</sup>

The *Expanded Social Housing Growth Fund* contributes to the Department of Health and Human Services' *Big Housing Build* commitment to construct over 12,000 new homes over the next four years.<sup>45</sup> The Committee notes that about 37% of the new houses—4,200—will be delivered through the fund.<sup>46</sup>

During the budget estimates hearing, the Treasurer explained the reasoning behind the *Big Housing Build*:

The suite of policy interventions that we are putting in place across the Big Housing Build package reflects the government's appreciation really that there is no silver bullet that we apply to addressing housing security and affordability. There needs to be a multifaceted approach ... Just as there is no such thing as a normal or typical social housing tenant, there is no need really to standardise the response to the provision of housing, in our view, to those tenants.<sup>47</sup>

This quote speaks to the scale and complexity of the various funding arrangements contained within the *Big Housing Build*. Regarding the *Growth Fund* in particular, the Treasurer commented:

The community housing sector operates around a quarter of Victoria's social housing dwellings, and it is well placed to identify opportunities to grow supply in the short term. And remember this is as much a social obligation. We have to move quickly to meet an evident and a growing need, and speed is therefore of the essence if we are genuinely committed to fairness. That is why we will receive \$1.38 billion effectively from the Big Housing Build investment for the purposes of activating and encouraging the community housing sector.<sup>48</sup>

The *Victorian Homebuyer Fund* constitutes DTF's second output initiative from the *Big Housing Build*. The *Homebuyer Fund* is allocated \$16.7 million per financial year across the forward estimates, totalling \$66.8 million.<sup>49</sup> Unlike the *Growth Fund*, the *Homebuyer Fund* is solely a DTF output and is categorised as an asset initiative with a total estimated investment of \$500 million because it entails the Government taking an equity stake in some housing stock:

The Victorian Homebuyer Fund will ... accelerate Victorians into home ownership. The fund will contribute to the purchase price in exchange for a proportionate equity interest

<sup>44</sup> Ibid., p. 138.

<sup>45</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 138.

<sup>46</sup> 4,200 dwellings / 12,000 total houses = 37% (Committee calculation).

<sup>47</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 36.

<sup>48</sup> Ibid., p. 36.

<sup>49</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 137.

in the property. This reduces the size of the deposit required and will help Victorians buy suitable homes sooner.<sup>50</sup>

A land transfer duty waiver was announced on 25 November 2020. DTF listed this revenue reduction as an economic stimulus and recovery measure.<sup>51</sup>

Alongside the goal of increasing home ownership among Victorians, the *Homebuyer Fund* and the *Big Housing Build* are a centrepiece of the 2020–21 Budget because of their intended stimulatory effects on the economy and jobs market. The Treasurer described the package in the following terms:

The role of the government’s economic response, and in particular through our Big Build, is to maintain that [construction] pipeline and also to maintain jobs in this sector. The \$6 billion Big Housing Build in this budget will deliver 12 000 homes throughout metro and regional Victoria. That will support something in the vicinity of 10 000 jobs on average each year for the next four years ... I want to give you a sense of the enormity of this intervention. It is bigger than a federal government put in place—a decade ago admittedly—for the entire nation. In practical terms that demonstrates that not only is this important work for fairness in our community but it is a massive enabler for economic opportunity going forward.<sup>52</sup>

When discussing the Budget in terms of total construction investment, the Treasurer noted that:

If you are looking on the infrastructure side, already ... we are seeing capacity constraints, and we are multiplying by a figure of four times the investment we are making in our infrastructure.<sup>53</sup>

Despite its complexity, size and likely risk profile, DTF has not disclosed any new or modified performance measures that relate specifically to the *Big Housing Build*.<sup>54</sup> Tailored performance measures would demonstrate efficacy in relation to these programs.

**FINDING 145:** The *Big Housing Build* program is shared between three departments and involves significant expenditure as well as a complex range of ownership arrangements. The Department of Treasury and Finance is responsible for a significant portion—\$1,446.8 million—of the *Big Housing Build*.

**RECOMMENDATION 49:** The Department of Treasury and Finance develop new performance measures and targets that provide insight into the *Big Housing Build*’s impact on economic recovery and achievement of housing outcomes.

<sup>50</sup> Ibid., p. 141.

<sup>51</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 8.

<sup>52</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 35.

<sup>53</sup> Ibid., p. 25.

<sup>54</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 369–371; Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 53–63.

### 11.4.3 Electric vehicles tax

The Government intends to introduce a ‘distance-based charging regime ... for all Victorian registered zero and low emission vehicles not predominantly powered by fuel sources subject to Commonwealth Government fuel excise’.<sup>55</sup> The budget papers further state that:

From 1 July 2021, a 2.5 cent/km charge will apply to electric and other zero emission vehicles [EV], including hydrogen vehicles, while a 2.0 cent/km charge will apply to plug-in hybrid electric vehicles. The \$100 registration concession will continue for these vehicles, but will no longer apply for vehicles predominantly powered by a petrol or diesel internal combustion engine, such as conventional hybrids. These rates retain an incentive to switch to low emission vehicles and away from internal combustion engine vehicles. This initiative balances the need for these vehicles to make a fair contribution to our road network, while recognising their environmental and health benefits.<sup>56</sup>

The Committee discussed the electric vehicles (EV) tax with the Treasurer including the rationale behind the proposed new charge. The Treasurer responded:

there is a direct risk to the Victorian budget and our capacity to manage and maintain our roads if the commonwealth, who will inevitably see their revenue base fall away— And we have seen fuel excise decline over the last 10 years quite appreciably, both through electric vehicles and hybrid and more fuel-efficient vehicles. What we will see ultimately is a great disservice to the safety of Victorians, to the maintenance of our road network and to the enormous investment that we are making in roads right across this state because we are denuded of capacity to fund it.<sup>57</sup>

According to the Treasurer, the EV tax is effectively an insurance measure for the State revenue base.<sup>58</sup> In the estimate hearing the Treasurer maintained that there is no formal link between the new tax and Commonwealth funding levels for Victorian road maintenance. However, the State Government expects a significant future uptake in EV vehicles and consequently also forecasts lower Commonwealth fuel excise:

I think if we look at the uptake of electric vehicles, projections are that by about the middle of this decade, by about 2025, we get to price parity with electric vehicles. It is true to say that an electric vehicle on average is about \$20,000 more than its equivalent internal combustion vehicle at the moment, but we are seeing those prices rapidly come into alignment ... the commonwealth does make substantial contributions to the states for the upkeep of their road network. As they are denuded of revenue as fuel excise dies, it is a logical consequence that those contributions to the states will be lost.<sup>59</sup>

The proposed EV tax in Victoria therefore represents an attempt to safeguard state assets (the road network) through the creation of an autonomous revenue stream.

<sup>55</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 155.

<sup>56</sup> *Ibid.*

<sup>57</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 13.

<sup>58</sup> *Ibid.*, p. 14.

<sup>59</sup> *Ibid.*, p. 12.

Commonwealth receipts from the fuel excise have been in decline since 2001, falling by around 30% between 2001–02 and 2016–17.<sup>60</sup> The Commonwealth does not earmark state funding for general road maintenance but there is concern in the transport industry that the long-term decline of the fuel excise, coupled with the projected EV uptake, will directly impact the quantum of funding available to states for general maintenance.

During the hearing the Treasurer was asked about the level of consultation on the decision to introduce the EV tax,<sup>61</sup> to which the Treasurer responded:

there will be a process of consultation now that the government has made the policy decision that will go towards how can we best design this strategy. The fact that we did not foreshadow an intention to raise a tax is entirely consistent with the government's approach towards taxing. If we were to identify a tax—or for that matter identify a tax cut, such as the ones that we put in place, the \$1.5 billion worth of tax cuts we have identified in this budget—if we had identified them, we would have distorted the market. Now that the market is on notice we can have a process of engagement around how best to execute it.<sup>62</sup>

Finally, the Committee ascertained that VicRoads—the entity that will collect the EV tax as part of its registration process—is currently being considered by the Victorian Government as a candidate for an outsourcing or consolidation arrangement. The Treasurer made the following comments on the matter:

There is no way that this government will divest its ownership in this or any other asset ... But certainly the government is going through a review about the best and most efficient way to deliver our registration and licensing services ...

I would say it will almost invariably be either an improvement of a publicly run asset or a joint venture with the private sector, or we could decide to put those functions under the control and the mandate of Service Victoria and run them as a consolidated asset. We just have not finalised our thinking in this area yet, and when we do, we will let the public know.<sup>63</sup>

**FINDING 146:** The State Government is undertaking consultations regarding a new zero and low emission vehicles tax announced in the budget. The new tax is intended to take effect from 1 July 2021 and will guarantee a greater portion of state funding for the state road network by decreasing reliance on the federal fuel excise.

<sup>60</sup> Parliamentary Budget Office, *Trends affecting the sustainability of Commonwealth taxes: Report no. 02/2018*, Commonwealth of Australia, Canberra, 2018, p. 8.

<sup>61</sup> Mr Sam Hibbins MP, *Transcript of evidence*, p. 15.

<sup>62</sup> Hon Tim Pallas MP, Treasurer, *Transcript of evidence*, p. 15.

<sup>63</sup> *Ibid.* pp. 13–14.

## 11.5 Economic development portfolio: key issues

The Minister for Economic Development is responsible for Invest Victoria with funding in 2020–21 of \$137.4 million which is almost identical to the 2019–20 allocation.<sup>64</sup> The Economic Development portfolio has the single objective of strengthening Victoria’s economic performance, which it furthers through the agency Invest Victoria.<sup>65</sup>

### 11.5.1 Invest Victoria

Invest Victoria was transferred to DTF in 2018–19 in a machinery of government change. The agency is dedicated to attracting investment to the state through four main types of activity:

- Leading new entrant Foreign Direct Investment and investment opportunities of state significance
- Enhancing the business investment environment
- Developing and providing whole-of-government levers (such as facilitation services)
- Strengthening the governance of investment attraction activities and providing central coordination for the State’s investment pipeline, including leading a whole-of-government investment committee.<sup>66</sup>

In the 2020–21 Budget these activities are supported through three new output initiatives:

- Venture Growth Fund—\$25.45 million in 2020–21
- Investment Attraction Package—\$10 million in 2020–21
- Research and Development Cash Flow Loans—\$4.5 million in 2020–21.<sup>67</sup>

The *Research and Development Cash Flow Loans* are targeted at ‘eligible small and medium-sized enterprises claiming the Commonwealth Government’s Research and Development Tax Incentive’. Through the loans facility, enterprises will have access to a ‘\$50 million fund that will provide low interest loans for up to 80% of their forecast refundable tax offset.’<sup>68</sup> According to the budget papers this initiative is designed to keep research and development activities that are currently in progress funded during the COVID-19 related downturn so that Victoria’s research pipeline is not unduly affected by the pandemic.<sup>69</sup>

<sup>64</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 363.

<sup>65</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 88.

<sup>66</sup> Invest Victoria, *About Us*, 6 July 2020, <<https://www.invest.vic.gov.au/how-we-can-help/about-us/invest-victoria>> accessed 9 January 2021.

<sup>67</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 137, 139.

<sup>68</sup> *Ibid.*, p. 139.

<sup>69</sup> *Ibid.*

The larger *Venture Growth Fund* is targeted at new businesses in need of seed money:

Funding is provided to co-invest into a venture debt facility with a private investor to inject more capital into the scaleup sector and support companies to grow that do not meet the requirements of traditional lenders. Debt will be short to medium-term in nature and will promote high value-added jobs growth for small and medium-sized enterprises and the startup industry.<sup>70</sup>

At the public hearings, Invest Victoria provided assurances that the pandemic and border closures had not significantly affected his organisation's main purpose of attracting foreign investment to the State:

We have been pleasantly surprised by the way ... the investment volumes have held up so far. Certainly the volumes have held up but also the number of inquiries [from prospective foreign investment partners] ... we have not seen the slowdown so far. That may come, but we are pretty confident so far about how it is tracking.<sup>71</sup>

The budget papers indicate that a total of 2,304 new investments resulting from government facilitation services and assistance occurred in 2019–20, exceeding the target of 2,300. These new investments translated into 5,241 new jobs.<sup>72</sup> Invest Victoria further noted that in some ways the pandemic had made the work of Invest Victoria easier:

there is some difference in how you do this in a post-COVID environment versus a pre-COVID environment, and in some ways the post-COVID environment has given us some additional advantages in attracting investment, we feel, because we think that Australia as a whole, and Victoria, particularly with our success in suppressing the virus, has given us a great opportunity to say, 'This is a great place to do business'. Often quality of life is a very strong element that we seek to promote when we are trying to attract investment from overseas and a skilled workforce, and the skilled workforce and quality-of-life metrics are very closely related.<sup>73</sup>

## 11.5.2 Victorian International Investment Strategy

The third Invest Victoria output initiative listed in the Budget was discussed during the budget estimates hearing. In particular, the Committee was interested to know how the COVID-19 pandemic impacted on foreign investment in Victoria. The *Investment Attraction Package* is allocated \$80 million over 2020–21 plus the forward estimates.<sup>74</sup> The Package provides funding for a range of 'targeted financial incentives to attract business investment to Victoria in line with the Victorian Government's Foreign Direct Investment Strategy. Support will be provided to secure high-quality international

<sup>70</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 139.

<sup>71</sup> Mr Chris Barrett, CEO, Invest Victoria, 2020–21 Budget estimates (Economic development) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 5.

<sup>72</sup> These measures are whole-of-government targets to which multiple departments contribute, rather than targets exclusive to Invest Victoria. Department of Treasury and Finance, *Budget Paper No. 3*, p. 373.

<sup>73</sup> Mr Chris Barrett, CEO, Invest Victoria, *Transcript of evidence*, pp. 4–5.

<sup>74</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 137 (Committee calculation).

business investment to support jobs growth, foster innovation and enhance Victoria's productivity growth.<sup>75</sup>

The Investment Strategy guiding this output was released in March 2020. The Treasurer stated:

The strategy identifies the types of companies that we should focus our efforts on to bring the most value to Victorians, including those with a track record of research and development and those that will help plug key supply chain gaps that we have in our local market. The strategy also identifies particular sectors that we should devote the most attention to—those that play to Victoria's existing and considerable strengths. These five priority sectors include technology, agrifood, health, clean energy and advanced manufacturing.<sup>76</sup>

The Treasurer added:

As you will see, in budget paper 3, Invest Victoria achieved all of its budget paper 3 investment targets: 5241 new jobs, \$2.3 billion in new capital investments and 24 new headquarters or research and development centres were secured via government facilitation services in 2019–20.<sup>77</sup>

In June 2020 the Victorian Government announced that:

- XRHealth, a global developer in virtual reality telehealth platforms, founded in Israel established its Asia-Pacific headquarters in Victoria. According to the Treasurer this investment will create 90 new jobs.
- Slalom, a business and technology consulting firm, headquartered in Seattle, Washington,<sup>78</sup> will establish its Australian headquarters in Melbourne to support their Asia-Pacific headquarters. This is expected to create 200 new jobs.<sup>79</sup>

**FINDING 147:** Invest Victoria's three new output initiatives—totalling \$39.95 million in 2020–21—are a key part of the Government's domestic jobs and skills creation strategy. Invest Victoria has attracted international investment to Victoria despite COVID-19 and the associated international border closures.

## 11.6 Assistant Treasurer: key issues

The Assistant Treasurer shares responsibility for Budget and Financial Advice (\$32.8 million in 2020–21) and Commercial and Infrastructure Advice (\$96.3 million in 2020–21) with the Treasurer. The Assistant Treasurer is solely responsible for Services

<sup>75</sup> Ibid., p. 139.

<sup>76</sup> Hon Tim Pallas MP, Minister for Economic Development, 2020–21 Budget estimates (Economic development) hearing, Melbourne, 1 December 2020, *Transcript of evidence*, p. 1.

<sup>77</sup> Ibid., pp. 1–2.

<sup>78</sup> Salom, *Locations*, 2021, <<https://www.slalom.com/locations/washington-dc>> accessed 5 February 2021.

<sup>79</sup> Hon Tim Pallas MP, *Transcript of evidence*, p. 2.

to Government (\$94.7 million in 2020–21).<sup>80</sup> The funding allocated to each of these outputs has increased since the 2019–20 Budget. Most notably, Services to Government increased by 21% (\$17.6 million).<sup>81</sup>

### 11.6.1 Regulatory and procurement reforms

The budget papers include funding for ongoing reform programs designed to streamline the way that the Government does business. The Budget included three output initiatives relating to this theme: *Regulatory Reform Package* (\$27.5 million in 2020–21); *Procurement Reform* (\$2.4 million in 2020–21); and *Supporting Coronavirus Recovery Through Procurement* (\$1 million in 2020–21).<sup>82</sup>

The *Regulatory Reform Package* was previously discussed in 11.4.1. The *Package* builds on a reform program begun in 2018–19 that focussed on procurement technology, contracting and efficiencies. The Assistant Treasurer explained the 2020–21 Package in the following terms:

Going forward, the 2020–21 Budget has allocated \$74.8 million over four years to deliver a comprehensive regulatory reform agenda. The agenda builds on existing regulatory reform activities, with 11 additional regulatory reform initiatives. Our priority is that the agenda supports economic recovery, and the regulation reform initiatives include a \$40 million allocation to establish a regulation reform initiative fund. The fund will focus on supporting departments and local governments to implement priority reform initiatives. Strict criteria and oversight will be put in place to ensure programs funded under this initiative support economic recovery and job creation and deliver value for taxpayers.<sup>83</sup>

The eleven regulatory reform initiatives will include a second round of the *Better Approval Program*, reviewing business licencing practices, simplifying local government regulation, and establishing an Incentive Based Regulation Unit and a Fast Track Review Unit.<sup>84</sup> In particular, the Assistant Treasurer highlighted the local government dimension of this program:

Changes implemented by participating councils include business concierge models to provide the conduit between the applicant and subject matter experts across council departments, single application forms that create the same streamlined experience for applicants and online landing pages with simplified information. Councils in the first round saw improvements to approval processes, including a reduction in average approval times for multipermit applications, from 124 days to 49 days. The program also drove positive changes in councils around culture, innovation and willingness to adopt change.<sup>85</sup>

<sup>80</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 81–87; Department of Treasury and Finance, *Budget Paper No. 3*, p. 363.

<sup>81</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 363.

<sup>82</sup> *Ibid.*, p. 137.

<sup>83</sup> *Ibid.*, p. 3.

<sup>84</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 138.

<sup>85</sup> Hon Danny Pearson MP, *Transcript of evidence*, p. 3.

The *Procurement Reform Package* provides \$13.7 million over four years 'to streamline and simplify government purchasing for both buyers and suppliers, improving procurement technology and leveraging the government spend to achieve greater value for Victorians'.<sup>86</sup>

Thirdly, an additional \$4 million across 2020–21 and the forward estimates is allocated to the separate output Supporting Coronavirus (COVID-19) *Recovery Through Procurement*. The budget papers describe this initiative in the following terms: 'funding is provided to better leverage the government procurement spend to create employment and training opportunities for members of the community most disadvantaged during the coronavirus (COVID-19) pandemic, in particular women and young people.'<sup>87</sup> As with other COVID-19 initiatives discussed in this chapter, DTF did not disclose any new or modified performance measures relating to the initiative.

The *Supporting Coronavirus Recovery Through Procurement* Program supplements the Social Procurement Framework (SPF) initiated in 2019–20. In its first year the SPF has also effected the following changes in State Government procurement:

- Incorporating an Aboriginal Procurement Policy into DTF's Procurement Strategy
- Encouraging direct procurement from disability enterprises where opportunities exist
- Prioritising women's equality and safety when developing selection criteria for larger procurements designed to drive indirect social procurement opportunities

DTF is currently reviewing the Victorian Supplier Code of Conduct with a view to further incentivise safe and fair workplaces.<sup>88</sup>

## 11.7 Department wide: key issues

This section discusses key issues that are shared by multiple DTF outputs or relate to the Department as a whole.

### 11.7.1 Tax relief for bushfire affected areas

DTF's response to the Committee's questionnaire indicates that the Department has no bushfire specific expenditure. Temporary reductions in three state taxes are listed by DTF as support measures for bushfire-affected areas:

<sup>86</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 137, 140.

<sup>87</sup> Ibid.; Hon Danny Pearson MP, *Transcript of evidence*, p. 2.

<sup>88</sup> Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, p. 94.

**Table 11.2** Bushfire recovery—tax relief initiatives

Initiative	Description	Revenue foregone			
		2020-21 (\$ million)	2021-22 (\$ million)	2022-23 (\$ million)	2023-24 (\$ million)
<i>Supporting Business to Recover and Create Jobs in Bushfire-affected Areas</i>	Regional employers with a registered address in the State of Disaster Local Government Areas—East Gippsland, Mansfield, Wellington, Wangaratta, Towong and Alpine local government areas and four Alpine Resorts will pay payroll tax at a reduced rate of 1.2125 per cent, backdated to 1 July 2019. The revenue foregone is over and above the impacts as reported in the 2019–20 Budget.	-4.2	-2.4	-	-
	By bringing forward land transfer duty concessions for commercial and industrial property transactions in regional Victoria, this initiative is expected to support businesses to open, relocate or expand in areas worst-affected by the 2019–20 Victorian bushfires. The revenue foregone is over and above the impacts as reported in the 2019–20 Budget.	-2.0	-1.5	-1.1	-0.3
<i>Tax Relief for Communities Affected by the Bushfires</i>	Tax relief is expected to support businesses, families, and individuals to replace homes or vehicles that were destroyed, or whose properties were substantially damaged as a result of the 2019–20 Victorian bushfires. Owners of properties that provided free accommodation to those displaced by the bushfires will also be eligible for a reduction or full waiver on their 2020–21 land tax.	-1.1	-0.2	-	-

Source: Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 20-21.

**FINDING 148:** The 2020–21 Budget contains a total of \$12.8 million in revenue reduction measures over 2021–22 and 2022–23 that target bushfire affected areas of Victoria.

## 11.7.2 Performance measures

DTF added six new performance measures into the 2020–21 budget. The following table lists the new performance measures and issues identified by the Committee:

**Table 11.3** New performance measures (2020–21)

Output	New performance measure	Issues identified by PAEC
Invest Victoria	Wages generated from international investment secured through Government facilitation services and assistance	The Committee is unclear if the \$85 million target attached to this performance measure accounts for the timing delay outlined by DTF. The Committee will monitor the 'actual result' in 2021–20.
	Innovation expenditure generated from international investment secured through Government facilitation services and assistance	As noted by DTF in the Questionnaire, detailed project costs would be the preferable way of calculating this measure, however that detail has not historically been captured. In future recording of detailed project costs could improve this performance measure.
Commercial and Infrastructure Advice	Develop and implement training to build Office of Projects Victoria (OPV) capability to deliver infrastructure	The Committee is unclear if this measure tracks the effectiveness of training. DTF review this measure to capture the effectiveness of the program.
	Undertake independent Project Assurance Reviews (PARs) to support the governments assurance program in the delivery of public infrastructure projects	As noted by DTF in the Questionnaire, the measure as currently formulated does not capture what steps OPV takes after receiving the PARs. A complementary measure is needed to capture OPV action taken to PAR recommendations.
	Conduct surveys on the stakeholder experiences of OPV initiatives to determine the effectiveness of project system initiatives, technical advice and trainings provided to internal government clients	The Committee identified no issues with this measure.

Source: Department of Treasury and Finance, *Response to the 2020–21 Budget estimates general questionnaire*, pp. 53–57.

In addition to these new measures, DTF modified thirteen existing measures largely in response to a review of the 2019–20 actuals.

**RECOMMENDATION 50:** The Department of Treasury and Finance provide a detailed account of the financial and performance outcomes of each COVID-19 recovery and bushfire recovery initiative administered by the department.

# 12 Parliament, the Victorian Auditor-General's Office, the Parliamentary Budget Office and Integrity Agencies

## 12.1 Overview

The Parliament of Victoria is made up of three separate departments—the Legislative Assembly, the Legislative Council and the Department of Parliamentary Services.<sup>1</sup>

The Parliamentary departments:

- support Members of Parliament to fulfil their roles
- protect the independence and integrity of Parliament
- inform and engage with the community
- engage with Victoria's First People
- ensure the organisational resilience and efficiency of Parliament.<sup>2</sup>

The Victorian Auditor-General's Office (VAGO) and the Parliamentary Budget Office (PBO) are independent officers of Parliament. They report to Parliament, rather than the Government of the day. The Parliamentary departments, VAGO and PBO are categorised as outputs of Parliament for budgetary purposes.<sup>3</sup> VAGO provides assurance to Parliament on the accountability and performance of the public sector. The PBO provides fiscal, economic and financial advice to Members of Parliament.<sup>4</sup>

In 2020-21, the budget for 'Parliament' also included included three agencies as outputs:

- Independent Broad-based Anti-Corruption Commission (IBAC)
- Victorian Inspectorate
- Victorian Ombudsman.<sup>5</sup>

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1 Department of Treasury and Finance, Budget Paper No. 3: 2020-21 service delivery, Melbourne, 2020, p. 381.

2 Ibid.

3 Ibid., p. 380.

4 Ibid.

5 Ibid., p. 384.

These three outputs are collectively termed the Integrity Agencies. Prior to a legislative change in 2019, the Integrity Agencies were aggregated within the Department of Premier and Cabinet's Public Sector Integrity output. They are now disaggregated into separate output and lines of appropriation under the Parliament.<sup>6</sup> IBAC is responsible for identifying public sector corruption. The Victorian Ombudsman acts to ensure fairness for Victorians in their dealings with the public sector. The Victorian Inspectorate provides oversight of other integrity bodies.<sup>7</sup>

The inclusion of VAGO, PBO and the Integrity Agencies within the Parliament reflects the separation of powers. The Committee notes that despite this, each body is still required to submit monthly financial reports and quarterly performance reports to the Department of Treasury and Finance.

## 12.2 Financial analysis

In 2020–21 the Parliament, PBO, VAGO and Integrity Agencies will receive \$330.6 million or 0.4% of total funding.<sup>8</sup> This represents a 7.1% (\$21.9 million) increase on the 2019–20 Budget, during which the Parliament received \$308.7 million.<sup>9</sup> The breakdown of funding between the constituent outputs is shown in Table 12.1.

**Table 12.1** 2020–21 budget allocation for the Parliament and associated outputs

Output	2019–20 budget (\$ million)	2019–20 actual (\$ million)	2020–21 budget (\$ million)	Variance between 2019–20 budget and 2020–21 budget	
Parliamentary departments <sup>a</sup>	195.4	196.4	214.1	↑	9.6%
Victorian Auditor-General's Office	45.4	45.2	45.4	–	0.0%
Independent Broad-based Anti-corruption Commission	44.2	46.6	42.2	↓	-4.5%
Victorian Ombudsman	16.2	16.2	19.0	↑	17.3%
Victorian Inspectorate	4.2	4.7	6.6	↑	57.1%
Parliamentary Budget Office	3.3	3.3	3.3	–	0.0%
<b>Total</b>	<b>308.7</b>	<b>312.4</b>	<b>330.6</b>	<b>↑</b>	<b>7.1%</b>

a. The Legislative Council, Legislative Assembly, Parliamentary Investigative Committees and Parliamentary Services.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 384.

The Department of Parliamentary Services (DPS) is responsible for the provision of infrastructure resources and support services to Members of Parliament and the

<sup>6</sup> Ibid. The legislative change that caused these outputs to transfer to DPS is contained in the *Integrity and Accountability Legislation Amendment (Public Interest Disclosures, Oversight and Independence) Act 2019* (Vic).

<sup>7</sup> Ibid., pp. 380–381.

<sup>8</sup> Ibid., p. 384 (Committee calculation).

<sup>9</sup> Ibid., (Committee calculation).

Parliamentary departments.<sup>10</sup> DPS attributed the variance between 2019–20 actuals and 2020–21 Budget to a \$7.3 million carry over for *Members Electorate Office and Communication* (\$6 million) and *Electorate Security Upgrade Project* (\$1.3 million).<sup>11</sup> DPS noted that in 2019–20 the *Members Electorate Office and Communication* budget increased in line with the State's annual increase in voter count.<sup>12</sup>

DPS' employee benefits have been allocated \$127.2 million in the 2020–21 Budget, a 14.1% (or \$15.7 million) increase compared to the 2019–20 actual. DPS advised that the variance in employee benefits is primarily due to:

- lower than expected expenditure in 2019–20 (2019–20 Budget was \$112.5 million vs \$111.5 million 2019–20 actual)
- a \$0.9 million increase in budget for Members' salaries and allowances in 2020–21 compared to the 2019–20 Revised Budget
- an additional employee benefit funding of \$2.3 million for initiatives announced in 2020–21 Budget (for e.g. Working from Home Allowance, discussed further in section 12.3).<sup>13</sup>

## 12.3 Parliament: key issues

The Parliament is responsible for the following four outputs:

- Legislative Council (funding in 2020–21: \$22.8 million)
- Legislative Assembly (funding in 2020–21: \$44.8 million)
- Parliamentary Investigatory Committees (funding in 2020–21: \$5.5 million)
- Parliamentary Services (funding in 2020–21: \$141 million).<sup>14</sup>

The 2020–21 Budget included five output initiatives to support the Parliament's work:

**Table 12.2** Parliament output and asset initiatives in the 2020–21 Budget

Initiative	2020–21 output funding (\$ million)	Total funding to 2023–24 (\$ million)	2020–21 asset funding (\$ million)	Total estimated investment (TEI) (\$ million)
Electorate Office safety and security upgrades	1.8	6.4	6.2	n.a. <sup>a</sup>
Charity Meals Program	3.8	-	-	-
Members of Parliament electorate office and communication budgets	0.3	0.9	-	-

<sup>10</sup> Department of Parliamentary Services, *Annual Report 2019-20*, Melbourne, 2020, p. 7.

<sup>11</sup> Parliamentary departments, *Response to the 2020-21 Budget estimates general questionnaire*, p. 47, received 25 November 2020, pp. 11–12.

<sup>12</sup> *Ibid.*, p. 8.

<sup>13</sup> *Ibid.*, p. 13.

<sup>14</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 384.

Initiative	2020-21 output funding (\$ million)	Total funding to 2023-24 (\$ million)	2020-21 asset funding (\$ million)	Total estimated investment (TEI) (\$ million)
Parliament House historic restoration works	0.2	0.6	0.5	16.5
Chamber technology upgrade	0.1	-	2.2	3.3

a. No TEI is recorded for this initiative in the budget papers to reflect ongoing funding.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020-21 service delivery*, Melbourne, 2020, pp. 142, 144.

### 12.3.1 Responding to COVID-19

The activities of the Parliament were significantly impacted by the COVID-19 pandemic. 1,400-1,500 departmental staff were required to work from home during the pandemic, requiring a significant deployment of IT resources.<sup>15</sup> The Chief Health Officer also provided a range of recommendations for creating a safe working environment when the Parliament was able to recommence its sitting days and resume face-to-face Committee work. Changes made to accommodate the COVID-safe operation of Parliament include: changing seating arrangements in the Legislative Council, installing Perspex glass to separate Members in the House, and scheduling additional cleaning of the chambers.<sup>16</sup> The costs are discussed below.

#### COVID-19 related expenditure

In response to a question on notice, DPS provided a breakdown of the additional expenditure incurred to adapt its services to COVID-19 (Table 12.3).

**Table 12.3 COVID-19 expenditure (actual) by the Parliament**

Expenditure item	2019-20 actual (\$)	2020-21 actual <sup>a</sup> (\$)
Masks and sanitisation for precinct and electorate offices/ chamber upgrades (Perspex screens)	16,100	66,974
Temperature machines	-	22,715
Additional cleaning costs	58,528	128,440
Additional Information Technology costs	117,135	-
<b>Total</b>	<b>191,763</b>	<b>218,129</b>

a. 2020-21 costs reflect the period from July 2020 to December 2020.

Source: Hon Colin Brooks and Hon Nazih Elasmr, 2020-21 Budget estimates hearing, response to questions on notice, received 18 December 2020, p. 1.

<sup>15</sup> Mr Peter Lochert, Secretary, Department of Parliamentary Services, Budget Estimates 2020-21 (Parliament), 16 December 2020, *Transcript of evidence*, p. 5.

<sup>16</sup> Hon Nazih Elasmr MLC, President of the Legislative Council, Budget Estimates 2020-21 (Parliament), 16 December 2020, *Transcript of evidence*, p. 2.

In addition, DPS identified the following asset and employee costs as related to, or highly influenced by, the COVID-19 pandemic:

- \$2.08 million for 'Electorate Office (EO) laptops' and \$200,000 for an 'upgrade to support [MS] Teams phone calling' were approved in the 2020–21 Budget and are expected to continue to be utilised in the second half of 2020–21
- Working from Home Allowance of \$154,000 was paid in total to Parliamentary Officers and Electorate Officers in 2019–20. The Working from Home Allowance is estimated to total \$623,000 in 2020–21.<sup>17</sup>

**FINDING 149:** As of December 2020, the Department of Parliamentary Services had expended \$218,129 on delivering a COVID-safe environment at Parliament. The 2020–21 Budget includes expenditure on laptops for Electorate Offices, remote technology upgrades, and the working from home allowance, totalling \$2.9 million.

### Initiatives funded through Treasurer's Advances

In 2019–20 DPS received three Treasurer's Advances totalling \$5.26 million. All three Advances were allocated for reasons other than the COVID-19 response. They are as follows:

**Table 12.4** Parliamentary departments Treasurer's Advances, 2019–20

Program	Reason for additional funding	Funding received (\$ million)
Electorate Office Relocations & Refurbishments	Due to State elections in November 2018, the Department of Parliamentary Services could not complete the planned number of relocation and refurbishment projects in 2018–19. A Treasurer's Advance of \$2.4 million was provided to complete 12 additional relocation and refurbishment projects in 2019–20.	2.4
Parliamentary Advisers	Following the State elections in November 2018, Parliamentary Advisers were announced for minor parties and independent Members that are being administered by the Department of Parliamentary Services.	1.45
Implementation of <i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards</i> legislation	Funding was approved to implement the changes required by the <i>Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards (VIRTIPS) Act</i> passed in 2019–20.	1.06

Source: Parliamentary departments, *Response to the 2020–21 Budget estimates general questionnaire*, p. 47, received 25 November 2020, pp. 25–26.

<sup>17</sup> Hon Colin Brooks and Hon Nazih Elasmr, 2020–21 Budget estimates hearing, response to questions on notice, received 18 December 2020, p. 1.

### Strategic issues caused by the COVID-19 pandemic

Parliamentary departments outlined several strategic issues that were caused by the COVID-19 pandemic which influenced the development of the Department's estimates for the 2020–21 financial year. The three main issues identified by DPS are the provision of meals to Victoria's homeless population, adaptation of IT services, and the closure/restriction of the parliamentary precinct throughout 2020.<sup>18</sup>

More details on DPS' strategic issues and how the Parliamentary departments addressed these issues can be found in Appendix N.

#### 12.3.2 Charity Meals Program

The Charity Meals Program enabled the Parliament's catering unit to keep working during the COVID-19 public health restrictions, while Parliament House was closed to the public. The unit prepared, packaged and distributed meals to Melbourne's homeless and vulnerable community members.<sup>19</sup> The program was launched in March 2020, soon after COVID-19 movement restrictions were introduced in Victoria.<sup>20</sup>

The President of the Legislative Council informed the Committee that the program continued to support eight charities and:

890 000 meals so far have been distributed. The organisation delivers the meals to different charities, and of course Father Hugh is in charge of St Peter's across the road. The cost of this is \$1 million in 2019–20 and the budget for 2020–21 is over \$3.78 million. It is something we should all be happy with because it kept the staff working, kept the canteen open and the program was delivered without any delay—three different shifts per day.<sup>21</sup>

The Speaker of the Legislative Assembly added that the program was intended to protect casual staff at the Parliament from losing work during the pandemic and the program is being funded by the government for the remainder of the 2020–21 financial year.<sup>22</sup> The Speaker told the Committee that the Parliament will investigate 'other ways that the Parliament might be able to assist those charity partners into the future' through the sharing of services after the end of the financial year.<sup>23</sup>

**FINDING 150:** During the COVID-19 public health restrictions the Parliament repurposed its catering service. The 2020–21 Budget included a \$3.8 million output initiative to provide meals to Melbourne charities. As of December 2020, an estimated 890,000 meals had been distributed under the program since commencement in March 2020.

<sup>18</sup> Parliamentary departments, *Response to the 2020-21 Budget estimates general questionnaire*, pp. 9–10.

<sup>19</sup> Ibid.

<sup>20</sup> Parliament of Victoria, *Parliament's kitchens prepare meals for vulnerable*, 26 March 2020, <<https://www.parliament.vic.gov.au/about/news/4485-parliament-s-kitchens-prepare-meals-for-vulnerable>> accessed 2 March 2021.

<sup>21</sup> Hon Nazih Elasmir MLC, *Transcript of evidence*, p. 2.

<sup>22</sup> Hon Colin Brooks MP, Speaker of the Legislative Assembly, *Budget Estimates 2020-21 (Parliament)*, 16 December 2020, *Transcript of evidence*, p. 4.

<sup>23</sup> Ibid.

### 12.3.3 Disability and Inclusion Action Plan

The Committee's *Report on the 2019–20 Budget Estimates* recommended that DPS and Parliamentary departments collect data on the proportion of its workforce that has a disability.<sup>24</sup> This recommendation was supported and Parliamentary departments reported to the Committee that 'this data has been collected for all new staff from 2018 onwards. The Departments of the Parliament will progress the implementation of the Disability and Inclusion Action Plan that will include a baseline survey across existing staff'.<sup>25</sup>

The Committee requested further details on the implementation of the Plan during the estimates hearing. The Speaker of the Legislative Assembly said:

The disability, action and inclusion plan has come up to the House Committee for consideration and approval. Its next main action is a disability access audit, so that will involve obviously getting an expert in to see how we might be able to improve access to the building.<sup>26</sup>

## 12.4 Parliamentary Budget Office: key issues

The Parliamentary Budget Officer informs the policy choices of Members and the community through:

- providing advice that is independent, authoritative and credible
- providing services that are timely, relevant and understandable
- informing policy development and debate in the Parliament and the community.<sup>27</sup>

The Parliamentary Budget Office (PBO) received \$3.3 million in the 2020–21 Budget, which is identical to both the 2019–20 Budget and actual expenditure reported by the PBO.<sup>28</sup>

The Committee did not extend an invitation this year to the PBO to appear at the 2020–21 Budget estimates hearings. However, the Committee notes that the PBO significantly exceeded its performance measure targets in both 2018–19 and 2019–20 (Table 12.5). The targets remained unchanged between 2019–20 and 2020–21.<sup>29</sup>

<sup>24</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2019–20 Budget Estimates*, 2019, Melbourne, p. 291.

<sup>25</sup> Department of Parliamentary Services, *Response to the 2020–21 Budget estimates general questionnaire*, p. 50.

<sup>26</sup> Hon Colin Brooks MP, *Transcript of evidence*, p. 10.

<sup>27</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 382.

<sup>28</sup> *Ibid.*, p. 384.

<sup>29</sup> *Ibid.*, p. 392.

**Table 12.5** Parliamentary Budget Office performances measures

Performance measure	Target 2020–21	Actual 2019–20	Target 2019–20	Actual 2018–19
Number of requests	No target	172	No target	234
Request completion rate (%)	80	90	80	New measure
Satisfaction of parliamentary stakeholders (%)	80	89	80	95
Requests responded to by due date (%)	80	97	80	96

Source: Department of Treasury and Finance, *Budget Paper No. 3*, Melbourne, 2020, p. 392.

**FINDING 151:** The Parliamentary Budget Office outperformed its current performance measure targets in both 2018–19 and 2019–20. This indicates scope for revising performance measure targets.

## 12.5 Integrity Agencies: key issues

In 2019–20 IBAC, the Victorian Inspectorate (VI) and the Victorian Ombudsman were transferred to Parliament for the purposes of budget allocation. The Governor in Council appoints all three independent officers.

### New and revised performance measures

The VI added four new performance measures in 2020–21, which ‘reflect the Victorian Inspectorate as a standalone output’, meaning that 2020–21 is the first year in which the performance of the Inspectorate is made visible.<sup>30</sup> The performance measures and 2020–21 targets are as follows:

- Recommendations of VI accepted by agencies—target 75%
- Reasons for decisions provided to complaint outcomes—target 100%
- Improvements to the integrity system—5 (no measure given)
- Total output cost—\$6.6 million.<sup>31</sup>

The Committee welcomes the identification of VI as a standalone output and addition of performance measures. The Committee notes that the performance measure ‘Improvements to the integrity system’ requires additional detail (measurement units) to be meaningful.

<sup>30</sup> Ibid., p. 395.

<sup>31</sup> Ibid.

The Victorian Ombudsman has updated eight of its nine performance measures in the 2020–21 Budget to improve their accuracy.<sup>32</sup> The update improves the quality of information available to the public about the Ombudsman's work.

**FINDING 152:** The Victorian Inspectorate (VI) has introduced new performance measures in the 2020–21 Budget which reflect its new status as a standalone reporting entity. The VI measure 'Improvements to the integrity system' requires further detail regarding the method of quantification.

**RECOMMENDATION 51:** The Victorian Inspectorate revise the 'Improvements to the integrity system' performance measure to provide meaningful performance information.

**FINDING 153:** The Victorian Ombudsman has provided an updated list of performance measures that will improve the quality of information disclosed through the budget process.

## 12.6 Performance measures

The Parliament and its five independent bodies have a total of 73 performance measures listed in the 2020–21 budget papers. The Parliamentary departments comprise 33 of these measures.

The Parliamentary departments introduced three new performance measures in 2020–21. Two of these measures respond to the legislative requirements of the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019*, and the third measures the level of face-to-face engagement with Members. The specifics of these measures are as follows:

- Quarterly allowance reports published in accordance with the *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* for Legislative Council and Legislative Assembly.
- Quarterly budget reports published in accordance with *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards Act 2019* for Parliamentary Services.
- Members of Parliament Offices visited by a member of DPS Staff during the year for Parliamentary Services.<sup>33</sup>

The Committee supports these additional three measures as it improves the quality of information available to the public.

<sup>32</sup> Ibid., pp. 396–397.

<sup>33</sup> Parliamentary departments, *Response to the 2020-21 Budget estimates general questionnaire*, pp. 30–31.

The Parliamentary departments also modified the targets for three existing performance measures as shown in Table 12.6.

**Table 12.6** Parliamentary departments revised performance measures, 2020–21

Performance measure	Target 2019–20	Target 2020–21
Bills and amendments processed accurately through all relevant stages and other business of the House conducted according to law, Standing and Sessional Orders for Legislative Council (%)	100	98
Legislative activities at Parliament House uninterrupted by service interruptions or security incidents for Parliamentary Services (%)	95	98
Reports tabled per annum in Parliamentary Investigatory Committees	28	20

Source: Parliamentary departments, *Response to the 2020-21 Budget estimates general questionnaire*, p. 47, received 25 November 2020, pp. 32-33.

The Committee asked about the revised target relating to the accurate processing bill and amendments in the Legislative Council. In its response to the Committee's questionnaire, the following reason for the change was provided:

The target for 2020–21 is amended due to the increased complexity of the legislative process in the Council. This is due to a range of factors including: the number of political parties; the prevalence of proposed amendments, including Government amendments at sometimes short notice; the necessary interaction with other agencies, such as Chief Parliamentary Counsel, ministerial and parliamentary advisers; and the significant increase in private members bills.<sup>34</sup>

The Committee notes that the previous target of 100% accuracy was met in 2018–19 and 2019–20.<sup>35</sup>

Parliament aims to table eight fewer Parliamentary Investigatory Committees reports in 2020–21<sup>36</sup> because the number of committees was reduced in 2019.<sup>37</sup>

**FINDING 154:** The Parliamentary departments have added three new performance measures to the 2020–21 Budget and modified three others. The three new measures improve the quality of information available to the public regarding the Parliament's performance.

**Adopted by the Public Accounts and Estimates Committee  
Parliament of Victoria, East Melbourne  
25 March 2021**

<sup>34</sup> Ibid., p. 32.

<sup>35</sup> Ibid.

<sup>36</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 389.

<sup>37</sup> Ms Bridget Noonan, Clerk of the Legislative Assembly, Budget Estimates 2020–21 (Parliament), 16 December 2020, *Transcript of evidence*, p. 6.

# Appendix A

## Strategic issues caused by the COVID-19 pandemic: Department of Health and Human Services

Strategic issue	How the Department of Health and Human Services (DHHS) will address the issue in 2020-21
<p>Expand public health capacity to manage pandemic.</p>	<p>DHHS stated it will maintain the Public Health Command established to manage the department’s COVID-19 response, including contact tracing.</p> <p>Increased testing, tracing and outbreak response measures are also being implemented to ensure quick detection and to control the virus.</p> <p>New ways to get tested have been introduced such as rapid response testing teams, roving testing squads and the Call-to-Test program which supports people who cannot leave their homes to be tested.</p> <p>DHHS stated these measures have saved lives and prevented hospitals from being overwhelmed.</p>
<p>Keep vulnerable Victorians safe during the pandemic through integrating social and health supports.</p>	<p>DHHS advised Operation Beneserre was established to keep public housing tenants safe and well during the pandemic using the Pathways to Recovery model and has since been expanded to other forms of accommodation.</p> <p>It also noted the department launched and expanded the COVID-19 assistance hotline. This line, among other things supports:</p> <ul style="list-style-type: none"> <li>• people in need to get access to food packages</li> <li>• people who are feeling socially isolated—DHHS partnered with the Red Cross to provide psychological first aid to people calling the COVID-19 support line who are lonely or in need of basic psychological assistance</li> <li>• Call-to-Test—delivers transportation to a testing site, or arranges in-home testing for those with mobility impairment, disability (or their carers), or severe mental health issues.</li> </ul>
<p>Support hospitals in tackling COVID-19, including keeping frontline workers and their families safe.</p>	<p>DHHS intends to continue extra funding to keep frontline hospital workers safe, undertake additional testing and other support initiatives.</p> <p>The 2020-21 Budget includes the initiative—<i>Coronavirus (COVID-19) health response</i> that provides additional funding to support frontline healthcare workers and service responses to minimise the spread of COVID-19.</p>

Strategic issue	How the Department of Health and Human Services (DHHS) will address the issue in 2020-21
<p>Strengthen our understanding of COVID-19 and its transmission so we can contain future outbreaks.</p>	<p>Understanding COVID-19 and its transmission is a critical precondition for safely easing restrictions and preventing further outbreaks. DHHS advised that it will continue to fund an enhanced intelligence function and more local responses to outbreaks e.g. regional public health teams.</p> <p>Related 2020-21 Budget initiatives include:</p> <ul style="list-style-type: none"> <li>• Creating a single digital solution for coronavirus (COVID-19) reporting.</li> <li>• Coronavirus (COVID-19) health response.</li> </ul>
<p>Meet the extra demand for some social services such as mental health and family violence arising from COVID-19 restrictions.</p>	<p>DHHS identified the following 2020-21 COVID-19 expenditure initiatives for disability, children, and families:</p> <ul style="list-style-type: none"> <li>• \$13.3 million to continue COVID-19 preparedness and response for children and young people in care</li> <li>• \$13.7 million for the COVID-19 response to support people with disability.</li> </ul> <p>Other initiatives intended to support the social services community include:</p> <ul style="list-style-type: none"> <li>• Operation Drasi—providing a call-to-test service for vulnerable people who cannot leave home</li> <li>• Operation Benessere—providing the Pathways to Recovery model for residents in public housing and other high-risk accommodation settings</li> <li>• Communications strategies to support multicultural, diverse and priority populations including mental health campaigns.</li> </ul> <p>DHHS stated the government directed more than \$20 million in August 2020 to keep more family violence victim survivors safe in their own homes—and keep perpetrators in full sight.</p> <p>DHHS advised the government announced extra funding of \$59.4 million for mental health on 12 April 2020 and directed \$26 million to support business owners and workers.</p>
<p>Supporting the health system to get to COVID-normal, both through more online services and through elective surgery catch up.</p>	<p>DHHS advised the 2020-21 Budget supports the following initiatives for Acute Health Services:</p> <ul style="list-style-type: none"> <li>• Better at home: Hospital care in the home</li> <li>• Improving rural health outcomes</li> <li>• Maintaining hospital capacity (including continuing the operation of new facilities opened to increase capacity in response to the COVID-19 pandemic).</li> </ul> <p>DHHS also advised it was scaling up:</p> <ul style="list-style-type: none"> <li>• elective surgery throughout Victoria and planning to use capacity in the private sector to 'catch up' on deferred activity</li> <li>• home-based and virtual care statewide to improve patient outcomes by enabling them to receive COVID-safe care at home.</li> </ul> <p>DHHS stated it continues to work with Health Services to ensure the system is best placed to care for patients both under COVID-19 normal conditions and where any potential increase in COVID-19 numbers occurred.</p>

Strategic issue	How the Department of Health and Human Services (DHHS) will address the issue in 2020-21
<p>Strengthen our child protection system to help address pressures arising from COVID-19 restrictions.</p>	<p>DHHS noted the 2020-21 Budget delivers funding for various Child Protection and Family Services initiatives including:</p> <ul style="list-style-type: none"> <li>• <i>Better Futures: Home Stretch</i>—to support young people to stay with their existing kinship or foster carer families up to 21 years of age, or to transition to an independent living arrangement</li> <li>• <i>Intensive Family Preservation and Reunification Response</i>—to enable earlier intervention in the children and families system to improve outcomes for children and reduce entries into out-of-home care</li> <li>• <i>Maintaining the capacity of the children and families system</i>—to expand the child protection workforce and increase home-based care placements for children unable to live safely with their families</li> <li>• <i>Maintenance, minor capital improvements and building of new Care Services properties</i></li> <li>• <i>Reforming care services</i>—to improve the lived experience of children and young people in residential care.</li> </ul> <p>DHHS noted the following additional investments prior to the 2020-21 Budget to enhance services and supports for vulnerable Victorian children and families impacted by COVID-19:</p> <ul style="list-style-type: none"> <li>• \$77.5 million over two years to support some of Victoria’s most at-risk children by bolstering the staff, resources and services available to them</li> <li>• A one-off \$600 payment to foster and kinship carers for every child they care for</li> <li>• \$4 million to expand the Home Stretch program to support all young people currently in care due to turn 18 before December 2020</li> <li>• \$15 million to support residential care service providers and to ensure residential homes are properly cleaned.</li> </ul> <p>DHHS advised these investments provided critical supports and services to Victoria’s most vulnerable children while looking after the safety and wellbeing of workforces and slowing the spread of coronavirus.</p>
<p>Help people continue to access healthcare safely during the pandemic.</p>	<p>DHHS noted the following 2020-21 Budget initiatives:</p> <ul style="list-style-type: none"> <li>• <i>Better at home: Hospital care in the home</i>—\$120.9 million over three years to deliver more healthcare within patients’ homes where appropriate</li> <li>• <i>Improving rural health outcomes</i>—\$32.4 million over four years to address disparities in health outcomes in rural areas by investing in prevention and treatment initiatives for cardiac, stroke and cancer conditions</li> </ul> <p>DHHS also advised it introduced and expanded telehealth services so people can more easily navigate the health system and stay home (and safe) as much as possible.</p>

Strategic issue	How the Department of Health and Human Services (DHHS) will address the issue in 2020-21
<p>Utilise the role of health and housing infrastructure development to both support Victorians' wellbeing and stimulate economic recovery and jobs.</p>	<p>DHHS noted it continued to deliver a range of infrastructure during the pandemic and highlighted the following related 2020-21 Budget initiatives:</p> <ul style="list-style-type: none"> <li>• <i>Big Housing Build</i>—\$5.3 billion to build more than 12,000 new social and affordable homes</li> <li>• <i>Warrnambool Base Hospital Redevelopment (including Warrnambool Logistics Hub)</i>—\$382.4 million for related works</li> <li>• <i>Metropolitan Health Infrastructure Fund</i>—\$200 million to improve infrastructure across a range of metropolitan health services</li> <li>• <i>Regional Health Infrastructure Fund</i>—\$120 million to improve infrastructure across a range of rural and regional health services</li> <li>• <i>Ten new community hospitals to give patients the best care</i>—\$66.1 million for land acquisition, planning and design works</li> <li>• <i>Engineering infrastructure replacement program 2020-21</i>—\$85 million to upgrade and replace critical infrastructure and medical equipment</li> <li>• <i>Improving energy efficiency in public hospitals</i>—\$40 million to install solar power and high-efficiency lighting</li> <li>• <i>A pathway to more acute mental health beds</i>—\$492.2 million to plan and construct additional mental health beds at key locations</li> <li>• <i>Modernisation of metropolitan Melbourne Public Sector Residential Aged Care Services Stage 3 Kingston Project</i>—\$134.6 million or a new two storey 150-bed public sector residential aged care facility at the Monash Health Kingston Campus</li> <li>• <i>Reforming care services</i>—\$40.9 million to improve the lived experience of children and young people in residential care.</li> </ul>

Source: Department of Health and Human Services, *Response to the 2020-21 Budget estimates general questionnaire*, received 27 November 2020, pp. 20-24.

# Appendix B

## Analysis of performance measures: Department of Health and Human Services

### B.1 Analysis of new performance measures

Output	New performance measure	Assessment/ possible issues
Primary, Community and Dental Health Maternal and Child Health and Early Parenting Services	Hours of additional support delivered through the enhanced maternal and child health program	Supported.  Proposed replacement measure more accurately reflects the revised and broader scope of the program which now extends beyond children aged 0-1 year.
Public Health Protection	Percentage of food recalls acted upon with 24 hours of notification	Supported.  Proposed replacement measure offers more meaningful and clearer insights into the performance of services and fulfillment of the department's obligations under national standards.
Child Protection and Family Services	Daily average number of children in foster care placements	(see discontinued performance measures) Supported.  The three proposed replacement measures: 'Daily average number of children in foster, kinship and residential care' improve transparency as they disaggregate the discontinued measure providing increased visibility of the three main types of out-of-home care which comprise the discontinued measure.
	Daily average number of children in residential care placements	Supported—see above.
	Daily average number of children in kinship care placements	Supported—see above.
	Daily average number of children in care placements	Supported.  Main difference with former similar measure of 'Daily average number of out-of-home care placements' is the exclusion of permanent care placements. Australian Institute of Health and Welfare's website confirms definitions of out of home care were harmonised across states in 2019 to exclude permanent care. <sup>a</sup>

B

Output	New performance measure	Assessment/ possible issues
Child Protection and Family Services <i>(continued)</i>	Daily average number of children subject to permanent care orders	Supported—see above.  This metric separates out the measurement of children in permanent care from the above-noted former measure of 'out-of-home' placements thereby making the incidence of permanent care more transparent.
	Forensic disability Target Group Assessments completed within six weeks	Supported—although measure is more of a timeliness rather than quality metric.  Provides useful insights into the timeliness of 'target group assessments' undertaken by the department.
Disability Services	Forensic disability residents participating in community reintegration activities	Supported.  Provides useful insights into the take-up by forensic disability residents of reintegration services.
Mental Health Clinical Care	Total community service hours (child and adolescent)	Supported.  The new measure improves transparency as it disaggregates the former general metric providing more granular information about service access by different age cohorts.
	Total community service hours (adult)	Supported.  The new measure improves transparency as it disaggregates the former general metric providing more granular information about service access by different age cohorts.
	Total community service hours (aged)	Supported.  The new measure improves transparency as it disaggregates the former general metric providing more granular information about service access by different age cohorts.
	Post-discharge community care (child and adolescent)	Supported.  The new measure improves transparency as it disaggregates the former general metric providing more granular information about service access by different age cohorts.
	Post-discharge community care (adult)	Supported.  The new measure improves transparency as it disaggregates the former general metric providing more granular information about service access by different age cohorts.
	Post-discharge community care (aged)	Supported.  The new measure improves transparency as it disaggregates the former general metric providing more granular information about service access by different age cohorts.

Output	New performance measure	Assessment/ possible issues
Family Violence Service Delivery	Number of calls responded to by the statewide telephone help line for men regarding family violence	(see discontinued performance measures) Supported. Proposed replacement measure improves transparency by focusing on the delivery of services rather than just measuring demand. Transparency may be improved further by supplementing the measure with additional metrics reflecting the adequacy of responses in terms of proportion of all calls responded to, and the quality and timeliness of responses.
	Assessments undertaken within seven days	(see discontinued performance measures) Supported. Proposed replacement measure improves transparency for performance by establishing a clear '7-day' timeframe for completing assessments and therefore better supports continuous improvement.
Housing Assistance	Proportion of homelessness services clients that engage with support services and access or maintain housing	(see discontinued performance measures) Supported. Proposed replacement measure improves transparency of performance by offering more meaningful and clearer insights into the outcomes of housing assistance programs.
	Number of calls responded to by the statewide 24/7 family violence victim/survivor crisis service	(see discontinued performance measures) Supported. Proposed replacement measure improves transparency by focusing on the delivery of services rather than just measuring demand. Transparency may be improved further by supplementing the measure with additional metrics reflecting the adequacy of responses in terms of proportion of all calls responded to, and the quality and timeliness of responses.

a. Australian Institute of Health and Welfare, *Child protection Australia 2018-19*, 18 March 2020, <<https://www.aihw.gov.au/reports/child-protection/child-protection-australia-2018-19/summary>> accessed 20 February 2021.

Source: Department of Health and Human Services, *Response to the 2020-21 Budget estimates general questionnaire*, received 27 November 2020, pp. 62-69.



## B.2 Analysis of discontinued performance measures

Output	New performance measure	Assessment/ possible issues
Drug Services— Drug Treatment and Rehabilitation	Commenced courses of treatment— residential-based drug treatment services	Supported.  Reasonable rationale provided. DHHS' website confirms all residential services transitioned to the Drug Treat Activity Unit (DTAU) on 1 July 2019 and are now funded on this basis.
	Number of new residential withdrawal clients	Supported.  Reasonable rationale provided. DHHS' website confirms all residential services transitioned to the DTAU on 1 July 2019 and are now funded on this basis.
	Residential bed days	Supported.  Reasonable rationale provided. DHHS' website confirms all residential services transitioned to the DTAU on 1 July 2019 and are now funded on this basis.
Mental Health— Clinical Care	Total community service hours	Supported.  New cohort-specific replacement measures improves transparency by providing more granular performance information about different client groups.
	Post-discharge community care	Supported.  New cohort-specific replacement measure improves transparency by providing more granular performance information about different client groups.
Primary, Community and Dental Health	Maternal and child health clients with children aged 0 to 1 year receiving additional support through enhanced maternal and child health services	Supported.  Proposed replacement measure more accurately reflects the revised and broader scope of the program which now extends beyond children aged 0 to 1 year.
Public Health— Health Protection	Calls to food safety hotlines	Supported.  Proposed replacement measures offer more meaningful and clearer insights into the performance of services and related outcomes.
	Average time taken from notification of a food complaint to commencement of appropriate action	Supported.  Proposed replacement measure offers more meaningful and clearer insights into the performance of services and fulfillment of the department's obligations under national standards.
Ageing, Aged and Home Care— Seniors Programs and Participation	Seniors funded activities and programs— number approved	Supported.  Proposed discontinuation reflects cessation of program funding.

Output	New performance measure	Assessment/ possible issues
Housing Assistance	Households assisted with housing establishment assistance during year	Supported. Proposed replacement measure improves transparency of performance by offering more meaningful and clearer insights into the outcomes of housing assistance programs.
	Number of calls made to the statewide 24/7 family violence victim/survivor crisis service	Supported. Proposed replacement measure improves transparency by focusing on the delivery of services rather than just measuring demand. Transparency could be enhanced further by supplementing the measure with additional metrics reflecting the adequacy of responses in terms of proportion of all calls responded to, and the quality and timeliness of responses.
Disability Services	Clients in residential institutions	Supported. Discontinuation reflects the decommissioning of all residential institutions and transition of clients to community-based accommodation.
	Clients receiving case management services	Supported. Discontinuation reflects transition of all clients to the National Disability Insurance Scheme (NDIS).
	Clients receiving individualised support	Supported. Discontinuation reflects transition of all clients to the NDIS.
	Hours of community-based respite	Supported. Discontinuation reflects transition of all clients to the NDIS.
	Number of respite days	Supported. Discontinuation reflects transition of all clients to the NDIS.
	Percentage of Specialist Disability Accommodation (SDA) services vacancies filled within 60 business days	Supported. Discontinuation reflects transition of all clients to the NDIS.
Family Violence Service Delivery	Assessments completed within agreed timeframes	Supported. Proposed replacement measure improves transparency for performance by establishing a clear '7-day' timeframe for completing assessments and therefore better supports continuous improvement.
	Number of calls made to the statewide telephone help line for men regarding family violence	Supported Proposed replacement measure improves transparency by focusing on the delivery of services rather than just measuring demand. Transparency could be enhanced further by supplementing the measure with additional metrics reflecting the adequacy of responses in terms of proportion of all calls responded to, and the quality and timeliness of responses.

Source Department of Treasury and Finance, *Budget Paper No. 3: 2020-21 Service delivery*, Melbourne, 2020, pp. 412-415.



# Appendix C

## Strategic issues caused by the COVID-19 pandemic: Department of Education and Training

Strategic issue	How the Department of Education (DET) will address the issue in 2020–21
Addressing interrupted school-based learning in 2020.	<p>Strategies as part of the <i>Tutors deployed to bring students up to speed</i> initiative, we will seek to ensure interrupted learning for some students in 2020 is addressed. These strategies include supporting:</p> <ul style="list-style-type: none"> <li>• students with interrupted learning to catch up and extend those who thrived</li> <li>• students' mental health and wellbeing</li> <li>• schools to better partner with families on their children's learning, particularly for vulnerable students</li> <li>• students to retain loaned devices from government schools.</li> </ul>
Addressing financial hardship due to COVID-19.	<p>The following initiatives seek to ensure no student is excluded from educational opportunities:</p> <ul style="list-style-type: none"> <li>• <i>State Schools' Relief</i> funding to meet the projected increase in demand for the Affordable School Uniforms (ASU) program from students in government schools experiencing financial hardship.</li> <li>• Continuation of the <i>Camps, Sports Excursion Fund</i> to meet expected growth in number of families eligible for Health Care Card concession in 2020 and 2021 to ensure that disadvantaged students do not miss out on important extra-curricular activities.</li> <li>• <i>Bridging the digital divide and supporting connected learners during coronavirus (COVID-19)</i> initiative: students will be able to retain loaned devices from government schools.</li> <li>• <i>Supporting families with children in kindergarten</i>: Free and subsidised kindergarten programs will be available in eligible services in 2021 to support families with the costs of early childhood education and make it easier for women to take up employment opportunities.</li> <li>• <i>Responding to coronavirus (COVID-19) impacts in early childhood</i> initiative, early intervention will provide family-focused support for vulnerable children transitioning to school.</li> </ul>
Keeping schools open and safe.	<p>DET developed an operating model for the transition back to on-site schooling in consultation with the Chief Health Office and the Department of Health and Human Services (DHHS) COVID-19 Public Health Incident Management team.</p> <p>DET supported regular cleaning of high-touch surfaces to help minimise the risk of coronavirus (COVID-19) in schools during 2020, as well as deep cleans for schools with a confirmed coronavirus (COVID-19) case.</p>

C

Strategic issue	How the Department of Education (DET) will address the issue in 2020–21
<p>Addressing COVID-19 economic impacts that disproportionately impact certain industries and places, and the access of particular cohorts (women, young people, and migrants) to training and employment.</p>	<p>DET’s Initial Teacher Education (ITE) programs will accelerate the training and employment of high-quality teachers into schools and early childhood services.</p> <p><i>COVID-19 Learning Catch-Up</i> funding will also drive job creation within the education sector for 12 months including 4,100 tutor roles—around 80 per cent expected to be filled by women—supporting more than 200 000 students in 2021.</p> <p>Victoria’s TAFE and training system will play a critical role in rebuilding workforce connections. Key initiatives include:</p> <ul style="list-style-type: none"> <li>• <i>TAFE and training driving economic recovery</i> funding to meet anticipated demand for eligible students including from Victorians impacted during the coronavirus (COVID-19) pandemic. Free TAFE in priority areas will be boosted, as well as additional places for accredited short courses and skill sets in construction.</li> <li>• <i>Skills for resilient and emerging industries</i> funding to enable the rapid retraining of workers into high priority industries through additional places in accredited skill sets.</li> </ul> <p>Subsidised and Free TAFE training for Victorians particularly affected by economic disruption, including women, young people, migrants, vulnerable Victorians and retrenched workers to reskill and upskill in 2021.</p>
<p>Contribute to economic recovery.</p>	<p><i>COVID-19 Learning Catch-Up</i> funding will drive job creation within the education sector for 12 months supporting additional employment opportunities including 4,100 tutor roles—around 80 per cent expected to be filled by women—and support more than 200 000 students in 2021.</p> <p><i>TAFE and training driving economic recovery</i> funding to meet anticipated demand for eligible students including from Victorians impacted during the coronavirus (COVID-19) pandemic. Free TAFE in priority areas will be boosted, as well as additional places for accredited short courses and skill sets in construction.</p> <p>Funding to support Victorian universities through the Higher Education State Investment Fund will contribute to capital works, applied research and research partnerships.</p>

Source: Department of Education and Training, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 15–18.

# Appendix D

## Strategic issues caused by the COVID-19 pandemic: Department of Transport

Strategic issue	How the Department of Transport (DoT) will address the issue in 2020–21	Progress achieved as at 1 October 2020
<p>Long term impact to patronage due to public health concerns about the safety and cleanliness of public transport.</p>	<ul style="list-style-type: none"> <li>• Provide additional funding to ensure public transport services can continue to deliver safe and clean travel.</li> <li>• Continuous evaluation of public transport cleaning needs in line with latest public health advice.</li> <li>• Extension of hand sanitiser program.</li> <li>• Ongoing communications campaigns to build community trust in public transport safety and cleanliness.</li> <li>• Trialling and potential roll-out of real-time passenger counts to help travellers make informed decisions about when to travel based on crowding.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased cleaning regime to ensure safety and passenger confidence, including overnight deep cleaning, enhanced daily cleaning of high touch points on active vehicles and stations.</li> <li>• Third Party quality assurance audits of cleaning.</li> <li>• Over 300 touchless hand sanitiser dispensers installed at key locations on the bus, tram and train networks.</li> <li>• Enhanced customer messaging emphasising cleanliness and passenger responsibilities on services, including the <i>Be Kind Travel</i> campaign, posters on services advising distancing, on board and at-stop announcements, social media and other digital campaigns.</li> <li>• Interim funding arrangements with operators to support additional cleaning and hygiene in place.</li> </ul>
<p>Road congestion as a result of travellers shifting from public transport to private vehicles in response to public health concerns.</p>	<ul style="list-style-type: none"> <li>• Implementation of the <i>Keeping Victorians Moving</i> program will provide enhanced daily monitoring and reporting of network operations, expand clearway towaway zones and introduce technologies for rapid problem identification and response on the road network.</li> <li>• Victoria's <i>Big Build</i> provides an unprecedented level of investment in the State's transport infrastructure and will increase net transport capacity significantly in the medium to longer term. The \$4 billion suburban arterial roads upgrades will be delivered in addition to other arterial road upgrades funded through this Budget. Additional funding for active transport will support a shift to cycling for shorter journeys.</li> <li>• Additional funding to deliver new bus services.</li> </ul>	<ul style="list-style-type: none"> <li>• Intelligence and reporting efforts are ongoing, including forecasting patronage demand, and running network simulations to identify potential impacts and hotspots.</li> <li>• Early stages of the <i>Keeping Victorians Moving</i> program are underway rolling out hundreds of new closed-circuit television cameras, wireless travel time sensors and visual message boards with live travel time information.</li> <li>• New pedestrian crossing technology is being rolled out to improve safety and reduce road congestion.</li> <li>• Enhanced tram and bus priority at traffic signals will enable more efficient public transport.</li> <li>• Implementation of the cleaning and communications measures on public transport to encourage a return to the network, including new digital real time information for passengers on crowding.</li> </ul>

Strategic issue	How the Department of Transport (DoT) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Additional public transport services in shoulder peak times required to enable greater physical distancing.	Additional peak services are being delivered to enable longer peak periods to assist with physical distancing and respond to changes in demand through increased flexible working arrangements.	On 13 July 2020, 19 additional train services were introduced to extend/flatten the peak (95 services per week). There was also an uplift in tram services in the CBD via a short-term shuttle service that added 84+ services per day travelling along Collins Street per day, with capacity for up to 600 additional passengers per hour.
Additional costs for more frequent and deeper cleaning on the public transport network.	<ul style="list-style-type: none"> <li>• Third party review of ongoing enhanced cleaning requirements to respond to a changing COVID-19 landscape.</li> <li>• Ongoing engagement with the <i>Working for Victoria</i> program to continue support jobs and additional cleaning requirements.</li> </ul>	<ul style="list-style-type: none"> <li>• Developed cleaning guidelines for public transport operators under COVID-19 in collaboration with health authorities.</li> <li>• Engaged in third party audits to assess efficacy and effectiveness of cleaning practices on the public transport network.</li> <li>• Reviewed cleaning costs submitted by public transport operators to understand financial implications of enhanced cleaning regime.</li> <li>• Participated in <i>Working for Victoria</i> program to provide additional daytime cleaning on the network.</li> </ul>
Physical distancing restrictions on <i>Big Build</i> site works potentially resulting in delay to program or additional contractor costs, however these impacts are yet to be substantiated.	<ul style="list-style-type: none"> <li>• Most Major Transport Infrastructure Program (MTIP) projects have continued onsite works throughout the COVID-19 restrictions with additional safety precautions.</li> <li>• Major Transport Infrastructure Authority worked with the contractors to support enhanced safety and hygiene responses to COVID-19, including asymptomatic testing.</li> </ul>	<ul style="list-style-type: none"> <li>• 5,627 coronavirus onsite inspections have been undertaken across MTIP.</li> <li>• Discussions are continuing with contractors to understand time and costs impacts from the COVID-19 restrictions.</li> </ul>
<p>Prolonged work from home arrangements impact on mental health and wellbeing of workforce.</p> <p>Changes in how we work will require a different skillset from Victorian Public Service executives/leaders.</p>	<ul style="list-style-type: none"> <li>• Bespoke training for adaptive leadership, mental health and resilience made available to employees and leaders.</li> <li>• Operationalise a partial return to office in line with the Whole of Victorian Government approach, with appropriate protocols to manage a split workplace in place.</li> </ul>	<ul style="list-style-type: none"> <li>• All DoT staff who are able to work from home required to do so (where their roles allow it), with the occupancy of DoT sites reduced significantly.</li> <li>• Business continuity plans and workshops to assess business impacts have been undertaken.</li> <li>• Reporting to track trends in employee wellbeing, special leave and absenteeism specific to COVID-19 set up.</li> <li>• COVID-Safe Plans developed and third party safety assessments underway for DoT sites in preparation for employees returning to the office.</li> </ul>

Strategic issue	How the Department of Transport (DoT) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Workforce capability to respond quickly to changing requirements.	<ul style="list-style-type: none"> <li>Continue to work closely with key industry stakeholders to realise and operationalise future public health requirements on the network.</li> <li>Formalise COVID-19 response support apparatus, including Project Management Office functions, into business-as-usual structures to enable rapid response in future.</li> </ul>	<ul style="list-style-type: none"> <li>Adjusted service offering in line with the various stages and steps of restrictions, focused on minimising the spread of COVID-19 through maintaining safe working conditions for essential employees, ensuring safety for passengers and minimising impacts on the transport network and services.</li> <li>Established strong communications and forums with key industry stakeholders to rapidly implement changes and resolve operational issues.</li> <li>Advised Government on activities and initiatives that will best support our passengers, operators and frontline staff.</li> <li>Established a dedicated COVID-19 Project Management Office to centralise response activities and streamline implementation.</li> </ul>
Fatigue among staff in Emergency Management roles as the workforce has been ‘surging’ to respond to emergencies continually since the 2019–20 bushfire season.	<ul style="list-style-type: none"> <li>Additional roles to be incorporated into Emergency Management and Safety team structures.</li> <li>Implementation of new Emergency Management Framework and associated documents to streamline responses.</li> <li>Operationalise capability development work to create greater capacity for responses to future emergency events e.g. bushfires, floods.</li> </ul>	<ul style="list-style-type: none"> <li>COVID-19 Project Management Office set up to streamline pandemic response work and ease the burden on existing employees.</li> <li>Preliminary capability development work underway to build.</li> <li>New Emergency Management Framework and associated documents developed and submitted for approval.</li> </ul>

Source: Department of Transport, *Response to the 2020–21 Budget estimates general questionnaire*, received 1 December 2020, pp. 11–13.





# Appendix E

## Strategic issues caused by the COVID-19 pandemic: Department of Justice and Community Safety

Strategic issue	How the Department of Justice and Community Safety (DJCS) will address the issue in 2020-21	Progress achieved as at 1 October 2020
<p>Maintaining the wellbeing of staff, prisoners, young people in custody and the wider community and managing the risk of COVID-19 in facilities.</p>	<p>DJCS will continue to assess the Corrections Victoria and Youth Justice response to COVID-19 during 2020-21 in line with current health advice.</p>	<p>As at 1 October 2020, DJCS has worked to prevent the spread of COVID-19 and safeguard the health and wellbeing of staff, prisoners and young people in custody and the wider community by:</p> <ul style="list-style-type: none"> <li>• Testing and isolating new receptions</li> <li>• Establishing and operating quarantine and isolation units for suspected and confirmed cases, with all staff trained in personal protective equipment (PPE) and infection control</li> <li>• Providing infection control training and specialist training for staff</li> <li>• Introducing screening approaches and temperature checking at facilities</li> <li>• Purchasing PPE and hygiene products for prisoners, young people and staff</li> <li>• Ensuring all touchpoint surfaces are disinfected regularly</li> <li>• Increasing cleaning arrangements in line with Australian Regulatory Guidelines</li> <li>• Ensuring additional health services are provided to prisoners and young people</li> <li>• Providing proactive wellbeing check-ins by clinicians and mental health services for prisoners and young people subject to isolation</li> <li>• Providing infrastructure and resources to facilitate remote service delivery and personal visits for prisoners and young people</li> <li>• Ensuring prisoners and young people suspected or confirmed with COVID-19 receive appropriate oversight from health staff, including swabbing and monitoring for symptoms</li> <li>• Developing outbreak management and contact tracing procedures and protocols</li> <li>• Working closely with DHHS on outbreak management where positive cases have been identified, including contact tracing, swabbing and case tracking.</li> </ul> <p><i>(continued)</i></p>



Strategic issue	How the Department of Justice and Community Safety (DJCS) will address the issue in 2020-21	Progress achieved as at 1 October 2020
<p>Maintaining the wellbeing of staff, prisoners, young people in custody and the wider community and managing the risk of COVID-19 in facilities.</p> <p><i>(continued)</i></p>		<p>These measures have proven to be effective at detecting and preventing transmission of COVID-19 in correctional facilities and youth justice systems. To date, there has been no transmission of COVID-19 between young people in youth justice.</p>
<p>Increased demand on justice service systems and growing client complexity.</p>	<p>The social and economic impacts of COVID-19 are seeing an increase in demand for a range of services including family violence, mental health and employment services. COVID-19 is having a disproportionate impact on vulnerable Victorians, entrenching and compounding disadvantage. As part of a whole of government strategy for social recovery, DJCS will be working with Ministers and other departments to design more integrated services across justice, social and health service sectors.</p>	<p>The Government is considering immediate and longer-term opportunities to support social recovery in response to COVID-19. This will include a focus on rebuilding social participation, improving service delivery, strengthening community safety, to help Victorians access the support they need. Rapid evaluations of changed practices in response to COVID19 are being undertaken by the department to understand where changes have been effective and should be embedded into business as usual.</p>
<p>Supporting Victorian courts and justice sector agencies to continue operating during COVID-19.</p>	<p>The department will continue to support key justice entities (such as Corrections, Youth Justice, the Office of Public Prosecutions, Victoria Police, Victoria Legal Aid the Independent Broad-based Anti-Corruption Commission and the Victorian Ombudsman) to deliver critical services while COVID-19 restrictions apply, including by supporting Courts' to conduct their most urgent matters remotely.</p>	<p>DJCS implemented a range of legislative, procedural and process changes to enable the courts, corrections and wider justice system to continue delivering vital justice services while complying with COVID-19 restrictions. Remote hearings continued throughout the pandemic, so that the most timecritical matters (such as those involving personal liberty, family violence, and personal safety) have continued to be heard in a timely manner. The department will continue to work on enhancing collaboration between key justice entities, so that services continue through the pandemic period, and to assist in reducing backlogs once face to face hearings resume.</p>
<p>Increased State Control Centre (SCC) workload.</p>	<p>Expand the SCC core workforce to include additional full time employees and deliver a review into the Emergency Management Operating model.</p>	<p>Recruitment of staff and procurement of reporting services and accommodation is in progress.</p>
<p>Face-to-face service delivery of Crime Prevention initiatives paused due to COVID-19 restrictions.</p>	<p>The department has worked with service delivery organisations to adapt programs to online formats where possible and supported organisations to delay service delivery where necessary. Crime prevention initiatives have been reoriented to help mitigate the anticipated social impacts of COVID-19 as restrictions are relaxed.</p>	<p>Organisations have been supported to adapt service delivery to online formats. Planning is underway to support organisations to recommence face-to-face delivery as restrictions are relaxed.</p>

E

Strategic issue	How the Department of Justice and Community Safety (DJCS) will address the issue in 2020-21	Progress achieved as at 1 October 2020
<b>Victoria Police</b>		
Ensuring frontline members have PPE and the necessary operational infrastructure to stay safe and deliver COVID 19 related operations.	<p>Victoria Police has implemented and will continue to maintain its COVID Safe Plan. Under this plan workplaces must operationalise this plan locally to minimise the risk of infection and to support a health response to any identified exposure.</p> <p>To ensure all members are safe, all members are required to wear appropriate PPE while in the workplace. These include:</p> <ul style="list-style-type: none"> <li>• Disposable gloves (single use)</li> <li>• Glasses (washable)</li> <li>• Surgical masks (single use).</li> </ul>	<p>Victoria Police has updated instructions to all employees in relation to the use of face covering and PPE to ensure health and safety of all staff.</p> <p>While performing non-public facing duties and public facing duties, including duties not in the presence of the public e.g. driving the van, appropriate PPE is required to ensure the safety of not only our members but also the public.</p>
Managing workforce demand during COVID period to ensure the health and safety of employees and continued delivery of services to ensure community safety.	<p>In response to the COVID-19 pandemic, Victoria Police activated its Pandemic Response Plan. This plan directs the establishment of the Victoria Police Pandemic Planning Advisory Committee. The Pandemic Planning Advisory Committee at this time has also activated both the Executive Crisis Management Committee and the State Police Operations Centre. The plan includes a tiered service delivery model to manage changed workforce demands.</p>	<p>Victoria Police will continue to operate a service delivery strategy and leave management principles to effectively manage priorities and resources to meet the demands of the protracted COVID response and the upcoming bushfire season, while ensuring the health and safety of employees.</p>

Source: Department of Justice and Community Safety, *Response to the 2020-21 Budget estimates general questionnaire*, received 26 November 2020, pp. 20-23.





# Appendix F

## Changes made to output structure 2020–21: Department of Justice and Community Safety

2019–20 outputs	2020–21 outputs	Reason for change/Further information regarding change	Responsible portfolio/s
Public Sector Integrity	Public Sector information management, privacy and integrity	The proportion of this output relating to the Office of the Victorian Information Commissioner and the Local Government Inspectorate has transferred to the Department of Justice and Community Safety from the Department of Premier and Cabinet following machinery of government changes.	Attorney-General
Policing and Crime Prevention	Policing and Community Safety	No further information provided by department.	Police and Emergency Services
Infringements and Warrants	Crime Prevention, Fines and Enforcement	Ensures that the performance measures for the Policing and Community Safety output reflect the performance measures reported for Victoria Police for the Police and Emergency Services ministerial portfolio.	Attorney-General and Crime Prevention—output includes one performance measure relevant to the portfolio.
Dispute resolution and Civil Justice Support Services	Justice policy, services and law reform	Includes performance measures relating to a range of smaller entities for which the Attorney General is responsible for, including the Victorian Institute of Forensic Medicine, the Dispute Settlement Centre of Victoria, the Victorian Law Reform Commission, the Sentencing Advisory Council, the Victorian Government Solicitors Office and programs related to Aboriginal Justice.	Attorney-General
Criminal Law Support and Reform	–	No further information provided by department.	–
Victims and Community Support Services	Protection of vulnerable people, human rights and victim support	Includes performance measures for the Victorian Equal Opportunity and Human Rights Commission, the Office of the Public Advocate and two performance measures related to the Victim Support portfolio.	Attorney-General and Victim Support
Protection of Personal Identify and Individual / Community Rights	Protection of children and personal identify services	Contains performance measures for to Births, Deaths and Marriages (and Working with Children Checks. It also contains performance information for Adoption Services, which transferred to the Attorney General's portfolio as part of machinery of government changes in 2019.	Attorney-General

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 287; Department of Justice and Community Safety, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 114, 116–121.



# Appendix G

## Portfolios and output changes: Department of Jobs, Precincts and Regions Portfolios

### G.1 Portfolios—comparison

	Portfolios in 2020–21	Portfolios in 2019–20	Remark
1.	Agriculture	Agriculture	Unchanged
2.	Business Precincts	Priority Precincts	Renamed
3.	Community Sport	n.a.	New
4.	Creative Industries	Creative Industries	Unchanged
5.	Employment	Jobs, Innovation and Trade	Renamed
6.	Industry Support and Recovery	n.a.	New
7.	Innovation, Medical Research and the Digital Economy	Jobs, Innovation and Trade	Renamed
8.	Local Government	n.a.	New to the department, transferred from the Department of Land, Water and Planning
9.	Racing	Racing	Unchanged
10.	Regional Development (and Cross Border Coordination)	Regional Development	Unchanged
11.	Resources	Resources	Unchanged
12.	Small Business	Small Business	Unchanged
13.	Suburban Development	Suburban Development	Unchanged
14.	Tourism, Sport and Major Events	Tourism, Sport and Major Events	Unchanged
15.	Trade	Jobs, Innovation and Trade	Renamed
	n.a.	Jobs, Innovation and Trade	Portfolios have been disaggregated to individual portfolios

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 251; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2020, p. 229.

## G.2 Portfolios and output changes since the 2019–20 Budget

Portfolio	Changes	Output(s)	Changes
Local Government	The portfolio has been transferred from the Department of Environment, Land, Water and Planning to the Department of Jobs, Precincts and Regions (DJPR) through a machinery of government change.	Local Government and Suburban Development	The 2019–20 output 'Priority Precincts and Suburban Development' has been split into the 2020–21 outputs 'Business Precincts' and 'Local Government and Suburban Development'.
Suburban Development	No changes since 2019–20 Budget		
Business Precincts	This is a new portfolio for 2020–21. This portfolio has been renamed from 'Priority Precincts' for 2020–21.	Business Precincts	
Industry Support and Recovery	The portfolio has been disaggregated from the 'Jobs, Innovation and Trade' portfolio in 2019–20.	<ul style="list-style-type: none"> <li>Jobs</li> <li>Industry, Innovation, Medical Research and Small Business.</li> </ul>	<p>The 'Industry, Innovation and Small Business' output has been renamed as the 'Industry, Innovation, Medical Research and Small Business' output with the following sub-outputs:</p> <ul style="list-style-type: none"> <li>Industry, Innovation and Small Business</li> <li>Medical Research.</li> </ul>
Trade	The portfolio has been disaggregated from the 'Jobs, Innovation and Trade' portfolio in 2019–20.	Trade and Global Engagement	No changes to the output since 2019–20 Budget.
Employment	The portfolio has been disaggregated from the 'Jobs, Innovation and Trade' portfolio in 2019–20.	Jobs	No changes to the output since 2019–20 Budget.
Innovation, Medical Research and the Digital Economy	This portfolio has been disaggregated from the 'Jobs, Innovation and Trade' portfolio for 2020–21, with the addition of medical research which has transferred to DJPR from the Department of Health and Human Services through a machinery of government change.	Industry, Innovation, Medical Research and Small Business	Addition of 'Medical Research' to the output 'Industry, Innovation and Small Business' in the 2019–20 Budget.
Community Sport	This output has been disaggregated from the 'Tourism, Sport and Major Events' portfolio for 2020–21, with no changes to the output structure.	Sports, Recreation and Racing	No changes to the output since 2019–20 Budget.

Source: Department of Jobs, Precincts and Regions, *Response to the 2020–21 Budget estimates general questionnaire*, received 30 November 2020, pp. 167–188.

# Appendix H

## Strategic issues caused by the COVID-19 pandemic: Department of Jobs, Precincts and Regions

Strategic issue	How the Department of Jobs, Precincts and Regions (DJPR) will address the issue in 2020–21	Progress achieved as at 1 October 2020
COVID-19 response	DJPR will continue to support the continuity of critical businesses, employment and workforce engagement opportunities.	Extensive business support and employment schemes have been rolled out as part of the COVID-19 response.
COVID-19 recovery	The structure of the economy continues to change creating significant impacts on business and employment. DJPR has a critical role in supporting Victorian businesses, ensuring that they can invest and grow beyond the health crisis.	DJPR continues to work in partnership with business and the community to support industry, trade and innovation and develop worker supports.
Global supply chains	The department will closely monitor international developments to ensure there is minimal interruption to supply chains and that Victorian businesses are well placed to take advantage of opportunities.	The Agent General and Commissioners for Victoria continue to undertake high quality trade and investment engagement.
Organisational change	The department will seek and allocate resources appropriately in response to the challenges created by the COVID-19 pandemic.	The department is working effectively within structures aligned to deliver on the Government's priorities, including COVID-19 recovery.
Bushfires and drought	The pandemic response will continue as the state moves into the bushfire season. There will be additional potential impacts on business already under significant pressure from COVID-19. DJPR has a crucial role in summer preparedness and needs to be able to pivot to other emergency response activities.	The department continues its summer preparedness planning.

Source: Department of Jobs, Precincts and Regions, *Response to the 2020-21 Budget estimates general questionnaire*, received 30 November 2020, pp. 15-16.





# Appendix I

## Strategic issues caused by the COVID-19 pandemic: Department of Environment, Land, Water and Planning

Strategic issue	How the Department of Environment, Land, Water and Planning (DELWP) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Restoration and reform of public services—Economic (public sector): Leadership for the recovery and reform of key government economic services (Mission 5).	<ul style="list-style-type: none"> <li>Established and continued to resource coordination, support and engagement activities with relevant industry and DELWP portfolio entities to ensure continuity of essential services during COVID-19 restrictions.</li> <li>Supporting Whole of Government approaches to the restoration and recovery of essential services.</li> </ul>	<ul style="list-style-type: none"> <li>All essential public services and facilities have continued to operate through the second wave and different restriction levels applied to date.</li> <li>Continued support and engagement for DELWP industry sectors and portfolios to ensure the continuation and recovery of essential services.</li> </ul>
Operational response to bushfires and bushfire recovery.	<ul style="list-style-type: none"> <li>Additional COVID-safe procedures, resourcing and plant and equipment to address risks.</li> <li>DELWP modified its delivery approach so it can continue to provide critical bushfire recovery services—limiting interactions between crews and minimising movements in and out of communities.</li> </ul>	Forest Fire Management Victoria are continuing with fire season preparedness activities and are well placed to respond to bushfires as they occur.
Financial sustainability of DELWP portfolio entities and agencies impacted (including through required closures) of COVID-19 including Zoos, Phillip Island Nature Parks, Alpine resorts.	<p>DELWP established a Portfolio Entity Taskforce in April 2020.</p> <p>The taskforce proactively supports portfolio entities to continue the delivery of critical services.</p> <p>The taskforce will continue operations in 2020–21 to provide a consistent governance approach to managing and supporting DELWP portfolio entities, including monitoring and responding to issues of financial sustainability.</p>	<p>The taskforce has successfully increased oversight of DELWP portfolio entities with short-term viability and solvency issues through the following measures:</p> <ul style="list-style-type: none"> <li>receipt of monthly cash flow forecasts from all portfolio agencies from March 2020</li> <li>fortnightly meetings with major portfolio entities</li> <li>requiring portfolio agencies experiencing financial difficulties to prepare more detailed financial reports and advise of material changes.</li> </ul> <p>Letters of comfort have been issued to the four Alpine Resort Management Boards, Zoos Victoria, Phillip Island Nature Parks, Parks Victoria, Environment Protection Authority, Royal Botanic Gardens, Victorian Planning Authority, Sustainability Victoria, Caulfield Racecourse Reserve Trust, Kyabram Fauna Park and four coastal Committees of Management.</p> <p><i>(continued)</i></p>

Strategic issue	How the Department of Environment, Land, Water and Planning (DELWP) will address the issue in 2020–21	Progress achieved as at 1 October 2020
<p>Financial sustainability of DELWP portfolio entities and agencies impacted (including through required closures) of COVID-19 including Zoos, Phillip Island Nature Parks, Alpine resorts.</p> <p><i>(continued)</i></p>		<p>Letters of comfort have also been given to Goulburn Murray Water Corporation, Grampians Wimmera Mallee Water Corporation to cover lease revenue reductions. While the foregone revenue will not jeopardise the water corporations' financial sustainability, they will still incur costs which they cannot and should not recover through increased prices to other customers. The government is providing comfort to minimise risk to the businesses and ultimately their customers.</p> <p>Financial support has also been provided to a number of these portfolio entities during 2020–21.</p>
<p>Surge usage of the public land estate and impacts of resource requests to support surge capacity required.</p>	<ul style="list-style-type: none"> <li>• Operation GUARDIAN monitoring and reporting COVID-19 compliance across the public land estate and, overseeing public land compliance.</li> <li>• Establishment of the interagency Public Safety on Public Land and Waterways Taskforce.</li> <li>• Business continuity planning.</li> <li>• Reprioritisation and deferral of work programs.</li> <li>• Additional staff recruited to fill positions.</li> </ul>	<ul style="list-style-type: none"> <li>• Structured and strategic patrolling of public land since April 2020 focusing on areas of high risk. Non-compliance with the Chief Health Officer directions were reported to Victoria Police.</li> <li>• First draft of the Public Safety on Public Land and Waterways COVIDSafe summer plan.</li> </ul>
<p>The need to lay the foundations for Victoria's economic recovery through infrastructure projects and other activities to enable recovery.</p>	<ul style="list-style-type: none"> <li>• Identify and fast track planning assessments and other required approvals for a pipeline of shovel ready development and infrastructure projects to assist to stimulate economic activity.</li> <li>• The government has established an Interdepartmental Committee to oversee planning reforms, including legislative changes that may be required.</li> </ul>	<ul style="list-style-type: none"> <li>• The Building Victoria's Recovery Taskforce and Fast-Track Approvals Teams were established in April 2020. As a result of their work, around 300 applications were assessed, and a significant amount of investment value was triaged, and investments approved.</li> <li>• Changes to the Victorian Planning provisions were enacted, enabling deliveries, outdoor dining, live music venue protection and recognition, further facilitation of state and local infrastructure projects to be enacted and exemptions to repair building cladding.</li> </ul>
<p>Impact of COVID-19 on waste and recycling services and the capacity of the waste and recycling businesses sector and local councils to respond to key Recycling Victoria (RV) programs.</p>	<ul style="list-style-type: none"> <li>• Established a team to co-ordinate Government support for the waste sector to ensure service continuity, including guidance and advice for industry, resolve policy/regulatory issues, and working with businesses to increase preparedness and resilience.</li> <li>• Adopted a flexible approach with Recycling Victoria program design and timing and tailored engagement with industry and local councils to ensure delivery of key programs.</li> </ul>	<ul style="list-style-type: none"> <li>• The COVID-19 response supported the sector to maintain services, including extending operating hours for waste collection, deferred the introduction of the landfill levy changes, conducted information campaigns to reduce recycling contamination, and provided advice to the waste sector and local councils and the clinical waste response.</li> <li>• The Recycling Victoria implementation includes draft transition plans for kerbside recycling, the Recycling Victoria Infrastructure Fund first round grants and the release of waste authority consultation.</li> </ul>

Strategic issue	How the Department of Environment, Land, Water and Planning (DELWP) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Ensuring department business continuity and delivery of services during COVID-19 restrictions and ensuring compliance with the Chief Health Officer (CHO) directives.	<ul style="list-style-type: none"> <li>All Department of Environment, Land, Water and Planning roles moved to remote working and other roles modified, such as field staff and firefighters who continue to work across Victoria on public land and on fire management.</li> <li>Business continuity planning.</li> <li>Reprioritisation and deferral of work programs.</li> </ul>	<ul style="list-style-type: none"> <li>Workplace 2020 (completed in 2019) to modernise our IT equipment and business connectivity across the state, was critical in setting DELWP up to transition smoothly to working remotely during the pandemic.</li> <li>A Critical Incident Management Team (in place from March) developed a COVIDSafe Plan that included implementation of elevated hygiene measures and containment strategies as well as enablement of largescale remote working with expedited information technology resources.</li> <li>Community involvement in decision-making continued using the online consultation platform Engage Victoria in conjunction with online workshops and forums.</li> <li>Employed new, temporary staff to work with DELWP on a range of environmental and bushfire recovery projects through Working for Victoria.</li> </ul>
Reduction in revenue estimates for Land Use Victoria.	A 15 per cent reduction in revenue collection mainly due to COVID-19's impact on property transactions by Land Registry Services was estimated for 2020–21. Land Use Victoria is actively monitoring the situation as the year progresses.	Although Land Use Victoria forecast a reduction of 15 per cent in revenue to October 2020 (first quarter of 2020–21), actual revenues are still in line with pre COVID-19 estimates, this is due to timing of revenue collection having a threemonth lag against market activity. Additionally, the effects of the pandemic in Victoria from April through to June will be different to the effects of the pandemic from July to through to December 2020 and will not be realised until later.
Deferral of the commencement of the <i>Environment Protection Act 2017</i> .	The department will finalise subordinate legislation and work with the Environment Protection Authority to support duty holder readiness for commencement of the new framework.	Internal policy development including review of comments from public consultation and advice to the Minister on changes to the draft regulations completed.
The deferral of the 2020–21 State Budget.	The Appropriation (Interim) Bill 2020 was introduced in Victoria to make interim appropriation of certain sums out of the Consolidated Fund for services and supplies.	The Appropriation (Interim) Bill 2020 enabled the continued operations of the Department of Environment, Land, Water and Planning to at least 1 October 2020.

Source: Department of Environment, Land, Water and Planning, *Response to the 2020-21 Budget estimates general questionnaire*, received 1 December 2020, pp. 18–21.



# Appendix J

## Analysis of performance measures: Department of Environment, Land, Water and Planning

### J.1 Analysis of new performance measures

Output	New performance measure	Assessment/possible issues
Environment and Biodiversity	Portfolio entity annual reports including financial statements produced in line with the <i>Financial Management Act 1994</i> and free from material errors	(see discontinued performance measures) Supported. Reasonable rationale provided. On the face of it the new measure's focus on compliance activities could be perceived as reflecting basic minimum standards, but the context provided by DELWP regarding the intensity of support it needs to provide small portfolio entities for them to achieve compliance justifies its inclusion.
Waste and Recycling	Proportion of waste diverted away from landfill	Supported. The new measure improves transparency by clearly demonstrating progress towards the government's policy objectives concerning waste diversion from landfill.
	Proportion of Victorian households with access to organic food and garden waste recycling or local composting services	Supported. The new measure improves transparency by clearly demonstrating progress towards the government's policy objectives concerning waste and recycling.
Energy	Share of Victoria's electricity generation from renewable sources	Supported. The new measure supports transparency by clearly demonstrating progress towards the government's legislated renewable energy targets.
	Government-supported events that engage business and supply chains regarding the energy sector	Supported. Provides insights into the number of government-supported engagement events with relevant stakeholders in the energy sector.
	Vulnerable Victorian energy consumers reached through consumer support programs	Supported. New measure provides useful insights into the number of energy consumers reached by target support programs.

Output	New performance measure	Assessment/possible issues
Solar Homes	Applications for Solar PV rebates for small businesses approved	Supported. New measure improves transparency by demonstrating the take-up of available rebates by small businesses thereby enhancing insights into the effectiveness of the Solar Homes program.
Land Use Victoria	Rapid Land Use Assessments completed	(see discontinued performance measures) Not supported. The new measure anchors assessments against the concept of an 'agreed timeframe' which is not defined in the Budget Papers. Such a target also risks masking poor performance as it is not clear if the 'agreed' timeframe reflects the original or a revised timeframe. The proposed new metric should be amended to adequately reflect the timeliness standard underpinning the target.
Effective Water Management and Supply	Climate research activities commissioned and received that focus specifically on Victoria	Not supported. The utility of the new measure is limited. It is not clear what this metric is measuring and how reported results are derived. Consequently, the assessment methodology and related target is not clear.
	Long-term water monitoring sites maintained	Supported. New measure provides useful insights into how well DELWP maintains important long-term water monitoring sites.
	Interactions with Water Markets reporting and transparency information, including visits to the Water Markets insights webpage and other digital information, per month	(see discontinued performance measures) Supported. Proposed new metric establishes a more useful and meaningful quantity measure of the public's interaction with Victorian water market information.
	Place-based plans and actions underway for healthier communities and environments that encompass multiple values (Aboriginal, social, environmental and economic)	Supported. The new measure provides insights into the quantity of localised plans produced as a result of the 2020–21 Budget initiative 'Strong foundations for Victoria's water: Compliance, markets, water entitlements and oversight of the water grid'. Transparency could be further enhanced by introducing additional quality metrics showing extent of community satisfaction with the developed plans.
	Households or community housing assisted in the Community Rebate and Housing Retrofit Program	Supported. New measure provides useful insights into the number of vulnerable households benefitting from the program.

Output	New performance measure	Assessment/possible issues
Effective Water Management and Supply <i>(continued)</i>	Area of active stewardship for catchment health and resilience	(see discontinued performance measures) Not supported. The utility of the new measure is limited as it is not clear what it is measuring. The unit of measurement, source data and calculation methodology for the new measure and related target is not clearly defined in the Budget Papers or in DELWP's response to the Committee's questionnaire.
	New flood studies underway to ensure communities understand flood risk and to inform investment in flood warning and mitigation measures	Supported—with suggested improvements. The measure does not provide sufficiently comprehensive insights due to its narrow focus on counting the number of flood studies initiated. Transparency would be improved if the measure was supplemented with a metric counting the number of flood studies completed in order to provide more comprehensive insights into the performance of DELWP's flood management initiatives.
	Environmental watering actions achieved at planned sites	(see discontinued performance measures) Not supported. The new measure is insufficient as the basis of measurement is unclear. The Victorian Environmental Water Holder's (VEWH's) Seasonal Watering Plan 2020–21 identifies planned actions which are used as the basis for target setting. However, the actions are described as 'potential' activities that can be varied or modified by VEWH and its partners. The dynamic nature of these 'planned' activities means the results reported by this metric cannot be reliably assessed in the absence of further information showing the causes and impact of any implemented changes to originally planned activities. DELWP should revise the proposed new measure to improve its utility and the transparency of the performance standard underpinning the target.
	Victorian Water Register system availability per annum	Supported. Proposed new metric establishes a more useful and meaningful measure of quality reflecting the proportion of time the Water Register is available to users.
	Waterway and catchment health priority projects delivered involving community and sector partners	Supported. Proposed new metric establishes a more useful and meaningful quantity measure reflecting the extent of community involvement in project delivery.
	Waterway licenses and permits processed within statutory timeframes	Supported. Proposed new measure provides useful insights into the timeliness of waterway license and permit processing times.

Output	New performance measure	Assessment/possible issues
Planning, Building and Heritage	Planning permit applications for new renewable energy facilities (excluding call ins) prepared for determination within 45 days after completion of public notice and receipt of council response to public notice	Supported. Proposed new metric more comprehensively reflects the scope of Ministerial/ departmental responsibilities.
Fire and Emergency Management	Strategic fire access roads improved	Supported. Proposed new metric provides more meaningful and granular performance information about activities to reduce bushfire risk.
	Bridges or crossings on the strategic fire access road network replaced or upgraded	Supported. Proposed new metric provides more meaningful and granular performance information about activities to reduce bushfire risk.
	Strategic fuel breaks built or upgraded	Supported. Proposed new metric provides more meaningful and granular performance information about activities to reduce bushfire risk.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 189-212.

## J.2 Analysis of discontinued performance measures

Output	Proposed discontinued measure	Issues with discontinued or proposed replacement measure
Climate Change	TAKE2 actions committed to by individuals, community and business	Supported. Reasonable and clear rationale reflecting completion of the program.
	TAKE2 pledges by organisations to act on climate change	Supported. Reasonable and clear rationale reflecting completion of the program.
Environment and Biodiversity	Completion of annual reporting and board appointment processes in accordance with legislation	Supported. Reasonable rationale provided. On the face of it the new measure's focus on compliance activities could be perceived as reflecting basic minimum standards, but the context provided by DELWP regarding the intensity of support it needs to provide small portfolio entities for them to achieve compliance (see new measures table) justifies its inclusion.
	Delivery of key actions under the Recycling Industry Strategic Plan within agreed timelines	Supported. Reasonable and clear rationale reflecting completion of the program.

Output	Proposed discontinued measure	Issues with discontinued or proposed replacement measure
Energy	Cumulative length of powerlines retired in high bushfire risk areas to reduce the risk of bushfires from electrical assets	Supported. Reasonable and clear rationale reflecting completion of the program.
	Delivery of a pilot independent energy brokerage service for Victorian hardship and culturally and linguistically diverse (CALD) consumers	Supported. Reasonable and clear rationale reflecting completion of the program.
	Inspections of newly built homes during construction for compliance with energy efficiency requirements	Supported. Reasonable and clear rationale reflecting completion of the program.
	Microgrid projects completed under the Microgrid Demonstration Initiative (including the Latrobe Valley Microgrid program)	Not supported. The department has not provided a clear rationale to support its claim the 'completion of projects' is 'no longer a relevant measure' of this initiative. As at February 2021, the DELWP website showed 6 projects received funding under the Microgrid Demonstration Initiative with one of these completed in 2019. A key purpose of the awarded funds was to facilitate the delivery of microgrid projects. It is not evident this aim has materially changed. DELWP should consider varying the target or expanding the performance measures for this initiative (where appropriate) to supplement existing measures and to reflect any approved changes to the program.
Solar Homes	Average number of weeks to process completed rebate applications	Supported. Reasonable and clear rationale reflecting evident process improvements rendering former metric irrelevant.
Land Use Victoria	Strategic Land Use Assessments delivered within agreed timeframes	Discontinuation supported—but not the proposed replacement measure. Both measures share the same weaknesses in that they anchor assessments against the concept of an 'agreed timeframe' which is not defined. Such a target also risks masking poor performance as it is not transparent if the 'agreed' timeframe reflects the original or revised timeframe. Consequently, the timeliness of completed assessments is not transparent. The proposed new metric should be amended to transparently reflect the timeliness standard underpinning the target.
Management of Public Land and Forests	Coastal protection infrastructure projects delivered	Supported. Reasonable and clear rationale reflecting completion of the program.



Output	Proposed discontinued measure	Issues with discontinued or proposed replacement measure
Effective Water Management and Supply	Sites with environmental water managed to meet environmental objectives	<p>Discontinuation supported—but not the proposed replacement measure.</p> <p>It is not clear what the discontinued and proposed new metrics are measuring as this is not clearly defined. The budget papers do clarify the basis of measurement in each case. Additionally, the unit of measure for the new performance metric described by DELWP in its response to the Committee’s questionnaire is a ‘percentage’—not a ‘number’ which is contrary to the justification given for the change in the Budget Papers.</p> <p>A review of the Victorian Environmental Water Holder (VEWH) Seasonal Watering Plan 2020–21 also shows there are no set ‘planned activities/actions’ in any given year. Instead, all listed actions are presented as ‘potential’ activities that can be varied or modified by VEWH and its partners meaning they do not enable transparent assessment of the results reported by this metric.</p> <p>DELWP should revise the proposed new measure to improve its utility and transparency of the performance standard underpinning the target.</p>
	Cumulative other Victorian retail water entitlements (including licences to take and use water and other miscellaneous entitlements) recorded in the water register as the authoritative record	<p>Supported.</p> <p>Proposed new metric establishes a more useful and meaningful measure of quality reflecting the proportion of time the Water Register is available to users.</p>
	People engaged to increase the knowledge/capacity of water management, including in citizen science programs	<p>Supported.</p> <p>Proposed new metric establishes a more useful and meaningful quantity measure reflecting the extent of community involvement in project delivery.</p>
	Sites where works have been undertaken to improve instream health	<p>Not Supported.</p> <p>Discontinuation of this metric could compromise Parliament’s ability to evaluate the link between funded output activity (i.e. quantity of funded improvement works undertaken at sites) to the outcomes measured by the existing departmental objective indicator (DOI) ‘River reaches/wetlands with maintained or improved condition’.</p> <p>The metric should be retained to enable assessment of the impact of funded outputs on the outcomes measured by the above-noted DOI.</p>
	Partnerships established and maintained to deliver integrated catchment management with the community	<p>Supported.</p> <p>Proposed new metric establishes a more useful and meaningful quantity measure reflecting the extent of community involvement in project delivery.</p>

Output	Proposed discontinued measure	Issues with discontinued or proposed replacement measure
Effective Water Management and Supply <i>(continued)</i>	Environmental works and management services to improve the health and resilience of catchments	Not supported.  This 'discontinued performance measure' has been replaced by the new measure <i>Area of active stewardship for catchment health and resilience</i> .  The unit of measurement, source data and calculation methodology for the new measure and related target is not clearly defined in the Budget Papers or in DELWP's response to the Committee's questionnaire.
	Water information products (including annual water accounts, water resource condition reports and water monitoring materials) delivered for greater accountability in sustainable water resource management	Supported.  Proposed new metric establishes a more useful and meaningful quantity measure of the public's interaction with Victorian water market information.
	Bulk and environmental entitlement records publicly available	Supported
	Statutory obligations of Water Corporations, Catchment Management Authorities and the Victorian Environmental Water Holder complied with, including annual reports, audits and corporate plans	Supported.  Discontinued measure reflects basic minimum standards of performance.
Planning, Building and Heritage	Planning permit applications for new wind farms (excluding call ins) prepared for determination within 45 days after completion of public notice and receipt of council response to public notice	Supported.  Proposed new metric more comprehensively reflects the scope of Ministerial/departmental responsibilities.
Fire and Emergency Management	Planned risk reduction works on Victoria's strategic fire access road network delivered	Supported.  Proposed new metrics provider more meaningful and granular performance information about activities to reduce bushfire risk.

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, pp. 408-411.



# Appendix K

## Strategic issues caused by the COVID-19 pandemic: Department of Premier and Cabinet

Strategic issue	How the Department of Premier and Cabinet (DPC) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Economic recovery: jobs and industry support	<p>There are two key Department initiatives that will contribute to economic recovery, namely:</p> <p>1) <i>Breakthrough Victoria Fund</i>: Announced in the 2020–21 Budget, the Breakthrough Victoria Fund will drive investment in research, innovation and the next great breakthroughs over the next 10 years. This investment will focus on industries including health and life-sciences, agri-food, advanced manufacturing, clean energy and digital technologies.</p> <p>2) <i>Victorian Jobs and Investment Fund (VJIF)</i>: VJIF is a whole-of-Victorian Government fund that supports investment opportunities of state significance: to create jobs and promote economic development; to attract strategic and footloose private sector investment to the State; and to attract innovation and jobs projects that enhance productivity growth and support the transition of the Victorian economy to high-growth sectors.</p> <p>To continue to foster a vibrant, healthy and inclusive Victoria, DPC is also allocated \$1 million for the <i>Community Advancement Fund</i> and \$5 million for the <i>Community Renewal and Recovery Fund</i> in 2020–21. These funds will support community-level initiatives, events and projects and not-for-profit organisations.</p>	<p>1) The <i>Breakthrough Victoria Fund</i> was announced in the November 2020–21 Budget, therefore delivery had not commenced as at 1 October 2020.</p> <p>2) The VJIF was established in the 2019–20 Victorian Budget with \$150 million in funding allocated across two years (2019–20 to 2020–21). Within this allocation, DPC received funding to administer the Premier’s Jobs and Investment Fund, which forms part of VJIF. Between its inception in the 2019–20 Budget and 1 October 2020, VJIF has supported investment attraction and job creation across a range of sectors and will continue to support a strong pipeline of projects over the remainder in the financial year.</p> <p>In May 2020 the Victorian Government announced <i>Building Works</i>, a \$2.7 billion economic stimulus package with a focus on smaller, ‘shovel ready’ infrastructure projects and supporting jobs for Victorians. To monitor the implementation progress of these investments, regular reporting is provided through the DPC-chaired Infrastructure Coordination Committee.</p>



Strategic issue	How the Department of Premier and Cabinet (DPC) will address the issue in 2020–21	Progress achieved as at 1 October 2020
<p>Support for vulnerable Victorians over the COVID-19 pandemic</p>	<p>Capacity in the network of food distribution hubs has been increased in regional areas, with \$3.5 million ensuring food gets to where it is needed by strengthening the link between suppliers and those experiencing food insecurity.</p> <p>The Government has also directed more than \$20 million to keep more family violence victim survivors safe in their own homes.</p> <p>The Victorian Government provided \$1.18 million to fund nine targeted initiatives for LGBTIQ+ Victorians to address the significant impacts of COVID-19, with \$729,000 provided from the Equality portfolio and \$450,000 from the Mental Health portfolio. Funding has been provided to trusted frontline LGBTIQ+ organisations, such as Switchboard Victoria, Thorne Harbour Health and Drummond Street Services, to adapt their services and activities to better support LGBTIQ+ Victorians.</p> <p>In April, the Victorian Government provided \$2.2 million to support ex-service organisations to ensure veterans receive support such as accommodation, food supplies and assistance with medical and utility bills. This included \$1.5 million to top up this year's Anzac Appeal, an allocation of \$650,000 to the Victorian Veterans Council and \$50,000 to Melbourne Legacy.</p> <p>The Victorian Government also allocated \$59.4 million for a Mental Health and Wellbeing Coronavirus Response Package to help meet demand as Victorians reach out for help with stress, isolation and uncertainty. As part of this, \$100,000 was provided to establish a call centre, led by RSL Victoria, to connect veterans with government services.</p>	<p>DPC, along with the Department of Health and Human Services (DHHS) and Department of Treasury and Finance (DTF), provided support to develop a national partnership agreement on coronavirus (COVID-19) to formalise the Commonwealth commitment to the response and bringing together the private and public hospital systems to work as one.</p> <p>DPC has also worked with the Department of Education and Training (DET) and DHHS to support the viability of and continue to provide education services during the pandemic, including early childhood education and care, kindergartens, schools and TAFEs. This has included ensuring that vulnerable children and young people, as well as the children of key workforces, have been able to access schools and early childhood services throughout the pandemic.</p> <p>DPC supported six community support groups (CSGs) to support young people from diverse backgrounds. CSGs are place-based and community-led initiatives that work with multicultural communities across Melbourne. The CSGs have assisted communities with more than 10,000 case management requests in 2019–20 and have been instrumental in supporting communities through the coronavirus (COVID-19) pandemic.</p> <p>To support mental health and wellbeing, the Veteran Central (VetCen) call centre was launched on 1 October with a new 1300 MILVET number. VetCen connects veterans to services and assistance including: accommodation; help with paying bills; emergency food relief; mental, physical and medical health support; employment opportunities, vocational training and compensation advocacy.</p>
<p>COVID-19 response: interjurisdictional cooperation</p>	<p>The Victorian Government will continue to play a leadership role in the Australia Data and Digital Council (ADDC) COVID-19 data sharing process. This includes advocating for the ADDC working group to co-develop and shape the future strategy and system for interjurisdictional data sharing, including in relation to any future public emergencies.</p> <p>The ADDC working group will also play an active role in shaping the implementation of the proposed Commonwealth Data Availability and Transparency Bill, which will provide a national scheme for accessing Commonwealth Government data when enacted.</p>	<p>Victoria has been a lead jurisdiction in the ADDC working group process, including working to access key Commonwealth datasets for COVID-19 reasons within short timeframes.</p> <p>The VPS COVID-19 Data Sharing Policy is an important part of Victoria's contribution to the national effort and will assist VPS agencies to access the data they need to meet the challenges of COVID-19. It facilitates the expeditious sharing of data between VPS agencies and with the Commonwealth, while ensuring the right safeguards and controls are in place.</p> <p>The Commonwealth and State Governments all acknowledge that access to data is critical for responding to and recovering from the impacts of COVID-19.</p>



Strategic issue	How the Department of Premier and Cabinet (DPC) will address the issue in 2020–21	Progress achieved as at 1 October 2020
COVID-19 response: Aboriginal community support	<p>The \$10 million <i>Aboriginal Community COVID-19 Response Fund</i> was established to support Aboriginal Victorians to deliver community-led initiatives to respond to the impacts of COVID-19 across four categories: Emergency Relief, Outreach and Brokerage, Social and Emotional Wellbeing, and Cultural Strengthening. DPC also funded a further \$0.55 million in internal reprioritisation to support 11 Registered Aboriginal Parties to adapt to a remote working environment and fulfil their statutory obligations through the provision of IT equipment and alternative learning and development opportunities.</p>	<p>The <i>Aboriginal Community COVID-19 Response Fund</i> has supported nine Aboriginal community-controlled organisations to manage the impacts of COVID-19 on their operations.</p>
COVID safe local government elections	<p>To ensure Victorian communities can have their say on their local government representatives, council elections went ahead on Saturday, 24 October 2020. This was the first time postal voting was used across all Victorian councils, following changes introduced to the <i>Local Government Act 2020</i> that requires a state-wide and uniform approach to voting.</p> <p>A set of Safe Campaigning guidelines was developed in consultation with DHHS to help candidates follow the Chief Health Officer's directions and health advice during the campaign. The guidelines included advice on how to safely conduct permitted campaign activities, safety for campaign teams, hygiene and physical distancing.</p>	<p>Council elections were undertaken in a COVID Safe manner.</p>
COVID-19—public health communications campaign	<p>DPC, in collaboration with other departments, is leading the delivery of wide-reaching public information campaigns to inform the Victorian community of coronavirus restrictions, desired behaviours, support available and the Government's response to the pandemic.</p>	<p>More than 30 different campaign phases have been delivered in line with restrictions changes and public health directions.</p> <p>Campaigns have been translated into 58 different languages to reach diverse Victorian communities.</p> <p>The campaigns have utilised all paid media channels, with messaging appearing in outdoor, television, print, radio, digital and social media, in addition to maximising significant value and reach of owned Victorian Government channels.</p>



Strategic issue	How the Department of Premier and Cabinet (DPC) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Digital government	<p>The 2020–21 Budget has allocated the following funds to build and drive digital government capability and services:</p> <ul style="list-style-type: none"> <li>• \$30.5 million for Digital Victoria to drive digital capability and transformation across Government to improve the user experience.</li> <li>• \$7.5 million for CyberSafe Victoria to protect public services from cyber-attacks.</li> <li>• \$19.9 million for Service Victoria to continue its operations and make it easier for citizens to access services by creating new channels for simple, faster, high-volume transactions, such as grant applications and permit approval.</li> <li>• \$4.2 million for Victoria Together, a virtual hub to connect and deliver enhanced online experiences to Victorians during the coronavirus (COVID-19) pandemic.</li> <li>• \$4.6 million to create a single digital solution for businesses to comply with COVID recordkeeping.</li> </ul>	<p>Service Victoria has continued to provide end to end digital services to Victorians, from working with children checks to applying for solar panel rebates.</p> <p>DPC has continued to support uptake of the online Standard User Experience across government entities.</p> <p>DPC is developing digital systems to support more efficient COVID-19 contact tracing.</p>
COVID-19 response: multicultural communities	<p>The 2020–21 Budget allocates \$4.9 million to improve communications and engagement of multicultural communities during the coronavirus (COVID-19) pandemic, including:</p> <ul style="list-style-type: none"> <li>• A support package for multicultural media outlets (\$3 million in 2020–21); and</li> <li>• Multicultural engagement initiatives (\$1.9 million in 2020–21).</li> </ul> <p>The Victorian Government has also committed \$25.6 million including \$20.4 million in 2020–21 (2020–21 BP3, page 115) across two packages in dedicated support to Victoria’s multicultural communities throughout the coronavirus (COVID-19) pandemic.</p> <p>In May 2020, a \$11.3 million focused on supporting multicultural communities through increased capacity to engage remotely, social cohesion and combating racism, youth engagement and preventing family violence. Of this, \$6.1 million is available to continue to deliver these supports in 2020–21.</p> <p>In August 2020, \$14.3 million was provided to reach more multicultural Victorians and ensure they get the supports they need, when they need them.</p>	<p>The Coronavirus Victoria web hub (<a href="http://www.coronavirus.vic.gov.au">www.coronavirus.vic.gov.au</a>) is connecting Victorians to key information and updates about COVID-19.</p> <p>Since launching on 28 September 2020, Coronavirus Victoria has had over 6.3 million sessions.</p> <p>The hub brings together translated information for people from culturally and linguistically diverse backgrounds, offering resources in 58 languages.</p> <p>The Victorian Government continues to produce information in up to 58 languages and video content in up to 56 languages.</p>



Strategic issue	How the Department of Premier and Cabinet (DPC) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Leadership of the Victorian Public Sector (VPS)	<p>The 2020–21 Budget allocates the following to support VPS leadership:</p> <ul style="list-style-type: none"> <li>• \$4.6 million for the Job and Skills Exchange, to enhance the mobility and development opportunities for the public service, as well as reduce labour hire usage and consultancy expenditure. The Exchange will establish a central Victorian Public Service staffing pool and encourage the lateral movement of employees to help to fill temporary vacancies and support surge staffing needs as part of the Government’s coronavirus (COVID-19) pandemic response.</li> <li>• \$1.5 million to continue the work of Behavioural Insights Victoria.</li> <li>• \$6 million for the Victorian Centre for Data Insights, to support improved data use, management and analytics across the Victorian Public Service, including bringing together data sets to generate insights in support of Victoria’s coronavirus (COVID-19) response and recovery efforts.</li> </ul>	<p>Since the end of March 2020, in response to the coronavirus (COVID-19) pandemic, DPC has pivoted to remote working. This has seen the Department adapt effectively to new ways of collaborating, managing teams, and delivering outcomes for Government and the citizens of Victoria.</p> <p>The Jobs and Skills exchange established the COVID-19 Employee Mobilisation Response in May 2020 to provide a mechanism for departments and agencies to rapidly deploy staff to areas of need.</p>

Source: Department of Premier and Cabinet, *Response to the 2020–21 Budget estimates general questionnaire*, received 26 November 2020, pp. 13–20.



# Appendix L

## Strategic issues caused by the COVID-19 pandemic: Court Services Victoria

Strategic issue	How Court Services Victoria (CSV) will address the issue in 2020–21	Progress achieved as at 1 October 2020
<p>Increase in pending matters, especially in the Magistrates' Court of Victoria (MCV) and the Victorian Civil and Administrative Tribunal (VCAT), the two highest volume jurisdictions.</p>	<ul style="list-style-type: none"> <li>The Courts, VCAT and CSV will address pending matters through a range of initiatives including virtual hearings in VCAT and the Online Magistrates' Court (OMC), enabled by infrastructure works as well as digital and business transformation programs.</li> <li>The Courts, VCAT and CSV will also implement an online courts pilot to conduct improved online proceedings, including complex cases.</li> </ul>	<ul style="list-style-type: none"> <li>Significant technology uplift of audio-visual technology across courtrooms within several jurisdictions, video conferencing solutions and the introduction of an electronic legally valid signature solution.</li> <li>MCV implemented OMC in July to hear priority matters including bail and family violence matters.</li> <li>VCAT accessed emergency funding to digitise the Planning and Environment List, including processing and hearing matters online.</li> </ul>
<p>Increase in pending jury trials due to the suspension of jury trials from March to November 2020.</p>	<p>The Courts and CSV will address pending jury trials through a range of initiatives in the higher courts including:</p> <ul style="list-style-type: none"> <li>Active case management (ACM) programs.</li> <li>Courtroom technology and digital transformation investments in County Court of Victoria (CCV) to enable all courtrooms to better support online hearings without outdated technology constraints.</li> <li>Operational and infrastructure works to support COVIDsafe in person court hearings, including jury trials.</li> </ul>	<ul style="list-style-type: none"> <li>Divisional lawyers redeployed through the court's emergency case management protocols to assist in pre-trial case management of existing trials, including early resolution of guilty pleas.</li> <li>The Supreme Court (SCV) also utilised ACM approaches to case manage pending trials across a range of its divisions.</li> <li>Infrastructure works completed at SCV and CCV buildings in Melbourne to enable resumption of jury trials in November 2020.</li> </ul>
<p>Operational and infrastructure works needed to support physical distancing, including COVIDsafe court hearings and jury trials.</p>	<p>CSV seeks to undertake a range of critical operational and infrastructure works in Melbourne and major regional courts including:</p> <ul style="list-style-type: none"> <li>Leasing spaces to support jury empanelment within a socially distanced environment.</li> <li>Procedure changes including transport and meal provisions to jury members to minimise COVID-19 exposure.</li> <li>Continued provision of personal protective equipment (PPE), cleaning services, and specialist advice to mitigate risks.</li> </ul>	<ul style="list-style-type: none"> <li>All court venues remained open with hand sanitisers, Perspex screens, COVIDsafe signage, and cleaning regimes installed to mitigate risks. PPE including face masks and shields have also been provided to court attendees.</li> <li>Infrastructure works completed at SCV and CCV buildings in Melbourne to enable resumption of jury trials in November 2020.</li> <li>Extensive coronavirus (COVID-19) risk assessments and audits were conducted to ensure the safety for those essential staff who were permitted to attend workplaces, and to prepare for a return of staff working remotely when restrictions are lifted.</li> <li>CSV is currently assessing its social distancing requirements as part of a report due to government in December 2020.</li> </ul>



Strategic issue	How Court Services Victoria (CSV) will address the issue in 2020–21	Progress achieved as at 1 October 2020
<p>Courts information technology systems (ITS) need to support increased online court hearings and document management.</p>	<p>In addition to digital investments in CCV, MCV and VCAT outlined above, CSV will invest in critical technology initiatives including:</p> <ul style="list-style-type: none"> <li>• SCV virtual hearing and digital litigation upgrades.</li> <li>• Audio-Visual Link (AVL) expansions in 14 regional MCV venues and 28 CCV courtrooms.</li> <li>• Voice over internet protocol (VOIP) upgrades for 22 MCV venues.</li> <li>• Children’s Court of Victoria (ChCV) courtroom and remote witness technology upgrades.</li> <li>• VCAT e-hearing capability build.</li> <li>• Computers, licences, portable devices, support and maintenance across jurisdictions.</li> </ul>	<p>To minimise in person attendances, all courts and VCAT moved to online hearings where possible which involved:</p> <ul style="list-style-type: none"> <li>• significantly increased AVL usage</li> <li>• working with Corrections Victoria to enable increased AVL capacity</li> <li>• implementation of voice conferencing services at VCAT to hear Guardianship and Residential Tenancy matters</li> <li>• cloud-hosted solutions to support remote operations of family violence and VCAT contact centres.</li> </ul>
<p>Increase in need for family violence court services.</p>	<p>The completion of five Specialist Family Violence Courts (SFVCs) will enable MCV to offer enhanced safety, accessibility and support services for victim survivors and interventions for perpetrators. MCV will continue to prioritise family violence matters through new initiatives including:</p> <ul style="list-style-type: none"> <li>• remote hearing services at 10 locations state-wide including six Orange Door facilities and in Mildura, Bendigo, Dandenong and Wyndham</li> <li>• a Lesbian, Gay, Bisexual, Trans and gender diverse, Intersex, Queer and questioning practitioner program</li> <li>• security services at SFVCs.</li> </ul>	<p>MCV continued to prioritise family violence matters throughout the pandemic including:</p> <ul style="list-style-type: none"> <li>• extending interim family violence intervention orders (FVIOs) from 28 days to three months</li> <li>• online FVIO application forms rolled out in June 2020</li> <li>• online FVIO application hearings from August 2020.</li> </ul>
<p>COVID-19 measures may have unintended impacts on vulnerable court users with critical needs.</p>	<p>The courts recognise that MCV will prioritise services to participants of Court Integrated Services Program, the Assessment and Referral Court and the Koori Court while ChCV will prioritise services across its specialist programs.</p>	<ul style="list-style-type: none"> <li>• MCV continued to deliver specialist supports remotely where possible.</li> <li>• ChCV established hubs across Melbourne with minimal staffing to provide flexible services and mitigate COVID-19 risks.</li> <li>• CCV Koori Court trialled remote hearings in late July with MCV and ChCV developing operational guides to implement this approach.</li> </ul>
<p>Increase in need for drug and alcohol court services.</p>	<ul style="list-style-type: none"> <li>• MCV will expand its Drug Court program to Ballarat and Shepparton to provide specialist court services for regional participants.</li> <li>• CCV will pilot a Drug Court program to increase accessibility and to continue to support program participants as their matter moves from MCV to CCV.</li> </ul>	<p>Due to the impact of COVID, significant work was delayed during the year to 30 June 2020. Prior to 1 October 2020, preliminary planning, governance and property search activities were undertaken in anticipation of the program initiation in 2020–21.</p>

Strategic issue	How Court Services Victoria (CSV) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Meeting the challenges and wellbeing needs of the judiciary and court staff in a COVID-19 operating environment.	CSV, the Judicial College, the courts and VCAT will identify offsets in its constrained budget to continue to implement care and wellbeing programs.	<ul style="list-style-type: none"> <li>The Judicial College established the Coronavirus Judicial Wellbeing Reference Group was established in April to raise understanding of wellbeing issues across each jurisdiction and to identify wellbeing priorities and offers a range of curated resources online.</li> <li>CSV promptly deployed resources to ensure the health, safety and wellbeing of its workforce during the pandemic, including establishing an Incident Management Team, increasing access to the Employee Assistance Program, and providing access to information, resources and training.</li> </ul>
Resourcing needed for COVID-19 related coronial investigations.	CSV will be required to seek resources needed for investigation of five deaths at St Basil's aged care home with the possibility that further deaths will be reported to the Coroners Court.	The State Coroner has commenced an investigation into the deaths of five residents at St Basil's Home for the Aged. His Honour has directed Victoria Police to compile a coronial brief of evidence. The focus of the coronial investigation will be determined following receipt of the brief.

Source: Court Services Victoria, *Response to the 2020–21 Budget estimates general questionnaire*, received 25 November 2020, pp. 12–16.





# Appendix M

## Strategic issues caused by the COVID-19 pandemic: Department of Treasury and Finance

Strategic issue	How the Department of Treasury and Finance (DTF) will address the issue in 2020-21	Progress achieved as at 1 October 2020
Creation of jobs and skills	<p>The following initiatives have been approved:</p> <ul style="list-style-type: none"> <li>• Social and Affordable Housing</li> <li>• Venture Debt Facility</li> <li>• Victorian Homebuyer Fund</li> <li>• Investment Attraction Package</li> <li>• Research and Development Tax Incentive (R&amp;DTI) scheme</li> <li>• Supporting COVID-19 Recovery Through Procurement</li> <li>• Big Build Apprenticeships Model</li> </ul>	<ul style="list-style-type: none"> <li>• Works have commenced to set up the service team and program administration.</li> <li>• Program was only approved on 3 October 2020.</li> <li>• Detailed program report currently being developed.</li> <li>• Program was only approved on 3 October 2020.</li> <li>• Program was only approved on 9 September 2020.</li> <li>• Program was only approved on 6 October 2020.</li> <li>• Program was only approved on 6 October 2020.</li> </ul>
Economic stimulus and recovery	<p>The following initiatives have been approved:</p> <ul style="list-style-type: none"> <li>• Social and affordable housing</li> <li>• Venture Debt Facility</li> <li>• Victorian Homebuyer Fund</li> <li>• Investment Attraction Package</li> <li>• Economic Survival Package – Implementation</li> <li>• Assistance for the Commercial Passenger Vehicle Industry</li> <li>• R&amp;DTI scheme</li> </ul>	<ul style="list-style-type: none"> <li>• Works have commenced to set up the service team and program administration.</li> <li>• Program was only approved on 3 October 2020.</li> <li>• Detailed program report currently being developed.</li> <li>• Program was only approved on 3 October 2020.</li> <li>• Implementation is ongoing with \$3.7 million spent year to date.</li> <li>• Detailed program information is published on the Commercial Passenger Vehicle Victoria’s website.</li> <li>• Program was only approved on 9 September 2020.</li> </ul>



Strategic issue	How the Department of Treasury and Finance (DTF) will address the issue in 2020–21	Progress achieved as at 1 October 2020
Economic stimulus and recovery <i>(continued)</i>	<ul style="list-style-type: none"> <li>• Supporting COVID-19 Recovery Through Procurement</li> <li>• Big Build Apprenticeships Model</li> </ul>	<ul style="list-style-type: none"> <li>• Program was only approved on 6 October 2020.</li> <li>• Program was only approved on 6 October 2020.</li> </ul>
Provision of essential services to the community	<p>The following initiatives have been approved:</p> <ul style="list-style-type: none"> <li>• Social and affordable housing</li> <li>• Victorian Homebuyer Fund</li> <li>• Community Support Fund—Alcohol and Drug Treatment Services Program</li> </ul>	<ul style="list-style-type: none"> <li>• Works have commenced to set up the service team and program administration.</li> <li>• Detailed program report currently being developed.</li> </ul>

Source: Department of Treasury and Finance, *Response to the 2020-21 Budget estimates general questionnaire*, received 30 November 2020, pp. 10-11.

# Appendix N

## Strategic issues caused by the COVID-19 pandemic: Parliament

Strategic issue	How Parliamentary Departments will address the issue in 2020–21	Progress achieved as at 1 October 2020
Melbourne's homeless and most vulnerable communities required immediate food assistance due to additional hardships caused by the pandemic.	The Charity Meals Program (which involved Parliament of Victoria partnering with a number of Melbourne's key charities) was established in March 2020 and is expected to continue until 30 June 2021.	Parliament's Charity Meals Program provided 700,000 meal items to Melbourne's most vulnerable and homeless impacted by the COVID-19 pandemic. This program also enabled the Parliament of Victoria's casual catering staff and agency contractors to be employed during this period. (Note—one meal comprises of two to three meal items).
Communication and Information Technology	The arrangements will continue in 2020–21.	<ul style="list-style-type: none"> <li>Information technology staffing costs increased due to supporting the transition to remote working.</li> <li>Additional laptops procured for Members of Parliament (MPs) to purchase, though supply was challenged due to global demand.</li> <li>Rapid deployment of new technologies to support remote work (MS Teams and Zoom, SharePoint, Virtual Private Network).</li> </ul>
Precinct	The arrangements will continue in 2020–21.	<ul style="list-style-type: none"> <li>Precinct closed to visitors from March 2020.</li> <li>Cancellation and inability to provide catered events (through compliance with the Department of Health and Human Services (DHHS) COVID directions) meant that catering revenue was severely impacted.</li> <li>Committees shifted to virtual environment and increased support was required from the broadcasting team to maintain public accessibility.</li> <li>Precinct operations modified to ensure social distancing and sanitisation measures were observed.</li> <li>Procedural changes to Houses including voting/divisions, social distancing, chamber capacity.</li> </ul>
Electorate Office	The arrangements will continue in 2020–21.	<ul style="list-style-type: none"> <li>Electorate offices (mainly) shifted to closed door or fully remote.</li> <li>MP's advised but not directed in relation to remote or on-site work so long as model remained compliant with DHHS directions.</li> <li>Welfare checks to electorate offices by People Services, Property Partners and Carfi (Employee Assistance Program).</li> </ul>

**Appendix N Strategic issues caused by the COVID-19 pandemic: Parliament**

Strategic issue	How Parliamentary Departments will address the issue in 2020-21	Progress achieved as at 1 October 2020
Staffing	The arrangements will continue in 2020-21.	<ul style="list-style-type: none"> <li>• Staffing costs for Parliamentary Officers and Electorate Officers increased due to remote work allowances (\$100 initial plus \$20 per week in line with broader Victorian Public Sector approach).</li> <li>• Leave liabilities increased due to cancelled leave.</li> <li>• Parliament continues to operate on Precinct and remote work by default unless onsite specifically required (in accordance with current DHHS directions).</li> <li>• Staff development encouraged and aggressive adoption of e-Learning.</li> </ul>

Source: Parliamentary Departments, *Response to the 2020-21 Budget estimates general questionnaire*, received 25 November 2020, pp. 9-10.

# Extract of proceedings

The Committee divided on the following question during consideration of this report. Questions agreed to without division are not recorded in these extracts.

## Committee meeting—25 March 2021

Motion: The draft final report, as amended, together with the correction of any typographical errors be the report of the Committee.

Moved: Tim Richardson MP

### The Committee divided.

Ayes (8)	Noes (1)
Lizzie Blandthorn MP	Bridget Vallence MP
Sam Hibbins MP	
Gary Maas MP	
Danny O'Brien MP	
Pauline Richards MP	
Tim Richardson MP	
Richard Riordan MP	
Nina Taylor MLC	

### Resolved in the affirmative.



# Minority report



# THE MINORITY REPORT

## Inquiry into the 2020-21 Budget Estimates

### 1. Victoria: billions of dollars in debt and no plan to pay it back

The 2020-21 Budget confirms that Victorians will be drowning in hundreds of billions of dollars of debt for decades to come as a consequence of the Andrews Labor Government's financial incompetence and reckless spending agenda. Whilst the Premier and his Ministers would like to shift all financial blame onto the COVID-19 pandemic, this is nothing but a cheap political excuse. The pandemic has shone the light on how fragile Victoria's economy is and exposed the Andrews Labor Government for its economic failures.

These are the simple facts:

- Victoria is now in recession;
- Victoria's AAA credit rating has been stripped away and downgraded by two notches by both Standard & Poors and Moodys;<sup>1</sup>
- Victoria is projected to be in debt to the tune of \$154.8 billion by 2024.<sup>2</sup>

During the 2020-21 Budget Estimates hearings, when Premier Daniel Andrews was asked the simple question as to **when Victorians could expect the \$154.8 billion debt to be paid, the Premier could not answer**. Instead the Premier tried to suggest it was the time to borrow more because interest rates were low.<sup>3</sup> What the Premier fails to understand is that without a plan to pay back any of the billions of dollars in borrowings he is incurring, major lending institutions will become acutely anxious in providing any additional liquidity.

This was the exact reason why Victoria's AAA credit rating was ripped away. Standard & Poors was scathing in its assessment stating:

*"In our view, the Victorian government's path to fiscal repair will be more challenging and prolonged than other states [in Australia] **because of the significant increase in debt stock projected over the next few years.**"*

*"We expect Victoria's debt levels to triple relative to operating revenues over the next three years. Debt levels will remain elevated for many years."<sup>4</sup>*

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<sup>1</sup> Treasury Corporation of Victoria: <https://www.tcv.vic.gov.au/tcv-bonds/credit-ratings>

<sup>2</sup> Strategy and Outlook, Budget Paper 2, p. 63.

<sup>3</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 4.

<sup>4</sup> <https://www.abc.net.au/news/2020-12-07/victoria-loses-its-aaa-credit-rating-after-s&p-downgrades-state/>

Moody's rates Victoria's long-term credit rating outlook as 'negative'. It's the first time Victoria has had its credit rating downgraded in over 20 years. Victoria had held a AAA rating since 1998, when it was restored by the Kennett Coalition Government.

Losing the credit rating means Victoria will pay a higher rate of interest on the debt it borrows, costing Victorians incrementally millions of dollars a year more in higher interest payments on its debt.

Victoria is set to pay **almost \$4 billion annually in interest repayments** alone as a result of the Andrews Labor Government's massive borrowings by the end of 2023-24.<sup>5</sup> In fact, interest repayments are forecast to grow by a whopping 20.8 per cent to \$2.8 billion just in 2020-21, and then grow by an average of 11.5 per cent per year over the forward estimates.<sup>6</sup>

When the Premier was asked how much additional interest Victorians would be required to pay if Victoria lost its AAA credit rating, he refused to answer.<sup>7</sup>

When the Secretary of the Department of Treasury and Finance was asked if any modelling had been done on the impact of Victoria losing its AAA credit rating, the Secretary advised that a downgrade could cost incrementally between \$3 million to \$9 million more per year in additional interest payments alone.<sup>8</sup>

It was later revealed that, as at December 2020, the Andrews Labor Government had borrowed around \$26.3 billion in order to fund its budget promises.<sup>9</sup>

The National Accounts released in December revealed that every state in Australia, except Victoria, experienced strong economic growth for the September quarter. In contrast, Victoria experienced a significant contraction in its growth.<sup>10</sup>

The Mid-Year Financial Report for the 2020-21 Budget revealed how weak Victoria's budgetary position has become. For the period to 31 December 2020, the general government sector recorded a net deficit of \$10.1 billion.<sup>11</sup>

What is most alarming is the revelation that net debt for the general government sector rose to a staggering \$61.7 billion, or 13.9 per cent of GSP, as at 31 December 2020. This represents a 4 per cent increase in just six months when debt was 9.9 per cent of GSP at 30 June 2020.

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<sup>5</sup> Strategy and Outlook, Budget Paper 2, p. 69, table 4.3.

<sup>6</sup> Strategy and Outlook, Budget Paper 2, p. 73.

<sup>7</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 7.

<sup>8</sup> Secretary Martine, Department of Treasury and Finance, 1 December 2020, *Transcript of evidence*, p. 16.

<sup>9</sup> Mr Whitford, Department of Treasury and Finance, 1 December 2020, *Transcript of evidence*, p. 18.

<sup>10</sup> <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/speeches/national-accounts-september-quarter>

<sup>11</sup> 2020-21 Mid-Year Financial Report, p. 1

The Andrews Labor Government had committed to stabilising net debt at 12 per cent of GSP, yet net debt is now projected to increase to almost 30 per cent by 2024. When the Premier was asked if he could guarantee that net debt would not exceed these staggering forecasts, the Premier refused to do so.<sup>12</sup>

**These numbers don't lie, and they reveal the true extent of how the Andrews Labor Government is taking Victoria to economic ruin.**

**FINDING 1:** The Andrews Labor Government's financial incompetence has resulted in Victoria losing its AAA credit rating, putting the state into recession, and that the Government has no plan to pay back hundreds of billions of dollars of debt.

## **2. Cuts to IBAC to prevent transparency and accountability**

Under the Andrews Labor Government's 2020-21 Budget, the Independent Broad-based Anti-corruption Commission (IBAC) has seen its budget slashed to the tune of \$4.4 million.

IBAC is currently undertaking a number of serious investigations into corrupt activities, including allegations that Parliamentary offices were used for Labor Party branch stacking and allegations of serious corrupt conduct concerning planning and property development decisions involving the City of Casey.

Unless IBAC is adequately funded it will be unable to undertake investigations into these very serious allegations.

IBAC Commissioner, the Hon Robert Redlich AM QC, in IBAC's 2019/2020 Annual Report observed:

*Now, more than ever, Victoria needs a strong integrity system.*<sup>13</sup>

Commissioner Redlich went on to state that IBAC had experienced significant increases in its workload, noting:

*"Our operations and the requirements on IBAC have continued to grow, but the funding we need to continue this important work has not."*

*"... without additional funding, we will not be able to maintain current services. This will significantly impact our capacity to independently and robustly expose and prevent corruption".*<sup>14</sup>

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<sup>12</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 29.

<sup>13</sup> IBAC Annual Report 2019/20, p. 6

<sup>14</sup> IBAC Annual Report 2019/20, p. 8

**When the Premier was asked repeatedly to explain why funding to IBAC had been cut, the Premier refused to answer these most basic questions.**

When the Premier was asked to read the table at page 384 of Budget Paper 3 which confirms IBAC was to receive a cut of \$4.4 million in its funding, the Premier refused to acknowledge the budget figures which showed, in black and white, the cut. Instead, quite tellingly, the Premier said: “the table speaks for itself”.<sup>15</sup>

Indeed, the ‘table does speak for itself’ and demonstrates the Andrews Labor Government has no interest in ensuring that IBAC can do its job properly and expose corruption within the Victorian Public Service.

The Budget cuts to IBAC illustrate the Andrews Labor Government has no interest in transparency or accountability, rather, it would prefer to see things like Labor Party branch stacking and corrupt property deals swept under the carpet.

**FINDING 2:** The Andrews Labor Government has slashed \$4.4 million of funding from IBAC leaving it unable to expose and stop corruption.

**RECOMMENDATION 1:** Funding be restored to IBAC immediately to allow it to perform its corruption fighting work.

### **3. Failure to produce a State Capital Program (Budget Paper 4)**

Unlike with the release of Budgets over many years by both Coalition and Labor Governments, the Andrews Labor Government deliberately failed to release a State Capital Program (Budget Paper 4) for the 2020-21 Budget.

Budget Paper 4 has consistently been relied on by the Parliament and by Victorians to understand how major projects are tracking and whether taxpayer dollars are being spent wisely.

In Budget Paper 2, the explanation provided for the failure to release a State Capital Program budget paper was because “it is not a statutory requirement” to publish such a budget paper.<sup>16</sup>

This is an extraordinary excuse: to suggest that Victorians don’t deserve to know how their hard-earned taxpayer dollars are being spent only because there was no legislative requirement to do so is simply incredulous.

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<sup>15</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 15.

<sup>16</sup> Strategy and Outlook, Budget Paper 2, p. 83 (footnote 3)

It appears the Premier agreed that this reasoning was totally out of step with public opinion and sought to provide another excuse for this failure.

In answering a ‘dorothy dixer’ from one of his Labor colleagues on the Committee, the Premier suggested it was “simply impossible” to produce a State Capital Program.<sup>17</sup> This was despite the fact that the Budget was delivered 6 months after its originally scheduled release.

It soon became clear that both these excuses were false. **The real reason why there was no State Capital Program Budget was because it would have disclosed the fact that the Andrews Labor Government was haemorrhaging taxpayer money on all of its major infrastructure projects.**

**It was not a case of being “impossible”, rather it was a case of being politically convenient to hide and cover up of the truth of the massive budget blow outs that had occurred on each of these projects.**

Rather than be transparent and accountable to Victorian taxpayers, the Andrews Labor Government would prefer to hide and cover the true cost of its financial disasters. As will be seen later in this report, the minority members of this Committee soon exposed what the Andrews Labor Government sought to hide.

**FINDING 3:** The Andrews Labor Government failed to publish a State Capital Program and be honest with Victorians about the true cost of its major infrastructure projects.

**RECOMMENDATION 2:** A State Capital Program be published as part of the 2021-22 Budget and all future Budgets.

#### **4. Metro Tunnel Project – billions over budget**

In December 2017, the Andrews Labor Government told Victorians the Melbourne Metro Tunnel project would cost them \$11 billion to build and be completed by 2024. However, cracks began to appear in relation to the continued viability of the Project. In December 2019, all works were halted on the project because significant work was required to be completed that fell outside the original scope of works, such as remediating toxic soil.

Throughout 2020, workers were put off from the Project as a result of continued bickering and arguing between the contractors and the Andrews Labor Government over who was going to pay for these additional costs.

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<sup>17</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 8.

In a very opaque description buried in the budget papers, it said:

*“On 30 June 2020, a Commercial Principles deed was signed between the parties to record a set of agreed non-binding principles to resolve project issues that have arisen during delivery... It is expected that the cost to complete the project will exceed the planned cost as agreed in December 2017”.<sup>18</sup>*

When questioned about the cost of the Melbourne Metro Tunnel, the biggest rail project currently under construction in Victoria, the Premier became very coy about saying anything about the Project. Rather the Premier said the funding allocations for the Metro Tunnel Project were “well understood”.<sup>19</sup> **This was a completely disingenuous answer when the Government’s own budget papers conceded the planned costs of the project would be exceeded.**

When the Premier was further pressed on the issue of a blowout in costs on the project, the Labor Chair of the Committee sought to shut the questioning down on the basis a reference was being made to previous comments made by the Premier that weren’t in the budget papers.<sup>20</sup> It became crystal clear that the Andrews Labor Government was seeking to prevent any disclosure of the true cost of the Melbourne Metro Tunnel Project.

When the Treasurer was further pressed about the cost blowouts on the Melbourne Metro Tunnel Project, the Treasurer conceded: “It is fair to say that it will cost more than is currently budgeted”.<sup>21</sup>

Only 10 days later, and after the Committee had completed its hearings into the 2020-21 Budget, the Andrews Labor Government announced the Melbourne Metro Tunnel Project would cost an additional \$2.74 billion.<sup>22</sup> This was no coincidence. It was clear the Andrews Labor Government had actively sought to avoid any scrutiny on the cost blowouts on this Project during the public hearings into the 2020-21 Budget Estimates, and only released the details of the billions of dollars of extra costs once it could avoid further questioning.

Victorians will now be forced to pay billions of dollars more for a project that has been beset by delays and cost overruns due to the mismanagement of the Andrews Labor Government. Victorians can have no confidence that there won’t be further budget blow outs on this project and will be forced to pay even more of their taxpayers’ money.

**FINDING 4:** The Andrews Labor Government failed to manage the Melbourne Metro Tunnel project, resulting in an additional project cost blowout by \$2.47 billion.

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<sup>18</sup> Strategy and Outlook, Budget Paper 2, p. 100

<sup>19</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 18.

<sup>20</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 18.

<sup>21</sup> The Hon Tim Pallas MP, Treasurer, public hearing, 1 December 2020, *Transcript of evidence*, p. 31.

<sup>22</sup> <https://www.abc.net.au/news/2020-12-11/metro-tunnel-budget-blows-out-by-more-than-2-billion/12974940#:~:text=The%20Metro%20Tunnel%20project%20will,a%20completion%20deadline%20of%202025>

## 5. West Gate Tunnel Project: no tunnel, tonnes of toxic soil

The beleaguered and trouble-plagued West Gate Tunnel Project is rapidly turning into a financial disaster and major embarrassment for the Andrews Labor Government.

The project has been beset by delays and massive cost overruns, with the building contractors seeking to walk away from the Project altogether.<sup>23</sup>

The Minister for Transport Infrastructure regularly touted the Project would be completed by 2022. It has now been revealed the Project will be lucky to be completed by the end of 2024, more than 2 years late.

The Treasurer was repeatedly asked if he could guarantee the Project would be delivered within the original \$6.7 billion price tag. The Treasurer refused to answer but said the Government was “inflexible” in terms of renegotiating the price.

However, the Minister for Transport Infrastructure later conceded the Government was “undertaking negotiations” with the contractors on the West Gate Tunnel Project in relation to the contract delivery.<sup>24</sup>

Yet, when the Treasurer was asked why the Andrews Labor Government had exempted construction companies from paying hundreds of millions of dollars in landfill levies to safely remediate the toxic soil from the Project, the Treasurer said it would have amounted to “a money-go-round”.<sup>25</sup>

So, on the one hand the Government is ‘inflexible’ in renegotiating costs, but on the other hand it is happy to provide a tax-free ride to foreign owned corporations to dump millions of tonnes of toxic soil on local communities – near homes and a school – leaving Victorian taxpayers to pick up the tab of cleaning up the Andrews Labor Government’s toxic mess.

The Minister for Transport Infrastructure was later asked to confirm if any tunnelling work on the West Gate Tunnel has actually commenced.

The best the Minister could confirm was that the tunnel boring machines had only been assembled and a tunnel port constructed. Yet, under further questioning the Minister conceded that before the tunnel boring machines could commence, sites for toxic soil disposal had to be identified first.<sup>26</sup>

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<sup>23</sup> <https://www.abc.net.au/news/2020-01-29/west-gate-tunnel-builders-seek-to-terminate-contract-over-pfas/11909402>. See also *Transurban WGT Co v CPB Contractors Pty Ltd* [2020] VSC 476 at [10].

<sup>24</sup> The Hon Jacinta Allan MP, Minister for Transport Infrastructure, 17 December 2020, *Transcript of evidence*, p. 33.

<sup>25</sup> The Hon Tim Pallas MP, Treasurer, public hearing, 1 December 2020, *Transcript of evidence*, p. 32.

<sup>26</sup> The Hon Jacinta Allan MP, Minister for Transport Infrastructure, 17 December 2020, *Transcript of evidence*, p. 35.

It's extraordinary that in the two years since this Project was commenced, not a single sod of soil has been dug for the West Gate Tunnel Project.

**It appears, as construction presently stands, Victoria's is set to get a West Gate Tunnel without the tunnel.**

**FINDING 5:** The West Gate Tunnel Project is two years behind schedule, billions of dollars over budget, with no tunnelling yet commenced as a result of the Andrews Labor Government's gross mismanagement.

**RECOMMENDATION 3:** The Andrews Labor Government should immediately disclose how much the West Gate Tunnel will cost Victorians.

## **6. COVID-19 Quarantine Victoria (CQV) – another botched Hotel Quarantine Program and costs hidden from examination**

On 30 November 2020, the Andrews Labor Government announced its new Hotel Quarantine program, to be known as COVID-19 Quarantine Victoria (CQV). Yet, nowhere in any of the Budget Papers was any mention or disclosure made of how much this program would actually cost Victorians.

When the Premier was directly asked where in the Budget Papers funding had been allocated to CQV, the Premier could not answer. Instead the Premier told the Committee he was unable to "provide a definitive number" and it would be subject to "work that is ongoing".<sup>27</sup>

When the Treasurer was asked to detail the costs of the program, he said the costs "will ultimately have to be the subject of future budget analysis".<sup>28</sup>

These responses were truly staggering. The fact that neither the Premier or Treasurer could provide any budgetary detail about this program just beggars belief. To add insult to injury, the Treasurer even said in response to repeated questions about the costs of the program that he would "prefer not to speculate".<sup>29</sup>

Victorians deserve answers, not speculation and it was clear the Andrews Labor Government was doing everything possible to keep hidden the true costs of this program.

When Dr Cassar, the newly appointed CQV Commissioner, was asked about the budget costs of the program, she advised the Committee that she had been given ERC approval and was "still working that through".<sup>30</sup>

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<sup>27</sup> The Hon Daniel Andrews MP, Premier, public hearing, 27 November 2020, *Transcript of evidence*, p. 25

<sup>28</sup> The Hon Tim Pallas MP, Treasurer, public hearing, 1 December 2020, *Transcript of evidence*, p. 20.

<sup>29</sup> The Hon Tim Pallas MP, Treasurer, public hearing, 1 December 2020, *Transcript of evidence*, p. 20.

<sup>30</sup> Dr Cassar, CQV Commissioner, public hearing, 15 December 2020, *Transcript of evidence*, p. 3.

It became abundantly clear the Andrews Labor Government had deliberately sought to avoid and shut down any transparency in relation to the costs of this program and treat taxpayers with contempt. To even suggest that no monetary figures could be provided for a program that was already operating defies all credibility.

In the 2020-21 Budget Mid-Year Financial Report released by the Andrews Labor Government in March 2021, the following disclosure was made:

*In September 2020, the State entered into numerous contracts with transport, health, and various hotel providers to deliver hotel quarantine for at least one year. The estimated total cost of the contracts is \$377 million.<sup>31</sup>*

**This disclosure categorically demonstrates the Andrews Labor Government did know, from at least September 2020, what the costs were going to be for the CQV program.**

**Yet, despite repeated requests and attempts made by this Committee during public hearings in December 2020, the Andrews Labor Government actively sought to hide this information from Victorian taxpayers.**

Victorians now know that \$377 million of their hard-earned taxpayer money is to be spent on another Hotel Quarantine Program which, at the timing of writing this report, had been inactive for over a month because it had already had – in its short time of operation – infection control breaches causing the Government to embarrassingly stop all international arrivals.

Not only can the Andrews Labor Government not be trusted to manage Victoria's economic future, it cannot be trusted to keep Victorians safe.

**FINDING 6:** The Andrews Labor Government deliberately sought to conceal the true cost of its second failed Hotel Quarantine Program, CQV.

## **Concluding remarks**

The 2020-21 Budget will result in Victorians drowning in billion of dollars of debt for generations to come, and the Andrews Labor Government has conceded it has no plan to repay this debt.

Victoria's economic and fiscal position prior to the 2020 bushfires and the COVID-19 pandemic was weak. The Andrews Labor Government's financial incompetence has exposed Victoria as the worst performing state economy in Australia, amplified drastically as a result of its poor mismanagement of the COVID-19 pandemic and its fatal Hotel Quarantine program that resulted in more than 800 Victorians tragically losing their lives and hundreds of thousands of Victorians out of work.

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<sup>31</sup> 2020-21 Budget Mid Year Financial Report, p, 34.

Regrettably, Victorians will be forced to endure years of economic carnage unless the Andrews Labor Government gets its reckless spending under control and properly manages its major infrastructure projects which have blown out by billions, with financial mismanagement of these projects entrenched well before the pandemic hit.

The minority have no confidence the Andrews Labor Government can turn this disastrous budget position around. Greater transparency and accountability for the Parliament and Victorians is vital.

### **Minority Members:**

**Mr Richard Riordan MP**  
Deputy Chair  
Member for Polwarth

**Mr Danny O'Brien MP**  
Member for Gippsland South

**Ms Bridget Vallence MP**  
Member for Evelyn



