

# PARLIAMENT OF VICTORIA

Public Accounts and Estimates Committee



## Report on the 2019–20 financial and performance outcomes

Parliament of Victoria  
Public Accounts and Estimates Committee

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# About the Committee

## Functions

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

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This report is available on the Committee's website.

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# Chair's foreword

The Public Accounts and Estimates Committee's (PAEC) *Inquiry into 2019-20 Financial and Performance Outcomes* assesses how effectively and efficiently the Victorian Government delivered services over the 2019-20 financial year. The Committee examined the financial and performance outcomes of all the government departments, Court Services Victoria and Parliament.

This report represents the final stage of the Committee's involvement in Victoria's cycle of public accountability, which begins with a report on the Budget estimates and concludes with an examination of the State's actual performance. This inquiry is generally performed at the end of a financial year; however it was delayed due to disruptions caused by the COVID-19 pandemic.

The report examines the budgetary and financial outcomes of the State for 2019-20 in terms of revenue, expenses, debt and the infrastructure investment. The report further outlines the financial outcomes of each government department, Court Services Victoria and Parliament. It also identifies where the Victorian Government could deliver improved services and outcomes to the Victorian community.

The Committee held public hearings as part of the inquiry in February 2021. At the hearings, the Committee examined the outcomes of the economic support packages that were announced as part of the Government's response to the COVID-19 pandemic.

The Committee makes 32 recommendations to the Victorian Government, one to Court Services Victoria and one to Parliament. The Committee believes that these recommendations will enhance reporting on outcomes from the 2019-20 Budget, along with off budget initiatives introduced during the 2019-20 bushfire crisis and the COVID-19 pandemic.

I would like to thank all departmental secretaries, deputy secretaries and other staff across the Victorian Government departments who attended the hearings. The Committee also wishes to acknowledge the hard work that was undertaken by all departmental staff throughout the inquiry process.

I would also like to thank my fellow Committee members for their contribution to the inquiry—Richard Riordan MP (Deputy Chair), Sam Hibbins MP, David Limbrick MLC, Gary Maas MP, Danny O'Brien MP, Pauline Richards MP, Tim Richardson MP, Nina Taylor MLC and Bridget Vallence MP.

Finally, I acknowledge the PAEC Secretariat, led by Caroline Williams, for their diligent work and sound advice on this inquiry.



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



# Executive summary

## Financial and economic performance

The Eastern Victorian bushfires and the COVID-19 pandemic had a significant impact on the financial and economic performance of Victoria in the second half of 2019–20.

In 2019–20, the Victorian general government sector (GGS) spent \$74.5 billion, 5.9% higher than the 2019–20 revised estimates. It earned \$67.9 billion resulting in a net operating deficit of \$6.5 billion.

All revenue streams declined compared to the 2019–20 revised estimates. Grant revenue accounts for 48% of GGS revenue. Grant revenue declined by 3.2% compared to 2019–20 revised estimates as a result of the fall in goods and services tax revenue.

Employee expenses, the largest contributor to the GGS expenses, increased by 7.1% compared to 2018–19. This was attributed to the COVID-19 response, bushfire response and the implementation of the Community Safety Statement.

In 2019–20, government infrastructure investment was \$12 billion, 23.7% lower than the revised estimate. This reflects the variations to the timing of the State's capital program.

In 2019–20, the GGS net debt was \$44.3 billion, about 10% higher than the revised estimate. This is the highest net debt recorded since 1987. The net debt to gross state product (GSP) reached 9.6% in 2019–20, within the 12% net debt to GSP target.

The State of Victoria includes the GGS, the public non-financial corporations sector and the public financial corporations (PFC) sector. The net result for the State was a deficit of \$15.7 billion in 2019–20, driven by the \$6.5 billion GGS deficit and the \$1.9 billion in PFC.

In 2019–20, Victoria's GSP declined by 0.5%, slightly higher than the GDP decline of 0.3%. The decline in GSP was mainly driven by the reduced consumer spending due to businesses closures. Reduced economic activity in the last quarter of 2019–20 affected the Victorian labour market with the number of persons employed declining by 200,000 between March and May of 2020. However, overall Victorian employment increased by 1.2% between 2018–19 and 2019–20. In 2019–20, the unemployment rate increased to 5.4%, up from 4.6% in 2018–19.

## Department of Health and Human Services

In 2019–20, the Department of Health and Human Services (DHHS) was allocated a budget of \$25.6 billion and recorded output expenditure of \$27.4 billion, an overspend of 7.1%.

In 2019–20, DHHS' output appropriations grew by 8.8% (\$1.4 billion) compared to 2018–19. DHHS advised that the additional revenue was used to fund new policy initiatives and respond to the COVID-19 pandemic. DHHS has responsibility for 24 new initiatives announced as part of the Victorian Government's response to the COVID-19 pandemic. These initiatives totalled \$1.2 billion in expenditure as at 30 June 2020.

DHHS' employee benefits grew by 5.4% (\$696.5 million) on 2018–19 levels. To respond to the pandemic DHHS utilised a surge workforce, drawn from a variety of organisations, to provide clinical care, case management and contact tracing. DHHS did not collect data on the number of staff in the surge workforce that worked more than a total of eight hours.

The department's performance is assessed against 249 performance measures. DHHS achieved or exceeded 154 targets (62% of all measures). Of the 95 performance measures that were not achieved, DHHS noted that 38 had been impacted by the COVID-19 pandemic. Sixty one percent of the measures that DHHS stated had been impacted by the COVID-19 pandemic were also not met in 2018–19.

The department did not meet three of its four targets for timeliness in emergency services for the third year in a row. In particular, the performance measures relating to 'emergency patients admitted to a mental health bed within eight hours' was 32% below target in 2019–20.

DHHS identified 10 capital asset projects with an upwardly revised total estimated investment (TEI) that was at least 5% or \$50 million greater than the TEI originally announced. The department also identified 28 projects where variations had occurred between the estimated completion dates at announcement and those outlined in the 2019–20 Budget.

## Department of Education and Training

In 2019–20, the Department of Education and Training's (DET) budget was \$15.6 billion. Actual expenditure for the year was \$15.7 billion, representing a 0.4% (\$63.8 million) increase from the budgeted amount. DET achieved or exceeded 65% of the 116 performance measures published in the 2019–20 Budget.

The Victorian Government's response to the COVID-19 pandemic in the education sector involved limiting onsite attendance at schools and other education settings to minimise transmission of the virus.

The target average days lost due to absence have not been met for each year level, for the past three years. The Expert Advisory Panel into Rural and Regional Students observed that there was chronic absence among secondary students in regional and rural Victoria at higher rates than metropolitan students.

The Expert Advisory Panel into Rural and Regional Students undertook a review into the critical challenges and barriers that contribute to the gap in education attainment between rural and regional students and metropolitan students, in both primary and secondary schools. The Committee notes that a funding package was announced in 2020–21 to address the recommendations.

In 2019–20, 266 school infrastructure projects were completed in Victoria, catering for 22,700 extra students. Nineteen capital asset projects had a variance of equal to or greater than  $\pm 5\%$  or \$50 million between TEI at announcement, compared to the revised TEI in the 2019–20 Budget.

The number of Vocational Education and Training (VET) and Certificate III or above completions have reduced by approximately 45% since 2015. DET has stated that the 2019 VET completion rate is 8.5% less than the 2018 outcome due to shifts towards high-quality longer duration courses, higher student retention rates, and a fall in course commencements that occurred between 2017 and 2018.

## Department of Transport

In 2019–20, DoT was allocated a budget of \$9.23 billion and recorded output expenditure of \$9.48 billion representing an overspend of 2.7%. The primary drivers of the variance were additional expenses from the COVID-19 response offset by the deferral of some initiatives, such as metropolitan road works.

In 2019–20, DoT's actual output appropriations grew to \$7.54 billion from \$7.45 billion in 2018–19. However, the total output appropriation included in the 2019–20 Budget was \$6.92 billion. This means that the output funding received from the State Government in 2019–20 was 9% higher than estimated. Special appropriations, the sale of goods and services, grants income and other revenue sources all declined by between 16.9% and 43.6%.

Actual expenses from transactions were 4.1% higher than actual income from transactions, resulting in a net deficit of \$377.2 million in 2019–20. DoT attributed the deficit to additional expenditure caused by COVID-19 and reduced farebox revenue and commercial revenues resulting from lower transport usage during the pandemic.

The department's performance is assessed against 172 performance measures. DoT achieved or exceeded 104 targets, did not achieve 45 targets exceeding a 5% variance and did not achieve 23 targets within a 5% variance.

The COVID-19 pandemic had a significant impact on the achievement of service usage performance measures across all modes of transport, with public transport passenger volumes falling by 90% on normal volumes between March and May 2020. The Department of Treasury and Finance (DTF) provided DoT with \$49.96 million from the beginning of the pandemic to December 2020 to support additional COVID-19 cleaning requirements.

The full financial impact of the COVID-19 pandemic on the department is not yet known. As of 30 June 2020, DTF had paid DoT a total of \$234.8 million in COVID-19 related advances, but the Committee was unable to determine the precise value of reduced passenger revenues and payments made to public transport service providers and agencies due to the pandemic.

Notwithstanding the COVID-19 pandemic, all modes of public transport exceeded 2018–19 levels of punctuality and only regional trains and metropolitan trams experiencing a slight decrease on 2018–19 rates of scheduled service delivery. However, the pandemic and bushfires did affect the availability of vehicle registrations and safety inspections in 2019–20, many of which were suspended for the duration of the March to May lockdown.

DoT identified 26 projects in 2019–20 with an upwardly revised TEI that was at least 5% or \$50 million greater than the TEI originally announced. The combined value of cost increases for the 26 projects was around \$3.7 billion. The department also identified 46 projects with completion dates that had been upwardly revised from the estimated completion date at announcement.

## Department of Justice and Community Safety

The Department of Justice and Community Safety (DJCS) had a budget of \$8 billion in 2019–20, while actual expenditure was \$8.5 billion—a variance of 7%.

In 2019–20 DJCS achieved or exceeded 48% of its performance measures and did not meet 52% of its measures. Several performance measures that were not met in 2019–20 were also not met in the last two financial years. DJCS' performance was impacted over a number of outputs by the COVID-19 pandemic and associated restrictions. Forty-nine per cent of the targets the department did not achieve were not met due to the impacts of the pandemic.

During the latter half of 2019–20 DJCS funded a number of initiatives to respond to the COVID-19 pandemic. Most of these initiatives were delivered in collaboration with other government departments and received retroactive funding in the 2020–21 Budget.

The COVID-19 pandemic had a significant impact on the ability to deliver programs in correctional facilities and in community corrections. DJCS did not meet its targets for program delivery in areas such as completion of family violence programs in community corrections, community work hours and rate of prisoner participation in education. Similarly, while DJCS has received funding over several budgets to provide for rehabilitation and reduce recidivism, the rate of return to prison and community corrective services within two years has risen between 2018–19 and 2019–20.

The work of the Victorian Commission for Gambling and Liquor Regulation (VCGLR) was discussed at length during the hearings, in response to the findings of the New South Wales Inquiry under the *Casino Control Act 1992* (NSW). VCGLR regulates Crown Melbourne and has had investigations into junket operators and the detention of



Crown staff in 2017. A Royal Commission has been established to assess the continued suitability for Crown Melbourne to hold a casino license, while the performance of VCGLR is to be reviewed. In 2019–20, VCGLR’s activities were severely restricted by the COVID-19 pandemic, resulting in the regulator not meeting 10 of its 14 performance measures.

DJCS maintains a priority of reducing the number of young people progressing through the justice system and diverting young people away from youth justice. In this context, the Productivity Commission’s *Report on Government Services 2021* found youth diversions undertaken by police in 2019–20 were low—20% of non-Indigenous young offenders received a diversion instead of being charged, while 13.7% of Aboriginal and Torres Strait Islander offenders received a diversion. While DJCS administers several initiatives related to diversion, it does not directly report on how many young people are diverted or diversion programs directly.

## Department of Environment, Land, Water and Planning

In 2019–20, the Department of Environment, Land, Water and Planning’s (DELWP) total output expenditure was \$2.7 billion, representing an increase of 13.4% from the budgeted figure of \$2.3 billion. The increase is primarily attributable to the increase in spending on fire and emergency management.

DELWP recorded a total of \$2.8 billion in revenue in 2019–20, an increase of 18.5% on the 2019–20 Budget figure of \$2.4 billion. DELWP’s output appropriations increased from \$1.8 billion in 2018–19 to \$2 billion in 2019–20. The department explained that the increase is primarily due to additional funding received for fire emergency response activities during the fire season. Output appropriations of \$2 billion in 2019–20 were also higher than the original 2019–20 budget estimate of \$1.7 billion.

Total expenses for the department in 2019–20 were \$2.8 billion, up 13.2% from the budgeted figure of \$2.5 billion. The department saw increases of over 10% in several different areas, including employee expenses, depreciation and other operating expenses. Employee expenses increased 13% from \$520 million in 2018–19 to \$588 million in 2019–20. The increase was mainly due to a rise in the number of staff and overtime costs related to increased bushfire activities.

The department highlighted eight off budget expenses related directly to COVID-19, all of which made use of either emergency advances or retroactive funding approvals. None of the eight off budget programs related to COVID-19, which made use of emergency funding or retroactive funding approvals, had performance measures attached. The department also funded a total of 22 projects through Treasurer’s Advances. The total additional funding provided to DELWP through Treasurer’s Advances in 2019–20 was \$489.4 million, of which \$456 million was utilised.

In 2019–20, DELWP spent \$380 million on contractors, consultants and labour hire arrangements. This is an increase of 23.3% from the \$308 million spent in 2018–20 and 91% higher than the \$199 million spent in 2017–18. The department’s increase

in consultancy expenditure in both 2018–19 and 2019–20 is partly due to increased payments to a private operator responsible for Land Use Victoria’s titles and registry functions.

The department failed to meet targets for 43 of its 148 (29%) performance measures. This compares with failure to meet 17% and 25% of targets on performance measures in 2017–18 and 2018–19 respectively.

## Department of Jobs, Precincts and Regions

The Department of Jobs, Precincts and Regions (DJPR) had a budget allocation of \$2.3 billion in 2019–20. Actual expenditure for the year was \$3.5 billion, an overspend of 48.1%. The overspend was mainly driven by the higher than budgeted expenditure in the Jobs output, in which the department spent \$1.2 billion compared to \$131.1 million budgeted. The overspend in the Jobs output was due to the additional funding required for the *Business Support Fund*, *Economic Survival Package* and *Working for Victoria Fund*. The *Business Support Fund* supported 77,000 business, distributing \$770 million in grants in 2019–20.

DJPR achieved 62% of its 162 performance measures in 2019–20. This is a significant reduction compared to 2018–19, where DJPR achieved more than 80% of its performance measures.

One of the key initiatives announced by DJPR in 2019–20 was the \$500 million *Working for Victoria Fund*. The *Working for Victoria Fund* involves the public, private and not-for-profit sectors identifying employment opportunities. As at 30 June 2020, about 50,000 jobseekers had registered with the *Working for Victoria* online marketplace. The department had supported 6,500 Victorian jobseekers into employment, including 197 people in regional jobs.

With regards to Regional Development output spending, the Committee attempted to clarify how DJPR determines whether the goals were achieved as a result of investment by the Government or as a result of investment by other parties. The Committee notes that performance measures for Regional Development have not been changed since 2015–16.

## Court Services Victoria

In 2019–20, Court Services Victoria (CSV) received a budget allocation of \$666.7 million, while the actual expenditure for the year was \$673.8 million, representing a 1.1% variance.

The courts were significantly affected by the COVID-19 pandemic and associated health restrictions in 2019–20. CSV changed its operations rapidly and provided support to each court jurisdiction to pivot from a predominantly face-to-face, paper-based justice system to one that heard a majority of matters over the phone or via audio-visual link. As a result of the pandemic, CSV was unable to meet 13 of its 39 performance measures.

Further, while CSV was successful in ensuring each court remained open, operating and delivering justice during the COVID-19 pandemic, there were significant challenges to CSV's ability to deliver justice in a timely and effective manner. Over 2019–20 pending matters in almost all court jurisdictions grew, with the largest impact observed in the Magistrates' and Children's Courts and in the Victorian Civil and Administrative Tribunal (VCAT).

In 2019–20, the Government provided funding to assist VCAT during the pandemic to digitise its lists with a focus on the Planning and Environment List. Pending matters for this list have been kept low. Others, such as the Residential Tenancies and the Owners Corporations List have had their pending matters grow significantly in 2019–20.

In 2019–20, CSV undertook 14 completed external reviews/studies at a total cost of \$1.2 million. While some of the reviews are related to the internal operations of CSV, others were undertaken to evaluate significant areas of government policy and reform. None of these reviews have been released publicly.

## Department of Premier and Cabinet

In 2019–20, the Department of Premier and Cabinet (DPC) received a budget allocation of \$564.7 million, while the actual expenditure for the year was \$656.1 million, representing an overspend of \$91.4 million (16.2%). Increased expenditure was required to fund bushfire recovery work and COVID-19 responses. DPC also incurred additional expenses due to the establishment of the Portable Long Service Leave Authority and for employee expenses in managing DPC's trust funds.

To assist with COVID-19 recovery, DPC assisted the Victorian Government response by chairing the Mission Coordination Committee and administering two enabling projects to support the missions, *Critical risks and opportunities* and *Behaviour change, social cohesion and communications*.

In response to the 2019–20 Victorian bushfires, DPC established a new entity, Bushfire Recovery Victoria (BRV). BRV works with local communities affected by the bushfires, advises Government and leads recovery planning and coordinating efforts. Work undertaken by BRV in 2019–20 included clearing of land and distribution of financial assistance grants to small businesses and primary producers.

DPC met 79 out of its 97 performance measures. Some performance measures that underperformed were in the areas of Jobs, Multicultural affairs, Aboriginal affairs and Women's policy.

## Department of Treasury and Finance

In 2019–20, DTF had a budget allocation of \$512.4 million. Actual expenditure for the year was \$460.9 million, an underspend of 10% (\$51.5 million). Total actual revenue and income recorded from transactions was \$683 million in 2019–20, 6.3% (\$46.1 million) less than what was originally budgeted for 2019–20. The department explained that

revenue was lower due to budget rephasing and carry-overs from 2019–20 to 2020–21 along with the effect of COVID-19 in delaying delivery of the *Invest Victoria* grant program.

Total actual expenses from transactions in 2019–20 were \$687.4 million, 5.9% (\$42.8 million) lower than what was originally budgeted for 2019–20. DTF outlined that expenses were lower due to lower grants and professional services expenditure along with COVID-19 delaying program delivery and associated milestone payments.

Employee benefits continued to be the largest expense of the department, accounting for about 40% of the total expenses. The increase in employee benefit expenses from 2018–19 to 2019–20 are largely attributable to the delivery of several new initiatives and machinery of government changes.

For portfolios controlled by DTF, a total of \$29.9 million in additional funding through Treasurer's Advances was allocated, of which \$19 million was utilised in 2019–20, or 64% of what was allocated.

The department's performance is assessed against 72 performance measures. DTF achieved or exceeded 52 targets, did not achieve 14 targets exceeding a 5% variance and did not achieve four targets within a 5% variance. DTF delivered significant economic and social support outcomes to the community in 2019–20 through the development of the *Economic survival and tax relief packages*, and the delivery of social housing.

## Parliament

In 2019–20, the Parliament of Victoria received a budget allocation of \$195.4 million, while the actual expenditure for the year was \$185.1 million, representing an underspend of \$10.3 million.

Parliament achieved 86% of its 28 performance measures in 2019–20. Parliament reported that COVID-19 had a significant impact on its operations for the first half of 2020. Challenges included the closure of the Parliamentary precinct to visitors and staff transitioning to working remotely. To adapt to the COVID-19 restrictions, procedural changes were made for the Parliament, including allowing members of Parliamentary joint investigatory committees to have their votes and attendance counted when attending meetings online.

# Findings and recommendations

## 2 Financial and economic performance

**FINDING 1:** In 2019–20, the Victorian general government sector recorded a net operating deficit of \$6.5 billion. 12

**FINDING 2:** The 2019–20 Mid Year Financial Report recorded a net operating deficit of \$1.1 billion for the period ended 31 December 2019. 12

**FINDING 3:** In 2019–20, the actual government infrastructure investment (GII) was \$12 billion, 23.7% (\$3.8 billion) lower than the revised estimate. The actual GII spend averaged \$7.8 billion in the past 10 years. 14

**FINDING 4:** As at 30 June 2020, the general government sector reported a net debt of \$44.3 billion, about 10% (\$4 billion) higher than the revised estimate. The net debt to gross state product (GSP) reached 9.6% in 2019–20, within the 12% net debt to GSP target. 16

**FINDING 5:** The State of Victoria recorded a net operating deficit of \$9 billion in 2019–20, driven by the deficit in the general government sector (\$6.5 billion). The public non-financial corporations sector reported a net operating surplus of \$465 million and the public financial corporations recorded a net operating deficit of \$1.9 billion. 17

## 3 Department of Health and Human Services

**FINDING 6:** Some of the outcomes identified by the Department of Health and Human Services in its programs are inputs and outputs. For example, the delivery of funding for mental health support as part of bushfire recovery represents an input, while newly refurbished or constructed public housing properties represent outputs. 24

**FINDING 7:** Under the Concessions to Pensioners and Beneficiaries output, \$176.4 million in funding for transport concessions was transferred to the Department of Transport by the Department of Health and Human Services. This funding is not reported on by either department. 27

**RECOMMENDATION 1:** The Department of Health and Human Services and the Department of Transport separately publish the output funding received by each department under the Concessions to Pensioners and Beneficiaries output. **27**

**FINDING 8:** The Department of Health and Human Services' Comprehensive Operating Statement in 2019–20 reflects a stable position as overall income exceeds expenses. **28**

**FINDING 9:** In 2019–20 the Department of Health and Human Services (DHHS) met 62% (154 of 249) performance measures. There were eleven performance measures that were not met by DHHS in both 2018–19 and 2019–20. **29**

**FINDING 10:** The Department of Health and Human Services (DHHS) did not provide any performance measures for the \$1.2 billion of programs and initiatives implemented in response to COVID-19. Of the measures in 2019–20 that DHHS stated had been impacted by the COVID-19 pandemic, 71% were also not met in 2018–19 prior to the pandemic. **31**

**RECOMMENDATION 2:** The Department of Health and Human Services undertake and publish an evaluation of its programs and initiatives implemented in response to COVID-19, and the outcomes achieved through these. **31**

**FINDING 11:** The Department of Health and Human Services' (DHHS) performance measure 'emergency patients admitted to a mental health bed within eight hours' was 32% below target in 2019–20. This is the third year in a row that the DHHS has not met this target. **32**

**FINDING 12:** Although demand was reduced for emergency department services in 2019–20 due to COVID-19, the Department of Health and Human Services did not meet three of its four targets for timeliness in emergency services for the third year in a row. **34**

**FINDING 13:** The Department of Health and Human Services did not achieve 42% of its performance measures under the Family Violence Service Delivery output in 2019–20. **35**

**FINDING 14:** The Department of Health and Human Services has not met its target for the establishment of Support and Safety Hubs in Victoria for the past three years. The estimated completion date for this program was revised from June 2021 to June 2022. **35**

**FINDING 15:** The Department of Health and Human Services exceeded its 2019–20 target for the total number of assessments undertaken at Support and Safety Hubs by 157.5%. 36

**RECOMMENDATION 3:** The Department of Health and Human Services update its target for the total number of assessments undertaken at the Support and Safety Hubs, to reflect the new methodology for assessing this target. 36

**FINDING 16:** In 2019–20 the Department of Health and Human Services did not meet its performance measures for the number of social housing dwellings, or the number of social housing dwellings acquired. 37

**FINDING 17:** The number of social housing dwellings in Victoria has decreased by 0.3% since 2014–15. 37

**FINDING 18:** The Department of Health and Human Services reported 28 capital asset projects where variations had occurred between the estimated completion dates at announcement and that which was outlined in the 2019–20 Budget. Of these, 46% had a variation of greater than one year. 38

## 4 Department of Education and Training

**FINDING 19:** The Department of Education and Training's Comprehensive Operating Statement in 2019–20 reflects a stable position as overall income exceeds expenses. 44

**FINDING 20:** In 2019–20 the Department of Education and Training achieved or exceeded 65% of its performance measures. 45

**FINDING 21:** Treasurer's Advances were used in 2019–20 for COVID-19 pandemic response initiatives to support the viability of kindergartens (\$19.1 million) and the training sector (\$68.9 million). There are no publicly available performance measures for these funding allocations. Instead expenditure and deliverables are internally monitored by the Department of Education and Training. 47

**RECOMMENDATION 4:** The Department of Education and Training develop performance measures for initiatives funded through Treasurer's Advances and publicly report on them. 48

**FINDING 22:** The kindergarten participation rate of Victorian Aboriginal children increased from 1,499 in 2018–19 to 1,570 in 2019–20, representing an increase of 4.7% from the previous year. This is the second consecutive year of increased kindergarten participation of Victorian Aboriginal children. **48**

**FINDING 23:** The target for investment in student welfare and support has been exceeded since 2011. In 2019–20 the target was reduced by \$25.9 million from 2018–19 due to other streams of welfare support funding. **49**

**RECOMMENDATION 5:** The target for investment in student welfare and support be reviewed and increased ahead of the 2021–22 Budget in light of population growth and growth in student numbers. **49**

**FINDING 24:** School satisfaction with Student Support Services has declined since 2014–15 and the Department of Education and Training did not meet this performance measure in 2019–20. **50**

**FINDING 25:** The Department of Education and Training performance measures do not distinguish between the absenteeism of metropolitan and regional and rural students in the budget papers or in its Annual Report. **51**

**RECOMMENDATION 6:** The Department of Education and Training disaggregate the absence data of metropolitan and regional and rural students and develop targets and indicators ahead of the 2021–22 Budget that measure the impact of student absenteeism in regional and rural Victoria. **52**

**FINDING 26:** The Department of Education and Training is unable to quantify the number of students that have accessed Mental Health Practitioner Services at schools during periods of remote and flexible learning. **53**

**RECOMMENDATION 7:** The Department of Education and Training establish appropriate mechanisms to effectively quantify the level of access to Mental Health Practitioner services and outcomes for children accessing the service. **53**



**FINDING 27:** Regional Victorian senior secondary students did not perform as well as greater Melbournian senior secondary students on their Victorian Certificate of Education (VCE) in 2019 and 2020. Whilst the percentage of satisfactory VCE completions is about the same in greater Melbourne and regional Victoria, the percentage of VCE students applying for tertiary places is markedly different between the two groups of students. 55

**FINDING 28:** The Department of Education and Training performance measures do not distinguish between the education outcomes of metropolitan and regional students in the budget papers and its Annual Report. 55

**RECOMMENDATION 8:** The Department of Education and Training disaggregate the performance data of metropolitan and regional students and develop targets and indicators ahead of the 2021–22 Budget that measure the education outcomes of these students. 55

**FINDING 29:** The number of Vocational Education and Training and Certificate III or above completions has reduced by approximately 45% since 2015. 57

**FINDING 30:** The commencement of the Free TAFE Program on 1 January 2020 resulted in a 10% increase of new Vocational Education and Training commencements and an increase of 4% of total enrolments compared to 2018. 57

**FINDING 31:** The target for the performance measure ‘proportion of Vocational Education and Training completers with an improved employment status after training’ has not been achieved since it was introduced in 2015–16. 58

## 5 Department of Transport

**FINDING 32:** The Department of Transport’s actual output expenditure in 2019–20 was \$9.48 billion, 2.7% higher than the budgeted output expenditure of \$9.23 billion. The primary drivers of the variance are added expenses from the COVID-19 response and the deferral of some initiatives, such as metropolitan road works. 63

**FINDING 33:** The Department of Transport’s Comprehensive Operating Statement indicates a deficit of \$377.2 million was accrued in 2019–20. The department reported that the deficit was primarily derived from additional expenditure on the Government’s COVID-19 response and reduced farebox and commercial revenues caused by the pandemic. 64

**FINDING 34:** In 2019–20 the Department of Transport achieved or exceeded 60% of its performance measures. The department has 14 outputs, six of which achieved half or less than 50% of performance measures during 2019–20. 66

**FINDING 35:** The COVID-19 pandemic was the primary driver behind the fall in annual passenger volumes across all modes of public transport. Despite the reduced passenger volumes, the Department of Transport and its transport providers continued to deliver a full timetable of public transport services. 67

**FINDING 36:** The Department of Transport received \$324.8 million in COVID-19 related advances from government during 2019–20 and experienced an indicative reduction in passenger revenues of 24.6%. 69

**RECOMMENDATION 9:** The Department of Transport include a breakdown of COVID-19 related costs in its 2020–21 Annual Report, to allow a clear distinction to be made between the department’s financial performance and the effects of the COVID-19 pandemic. 69

**RECOMMENDATION 10:** Any additional amount paid to public transport service providers and agencies due to the COVID-19 pandemic should be disclosed in the Department of Transport’s 2020–21 Annual Report and 2021–22 State Budget. 69

**FINDING 37:** As a result of the COVID-19 pandemic, vehicle registration and safety checks for light vehicles, heavy vehicles and maritime vessels fell significantly in 2019–20. 70

**FINDING 38:** In 2019–20, 31 transport projects reported a combined \$3.7 billion increase in the total estimated investment (TEI), or cost, compared to the initial TEI at announcement. 71

**FINDING 39:** The explanations provided by the Department of Transport for variations in project total estimated investment do not always identify the underlying cause necessitating the increased expenditure in 2019–20. 72

**RECOMMENDATION 11:** The Department of Transport provide detailed explanations of the underlying cause of variations in major projects’ total estimated investment. Over the longer term, the Committee recommends the adoption of a more direct method for disclosing issues and achievements relating to major projects. 72

**FINDING 40:** In 2019–20, the Department of Transport identified 46 projects with timeframes that extended beyond the initial completion date and nine scheduled for early completion. The average timetable variation was an increase of 14 months. Based on the explanations given by the department, these variations are independent of the COVID-19 pandemic.

73

**FINDING 41:** The Suburban Rail Loop is administered by the Suburban Rail Loop Authority (SRLA). The SRLA is currently engaged in developing the business case for the first third of the project as well as the overarching investment case, which will provide more detail regarding the total cost and duration of the project.

76

## 6 Department of Justice and Community Safety

**FINDING 42:** Of the Department of Justice and Community Safety’s 14 outputs published in the 2019–20 Budget, 10 exceeded their budgeted output cost. The Regulation of the Victorian Consumer Marketplace output reported an underspend of 17.9%.

80

**FINDING 43:** In 2019–20 the Department of Justice and Community Safety’s income exceeded its expenses by \$9 million. While the department budgeted a negative net result of \$7 million in 2019–20, the actual result was a positive net result of \$9 million.

81

**FINDING 44:** In 2019–20 the Department of Justice and Community Safety did not achieve 52% of its performance measures.

82

**FINDING 45:** The Department of Justice and Community Safety has not met several of the same performance measures in 2017–18, 2018–19 and 2019–20. These include four performance measures from the ‘Community-Based Offender Supervision’ and ‘Prisoner Supervision and Support’ outputs.

83

**RECOMMENDATION 12:** The Department of Justice and Community Safety replace the performance measures ‘Infringement notices processed’ and ‘Proportion of drivers tested who return a clear result for prohibited drugs’ with outcomes-based measures in the next budget.

83

**FINDING 46:** The COVID-19 pandemic had a significant impact on the Department of Justice and Community Safety’s ability to provide services and meet its performance measures in 2019–20. Of the 99 performance measures not met, approximately half of the performance measures were impacted negatively by the COVID-19 pandemic.

85

**FINDING 47:** The initiative *Additional legal assistance services and information communication technology upgrades* received \$9.2 million in funding in the 2019–20 year. The Department of Justice and Community Safety did not provide details of any relevant performance measures or public reporting arrangement for the outcomes of this initiative. **85**

**RECOMMENDATION 13:** The Department of Justice and Community Safety report on the outcomes of the initiative *Additional legal assistance services and information communication technology upgrades* in its Annual Report 2020–21. **86**

**RECOMMENDATION 14:** The Department of Justice and Community Safety report on the outcomes of the Maribyrnong Residential Facility. **86**

**FINDING 48:** The COVID-19 pandemic and associated health restrictions heavily impacted the Department of Justice and Community Safety’s ability to deliver programs in community corrections and correctional facilities in 2019–20, including education programs in correctional facilities and family violence related programs for offenders in community corrections. **88**

**FINDING 49:** The Department of Justice and Community Safety did not meet either of its performance measures regarding recidivism in 2019–20, 2018–19 and 2017–18. **88**

**RECOMMENDATION 15:** The Department of Justice and Community Safety provide further information regarding why performance measures related to recidivism have not been met in their Annual Report 2020–21, including an explanation as to why the target was not met. **88**

**FINDING 50:** Despite significant funding in efforts to reduce recidivism, the percentage of offenders returning to prison within two years of release, and the percentage of offenders returning to corrective services within two years of discharge from a community corrections order, has marginally increased between 2014 and 2020. **90**

**FINDING 51:** The COVID-19 pandemic and subsequent closure of liquor and gaming premises severely restricted the Victorian Commission for Gambling and Liquor Regulation’s (VCGLR) ability to regulate the gambling and liquor industries during 2019–20. As a result, VCGLR did not meet nine of its 14 performance measures. **93**

**FINDING 52:** In 2019–20, 20% of all non-Indigenous young offenders and 13.7% of Aboriginal and Torres Strait Islander young offenders were diverted by police into non-court actions in Victoria, instead of being taken to court for their offence. 94

**RECOMMENDATION 16:** The Department of Justice and Community Safety introduce performance measures in the next budget related to youth diversion initiatives including but not limited to: targets regarding the number of youth diverted, success of diversion, the number of young people participating in programs, completion rates of such programs and subsequent offending after diversion. 95

**RECOMMENDATION 17:** The Department of Justice and Community Safety include comprehensive performance measures and targets for the Children’s Court Youth Diversion program in the next budget. 95

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

**FINDING 53:** While the Department of Environment, Land, Water and Planning’s *ResourceSmart Schools – participation of schools program* did not achieve the target number of schools participating in the program, it did achieve significant outcomes for participating schools, including financial and energy savings. 98

**FINDING 54:** COVID-19 and the related public health restrictions impacted the performance of several programs run by the Department of Environment, Land, Water and Planning, including two waterway health programs. 99

**FINDING 55:** Four of the five primary challenges experienced by the Department of Environment, Land, Water and Planning in 2019–20 were related to COVID-19. Customer facing services such as Zoos Victoria, reliant on visitor revenue, were particularly affected. 100

**FINDING 56:** In light of delays in implementing the *Bringing our Environment Protection Authority into the modern era* program, it is unclear to the Committee whether the deficit recorded by the Department of Environment, Land, Water and Planning is a direct result of funding the program and the progress made in establishing the new legislative framework. 101

**RECOMMENDATION 18:** The Department of Environment, Land, Water and Planning publicly report on the status and funding of the *Bringing our Environment Protection Authority into the modern era* program in its annual report. 102

**FINDING 57:** The Department of Environment, Land, Water and Planning received \$489.4 million in additional funding through Treasurer's Advances in 2019–20, of which \$456 million was utilised, mainly for bushfire response and recovery. 103

**FINDING 58:** The Department of Environment, Land, Water and Planning's output appropriations increased from \$1.8 billion in 2018–19 to \$2 billion in 2019–20, representing an increase of 9.8%. This was primarily due to additional funding for fire emergency response activities during the fire season. 104

**FINDING 59:** None of the eight Department of Environment, Land, Water and Planning's off budget programs related to COVID-19, which made use of emergency funding or retroactive funding approvals, had performance measures attached. 105

**RECOMMENDATION 19:** Performance measures should be developed by the Department of Environment, Land, Water and Planning for any 2020–21 COVID-19 related expenditure. 105

**FINDING 60:** The Department of Environment, Land, Water and Planning's increase in consultancy expenditure in both 2018–19 and 2019–20 is partly due to increased payments to a private operator responsible for Land Use Victoria's titles and registry functions. 106

**RECOMMENDATION 20:** The Department of Environment, Land, Water and Planning publicly report on the financial impact of increased payments to a private operator responsible for Land Use Victoria's titles and registry functions and the cost of the commercialisation process. 107

**FINDING 61:** Dividends are paid by water corporations to the environmental contribution fund, which in turn contribute to paying for sustainable water infrastructure initiatives. 111

**FINDING 62:** In 2019–20, Melbourne Water failed to meet its performance target related to net tonnes carbon dioxide equivalent for the second year in a row. This was due to higher electricity usage for water treatment because of higher rainfall and increased throughput at the Eastern and Western Treatment plants. 112

**FINDING 63:** The most prominent challenges faced by City West Water in 2019–20 were all related to COVID-19. These included debt collections, expedient payments to suppliers, and customer hardships. 112

**FINDING 64:** Both Gippsland and Southern Rural Water, and Goulburn Murray Rural Water, recorded actual operating deficits in 2019–20. Deficits are typical of rural water corporations as they do not charge customers at a level that would cover their operating costs. 115

**FINDING 65:** COVID-19 impacted metropolitan, regional and rural water corporations differently in 2019–20. The pandemic had a greater financial impact on metropolitan water corporations than it did on regional and rural water corporations. 115

## 8 Department of Jobs, Precincts and Regions

**FINDING 66:** The Department of Jobs, Precincts and Region’s output appropriations increased in 2019-20 by 178% (\$2 billion) from 2018-19. \$1,374 million of that variance relates to grant expenditure, predominantly the *Business Support Fund* (\$784.7 million) and *Working for Victoria Fund* (\$109.0 million). 120

**FINDING 67:** The Department of Jobs, Precincts and Regions forecast a negative net result (net loss) of \$148 million in the 2019–20 Budget. However, the actual net loss was lower than estimated at \$47 million in 2019–20. 121

**FINDING 68:** In 2019-20, the Department of Jobs, Precincts and Regions achieved 62% of its 162 performance measures. 121

**FINDING 69:** In June 2020, the number of people employed in Victoria was 3.3 million, 2.9% fewer than the previous year. As at 30 June 2020, 50,000 jobseekers had registered with Working for Victoria, and the Department of Jobs, Precincts and Regions had supported 6,500 jobseekers into employment, including 197 people in regional Victoria. 122

**FINDING 70:** The *Tharamba Bugheen: Victorian Aboriginal Business Strategy* has enabled the chamber of commerce for Aboriginal owned businesses, Kinaway, to increase its membership from 20 Aboriginal owned businesses in 2017 to 300 in 2021. 123

**FINDING 71:** The Department of Jobs, Precincts and Regions’ annual reports currently do not provide the number of First Nations people employed in Victoria in public and private sectors and the number of Aboriginal businesses in Victoria. 123

**RECOMMENDATION 21:** The Department of Jobs, Precincts and Regions report where possible on the number of First Nations people employed in Victoria as well as the number of Aboriginal businesses in Victoria. 123

**FINDING 72:** The *Business Support Fund* supported 77,000 business, distributing \$770 million in grants in 2019–20. The Department of Jobs, Precincts and Regions did not provide a breakdown of how many regional Victorian businesses received such funds. 123

**RECOMMENDATION 22:** The Department of Jobs, Precincts and Regions provide a breakdown of the number of businesses that received the *Business Support Fund* by metropolitan and regional Victoria in its 2020–21 Annual Report. 124

**FINDING 73:** The Department of Jobs, Precincts and Regions (DJPR) undertook extensive consultation and engagement when implementing and designing the *Business Support Fund*. Nevertheless, DJPR’s performance targets measuring usual engagement with businesses and industry were not met during 2019–20. 124

**FINDING 74:** The Department of Jobs, Precincts and Regions (DJPR) manages the public private partnerships arrangements for Fishermans Bend, Parkville, Footscray, and Royal Melbourne Showgrounds Redevelopment projects. DJPR also manages the Marvel Stadium redevelopment via its Development Victoria agency. 126

**FINDING 75:** In 2018–19, Victorian Government invested \$225 million to redevelop Marvel Stadium which guaranteed that the Australian Football League Grand Final will be played at the Melbourne Cricket Ground until 2058. The 2018–19 State Capital Program does not provide the value of the projects carried out by Development Victoria. 127

**RECOMMENDATION 23:** The Department of Jobs, Precincts and Regions and the Department of Treasury and Finance publish details of Development Victoria’s capital program in the 2021–22 Budget. 127



**FINDING 76:** The Department of Jobs, Precincts and Regions is refining its goals and metrics to ensure there is a clear link between the outcomes achieved and the Government's investment in regional Victoria. However, the performance measures for the Regional Development output have not been changed for five years. 128

**RECOMMENDATION 24:** The Department of Jobs, Precincts and Regions report on the gross regional product and employment rate of Regional Victoria in its annual report going forward. 128

**FINDING 77:** Creative Victoria has been transparent in providing information of the grant recipients under the *Sustaining Creative Workers initiative*. However, there is no public information available regarding the outcomes of the creative industries that were supported in 2019–20. 129

**RECOMMENDATION 25:** The Department of Jobs, Precincts and Regions develop a performance measure to report on the outcomes of the creative industries that were supported during and post the COVID-19 pandemic. 130

**FINDING 78:** In 2019–20 the Cultural Infrastructure and Facilities output incurred a total cost of \$114.3 million, 1.8% higher (or \$2.0 million) than the 2019–20 Budget (\$112.3 million). There are approximately 32 cultural facilities within the jurisdiction of Creative Victoria. In any given year, the Department of Jobs, Precincts and Regions undertakes 16 safety audits of the 32 cultural facilities. 130

**FINDING 79:** In 2019–20 the Department of Jobs, Precincts and Regions performance measure 'Victoria's market share of nominated investor and business migrants' had a result of 38% compared to the target of 45%. This is reportedly due to other jurisdictions more actively participating in the business and investor program. 132

**FINDING 80:** The Department of Jobs, Precincts and Regions distributed \$19.5 million in grants under the *International Student Emergency Relief Fund*. In 2019–20, 12,811 students were supported through the Fund, representing less than 10% of international student visa holders in Victoria. 133

**FINDING 81:** The Department of Jobs, Precincts and Regions is working to ensure that the outcomes and findings from the Victorian gas program are implemented before onshore conventional gas exploration and production restart in July 2021. 133

## 9 Court Services Victoria

**FINDING 82:** In 2019-20 Court Services Victoria achieved or exceeded 31% of its performance measures and did not achieve 69% of its measures. 138

**FINDING 83:** As a result of the work undertaken by Court Services Victoria in conjunction with all court jurisdictions and the Victorian Civil and Administrative Tribunal, all Victorian courts were able to remain open and continued to hear matters during the COVID-19 pandemic. 139

**FINDING 84:** The *Security upgrades to strengthen court safety* and *Regional drug courts* programs were unable to deliver their planned outcomes in 2019-20 due to the impacts of the COVID-19 pandemic. 140

**FINDING 85:** The COVID-19 pandemic had a significant impact on the ability of Court Services Victoria (CSV) to meet its performance measures related to timeliness and quantity of matters heard in 2019-20. The measures 'average cost per case' and 'case clearance rate' were heavily affected. Of CSV's 39 performance measures, 13 were not achieved due to the impact of the COVID-19 pandemic. 141

**FINDING 86:** In the last three years, Court Services Victoria (CSV) did not achieve a majority of its performance measures. Of the performance measures that CSV did not meet due to the COVID-19 pandemic, 54% were also not met in 2018-19. 141

**FINDING 87:** The Magistrates' and Children's Court of Victoria and the Victorian Civil and Administrative Tribunal have experienced large increases in pending matters during the COVID-19 pandemic. 144

**FINDING 88:** Court jurisdictions and divisions that hear matters related to potentially vulnerable accused persons and victims have seen significant increases in pending cases during the COVID-19 pandemic. Pending matters in the criminal division of the Children's Court rose by 105.5% between 30 June 2019 and 30 June 2020, while pending family violence intervention orders in the Magistrates' Court have increased by 28% in the same period. Pending matters related to family violence in the Magistrates' Court have been influenced by both a decrease in finalisations and an increase in initiations in 2019 and 2020. 144

**FINDING 89:** The Victorian Civil and Administrative Tribunal (VCAT) was provided with \$5.2 million from Treasurer’s Advances to digitise some of VCAT’s lists, in order to hear more matters remotely during the COVID-19 pandemic and reduce pending matters. Between 2019 and 2020 VCAT has been successful in keeping the amount of pending matters in the Planning and Environment and Legal Practice Lists low. **146**

**FINDING 90:** During 2019-20 the Victorian Civil and Administrative Tribunal’s pending matters grew for eight out of its nine lists. The Residential Tenancies and Owners Corporations Lists had the highest growth in pending matters between June 2019 and June 2020, with a variance of 111% and 51% respectively. Between 2018-19 and 2019-20 initiations decreased by 6% in the Residential Tenancies List, while initiations increased by 1% in the Owners Corporations List. **147**

**FINDING 91:** In 2019-20 Court Services Victoria spent \$1.2 million on 14 completed reviews/studies. None of the commissioned reviews were publicly published. **148**

**RECOMMENDATION 26:** Court Services Victoria publicly release reviews and studies into government programs where appropriate. Where it is not deemed appropriate to release full reviews, Court Services Victoria release an appropriate summary of findings. **148**

## 10 Department of Premier and Cabinet

**FINDING 92:** All of the Department of Premier and Cabinet’s five main challenges for the 2019-20 financial year related to the Victorian 2019-20 bushfires or COVID-19. **150**

**RECOMMENDATION 27:** The Victorian Government take a consistent approach when reporting output transfers that arise from machinery of government changes. When machinery of government changes require responsibility for an output to transfer from one department to another during a financial year, output cost reporting should detail: the cost for that output, the period the output was held for and the name of the transferring department. **152**

**RECOMMENDATION 28:** When there are major occurrences outside a department’s control, for example, COVID-19 and the 2019-20 Victorian Bushfires, the additional cost to the department should be reported alongside existing financial reporting requirements in the department’s annual report. **152**

**FINDING 93:** The Department of Premier and Cabinet’s Comprehensive Operating Statement in 2019-20 reflects a stable position as overall income exceeded expenses. **153**

**FINDING 94:** In 2019-20, the Department of Premier and Cabinet achieved 81% of its performance measures, 5% of measures were within a 5% variance, 12% were not achieved and 2% were unable to be assessed. 153

**RECOMMENDATION 29:** To allow an assessment of the financial performance of Bushfire Recovery Victoria (BRV), the cost of the entity and entity’s operations should be reported on at the end of the financial year. To allow an assessment of the operational performance of BRV, performance measures should be created and reported on in the 2020–21 financial year in the most appropriate annual report. 155

**RECOMMENDATION 30:** When reporting on performance measures that were unable to be met due to unforeseen circumstances, such as a global pandemic, departments should avoid using ‘not assessed’ to rate performance measures, and instead provide a more telling descriptor such as ‘unable to be met’. 158

## 11 Department of Treasury and Finance

**FINDING 95:** The Department of Treasury and Finance delivered significant economic and social support outcomes to the community in 2019–20 through the development of the Economic Survival and Tax Relief packages, and the delivery of social housing through the Social Housing Growth Fund. 162

**FINDING 96:** The delay in releasing the 2020–21 Budget was largely due to uncertainty caused by COVID-19, rather than underperformance by the Department of Treasury and Finance. 164

**FINDING 97:** The Department of Treasury and Finance forecasts the State’s projected debt burden ease if Victoria’s economic recovery continues more quickly than originally forecast, leaving less need for ongoing government stimulus and support. 166

**FINDING 98:** The Department of Treasury and Finance has a number of risk mitigation strategies in relation to the Government’s emergency budgetary response, including contingencies and risk assessment processes. 167

**FINDING 99:** The increase in employee benefit expenses from 2018–19 to 2019–20 is largely attributable to the delivery of several new initiatives and machinery of government changes. 169

**FINDING 100:** Only two of the seven off budget COVID-19 related programs/ initiatives controlled or administered by the Department of Treasury and Finance had associated performance measures. 170

**RECOMMENDATION 31:** The Department of Treasury and Finance develop performance measures for significant off budget programs and initiatives with an allocation of \$50 million or more. 171

**FINDING 101:** The Department of Treasury and Finance's costs for consultants, contractors and labour hire all rose from 2018-19 to 2019-20. 172

**FINDING 102:** The Department of Treasury and Finance does not publish contractor and labour hire costs in the department's release on individual consultancies as part of its annual report. 172

**RECOMMENDATION 32:** The Department of Treasury and Finance publish details associated with contractors and labour hire arrangements with the consultancy information it discloses as part of its annual reporting process. 172

**RECOMMENDATION 33:** The Department of Treasury and Finance revise guidance material to government departments to stipulate the need for the release of details associated with contractors and labour hire arrangement as part of annual reporting processes. 172

**FINDING 103:** For portfolios controlled by the Department of Treasury and Finance, a total of \$29.9 million in additional funding through Treasurer's Advances was allocated, of which \$19 million was utilised in 2019-20, or 64% of what was allocated. 173

**FINDING 104:** For portfolios administered by the Department of Treasury and Finance, a total of \$31.7 million in additional funding was allocated to the two programs funded by Treasurer's Advances, of which \$24.3 million was utilised in 2019-20, or 77% of what was allocated. 174

**FINDING 105:** In 2019-20, the Department of Treasury and Finance's expenses grew more than the income derived, leading to a negative net result from transactions. 175

**FINDING 106:** The Department of Treasury and Finance’s ‘Accuracy of estimating the gross state product rate in the State budget’ performance measure was achieved. **176**

**FINDING 107:** Data on all holders of Victorian Government bonds is not publicly available nor is it known in its entirety by the Treasury Corporation of Victoria. **178**

**FINDING 108:** The Treasury Corporation of Victoria estimates that 16% to 18% of Victorian Government bonds are held by offshore parties, spread predominantly through Europe and Asia. **178**

## 12 Parliament

**FINDING 109:** In 2019-20 there was an underspend of \$10.3 million across the three Parliamentary Departments. **180**

**FINDING 110:** The operating performance of the Parliament and the Victorian Auditor-General’s Office reflect a stable position as overall income exceeds expenses. **183**

**RECOMMENDATION 34:** A review of the suitability of the Parliament’s information technology security be conducted if this has not already taken place. **187**

# Acronyms

ABS	Australian Bureau of Statistics
AFL	Australian Football League
AVL	Audio Visual Link
BRV	Bushfire Recovery Victoria
BSF1	Business Support Fund 1
CCC	Crisis Council of Cabinet
CDRO	Chief Dispute Resolution Officer
CSV	Court Services Victoria
DELWP	Department of Environment, Land, Water and Planning
DET	Department of Education and Training
DHHS	Department of Health and Human Services
DJCS	Department of Justice and Community Services
DJPR	Department of Jobs, Precincts and Regions
DoT	Department of Transport
DPC	Department of Premier and Cabinet
DPS	Department of Parliamentary Services
DTF	Department of Treasury and Finance
EC	Environmental Contribution
ED	Emergency Department
EES	Environment Effects Statement
EPA	Environment Protection Authority
ESC	Essential Services Commission
FMA	Financial Management Act
FVIO	Family Violence Intervention Order
GGB	Greener Government Buildings
GDP	Gross Domestic Product
GGS	General Government Sector
GII	Government Infrastructure Investment
GMW	Goulburn Murray Water
GSP	Gross State Product
GST	Goods and Services Tax
HVHR	High Value High Risk
ITS	Information Technology Systems

## Acronyms

LGBTIQ+	Lesbian, Gay, Bisexual, Trans and Gender Diverse, Intersex, Queer and Questioning
MAMS	Master Agency Media Services
MCC	Mission Coordination Committee
MHP	Mental Health Practitioners
MP	Member of Parliament
MPTP	Multi-Purpose Taxi Program
MSIS	Mode Shift Incentive Scheme
MTIA	Major Transport Infrastructure Authority
NFPS	Non-Financial Public Sector
NGV	National Gallery of Victoria
PAS	Professional Advisory Services
PET	Portfolio Entity Taskforce
PFC	Public Financial Corporation
PLC	Professional Learning Communities
PNFC	Public Non-Financial Corporation
PPE	Personal Protective Equipment
PPP	Public Private Partnership
PTV	Public Transport Victoria
PwC	PricewaterhouseCoopers
RoGS	Report on Government Services
RSV	Road Safety Victoria
RTDRS	Residential Tenancies Dispute Resolution Scheme
RTO	Registered Training Organisation
SPC	State Purchase Contract
SRLA	Suburban Rail Loop Authority
SRO	State Revenue Office
SSS	Student Support Services
TAFE	Technical and Further Education
TCV	Treasury Corporation of Victoria
TEI	Total Estimated Investment
TAFE	Technical and Further Education
VAGO	Victorian Auditor-General's Office
VCAL	Victorian Certificate of Applied Learning
VCAT	Victorian Civil and Administrative Tribunal
VCDI	Victorian Centre for Data Insights
VCE	Victorian Certificate of Education
VCGLR	Victorian Commission for Gambling and Liquor Regulation



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VET	Vocational Education and Training
VJIF	Victorian Jobs and Investment Fund
VLA	Victorian Legal Aid

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## 1.1 Background

Under the *Financial Management Act (FMA) 1994*, Victorian Government departments and public bodies are required to prepare an annual financial report. All departments and public bodies must table their reports in Parliament before 31 October each year. Annual reports are a key accountability mechanism, as they provide data and analysis to the Parliament and Victorian community on whether departments have met their annual and medium term goals.

On behalf of the Parliament, the Committee's Inquiry into the financial and performance outcomes assesses how effective and efficient the public sector was in delivering the initiatives and infrastructure investments outlined in the Budget. It complements the Committee's scrutiny of the budget estimates by assessing what the government achieved compared to what it intended to achieve.

This report sets out the Committee's analysis, findings and recommendations regarding the Government's financial and performance outcomes for 2019–20. It draws on departments' annual reports and several other sources of evidence.

## 1.2 Objectives

The aim of the Committee's Inquiry into the 2019–20 financial and performance outcomes is to benefit the Parliament and the community by:

- improving the accountability of Victorian Government departments and agencies
- improving the transparency and clarity in the reporting of public sector performance
- providing the Parliament and community with more meaningful information about the outcomes delivered in 2019–20.

## 1.3 The Inquiry process

To assist the Committee members with their deliberations as a part of this Inquiry, a questionnaire was sent to all departments and their agencies prior to the start of the public hearings. This year, due to the delayed tabling of the State Budget, the questionnaire was sent on 17 December 2020 for return on 1 February 2021. The topics in the questionnaire included:

- expenses/interventions related to the COVID-19 pandemic response, including 'on' and 'off' budget initiatives

- explanations for the variances in revenue and expenses compared to the budget and the previous year
- the objectives of individual programs and initiatives
- the impact of COVID-19 on financial performance
- utilisation of Treasurer’s Advances.

The Committee held public hearings from 22 February to 25 February 2021. In writing this report, the Committee primarily used evidence presented at the public hearings, information provided by departments in the questionnaires and responses provided to questions taken on notice. Information gathered during the Inquiry is published on the Committee’s website at <https://parliament.vic.gov.au/paec/inquiries/inquiry/1006>.

The Inquiry process is illustrated in Figure 1.1, page 3.

## 1.4 Key findings of this report

The Eastern Victorian bushfires and the COVID-19 pandemic in the second half the 2019–20 had a significant impact on the State’s financial performance as well as service delivery. In 2019–20, the Government spent \$74.5 billion in delivering services and programs and raised \$67.9 billion in revenue. As the expenses were higher than the revenue raised, the Government reported a deficit of \$6.5 billion in 2019–20.

The Committee examined the performance measures, targets and outcomes of all departments as well as Court Services Victoria and Parliament.

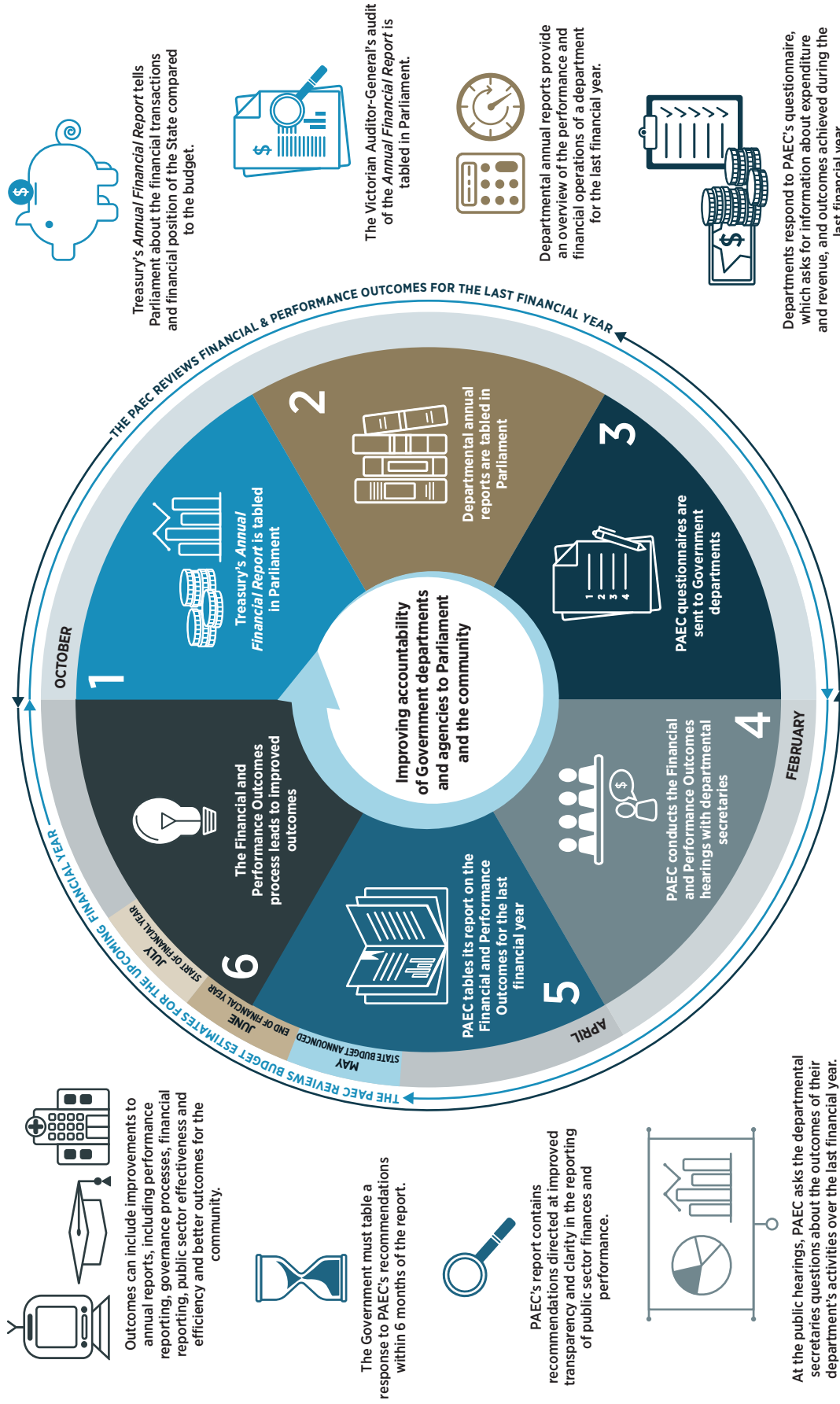
In 2019–20, the Committee noted that service delivery departments<sup>1</sup> and Court Services Victoria on average achieved about 57% of the performance measures assigned. This is in comparison to an average of 68% in 2018–19. The departments and Court Services Victoria identified the COVID-19 pandemic and bushfires as key reasons for not meeting their performance targets.

However, the Committee notes that some performance measures that were not met in 2019–20 were also not met in previous years. In this report, the Committee highlights how the Government could improve its reporting of spending outcomes to the Victorian community and Parliament.

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<sup>1</sup> The Committee considered following departments as service delivery departments: Department of Health and Human Services, Department of Education and Training, Department of Transport, Department of Justice and Community Safety, Department of Environment, Land, Water and Planning, and Department of Jobs, Precincts and Regions.

**Figure 1.1** The Public Accounts and Estimates Committee budget outcomes Inquiry process



## 1.5 The government's response to the Committee's recommendations

In July 2020, the Committee made 52 recommendations in its *Inquiry into the 2017-18 and 2018-19 financial and performance outcomes*. The Government supported or supported-in-principle 45 of the 52 recommendations.

Some of the more significant recommendations accepted include the need to improve performance measures on:

- family violence related homicides
- the outcomes of family violence perpetrator interventions
- whether the state's vocational education and training system is meeting the needs of employers and industry
- the status of major transport infrastructure projects.

The Government is also supportive of several Committee recommendations regarding the release or publication of important information on:

- the outcomes of state government revenue initiatives, including tax initiatives
- the State's social housing stock
- the Regional Revival Plan
- social procurement strategies of departments.

The full government response can be accessed on the PAEC website.

## 2.1 Introduction

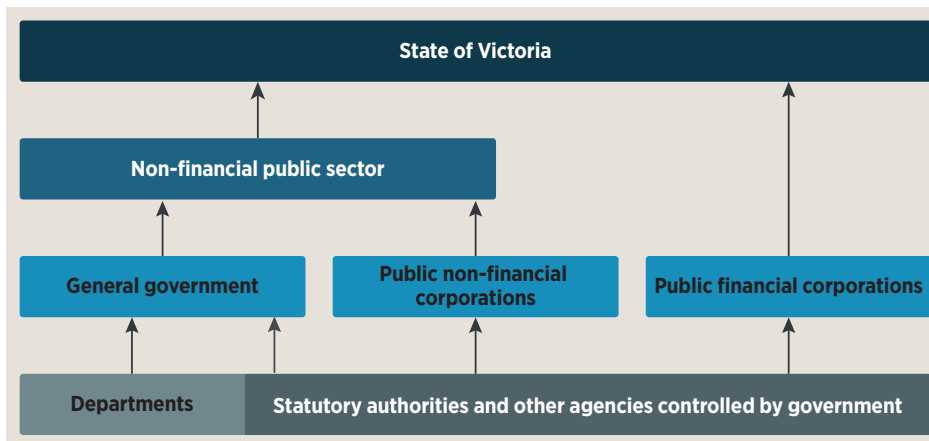
This chapter discusses the whole of government financial results and the broader economic performance of the State of Victoria in 2019–20.

Both the bushfires of early 2020 and the COVID-19 pandemic had a significant impact on Victoria's economy and the State's fiscal outcomes in 2019–20.<sup>1</sup> This chapter explores the extent to which these events affected the State's performance for the 2019–20 financial year.

The State of Victoria is comprised of government departments known as the general government sector (GGS), public non-financial corporations (PNFCs), public financial corporations (PFCs) and other government controlled entities. The non-financial public sector (NFPS) represents the consolidation of the general government and PNFC sectors.<sup>2</sup>

The composition of the State of Victoria is illustrated in Figure 2.1.

**Figure 2.1** The composition of the State of Victoria



Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 26.

<sup>1</sup> Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, pp. 1–2.

<sup>2</sup> *Ibid.*, p. 26.

## 2.2 General government sector—financial performance

The Victorian GGS includes all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production. The primary function of the GGS is to provide public services, known as outputs.<sup>3</sup>

### 2.2.1 Revenue

In 2019–20, GGS revenue from transactions was \$67.9 billion, 4.2% (\$3 billion) lower than the 2019–20 revised estimates and 2.4% (\$1.7 billion) lower compared to 2018–19.<sup>4</sup>

Half of GGS revenue came from grants in the previous two years.<sup>5</sup> Grant revenue is comprised of contributions from the Commonwealth as well as grants from other jurisdictions.<sup>6</sup> The second biggest contributor to government revenue is state taxation, which contributed about 34% to the 2019–20 revenue total.<sup>7</sup> Figure 2.2 shows the revenue composition of the Victorian GGS in 2019–20.

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3 Ibid., p. 26.

4 Ibid., pp. 2,8 (Committee calculation).

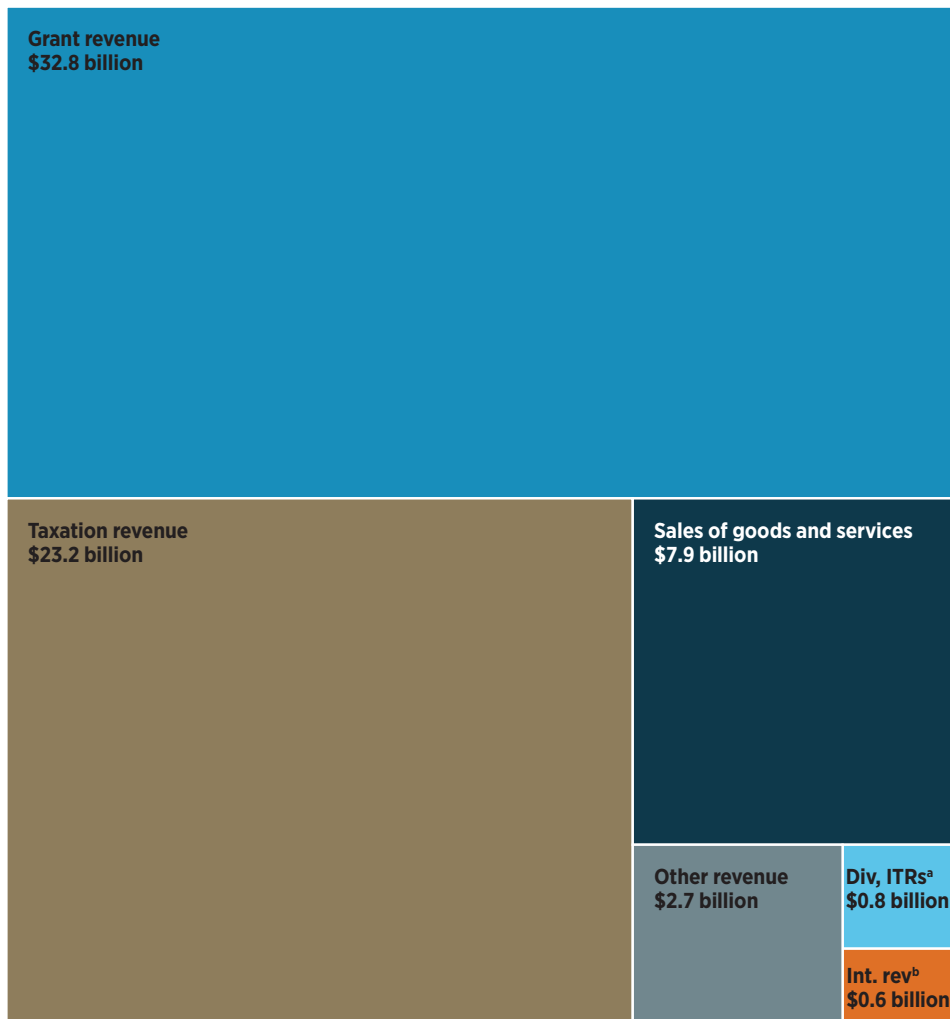
5 Ibid., p. 8 (Committee calculation).

6 Ibid., p. 49.

7 Ibid., p. 8 (Committee calculation).



Figure 2.2 General government sector—revenue composition, 2019–20



a. Div, ITRs represent Dividends, income tax and rate equivalent revenue.

b. Int. rev represents Interest revenue.

Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 8.

In 2019–20, all revenue streams declined compared to the 2019–20 revised estimates. Similarly, all revenue categories fell compared to the previous year except for ‘Sales of goods and services’, which rose slightly in 2019–20.

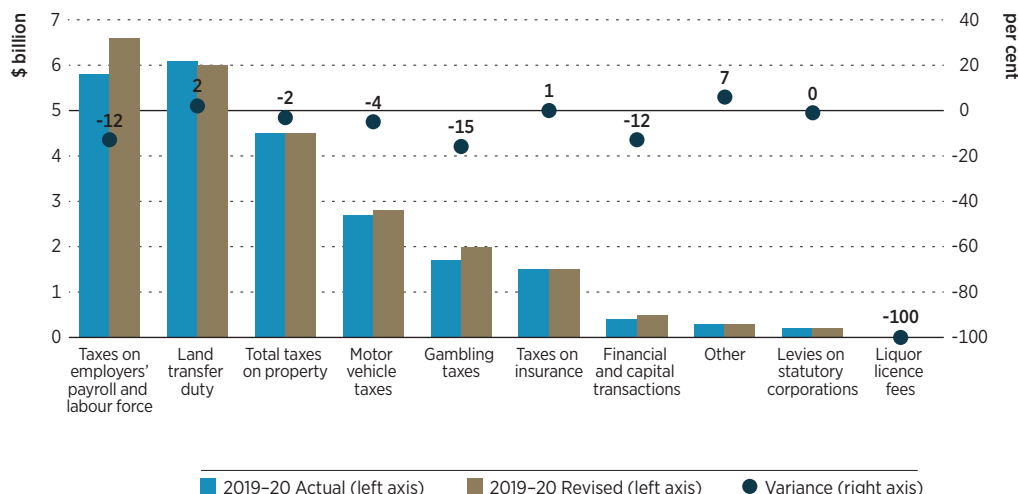
Grant revenue declined by 3.2% (\$1.1 billion) compared to 2019–20 revised estimates and by 1.5% (\$0.5 billion) compared to 2018–19. This was driven by a reduction in goods and services tax (GST) revenue due to the weakening national economy.<sup>8</sup> The decrease was partially offset by additional grants received as part of the COVID-19 public health response.<sup>9</sup>

<sup>8</sup> The goods and services tax (GST) is collected by the Commonwealth and paid to states and territories in the form of general purpose grants. Funds are typically remitted by the Commonwealth monthly throughout the financial year based on estimates of each State’s relative share of the GST pool for that financial year. The national GST pool declined in 2019–20 due to weaker national household consumption and dwelling investment, along with a fall in the share of consumption subject to GST during the coronavirus (COVID-19) pandemic. Source: Department of Treasury and Finance, *2019–20 Financial Report*, p. 50.

<sup>9</sup> Department of Treasury and Finance, *2019–20 Financial Report*, pp. 9–10 (Committee calculation).

State taxation revenue decreased by 5% (\$1.2 billion) compared to the 2019–20 revised estimates due to lower payroll tax as well as lower gambling taxes resulting from the COVID-19 public health restrictions including the closure of venues such as Crown Casino.<sup>10</sup> Lower payroll tax was driven by the payroll tax refunds and waivers provided by the Government as part of the *Economic Survival Package* response to COVID-19 in the last quarter of 2019–20.<sup>11</sup> Components of taxation revenue and the variances between the revised estimates is shown in Figure 2.3.

**Figure 2.3 State taxation—2019–20 actual versus 2019–20 revised estimates**



Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 9 (Committee calculation).

The increase in revenue from the sale of goods and services of 3% (\$222 million) compared to 2018–19 resulted from an increase in the VicTrack asset base.<sup>12</sup> The 2.7% (\$216 million) decline compared to the 2019–20 revised estimate was due to lower hospital and patient fees as a result of restrictions on elective surgery during the COVID-19 response and fewer traffic fines issued due to reduced traffic volumes in the second half of 2019–20.<sup>13</sup>

## 2.2.2 Expenses

In 2019–20, total GGS expenses were \$74.5 billion, 5.9% (\$4.2 billion) higher than the 2019–20 revised estimates. Compared to 2018–19, total GGS expenses rose by 8.5% (\$5.9 billion).<sup>14</sup>

<sup>10</sup> Ibid., p. 8 (Committee calculation).

<sup>11</sup> Ibid. (Committee calculation).

<sup>12</sup> Ibid., p. 9 (Committee calculation).

<sup>13</sup> Ibid. (Committee calculation).

<sup>14</sup> Ibid., p. 10 (Committee calculation).

Employee expenses continued to be the largest contributor to the GGS expenses, accounting for about 37%. Employee expenses rose by 7.1% (\$1.8 billion) compared to the previous year as a result of additional resources that were required to:

- deliver the COVID-19 Government response (health sector)
- deliver the bushfire response and suppression activities
- implement the Community Safety Statement—The Community Safety Statement is a shared agreement between the Victorian Government and Victoria Police to reduce crime and keep the State safe. The 2019–20 statement outlined that there were 3,315 new officers, of which 1,900 of the police officers have been deployed.<sup>15</sup>

‘Other operating expenses’ is the second largest component (30%) of GGS expenses. They are the day-to-day running costs incurred in normal operations and include supplies and services costs.<sup>16</sup> Other operating expenses were 5.9% (\$1.2 billion) higher than 2018–19 due to the bushfire related activities and COVID-19 pandemic.

In 2019–20, grant expenses accounted for about 21% of the GGS expenses. Grant expenses were 14.8% (\$2.0 billion) higher than previous year due to the support packages announced as part of the Government’s response to COVID-19.<sup>17</sup>

Apart from interest expenses and net superannuation interest expenses, all other expenses categories rose compared to the 2019–20 revised estimates and 2018–19 actual.<sup>18</sup> The net superannuation interest expense was 40.8% lower (\$281 million) compared to 2018–19 due to lower bond yields that underpin the superannuation valuation assumptions.<sup>19</sup>

GGS expenses categories and the variances between the 2019–20 revised and 2018–19 actual is shown in Figure 2.4.

<sup>15</sup> Ibid., p. 2 (Committee calculation); Victoria Statement Government, *Community Safety Statement 2019–20*, June 2019, Melbourne, pp. 2, 4.

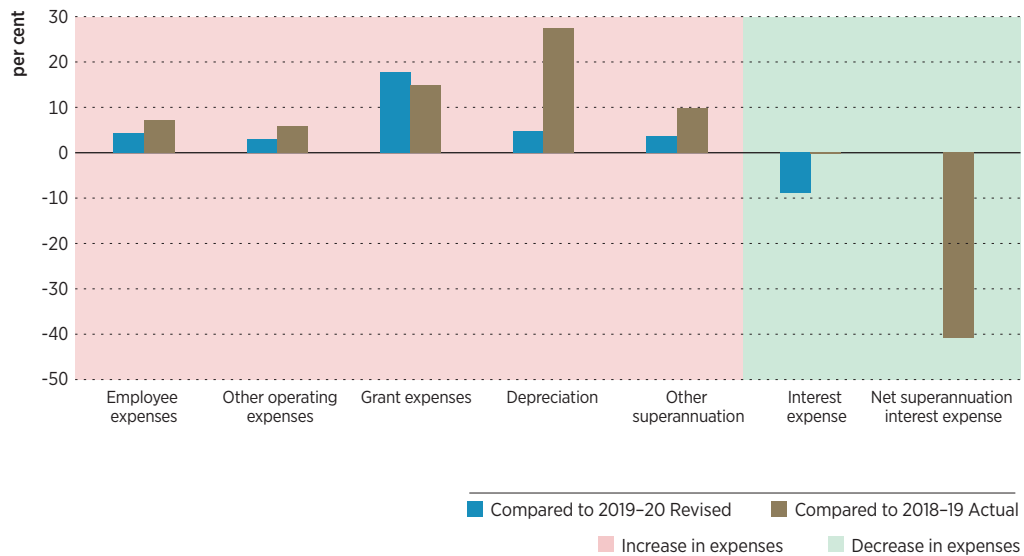
<sup>16</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 56.

<sup>17</sup> Support packages included – Business Support Fund, Working for Victoria Fund and Experience Economy Package. Source: Department of Treasury and Finance, *2019–20 Financial Report*, p. 2 (Committee calculation).

<sup>18</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 146 (Committee calculation).

<sup>19</sup> Ibid. (Committee calculation).

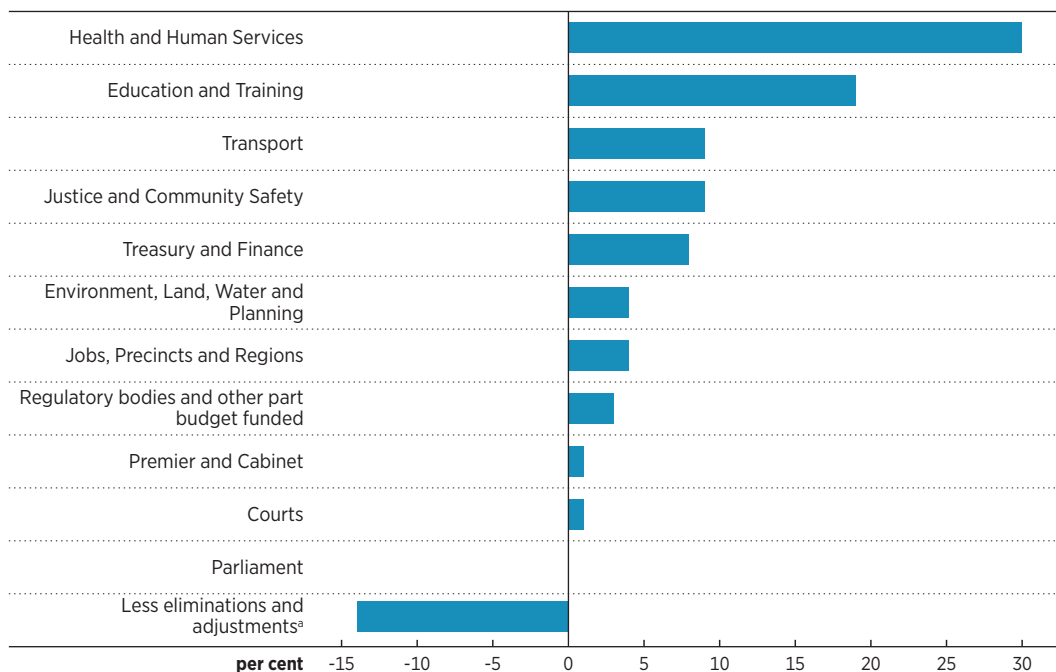
**Figure 2.4** 2019–20 movement in expenses categories, compared to 2019–20 revised estimate and 2018–19 actual



Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 8 (Committee calculation).

The Department of Health and Human Services accounted for approximately 40% of the total GGS expenses.<sup>20</sup> Figure 2.5 provides a breakdown of the total operating expenses by department in 2019–20.

**Figure 2.5** General government sector total operating expenses by department, 2019–20



a. Eliminations and adjustments comprise payroll tax, capital asset charge and inter-departmental transfers.

Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 57.

<sup>20</sup> Ibid., p. 57 (Committee calculation).

### 2.2.3 Net result

The GGS operating statement contains:

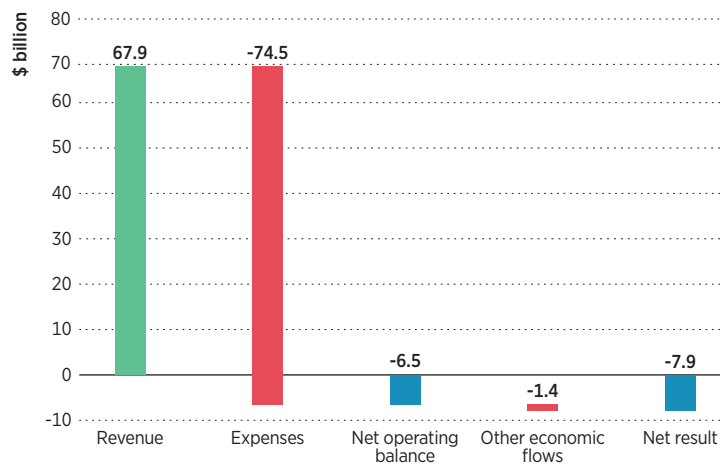
- Net result from transactions—net operating balance—is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations.<sup>21</sup>
- Net result—includes the economic flows and the impact of market movements on the value of assets and liabilities.<sup>22</sup>

For the purposes of evaluating the Government’s fiscal strategy, the net result from transactions (net operating balance) is considered.

In 2019–20, the Victorian GGS recorded a net operating deficit of \$6.5 billion. The 2019–20 revised estimate was \$618 million net operating surplus. The deficit was driven by the upscale in expenditure as a result of the Government’s response to the COVID-19 pandemic coupled with a decline in revenue in key government revenue sources such as taxation revenue and the GST grants received from the Commonwealth.<sup>23</sup>

The overall operating performance of the GGS is illustrated in Figure 2.6.

**Figure 2.6** General government sector—summary of the operating statement, 2019–20



Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 8.

The Committee notes that the 2019–20 Mid Year Financial Report, accounted for the period prior to the bushfire emergency and the COVID-19 crisis, recorded a net operating deficit of \$1.1 billion. This deficit was a result of increased employee expenses and grant expenses.<sup>24</sup> This indicates that the Victorian government’s financial performance had deteriorated prior to the bushfires and the pandemic.

<sup>21</sup> Ibid., p. 179.

<sup>22</sup> Ibid., pp. 7, 10.

<sup>23</sup> Ibid., p. 7.

<sup>24</sup> Department of Treasury and Finance, *2019–20 Mid Year Financial Report*, March 2020, Melbourne, p. 2.

**FINDING 1:** In 2019–20, the Victorian general government sector recorded a net operating deficit of \$6.5 billion.

**FINDING 2:** The 2019–20 Mid Year Financial Report recorded a net operating deficit of \$1.1 billion for the period ended 31 December 2019.

### Restating comparatives—unpaid fines and new accounting standards

The Committee noted that the 2019–20 State Financial Report reported the 2018–19 net operating surplus as \$971 million.<sup>25</sup> This is compared to the net operating surplus recorded in the 2018–19 State Financial Report of \$1.4 billion,<sup>26</sup> a material difference of 29.3% (\$405 million).

The Committee acknowledges that there are sound reasons for restating comparatives, including when:

- applying a change in an accounting policy retrospectively
- there is a material prior period error that is being corrected
- there are other reasons (such as a reclassification of line items as it is considered more useful to readers).<sup>27</sup>

The 2019–20 State Financial Report outlined two reasons for the restatement. One being the implementation of the new accounting standards having an impact on the financial statements. The new accounting standards came into effect on 1 July 2019.

The second reason was that the Department of Justice and Community Safety identified errors in the calculation of, and accounting treatment for, the allowance for impairment losses from unpaid fines. The accounting methodology had reduced the allowance made for unpaid fines that were expected to be collected in the future via non-cash mechanisms.<sup>28</sup> This resulted in understatements in the amount of the allowance for impairment losses from unpaid fines and overstatements in the amount of net fines receivables expected to be collected in cash.<sup>29</sup>

The 2019–20 State Financial Report outlined the net impact of the change in accounting standards and the corrected errors, by restating each of the affected line items of the operating statement and balance sheet for the 2018–19 comparative year. This is summarised in Table 2.1. The corrections in total had a \$405 million impact on the net operating balance.

<sup>25</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 8.

<sup>26</sup> Department of Treasury and Finance, *2018–19 Financial Report*, October 2020, Melbourne, p. 6.

<sup>27</sup> Department of Treasury and Finance, Australian Capital Territory, *2014–15 Model Financial Statement Supplement: Presenting Restatements of Comparatives*, 2015, Canberra, p. 2.

<sup>28</sup> Non-cash mechanisms include undertaking community work to work off a fine debt. Source: Department of Justice and Community Safety, *Annual Report 2019–20*, October 2020, Melbourne, p. 76.

<sup>29</sup> Department of Treasury and Finance, *2019–20 Mid Year Financial Report*, pp. 103, 185; Department of Justice and Community Safety, *Annual Report 2019–20*, p. 76.

**Table 2.1** Summary of operating statement, restatement of comparative figures, 2018–19

Line item	As at 30 June 2018 (\$ million)	Net impact of AASB 1059 (\$ million)	Net impact of prior period adjustments (\$ million)	After adjustments (\$ million)
Revenue from transactions	69,595	180	-176	69,599
Total expenses from transactions	68,220	385	24	68,629
<b>Net result from transactions —net operating balance</b>	<b>1,375</b>	<b>-205</b>	<b>-200</b>	<b>970</b>
Total other economic flows included in net result	-993	-	251	-742
<b>Net result</b>	<b>382</b>	<b>-205</b>	<b>51</b>	<b>228</b>

Source: Department of Treasury and Finance, *2018–19 Financial Report*, October 2020, Melbourne, p. 6; Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, pp. 103, 185.

## 2.2.4 Government infrastructure investment

In 2019–20, the actual government infrastructure investment (GII)<sup>30</sup> was \$12 billion, 23.7% (\$3.8 billion) lower than the revised estimate.<sup>31</sup> The State Financial Report stated that:

The decrease from the revised budget primarily reflects variations to the timing of the State’s capital program, including in the transport and community safety sectors.<sup>32</sup>

At the public hearings, the underspend in planned infrastructure expenditure was discussed. The Department of Treasury and Finance (DTF) stated that it is working through the impacts of COVID-19 restrictions on the Government’s infrastructure investment.<sup>33</sup>

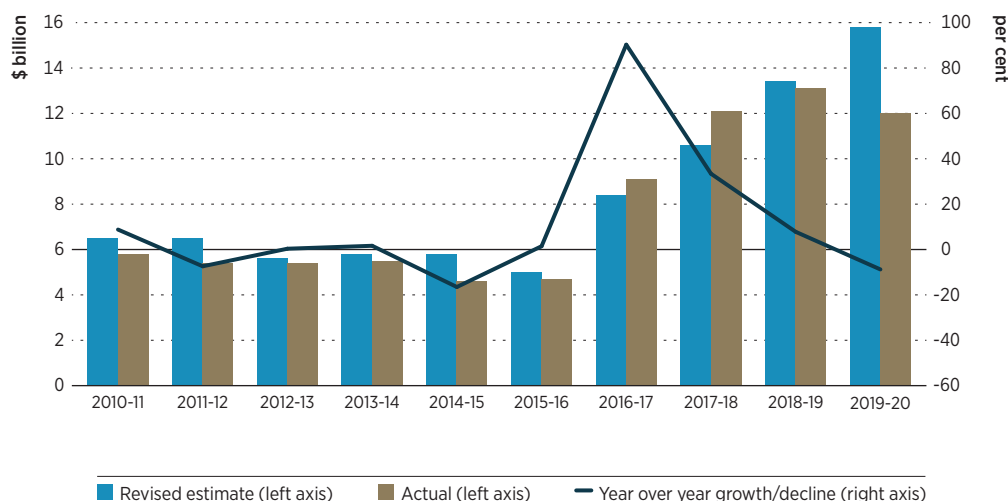
The Committee notes that the actual GII spend has averaged \$7.8 billion in the past 10 years. This is compared to the budgeted investment average of \$8.3 billion. Except for the years 2016–17 and 2017–18, the actual GII spend has been lower than the budgeted figures. The actual GII and the budgeted GII for the past 10 years is shown in Figure 2.7.

<sup>30</sup> Government infrastructure investment includes general government net infrastructure investment and estimated construction related cash outflows for Partnership Victoria projects (net of asset sales). Source: Department of Treasury and Finance, *2019–20 Financial Report*, p. 13.

<sup>31</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 13.

<sup>32</sup> Ibid.

<sup>33</sup> Mr David Martine, Secretary, Department of Treasury and Finance, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 22 February 2021, *Transcript of evidence*, p. 7.

**Figure 2.7** Government infrastructure – budgeted investment versus actual, 2010–11 to 2019–20

Source: Department of Treasury and Finance, *Other financial aggregates, 2020–21 Budget Net Infrastructure Investment*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/other-financial-aggregates>> accessed 16 April 2021; Department of Treasury and Finance, *2010–11 Budget Update*, Melbourne, 2010, p. 18; Department of Treasury and Finance, *2011–12 Budget Update*, Melbourne, 2011, p. 20; Department of Treasury and Finance, *2012–13 Budget Update*, Melbourne, 2012, p. 19 (Committee calculation).

**FINDING 3:** In 2019–20, the actual government infrastructure investment (GII) was \$12 billion, 23.7% (\$3.8 billion) lower than the revised estimate. The actual GII spend averaged \$7.8 billion in the past 10 years.

## 2.2.5 Net debt

The Victorian Government utilised its fiscal position and balance sheet to respond to the impacts of the COVID-19 pandemic.<sup>34</sup> This meant that in addition to the net operating deficit of \$6.5 billion, the Government borrowed significantly. In 2019–20, the GGS net debt was \$44.3 billion, about 10% (\$4 billion) higher than the \$40.3 billion revised estimate.<sup>35</sup> This is the highest net debt recorded since 1987.<sup>36</sup>

Similarly, the net debt to gross state product (GSP) reached 9.6% in 2019–20.<sup>37</sup> The Government outlined in the State Financial Report that:

Whilst this is within the 12 per cent net debt to GSP target, the full effects of COVID-19 on net debt to GSP will continue to be felt in future years.<sup>38</sup>

<sup>34</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 6.

<sup>35</sup> Ibid. (Committee calculation).

<sup>36</sup> Department of Treasury and Finance, *Other financial aggregates, 2020–21 Net debt general government*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/other-financial-aggregates>> accessed 16 April 2021.

<sup>37</sup> Department of Treasury and Finance, *2019–20 Financial Report*, p. 6.

<sup>38</sup> Ibid.

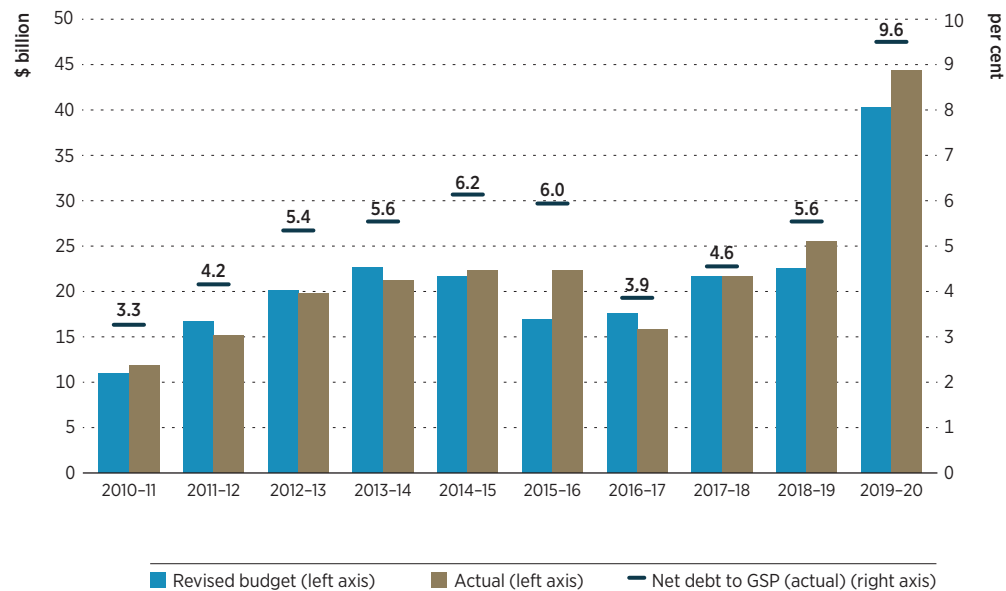


While the Committee agrees that borrowing debt at a time of crisis is necessary to stimulate the economy, the Government's net debt has been steadily increasing over the past 10 years. The Committee notes that as at 31 December 2019 the GGS net debt was \$35.9 billion, or 7.6% of GDP.<sup>39</sup> At the public hearing, DTF explained that:

there is the existing government infrastructure program... if we go back to the previous budget in 2019–20, so in May 2019, net debt as a proportion of GDP was already increasing as part of the government's infrastructure program, and then obviously as a result of the coronavirus pandemic there has been a significant intervention by the government to support the Victorian economy and jobs.<sup>40</sup>

The GGS net debt borrowing compared to the revised estimates as well as net debt to GDP are shown in Figure 2.8.

**Figure 2.8** General government sector, net debt—revised budget versus actuals, 2010–11 to 2019–20



Note: Net debt to GDP 2010–11 to 2013–14: A Committee calculation as the State Financial Reports only included NFPS net debt to GDP. Net debt to GDP 2019–20: A Committee calculation as the Department of Treasury and Finance's Macro economic indicators dataset did not include the GDP as at 30 June 2020.

Sources: Department of Treasury and Finance, *Other financial aggregates, 2020–21 Net debt general government*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/other-financial-aggregates>> accessed 16 April 2021; Department of Treasury and Finance, *2015–16 Financial Report*, October 2016, p. 4; Department of Treasury and Finance, *2016–17 Financial Report*, September 2017, p. 4; Department of Treasury and Finance, *2017–18 Financial Report*, October 2018, p. 4; Department of Treasury and Finance, *2018–19 Financial Report*, October 2018, p. 4; Department of Treasury and Finance, *Macro economic indicators*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/macroeconomic-indicators>> accessed 16 April 2021, 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 16 April 2021.

Debt management and recovery is one of DTF's challenges. This is discussed in detail in Chapter 11 of this report.

<sup>39</sup> Department of Treasury and Finance, *2019–20 Mid Year Financial Report*, p. 1.

<sup>40</sup> Mr David Martine, Secretary, *Transcript of evidence*, p. 5.

**FINDING 4:** As at 30 June 2020, the general government sector reported a net debt of \$44.3 billion, about 10% (\$4 billion) higher than the revised estimate. The net debt to gross state product (GSP) reached 9.6% in 2019–20, within the 12% net debt to GSP target.

## 2.3 State of Victoria

### 2.3.1 Financial performance

The State of Victoria comprises the GGS, the PNFC sector and the PFC sector. The net result for the State was a deficit of \$15.7 billion in 2019–20, this is compared to the previous year's deficit of \$9.2 billion.<sup>41</sup>

Explanations given in the 2019–20 State Financial Report for State of Victoria revenue and expense variances are summarised in Table 2.2.

**Table 2.2** State of Victoria—financial performance, variances explained

Line item	2019–20 Actual (\$ billion)	2018–19 Actual (\$ billion)	Variance (%)	Explanation
Total State revenue	77.3	78.6	-1.7	The variance is driven by the decreased GGS revenue. GGS accounts for 88% of the total State revenue.
PNFC Operating revenue	11.7	11.6	1.0	Due to an increase in the sales of goods and services for metropolitan water corporations and grant revenue for VicTrack, V/Line Passenger Corporation and the Director of Housing.
PFC Operating revenue	9.1	9.3	-2.0	Due to a decline in dividends received from investments and interest revenue. The PFC sector experienced lower investment returns overall due to unfavourable conditions in global equity markets during the second half of 2019–20.
Total State expenses	86.3	80.4	7.4	The variance is driven by the increase in GGS expenditure. GGS accounts for 85% of the total State expenses.
PNFC Operating expenses	11.2	11.9	-5.7	Due to a decline in interest, grant and depreciation expenses offset by higher employee and other operating expenses.
PFC Operating expenses	11.0	11.0	n.a	n.a

Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, pp. 16–17.

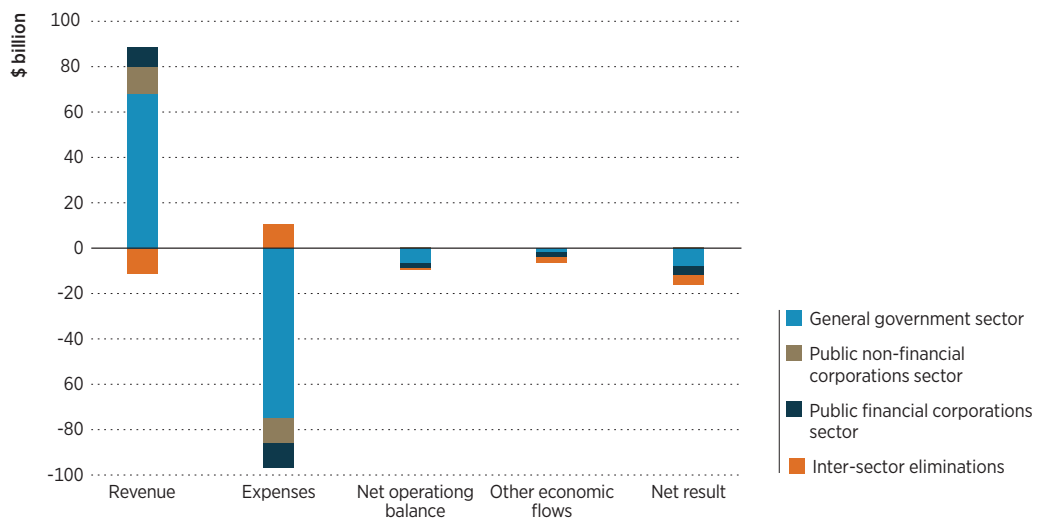
<sup>41</sup> Department of Treasury and Finance, *2019–20 Financial Report*, pp. 170–171.

As a result, in 2019–20 the State recorded a net operating deficit of \$9 billion. The sector composition of the net operating deficit is as follows:

- General government sector—\$6.5 billion deficit.
- Public non-financial corporations—\$465 million surplus.
- Public financial corporations—\$1.9 billion deficit.<sup>42</sup>

Figure 2.9 shows the State of Victoria’s financial performance contributions by sector.

**Figure 2.9** State of Victoria’s financial performance contributions by sector, 2019–20



Source: Department of Treasury and Finance, *2019–20 Financial Report*, October 2020, Melbourne, p. 170.

**FINDING 5:** The State of Victoria recorded a net operating deficit of \$9 billion in 2019–20, driven by the deficit in the general government sector (\$6.5 billion). The public non-financial corporations sector reported a net operating surplus of \$465 million and the public financial corporations recorded a net operating deficit of \$1.9 billion.

### 2.3.2 Infrastructure investment

The State’s net cash flow from investments in non-financial assets totalled \$12.2 billion in 2019–20.<sup>43</sup> This comprises of \$9.6 billion by the GGS<sup>44</sup> and \$2.5 billion in the PNFC sector.<sup>45</sup> The non-financial public sector (NFPS) therefore contributes to about 99% of the State’s infrastructure investment.<sup>46</sup>

<sup>42</sup> Note: this does not add to \$9 billion as inter-sector eliminations have not been considered. Source: Department of Treasury and Finance, *2019–20 Financial Report*, p. 18.

<sup>43</sup> Department of Treasury and Finance, *2019–20 Financial Report*, pp. 174–175.

<sup>44</sup> This is different to Government infrastructure investment. This is because infrastructure investment looks at the actual infrastructure spend outlined in the Disaggregated cash flow statement, line item—‘net cash flows from investments in non-financial assets’.

<sup>45</sup> Department of Treasury and Finance, *2019–20 Financial Report*, pp. 19, 174–175.

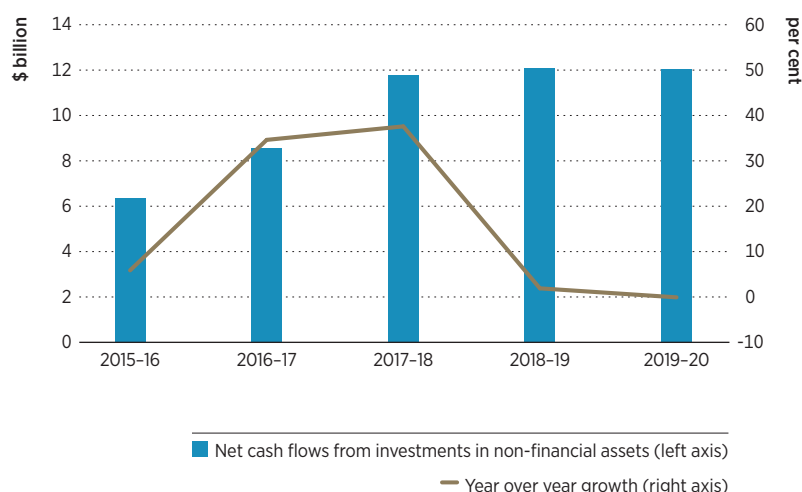
<sup>46</sup> Ibid. (Committee calculation).

The 2019–20 State Financial Report stated that investment in the PNFC sector was driven by investment in water related infrastructure, including:

- upgrading and renewal of water and sewer assets by the Melbourne metropolitan water corporations
- upgrading and renewal of water and sewer assets in regional Victoria including Goulburn-Murray Water's Connections Project.<sup>47</sup>

The NFPS infrastructure investment of \$12 billion in 2019–20 largely remained unchanged compared to the previous year (\$12.1 billion).<sup>48</sup> Nevertheless the NFPS infrastructure investment has almost doubled since 2015–16. The growth of the infrastructure investment in the last five years is shown in Figure 2.10.

**Figure 2.10 Non-financial public sector infrastructure investment growth, 2015–16 to 2019–20**



Source: Department of Treasury and Finance, State Financial Reports 2016–17 to 2019–20.

### 2.3.3 Net debt

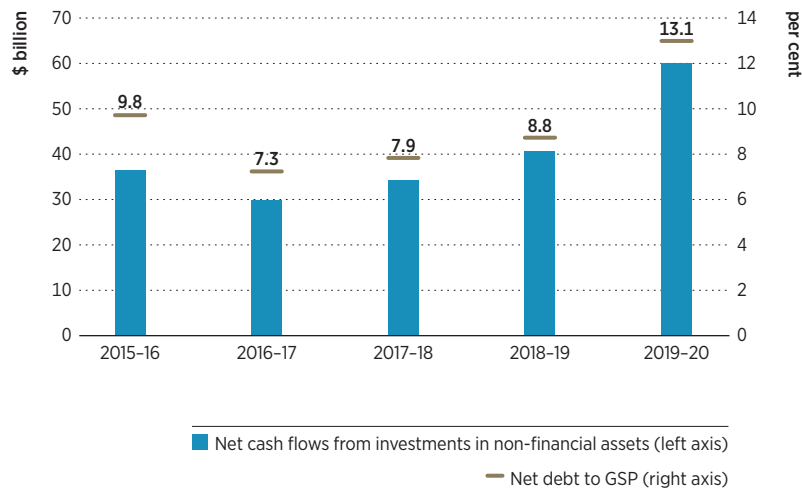
When assigning the State's credit rating, credit rating agencies consider the net debt of the NFPS.<sup>49</sup> The NFPS net debt as at 30 June 2020 was \$60 billion, an increase of 50% (\$19.9 billion) compared to the previous year. In 2019–20, net debt to GSP was recorded in double digits for the first time in five years, at 13.1%.

The growth in NFPS net debt and net debt to GSP over the past five years is shown in Figure 2.11.

<sup>47</sup> Ibid., p. 19.

<sup>48</sup> Ibid., pp. 174–175 (Committee calculation).

<sup>49</sup> Ibid., p. 20.

**Figure 2.11 Non-financial sector net debt and net debt to GDP, 2015–16 to 2019–20**

Source: Department of Treasury and Finance, State Financial Reports 2015–16 to 2019–20.

## 2.4 Economic performance

The economic shock caused by the coronavirus pandemic resulted in the largest global downturn since the Great Depression, and Australia and Victoria's economies were not spared.<sup>50</sup>

Since June 2015, Victoria's GSP growth has outperformed Australia's gross domestic product (GDP). However in 2019–20 Victoria's GSP declined by 0.5%, slightly higher than the GDP decline of 0.3%.<sup>51</sup> The decline in GSP was 'mostly driven by a significant fall in consumer spending due to the closure of businesses and the unavailability of many services.'<sup>52</sup>

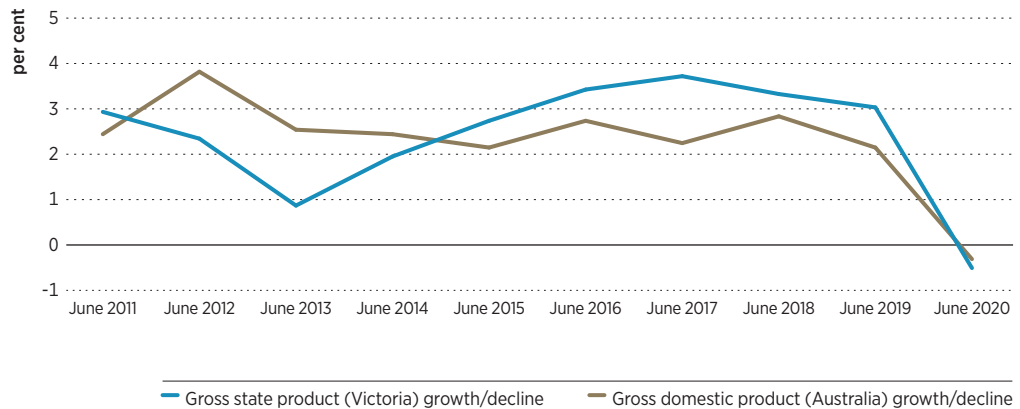
Victoria's GSP growth performance compared to Australia's GDP in the past 10 years is shown in Figure 2.12.

<sup>50</sup> Mr David Martine, *Transcript of evidence*, p. 3.

<sup>51</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 16 April 2021 (Committee calculation).

<sup>52</sup> Mr David Martine, *Transcript of evidence*, p. 3.

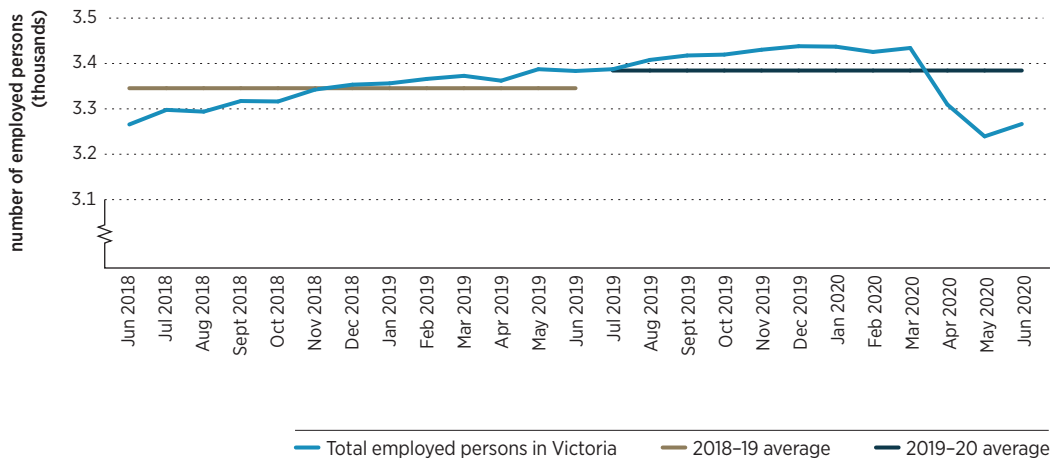
**Figure 2.12** Gross domestic product and gross state product, 2010–11 to 2019–20



Source: 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 16 April 2021 (Committee calculation).

In Victoria employment growth steadily rose before the onset of the COVID-19 pandemic. However reduced economic activity in the last quarter of 2019–20 affected the Victorian labour market with the number of persons employed declining by 200,000 between March and May of 2020. At the public hearings, DTF explained that despite this decline, overall Victorian employment increased by 1.2% in 2019–20 compared to 2018–19.<sup>53</sup> This is shown in Figure 2.13.

**Figure 2.13** Victorian monthly employment, 2019–20 compared to 2018–19

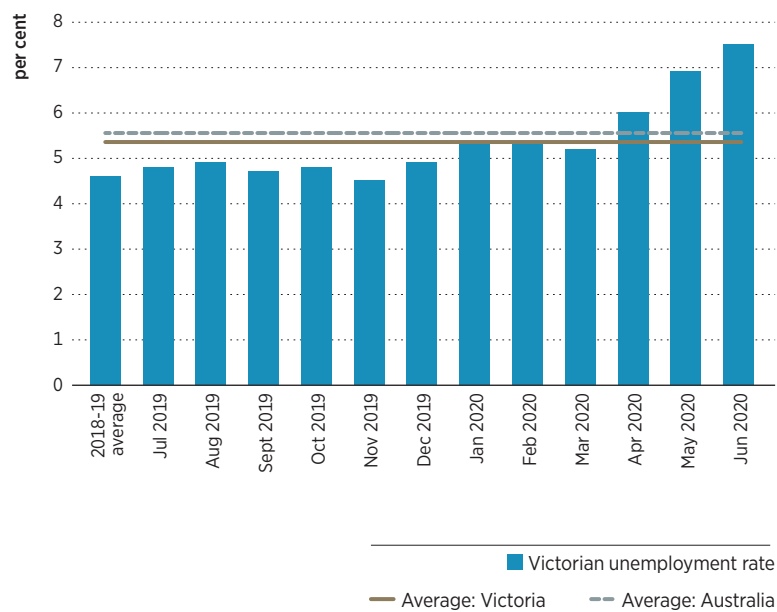


Source: Department of Treasury and Finance, *2019–20 Financial and performance outcomes presentation*, supplementary evidence, received 22 February 2021, p. 7; Australian Bureau of Statistics, *Labour Force, Australia*, cat. no. 6202.0, 15 April 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>> accessed 16 April 2021.

53 Ibid.

In 2019–20 the unemployment rate increased to 5.4%, up from 4.6% compared to 2018–19. DTF explained that the unemployment rate was less than 5% for the first six months of the financial year and rose significantly in the last quarter of the financial year.<sup>54</sup> The unemployment rate in Victoria was slightly lower than the national unemployment rate in 2019–20. This is shown in Figure 2.14.

**Figure 2.14** Victorian monthly unemployment rate, 2018–19 to 2019–20



Source: Department of Treasury and Finance, *2019–20 Financial and performance outcomes presentation*, supplementary evidence, received 22 February 2021, p. 8; Australian Bureau of Statistics, *Labour Force, Australia*, cat. no. 6202.0, 15 April 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>> accessed 16 April 2021 (Committee calculation).

The budget papers also consider consumer price index, wage price index and population as indicators to measure the economic performance of Victoria. The department's questionnaire response outlined that these economic indicators were below the target range stated in the 2019–20 Budget.<sup>55</sup>

A summary of Victoria's performance against forecasts of key economic indicators is shown in Table 2.3.

<sup>54</sup> Ibid.

<sup>55</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 8 February 2021, pp. 84–85.

**Table 2.3** Victorian economic forecasts and actual for the year 2019–20

Economic indicator	2019–20 Forecast (%)	2019–20 Actual (%)	Explanation
Real gross state product	2.75	-0.50	A result of the significant shock to the economy in the second half of the financial year, arising from the COVID-19 pandemic and the related necessary public health restrictions.
Employment	2.00	1.20	
Unemployment rate	4.75	5.40	The unemployment rate rose in the latter months of 2019–20 due to reduced labour demand as a result of the COVID-19 pandemic and related public health restrictions.
Consumer price index	2.00	1.70	Not a material difference.
Wage price index	3.00	2.40	The weakness in economic and labour market conditions arising from COVID-19 impacts weighed on wages growth in 2019–20.
Population	2.00	1.50	Population growth was mainly affected by national and interstate border closures, which lowered net overseas migration and net interstate migration. Natural increase declined due to lower fertility rates.

Source: Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 8 February 2021, pp. 84–85; Department of Treasury and Finance, *Budget Paper No. 2: 2019–20 strategy and outlook*, Melbourne, 2020, p. 21.



# 3

## Department of Health and Human Services

### 3.1 Overview

The Department of Health and Human Services (DHHS) develops and delivers policies, programs and services to support and enhance the health and wellbeing of Victorians. In 2019–20, DHHS supported the Ministerial Portfolios of Health, Ambulance Services, Mental Health, Prevention of Family Violence, Child Protection, Disability, Ageing and Carers, Housing, and the Coordination of Health and Human Services: COVID-19.<sup>1</sup> DHHS' objectives for 2019–20 were:

- Victorians are healthy and well.
- Victorians are safe and secure.
- Victorians have the capabilities to participate.
- Victorians are connected to culture and community.
- Victorian health and human services are person centred and sustainable.<sup>2</sup>

As a consequence of the COVID-19 pandemic, DHHS added five COVID-19 objectives:

- Reduce the morbidity and mortality rates associated with COVID-19.
- Slow the spread of COVID-19 in Victoria through rapid identification, isolation and cohorting of risk groups.
- Empower the Victorian community, health professionals and the community to ensure a proportionate and equitable response.
- Support containment strategies through accurate, timely and coordinated communication and community support.
- Mitigate and minimise impacts of the pandemic on the health system and broader community.<sup>3</sup>

The Committee notes no outcome indicators were assigned to the COVID-19 objectives.

On 1 February 2021, DHHS separated into two new departments: the Department of Health and the Department of Families, Fairness and Housing.<sup>4</sup>

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1 Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, pp. 19–20.

2 Ibid., p. 24.

3 Ibid., p. 25.

4 Department of Health and Human Services, *Our Organisation*, 1 February 2021, <<https://www.dhhs.vic.gov.au/our-organisation>> accessed 10 February 2021.

## 3.2 Outcomes in the community across 2019–20

To encourage the effective and efficient delivery of public services to deliver positive outcomes for Victorians, the Committee asked departments to outline the five programs that delivered the most important outcomes in the community. The programs identified by DHHS were:

- Responding to the COVID-19 pandemic. DHHS stated that through this program the sustainability of the health system was secured, and its capacity expanded to provide care to all Victorians.
- Bushfire recovery program. The Victorian Government invested \$23.4 million in mental health support.
- Supporting and responding to the recommendations of the Royal Commission into Victoria’s Mental Health System.
- Implementing the *Child Protection Futures Project* to respond to the needs of vulnerable children and families.
- Building new public housing properties and renewing and replacing ageing public housing estates.<sup>5</sup>

The Committee notes that some of the outcomes identified by DHHS are in fact inputs and outputs. For example, the delivery of funding for mental health support as part of bushfire recovery represents an input, while newly refurbished or constructed public housing properties represent outputs.<sup>6</sup> The Committee is interested instead in the impact and effectiveness of the funding provided, for example, on the mental health of communities devastated by the summer bushfires of 2019–20, or impact on the public housing waitlist.

**FINDING 6:** Some of the outcomes identified by the Department of Health and Human Services in its programs are inputs and outputs. For example, the delivery of funding for mental health support as part of bushfire recovery represents an input, while newly refurbished or constructed public housing properties represent outputs.

The Committee’s questionnaire also asked departments to identify programs that did not deliver their planned outcomes in 2019–20. Several of the initiatives identified by DHHS were affected by the COVID-19 pandemic. DHHS advised that it was not operating under business-as-usual for the second half of 2019–20, with the implementation of several programs either postponed or reprioritised.<sup>7</sup> DHHS did not identify which programs had been postponed or prioritised in its response.

<sup>5</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 17 February 2021, pp. 31–34.

<sup>6</sup> Inputs typically include money, staff time and equipment. Outputs typically represent the number and quality of tangible products and services delivered by an activity. Source: Department of Finance, *Developing good performance information - Resource Management Guide No. 131*, Canberra, 2015, pp. 33–34

<sup>7</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 35.

### 3.3 Challenges

DHHS reported a range of challenges in 2019–20. These challenges were driven to a large degree by the impact of the COVID-19 pandemic, and reduced workforce capacity in DHHS.<sup>8</sup> The causes of the challenges outlined by DHHS included:

- extreme Weather Events
- pandemic
- prolonged demand from COVID-19 response
- lack of staff and availability of surge staff as many were diverted to emergency response operations
- ineffective coordination, governance and information management arrangements for public health incidents.<sup>9</sup>

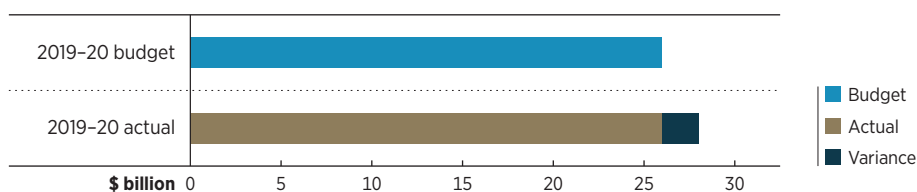
The department did not provide the Committee with any further detail on the ineffective coordination, governance and information management arrangements for public health incidents.

### 3.4 Financial analysis

#### 3.4.1 Expenditure

The 2019–20 Budget for DHHS was \$25.6 billion.<sup>10</sup> Actual expenditure for the year was \$27.4 billion, representing a 7.1% (\$1.8 billion) overspend.<sup>11</sup>

**Figure 3.1** Department of Health and Human Services variances in output expenditure, 2019–20



Source: Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, pp. 81–106; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 193 (Committee calculation).

Table 3.1 shows DHHS' expenditure by output in 2019–20 and variances between the Budget and actual expenditure.

<sup>8</sup> Ibid., p. 163.

<sup>9</sup> Ibid., p. 167.

<sup>10</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 193.

<sup>11</sup> Department of Health and Human Services, *Annual Report 2019–20*, pp. 81–106 (Committee calculation).

**Table 3.1** Department of Health and Human Services expenditure by output in 2019–20

Output	2019–20 Budget (\$million)	2019–20 Actual (\$ million)	Variance (%)
Acute Health Services	14,667.2	16,317.1	11.2
Ambulance Services	1,120.0	1,119.8	0.0
Mental Health	1,742.6	1,761.0	1.1
Ageing, Aged and Home Care	809.9	804.0	-0.7
Primary, Community and Dental Health	644.9	693.7	7.6
Small Rural Services	630.6	638.1	1.2
Public Health	389.5	494.2	26.9
Drug Services	273.1	269.7	-1.2
Disability Services	2,081.1	2,142.7	3.0
Child Protection and Family Services	1,450.0	1,522.2	5.0
Concessions to Pensioners and Beneficiaries	768.2	577.2	-24.9 <sup>a</sup>
Empowering Individuals and Communities	60.2	62.3	3.5
Family Violence Service Delivery	268.3	287.5	7.2
Housing Assistance	648.3	672.2	3.7
<b>Total</b>	<b>25,553.9</b>	<b>27,361.7</b>	<b>7.1</b>

a. The variation between budgeted and actual funding for the concessions to Pensioners and Beneficiaries output is explained below.

Source: Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, pp. 81–106; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 193 (Committee calculation).

Overspends occurred in the following outputs:

- Acute Health Services, with a total overspend of 11.2% (\$1.6 billion).<sup>12</sup>
- Primary, Community and Dental Health, with a total overspend of 7.6% (\$48.7 million).<sup>13</sup>
- Public Health, with a total overspend of 26.9% (\$104.7 million).<sup>14</sup>

While the 2019–20 Budget outlined an output funding allocation of \$768.2 million to the Concessions to Pensioners and Beneficiaries output, DHHS only reports its output cost at \$591.8 million. The remaining \$176.4 million of the budgeted funding was transferred to the Department of Transport (DoT) for transport concessions.<sup>15</sup> DoT's Annual Report does not report on the Concessions to Pensioners and Beneficiaries output funding of \$176.4 million. As a result, the Committee is unable to accurately assess the variance of the output expenditure.

<sup>12</sup> Ibid., pp. 81–85 (Committee calculation).

<sup>13</sup> Ibid. (Committee calculation); Department of Treasury and Finance, *Budget Paper No. 3*, p. 193 (Committee calculation).

<sup>14</sup> Department of Health and Human Services, *Annual Report 2019–20*, pp. 95–97 (Committee calculation).

<sup>15</sup> Ibid., p. 104; Department of Treasury and Finance, *Budget Paper No. 3*, p. 224.

**FINDING 7:** Under the Concessions to Pensioners and Beneficiaries output, \$176.4 million in funding for transport concessions was transferred to the Department of Transport by the Department of Health and Human Services. This funding is not reported on by either department.

**RECOMMENDATION 1:** The Department of Health and Human Services and the Department of Transport separately publish the output funding received by each department under the Concessions to Pensioners and Beneficiaries output.

### 3.4.2 Revenue and expenses

DHHS' output appropriations grew in 2019–20 by 8.8% (\$1.4 billion) from 2018–19.<sup>16</sup> DHHS advised that the additional revenue was used primarily to fund new policy initiatives and to respond to the COVID-19 pandemic.<sup>17</sup>

DHHS' employee benefits grew by 5.4% (\$696.5 million) on 2018–19 levels.<sup>18</sup> DHHS explained that the growth in workforce costs was due to new policy initiatives approved in the 2019–20 Budget and additional policy initiatives related to the COVID-19 pandemic response.<sup>19</sup> However, it is unclear which of the new policy initiatives contributed to the growth in staff numbers.

To respond to the pandemic DHHS utilised a surge workforce, drawn from a variety of organisations, to provide clinical care, case and contact tracing and 'departmental pivoting'.<sup>20</sup> In response to questions on notice, DHHS has stated that it does not collect the data to be able to advise the Committee of the number of staff in the surge workforce that worked more than eight hours. DHHS is also unable to access payroll data for surge workforce staff seconded from other organisations without DHHS submitting a formal request to those departments and noted that such information may not be available for surge workforce employees drawn from external organisations either.<sup>21</sup>

DHHS was unable to advise the Committee what proportion of the \$2 million in funding to residential care services was allocated to staffing.

<sup>16</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 79 (Committee calculation).

<sup>17</sup> Ibid.

<sup>18</sup> Ibid., p. 83.

<sup>19</sup> Ibid.

<sup>20</sup> Professor Euan Wallace, Secretary, Department of Health, 2019–20 Financial and Performance Outcomes hearing, response to questions on notice received 19 March 2021, pp. 17–18.

<sup>21</sup> Ibid., p. 17.

### 3.4.3 Overall financial performance

Table 3.2 below summarises DHHS' financial performance in 2019–20.

**Table 3.2** Department of Health and Human Services: Summary of Comprehensive Operating Statement in 2019–20

Controlled items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	27,748	30,207	8.9
Expenses from transactions	-27,532	-29,419	6.9
<b>Net result</b>	<b>216</b>	<b>788</b>	<b>264.8</b>

Source: Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, p. 282 (Committee calculation).

**FINDING 8:** The Department of Health and Human Services' Comprehensive Operating Statement in 2019–20 reflects a stable position as overall income exceeds expenses.

### 3.4.4 Newly created bodies

Mental Health Reform Victoria was established as an administrative office within DHHS in February 2020, resulting in expenditure of \$1.39 million in 2019–20.<sup>22</sup> It will implement the recommendations of the Royal Commission into Victoria's Mental Health System and operate for two years.<sup>23</sup>

## 3.5 Performance information

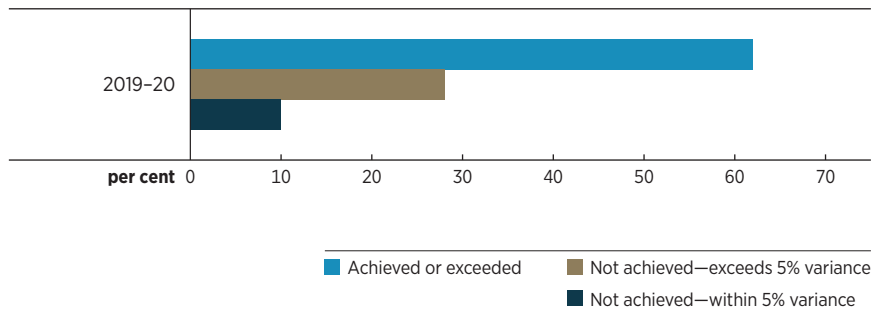
DHHS achieved or exceeded 62% of the performance measures published in its 2019–20 Annual Report.<sup>24</sup> This is a significant decrease from DHHS' performance in prior years. DHHS achieved or exceeded 86% of the performance measures in the 2017–18 Annual Report and 87% of the performance measures in the 2018–19 Annual Report.<sup>25</sup>

<sup>22</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 169.

<sup>23</sup> Department of Health and Human Services, *Annual Report 2019–20*, p. 31.

<sup>24</sup> *Ibid.*, pp. 81–106 (Committee calculation).

<sup>25</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, July 2020, p. 32.

**Figure 3.2** Department of Health and Human Services performance measurement results, 2019–20

Source: Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, pp. 81–106.

Performance measures that were not met in both 2018–19 and 2019–20 include:

- Emergency patients treated within clinically recommended ‘time to treatment.’
- Aged care assessments.
- Home and Community Care for Younger People—hours of service delivery.
- Drug Prevention and Control—number of phone contacts from family members seeking support.
- Emergency patients admitted to a mental health bed within eight hours.
- Participation rate of women in target age range screened for breast cancer.
- Number of investigations from reports to child protection services about the wellbeing and safety of children.
- Number of family violence victims who receive a refuge response.
- Social housing tenants satisfied with completed non-urgent maintenance works.
- Number of calls made to the statewide telephone help line for men regarding family violence.
- Family violence risk assessments completed within agreed timeframes.<sup>26</sup>

**FINDING 9:** In 2019–20 the Department of Health and Human Services (DHHS) met 62% (154 of 249) performance measures. There were eleven performance measures that were not met by DHHS in both 2018–19 and 2019–20.

<sup>26</sup> Department of Health and Human Services, *Annual Report 2018–19*, Melbourne, 2019, pp. 75–100; Department of Health and Human Services, *Annual Report 2019–20*, pp. 81–106.

## 3.6 Key issues

The Committee identified the following key issues from its review of DHHS' 2019–20 Annual Report, DHHS' response to the Committee's 2019–20 financial and performance outcomes questionnaire, public hearings, and responses to questions on notice.

### 3.6.1 Impact of the COVID-19 pandemic

The COVID-19 pandemic and associated health restrictions had a large impact on the State of Victoria in the second half of 2019–20. DHHS was designated as the control agency for the Victorian Government's response to the COVID-19 pandemic, which gave DHHS primary responsibility for responding to the emergency.<sup>27</sup>

In addition, as part of the establishment of the Victorian Public Service missions during the COVID-19 pandemic from April 2020, the Secretary of DHHS took the lead of the public health resilience mission. Under this mission DHHS provided leadership of the ongoing public health response to COVID-19 and hospital and system reform.<sup>28</sup>

The impact of the COVID-19 pandemic has been reflected in the performance reported by DHHS in its 2019–20 Annual Report. Of the 95 performance measures that were not achieved, DHHS noted that 38 had been impacted by the COVID-19 pandemic.<sup>29</sup> The impact was greatest in Acute Health, where 50% of the performance measures that were not achieved had been impacted by COVID-19.<sup>30</sup> The reasons listed by DHHS included:

- overall activity being impacted by COVID-19
- COVID-19 restrictions imposed on elective surgery and related activities
- COVID-19 social distancing requirements and heightened hygiene practices in emergency departments
- impact of COVID-19 social distancing measures on service delivery
- staff diverted to assist with the COVID-19 response.<sup>31</sup>

The Committee notes that 61% of the measures that DHHS stated had been impacted by the COVID-19 pandemic were also not met in 2018–19.<sup>32</sup>

<sup>27</sup> Emergency Management Victoria, *Emergency Management Manual Victoria*, Melbourne, 2020, pp. 7–3.

<sup>28</sup> Department of Health and Human Services, *Annual Report 2019–20*, p. 8.

<sup>29</sup> *Ibid.*, pp. 81–106 (Committee calculation).

<sup>30</sup> *Ibid.*, pp. 81–85.

<sup>31</sup> *Ibid.*, pp. 81–106.

<sup>32</sup> Department of Health and Human Services, *Annual Report 2018–19*, pp. 75–100; Department of Health and Human Services, *Annual Report 2019–20*, pp. 81–106 (Committee calculation).



In its response to the Committee's questionnaire, DHHS outlined 24 programs<sup>33</sup> and initiatives announced as part of the Victorian Government's response to the COVID-19 pandemic. These totalled approximately \$1.2 billion in expenditure as at 30 June 2020 (Table 3.3). Emergency advances and retroactive funding approvals were not used to fund these programs or initiatives.<sup>34</sup>

**Table 3.3 Interventions related to COVID-19 pandemic response**

Output	Number of programs/ initiatives	Total expenditure as at 30 June 2020 (\$ million)
Acute Health Services	5	1,047.5
Child Protection & Family Services	9	19.5
Primary, Community and Dental Health	1	5.0
Disability Services	1	4.3
Housing Assistance	1	30.5
Mental Health	1	12.2
Public Health	6	68.5
<b>Total</b>	<b>24</b>	<b>1,187.5</b>

Source: Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 17 February 2021, pp. 81–89.

The Committee's questionnaire asked DHHS to note whether there were identified performance measures in the budget papers related to the announced COVID-19 response programs and if not, explain where progress is being reported. DHHS did not provide any performance measures for the \$1.2 billion of programs and initiatives, or where progress would be reported.<sup>35</sup> Consequently there is limited transparency, and therefore accountability, for the outcomes achieved with this funding.

**FINDING 10:** The Department of Health and Human Services (DHHS) did not provide any performance measures for the \$1.2 billion of programs and initiatives implemented in response to COVID-19. Of the measures in 2019–20 that DHHS stated had been impacted by the COVID-19 pandemic, 71% were also not met in 2018–19 prior to the pandemic.

**RECOMMENDATION 2:** The Department of Health and Human Services undertake and publish an evaluation of its programs and initiatives implemented in response to COVID-19, and the outcomes achieved through these.

<sup>33</sup> Only includes on budget initiatives. Source: Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 81–89.

<sup>34</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 81–89.

<sup>35</sup> Only includes on-budget initiatives. Source: Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 81–89.

### 3.6.2 Mental health

Under the Mental Health output (Clinical Care sub-output) the result for the ‘emergency patients admitted to a mental health bed within eight hours’ performance measure was 32% below target in 2019–20.<sup>36</sup> In the 2019–20 Annual Report, DHHS states that it is:

due to the increasing trend in the number of people presenting directly to Emergency Departments. The majority of rural services meet the 80 per cent of emergency patients admitted to a mental health bed within eight hours target. Results for metropolitan services most challenged by this measure impact negatively on the statewide results.<sup>37</sup>

The Committee notes that this performance measure was 28.1% below target in 2017–18 and 33.8% below target in 2018–19.<sup>38</sup>

**FINDING 11:** The Department of Health and Human Services’ (DHHS) performance measure ‘emergency patients admitted to a mental health bed within eight hours’ was 32% below target in 2019–20. This is the third year in a row that the DHHS has not met this target.

In the 2019–20 Annual Report for Victoria’s Mental Health Services, a breakdown of how individuals were referred to clinical mental health services is provided.<sup>39</sup> More than a quarter of referrals were from emergency departments (ED), a number which has increased over time.<sup>40</sup> In response to questions on notice, the Committee was informed that DHHS did not have a centralised waiting list that collects the time and date for all referrals to enable the calculation of the referral time for each category.<sup>41</sup>

In a report into child and youth mental health released in 2019, the Victorian Auditor-General found that the mental health system did not adequately identify and respond to the unique needs of children and young people. The report noted that people as young as 13 years old were admitted to adult mental health services.<sup>42</sup> In response to questions on notice, DHHS advised that in 2019–20, the number of people aged under 18 (at the time of admission) admitted to an adult mental health facility was 1,455.<sup>43</sup>

<sup>36</sup> Department of Health and Human Services, *Annual Report 2019–20*, p. 92.

<sup>37</sup> Ibid.

<sup>38</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, July 2020, p. 44.

<sup>39</sup> The categories are: acute health, emergency department, general practitioner, family, consumer/self, community health services, police, and others and unknown.

<sup>40</sup> Victorian Government, *Victoria’s Mental Health Services Annual Report 2019–20*, Melbourne, 2020, p. 43.

<sup>41</sup> Professor Euan Wallace, response to questions on notice, p. 15.

<sup>42</sup> Victorian Auditor-General’s Office, *Child and Youth Mental Health: Independent assurance report to Parliament 2018–19: 26*, Melbourne, 2019, p. 32.

<sup>43</sup> Professor Euan Wallace, response to questions on notice, p. 10.

The Victorian Government has implemented six of the 20 recommendations in the Auditor-General's report, with a further six underway. In response to questions on notice DHHS advised that it will analyse the Royal Commission into Mental Health's final report against the remaining child and youth (mental health) audit recommendations to align its response before implementing them.<sup>44</sup>

### 3.6.3 Emergency services

Timely and appropriate treatment in the ED is an important service provided to Victorians. However, patient demand for ED care is increasing, and improving ED services, facilities and waiting times is a priority for the Victorian Government.<sup>45</sup>

In its 2019–20 Annual Report DHHS stated that a key result against Outcome 5.1—services are appropriate and accessible in the right place, at the right time—was that DHHS improved the timeliness of access to elective surgery, emergency department treatment, outpatient services, ambulance services and palliative care.<sup>46</sup> In this context, the Committee notes that the following performance measures were not met in 2019–20.

#### Emergency services

Under the Acute Health output (Emergency Services sub-output) the results for the following performance measures were not met in 2019–20:

- Emergency patients treated within clinically recommended 'time to treatment' was 8.2% below target.

In its 2019–20 Annual Report, DHHS stated that the result was lower than the target:

due to coronavirus (COVID-19) social distancing requirements and heightened hygiene practices within the emergency departments, resulting in reduced emergency department efficiencies.<sup>47</sup>

- Emergency patients with a length of stay of less than four hours was 8.5% below target.

In its 2019–20 Annual Report, DHHS stated that the result was lower than the target:

due to high number of Emergency Department presentations at the start of the year which was not offset by the significant improvement shown in the second half of the year.<sup>48</sup>

<sup>44</sup> Ibid., pp. 12–14.

<sup>45</sup> Department of Health and Human Services, *Emergency care*, 2020, <<https://www2.health.vic.gov.au/hospitals-and-healthservices/patient-care/acute-care/emergency-care>> accessed 15 February 2021.

<sup>46</sup> Department of Health and Human Services, *Annual Report 2019–20*, p. 65.

<sup>47</sup> Ibid., p. 84.

<sup>48</sup> Ibid.

- Proportion of ambulance patient transfers within 40 minutes was 13.6% below target.

In its 2019–20 Annual Report, DHHS stated that the result was lower than the target:

due to high demand at the start of the year which was not offset by the significant improvement shown in the second half of the year.<sup>49</sup>

Due to COVID-19 restrictions, there was a reduction in the number of ED presentations in Victoria in 2019–20, which were 4.1% lower than in 2018–19.<sup>50</sup> The Committee notes that the three performance measures above were not met in 2017–18<sup>51</sup> and 2018–19.<sup>52</sup>

**FINDING 12:** Although demand was reduced for emergency department services in 2019–20 due to COVID-19, the Department of Health and Human Services did not meet three of its four targets for timeliness in emergency services for the third year in a row.

### 3.6.4 Family violence prevention

DHHS is working towards a Victoria free from family violence. The successful primary prevention of family violence, elder abuse, and all forms of violence against women is a critical part of achieving this.<sup>53</sup> DHHS' delivery of *Orange Doors* and behaviour change programs for perpetrators are key elements of its efforts to end family violence.<sup>54</sup>

Under the Family Violence Service Delivery output, DHHS leads and coordinates whole-of-government family violence policy and implements and delivers the government's family violence reform agenda.<sup>55</sup> DHHS added six performance measures under this output in 2019–20 (Table 3.4). DHHS did not achieve five of its 12 Family Violence Service Delivery performance measures in 2019–20, three of which were new.<sup>56</sup>

<sup>49</sup> Ibid.

<sup>50</sup> Australian Institute of Health and Welfare, *Emergency department care activity*, 2021, <<https://www.aihw.gov.au/reports-data/myhospitals/intersection/activity/ed>> accessed 15 February 2021.

<sup>51</sup> Department of Health and Human Services, *Annual Report 2017–18*, Melbourne, 2018, pp. 79–80.

<sup>52</sup> Department of Health and Human Services, *Annual Report 2018–19*, p. 78.

<sup>53</sup> Department of Health and Human Services, *Annual Report 2019–20*, p. 17.

<sup>54</sup> Ibid.

<sup>55</sup> Ibid., p. 102.

<sup>56</sup> Ibid., pp. 102–103.

**Table 3.4** New family violence service delivery performance measures, 2019–20

Performance measure	2019–20 Target	2019–20 Actual	Result
Number of clients assisted by a Risk Assessment and Management Panel	650	506	Not met
Number of children who receive a Sexually Abusive Behaviours Treatment Service response	1,150	1,022	Not met
Number of calls made to the statewide telephone help line for men regarding family violence	9,000	5,885	Not met
Number of men participating in the men's behaviour change program	4,000	4,486	Met—exceeded
Number of case management responses provided to perpetrators of family violence including those that require individualised support	1,300	1,371	Met—exceeded
Sexual assault support services clients receiving an initial response within five working days of referral	98%	98%	Met

Source: Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, pp. 102–103.

**FINDING 13:** The Department of Health and Human Services did not achieve 42% of its performance measures under the Family Violence Service Delivery output in 2019–20.

In 2017–18 and 2018–19, DHHS failed to meet its target for the establishment of Support and Safety Hubs, otherwise known as *Orange Doors*. In 2019–20 DHHS did not meet the target and stated that this was due to delays in service commencement in the Central Highlands, Loddon and Goulburn,<sup>57</sup> which were pushed back from 2018–19.<sup>58</sup> In its response to the Committee's questionnaire, DHHS advised that the estimated completion date for establishing Support and Safety Hubs was revised from June 2021 to June 2022.<sup>59</sup>

A May 2020 report by the Victorian Auditor-General on the management of Support and Safety Hubs found that the Hubs are not yet realising their full potential as service coordination is not yet consistently effective or efficient.<sup>60</sup> The report made nine recommendations. DHHS accepted all nine recommendations and provided an action plan detailing how it will address them.<sup>61</sup>

**FINDING 14:** The Department of Health and Human Services has not met its target for the establishment of Support and Safety Hubs in Victoria for the past three years. The estimated completion date for this program was revised from June 2021 to June 2022.

<sup>57</sup> Ibid., p. 102.

<sup>58</sup> Department of Health and Human Services, *Annual Report 2018–19*, p. 96.

<sup>59</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 54.

<sup>60</sup> Victorian Auditor-General's Office, *Managing Support and Safety Hubs: Independent assurance report to Parliament 2019–20: 15*, Melbourne, 2020, p. 10.

<sup>61</sup> Ibid., pp. 16–18.

DHHS has changed its methodology for measuring the target for the number of assessments undertaken at the Support and Safety Hubs in 2019–20. DHHS has stated that measuring ‘assessments undertaken’ rather than ‘assessments completed’, is more appropriate as assessments for clients in the Support and Safety Hubs are ongoing.<sup>62</sup> DHHS has not provided further information about why this methodology is more appropriate. The corresponding target of 8,750 assessments is unchanged from 2018–19. DHHS exceeded this target by 157.5% in 2019–20. Noting the significant overachievement against this target, DHHS should update its target to reflect the new methodology.

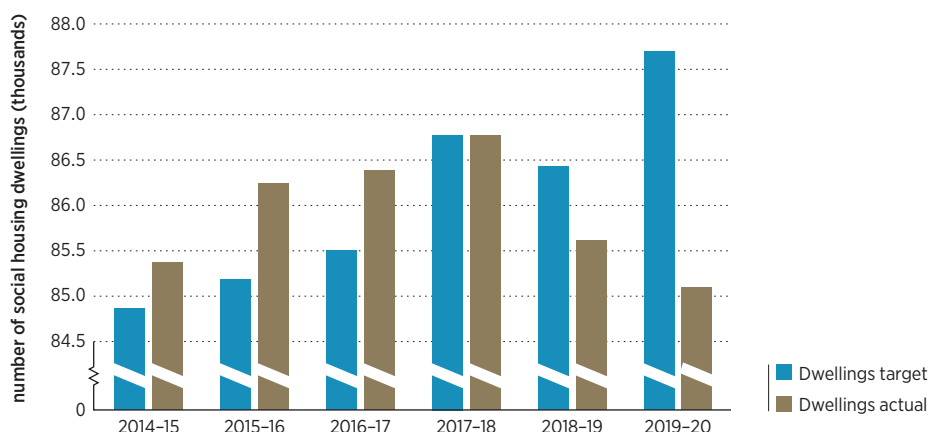
**FINDING 15:** The Department of Health and Human Services exceeded its 2019–20 target for the total number of assessments undertaken at Support and Safety Hubs by 157.5%.

**RECOMMENDATION 3:** The Department of Health and Human Services update its target for the total number of assessments undertaken at the Support and Safety Hubs, to reflect the new methodology for assessing this target.

### 3.6.5 Social housing

In its inquiry into the 2019–20 financial and performance outcomes, the Committee found that the total number of social housing dwellings in Victoria decreased by 1,187 from 2017–18 to 2018–19. In 2019–20 the number of social housing dwellings in Victoria decreased to 85,111.<sup>63</sup> This represents a 0.3% decrease since 2014–15 (Figure 3.3).

**Figure 3.3** Total number of social housing dwellings in Victoria from 2014–15 to 2019–20



Source: Department of Health and Human Services, *Annual Report 2014–15*, Melbourne, 2015 p. 54; Department of Health and Human Services, *Annual Report 2015–16*, Melbourne, 2016 p. 55; Department of Health and Human Services, *Annual Report 2016–17*, Melbourne, 2017, p. 58; Department of Health and Human Services, *Annual Report 2017–18*, Melbourne, 2018 p. 94; Department of Health and Human Services, *Annual Report 2018–19*, Melbourne, 2019, p. 95; Department of Health and Human Services, *Annual Report 2019–20*, Melbourne, 2020, p. 100.

<sup>62</sup> Department of Health and Human Services, *Annual Report 2018–19*, p. 96.

<sup>63</sup> Department of Health and Human Services, *Annual Report 2019–20*, p. 100.

DHHS did not meet its performance measure for the total number of social housing dwellings acquired during the year, with only 1,097 acquired against a target of 1,133. In addition, DHHS did not meet its target of 87,749 for the total number of social housing dwellings. The total number of social housing dwellings in Victoria reduced from 85,626 in 2018–19 to 85,111 in 2019–20.<sup>64</sup>

In the public hearings for the inquiry on 22 February, the Committee was advised that:

The broader area of [output] metrics for housing is currently being thought through given the significant investment and change in the role of Homes Victoria and the government investment that is going into it, so I think it is likely that there will need to be some change in that area, but clearly those are decisions for government at the appropriate time, and I am sure that that issue will be in that process. I think in general more transparency about these numbers is good for everyone.<sup>65</sup>

The Committee notes that in its response to the Committee's questionnaire, DHHS did not provide an explanation for why it did not meet these performance measures.

As part of the *Public Housing Renewal Program*, 307 public housing units will be replaced by 457 social and 850 private units. Homes Victoria will own the land throughout the lease period and will regain full control of all housing at the end of the lease period. Partners will develop the social and private housing and maintain and upgrade it during the lease period.<sup>66</sup> In response to questions on notice, the Committee was advised that Homes Victoria has not expressed an interest nor purchased any land via the *First Right of Refusal Program*.<sup>67</sup>

**FINDING 16:** In 2019–20 the Department of Health and Human Services did not meet its performance measures for the number of social housing dwellings, or the number of social housing dwellings acquired.

**FINDING 17:** The number of social housing dwellings in Victoria has decreased by 0.3% since 2014–15.

## 3.6.6 Health infrastructure

### Capital asset programs

In its response to the questionnaire, DHHS outlined 12 capital asset projects where there was a variance of equal to or greater than  $\pm 5\%$  or \$50 million between total estimated

<sup>64</sup> Ibid., p. 100; Department of Health and Human Services, *Annual Report 2018–19*, p. 95.

<sup>65</sup> Mr Ben Rimmer, Associate Secretary, Department of Families, Fairness and Housing; Chief Executive Officer, Homes Victoria, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 22 February 2021, *Transcript of evidence*, p. 23.

<sup>66</sup> Mr Ben Rimmer, Associate Secretary, Department of Families, Fairness and Housing; Chief Executive Officer, Homes Victoria, 2019–20 Financial and Performance Outcomes hearing, response to questions on notice received 19 March 2021, p. 30.

<sup>67</sup> Ibid., p. 24.

investment (TEI) at announcement, compared to the 2019–20 Budget. The increases in TEI range from \$2 million to \$549 million. Two projects reported reduced TEI.<sup>68</sup>

DHHS also advised the Committee of 28 capital asset projects where variations had occurred between the estimated completion dates at announcement and that which was outlined in the 2019–20 Budget. Of these, 13 (46.4%) had a variation of greater than one year. The six projects with the largest variations are outlined in Table 3.5.

**Table 3.5 Capital programs with the largest variations in completion date**

Project	Completion date at announcement	Completion date 2019–20 Budget <sup>a</sup>	Variation (days)
Ballarat Health Services expansion and redevelopment (Ballarat)	July 2018	Late 2027 <sup>b</sup>	3,379
Carlton redevelopment—246 units/ sites (North-West metropolitan)	April 2019	October 2022	1,279
High-rise fire sprinkler upgrade—stage 2 (metropolitan various)	April 2019	October 2022	1,279
Rooming houses upgrade (statewide)	April 2019	October 2022	1,279
Royal Victorian Eye and Ear Hospital redevelopment (Melbourne)	December 2018	June 2022	1,278
Out-of-home care residential capacity (statewide)	June 2018	June 2021	1,096

a. DHHS did not provide the Committee with exact completion dates. The first day of each month has been used to calculate the variation.

b. Questions on notice received updated the completion date for this project in the questionnaire to 'late 2027'. The Committee has used the date of 1 October 2027 to calculate the variation.

Source: Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 17 February 2021, pp. 57–61; Mr Chris Hotham, Deputy Secretary, Health Infrastructure, Department of Health, 2019–20 Financial and Performance Outcomes hearing, response to questions on notice received 19 March 2021, p. 2 (Committee calculation).

**FINDING 18:** The Department of Health and Human Services reported 28 capital asset projects where variations had occurred between the estimated completion dates at announcement and that which was outlined in the 2019–20 Budget. Of these, 46% had a variation of greater than one year.

For 23 of the 28 projects, DHHS advised the Committee that the estimated completion date was revised to reflect project delivery and revised cashflows approved by Government.<sup>69</sup> Other explanations for variations provided by DHHS included escalating complex hazardous material waste costs adding to project completion time.<sup>70</sup> In response to questions on notice, the Committee was advised that asbestos continues to

<sup>68</sup> Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 51–53.

<sup>69</sup> *Ibid.*, pp. 53–57.

<sup>70</sup> *Ibid.*, pp. 57–61.



be removed as part of the Victorian Eye and Ear Hospital project. It will be completed by the current completion date of June 2022 and within the current approved budget.<sup>71</sup>

The Committee was advised that the department has not formally requested adjustment to the completion date for any health infrastructure projects due to COVID-19. The department did however note that some projects will incur additional COVID-19 related costs as a function of COVID-19 health overlays on operations including social distancing and hygiene. These will be assessed and dealt with in accordance with the contract terms and allowances, and the respective project budgets.<sup>72</sup>

### Flammable cladding

DHHS audited over 1,100 health service buildings to identify non-compliant cladding. Non-compliant cladding was found on 18 public hospital buildings with an additional two buildings requiring minor canopy works only.<sup>73</sup>

In its response to the Committee's questionnaire, DHHS stated that the completion date for critical infrastructure works at the Royal Melbourne Hospital was revised due to additional cladding rectification works.<sup>74</sup> Two projects were undertaken to remove the flammable cladding from the Royal Melbourne Hospital. The North Wing Expansion at Royal Melbourne Hospital cladding works were completed in January 2020. The Royal Melbourne Hospital Perioperative Building cladding works will commence in May 2021, with construction complete in October 2021.<sup>75</sup>

### High Value High Risk projects

Under the High Value High Risk (HVHR) Framework, a project will be classified as HVHR if it is a budget funded project that has a TEI of over \$250 million. HVHR projects are subject to compulsory Gateway reviews, where Gates 1 through 6 are compulsory for all eligible projects.<sup>76</sup> Gate 2 outlines the development of a business case.

In its response to the Committee's questionnaire, DHHS listed eight HVHR projects that had a completed business case. None of the projects listed had publicly available business cases. In response to questioning from the Committee, DHHS advised that the business cases were not published due to commercial-in-confidence and cabinet-in-confidence.<sup>77</sup>

71 Mr Chris Hotham, Deputy Secretary, Health Infrastructure, Department of Health, 2019–20 Financial and Performance Outcomes hearing, response to questions on notice received 19 March 2021, p. 4.

72 Professor Euan Wallace, response to questions on notice, p. 9.

73 Mr Chris Hotham, response to questions on notice, p. 6.

74 Department of Health and Human Services, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 68.

75 Mr Chris Hotham, response to questions on notice, p. 5.

76 Department of Treasury and Finance, *High Value High Risk Framework*, 4 January 2021, <<https://www.dtf.vic.gov.au/infrastructure-investment/high-value-high-risk-framework>> accessed 5 March 2021.

77 Mr Chris Hotham, Deputy Secretary, Health Infrastructure, Department of Health, public hearing, Melbourne, 22 February 2021, *Transcript of evidence*, p. 9.

### 3.6.7 Community and residential rehabilitation

In 2019–20, DHHS failed to meet its target for number of drug treatment activity units—residential services. It delivered 68,259 units, 11.1% below the target of 76,759.<sup>78</sup>

In response to questions on notice, the Committee was advised that 62,211 individuals had been referred to community or residential rehabilitation in 2019–20.<sup>79</sup> Of these, 5.5% (3,405) had a delay of greater than 28 days between referral and treatment.<sup>80</sup> Prior to April 2019, DHHS did not collect data to enable the calculation of the time between referral and admission to community and residential rehabilitation services.<sup>81</sup>

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78 Department of Health and Human Services, *Annual Report 2019–20*, p. 90.

79 Professor Euan Wallace, response to questions on notice, pp. 21–22 (Committee calculation).

80 Ibid. (Committee calculation).

81 Ibid., p. 22.

# 4 Department of Education and Training

## 4.1 Overview

The Department of Education and Training (DET) is responsible for delivering and regulating state-wide learning and development services to one-third of all Victorians across the early childhood, school education, and training and skills sectors.<sup>1</sup> DET currently supports the Ministerial Portfolios of Education, Training and Skills, Higher Education, and Early Childhood.<sup>2</sup>

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>3</sup>

## 4.2 Outcomes in the community across 2019–20

In the interest of encouraging the effective and efficient provision of public services to deliver positive outcomes for the Victorian community, the Committee's questionnaire asked DET to outline the five programs that provided the most important outcomes in 2019–20. DET stated that these outcomes were:

- The staged roll out of the *Three-Year-Old Kindergarten program* across six Local Government Areas. There were 580 children that benefitted from the first year of the reform.<sup>4</sup>

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1 Department of Education and Training, *Annual Report 2019–20*, Melbourne, 2020, p. 6.

2 Department of Education and Training, *Ministers*, 23 November 2020, <<https://www.education.vic.gov.au/about/department/Pages/ministers.aspx>> accessed 12 February 2021.

3 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 160.

4 Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 3 February 2021, p. 10.

- The delivery and opening of 11 new primary schools across Victoria for day one of Term 1, 2020.<sup>5</sup>
- Expansion of the *Professional Learning Communities (PLC)* initiative<sup>6</sup> to 208 new schools, through the participation of teachers and school leaders in intensive training and online learning to support PLC implementation and the move to the online environment. By June 2020, 851 schools had moved from implementing to embedding PLC practices.<sup>7</sup>
- Continuation of the phased roll out of the *Mental Health Practitioners (MHP)* initiative<sup>8</sup> through its implementation across a further four regional Victorian communities.<sup>9</sup>
- The commencement of 39,700 students in Free Technical and Further Education (TAFE) courses, representing an 89% increase from 2018.<sup>10</sup>

### 4.3 Challenges

DET highlighted six main challenges across 2019–20, including:

- Early childhood education workforce attraction and retention. DET reported that this was primarily due to the *Three-Year-Old Kindergarten* program requiring a doubling of the workforce over 10 years and the risk of competition from other growing sectors such as aged care and disability.<sup>11</sup>
- Responding to the needs of school communities in bushfire affected areas.<sup>12</sup> DET provided \$4.3 million to rebuild Clifton Creek Primary School.<sup>13</sup>

Four out of six stated challenges related to DET's response to the COVID-19 pandemic, including:

- responding to infection and positive cases in schools
- transitioning students to remote learning

5 Ibid., pp. 10–11.

6 The Professional Learning Communities Initiative was launched in 2016 as part of the Education State reform agenda. It aims to improve the ability of teachers to use data and evidence to identify the impact of their teaching on student progress and differentiate teaching accordingly to improve student outcomes. Source: Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 11–12.

7 Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 11.

8 The Mental Health Practitioners initiative supports secondary schools across the State to employ over 190 qualified mental health professionals such as social workers, psychologists, occupational therapists and mental health nurses. Source: Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 12–13.

9 Bayside Peninsula—Term 3, 2019, Barwon—Term 4, 2019, Loddon-Campaspe and North Eastern Melbourne—Term 1, 2020, Outer Gippsland—Term 2, 2020. Source: Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 12–13.

10 Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 12.

11 Ibid., p. 145.

12 Ibid., pp. 144–145.

13 Ibid.

- the sustainability of Vocational Education and Training (VET) providers amid restrictions on face-to-face learning
- the impact of travel restrictions on the *International Student Program* and offshore learning.<sup>14</sup>

## 4.4 Financial analysis

### 4.4.1 Expenditure

In 2019–20, DET’s budget was \$15.6 billion.<sup>15</sup> Actual expenditure for the year was \$15.7 billion, representing a 0.4% (\$63.8 million) increase from the budgeted amount.<sup>16</sup> The variance is driven by an overspend of \$57.5 million in the Support Services Delivery output due to new funding decisions during 2019–20, including additional support for the *Camps, Sports and Excursion Fund* which lapsed in 2018–19.<sup>17</sup> DET drew a \$36.2 million Treasurer’s Advance to continue the program for four more years from 2019–20 in the absence of funding allocated in the 2019–20 Budget.<sup>18</sup>

Table 4.1 shows DET’s expenditure by output in 2019–20 and relevant variances between the Budget and actual expenditure.

**Table 4.1** Department of Education and Training expenditure by output in 2019–20

Output	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Strategy, Review and Regulation	116.8	117.3	0.4
Early Childhood Development	621.2	649.9	4.6
School Education—Primary	6,111.2	6,100.5	-0.2
School Education—Secondary	4,845.1	4,882.0	0.8
Training, Higher Education and Workforce Development	2,449.6	2,403.1	-1.9
Support Services Delivery	344.3	401.8	16.7
Support for Students with Disabilities	1,140.8	1,138.2	-0.2
<b>Total</b>	<b>15,629.0</b>	<b>15,692.8</b>	<b>0.4</b>

Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 134; Department of Education and Training, *Annual Report 2019–20*, Melbourne, 2020, pp. 27–46 (Committee calculation).

<sup>14</sup> Department of Education and Training, *Annual Report 2019–20*, pp. 145–147.

<sup>15</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 134.

<sup>16</sup> Department of Education and Training, *Annual Report 2019–20*, pp. 27–46 (Committee calculation).

<sup>17</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 17; Department of Education and Training, *Annual Report 2019–20*, pp. 27–46 (Committee calculation).

<sup>18</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 17.

## 4.4.2 Revenue and expenses

In 2019–20 DET's actual output appropriations grew by 2.1% (\$308.7 million) compared to the 2019–20 Budget.<sup>19</sup> DET stated that the increment relates to Treasurer's Advance funding for programs including: *Essential Maintenance and Compliance, Additional School and Kindergarten Enrolment Based Funding, TAFE and Training Sector COVID-19 Response and Viability Plan* and *Kindergarten Viability During COVID-19* (see Section 4.6.1 for further discussion).<sup>20</sup>

In 2019–20 DET's grant income grew by 70.9% (\$58 million) compared to the 2019–20 Budget, driven by higher than anticipated grants received from other Victorian Government departments such as the Department of Environment, Land, Water and Planning's *Building New Communities Fund*<sup>21</sup> and *Working for Victoria Fund*.<sup>22</sup>

DET's 2019–20 actual employee expenses grew by 1.4% (\$116 million) compared to the 2019–20 Budget.<sup>23</sup> DET stated that this reflects salary expenditure relating to funding decisions for school education programs approved after the 2019–20 Budget, such as the *Camps, Sports and Excursion Fund*.<sup>24</sup>

## 4.4.3 Overall financial performance

Table 4.2 summarises DET's operating performance in 2019–20.

**Table 4.2 Department of Education and Training: Summary of Comprehensive Operating Statement in 2019–20**

Controlled Items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	16,036.9	16,250.3	1.3
Expenses from transactions	15,629.0	15,692.8	0.4
<b>Net result</b>	<b>407.9</b>	<b>557.5</b>	<b>36.7</b>

Source: Department of Education and Training, *Annual Report 2019–20*, Melbourne, 2020, p. 211 (Committee calculation).

**FINDING 19:** The Department of Education and Training's Comprehensive Operating Statement in 2019–20 reflects a stable position as overall income exceeds expenses.

<sup>19</sup> Ibid., p. 84 (Committee calculation).

<sup>20</sup> Ibid., p. 80

<sup>21</sup> Building New Communities Fund (BNCF) is a trust account controlled and administered by the Department of Environment, Land, Water and Planning. Under s201VB of the *Planning and Environment Act 1987* the fund provides assistance for capital works for state funded infrastructure in any growth areas. The Minister for Planning authorises projects for funding under BNCF. Source: Department of Environment, Land, Water and Planning, *Annual Report 2019–20*, Melbourne, 2020, pp. 128, 254.

<sup>22</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 89–90.

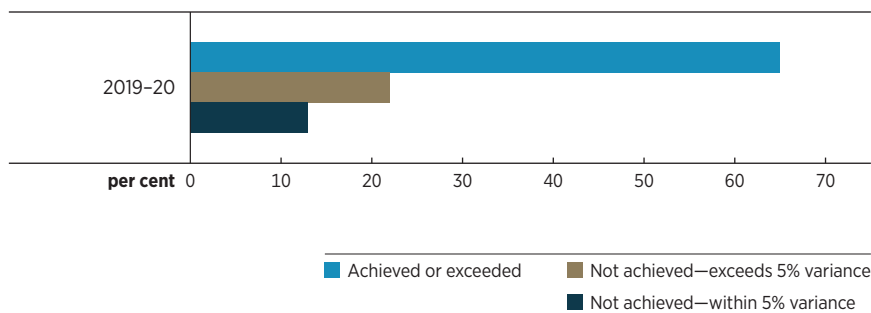
<sup>23</sup> Ibid., p. 88 (Committee calculation).

<sup>24</sup> Ibid.; Department of Education and Training, *Annual Report 2017–18*, Melbourne, 2020, p. 44.

## 4.5 Performance information

DET achieved or exceeded 65% of the 116 performance measures published in the 2019–20 Budget (Figure 4.1).<sup>25</sup> This represents an overall reduction in performance across the last three years, with DET achieving 78% of 112 performance measures in 2017–18 and 75% of the 115 performance measures in 2018–19.<sup>26</sup>

**Figure 4.1** Department of Education and Training performance measurement results, 2019–20



Source: Department of Education and Training, *Annual Report 2019–20*, Melbourne, 2020, pp. 27–46 (Committee calculation).

**FINDING 20:** In 2019–20 the Department of Education and Training achieved or exceeded 65% of its performance measures.

The Support Services Delivery output performed the least in 2019–20 with 37% of performance measures (7 of 11) being achieved or exceeded for reasons including lower than expected numbers of applications from eligible families and limitations in the numbers of service vacancies.<sup>27</sup> The Strategy Review and Regulation output also underperformed in 2019–20 with 60% of performance measures (2 of 5) achieved or exceeded (See Section 4.6.2 for further discussion).<sup>28</sup>

Performance measures that have not been met since 2017–18 included:

- Kindergarten participation rate in the year before school.
- Percentage of government primary school students receiving equity funding, and percentage of government secondary school students receiving equity funding.
- Proportion of all secondary schools offering vocational options to students as part of their secondary school certificate.

<sup>25</sup> Department of Treasury and Finance, *Budget Paper No. 3*, pp. 133–159; Department of Education and Training, *Annual Report 2019–20*, pp. 27–46 (Committee calculation).

<sup>26</sup> Department of Education and Training, *Annual Report 2017–18*, pp. 28–41; Department of Education and Training, *Annual Report 2018–19*, Melbourne, 2019, pp. 31–52 (Committee calculation).

<sup>27</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 140–141 (Committee calculation).

<sup>28</sup> Department of Education and Training, *Annual Report 2019–20*, p. 27 (Committee calculation).

- Number of students without Year 12, or Certificate II or above, enrolled in a government subsidised course at Certificate III or above.
- Eligible primary school students in receipt of Camps, Sports and Excursions Fund.
- Eligible special school students provided with appropriate travel.<sup>29</sup>

## 4.6 Key issues

The Committee identified the following key issues from its review of DET's 2019–20 Annual Report, DET's response to the Committee's 2019–20 Financial and Performance Outcomes questionnaire, public hearings for the inquiry and responses to questions on notice.

### 4.6.1 Impact of the COVID-19 pandemic

The COVID-19 pandemic affected Victoria and the world throughout the second half of 2019–20, with significant impacts on education. The Victorian Government's response to the COVID-19 pandemic encompassed limiting onsite attendance at schools and other education settings to minimise transmission of the virus.<sup>30</sup> The impact of the response on the Victorian community and the education sector was widespread and included:

- disruption to learning and education outcomes
- disengagement with schooling
- mental health and wellbeing impacts on students, families and teachers
- increased technological inequality among disadvantaged students
- risks to the viability of learning and education services
- risks to higher education research capability, teaching and learning programs.<sup>31</sup>

The impact of the COVID-19 pandemic was reflected in two performance measures that were not met:

- Number of Registered Training Organisation (RTO) quality audits and school reviews undertaken annually.<sup>32</sup>
- Number of students participating in the Victorian Young Leaders program.<sup>33</sup>

<sup>29</sup> Department of Education and Training, *Annual Report 2017–18*, pp. 28–41; Department of Education and Training, *Annual Report 2018–19*, pp. 31–52; Department of Education and Training, *Annual Report 2019–20*, pp. 27–46.

<sup>30</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic*, February 2021, Melbourne, p. 205.

<sup>31</sup> *Ibid.*, pp. 205–247.

<sup>32</sup> Department of Education and Training, *Annual Report 2019–20*, p. 27.

<sup>33</sup> *Ibid.*, p. 36.



DET advised that the actuals were lower than the targets due to the need to alleviate regulatory burden on providers and schools during the transition to remote learning, and the impact of travel restrictions on outgoing school students to China, respectively.<sup>34</sup>

The Committee was advised that the impacts of the COVID-19 pandemic will flow through to the 2020–21 financial and performance outcomes period.<sup>35</sup>

### Funding for COVID-19 pandemic response initiatives

DET made use of Treasurer’s Advances in 2019–20 for COVID-19 pandemic response initiatives to support the viability of kindergartens and the training sector:

- \$19.1 million was provided to 67% of Victorian sessional kindergarten services<sup>36</sup> impacted by periods of closure and/or reductions in enrolments and lost fee income as a result of the COVID-19 outbreak.<sup>37</sup> This funding allocation is distinct from the *Free Kindergarten Program*.<sup>38</sup>
- \$68.9 million in crisis support was provided to TAFEs, Adult Migrant English Services Australia<sup>39</sup> and Learn Locals<sup>40</sup> to partially replace lost revenue from non-government sources and minimise the risk of job losses or redundancies.<sup>41</sup> This funding allocation makes up part of the \$260.8 million support package for the vocational education and training system announced on 17 April 2020.<sup>42</sup>

DET’s response to the Committee’s questionnaire states that ‘there are no identified performance measures in the budget papers in relation to ... [these] expense[s]. Tracking of expenditure and deliverables is internally monitored.’<sup>43</sup> Consequently, there is limited transparency and therefore accountability for the outcomes achieved with this funding.

**FINDING 21:** Treasurer’s Advances were used in 2019–20 for COVID-19 pandemic response initiatives to support the viability of kindergartens (\$19.1 million) and the training sector (\$68.9 million). There are no publicly available performance measures for these funding allocations. Instead expenditure and deliverables are internally monitored by the Department of Education and Training.

<sup>34</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 131, 138.

<sup>35</sup> Ms Jenny Atta, Secretary, Department of Education and Training, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of Evidence*, p. 11.

<sup>36</sup> A significant number of these services were not eligible for the Commonwealth’s JobKeeper support.

<sup>37</sup> Ms Kim Little, Deputy Secretary, Early Childhood Education, Department of Education and Training, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of Evidence*, pp. 7, 12.

<sup>38</sup> *Ibid.*, pp. 12–13.

<sup>39</sup> Adult Migrant Education Service.

<sup>40</sup> Learn Local providers are not-for-profit community organisations. They are registered and funded by the Victorian Government, via the Adult, Community and Further Education Board, to deliver pre-accredited training and programs.

<sup>41</sup> Hon Daniel Andrews MP, *Skilling Up Victorians To Get Through The Coronavirus Crisis*, media release, 17 April 2020.

<sup>42</sup> *Ibid.*

<sup>43</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 90–91.

**RECOMMENDATION 4:** The Department of Education and Training develop performance measures for initiatives funded through Treasurer’s Advances and publicly report on them.

## 4.6.2 Early childhood education

### Kinder participation rates – Aboriginal children

The Committee notes the increase in kindergarten participation rates of Victorian Aboriginal children in 2019–20 against two performance measures (Table 4.3).

**Table 4.3** Kindergarten participation rates of Victorian Aboriginal children, 2018 to 2020

Performance Measure	2018-19 Target	2018-19 Actual	2018-19 Variation	2019-20 Target	2019-20 Actual	2019-20 Variation
Aboriginal children funded to participate in kindergarten in the year before school	1,300	1,499	15.3%	1,350	1,570	16.3%
Kindergarten participation rate for Aboriginal children in the year before school	90%	92.4%	2.6%	90%	99.9%	11%

Source: Department of Education and Training, *Output Performance Measures 2020–21*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/departamental-statements>> accessed 16 February 2021 (Committee calculation).

**FINDING 22:** The kindergarten participation rate of Victorian Aboriginal children increased from 1,499 in 2018–19 to 1,570 in 2019–20, representing an increase of 4.7% from the previous year. This is the second consecutive year of increased kindergarten participation of Victorian Aboriginal children.

## 4.6.3 School education

### Student welfare and support services

Since 2011, the target for investment in student welfare and support has been exceeded (Table 4.4).

**Table 4.4** Investment in student welfare and support performance measure – variance between targets and actuals, 2011–12 to 2019–20

Year	Target (\$ million)	Actual (\$ million)	Variance (%)
2011–12	225.7	233.0	3.2
2012–13	207.8	217.0	4.4
2013–14	210.6	210.9	0.1
2014–15	215.9	220.4	2.1
2015–16	261.5	301.9	15.4
2016–17	274.8	321.6	17.0
2017–18	301.2	307.3	2.0
2018–19	321.4	342.8	6.7
2019–20	295.5	353.0	19.5

Source: Department of Education and Training, *Output Performance Measure 2020–21*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements>> accessed 16 February 2021 (Committee calculation).

In 2019–20 the target was reduced by \$25.9 million from the previous year, resulting in the largest variance between the target and the actual since 2016 (19.5%).<sup>44</sup>

DET advised that the targets were not met in 2017–18 and 2018–19 due to ‘additional funding provided to promote student welfare’ sourced from funds carried forward from previous years.<sup>45</sup> In 2019–20 the target was not met ‘due to additional funding approved ... [for] ... the Camps, Sports and Excursion Fund.’<sup>46</sup> DET does not report on the outcomes achieved with this funding.

**FINDING 23:** The target for investment in student welfare and support has been exceeded since 2011. In 2019–20 the target was reduced by \$25.9 million from 2018–19 due to other streams of welfare support funding.

**RECOMMENDATION 5:** The target for investment in student welfare and support be reviewed and increased ahead of the 2021–22 Budget in light of population growth and growth in student numbers.

<sup>44</sup> Department of Education and Training, *Output Performance Measures 2020–21, 2021*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements>> accessed 16 February 2021 (Committee calculation).

<sup>45</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 133, 146.

<sup>46</sup> Department of Education and Training, *Response to the 2017–18 and 2018–19 Financial and Performance Outcomes General Questionnaire*, received 15 December 2019, p. 140.

Performance for the school satisfaction with Student Support Services (SSS) measure has declined since 2014–15.<sup>47</sup> In 2019–20 the target was reduced from 85% to 80%, however, the performance measure was not met by 12.5%.<sup>48</sup> SSS aim to reduce the impact of disadvantage through support for student health and wellbeing, including psychology, speech pathology, social work, behaviour analysis, and other allied health services.<sup>49</sup> DET attributes this underperformance since 2017 to:

- The introduction of a new SSS model and service delivery arrangements while school surveys were conducted, which may have impacted how services were viewed.<sup>50</sup>
- Strong enrolment growth placing pressure on the SSS workforce. To address this, 50 new full-time positions were added to the workforce from 2018–19. DET notes this effort was hindered by difficulties recruiting staff.<sup>51</sup> DET’s response to the Committee’s Questionnaire does not note how many of these positions have been filled in 2019–20.

In 2019–20 DET advised that ‘a substantial majority (seven in 10) schools reported satisfaction with SSS in 2019.’<sup>52</sup> The Committee notes that this result is still below the 80% target (-12.5%).<sup>53</sup>

**FINDING 24:** School satisfaction with Student Support Services has declined since 2014–15 and the Department of Education and Training did not meet this performance measure in 2019–20.

### Recorded absences—primary and secondary school

The ‘average days lost due to absence’ performance measures for primary and secondary students have not been met by each year level for the past three years, and the variance between the targets and actuals has increased (Table 4.5).

47 Department of Education and Training, *Output Performance Measures 2020–21*.

48 Ibid.; Department of Education and Training, *Annual Report 2019–20*, p. 45.

49 Department of Education and Training, *Student Support Services Handbook*, November 2018, <<https://www.education.vic.gov.au/Documents/school/principals/spag/safety/stusupphandbook.pdf>> accessed 30 March 2021, p. 5; Department of Education and Training, *Student Support Services*, January 2018, <<https://www.education.vic.gov.au/Documents/school/students/SSSInformationandPrivacyConsentForm.pdf>> accessed 31 March 2021, p. 1.

50 Department of Education and Training, *Response to the 2017–18 and 2018–19 Financial and Performance Outcomes General Questionnaire*, p. 130.

51 Ibid., pp. 138–139.

52 Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 140.

53 Ibid., p. 140.

**Table 4.5** Average days lost due to absence performance measures—variance between targets and actuals, 2017–18 to 2019–20

Performance measures	2017–18 Variance (%)	2018–19 Variance (%)	2019–20 Variance (%)
Year 5	10.6	10.6	16.3
Year 6	13.1	12.4	19.3
For Aboriginal students in prep to Year 6	2.1	2.5	7.9
Years 7 to 10	6.3	7.4	12.1
Years 11 to 12	3.1	4.3	7.5
For Aboriginal students in Years 7 to 12	1.1	3.1	5.1

Note: Positive variation indicates actual average days lost due to absence being greater than the target.

Source: Department of Education and Training, *Annual Report 2017–18*, Melbourne, 2018, pp. 31, 35; Department of Education and Training, *Annual Report 2018–19*, Melbourne, 2019, pp. 35–36, 42; Department of Education and Training, *Annual Report 2019–20*, Melbourne, 2020, pp. 30, 37.

DET has stated that the rise in student absences across most year levels was due to increases in the number of students being absent due to family holidays, illness and parent choice in 2019. These three reasons accounted for three quarters of absences in 2019 and have been increasing since 2017.<sup>54</sup>

The Committee notes that in 2004 the Victorian Auditor-General’s *Managing School Attendance* audit found that while schools and DET place considerable focus on addressing absenteeism, weaknesses in management practices made it difficult for schools to know whether these efforts were effective. The audit recommendations included the increased use of information technology to record absences, development of consistent and effective follow-up processes and absence data gathering and stronger partnerships between schools and the local community.<sup>55</sup>

DET’s response to the Committee’s questionnaire advised that an Expert Advisory Panel into Rural and Regional Students was established in 2019–20. The panel observed that there was chronic absence among secondary students in regional and rural Victoria at higher rates than metropolitan students, with chronic absence most prevalent in regional primary schools.<sup>56</sup> The Committee considers it important that DET disaggregate the absence data of metropolitan and regional and rural students and develop effective targets and indicators to measure absenteeism.

**FINDING 25:** The Department of Education and Training performance measures do not distinguish between the absenteeism of metropolitan and regional and rural students in the budget papers or in its Annual Report.

<sup>54</sup> Ibid., pp. 132, 136.

<sup>55</sup> Victorian Auditor-General, *Managing School Attendance*, December 2004, Melbourne, pp. 3–12.

<sup>56</sup> Chronic absence is characterised as absence for 30 days or more. Source: Expert Advisory Panel for Rural and Regional Students, *Recommendations for the Minister for Education on improving educational outcomes for students in Rural and Regional Victoria*, 2019, p. 16.

**RECOMMENDATION 6:** The Department of Education and Training disaggregate the absence data of metropolitan and regional and rural students and develop targets and indicators ahead of the 2021–22 Budget that measure the impact of student absenteeism in regional and rural Victoria.

### Mental Health Practitioners Program

The aim of the \$51.2 million *Mental Health Practitioners (MHP) Program* is to equip every Victorian Government secondary school campus with a suitably qualified mental health practitioner by the end of 2021.<sup>57</sup> The initiative was announced on 25 June 2020, commenced rolling out in July 2020 and supports the employment of 190 qualified professionals such as social workers, psychologists, occupational therapists and mental health nurses.<sup>58</sup>

Under the program MHPs provide proactive counselling, develop mental health plans for schools, run staff wellbeing sessions, provide onsite professional learning for teachers, and play a role in removing the stigma associated with mental ill health.<sup>59</sup>

In 2019–20, 118 out of 325 Victorian Government secondary schools received funding from the Student Resource Package to support the recruitment of a MHP.<sup>60</sup> DET advised that the roll out of the program was originally planned for completion in 2022, but was accelerated in 2019–20 in response to increased demand for mental health support due to the bushfires in East Victoria and the COVID-19 pandemic.<sup>61</sup> A further 120 campuses across Victoria are expected to be funded by the end of 2020–21.<sup>62</sup>

In its *Report on the Inquiry into the Victorian Government's Response to the COVID-19 pandemic*, the Committee noted that DET's student mental health support services had adapted to remote delivery during periods of school closure.<sup>63</sup>

The Committee was provided with some evidence on the level of support that was accessible to secondary students through the MHP program in 2019–20 (Table 4.6).

57 Department of Education and Training, *Mental health practitioners in secondary schools*, 27 November 2020, <<https://www.education.vic.gov.au/school/teachers/health/mentalhealth/Pages/mental-health-practitioners-secondary.aspx>> accessed 2 March 2021; Hon James Merlino MP, *More Mental Health Support For Victorian Students*, media release, 11 September 2020.

58 Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 12–13; Hon James Merlino MP, *More Mental Health Support For Victorian Students*, media release.

59 Dr David Howes, Deputy Secretary, Schools and Regional Services, Department of Education and Training, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of Evidence*, pp. 4–5, 25.

60 The number of secondary schools includes Prep to Year 12 schools. Source: Department of Education and Training, *Summary Statistics for Victorian Schools*, July 2020, <<https://www.education.vic.gov.au/about/department/Pages/factsandfigures.aspx>>, accessed 30 March 2021; Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 12–13 (Committee calculation).

61 Dr David Howes, *Transcript of evidence*, pp. 6, 24.

62 *Ibid.*, p. 5.

63 Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic*, February 2021, p. 226.

**Table 4.6** Roll out of Mental Health Practitioners Program, 2019–20

Area	Date of roll out	Campuses (number)	Practitioners (number)	Students supported (number)
Barwon	Term 4 2019	21	20	10,375
Bayside Peninsula	Term 2 2019	32	31	28,578
Loddon Campaspe	Term 1 2020	18	15	9,873
North Eastern Melbourne	Term 1 2020	39	38	25,734
Outer Gippsland	Term 2 2020	10	5	2640

Note: Data for Hume, Moreland, Central Highlands, Western Melbourne and Southern Melbourne was not provided to the Committee.

Source Department of Education and Training, *Mental health practitioners in secondary schools*, 17 November 2020, <<https://www.education.vic.gov.au/school/teachers/health/mentalhealth/Pages/mental-health-practitioners-secondary.aspx>> accessed 3 March 2021; Dr David Howes, Deputy Secretary, Schools and Regional Services, Department of Education and Training, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of Evidence*, p. 4.

In response to questions on notice the Committee was advised that MHPs conducted over 2,000 consultations with over 1,000 individual students during periods of remote and flexible learning in 2019–20.<sup>64</sup> DET did not advise what specific support was provided during remote consultations. The Committee was also not provided with information on the impact of school closures on the roll out of the MHP program.

**FINDING 26:** The Department of Education and Training is unable to quantify the number of students that have accessed Mental Health Practitioner Services at schools during periods of remote and flexible learning.

**RECOMMENDATION 7:** The Department of Education and Training establish appropriate mechanisms to effectively quantify the level of access to Mental Health Practitioner services and outcomes for children accessing the service.

### Education outcomes for metropolitan and regional students

The Expert Advisory Panel into Rural and Regional Students undertook a review into the critical challenges and barriers that contribute to the gap in education attainment between rural and regional students and metropolitan students, in both primary and secondary schools.<sup>65</sup> For example, a lower proportion of regional and rural students achieve high NAPLAN relative growth from year 3 to 5 than in metropolitan Melbourne,

<sup>64</sup> Ms Jenny Atta, Secretary, Department of Education and Training, 2019–20 Financial and Performance Outcomes hearing, response to questions on notice received 11 March 2021, p. 1.

<sup>65</sup> Department of Education and Training *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 11; Department of Education and Training, *Rural and regional Victoria funding*, 17 July 2020, <<https://www.education.vic.gov.au/about/educationstate/Pages/rural-and-regional-educational-reform.aspx>> accessed 24 February 2021.

and their Victorian Certificate of Education (VCE) results on average are below those of their Melbournian counterparts.<sup>66</sup>

Through its *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic*, the Committee found that regional Victorian students were more likely to experience technological inequality and were at higher risk of experiencing mental health impacts than students in metropolitan Melbourne.<sup>67</sup>

The Panel's recommendations included measures to attract principals, teachers and support staff, making more resources and subjects available for senior secondary students, and the examination of VCE and Victorian Certificate of Applied Learning (VCAL) for opportunities to strengthen provision in rural and regional areas.<sup>68</sup> The Committee notes that a funding package was announced in 2020–21 to address the recommendations.<sup>69</sup>

The disparity is reflected in the 2019 and 2020 study results of greater Melbournian and regional Victorian senior secondary students (Table 4.7).

**Table 4.7 Student achievement in greater Melbourne and regional Victoria, 2020**

Student Achievement (average)	2019		2020	
	Greater Melbourne (%)	Regional Victoria (%)	Greater Melbourne (%)	Regional Victoria (%)
Percentage of VCE students applying for tertiary places <sup>a</sup>	84	69	86	69
Percentage of satisfactory VCE completions	98	98	98	97
Percentage of VET units of competency completed	85	85	79	77
Percentage of VCAL units completed	85	82	85	79
Median VCE study score	30	28	30	28
Percentage of study scores of 40 and over	8	4	8	4

a. Percentage of VCE students applying for tertiary places is calculated from the number of students who made a timely application for a tertiary course through Victorian Tertiary Admissions Centre (VTAC). VTAC is the administrative body which processes applications for universities (and other tertiary institutions), therefore this dataset includes all types of students, including those who apply to universities. The dataset does not include students who apply to attend TAFES or other types of further education.

Note: Adult schools have been excluded from analysis.

Source: Victorian Curriculum and Assessment Authority, *Senior Secondary Completion and Achievement Information 2020*, <<https://www.vcaa.vic.edu.au/administration/research-and-statistics/Pages/SeniorSecondaryCompletion.aspx>> accessed 22 February 2020; Australian Bureau of Statistics, *3218.0 – Regional Population Growth, Australia, 2018–19*, Population estimates by Statistical Area Level 2 - Table 2. Estimated Resident Population, Statistical Areas Level 2, Victoria, <<https://www.abs.gov.au/statistics/people/population/regional-population/2018-19>> accessed 22 February 2020 (Committee calculation).

<sup>66</sup> Expert Advisory Panel for Rural and Regional Students, *Recommendations for the Minister for Education on improving educational outcomes for students in Rural and Regional Victoria*, 2019, p. 13.

<sup>67</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic – Interim Report*, Melbourne, August 2020, pp. 156–157

<sup>68</sup> Expert Advisory Panel for Rural and Regional Students, *Executive Summary*, 2019, Melbourne, <<https://www.education.vic.gov.au/Documents/about/educationstate/expert-advisory-panel-for-rural-and-regional-students.pdf>> accessed 24 February 2020, pp. 5–6.

<sup>69</sup> Department of Education and Training, *Rural and regional Victoria funding*, 17 July 2020, <<https://www.education.vic.gov.au/about/educationstate/Pages/rural-and-regional-educational-reform.aspx>> accessed 31 March 2021.



**FINDING 27:** Regional Victorian senior secondary students did not perform as well as greater Melbournian senior secondary students on their Victorian Certificate of Education (VCE) in 2019 and 2020. Whilst the percentage of satisfactory VCE completions is about the same in greater Melbourne and regional Victoria, the percentage of VCE students applying for tertiary places is markedly different between the two groups of students.

The Committee notes that DET's education outcomes performance measures for primary and secondary school students do not distinguish between the outcomes of metropolitan and regional students.<sup>70</sup> The Committee considers it important that DET disaggregate the performance data of metropolitan and regional students and develop effective targets and indicators to appropriately measure performance.

**FINDING 28:** The Department of Education and Training performance measures do not distinguish between the education outcomes of metropolitan and regional students in the budget papers and its Annual Report.

**RECOMMENDATION 8:** The Department of Education and Training disaggregate the performance data of metropolitan and regional students and develop targets and indicators ahead of the 2021–22 Budget that measure the education outcomes of these students.

#### 4.6.4 School infrastructure

In 2019–20, 266 school infrastructure projects were completed in Victoria, catering for 22,700 extra students.<sup>71</sup> Of these, 123 were school modernisation projects.<sup>72</sup>

In its response to the Committee's questionnaire, DET outlined 19 capital asset projects where there was a variance of equal to or greater than  $\pm 5\%$  or \$50 million between Total Estimated Investment (TEI) at announcement, compared to the revised TEI in the 2019–20 Budget.<sup>73</sup> Of these projects, 18 reported an increase in TEI compared to the announcement, with the increases in TEI ranging from \$0.2 million to \$24.8 million, with an average variation of \$2.6 million (29.2%).<sup>74</sup>

<sup>70</sup> Department of Education and Training, *Annual Report 2019–20*, pp. 32–34, 37–40.

<sup>71</sup> Ms Jenny Atta, *Transcript of evidence*, pp. 3, 12; Ms Jenny Atta, Secretary, Department of Education and Training, 2019–20 Financial and Performance Outcomes hearing presentation, supplementary evidence received 25 February 2021, p. 6.

<sup>72</sup> Mr Chris Keating, Chief Executive Officer, Victorian School Building Authority, 2019–20 Financial and Performance Outcomes hearing, 25 February 2021, *Transcript of evidence*, p. 25.

<sup>73</sup> Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 24–25.

<sup>74</sup> *Ibid.*, pp. 24–25 (Committee calculation).

For the projects with the two largest increases, the variation was due to project contributions from schools and various external funds, and co-contributions from Victorian State Government Entities, including the Department of Treasury and Finance.<sup>75</sup> One project reported a reduction in TEI.<sup>76</sup>

DET also advised the Committee of 23 capital asset projects where variations had occurred between the estimated completion dates at announcement and that which was outlined in the 2019–20 Budget.<sup>77</sup> Of these, eight (34.7%) had a variation of greater than one year (Table 4.8).<sup>78</sup>

**Table 4.8 Capital projects with variations in completion dates that exceed one year**

Victorian School Building Authority Project	Completion date at announcement	Completion date 2019–20 Budget	Variation (days)
Oberon High School—new school	31 December 2018	30 June 2021	912
Ballarat High School—modernisation	30 June 2017	30 September 2019	822
School Pride and Sports Fund (statewide) —School Pride	31 March 2018	30 June 2020	822
Geelong High School—modernisation	31 March 2018	31 March 2020	731
Kurnai College—modernisation	31 December 2017	31 December 2019	730
Bundoora Primary School Stage 2—modernisation	30 September 2019	31 December 2020	458
Brauer Secondary College—modernisation	31 March 2019	30 June 2020	457
Warrnambool College—modernisation	31 March 2019	30 June 2020	457

Source: Department of Education and Training, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 3 February 2021, pp. 21–24 (Committee calculation).

For three of the eight projects, DET advised the Committee that the estimated completion date was revised due to the discovery and removal of asbestos.<sup>79</sup> Other explanations for variations provided by DET included delays in obtaining building permits, school’s preference for a staged program of works to limit the impact on school operations, and changes in the year funding that was provided for capital works.<sup>80</sup>

The Committee was advised that DET requires monthly reports of contactors to ensure project deliverables are on track and risks are routinely and effectively identified.<sup>81</sup>

<sup>75</sup> Ibid.

<sup>76</sup> Ibid.

<sup>77</sup> Ibid., pp. 25–28.

<sup>78</sup> Ibid. (Committee calculation).

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

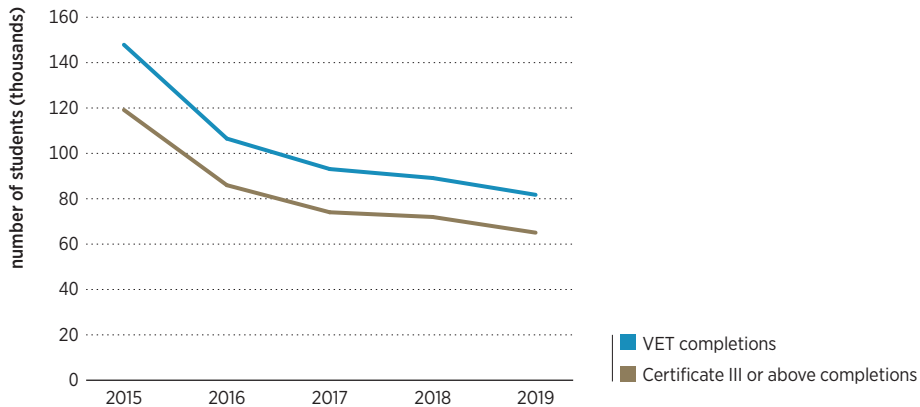
<sup>81</sup> Mr Chris Keating, *Transcript of evidence*, p. 31.

## 4.6.5 Skills, training and higher education

### Higher education and skills course completions and outcomes

The number of VET and Certificate III or above completions have reduced by approximately 45% since 2015 (Figure 4.2).<sup>82</sup>

**Figure 4.2** VET and Certificate III completions, 2015 to 2019



Note: DET's Annual Report 2019–20 notes the number of VET completions differently in the text (82,600) and data table (82,800).

Source: Department of Education and Training, *Annual Report 2019–20*, Melbourne, 2020, pp. 14, 16.

DET has stated that the 2019 VET completion rate is 8.5% less than the 2018 outcome due to shifts towards high-quality longer duration courses, higher student retention rates, and a fall in course commencements that occurred between 2017 and 2018.<sup>83</sup> However, DET added that in 2019–20 new VET commencements increased by almost 10% and total enrolments increased by 4% compared to 2018, driven by the Free TAFE Program commencing on 1 January 2019.<sup>84</sup> In 2019 approximately 40,000 students had commenced Free TAFE courses, which according to DET represents an 88% increase in commencements for the same courses at the end of 2018.<sup>85</sup>

**FINDING 29:** The number of Vocational Education and Training and Certificate III or above completions has reduced by approximately 45% since 2015.

**FINDING 30:** The commencement of the Free TAFE Program on 1 January 2020 resulted in a 10% increase of new Vocational Education and Training commencements and an increase of 4% of total enrolments compared to 2018.

<sup>82</sup> Department of Education and Training, *Annual Report 2019–20*, pp. 14, 16 (Committee calculation).

<sup>83</sup> *Ibid.*, p. 14.

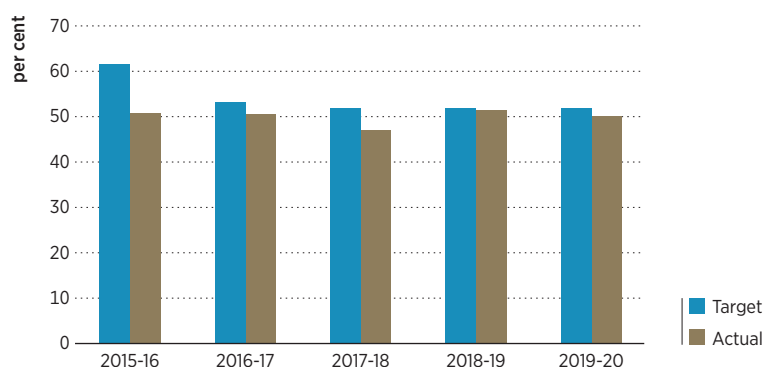
<sup>84</sup> Total enrolments are classified as the sum of new commencements and continuing enrolments from earlier years.

<sup>85</sup> Ms Jenny Atta, response to questions on notice, p. 3.

The performance measure for ‘two-year completion rate for non-apprentice commencements in government subsidised Australian Qualifications Framework qualifications’ was implemented in 2019–20, with a 46.3% target that was exceeded by 15.1%.<sup>86</sup> DET’s 2019–20 Annual Report attributes this outcome to ‘the impacts of higher quality training focused on delivering improved student outcomes, as well as improved collection of data on completion status.’<sup>87</sup> DET advised that the ‘two-year completion rate for Free TAFE is not available at this time.’<sup>88</sup>

The target for the performance measure ‘proportion of VET completers with an improved employment status after training’ has not been achieved since it was introduced in 2015–16 (Figure 4.3).

**Figure 4.3** Proportion of VET completers with an improved employment status after training, 2015–16 to 2019–20



Source: Department of Education and Training, *Output Performance Measure 2020–21*, 4 December 2020, <<https://www.dtf.vic.gov.au/state-financial-data-sets/departmental-statements>> accessed 16 February 2021 (Committee calculation).

DET’s 2019–20 Annual Report states:

The proportion of students reporting improved employment status after training remains stable at around 50 per cent. This result should be interpreted alongside results for related output performance measures showing that around 85 per cent of students are achieving their main reason for training, and a similar proportion of students and employers are satisfied with their training.<sup>89</sup>

**FINDING 31:** The target for the performance measure ‘proportion of Vocational Education and Training completers with an improved employment status after training’ has not been achieved since it was introduced in 2015–16.

<sup>86</sup> Department of Education and Training, *Annual Report 2019–20*, p. 43.

<sup>87</sup> Ibid.

<sup>88</sup> Ms Jenny Atta, response to questions on notice, p. 3.

<sup>89</sup> Department of Education and Training, *Annual Report 2019–20*, p. 14.

# 5 Department of Transport

## 5.1 Overview

The Department of Transport (DoT) is responsible for providing an integrated and sustainable transport system and supporting the development of a sustainable fisheries resource sector for Victoria.<sup>1</sup>

The department supports the seven ministerial portfolios of: Transport Infrastructure; the Suburban Rail Loop; Coordination of Transport: COVID-19; Public Transport; Roads and Road Safety; Ports and Freight; Fishing and Boating.<sup>2</sup>

On 1 July 2019, the functions of the statutory corporation VicRoads and the statutory authority Public Transport Victoria (PTV) were transferred to DoT in order to create an integrated transport department.<sup>3</sup> In addition to this merger, Road Safety Victoria and the Suburban Rail Loop Authority (SRLA) were established in 2019–20 (see Section 5.3.4).<sup>4</sup>

DoT has four departmental objectives:

- Reliable and user-focused transport services.
- Safe and well-regulated transport services.
- Better connected communities through improved infrastructure.
- Sustainably managed fish resources.<sup>5</sup>

## 5.2 Outcomes in the community across 2019–20

DoT outlined the following five programs that delivered the most important outcomes in 2019–20:

- Victoria's *Big Build* and other major projects. DoT listed investing \$7 billion in large infrastructure projects and protection and creation of jobs as key outcomes.<sup>6</sup>
- DoT reported that all modes of public transport (train, tram and bus services) were above 2018–19 levels for punctuality. DoT improved the Victorian public transport

1 Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, p. 188.

2 Ibid., p. 9.

3 The transfer of VicRoads functions to DoT excludes registration and licencing, which remains with VicRoads as an independent function. Source: Department of Transport, *Annual Report 2019–20*, p. 10.

4 Ibid.

5 Ibid., p. 188.

6 Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 10 February 2021, pp. 8–10.

fleet by supplying 86 new buses, eight new E-Class trams and four new X'Trapolis trains.<sup>7</sup>

- Under the Safer Roads Program, DoT completed 71 road safety initiatives and reported that, for the first time in a decade, no lives were lost on the Hume Freeway after the installation of safety barriers and rumble strips from Melbourne to the New South Wales border.<sup>8</sup>
- The department improved freight train access to port facilities and reduced major road congestion from trucks. Specifically, the department approved the Port of Melbourne's \$125 million investment in on-dock rail to remove trucks from local roads, progressed the Port Rail Shuttle Network, and commenced the first holistic review into the Victorian Ports System since 2001.<sup>9</sup>
- The department undertook several initiatives to encourage more Victorians to explore and enjoy recreational fishing opportunities – for example by investing \$47.2 million to upgrade six of the State's busiest boat ramps.<sup>10</sup>

The Committee's questionnaire also asked departments to identify programs that did not deliver their planned outcomes in 2019–20. DoT identified four programs: *Driver licences and vehicle registrations*; *Public transport passengers*; the *Multi-purpose Taxi Program*; and the *Mode Shift Incentive Scheme (MSIS)*.<sup>11</sup> DoT identified the COVID-19 pandemic as the primary cause of underperformance for the first three programs, and the effects of drought on freight volume for the MSIS.<sup>12</sup>

### 5.3 Challenges

DoT outlined six main challenges faced by the department in 2019–20.<sup>13</sup> The most pressing of these related to the bushfire emergency, which directly impeded Victoria's transport network. DoT informed the Committee that the fires damaged nearly 1,000 kilometres of Victorian roads.<sup>14</sup>

7 E-Class trams are large trams designed for safety and accessibility and X'Trapolis trains are the standard family of train operated on the metropolitan network. The department has committed to rolling out 100 E-Class trams by the end of 2021 and increasing the number of X'Trapolis trains to improve network capacity. Source: Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 10; 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#Xtrap2>> accessed 9 April 2021.

8 Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 10–11.

9 Ibid., p. 11.

10 Ibid., pp. 11–12.

11 Ibid., pp. 13–14.

12 Ibid.

13 Ibid., pp. 113–115.

14 Ibid., p. 113.

Four other challenges identified by DoT arose from the COVID-19 pandemic. The pandemic posed a significant risk to:

- Public transport availability and patronage levels: In response, the department maintained full public transport services during the COVID-19 restrictions, increased capacity to accommodate physical distancing requirements, and introduced additional cleaning and sanitisation of public transport assets.
- Delivery of transport infrastructure projects: Wherever possible the department continued the delivery of critical projects and the operation of freight and port services with strict physical distancing measures.
- Accessibility of Customer Service Centres: The call centre workforce continued to work from home and some forms of vehicle testing were suspended due to lockdown restrictions.
- Internal operation of the department: The most senior levels of the department were temporarily restructured to help respond to the COVID-19 pandemic and a significant number of staff were required to work from home while ensuring continuity of service.<sup>15</sup>

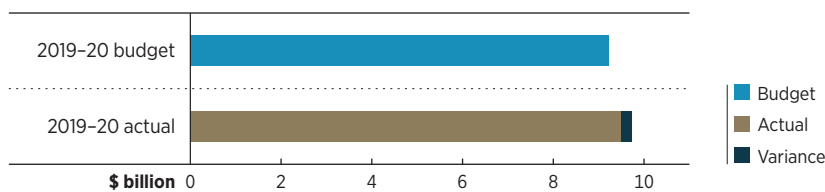
Lastly, DoT listed the integration of VicRoads and PTV as an internal challenge to the department. It stated that the machinery of government change ‘brings common functions together and creates new capabilities such as emerging technologies, user experience and commercial expertise to keep up with changing travel trends’—all of which requires adaptation of existing departmental work practices.<sup>16</sup>

## 5.4 Financial analysis

### 5.4.1 Expenditure

DoT’s actual output expenditure in 2019–20 was \$9.48 billion.<sup>17</sup> This is 2.7% (\$252.8 million) higher than the \$9.23 billion output expenditure allocated in the 2019–20 Budget.<sup>18</sup>

**Figure 5.1** Department of Transport variances in output expenditure, 2019–20



Source: Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, pp. 200–218 (Committee calculation).

<sup>15</sup> Ibid., pp. 113–115.

<sup>16</sup> Ibid., p. 115.

<sup>17</sup> Department of Transport, *Annual Report 2019–20*, pp. 200–218 (Committee calculation).

<sup>18</sup> Ibid. (Committee calculation).

Table 5.1 shows DoT's 2019–20 output expenditure broken down by individual output. The primary areas of variation are Transport Infrastructure (\$166.3 million over budgeted expenditure); Train Services—Metropolitan (\$129.0 million over); and Road Operations (\$94.3 million under).<sup>19</sup>

**Table 5.1 Department of Transport expenditure by output in 2019–20**

Outputs	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Bus Services—Metropolitan	769.8	747.3	-2.9
Bus Services—Regional	149.8	145.2	-3.1
Bus Services—Statewide	333.5	324.7	-2.6
Road Operations	1,757.5	1,663.2	-5.4
Train Services—Metropolitan	2,337	2,466.0	5.5
Train Services—Regional	1,271.5	1,303.6	2.5
Train Services—Statewide	314.5	300.8	-4.4
Tram Services	936.0	962.1	2.8
Regulation of Commercial Passenger Vehicle Services	116.7	99.8	-14.5
Transport Safety and Security	27.6	28.1	1.8
Ports, Freight and Boating	106.3	116.5	9.6
Road Asset Management	631.9	666.5	5.5
Transport Infrastructure	431.3	597.6	38.6
Sustainably Manage Fish Resources	41.6	56.4	35.6
<b>Total</b>	<b>9,225.0</b>	<b>9,477.8</b>	<b>2.7</b>

Source: Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, pp. 200–218 (Committee calculation).

DoT explained the higher than budgeted expenditure on Transport Infrastructure as 'due to funding releases for initiatives, including *North East Link*, *Airport Rail Link*, *M80 Ring Road Upgrades* and *Rail Infrastructure Upgrades*.'<sup>20</sup>

Expenditure on Train Services – Metropolitan was higher than budgeted in 2019–20 in part because of additional operating, maintenance and driver training costs associated with the *Big Build*, and because of the additional cleaning and operator payments caused by the COVID-19 response.<sup>21</sup>

<sup>19</sup> Ibid. (Committee calculation).

<sup>20</sup> Ibid., p. 216.

<sup>21</sup> Ibid., p. 205.



DoT reported that the total output cost for Road Operations is lower than budgeted due to the deferral of some initiatives. For example, only 60% of programmed metropolitan works were completed within agreed scope, standards, and agreed timeframes.<sup>22</sup>

**FINDING 32:** The Department of Transport's actual output expenditure in 2019–20 was \$9.48 billion, 2.7% higher than the budgeted output expenditure of \$9.23 billion. The primary drivers of the variance are added expenses from the COVID-19 response and the deferral of some initiatives, such as metropolitan road works.

## 5.4.2 Revenue and expenses

In 2019–20, DoT's actual output appropriations grew by 0.3% (\$19 million) compared to 2018–19, from \$7.45 billion to \$7.54 billion.<sup>23</sup> However, the total output appropriations included in the 2019–20 Budget was \$6.92 billion, which means output funding received from the State Government in 2019–20 was 9% higher than estimated.<sup>24</sup> DoT explained that this was due to the Government's response to COVID-19, 'the release of funding associated with the capital program' and 'user charges for services budgeted for under sale of goods and services'.<sup>25</sup>

All other line items comprising DoT's revenue decreased significantly, as shown in Table 5.2. Specifically, the reduction in 'Special appropriation' was due to lower revenue from traffic and on-the-spot fines as well as tollbooths, reclassification of project funding from operating to capital, and delays in the timing of the road safety program.<sup>26</sup>

**Table 5.2** Department of Transport budget versus actual revenue in 2019–20

Revenue source	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Output appropriations	6,920	7,541	9.0
Special appropriations	631	439	-30.4
Sale of goods and services	566	319	-43.6
Grants income	562	467	-16.9
Other	487	335	-31.2
<b>Total</b>	<b>9,166</b>	<b>9,101</b>	<b>-0.7</b>

Source: Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 10 February 2021, pp. 75–76 (Committee calculation).

<sup>22</sup> Ibid., p. 204.

<sup>23</sup> Ibid., pp. 205, 239 (Committee calculation).

<sup>24</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 126 (Committee calculation).

<sup>25</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 75.

<sup>26</sup> Ibid.

The machinery of government transfer of the Regional Jobs and Infrastructure Fund to DJPR effective from 1 January 2019 resulted in a year-on-year decrease in employee benefits, grants and other transfers, and other operating expenses for the department.<sup>27</sup> 2019–20 actual employee benefits reduced by 23% (\$189 million) compared to 2018–19 actual.<sup>28</sup>

### 5.4.3 Overall financial performance

Table 5.3 summarises DoT's financial performance in 2019–20.

**Table 5.3** Department of Transport: Summary of Comprehensive Operating Statement in 2019–20

Controlled Items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	9,167.0	9,100.5	-0.7
Expenses from transactions	9,224.0	9,477.7	2.8
<b>Net result</b>	<b>-57.0</b>	<b>-377.2</b>	<b>561.8</b>

Source: Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, p. 239 (Committee calculation).

Actual expenses from transactions were 4.1% higher than actual income, resulting in a net deficit of \$377.2 million in 2019–20.<sup>29</sup> In its response to the Committee's questionnaire, DoT commented that 'COVID-19 had no material impact on the department's overall financial performance.'<sup>30</sup> The department explained that the primary drivers of the deficit were 'additional expenditure on the Government's COVID-19 response and reduced farebox and commercial revenues'.<sup>31</sup> Although these two statements appear contradictory, the Committee agrees that the 4.1% deficit is technically under the threshold of materiality. Notwithstanding, COVID-19 had a measurable impact on the department's revenue and expenses in 2019–20.

**FINDING 33:** The Department of Transport's Comprehensive Operating Statement indicates a deficit of \$377.2 million was accrued in 2019–20. The department reported that the deficit was primarily derived from additional expenditure on the Government's COVID-19 response and reduced farebox and commercial revenues caused by the pandemic.

<sup>27</sup> Ibid., pp. 77–79.

<sup>28</sup> Ibid., p. 77 (Committee calculation).

<sup>29</sup> Department of Transport, *Annual Report 2019–20*, p. 239 (Committee calculation).

<sup>30</sup> Department of Transport, *Amendments to responses to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 23 February 2021, p. 1.

<sup>31</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 89.

### 5.4.4 Newly created bodies

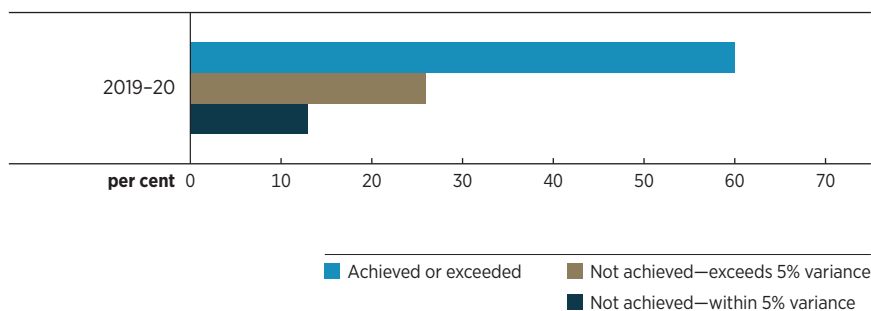
In 2019–20 three new bodies with a combined operating expenditure of approximately \$621.8 million<sup>32</sup> were added to the department:

- Road Safety Victoria (RSV) is a new budget unit within DoT that was created on 1 August 2019. RSV's role is to develop strategies and programs to reduce Victoria's road toll.<sup>33</sup>
- Major Transport Infrastructure Authority (MTIA) was created on 27 August 2019 as a transport body under the Transport Integration Act 2010. MTIA is responsible for planning, developing and delivering major transport projects in Victoria.<sup>34</sup>
- The SRLA was created as an Administrative Office on 3 September 2019. The SRLA will oversee the planning and development of the Suburban Rail Loop.<sup>35</sup>

## 5.5 Performance information

DoT achieved or exceeded 60% of the 172 performance measures published in its 2019–20 Annual Report (see Figure 5.2).<sup>36</sup> This represents an overall reduction in performance across the last three years, with DoT achieving 68% of 100 performance measures in 2017–18 and 62% of the 100 performance measures in 2018–19.<sup>37</sup>

**Figure 5.2** Department of Transport performance measurement results, 2019–20



Source: Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, pp. 200–218 (Committee calculation).

The department has 14 total outputs. For six outputs, DoT achieved exactly half or less than half of its performance measures during 2019–20.<sup>38</sup> The Train Services—Regional output achieved or exceeded 30% (3 of 10) of its performance measures. The Tram Services output achieved or exceeded 38% (5 of 13) performance measures and the

<sup>32</sup> Ibid., p. 116 (Committee calculation).

<sup>33</sup> Ibid.

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Department of Transport, *Annual Report 2019–20*, pp. 200–218 (Committee calculation).

<sup>37</sup> Department of Economic Development, Jobs, Transport and Resources, *Annual Report 2017–18*, Melbourne, 2018, pp. 195–247; Department of Transport, *Annual Report 2018–19*, Melbourne, 2019, pp. 154–182 (Committee calculation).

<sup>38</sup> Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, pp. 200–218 (Committee calculation).

Road Operations 44% (12 of 27).<sup>39</sup> The Ports, Freight and Boating; Transport Safety and Security; and Train Services – Metropolitan outputs each achieved or exceeded exactly 50% of their respective performance measures.<sup>40</sup>

Performance measures that have not been met since 2017–18 include:

- Road area treated: high strategic priority roads.
- Cycling projects completed.
- Service punctuality for regional train services.
- Level access tram stops upgraded.
- Major periodic maintenance works completed against plan: tram network.<sup>41</sup>

**FINDING 34:** In 2019–20 the Department of Transport achieved or exceeded 60% of its performance measures. The department has 14 outputs, six of which achieved half or less than 50% of performance measures during 2019–20.

## 5.6 Key issues

The Committee identified the following key issues from its review of DoT's 2019–20 Annual Report, DoT's response to the Committee's 2019–20 Financial and Performance Outcomes questionnaire, public hearings for the inquiry and responses to questions taken on notice. In brief, these are the effects of COVID-19 on the department's operations, cost increases and delays affecting the department's projects, and the development of major infrastructure projects.

### 5.6.1 Effect of COVID-19 on transport services

#### Transport user volumes

In 2019–20, the COVID-19 pandemic had a significant impact on the achievement of service usage performance measures across all modes of transport. Table 5.4 summarises the effect that COVID-19 restrictions had on the achievement of annual targeted passenger levels.

<sup>39</sup> Ibid., pp. 200–218 (Committee calculation).

<sup>40</sup> Ibid. (Committee calculation).

<sup>41</sup> Department of Economic Development, Jobs, Transport and Resources, *Annual Report 2017–18*, pp. 195–247; Department of Transport, *Annual Report 2018–19*, pp. 154–182; Department of Transport, *Annual Report 2019–20*, pp. 200–218.

**Table 5.4** Public transport passenger volumes in 2019–20

Passengers carried	2019–20 Target (million)	2019–20 Actual (million)	Variation (%)
Metropolitan bus services	119.5	97.9	-18.1
Regional bus services	14.3	11.0	-23.1
Metropolitan train services	246.2	187.6	-23.8
Regional train and coach services	23.2	17.9	-22.8
Tram services	208.1	141.8	-31.9
Number of Multipurpose Taxi trips subsidised	5.7	4.8	-16.4

Source: Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, pp. 200–218 (Committee calculation).

During the COVID-19 lockdown from March to May 2020, public transport passengers fell by 90% on normal volumes.<sup>42</sup> DoT informed the Committee that during this time the department’s public transport operators ‘continued to run a full timetable to make sure people who continued to work or who needed access to essential services could still travel’, and provided additional cleaning services to reduce the potential spread of COVID-19 via public transport.<sup>43</sup> The department noted in a question taken on notice that the Department of Treasury and Finance (DTF) funded DoT with \$49.96 million from the beginning of the pandemic to December 2020 to support additional COVID-19 cleaning requirements.<sup>44</sup> The department also noted that ‘Public Transport Operators send monthly COVID-19 cleaning invoices and relevant substantiations to DOT, who periodically report on these to DTF’.<sup>45</sup>

The department also noted that patronage volumes recovered to 70% lower than normal by late June, but that the pandemic had ‘meant more people are choosing to drive instead of using public transport.’<sup>46</sup> Road traffic volume showed a decline during the March to May lockdown but returned to near normal levels by the end of June.<sup>47</sup> The Committee notes that the relevant time period for the 2019–20 financial year excludes the July to October lockdown and passenger volumes are therefore likely to be significantly reduced for the 2020–21 reporting period as well.

**FINDING 35:** The COVID-19 pandemic was the primary driver behind the fall in annual passenger volumes across all modes of public transport. Despite the reduced passenger volumes, the Department of Transport and its transport providers continued to deliver a full timetable of public transport services.

<sup>42</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 13.

<sup>43</sup> Ibid.

<sup>44</sup> Mr Paul Younis, Secretary, Department of Transport, 2019–20 Financial and performance outcomes hearing, response to question on notice, received 10 February 2021, p. 1.

<sup>45</sup> Ibid.

<sup>46</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 13–14.

<sup>47</sup> Department of Transport, *Annual Report 2019–20*, p. 192.

## Financial impact on the department

DoT reported an income of \$250.4 million from the supply of transport services in 2019–20 and provided \$2.49 billion in payments to public transport service providers.<sup>48</sup> The department outlined in its questionnaire that support payments were extended to providers with the ‘agreement that revenue would be returned to [the] State when revenues exceed targets in future years’.<sup>49</sup>

The Committee attempted to compare the payments made to transport service providers in 2018–19 to 2019–20. The Committee notes that DoT’s 2019–20 financial performance for public transport is not directly comparable to prior financial years because 2019–20 is the first accounting period in which the department includes balances formerly associated with PTV due to the 2019 machinery of government change.<sup>50</sup> However, for the purposes of general comparison, in 2018–19 PTV reported \$331.9 million in income from the supply of transport services, which suggests that passenger revenues fell around 24.6% due to the COVID-19 pandemic.<sup>51</sup> The 2018–19 PTV Annual Report recorded that \$3.48 billion (as opposed to \$2.49 billion in 2019–20) was made as payments to service providers and transport agencies. However, this figure cannot be reconciled with payments made by the integrated DoT in 2019–20.<sup>52</sup>

Therefore, the Committee is unable to identify payments to providers to cover the revenue from public transport ticketing forgone due to COVID-19 restrictions and additional operating costs.

DoT provided the Committee with a list of COVID-19 costs that the department funded via emergency advances from the Treasury. A total of \$234.8 million in COVID-19 related advances were paid out to 30 June 2020, as summarised below:

- Support for the metropolitan public transport network and services during the COVID-19 pandemic and provision of transfers to hotel quarantine—\$145.8 million.
- Support for the regional public transport network and services—\$27 million.
- Support for public transport rail partnerships as a result of COVID-19 impacts—\$25.2 million.
- Additional cleaning of public transport to slow the spread of COVID-19—\$16.2 million.
- Fast tracking of licence testing and fee for all learner permit, hazard perception and driving test customers impacted by the suspension of appointments—\$12.8 million.

<sup>48</sup> Ibid., pp. 45, 52.

<sup>49</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 13–14.

<sup>50</sup> Department of Transport, *Annual Report 2019–20*, pp. 36–37.

<sup>51</sup> Public Transport Victoria, *Annual Report 2018–19*, Melbourne, 2019, p. 75.

<sup>52</sup> The Committee also considered the \$5.46 billion total expenses for service providers and transport agencies in PTV’s Comprehensive Operating Statement. However, neither of these figures can be reconciled with the \$2.49 billion figure reported in DoT’s 2019–20 Annual Report due to the significant unexplained variance. Source: Public Transport Victoria, *Annual Report 2018–19*, pp. 75, 77.

- 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—\$7.8 million.<sup>53</sup>

**FINDING 36:** The Department of Transport received \$324.8 million in COVID-19 related advances from government during 2019–20 and experienced an indicative reduction in passenger revenues of 24.6%.

**RECOMMENDATION 9:** The Department of Transport include a breakdown of COVID-19 related costs in its 2020–21 Annual Report, to allow a clear distinction to be made between the department's financial performance and the effects of the COVID-19 pandemic.

**RECOMMENDATION 10:** Any additional amount paid to public transport service providers and agencies due to the COVID-19 pandemic should be disclosed in the Department of Transport's 2020–21 Annual Report and 2021–22 State Budget.

### Availability and quality of services

The COVID-19 pandemic had little to no effect on the availability of Victorian public transport in 2019–20, with all modes of public transport exceeding 2018–19 levels of punctuality and only regional trains and metropolitan trams experiencing a slight decrease on 2018–19 rates of scheduled service delivery.<sup>54</sup> Passenger volumes for bus, train and tram services were down an average 22% on 2018–19 levels, with trams recording 63.6 million fewer passengers than 2018–19, metropolitan trains 55.6 million fewer, and metropolitan buses 23.9 million fewer passengers.<sup>55</sup>

All modes of transportation recorded improved customer satisfaction scores on 2018–19.<sup>56</sup> PTV's 2018–19 Annual Report noted that about 10,000 people are surveyed across Victoria each year using a Customer Satisfaction Monitor.<sup>57</sup> The Monitor is a random survey of fixed line phone numbers in post codes served by the relevant transport mode.<sup>58</sup> DoT's 2019–20 Annual Report does not specify the methodology behind its customer satisfaction scores or whether this has changed since the merger of PTV and the department.

<sup>53</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 80–82 (Committee calculation).

<sup>54</sup> Department of Transport, *Annual Report 2019–20*, pp. 192–193.

<sup>55</sup> *Ibid.*, pp. 200–218; Department of Transport, *Annual Report 2018–19*, pp. 169–179 (Committee calculation).

<sup>56</sup> Department of Transport, *Annual Report 2019–20*, p. 194.

<sup>57</sup> Public Transport Victoria, *Annual Report 2018–19*, p. 20.

<sup>58</sup> *Ibid.*

The pandemic and bushfires did, however, affect the availability of vehicle registrations and safety inspections. All light vehicle drive tests, medical-review driver testing, and computer-based licence tests were suspended during the pandemic response and volume-based activities such as vehicle registration transfers were significantly reduced.<sup>59</sup> Table 5.5 summarises the services most affected.

**Table 5.5** Vehicle inspection and service performance measures for 2019–20

Performance measure	2019–20 Target (number)	2019–20 Actual (number)	Variation (%)
New driver licences issued	184,000	172,000	-6.5
New vehicle registrations issued	630,000	550,000	-12.7
Vehicle registration transfers	956,000	882,000	-7.7
State maritime training providers audited	23	8	-65.2
State maritime safety law vessel inspections	500	457	-8.6
Risk assessment of managed and unmanaged Victorian waterways	30	20	-33.3

Source: Department of Transport, *Annual Report 2019–20*, Melbourne, 2020, pp. 200–218 (Committee calculation).

**FINDING 37:** As a result of the COVID-19 pandemic, vehicle registration and safety checks for light vehicles, heavy vehicles and maritime vessels fell significantly in 2019–20.

## 5.6.2 Cost increases and project delays affecting transport projects

### Project cost increases

DoT identified 31 projects in 2019–20 with a revised total estimated investment (TEI) that varied by at least 5% or \$50 million from the TEI originally announced.<sup>60</sup> Twenty-six (84%) of the projects recorded a revised TEI that was higher than initially announced, while five recorded TEI reductions.<sup>61</sup> The combined value of cost increases for the 26 projects was around \$3.7 billion.<sup>62</sup>

As indicated in Figure 5.3, most of the total cost increases are derived from project upgrades and extending road infrastructure, improving the train fleet, and upgrading of rail lines.

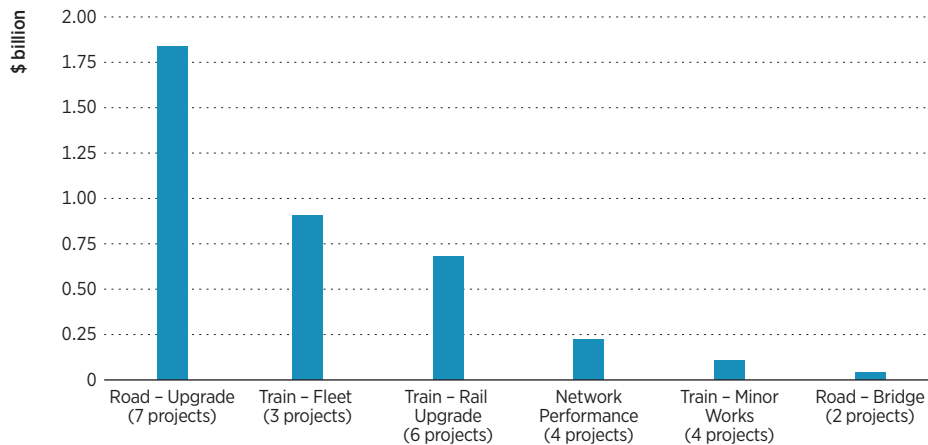
<sup>59</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 13

<sup>60</sup> *Ibid.*, pp. 37–43.

<sup>61</sup> *Ibid.* (Committee calculation).

<sup>62</sup> *Ibid.* (Committee calculation).



**Figure 5.3** Department of Transport—projects with cost increases in 2019–20

Source: Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 10 February 2021, pp. 37–43 (Committee calculation).

The five projects with the greatest cost increases as of 2019–20 have been listed in Table 5.6 along with the initial budget at announcement of the project.

**Table 5.6** Department of Transport top five projects with greatest TEI increase as of 2019–20

Project	Initial TEI (\$ million)	Revised TEI (\$ million)	Variance (%)
High Capacity Metro Trains	1,301	2,176	67
West Gate Tunnel	5,500	6,302	15
Level Crossing Removal Program	6,000	6,759	13
Murray Basin Rail Project	220	568	158
Caulfield to Dandenong conventional signalling and power infrastructure upgrade	360	608	69

Source: Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 10 February 2021, pp. 37–43 (Committee calculation).

**FINDING 38:** In 2019–20, 31 transport projects reported a combined \$3.7 billion increase in the total estimated investment (TEI), or cost, compared to the initial TEI at announcement.

### Explaining project cost variation

DoT provided an explanation for each TEI variation in its response to the Committee’s questionnaire. Eighty-one per cent of the variations were attributed to scope change, additional works, additional funding, or a change in funding recognition (for example, reclassifying operating expenses as capital expenses).<sup>63</sup> The Committee notes—as it previously did for the 2017–18 and 2018–19 financial years—that these explanations do

63 Ibid.

not fully illuminate the underlying issues causing the TEI variation.<sup>64</sup> For example, DoT gave the following explanation for a \$8.99 million TEI increase in the *More train, tram and bus services* project:

TEI has increased by \$8.99 million in the 2017–18 State Budget due to \$8.30 million transferred from operating to capital from a better understanding of costs following detailed delivery scope and \$0.69 million additional services as per the revised project scope.<sup>65</sup>

This example demonstrates how general accounting and project planning terms do not identify the original reason why the scope changed, or additional works were needed. The Committee is primarily interested in the specific reason underlying cost increases and the likelihood of future cost increases, not the accounting treatment of the underlying cause.

DoT explained the \$759 million increase in TEI for the *Level Crossing Removal Program* as follows: ‘TEI was increased in the 2017–18 State Budget to include the cost of 10 level crossings which were previously listed separately in Budget Papers’.<sup>66</sup> The explanation does not make clear whether an additional \$759 million was needed to be drawn from consolidated revenue or if this is an accounting change with a zero financial impact.

**FINDING 39:** The explanations provided by the Department of Transport for variations in project total estimated investment do not always identify the underlying cause necessitating the increased expenditure in 2019–20.

The low quality of explanations regarding TEI variations has consistently been noted by the Committee since the 2017–18 and 2018–19 Financial and Performance Outcomes inquiry because major transport projects are a significant component of the Government’s expenditure and an area of significant public interest. The department should prioritise timely public disclosure of issues that impact on the cost and scheduled completion of major transport infrastructure through the Committee process or ideally through more direct online reporting that can be accessible to all interested parties.

**RECOMMENDATION 11:** The Department of Transport provide detailed explanations of the underlying cause of variations in major projects’ total estimated investment. Over the longer term, the Committee recommends the adoption of a more direct method for disclosing issues and achievements relating to major projects.

<sup>64</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, July 2020, p. 84.

<sup>65</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 40.

<sup>66</sup> *Ibid.*, p. 39.

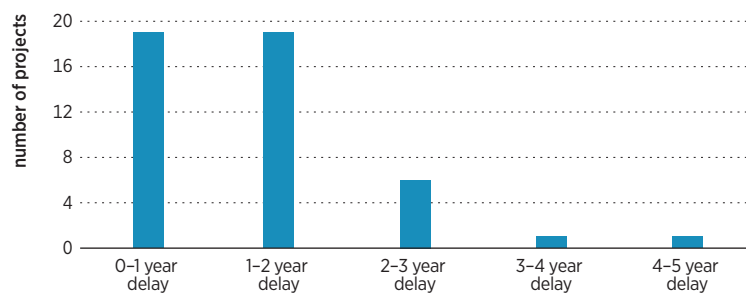
## Project delays

DoT identified 56 projects with revised completion dates in 2019–20 that differed from the estimated date at announcement.<sup>67</sup> Of the 56 projects in 2019–20, nine were revised downward due to accelerated works or early completion.<sup>68</sup>

The 46 projects with extended timeframes were delayed for a range of reasons including scheduling conflicts (38%); a delay in works or unforeseen tasks (30%); planning and approvals (13%); consultation (11%); and land acquisition (9%).<sup>69</sup> The Committee notes that, in almost all cases, the reasons given by DoT for project delays were clear and unambiguous.

However, the duration of delays is quite significant with the average revision to completion date an increase of one year and two months. Figure 5.4 shows the full distribution in years. Sixty per cent of projects were tracking more than one year behind the original schedule, up from 40% in 2018–19.<sup>70</sup> The explanations given by DoT for these delays do not include COVID-19 related issues and only one explanation referred to the bushfire recovery.

**Figure 5.4** Department of Transport—number of projects with delivery delays in 2019–20



Source: Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 10 February 2021, pp. 43–50 (Committee calculation).

**FINDING 40:** In 2019–20, the Department of Transport identified 46 projects with timeframes that extended beyond the initial completion date and nine scheduled for early completion. The average timetable variation was an increase of 14 months. Based on the explanations given by the department, these variations are independent of the COVID-19 pandemic.

<sup>67</sup> Ibid., pp. 43–50.

<sup>68</sup> Ibid.

<sup>69</sup> Ibid.

<sup>70</sup> Ibid; Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, pp. 86–87.

### 5.6.3 Delivery of major infrastructure projects

During the hearing, the Committee requested additional detail regarding the progress of Victoria's largest infrastructure projects. In particular, the department provided additional information about the *North East Link* and the *Suburban Rail Loop*.

#### ***North East Link***

During the public hearing, the department described the *North East Link* as 'the State's largest road infrastructure project' and the 'key missing link between the end of the ring-road at Greensborough—the M80—and the Eastern Freeway and EastLink', designed to carry 135,000 vehicles per day.<sup>71</sup>

*North East Link* is one of several major projects overseen by the newly established MTIA, an administrative office operating within the department from 27 August 2019.<sup>72</sup> As such, financial information for the project is aggregated into the MTIA, although the department did report in its response to the Committee's questionnaire that the project received two budget supplementations in 2019–20, totalling \$123.2 million.<sup>73</sup>

The first advance of \$84.9 million was for unused prior years appropriations and the second of \$38.2 million was identified as a Temporary Advance under section 35 of the *Financial Management Act*, released early 'as construction milestones [were] met.'<sup>74</sup> A Temporary Advance is made to 'meet urgent funding claims before obtaining parliamentary sanction' and are effectively 'loans' that must be 'repaid immediately once parliamentary sanction is obtained.'<sup>75</sup> The department did not specify which milestones were completed ahead of schedule to necessitate the Temporary Advance.

Construction is due to commence on the *North East Link* in the 2021 calendar year. In its questionnaire response the department listed the following preparatory works completed in 2019–20:

Awarded the North East Link early works package contract and released the primary package request for proposal. The Minister for Planning released his assessment of the Environment Effects Statement. Legislation was passed to establish the North East Link State Tolling Corporation. Early works construction including moving 34 kilometres of gas, water, sewer pipes and drains ... to prepare for major construction.<sup>76</sup>

The Committee notes that in 2019–20 the department also settled a Supreme Court case with several local councils regarding the environmental impact of the project. The settlement required the Government to separately fund a range of local projects agreed

71 Mr Duncan Elliot, Chief Executive Officer, North East Link Project, 2019–20 Financial and performance outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, p. 29.

72 Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 116.

73 *Ibid.*, pp. 18, 33.

74 *Ibid.*

75 Victorian Auditor-General's Office, *Accessing Emergency Funding to Meet Urgent Claims*, Melbourne, November 2020, pp. 10–11.

76 Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 9.

to during mediation.<sup>77</sup> The department's Annual Report and questionnaire response do not specify the cost of this settlement, although the 2019–20 Annual Report includes the figure of \$3.5 million for legal claims in 2019–20.<sup>78</sup>

The North East Link is one of several projects administered by the MTIA. The project received two budget supplementations in 2019–20, totalling \$123.2 million. The first advance of \$84.9 million was for unused prior years appropriations and the second of \$38.2 million was identified as a Temporary Advance under section 35 of the *Financial Management Act*, released early as construction milestones were met. However, the department did not specify which milestones were completed ahead of schedule to necessitate the Temporary Advance.

### ***Suburban Rail Loop***

The *Suburban Rail Loop* represents, according to DoT, the 'biggest transformation of public transport in Victoria—a new 90-kilometre rail line circling Melbourne's suburbs, with 12 new underground stations that connect every major rail line from the Frankston line to the Werribee line'.<sup>79</sup>

The department established the SRLA effective from 3 September 2019 in order to oversee the *Suburban Rail Loop* project. The SRLA was staffed with 89.5 full time equivalent employees as at 30 June 2020 and recorded \$32.3 million in operating expenses during 2019–20.<sup>80</sup> The department reports that significant progress has been made with the design and development of the Suburban Rail Loop, particularly Stage One Box Hill and Cheltenham.<sup>81</sup> During the public hearing the department made it clear that there are three stages comprising the full project, with stages two and three yet to be fully developed and costed.<sup>82</sup>

DoT's response to the Committee's questionnaire noted that the investment case for the entire project was due for completion in 2021.<sup>83</sup> During the public hearing the Committee tried to ascertain the nature of this document and how it relates to the business case also being developed.<sup>84</sup> The department responded that an investment case canvassing financial options was being developed for the entire project and a detailed business case including construction specifications was being developed for the first stage of construction.<sup>85</sup> The department did not provide greater detail about

<sup>77</sup> Mr Duncan Elliot, *Transcript of evidence*, pp. 13–14.

<sup>78</sup> Department of Transport, *2019–20 Annual Report*, p. 152.

<sup>79</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 32.

<sup>80</sup> *Ibid.*, pp. 88, 116.

<sup>81</sup> *Ibid.*, pp. 8–9.

<sup>82</sup> Mr Paul Younis, Secretary, Department of Transport, 2019–20 Financial and performance outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, pp. 18–19.

<sup>83</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 65.

<sup>84</sup> Mr Danny O'Brien MP, Public Accounts and Estimates Committee, 2019–20 Financial and performance outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, p. 18.

<sup>85</sup> Mr Paul Younis, *Transcript of evidence*, p. 18.

when the full investment case would be completed in 2021.<sup>86</sup> The department confirmed that construction on Stage One will begin in 2022.<sup>87</sup>

The department further reported that a Temporary Advance of \$101.4 million was received in 2019–20 due to project construction milestones being met, although the department did not specify which milestones.<sup>88</sup>

The department did not provide an indicative total cost or timeline for the project to the Committee, observing that the project would span multiple decades and require ‘flexibility through the entire program’.<sup>89</sup> DoT noted that the investment case due in 2021 would provide more detail regarding the total cost of the project.<sup>90</sup>

**FINDING 41:** The Suburban Rail Loop is administered by the Suburban Rail Loop Authority (SRLA). The SRLA is currently engaged in developing the business case for the first third of the project as well as the overarching investment case, which will provide more detail regarding the total cost and duration of the project.

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<sup>86</sup> Ibid., p. 2.

<sup>87</sup> Ibid., p. 18.

<sup>88</sup> Department of Transport, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 32.

<sup>89</sup> Mr Paul Younis, *Transcript of evidence*, p. 19.

<sup>90</sup> Ibid.

# 6 Department of Justice and Community Safety

## 6.1 Overview

The Department of Justice and Community Safety (DJCS) leads the delivery of justice and community safety services in Victoria by providing policy and organisational management. DJCS manages the development and implementation of a range of laws, regulations and policy areas across the portfolio and ensures all elements of the justice and community safety system are working efficiently and effectively.<sup>1</sup>

DJCS currently supports eight portfolios: Attorney-General, Corrections, Youth Justice, Victim Support, Crime Prevention, Workplace Safety, Police and Emergency Services and Consumer Affairs, Gaming and Liquor Regulation.<sup>2</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>3</sup> and privacy rights
- a fair marketplace for Victorian consumers and businesses with responsible and sustainable liquor and gambling sectors.<sup>4</sup>

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1 Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, p. 3.

2 Ibid.

3 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: 2020–21 service delivery*, Melbourne, 2020, p. 311.

4 Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, pp. 285–286.

## 6.2 Outcomes in the community across 2019–20

DJCS outlined the following programs that delivered the most important outcomes in the community in 2019–20:

- Fire services reform. The reforms established Fire Rescue Victoria and realigned the Country Fire Authority as a community-based volunteer firefighting organisation. DJCS stated that the creation of a new fire services model resulted in modernised structures and service delivery to better manage fire risk.
- Common Clients program including Local Sites Executive Committees. Four Common Client Demonstration Sites were launched in 2019–20. These sites are place-based governance mechanisms comprising representatives from DJCS, the Department of Health and Human Services, Victoria Police, the Department of Education and Training, local courts and funded agencies whose purpose is to implement operational change and reform to improve outcomes for clients.
- COVID-19 security and responsiveness in the prison system. DJCS outlined actions taken to prevent outbreaks of COVID-19 within the prison system. As a result, there was no “prisoner-to-prisoner” transmission in Victoria’s correctional facilities.<sup>5</sup>

## 6.3 Challenges

The Committee asked DJCS to identify the main challenges faced by the department in 2019–20. DJCS, Victoria Police and WorkSafe Victoria identified multiple challenges experienced due to the COVID-19 pandemic. These included:

- the increase in the State Control Centre’s operations and workload due to the sustained emergencies of the 2019–20 bushfire season and the COVID-19 pandemic
- the requirement for Victoria Police to increase its scope of work and set up operations at short notice during the pandemic and 2019–20 bushfires
- the economic impact of COVID-19 health restrictions on the Victorian community including businesses, workers, landlords and tenants.<sup>6</sup>

The department identified further challenges unrelated to the pandemic including:

- an increasing and continued demand for prison beds following significant growth in remanded prisoner numbers
- bereavement support required for the response to the 2019–20 bushfires. As a result, DJCS set up a new service to respond to bereaved families.<sup>7</sup>

<sup>5</sup> Department of Justice and Community Safety, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 5 February 2021, pp. 12–16.

<sup>6</sup> *Ibid.*, pp. 195–204.

<sup>7</sup> *Ibid.*, pp. 200–201.

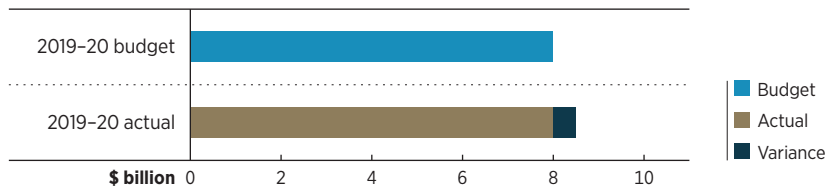


## 6.4 Financial analysis

### 6.4.1 Expenditure

In 2019–20 DJCS's budget was \$8 billion. Actual expenditure for the year was \$8.5 billion, representing a variance of 7% (\$577.6 million).<sup>8</sup>

**Figure 6.1** Department of Justice and Community Safety variances in output expenditure, 2019–20



Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, pp. 126–149 (Committee calculation).

Table 6.1 illustrates DJCS's expenditure by output and the variance between the 2019–20 Budget and actual expenditure. The Public Sector Integrity output was transferred to DJCS following machinery of government changes on 1 May 2020. DJCS accounted for the cost of the output on a pro rata basis in 2019–20.<sup>9</sup>

**Table 6.1** Department of Justice and Community Safety expenditure by output in 2019–20

Output	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Policing and Crime Prevention	3,563.3	3,777.4	6.0
Community Based Offender Supervision	290.2	274.1	-5.5
Prisoner Supervision and Support	1,651.2	1,549.7	-6.1
Youth Justice Custodial Services	168.1	169.8	1.0
Youth Justice Community-Based Services	67.0	70.3	4.9
Public Prosecutions and Legal Assistance	286.4	312.6	9.1
Infringements and Warrants	230.3	219.2	-4.8
Victims and Community Support Services	75.7	92.3	21.9
Protection of Personal Identity and Individual/ Community Rights	55.5	80.0	44.1
Dispute Resolution and Civil Justice Support Services	51.3	60.2	17.3
Emergency Management Capability	1,203.3	1,578.6	31.2

<sup>8</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 126–149 (Committee calculation).

<sup>9</sup> *Ibid.*, p. 148.

Output	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Regulation of the Victorian Consumer Marketplace	155.1	127.4	-17.9
Gambling and Liquor Regulation	82.9	86.1	3.7
Public Sector Integrity	Not budgeted	17.0	-
Criminal Law Support and Reform	76.6	123.0	60.6
<b>Total</b>	<b>7,956.8</b>	<b>8,534.5</b>	<b>7.0</b>

Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, pp. 126–149 (Committee calculation); Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 288.

DJCS recorded significant variances between the 2019–20 Budget and actuals in several outputs:

- Criminal law support and reform—total overspend of 61% (\$46.4 million).
- Protection of Personal Identity and Individual/Community Rights—total overspend of 44% (\$24.5 million).
- Emergency management capability—total overspend of 31% (\$375.3 million).
- Regulation of the Victorian Consumer Marketplace—total underspend of 17.9% (\$27.7 million).<sup>10</sup> This output covers a few authorities that provide information on consumer law and undertake compliance, registration and licensing. It includes consumer complaints, residential building disputes and regulation of the residential tenancies market.<sup>11</sup>

**FINDING 42:** Of the Department of Justice and Community Safety’s 14 outputs published in the 2019–20 Budget, 10 exceeded their budgeted output cost. The Regulation of the Victorian Consumer Marketplace output reported an underspend of 17.9%.

## 6.4.2 Revenue and expenses

DJCS’ output appropriations increased in 2019–20 by \$759.2 million or 10% since 2018–19.<sup>12</sup> DJCS explained the year-on-year increase as mainly due to:

- new initiatives announced in the 2019–20 Budget
- incremental increases in fixed priced contracts for prisons and Fines and Enforcement Services
- incremental funding for initiatives announced in previous budgets
- increases in Treasurer’s Advances

<sup>10</sup> Ibid., pp. 126–149 (Committee calculation).

<sup>11</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 313.

<sup>12</sup> Department of Justice and Community Safety, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 83.

- incremental indexation and Enterprise Agreement for operational firefighters
- the impact of an accounting standard change on Victoria Police
- the transfer of integrity agencies to the department.<sup>13</sup>

DJCS' employee expenses grew by \$359.3 million or 9% in 2019–20 compared to 2018–19. This growth was due to a number of reasons including: additional incremental funding for more staff, increased costs to Victoria Police associated with their Enterprise Agreement, WorkCover costs and costs associated with the Victorian bushfires and the COVID-19 pandemic and additional staff for new output initiatives announced in the 2019–20 Budget.<sup>14</sup>

### 6.4.3 Overall financial performance

Table 6.2 summarises DJCS' financial performance in 2019–20.

**Table 6.2** Department of Justice and Community Safety: Summary of Comprehensive Operating Statement in 2019–20

Controlled Items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	7,950	8,550	7.5
Expenses from transactions	7,957	8,541	7.3
<b>Net result</b>	<b>-7</b>	<b>9</b>	<b>-</b>

Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, p. 118.

**FINDING 43:** In 2019–20 the Department of Justice and Community Safety's income exceeded its expenses by \$9 million. While the department budgeted a negative net result of \$7 million in 2019–20, the actual result was a positive net result of \$9 million.

### 6.4.4 Newly created bodies

One new body was created in 2019–20—the Chief Dispute Resolution Officer (CDRO) of the Residential Tenancies Dispute Resolution Scheme (RTDRS). The total expenditure of the body was \$1.2 million in 2019–20.<sup>15</sup>

The CDRO assesses referred payment related tenancy disputes for alternative dispute resolution, assists parties to reach rent reduction agreements, and can make a binding decision on rent reduction.<sup>16</sup> The RTDRS and CDRO were created in the context of the

<sup>13</sup> Ibid., pp. 83–85.

<sup>14</sup> Ibid., pp. 91–92.

<sup>15</sup> Ibid., p. 205.

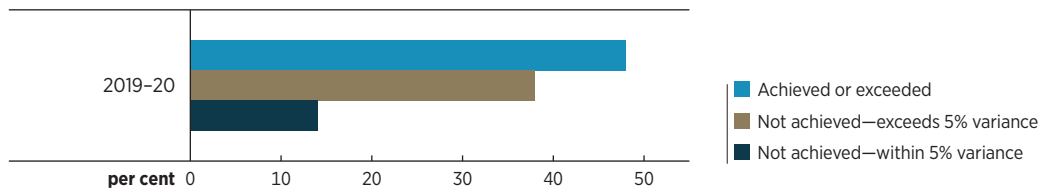
<sup>16</sup> Ibid.

COVID-19 pandemic to assist landlords and tenants to resolve disputes and agree on rent reductions.<sup>17</sup>

## 6.5 Performance information

In 2019 DJCS achieved or exceeded 48% of the performance measures outlined in its Annual Report 2019–20. Fourteen per cent were not achieved within the 5% variance and 38% were not achieved exceeding the variance (Figure 6.2).<sup>18</sup> This represents a decline in performance from 2018–19, during which the department achieved 60% of its performance measures.<sup>19</sup>

**Figure 6.2** Department of Justice and Community Safety performance measurement results, 2019–20



Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, pp. 126–149 (Committee calculation).

**FINDING 44:** In 2019–20 the Department of Justice and Community Safety did not achieve 52% of its performance measures.

Performance measures that were not met in 2017–18, 2018–19 and 2019–20 include:

- Proportion of benchmark measures in prison services agreement achieved.
- Rate of return to prison within two years.
- Successful completion of reparation orders.
- Successful completion of supervised court orders.
- Infringement notices processed.
- Total reported road fatalities in vehicle collisions.<sup>20</sup>

<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*, August 2020, p. 98.

<sup>18</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 126–149 (Committee calculation).

<sup>19</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 Financial and Performance Outcomes*, July 2020, p. 106.

<sup>20</sup> *Ibid.*, pp. 106–107; Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 126–149.

**FINDING 45:** The Department of Justice and Community Safety has not met several of the same performance measures in 2017–18, 2018–19 and 2019–20. These include four performance measures from the ‘Community-Based Offender Supervision’ and ‘Prisoner Supervision and Support’ outputs.

Issues relevant to DJCS’ performance measures and the impact of the COVID-19 pandemic on meeting performance targets are discussed further in Section 6.5.1.

### 6.5.1 Issues identified with performance measures

During the budget outcomes hearing the Committee discussed a number of the department’s performance measures, questioning how useful some measures were if they were not aligned with a stated or desired outcome.<sup>21</sup>

The performance measure ‘Infringement notices processed’ was discussed, which in 2019–20 set a target of 2.7–2.9 million infringement notices to be issued by the road safety camera network.<sup>22</sup> The Committee noted that such a measure is not outcomes-based or related to reducing speeding on Victorian roads, but simply measures how many fines have been given.<sup>23</sup>

Similarly the Committee noted that the performance measure ‘Proportion of drivers tested who return a clear result for prohibited drugs’, set at a target of 93% in 2019–20, was not sufficiently aligned to a desired outcome and had the potential to result in needless testing to reach the target, or targeting testing to certain locations to ensure the performance measure could be met.<sup>24</sup>

The Secretary of DJCS told the Committee:

across all our metrics...we are trying to move to more of an outcomes-based approach to measurement—to go to your very point in terms of what is important for us to measure, to capture—and to have conversations with the community about why we have set those targets...those discussions are still in progress with our colleagues in [the Department of Treasury and Finance] DTF.<sup>25</sup>

**RECOMMENDATION 12:** The Department of Justice and Community Safety replace the performance measures ‘Infringement notices processed’ and ‘Proportion of drivers tested who return a clear result for prohibited drugs’ with outcomes-based measures in the next budget.

21 Mr David Limbrick MLC, Public Accounts and Estimates Committee, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, pp. 26–28.

22 Department of Justice and Community Safety, *Annual Report 2019–20*, p. 136.

23 Mr David Limbrick MLC, *Transcript of evidence*, p. 27.

24 *Ibid.*, pp. 27–28.

25 Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 27.

## 6.6 Key issues

The Committee identified the following key issues from its review of DJCS' 2019–20 Annual Report, DJCS' response to the Committee's 2019–20 Financial and Performance Outcomes questionnaire, public hearings for the inquiry and questions taken on notice.

### 6.6.1 Impact of the COVID-19 pandemic

The COVID-19 pandemic and the health response undertaken by the Victorian Government to slow the spread had far reaching ramifications, including on Victoria's wider justice system and on the ability of Victorians to access justice in a timely, fair and efficient manner.

During 2019–20, DJCS undertook significant work to deliver emergency responses and endeavoured to ensure Victorians had continued access to justice and social services during the COVID-19 pandemic.<sup>26</sup> Due to the varied responsibilities of DJCS, the department had overall responsibility for a number of COVID-19 responses including:

- Enacting the *COVID-19 Omnibus (Emergency Measures) Act 2020*, which provided a range of emergency measures.
- Delivery of the RTDRS to facilitate dispute resolution and rent reductions during the pandemic.
- The role of Victoria Police, which included enforcing public health directions and several targeted police actions.
- Enacting practice and policy changes in corrections and youth justice facilities to reduce the risk of infection.
- Developing and implementing alternative service delivery models and targeted support services for justice and social services clients.
- Continued operations of the State Control Centre.<sup>27</sup>

#### Performance measures

The impact of the COVID-19 pandemic on the department and its ability to deliver services is demonstrated by its Annual Report 2019–20 and the performance outcomes included in the report. Of DJCS' 191 performance measures, 99 were not met.<sup>28</sup> Approximately half of the performance measures not met were negatively impacted by the COVID-19 pandemic.<sup>29</sup>

<sup>26</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 10.

<sup>27</sup> *Ibid.*, pp. 9–10; Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic: Interim Report*, pp. 119, 126–127, 129, 135.

<sup>28</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 126–149 (Committee calculation).

<sup>29</sup> *Ibid.* (Committee calculation); Ms Rebecca Falkingham, *Transcript of evidence*, p. 33.

The outputs most affected by the pandemic were Prisoner Supervision and Support, Public Prosecutions and Legal Assistance, and Gambling and Liquor Regulation.<sup>30</sup> The Committee notes that while COVID-19 did have a significant impact on DJCS' ability to deliver its services and meet its performance targets, 31% of performance measures impacted by COVID-19 in 2019–20 were also not met in 2018–19.<sup>31</sup>

**FINDING 46:** The COVID-19 pandemic had a significant impact on the Department of Justice and Community Safety's ability to provide services and meet its performance measures in 2019–20. Of the 99 performance measures not met, approximately half of the performance measures were impacted negatively by the COVID-19 pandemic.

### COVID-19 funded initiatives

During 2019–20, DJCS initiated a number of programs related to the COVID-19 pandemic, including additional funding to Victorian Legal Aid (VLA) and other frontline services, funding for the Commercial and Residential Tenancies hardship scheme and contributions to the whole of government initiative *Supporting Victoria's Aboriginal Community during COVID-19*.<sup>32</sup> Five on-budget programs were initiated, a number of which were funded as components of other department's initiatives. Four of the five programs were retroactively funded in the 2020–21 Budget with a total cost of \$12.3 million as of 30 June 2020.<sup>33</sup>

*Additional legal assistance services and information communication technology upgrades*, which received \$9.2 million in funding, is the only COVID-19 program with which DJCS does not share responsibility with other departments. This program provided funding to VLA and 40 community legal centres to assist those services to meet demand during the pandemic and to upgrade technology to provide services remotely.<sup>34</sup> In response to the questionnaire DJCS advised outcomes of this initiative will be reported at a milestone in 2021 but did not outline any applicable performance measures.<sup>35</sup> It is unclear how DJCS will publicly report on the outcomes of this initiative.

**FINDING 47:** The initiative *Additional legal assistance services and information communication technology upgrades* received \$9.2 million in funding in the 2019–20 year. The Department of Justice and Community Safety did not provide details of any relevant performance measures or public reporting arrangement for the outcomes of this initiative.

<sup>30</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 126–149.

<sup>31</sup> Ibid.; Department of Justice and Community Safety, *Annual Report 2018–19*, Melbourne, 2019, pp. 14–44.

<sup>32</sup> Department of Justice and Community Safety, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 95–98.

<sup>33</sup> Ibid. (Committee calculation).

<sup>34</sup> Ibid., pp. 95–96.

<sup>35</sup> Ibid.

**RECOMMENDATION 13:** The Department of Justice and Community Safety report on the outcomes of the initiative *Additional legal assistance services and information communication technology upgrades* in its Annual Report 2020–21.

DJCS listed a single off-budget initiative related to the COVID-19 pandemic response - *Upgrade of Maribyrnong Residential Facility*. The cost of the initiative as of 30 June 2020 was \$1 million in output and \$7.1 million in asset funding, sourced from internal reprioritisation and accumulated surpluses.<sup>36</sup> Through this initiative DJCS upgraded the former Maribyrnong Immigration Detention Centre to provide a 44-bed community residential facility.<sup>37</sup> This facility provided transitional accommodation to men exiting the prison system who may not have otherwise had access to accommodation, aiming to reduce the possible spread of COVID-19.<sup>38</sup> During their stay at the facility residents were also supported to find employment and long-term housing.<sup>39</sup>

It is well understood that individuals exiting institutional settings such as prisons are at greater risk of homelessness than the general population and often face barriers in finding long-term housing.<sup>40</sup> Some individuals leaving custodial settings may need support to re-adjust to non-institutional settings, and failure to provide this can result in homelessness, difficulty reintegrating and a higher risk of reoffending.<sup>41</sup>

The Committee notes that DJCS and the Community Advisory Group formed during the creation of the facility have reported good outcomes in providing stability and temporary housing for residents while they search for work and long-term housing.<sup>42</sup> However, DJCS has stated the facility is a temporary response to COVID-19.<sup>43</sup> The Committee was unable to access further information regarding how long the facility will continue to operate.

**RECOMMENDATION 14:** The Department of Justice and Community Safety report on the outcomes of the Maribyrnong Residential Facility.

<sup>36</sup> Ibid., p. 98.

<sup>37</sup> Ibid.; Department of Justice and Community Safety, *Annual Report 2019–20*, p. 24.

<sup>38</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 24.

<sup>39</sup> Department of Justice and Community Safety, *Temporary community residential facility in Maidstone*, 29 December 2020, <<https://www.justice.vic.gov.au/maribyrnong-CRF>> accessed 19 March 2021.

<sup>40</sup> Parliament of Victoria, Legislative Council Legal and Social Issues Committee, *Inquiry into homelessness in Victoria*, March 2021, pp. 65, 177–178.

<sup>41</sup> Ibid., p. 177.

<sup>42</sup> Department of Justice and Community Safety, *Minutes of meeting: Residential facility at Maidstone – Community Advisory Group*, 13 October 2020, <[https://www.justice.vic.gov.au/sites/default/files/embridge\\_cache/emshare/original/public/2020/11/26/c4c4f8fbc/MCRF-CAG-13-October-2020-minutes.pdf](https://www.justice.vic.gov.au/sites/default/files/embridge_cache/emshare/original/public/2020/11/26/c4c4f8fbc/MCRF-CAG-13-October-2020-minutes.pdf)> 19 March 2021, p. 2; Department of Justice and Community Safety, *Temporary community residential facility in Maidstone*.

<sup>43</sup> Department of Justice and Community Safety, *Community update: Construction of temporary community residential facility*, 2020, <[https://www.justice.vic.gov.au/sites/default/files/embridge\\_cache/emshare/original/public/2020/07/3d/e481e0dd7/Maribyrnong-CRF-Factsheet-May-2020.pdf](https://www.justice.vic.gov.au/sites/default/files/embridge_cache/emshare/original/public/2020/07/3d/e481e0dd7/Maribyrnong-CRF-Factsheet-May-2020.pdf)> 19 March 2021.



## 6.6.2 Corrections

According to DJCS' objectives, the overarching purpose of the correctional system in Victoria is to promote community safety through community-based and custodial supervision of prisoners and offenders through effective management and services to provide for rehabilitation and reparation.<sup>44</sup> DJCS also aims to reduce recidivism through the services it provides.<sup>45</sup>

### Delivery of programs in community corrections and in correctional facilities

DJCS provides opportunities for rehabilitation and reparation to offenders under community-based supervision through several programs.<sup>46</sup> Community Corrections Services delivers community corrections and ensures offenders comply with the conditions of their orders. This can often include community work and assessment and treatment programs.<sup>47</sup> In correctional facilities Corrections Victoria delivers programs in areas such as education and training to assist in rehabilitation and the successful return to the community for offenders after release.<sup>48</sup>

DJCS' Annual Report 2019–20 demonstrates that the department did not meet a number of its targets for program delivery, often due to COVID-19 health restrictions. In community-based offender supervision the following results were below target in 2019–20:

- Successful completion of violence related programs for family violence offenders in community corrections: Below target by 28.6% due to '...the transition to a new service delivery model for the Men's Behaviour Change Program impacting completions in the first half of the financial year, as well as disruptions in the delivery of programs due to coronavirus (COVID-19) restrictions.'
- Community work hours performed: Below target by 35.6% due to several factors including '...fewer hours being ordered by the courts, fewer fine orders issued and the adverse impact of COVID-19 restricting in-person attendance at community work sites'.<sup>49</sup>

In correctional facilities DJCS did not meet the following measure in 2019–20:

- Rate of prisoner participation in education: This measure was met in 2018–19 but was below target by 11.7% in 2019–20 due to '...the impact of COVID-19 restrictions, which has limited the ability of prisoners to access education programs across

<sup>44</sup> Department of Treasury of Finance, *Budget Paper No. 3: 2020–21*, p. 286.

<sup>45</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 5.

<sup>46</sup> *Ibid.*, p. 19.

<sup>47</sup> Corrections Victoria, *Community corrections*, 15 April 2020, <<https://www.corrections.vic.gov.au/community-corrections>> 19 March 2021.

<sup>48</sup> Corrections Victoria, *Work, education and training*, 7 May 2020, <<https://www.corrections.vic.gov.au/prisons/going-to-prison/work-education-and-training>> 19 March 2021; Corrections Victoria, *Programs*, 10 August 2020, <<https://www.corrections.vic.gov.au/prisons/programs>> 19 March 2021.

<sup>49</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 129.

the prison system'.<sup>50</sup> Remote and flexible learning was implemented across schools, TAFEs and universities outside of prisons while face-to-face learning was restricted.<sup>51</sup> DJCS did not provide further information explaining why remote delivery of education programs was not available within correctional facilities.

**FINDING 48:** The COVID-19 pandemic and associated health restrictions heavily impacted the Department of Justice and Community Safety's ability to deliver programs in community corrections and correctional facilities in 2019–20, including education programs in correctional facilities and family violence related programs for offenders in community corrections.

### Recidivism and rate of return

DJCS has two performance measures related to recidivism—'Rate of return to corrective services within two years of discharge from a community corrections order' and 'Rate of return to prison within two years'.<sup>52</sup> DJCS did not meet the target for either measure in 2019–20 and has not met either measure for the previous two years.<sup>53</sup>

The reason provided by the department for not reaching the target for 'Rate of return to prison within two years' was as follows:

The actual is above the target due to an increase in prisoners returning to custody with shorter sentences and more prisoners returning to prison on remand within two years and subsequently receiving a sentence.<sup>54</sup>

While this explanation states what type of sentences are received, it does not indicate what reasons or trends contributed to the target not being met, or why prisoners are returning to prison.

**FINDING 49:** The Department of Justice and Community Safety did not meet either of its performance measures regarding recidivism in 2019–20, 2018–19 and 2017–18.

**RECOMMENDATION 15:** The Department of Justice and Community Safety provide further information regarding why performance measures related to recidivism have not been met in their Annual Report 2020–21, including an explanation as to why the target was not met.

<sup>50</sup> Ibid., p. 130.

<sup>51</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's response to the COVID-19 pandemic*, February 2021, pp. 205, 247–248.

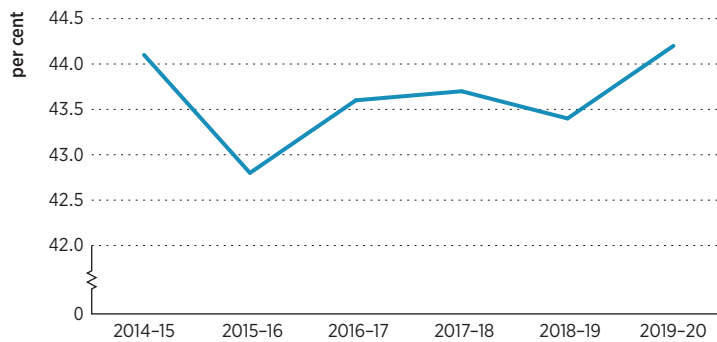
<sup>52</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 129–130.

<sup>53</sup> Department of Justice and Community Safety, *Annual Report 2018–19*, pp. 116, 118; Department of Justice and Community Safety, *Annual Report 2017–18*, Melbourne, 2018, pp. 35, 38.

<sup>54</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 130.

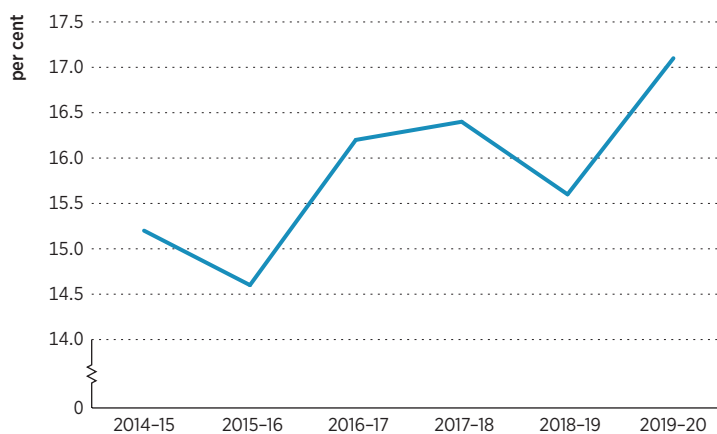
The percentage of offenders returning to prison within two years of release, and the percentage of offenders returning to corrective services within two years of discharge from a community corrections order has fluctuated over the past six years and has increased slightly (Figure 6.3 and 6.4). This is despite significant funding and efforts by DJCS to address the root causes of crime, divert individuals from the justice system and reduce recidivism. For example, the 2019–20 Budget included new output initiatives such as *Reducing incarceration of women* (\$20 million in funding over four years) and *Reducing reoffending and improving community safety* (\$22.7 million in funding over five years).<sup>55</sup>

**Figure 6.3** Rate of return to prison within two years 2014–15 to 2019–20



Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, p. 128; Department of Justice and Community Safety, *Annual Report 2018–19*, Melbourne, 2019, p. 22; Department of Justice and Regulation, *Annual Report 2015–16*, Melbourne, 2016, p. 41.

**Figure 6.4** Rate of return to corrective services within two years of discharge from a community corrections order 2014–15 to 2019–20



Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, p. 128; Department of Justice and Community Safety, *Annual Report 2018–19*, Melbourne, 2019, p. 22.

<sup>55</sup> Department of Treasury of Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 81 (Committee calculation).

**FINDING 50:** Despite significant funding in efforts to reduce recidivism, the percentage of offenders returning to prison within two years of release, and the percentage of offenders returning to corrective services within two years of discharge from a community corrections order, has marginally increased between 2014 and 2020.

### 6.6.3 Victorian Commission for Gambling and Liquor Regulation

Victorian Commission for Gambling and Liquor Regulation (VCGLR) is an independent statutory authority with responsibility for monitoring and regulating the gambling and liquor industries in Victoria and ensuring compliance with relevant legislation.<sup>56</sup>

As part of its role VCGLR regulates Victoria's only venue operating with a casino license—Crown Melbourne. VCGLR monitors, regulates and enforces Crown Melbourne's compliance with a number of laws and pieces of legislation. VCGLR does so by having a team that operates from Crown Melbourne seven days a week, by undertaking audits and investigations and reviewing Crown Melbourne's operations every five years to determine its continued suitability to hold a casino license.<sup>57</sup>

#### Crown Melbourne Ltd's operations—findings

In August of 2019 the New South Wales (NSW) Independent Liquor and Gaming Authority established an Inquiry under the *Casino Control Act 1992* (NSW) into the proposed sale of shares in Crown Resorts Limited (Crown) and the continued suitability of Crown to hold a gaming license in NSW, after multiple media outlets raised concerns about the conduct of Crown in Melbourne and Perth.<sup>58</sup>

The final report published in February 2021 determined Crown Sydney Gaming was not a suitable person to operate a casino in Sydney and Crown was not a suitable person to be a close associate of the licensee.<sup>59</sup> The inquiry found that Crown had, during different periods of time, facilitated money laundering, disregarded the welfare of their China

56 Victorian Commission for Gambling and Liquor Regulation, *Who we are, what we do*, 4 December 2018, <<https://www.vcglr.vic.gov.au/about-us/about-vcglr/who-we-are-what-we-do>> 19 March 2021; Victorian Responsible Gambling Foundation, *Victorian Commission for Gambling Liquor Regulation*, 26 March 2018, <<https://responsiblegambling.vic.gov.au/reducing-harm/gaming-venues/victorian-commission-gambling-liquor-regulation>> accessed 19 March 2021.

57 Victorian Commission for Gambling and Liquor Regulation, *Melbourne Casino*, 29 January 2021, <<https://www.vcglr.vic.gov.au/melbourne-casino>> accessed 19 March 2021.

58 Liquor and Gaming NSW, *Terms of Reference: Inquiry by the Honourable Patricia Bergin SC under section 143 of the Casino Control Act 1992 (NSW)*, 2019, <[https://www.liquorandgaming.nsw.gov.au/\\_data/assets/pdf\\_file/0004/862114/Terms-of-Reference-Bergin-Inquiry.pdf](https://www.liquorandgaming.nsw.gov.au/_data/assets/pdf_file/0004/862114/Terms-of-Reference-Bergin-Inquiry.pdf)> accessed 19 March 2021, p. 3; Liquor and Gaming NSW, *Terms of Reference - Inquiry by the Honourable Patricia Bergin SC under section 143 of the Casino Control Act 1992 (NSW)*, 29 August 2019, <<https://www.liquorandgaming.nsw.gov.au/news-and-media/terms-of-reference-inquiry-by-the-honourable-patricia-beunder-section-143-of-the-casino-control-act-1992-nsw>> accessed 13 April 2021; New South Wales Casino Inquiry, *Inquiry under section 143 of the Casino Control Act 1992 (NSW): Volume 1*, February 2021, pp. 196–204; New South Wales Casino Inquiry, *Inquiry under section 143 of the Casino Control Act 1992 (NSW): Volume 2*, February 2021, p. 542.

59 New South Wales Casino Inquiry, *Inquiry under section 143 of the Casino Control Act 1992 (NSW): Volume 1*, p. ii.

based staff by putting them at risk of detention, and had commercial relationships with junket operators<sup>60</sup> with links to organised crime groups.<sup>61</sup> These activities had taken place at Crown's established venues in Melbourne and Perth.<sup>62</sup>

In response the Victorian Government established a Royal Commission into Crown Melbourne Ltd (Crown Melbourne) and its suitability to hold a casino license on 22 February 2021.<sup>63</sup> The Government also announced it would establish an independent casino regulator.<sup>64</sup>

### Performance of VCGLR in regulating Crown Melbourne

An audit undertaken by the Victorian Auditor-General's Office (VAGO) in 2017 highlighted substantial issues regarding how VCGLR regulates the gambling and liquor industries, requiring significant reform. VAGO found VCGLR's regulatory and compliance approach to Crown Melbourne was not proportionate to the risk presented by the casino and VCGLR had not paid sufficient attention to areas of risk in the casino's operations.<sup>65</sup>

In a follow-up audit undertaken in 2019, VAGO found that while VCGLR had begun to make improvements in line with VAGO's recommendations in regulating casino operations, further work was still required regarding guidance to its staff on the *Casino Control Act* and the responsibilities of other regulatory agencies and law enforcement agencies, due to VCGLR's critical role in ensuring Melbourne's casino remains free from criminal influence.<sup>66</sup>

During the outcomes hearing the performance of VCGLR in 2019–20 and previous years in regulating Crown Melbourne was discussed at length. The Committee asked how DJCS was ensuring VCGLR was effectively performing its regulatory functions, considering the conduct of Crown and Crown Melbourne highlighted by the NSW inquiry.

<sup>60</sup> A junket operator is an individual or organisation that promotes and introduces a person or group of people to play at a casino. Junket operators receive a commission based on turnover of play by players they bring or introduce to the casino. Source: Victorian Commission for Gambling and Liquor Regulation, *Melbourne Casino*, 29 January 2021, <<https://www.vcglr.vic.gov.au/melbourne-casino>> 19 March 2021.

<sup>61</sup> New South Wales Casino Inquiry, *Inquiry under section 143 of the Casino Control Act 1992 (NSW): Volume 2*, pp. 543–544.

<sup>62</sup> New South Wales Casino Inquiry, *Inquiry under section 143 of the Casino Control Act 1992 (NSW): Volume 1*, pp. 232, 237, 239; *Ibid.*, pp. 543–546.

<sup>63</sup> Victoria, *Victorian Government Gazette*, No. S 83, 22 February 2021, pp. 1–4.

<sup>64</sup> Hon Daniel Andrews MP, *Royal Commission into Crown Melbourne*, media release, 22 February 2021.

<sup>65</sup> Victorian Auditor-General's Office, *Regulating Gambling and Liquor*, Melbourne, 2017, p. xi.

<sup>66</sup> Victorian Auditor-General's Office, *Follow up of Regulating Gambling and Liquor*, Melbourne, 2019, p. 30.

The Secretary said that there was an upcoming review announced by the Government into the performance of VCGLR and ongoing VCGLR investigations into Crown's activities.<sup>67</sup> As at April 2021 VCGLR has two ongoing investigations:

- A show cause notice requesting Crown Melbourne provide an explanation of its conduct regarding its engagement with junket participants. This followed an investigation into allegations from media reports in mid-2019.
- An investigation to assess the circumstances associated with the detention and imprisonment of 19 Crown Melbourne staff in China in 2016. This investigation has been ongoing since 2017.<sup>68</sup>

The Committee notes that both investigations were announced after allegations were made in the media and after the arrest of Crown staff in China.

In its sixth and most recent review of the Casino Operator and License in June 2018, VCGLR found Crown Melbourne continued to be a suitable person to hold a casino license and while it made a recommendation regarding reviewing anti-money laundering controls, most recommendations were related to responsible gambling and corporate governance.<sup>69</sup> In reviewing the suitability of a casino operator to hold a casino license, VCGLR looks to two of the key purposes set out in the *Casino Control Act 1992*: ensuring the management and operation of casinos remains free from criminal influence or exploitation and ensuring gaming in casinos is conducted honestly.<sup>70</sup>

The NSW Inquiry found that commercial relationships with junket operators linked to organised crime had started as early as 2012, while Crown may have started facilitating money laundering in 2014.<sup>71</sup> These findings related to Crown and their locations in Melbourne and Perth, with some incidences taking place at Crown Melbourne.

The Committee supports a review of the VCGLR's performance, but also notes the Royal Commission's terms of reference do not reference VCGLR, the ability of VCGLR to regulate Crown Melbourne effectively or the regulation of liquor and gambling and the legislation that supports regulation more broadly.<sup>72</sup>

### VCGLR's performance 2019–20

In 2019–20 the Gambling and Liquor output recorded an overspend within a 5% variance of the budget.<sup>73</sup>

<sup>67</sup> Ms Rebecca Falkingham, *Transcript of evidence*, p. 5; Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2019–20 Financial and Performance Outcomes hearings, response to questions on notice received 5 March 2021, p. 7.

<sup>68</sup> Victorian Commission for Gambling and Liquor Regulation, *Melbourne Casino*.

<sup>69</sup> Victorian Commission for Gambling and Liquor Regulation, *Sixth Review of the Casino Operator and Licence June 2018*, Melbourne, June 2018, pp. 12–15.

<sup>70</sup> *Ibid.*, p. 40.

<sup>71</sup> New South Wales Casino Inquiry, *Inquiry under section 143 of the Casino Control Act 1992 (NSW): Volume 2*, pp. 543–544.

<sup>72</sup> Victoria, *Victorian Government Gazette*, No. S 83, p. 2.

<sup>73</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, pp. 126–149; Department of Treasury and Finance, *Budget Paper No. 3: 2020–21*, p. 288.

DJCS' Annual Report 2019–20 demonstrates the operations of VCGLR were heavily affected by the COVID-19 pandemic and related public health restrictions (Table 6.3). Targets related to liquor and gambling inspections in metropolitan and regional Victoria were not met due to the closure of premises and the suspension of inspections.<sup>74</sup> Similarly audits of casino operations were 7.1% under target due to the closure of Crown Melbourne. Of the 14 performance measures related to VCGLR, nine were not met in 2019–20.<sup>75</sup>

**Table 6.3** Victorian Commission for Gambling and Liquor Regulation—performance measure results, 2019–20

Performance measures	2019–20 Target	2019–20 Actual	Performance variation (%)
Liquor inspections completed by the VCGLR—metropolitan	5,400	4,649	-13.9
Gambling inspections completed by the VCGLR—metropolitan	1,350	1,150	-14.8
Liquor inspections completed by the VCGLR—regional	1,500	823	-45.1
Gambling inspections completed by the VCGLR—regional	250	135	-46.0
Audits of casino operations undertaken by the VCGLR	1,260	1,171	-7.1
Court and regulatory actions undertaken by the VCGLR	3,440	1,086	-68.4

Source: Department of Justice and Community Safety, *Annual Report 2019–20*, Melbourne, 2020, p. 146.

**FINDING 51:** The COVID-19 pandemic and subsequent closure of liquor and gaming premises severely restricted the Victorian Commission for Gambling and Liquor Regulation's (VCGLR) ability to regulate the gambling and liquor industries during 2019–20. As a result, VCGLR did not meet nine of its 14 performance measures.

## 6.6.4 Youth justice

### Youth diversion

During the outcomes hearing the Committee discussed the results of DJCS' youth diversion programs and initiatives. Diversion programs are used by police and courts to assist young people to address the underlying reasons for their offending, in order

<sup>74</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 146.

<sup>75</sup> Victorian Commission for Gaming and Liquor Regulation, *Annual Report 2019–20*, Melbourne, 2020, p. 27.

to divert them from entering or progressing further into the criminal justice system.<sup>76</sup> Diversion programs often allow a young person who has committed a crime to avoid a charge or conviction, if certain tasks are undertaken.<sup>77</sup>

During the outcomes hearing the Committee noted that in the Productivity Commission's 2021 *Report on Government Services* (RoGS), youth diversions undertaken by police as a proportion of all offenders in 2019–20 was low.<sup>78</sup> Twenty per cent of non-Indigenous young offenders and 13.7% of Aboriginal and Torres Strait Islander offenders who would have otherwise been proceeded against (taken to court) were diverted by police in 2019–20.<sup>79</sup>

**FINDING 52:** In 2019–20, 20% of all non-Indigenous young offenders and 13.7% of Aboriginal and Torres Strait Islander young offenders were diverted by police into non-court actions in Victoria, instead of being taken to court for their offence.

In Victoria there are several diversion initiatives available that take place either pre-charge, pre-court, pre-sentence or post-sentence.<sup>80</sup> These programs include police cautioning, drug diversion programs, the *Youth Support Service*, the community-based *Koori Youth Justice Program*, the *Children's Court Diversion Program* and *Youth Justice Group Conferencing*.<sup>81</sup> The Committee was unable to confirm which programs were included in the RoGS data and which were not measured.

In further information received on notice, DJCS advised that the low number of young people under youth justice supervision in 2019–20 demonstrated the effectiveness of diversion in Victoria, but did not explain why the 2021 RoGS data for police diversions was low.<sup>82</sup> The department added that the Children's Court Youth Diversion service had overseen 1,170 diversions in 2019–20 and had an increasing number of successful diversions year on year.<sup>83</sup>

76 Youth Law, *Youth Diversion: Cautioning, bail and diversion*, 2020, <<https://youthlaw.asn.au/campaigns-advocacy/youth-diversion>> accessed 23 March 2021; Parliament of Victoria, *Youth Justice in Victoria*, report prepared by Caitlin Grover, Melbourne, 2017, p. 57.

77 Youth Law, *Youth Diversion: Cautioning, bail and diversion*.

78 According to the Productivity Commission, youth diversions include 'non-court actions initiated against offenders away from the courts by way of community conference, diversionary conference, formal cautioning by police, family conferences, and other programs (for example, drug assessment/treatment). Not all options are available or subject to police discretion in all jurisdictions.' Source: Productivity Commission, *Police services interpretative material*, Canberra, 2021, p. 8; Productivity Commission, *Report on Government Services 2021: 6 Police Services: Youth diversions*, January 2021, <<https://www.pc.gov.au/research/ongoing/report-on-government-services/2021/justice/police-services>> accessed 23 March 2021.

79 Productivity Commission, *Report on Government Services 2021: 6 Police Services: Youth diversions*.

80 Penny Armytage and Professor James Ogloff AM, *Youth Justice Review and Strategy: Meeting needs and reducing offending: Appendices – July 2017*, report prepared by Victorian Government, Melbourne, July 2017, pp. 2–3.

81 Ibid.; Parliament of Victoria, *Youth Justice in Victoria*, p. 57.

82 Ms Jodi Henderson, Youth Justice Commissioner, Department of Justice and Community Safety, 2019–20 Financial and Performance Outcomes hearings, response to questions on notice received 5 March 2021, p. 12.

83 Ibid.



In 2019–20, DJCS had a number of performance measures whose results were positively impacted by the department's efforts in youth diversion, including a decline in:

- average daily number of young people under community-based supervision<sup>84</sup>
- annual daily average number of young people in custody: males (15 years plus).<sup>85</sup>

DJCS does not have performance measures related directly to a target for an amount of young people diverted, successful diversions, or measures related to individual youth diversion programs administered by DJCS. Not only is youth diversion a stated priority for the department, but various diversionary programs and initiatives have received funding over successive budgets.<sup>86</sup> For these reasons the Committee believes the performance of the department would be clarified with additional performance measures related to youth diversion.

**RECOMMENDATION 16:** The Department of Justice and Community Safety introduce performance measures in the next budget related to youth diversion initiatives including but not limited to: targets regarding the number of youth diverted, success of diversion, the number of young people participating in programs, completion rates of such programs and subsequent offending after diversion.

**RECOMMENDATION 17:** The Department of Justice and Community Safety include comprehensive performance measures and targets for the Children's Court Youth Diversion program in the next budget.

<sup>84</sup> Department of Justice and Community Safety, *Annual Report 2019–20*, p. 131.

<sup>85</sup> *Ibid.*, p. 132.

<sup>86</sup> Department of Justice and Community Safety, *Youth Justice Strategic Plan 2020–2030*, Melbourne, 2020, p. 18; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20*, p. 89; Department of Treasury and Finance, *Budget Paper No. 3: 2018–19 service delivery*, Melbourne, 2018, pp. 93, 98; Department of Justice and Community Safety, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 7, 11.



# 7 Department of Environment, Land, Water and Planning

## 7.1 Overview

The Department of Environment, Land, Water and Planning (DELWP) brings together Victoria's climate change, energy, environment, water, forests and emergency management functions.<sup>1</sup> DELWP supports the ministerial portfolios of Energy, Environment and Climate Change, Planning, and Water.<sup>2</sup>

DELWP aims to improve Victoria's liveability while responsibly tackling climate change and protecting the state's natural environment. DELWP's Corporate Plan 2019–23 outlines the department's strategic framework, which includes:

- State outcome: a stronger, fairer, better Victoria.
- Our vision: thriving environments and communities.
- Our values: teamwork, service excellence, ownership, and wellbeing and safety.<sup>3</sup>

## 7.2 Outcomes in the community across 2019–20

DELWP identified the following programs that delivered the most important outcomes in the community in 2019–20:

- The 2019–20 bushfire response and recovery actions and initiatives.
- The implementation of the Recycling Victoria program.
- The implementation of Waterway Strategies.
- The administration of the Victorian Renewable Energy Target.
- The implementation of the Solar Homes program.
- Ongoing work regarding the cladding rectification program.
- Administration and development of Victorian emission reduction targets.<sup>4</sup>

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<sup>1</sup> Department of Environment, Land, Water and Planning, *Annual Report 2019–20*, Melbourne, 2020, p. 17.

<sup>2</sup> Department of Environment, Land, Water and Planning, *Our department*, 16 April 2021, <<https://www.delwp.vic.gov.au/our-department/our-leaders>> accessed 15 March 2021.

<sup>3</sup> Department of Environment, Land, Water and Planning, *Strategic Framework 2019–23*, 2021, <<https://www.delwp.vic.gov.au/corporate-plan/home/one-delwp-strategic-framework-201923>> accessed 15 March 2021.

<sup>4</sup> Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, pp. 17–23.

The Committee's questionnaire also asked the department to identify programs that did not deliver their planned outcomes in 2019–20. The five least-performing programs that DELWP identified were:

- ResourceSmart Schools—participation of schools.
- Biodiversity 2037—pest and weed control.
- Waterway Health—Implementing Waterway Strategies (citizen science).
- Waterway Health—Implementing Waterway Strategies (in-stream health).
- Port Phillip Bay Beaches Renourishment program.<sup>5</sup>

The *ResourceSmart Schools – participation of schools program* sits within the climate change output. The program objective was to have 700 Victorian schools participating in the ResourceSmart Schools program in 2019–20. A total of 636 Victorian schools participated in that year.<sup>6</sup> The department explained that:

We note that there was target of 700 for 2019–20 and 636 schools actively participated, so there was a small reduction in the actual target, and that was largely because we were not able to run the program in its usual way and engage and have the ResourceSmart Schools people be on site with schools and so on ...<sup>7</sup>

In the department's response to the Committee's questionnaire, it highlighted that the program faced several significant challenges related to COVID-19 and the subsequent closure of Victorian schools.<sup>8</sup> It stated that:

With face to face delivery not possible, the program moved into an online delivery mode to ensure continuity and ongoing support for participating schools.<sup>9</sup>

The Committee notes that although the program did not reach its target, the participating schools did achieve significant outcomes. These include savings of \$2.8 million through energy, waste, water and biodiversity initiatives and 10.4 million kilowatt-hours of energy.<sup>10</sup>

**FINDING 53:** While the Department of Environment, Land, Water and Planning's *ResourceSmart Schools – participation of schools program* did not achieve the target number of schools participating in the program, it did achieve significant outcomes for participating schools, including financial and energy savings.

<sup>5</sup> Ibid., pp. 23–26.

<sup>6</sup> Ibid., p. 23.

<sup>7</sup> Ms Kylie White, Deputy Secretary Environment and Climate Change, Department of Environment, Land, Water and Planning, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, p. 37.

<sup>8</sup> Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 23

<sup>9</sup> Ibid.

<sup>10</sup> Ibid., p. 24.

The department identified the impacts of COVID-19 as a major catalyst in program underperformance. This included programs such as *the Biodiversity 2037 – pest and weed control program* and *Waterway Health – Implementing Waterway Strategies (citizen science)*. The *Waterway Strategies (in-stream health) program* was also below target, largely due to COVID-19.<sup>11</sup>

**FINDING 54:** COVID-19 and the related public health restrictions impacted the performance of several programs run by the Department of Environment, Land, Water and Planning, including two waterway health programs.

## 7.3 Challenges

The Committee asked each department to identify significant challenges faced in 2019–20 along with the actions taken to manage them. The majority of challenges faced by departments in 2019–20 revolved around the Government’s response to COVID-19.

### 7.3.1 COVID-19

Of the five challenges that were highlighted by DELWP, four listed COVID-19 as the cause.<sup>12</sup> The first related to the restoration and reform of public services, specifically around the core public sector missions. The department outlined that it established and continued to resource coordination, support and engagement activities with relevant industry and departmental portfolio entities to ensure essential services continued to function during periods of COVID-19 restrictions.<sup>13</sup>

DELWP also highlighted the financial sustainability of departmental portfolio entities and agencies impacted by COVID-19, including Zoos, Phillip Island Nature Parks and Alpine resorts.<sup>14</sup> At the public hearings, the department told that Committee that:

We also worked to support portfolio entities through the establishment of the Portfolio Entity Taskforce to support those entities that were struggling with operations that were impacted by the pandemic. Customer facing services like Zoos Victoria, Phillip Island Nature Parks and the Royal Botanic Gardens that rely on those customer revenues required financial support during the period. And we supported the surge in uptake in the use of the public land estate that occurred during the pandemic.<sup>15</sup>

<sup>11</sup> Ibid., pp. 23–26.

<sup>12</sup> Ibid., pp. 91–93.

<sup>13</sup> Ibid., p. 91.

<sup>14</sup> Ibid., pp. 91–92.

<sup>15</sup> Mr John Bradley, Secretary, Department of Environment, Land, Water and Planning, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, p. 4.

DELWP highlighted that the taskforce supported portfolio entities to continue the delivery of critical services. For example, the following governance, management and oversight measures were implemented:

- Receipt of monthly cashflow forecasts from all portfolio agencies from March 2020.
- Fortnightly meetings with major portfolio entities.
- Requiring portfolio agencies experiencing financial difficulties to prepare more detailed financial reports and advise of material changes.<sup>16</sup>

The department also outlined that financial support was provided to a number of these portfolio entities during 2020–21.<sup>17</sup>

The department identified surge use of public land and the impacts of resource requests to support surge capacity as a challenge. In response, it implemented Operation GUARDIAN to monitor and report on COVID-19 compliance and established the interagency Public Safety on Public Land and Waterways Taskforce. Along with other compliance activities, DELWP began patrolling public land from April 2020 and reported non-compliance with public health restrictions to Victoria Police.<sup>18</sup> DELWP did not provide the Committee with details on who was making the requests for public land use and how the public land was being used.

Lastly, the department identified the need to lay the foundations for Victoria's economic recovery through infrastructure projects and other activities as a key challenge. It outlined that in response, the Building Victoria's Recovery Taskforce and Fast-Track Approvals Teams were established in April 2020.<sup>19</sup>

Changes to the Victorian planning provisions were also enacted, enabling outdoor dining, live music venue protection and several other measures.<sup>20</sup>

**FINDING 55:** Four of the five primary challenges experienced by the Department of Environment, Land, Water and Planning in 2019–20 were related to COVID-19. Customer facing services such as Zoos Victoria, reliant on visitor revenue, were particularly affected.

### 7.3.2 Environment Protection Authority

The Environment Protection Authority (EPA) functions as Victoria's environment regulator. The EPA is an independent statutory authority and is accountable to the Minister for Energy, Environment and Climate Change. The Committee questioned the department and the EPA in relation to funding arrangements and program delivery.

<sup>16</sup> Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 91–92.

<sup>17</sup> *Ibid.*

<sup>18</sup> *Ibid.*, p. 92.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*, pp. 92–93.

In 2019–20, the EPA received \$187 million in revenue, primarily from Municipal and Industrial Landfill Levy distributions.<sup>21</sup> The EPA also recorded a \$35.7 million deficit for the same period.<sup>22</sup> When asked about the deficit, the department told the Committee that the deficit was planned in order to deliver on the *'Bringing our environment Protection Authority into the modern era'* program.<sup>23</sup> The department further explained that:

it was recognising the financial capacity of the EPA that it had within its resources. So while there is a kind of deficit reported in the operating statement, there were financial resources available to the EPA because of prior-year funding that had been given, including that significant allocation that was invested by the government in the 2017–18 and 2018–19 budget initiatives.<sup>24</sup>

While the EPA stated that:

In reference to the \$35.7 million, as the Secretary said, it was a planned deficit associated with delivering the reforms under the initiative ... —bringing the Environment Protection Authority into the modern era. Largely that program has been using a combination of new funding from the government and then drawing down on the reserves of the organisation.<sup>25</sup>

The department's response to the Committee's questionnaire outlined that \$18.5 million in asset investment had been allocated to the program. Of the funding allocated, \$17.8 million had been expended at 30 June 2020.<sup>26</sup> The department outlined that the program 'refers to the implementation of systems that are supporting the new regulatory environment that the EPA will be responsible for administering'.<sup>27</sup> The department told the Committee that there had been delays to establishing a new legislative framework and supporting regulatory framework around the EPA.<sup>28</sup>

Given the delays in implementing the program, it is unclear to the Committee whether the planned deficit was required at this time and whether additional funding will be required to implement the *Bringing our Environment Protection Authority into the modern era* program.

**FINDING 56:** In light of delays in implementing the *Bringing our Environment Protection Authority into the modern era* program, it is unclear to the Committee whether the deficit recorded by the Department of Environment, Land, Water and Planning is a direct result of funding the program and the progress made in establishing the new legislative framework.

21 Mr Lee Miezis, Interim CEO, Environment Protection Authority, Inquiry into the 2019–20 Performance and Financial Outcomes, response to questions on notice, received 4 March 2021.

22 Environment Protection Authority, *Annual Report 2019–20*, Melbourne, 2020, p. 83.

23 Mr John Bradley, *Transcript of evidence*, p. 5.

24 *Ibid.*, pp. 5–6.

25 *Ibid.*, p. 6.

26 Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 35.

27 Mr John Bradley, *Transcript of evidence*, p. 5.

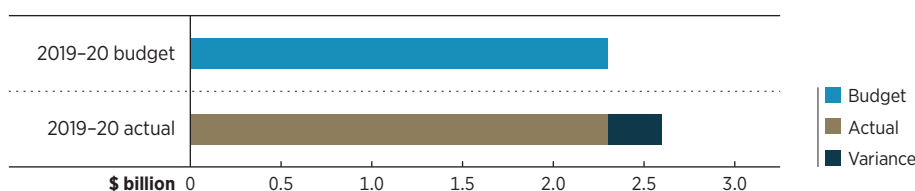
28 *Ibid.*, p. 4.

**RECOMMENDATION 18:** The Department of Environment, Land, Water and Planning publicly report on the status and funding of the *Bringing our Environment Protection Authority into the modern era* program in its annual report.

## 7.4 Financial analysis

DELWP's total output expenditure in 2019–20 was \$2.7 billion, representing an increase of 13.4% from the budgeted figure of \$2.3 billion.<sup>29</sup>

**Figure 7.1** Department of Environment, Land, Water and Planning variances in output expenditure, 2019–20



Source: Department of Treasury and Finances, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 187 (Committee calculation).

The increase is primarily attributable to the increase in spending in the Fire and Emergency Management output. Table 7.1 shows the expenditure by departmental outputs in 2019–20.

**Table 7.1** Department of Environment, Land, Water and Planning expenditure by output in 2019–20

Output	2019–20 Budget (\$ millions)	2019–20 Actual (\$ millions)	Variance (%)
Climate Change	40.1	42.6	6.2
Environment and Biodiversity	139.0	149.1	7.3
Statutory Activities and Environment Protection	204.3	159.2	-22.1
Energy	178.3	95.5	-46.4
Solar Homes	139.4	137.4	1.4
Land Use Victoria	220.4	234.7	6.5
Management of Public Land and Forests	211.0	265.6	25.9
Parks Victoria	181.1	166.0	-8.3
Effective Water Management and Supply	302.2	335.4	11.0

<sup>29</sup> Department of Treasury and Finances, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 187 (Committee calculation).



Output	2019–20 Budget (\$ millions)	2019–20 Actual (\$ millions)	Variance (%)
Planning, Building and Heritage	327.1	346.1	5.8
Fire and Emergency Management	403.5	728.7	80.6
<b>Total</b>	<b>2,346.4</b>	<b>2,660.3</b>	<b>13.4</b>

Source: Department of Treasury and Finances, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 187 (Committee calculation).

### Treasurer's Advances

In 2019–20, the department funded a total of 22 projects through Treasurer's Advances.<sup>30</sup> The total additional funding provided to DELWP through Treasurer's Advances in 2019–20 was \$489.4 million, of which \$456 million was utilised.<sup>31</sup>

The program that received the most funding through a Treasurer's Advance was bushfire response and recovery. This program falls under the fire and emergency management and water outputs and aimed to support response and recovery due to the impacts of bushfires. The program was provided with \$340.9 million, of which \$318.7 million was utilised in 2019–20.<sup>32</sup>

**FINDING 57:** The Department of Environment, Land, Water and Planning received \$489.4 million in additional funding through Treasurer's Advances in 2019–20, of which \$456 million was utilised, mainly for bushfire response and recovery.

## 7.4.1 Revenue and expenses

### Revenue

DELWP recorded a total of \$2.8 billion in revenue in 2019–20, an increase of 18.5% on the 2019–20 budget figure of \$2.4 billion.<sup>33</sup>

DELWP's output appropriations increased from \$1.8 billion in 2018–19 to \$2 billion in 2019–20, representing an increase of 9.8%.<sup>34</sup> The department explained that the increase is primarily due to additional funding received for fire emergency response activities during the fire season. Output appropriations of \$2 billion in 2019–20 were also higher than the original 2019–20 budget estimate of \$1.7 billion.<sup>35</sup>

<sup>30</sup> Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 27–34.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid., p. 31.

<sup>33</sup> Department of Treasury and Finances, *Budget Paper No. 4: 2020–21 statement of finances*, Melbourne, 2020, p. 87.

<sup>34</sup> Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 45.

<sup>35</sup> Ibid., pp. 45, 47.

The largest change in revenue from 2018–19 to 2019–20 came from a decrease in grant funding. Grants dropped from \$161 million in 2018–19 to \$26 million in 2019–20, primarily reflecting:

- a reduction in grant revenue received from the Commonwealth Government for Goulburn Murray Water (GMW) relating to the GMW Connections project
- a reduction in grants from the Department of Jobs, Precincts and Regions for the Energy Reform Program
- a reduction in grants from the Department of Health and Human Services for the Metro Open Spaces project.<sup>36</sup>

In terms of variances from budgeted revenue to actual revenue in 2019–20, DELWP recorded the largest proportional increase in the sale of goods and services and other income. The sale of goods and services, totalling \$118 million in 2019–20, is an increase of 131% on the \$51 million initially budgeted.<sup>37</sup> The department highlighted that the increase was predominantly driven by additional revenue generated by increased demand for land parcels and insurance valuations by the Valuer-General Victoria.

Other income grew from a budgeted figure of \$404 million to \$471 million, or an increase of 16.6%. The increase was due to higher than anticipated income collected through the Municipal and Industrial Landfill Levy and changes to the GMW Connections project.<sup>38</sup>

**FINDING 58:** The Department of Environment, Land, Water and Planning's output appropriations increased from \$1.8 billion in 2018–19 to \$2 billion in 2019–20, representing an increase of 9.8%. This was primarily due to additional funding for fire emergency response activities during the fire season.

## Expenses

Total expenses for the department in 2019–20 were \$2.8 billion, up 13.2% from the budgeted figure of \$2.5 billion.<sup>39</sup>

The department saw increases of over 10% in a number of different areas, including employee expenses, depreciation and other operating expenses. Employee expenses increased 13% from \$520 million in 2018–19 to \$588 million in 2019–20. The department explained that the increase was mainly due to a rise in the number of staff and overtime costs related to increased bushfire activities.<sup>40</sup> Depreciation and other operating expenses also primarily increased due to bushfire related activities.

<sup>36</sup> Ibid., p. 46.

<sup>37</sup> Ibid., p. 47.

<sup>38</sup> Ibid., p. 48.

<sup>39</sup> Department of Treasury and Finances, *Budget Paper No. 4*, p. 87 (Committee calculation).

<sup>40</sup> Department of Environment, Land, Water and Planning, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 49.

The department highlighted a number of off budget expenses related directly to COVID-19, all of which made use of either emergency advances or retroactive funding approvals.<sup>41</sup> Of the eight programs/initiatives highlighted by the department, none had performance measures attached. In responding to the Committee's questionnaire, DELWP stated that the total expenditure related to the programs/initiatives in 2019–20 was \$27 million.<sup>42</sup>

The Committee asked departments to explain additional budgetary control and tracking/traceability measures introduced to ensure COVID-19 related spending was deployed effectively and in line with its intended purposes. DELWP advised the Committee of a number of measures it took, including the development of a unique project code to capture operating expenses. The department explained that 'these expenses were categorised between various cost centres and account categories depending on the nature of the expense.'<sup>43</sup> Additional project codes were assigned to specific initiatives where funding was announced as a result of COVID-19.<sup>44</sup> The department also highlighted that:

To ensure the department had an increased oversight of its portfolio entities whose operations were significantly impacted by COVID-19 restrictions, the department established a Portfolio Entity Taskforce (PET). The primary objectives of the PET was to recommend actions to the Secretary to manage impacts from COVID-19 on portfolio agencies and include but were not limited to governance, finance, workforce and communications as well as to provide consistency of process and support to entities.<sup>45</sup>

While the Committee notes that the department has implemented some measures to track COVID-19 related spending, there are no performance measures connected with the eight pandemic response programs/initiatives listed by the department.

**FINDING 59:** None of the eight Department of Environment, Land, Water and Planning's off budget programs related to COVID-19, which made use of emergency funding or retroactive funding approvals, had performance measures attached.

**RECOMMENDATION 19:** Performance measures should be developed by the Department of Environment, Land, Water and Planning for any 2020–21 COVID-19 related expenditure.

<sup>41</sup> Ibid., pp. 52–53.

<sup>42</sup> Ibid. (Committee calculation).

<sup>43</sup> Ibid., p. 54.

<sup>44</sup> Ibid.

<sup>45</sup> Ibid.

## Consultancy expenditure

In 2019–20, DELWP spent \$380 million on contractors, consultants and labour hire arrangements. This is an increase of 23.3% from the \$308 million spent in 2018–20 and 91% higher than the \$199 million spent in 2017–18.<sup>46</sup>

The department explained that the increase from 2018–19 to 2019–20 is primarily due to:

- an increase in payments of contract service licence fees to Victorian Land Registry Services, as Land Use Victoria's land titles and registry functions are delivered through a private operator
- an increase in costs when contractors were engaged during the 2019–20 bushfire season.<sup>47</sup>

The department further explained that the increase from 2017–18 to 2018–19 was due to:

- an increase in payments of contract service licence fees to Victorian Land Registry Services, due to the commercialisation of part of Land Registry Services in August 2018, along with increased contractor costs for valuation services
- an increase in contractor costs in relation to fire suppression activities
- an increase in contractor costs related to the department's rollout of new People and Culture, and Finance systems, along with the Workplace 2020 and Digital Customer experience projects.<sup>48</sup>

The Committee notes that as per the department's explanation, consultancy expenditure has increased substantially partly due to the partial commercialisation of Victorian Land Registry Services. Consultancy expenditure increased in both 2018–19 and 2019–20 at least partly due to increased payments to a private operator responsible for Land Use Victoria's titles and registry functions. However, the exact cost of the partial commercialisation process of Victorian Land Registry Services and the ongoing costs of increased payments to a private operator responsible for Land Use Victoria's titles and registry functions are unclear to the Committee. The Government stated that funds from the commercialisation will be used to invest in transport infrastructure projects.<sup>49</sup>

**FINDING 60:** The Department of Environment, Land, Water and Planning's increase in consultancy expenditure in both 2018–19 and 2019–20 is partly due to increased payments to a private operator responsible for Land Use Victoria's titles and registry functions.

<sup>46</sup> Ibid., p. 58 (Committee calculation).

<sup>47</sup> Ibid.

<sup>48</sup> Ibid., pp. 58–59.

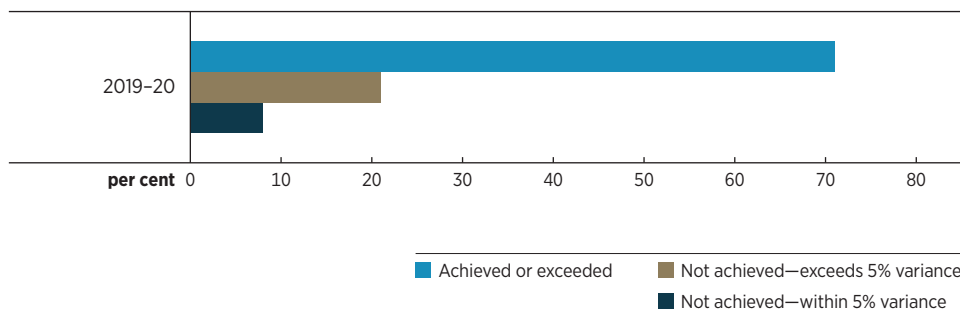
<sup>49</sup> Hon Tim Pallas MP, *Land Use Victoria Proceeds To Deliver Infrastructure Boost*, media release, 7 March 2018.

**RECOMMENDATION 20:** The Department of Environment, Land, Water and Planning publicly report on the financial impact of increased payments to a private operator responsible for Land Use Victoria's titles and registry functions and the cost of the commercialisation process.

## 7.5 Performance information

The department failed to meet targets on 43 of its 148 (29%) performance measures.<sup>50</sup> This compares with failure to meet 17% and 25% of targets on performance measures in 2017-18 and 2018-19 respectively.<sup>51</sup> Figure 7.2 illustrates DELWP's performance in 2019-20.

**Figure 7.2** Department of Environment, Land, Water and Planning performance measurement results, 2019-20



Source: Department of Environment, Land, Water and Planning, *Annual Report 2019-20*, October 2020, Melbourne, pp. 36-82 (Committee calculation).

The Committee notes that while COVID-19 was listed as an explanation, several other factors impacted the department's performance.<sup>52</sup>

Performance measures relating to weed and pest control were significantly below target, including:

- Hectares of weed control in priority locations (60.7% below).
- Hectares of pest herbivore control in priority locations (26.9% below).
- Hectares of revegetation in priority locations for habitat connectivity (93.7% below).<sup>53</sup>

<sup>50</sup> Department of Environment, Land, Water and Planning, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, pp. 81-89.

<sup>51</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes*, July 2020, p. 132.

<sup>52</sup> Department of Environment, Land, Water and Planning, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, pp. 81-89.

<sup>53</sup> *Ibid.*, pp. 81-82.

These three programs contributed to both the Environment and Biodiversity outputs. In response to the Committee's questionnaire, the department explained that on-ground projects under these programs had been delayed due to bushfires and COVID-19.<sup>54</sup> It also highlighted that both events affected the availability of DELWP and agency staff and access to areas where project work was to be undertaken.<sup>55</sup>

Microgrid projects completed under the Microgrid Demonstration Initiative, including the Latrobe Valley Microgrid program, were 66.7% below target. A microgrid is a subset of a larger electricity network with the ability to operate independently and is usually established for energy security, cost savings and substantiality. Only one project was completed, compared to three listed as the target. The department outlined that this was due to prolonged negotiations for appropriate legal agreements along with delayed planning approvals due to complexities in the regulatory and planning framework. The Committee notes the potential opportunities for DELWP to make improvements to the regulatory and planning framework, particularly given the delay in planning approvals. The department stated that the performance measure is proposed to be discontinued in 2020–21, arguing that 'it is no longer a relevant measure of the intended purpose of the demonstration projects'.<sup>56</sup>

The department also performed poorly on the measure for eligibility applications for solar hot water systems approved, recoding a result 81.6% below target.<sup>57</sup> The department approved 1,107 applications, well-short of the 6,000-figure target. It outlined to the Committee that the program underperformed due to lower than expected demand for replacement solar hot water units:

The need for replacement solar hot water units often come at a time of emergency (broken hot water service), however the current application process does not allow for rebates to be processed in these instances until after the installation has occurred and the new system paid for by the customer.<sup>58</sup>

While DELWP stated that a program is currently underway to identify improvements to the program, the Committee notes that forecast demand could have been more accurately assessed before the rollout of the rebate.

Lastly, the department performed poorly in several measures within the Planning, Building and Heritage output, namely in the measures of:

- Median number of days taken by the department to assess a planning scheme amendment (200% below).
- Victoria in Future population projection data to support infrastructure and service delivery planning published (100% below).<sup>59</sup>

<sup>54</sup> Ibid., pp. 81–82.

<sup>55</sup> Ibid.

<sup>56</sup> Ibid., p. 84.

<sup>57</sup> Ibid.

<sup>58</sup> Ibid.

<sup>59</sup> Ibid., p. 88.

In terms of planning scheme amendments, DELWP explained that performance was below target due to increases in the number of prescribed and ministerial amendments and the impact of COVID-19. It further outlined that the second measure was not met due to the impacts of COVID-19 on population growth and an endorsement by the Minister for Planning to delay the publication of data until after the Budget.<sup>60</sup> The department outlined that the data projections are expected to be published during the first quarter of 2021. However, as at late March, no such publications have been released. Given the economic importance population growth plays in Victoria, particularly in the context of significant drops in international migration during COVID-19, the timely release of population data projections is important for the development of policy.

### Environmental effects statements

An issue that was discussed extensively in the public hearings was the department's failure to meet targets in relation to environment effects statements (EES). The measure—EES, referrals and assessments are completed effectively and within the timeframes necessary to meet targets in the Ministerial Guidelines—underperformed by 5.7%.<sup>61</sup>

The department stated that the performance was below target primarily due to a larger volume of EES referrals and EES project work over the second half of 2019–20.<sup>62</sup> DELWP also outlined delays in technical advice as regional staff were diverted to the bushfire response along with some constraints related to COVID-19.

The Committee sought to understand the process of EES, guidelines and practices around exemptions, including the number of projects carried out in 2019–20. The department told the Committee that there is a process for project proponents to conduct a self-assessment against EES guidelines to determine whether a lodgement for a decision on an EES is required. A submission is then made to the Minister for Planning that determines whether an EES is required. The department outlined that in 2019–20 there were seven projects where ministerial decisions were made under the *Environment Effects Act* through EESs and six projects where the Minister determined an EES was not required.<sup>63</sup> DELWP also stated that decisions made by the Minister to not require an EES were largely in line with advice provided by the department.<sup>64</sup>

The Committee questioned the department as to whether underperformance was a factor in the Minister for Planning's decision to allow the Chunxing Corporation to conduct its own self-referral for the lead battery project in the Latrobe Valley. The department explained that:

There has not been any decision made about not using an EES for a particular project based on our resourcing or capacity or sort of workload around that. On the particular

<sup>60</sup> Ibid.

<sup>61</sup> Ibid.

<sup>62</sup> Ibid.

<sup>63</sup> Mr Julian Lyngcoln, Deputy Secretary Planning, Department of Environment, Land, Water and Planning, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, p. 25.

<sup>64</sup> Ibid., p. 25.

decision that you referred to, the minister exercised powers to call in that decision. That was not a project subject to an EES.<sup>65</sup>

DELWP further added that the Chunxing Corporation was not subject to an EES as 'presumably they would have done a self-assessment that determined they did not need to refer it to the minister'.<sup>66</sup> The Committee also sought clarity as to whether the Minister acted on advice from the department. DELWP stated that:

there was an opportunity for the minister to intervene on that to speed up the planning decision-making and to bring certainty to that planning decision-making, and there would have been advice from the department to the minister with options around doing that.<sup>67</sup>

The Committee asked the department whether this process reflects an attempt to try to expedite EES referrals due partly to bushfires and COVID-19. DELWP told the Committee that there was a process in response to the need for economic recovery and in turn an assessment as to where the Minister could intervene to aid economic activity and job creation.<sup>68</sup>

## 7.6 Water corporations

Victoria's 19 water corporations are responsible for the supply of drinking and recycled water, and the removal and treatment of sewage and trade waste. They also carry out water delivery for irrigation, domestic and stock purposes, drainage and salinity mitigation. Water corporations are accountable to the Minister for Water.

This section summarises the financial and non-financial performance of four metropolitan water corporations, two regional water corporations and two rural water corporations.

### Dividends

At the public hearings, the Committee questioned the department in relation to the payment of dividends from water companies to the Government. In responding to why water companies pay dividends rather than lowering prices to consumers, the department outlined that:

the model of corporate governance of those organisations is intended to make them basically work their capital investments as significantly as they can. To the extent that they do produce dividends, then obviously they are returned and available to the government to then invest in other government priorities, including significant investment in relation to budget funded works in relation to the water sector.<sup>69</sup>

<sup>65</sup> Ibid., p. 30.

<sup>66</sup> Ibid.

<sup>67</sup> Ibid., p. 31.

<sup>68</sup> Ibid.

<sup>69</sup> Mr John Bradley, *Transcript of evidence*, p. 11.



The department further outlined that, typically, dividend payments are based on the benchmark payout rate of 65% of pre-tax profit.<sup>70</sup> The Committee also questioned the department in regards to the equity of dividend payments. When asked if dividends are paid into the consolidated revenue fund, the department explained dividends contribute towards the environmental contribution (EC) fund:

which is a specific fund that is set aside to help pay for sustainable water initiatives. So a lot of what we call EC funding actually funds infrastructure projects across the state ...<sup>71</sup>

**FINDING 61:** Dividends are paid by water corporations to the environmental contribution fund, which in turn contribute to paying for sustainable water infrastructure initiatives.

## 7.6.1 Metropolitan water corporations

Metropolitan Melbourne is served by three water retailers, City West Water, South East Water and Yarra Valley Water, along with one water wholesaler, Melbourne Water.

### Melbourne Water

In 2019–20, Melbourne Water recorded a \$324.9 million net result from transactions. This was 79.7% higher than the budgeted figure for 2019–20 of \$180.8 million.<sup>72</sup>

Total revenue and income from transactions was recorded at \$2 billion in 2019–20, this was 6.3% higher than the budgeted figure of \$1.9 billion. Melbourne Water outlined that COVID-19 caused a \$0.2 million reduction in leases/licensing revenue as a result of rental waivers provided to approved applicants as part of the COVID-19 hardship program.<sup>73</sup>

Total expenses from transactions equalled \$1.7 billion in 2019–20, slightly less than the budgeted figure. Melbourne Water saw a \$0.5 million increase in operating expenditures due to COVID-19, primarily related to additional cleaning, personal protective equipment (PPE) and vehicle costs.<sup>74</sup>

Melbourne Water's Annual Report 2019–20 highlights that it achieved or exceeded all of its financial performance indicators and seven out of 10 of water, sewerage and other service performance indicators. It failed to meet targets on:

- net tonnes CO2 equivalent (-26.9%)
- percentage reduction in flood effects achieved by projects in delivery by Melbourne Water (-2%).<sup>75</sup>

<sup>70</sup> Ms Helen Vaughan, Deputy Secretary, Water and Catchments, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 24 February 2021, *Transcript of evidence*, p. 11.

<sup>71</sup> Ibid.

<sup>72</sup> Ibid.

<sup>73</sup> Ibid.

<sup>74</sup> Ibid.; Melbourne Water, *Annual Report 2019–20*, Melbourne, 2020, p.110.

<sup>75</sup> Melbourne Water, *Annual Report 2019–20*, Melbourne, 2020, p. 146.

The Committee notes that Melbourne Water also failed to reach its target related to net tonnes carbon dioxide equivalent in 2018–19, performing 6.8% below target.<sup>76</sup> Melbourne Water explained that there were several operational factors contributing to higher emissions, including ‘higher electricity usage for water treatment and pumping due to higher rainfall and increased throughput at the Eastern and Western Treatment plants’.<sup>77</sup>

**FINDING 62:** In 2019–20, Melbourne Water failed to meet its performance target related to net tonnes carbon dioxide equivalent for the second year in a row. This was due to higher electricity usage for water treatment because of higher rainfall and increased throughput at the Eastern and Western Treatment plants.

### City West Water

City West Water’s overall financial outcomes in 2019–20 were generally in line with what was outlined in the 2019–20 Budget. City West Water recorded a net operating surplus of \$116.6 million, 12% higher than the budgeted balance of \$104.1 million. Overall, COVID-19 had a favourable \$2.4 million impact on the corporation’s financial performance.<sup>78</sup>

Total actual revenue and income from transactions was \$757.6 million in 2019–20, slightly higher than the budget figure of \$748.7 million. City West Water outlined that while it recorded a \$9.6 million reduction in revenue due to COVID-19, this was offset by other revenue lines.<sup>79</sup>

Total actual expenses from transactions were \$641 million in 2019–20, only slightly lower than the budgeted figure of \$644.6 million. The corporation outlined that bulk purchase expenditure declined by \$2.6 million due to COVID-19, along with an additional \$0.2 million of expenses directly related to COVID-19.<sup>80</sup>

The Committee asked City West Water to identify a minimum of five challenges experienced in 2019–20. The corporation outlined that all five challenges were related to COVID-19, including debt collections, expedient payments to suppliers, customer hardships and the transition to staff working from home.<sup>81</sup>

**FINDING 63:** The most prominent challenges faced by City West Water in 2019–20 were all related to COVID-19. These included debt collections, expedient payments to suppliers, and customer hardships.

<sup>76</sup> Ibid., p. 144.

<sup>77</sup> Ibid., p. 146.

<sup>78</sup> City West Water, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 21.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid., p. 29.

## South East Water

South East Water recorded a net operating surplus of \$122.7 million in 2019–20, only slightly higher than the budgeted figure of \$120 million.<sup>82</sup> Actual revenue and expenses in 2019–20 were almost unchanged from what was budgeted.

South East Water outlined to the Committee that revenue was foregone due to COVID-19, while it realised an increase in expenses also largely caused by the effects of COVID-19.<sup>83</sup>

## Yarra Valley Water

Yarra Valley Water recorded a net operating surplus of \$104.4 million in 2019–20, an increase of 45% from the budgeted figure of \$71.9 million.<sup>84</sup>

Total expenses from transactions were recorded at \$1 billion, largely unchanged from the budgeted figure. Yarra Valley Water outlined that COVID-19 had an impact on expenses through:

- higher bad and doubtful debts due to increased provisioning based on economic outlook (\$3.5 million)
- additional operating expenses to manage the impact of COVID-19 including IT, labour, allowances and leave (\$0.7 million).<sup>85</sup>

Yarra Valley Water outlined to the Committee that these additional costs were partially offset by deferred property debt written off in 2018–19 (\$3.9 million), lower than expected write off/disposal of assets (\$1.2 million), land tax refunds (\$1.1 million) and savings in electricity due to the corporation's solar powered car park (\$0.6 million).<sup>86</sup> Total revenue and income from transaction was \$1.1 billion in 2019–20, a 2.2% increase from what was budgeted.<sup>87</sup>

## 7.6.2 Regional water corporations

There are 13 water corporations in Victoria that provide water and sewerage services in regional cities and towns. The Committee examined the performance and financial outcomes of Barwon Region Water and Lower Murray Urban and Rural Water.

<sup>82</sup> South East Water, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 21.

<sup>83</sup> Ibid.

<sup>84</sup> Yarra Valley Water, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 21 (Committee calculation).

<sup>85</sup> Ibid.

<sup>86</sup> Ibid., p. 15.

<sup>87</sup> Ibid., p. 21.

### Barwon Region Water

Barwon Region Water recorded a \$24.6 million operating surplus in 2019–20, unchanged from what was budgeted. Total revenue and income from transactions was \$249.9 million, slightly higher than the budgeted figure of \$247 million. Total expenses from transactions were \$223.6 million in 2019–20, only slightly higher than what was budgeted. Barwon Region Water told the Committee that minimal to no impact was observed in terms of COVID-19's impact on the corporation's financial performance.<sup>88</sup>

Outside of financial performance, Barwon Region Water performed well across all indicators other than those measuring environmental performance. It underperformed in both environmental performance indicators:

- Effluent re-use volume (end use) (39.2% below target).
- Total net carbon dioxide emissions (24.1% below target).<sup>89</sup>

### Lower Murray Urban and Rural Water

Lower Murray Urban and Rural Water recorded a net operating deficit of \$7.1 million in 2019–20, down from the budgeted deficit of \$11 million. The corporation realised an increase in both revenue and expenditure. Total revenue and income from transactions was \$88.1 million in 2019–20, up from the budgeted figure of \$82.3 million. The corporation stated that it did not experience any impact to its revenue from COVID-19.<sup>90</sup> Total expenses from transactions in 2019–20 were recorded at \$95.2 million, up from the budgeted \$92.2 million, primarily related to additional labour costs associated with working from home allowances, additional cleaning activities and the purchase of sanitiser and faces masks.<sup>91</sup>

## 7.6.3 Rural water corporations

The Committee examined the four water corporations that provide rural water services across Victoria for irrigation, stock, domestic, environmental and recreational purposes.

### Gippsland and Southern Rural Water

Gippsland and Southern Rural Water recorded a net operating deficit of \$11.3 million in 2019–20, performing worse than the budgeted figure of \$7.3 million. The corporation saw revenue drop slightly and expenses increase from budgeted figures. Total revenue and income from transactions decreased slightly from a budgeted figure of \$37.9 million

<sup>88</sup> Barwon Water, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 24.

<sup>89</sup> Barwon Water, *Annual Report 2019–20*, Geelong, October 2020, p. 77.

<sup>90</sup> Lower Murray Urban and Rural Water, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 25.

<sup>91</sup> Ibid.

to an actual figure of \$36.6 million. Total expenses from transactions increased from the budget \$45.2 million to \$47.9 million, partially due to an increase in employee benefit expenses due to COVID-19.<sup>92</sup>

### Goulburn Murray Rural Water

Goulburn Murray Rural Water recorded an operating deficit of \$83.5 million, which while significant, was a decrease of 40.6% on the budgeted deficit of \$140.6 million. Total revenue and income received from transactions was \$269.4 million, up 24.9% from the budgeted figure of \$215.8 million. Total expenses from transactions were only slightly lower than budgeted, at \$352.9 million.<sup>93</sup>

The variance between budget and actual revenue recorded in 2019–20 was primarily due to an increase in government grants received for salinity works and an increase in Connections Project funding.<sup>94</sup> The Connections Project is an irrigation modernisation project funded by both the Victorian and Commonwealth Governments. It aims to ensure the sustainable future of productive agriculture in northern Victoria.

**FINDING 64:** Both Gippsland and Southern Rural Water, and Goulburn Murray Rural Water, recorded actual operating deficits in 2019–20. Deficits are typical of rural water corporations as they do not charge customers at a level that would cover their operating costs.

**FINDING 65:** COVID-19 impacted metropolitan, regional and rural water corporations differently in 2019–20. The pandemic had a greater financial impact on metropolitan water corporations than it did on regional and rural water corporations.

<sup>92</sup> Gippsland and Southern Rural Water Corporation, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 27.

<sup>93</sup> Goulburn Murray Rural Water, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 4 February 2021, p. 27.

<sup>94</sup> *Ibid.*, p. 18.



# 8 Department of Jobs, Precincts and Regions

## 8.1 Overview

The Department of Jobs, Precincts and Regions (DJPR) was established on 1 January 2019 to grow the State's economy and ensure it benefits all Victorians—by creating more jobs for more people, building thriving places and regions, and supporting inclusive communities. At the beginning of the 2019–20 financial year, there were 10 portfolios which grew to 14 portfolios by 30 June 2020.<sup>1</sup> DJPR supports six ministers and its objectives include 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
- promote productive and sustainably used natural resources.<sup>2</sup>

## 8.2 Outcomes in the community across 2019–20

DJPR outlined the following five programs that provided the most important outcomes in 2019–20:

- Business Support Fund 1 (BSF1)—in March 2020, the Victorian Government announced a \$500 million package in response to the COVID-19 pandemic. BSF1 provided one-off \$10,000 grants to eligible businesses. DJPR supported over 77,000 business through BSF1, providing around \$700 million in grants.
- Working for Victoria—the initiative was announced on 1 April 2020 in response to the pandemic. As at 30 June 2020, Working for Victoria had committed \$246.9 million and created more than 8,300 new jobs in Victoria.
- Strengthening Victoria's Biosecurity System—outcomes included natural disaster and biosecurity emergency preparedness, investigation of reports of suspected exotic pests and diseases, and providing animal welfare relief to producers impacted by bushfires.

1 Department of Jobs, Precincts and Regions, *Response to the 2020-21 Budget estimates general questionnaire*, received 30 November 2020, pp. 167–188; Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, Melbourne, 2020, p. 4.

2 Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, pp. 169–170.

- Sustaining the successful National Gallery of Victoria (NGV) Exhibition Model—the department supported the NGV with funding to deliver the major exhibitions and NGV Triennial.
- Suburban Revitalisation—the department supported the Hume City Council to deliver the Broadmeadows Town Hall and facilitated the Frankston town centre Station Street Mall upgrade.<sup>3</sup>

The Committee’s questionnaire also asked departments to identify programs that did not deliver their planned outcomes in 2019–20. DJPR listed COVID-19 as the main reason for not delivering the planned outcomes of the *Responsible Pet Ownership for children*, *Creative agency student programs*, *Industry roundtables and engagement forums*, *Combat sports programs* and *International export and trade programs*.<sup>4</sup>

### 8.3 Challenges

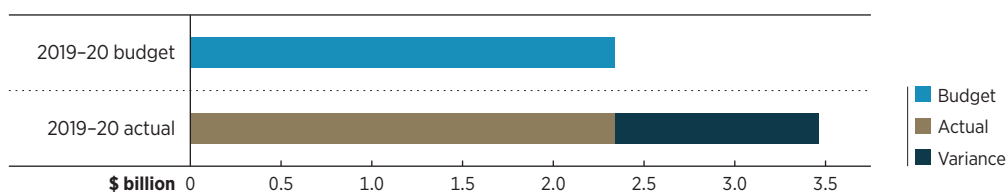
DJPR’s response to the Committee’s questionnaire highlighted five main challenges across 2019–20. These included the COVID-19 pandemic, adapting to a new working environment, bushfires, climate change and drought.<sup>5</sup>

DJPR detailed the actions taken to address these challenges, for example, providing mindfulness and health and wellbeing sessions to staff, virtual learning modules, and induction and tips and tricks for navigating a virtual environment; leading a nationally coordinated approach to support the agriculture sector to adapt to climate change; and providing drought and COVID-19 support packages.<sup>6</sup>

### 8.4 Financial analysis

DJPR had a budget allocation of \$2.3 billion in 2019–20. Actual expenditure for the year was \$3.5 billion, an overspend of 48.1% (\$1.1 billion).

**Figure 8.1** Department of Jobs, Precincts and Regions variances in output expenditure, 2019–20



Source: Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, Melbourne, October 2020, pp. 178–228 (Committee calculation).

<sup>3</sup> Department of Jobs, Precincts and Regions, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, pp. 27–30.

<sup>4</sup> *Ibid.*, pp. 30–32.

<sup>5</sup> *Ibid.*, pp. 99–100.

<sup>6</sup> *Ibid.*



Table 8.1 shows DJPR's expenditure by output in 2019–20 and relevant variances between the Budget and actual expenditure.

**Table 8.1** Department of Jobs, Precincts and Regions expenditure by output in 2019–20

Output	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Jobs	131.1	1,159.4	784
Industry, Innovation and Small Business	153.5	122.8	-20
Trade and Global Engagement	42.2	61.0	45
Priority Precincts and Suburban Development	22.8	23.7	4
Regional Development	311.4	279.2	-10
Creative Industries Access, Development and Innovation	72.6	73.9	2
Creative Industries Portfolio Agencies	399.4	438.0	10
Cultural Infrastructure and Facilities	112.3	114.3	2
Sport, Recreation and Racing	374.9	285.5	-24
Tourism and Major Events	123.5	228.4	85
Agriculture	471.0	561.2	19
Resources	122.6	115.1	-6
<b>Total</b>	<b>2,337.3</b>	<b>3,462.5</b>	<b>48</b>

Source: Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, Melbourne, October 2020, pp. 180–228.

The overspend was driven by the higher than budgeted expenditure in the Jobs output (784%), Tourism and Major Events (85%) and Trade and Global Engagement (45%) outputs. The DJPR 2019–20 Annual Report states that the higher output cost in Jobs is a result of the *Business Support Fund*, *Economic Survival Package* and *Working for Victoria Fund*, announced as part of the COVID-19 response.<sup>7</sup>

### 8.4.1 Revenue and expenditure

DJPR's output appropriations increased in 2019–20 by 178% (\$2 billion) from the 2018–19 actual.<sup>8</sup> DJPR advised that this was mainly due to different reporting periods in 2018–19<sup>9</sup> and the additional funding to support responses to the impacts of COVID-19.<sup>10</sup> DJPR elaborated that the variance related to grants (\$1,374 million) and other departmental

<sup>7</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 180.

<sup>8</sup> Department of Jobs, Precincts and Regions, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 58 (Committee calculation).

<sup>9</sup> Department of Jobs, Precincts and Regions was established on 1 January 2019.

<sup>10</sup> Department of Jobs, Precincts and Regions, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 58.

expenditures (\$579.6 million). Of the \$1,374.4 million grant expenditure, the following grant programs supported Victorian businesses:

- Economic Survival Package—Business Support Fund of \$784.7 million.
- Economic Survival Package—Working for Victoria Fund of \$109.0 million.<sup>11</sup>

In 2019–20 DJPR’s grants grew by 200% (\$135 million) compared to the 2019–20 Budget. This was due to receipt of funding for Major Events, prior year carry-over,<sup>12</sup> Bushfire Recovery funding and Arts agencies.<sup>13</sup>

DJPR’s employee benefits were 16.3% (\$77 million) higher compared to the 2019–20 Budget ‘due to the departmental response to coronavirus (COVID-19) impact’.<sup>14</sup>

**FINDING 66:** The Department of Jobs, Precincts and Region’s output appropriations increased in 2019-20 by 178% (\$2 billion) from 2018-19. \$1,374 million of that variance relates to grant expenditure, predominantly the *Business Support Fund* (\$784.7 million) and *Working for Victoria Fund* (\$109.0 million).

## 8.4.2 Overall financial performance

Table 8.2 summarises DJPR’s financial performance in 2019–20.

**Table 8.2** Department of Jobs, Precincts and Regions: Summary of Comprehensive Operating Statement in 2019–20

Controlled items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	2,189	3,415	56
Expenses from transactions	2,337	3,462	48
<b>Net result from transactions</b>	<b>-148</b>	<b>-47</b>	<b>-68</b>

Source: Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, Melbourne, October 2020, p. 234.

DJPR forecast a negative net result (net loss) of \$148 million in the 2019–20 Budget. However, the actual net loss was reported at \$47 million in the 2019–20 Annual Report.

11 Mr Simon Phemister, Secretary, Department of Jobs, Precincts and Regions, 2019-20 Financial and Performance Outcomes hearing, response to questions on notice received 22 March 2021, p. 10.

12 According to the Department of Jobs, Precincts and Regions (DJPR), the higher grant income is attributable to grant income received for the Australian Grand Prix which was not received in the 2018–19 as it was received by the former Department of Economics, Development, Jobs, Transport and Resources prior to the establishment of DJPR on 1 January 2019.

13 Department of Jobs, Precincts and Regions, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 59 (Committee calculation).

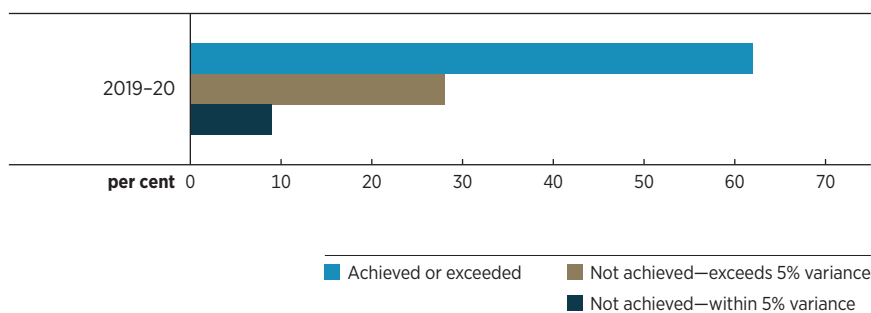
14 *Ibid.*, p. 64 (Committee calculation).

**FINDING 67:** The Department of Jobs, Precincts and Regions forecast a negative net result (net loss) of \$148 million in the 2019–20 Budget. However, the actual net loss was lower than estimated at \$47 million in 2019–20.

## 8.5 Performance information

DJPR achieved 62% of its 162 performance measures in 2019–20. This is a significant reduction compared to 2018–19, where DJPR achieved more than 80% of its performance measures. It was evident that the COVID-19 pandemic weighed on DJPR's performance in 2019–20 as those least performing outputs included the Jobs output (5 of 8 not met) and the Creative Industries outputs (24 of 43 not met). The other outputs that underperformed included Sport, Recreation and Racing (7 of 14 not met) and Sustainably Manage Forest and Game Resources (2 of 4 not met).<sup>15</sup>

**Figure 8.2** Department of Jobs, Precincts and Regions performance measurement results, 2019–20



Source: Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, Melbourne, October 2020, pp. 177–228.

**FINDING 68:** In 2019–20, the Department of Jobs, Precincts and Regions achieved 62% of its 162 performance measures.

## 8.6 Key issues

### 8.6.1 Jobs

In June 2020, the number of people employed in Victoria was 3.3 million, 2.9% lower than in June 2019.<sup>16</sup> One of the key initiatives announced by DJPR in 2019–20 was the \$500 million *Working for Victoria Fund*. The *Working for Victoria Fund* involves the public, private and not-for-profit sectors identifying employment opportunities for

<sup>15</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, pp. 177–228.

<sup>16</sup> Australian Bureau of Statistics, *Labour Force, Australia, January 2021*, cat. no. 6202.0, 18 February 2021, <<https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release#data-downloads>> accessed 18 March 2021 (Committee calculation).

Victorian jobseekers.<sup>17</sup> The initiative was announced on 21 March 2020<sup>18</sup> and DJPR's response to the Committee's questionnaire states that \$115 million was funded via Treasurer's Advances.<sup>19</sup>

As at 30 June 2020, about 50,000 jobseekers had registered with the Working for Victoria online marketplace. The department had supported 6,500 Victorian jobseekers into employment, including 197 people in regional jobs.<sup>20</sup>

DJPR also manages the Jobs Victoria platform that provides jobseekers with advice and support to navigate their pathway back to work as well as connect employers with the Victorian workforce.<sup>21</sup> The DJPR 2019–20 Annual Report stated that the department supported around 3,000 Victorian jobseekers into work through Jobs Victoria services. DJPR further outlined that \$9.3 million was allocated to existing Jobs Victoria services to enable increased capacity and to support jobseekers impacted by the COVID-19 pandemic.<sup>22</sup>

**FINDING 69:** In June 2020, the number of people employed in Victoria was 3.3 million, 2.9% fewer than the previous year. As at 30 June 2020, 50,000 jobseekers had registered with Working for Victoria, and the Department of Jobs, Precincts and Regions had supported 6,500 jobseekers into employment, including 197 people in regional Victoria.

## Aboriginal Economic Development

At the public hearings, DJPR discussed the *Tharamba Bugheen: Victorian Aboriginal Business Strategy* in detail. *Tharamba Bugheen* was announced four years ago and supports the creation, establishment and growth of small businesses owned by Aboriginal Victorians.<sup>23</sup> DJPR explained that:

in Victoria at the last census [2016] we had about 50 000 Victorians identify as Aboriginal, very much over the odds in terms of rates of unemployment, more excluded from employment. The impact of poverty on that community flows through into a whole range of other areas ... and [there are] social challenges that many members of the Aboriginal community experience. It results in significant levels of expenditure in areas like incarceration, child protection, out-of-home care and so forth ...<sup>24</sup>

17 Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 15.

18 Ibid.

19 Department of Jobs, Precincts and Regions, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 36.

20 Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 15.

21 Jobs Victoria, *About Jobs Victoria*, 12 January 2021, <<https://jobs.vic.gov.au/about-jobs-victoria>> accessed 18 March 2021.

22 Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 32.

23 Mr David Clements, Deputy Secretary, Employment and Inclusion Group, Department of Jobs, Precincts and Regions, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 28.

24 Ibid., pp. 27-28.

DJPR further stated that through the *Tharamba Bugheen* strategy, Kinaway, the chamber of commerce for Aboriginal owned businesses, has seen its membership grow from approximately 20 Aboriginal owned businesses in 2017 to 300 in 2021.<sup>25</sup>

In addition, DJPR's 2019–20 Annual Report states that the department supported 29 *Working for Victoria* proposals from Aboriginal Community Organisations, Traditional Owner Corporations and the Creative Arts Sector.<sup>26</sup>

The Committee notes that DJPR has various initiatives to promote the Victorian Aboriginal employment and business sector. In this context, DJPR's efforts should be reported through the publication of the number of First Nations people employed in Victoria in public and private sectors as well as the number of Aboriginal businesses in Victoria in any given year.

**FINDING 70:** The *Tharamba Bugheen: Victorian Aboriginal Business Strategy* has enabled the chamber of commerce for Aboriginal owned businesses, Kinaway, to increase its membership from 20 Aboriginal owned businesses in 2017 to 300 in 2021.

**FINDING 71:** The Department of Jobs, Precincts and Regions' annual reports currently do not provide the number of First Nations people employed in Victoria in public and private sectors and the number of Aboriginal businesses in Victoria.

**RECOMMENDATION 21:** The Department of Jobs, Precincts and Regions report where possible on the number of First Nations people employed in Victoria as well as the number of Aboriginal businesses in Victoria.

## Industry Support and Recovery

The *Business Support Fund* was announced on 21 March 2020 and provided financial support through a one-off grant to eligible businesses impacted by the economic effects of COVID-19.<sup>27</sup> The *Business Support Fund* was also part of the Rural and Regional Victoria state-wide COVID-19 stimulus response.<sup>28</sup> However, DJPR has not provided information on how many regional Victorian businesses received the *Business Support Fund* in its Annual Report 2019–20.

**FINDING 72:** The *Business Support Fund* supported 77,000 business, distributing \$770 million in grants in 2019–20. The Department of Jobs, Precincts and Regions did not provide a breakdown of how many regional Victorian businesses received such funds.

<sup>25</sup> Ibid., p. 28.

<sup>26</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 32.

<sup>27</sup> Ibid., p. 15.

<sup>28</sup> Ibid., p. 26.

**RECOMMENDATION 22:** The Department of Jobs, Precincts and Regions provide a breakdown of the number of businesses that received the *Business Support Fund* by metropolitan and regional Victoria in its 2020-21 Annual Report.

At the public hearings, DJPR provided information on the consultation and engagement that was undertaken when implementing the *Business Support Fund*. DJPR stated that the department received:

- 288,000 calls through the Business Victoria call centre (which had initially employed five people and was increased up to 550 people)
- 28,000 email inquiries responded to
- 228 round tables to facilitate the communication between industry peak bodies, business, government, and other key stakeholders such as unions.<sup>29</sup>

However, DJPR's performance measures highlighting the 'engagements with businesses' and 'industry roundtables and engagement forums' were not met during the 2019-20:

- Engagements with businesses—number of engagements were 12,344, compared to a target of 14,000 (11.8% variance). DJPR stated that lower result was due to access impediments as a result of COVID-19. In addition, a number of staff who would undertake business as usual engagements were enlisted to assist with the COVID-19 response.
- Industry roundtables and engagement forums—the actual number was 29, compared to a target of 42 (31% variance).<sup>30</sup> DJPR stated that lower result was due to the large number of industry roundtables and engagement forums that were scheduled to be held in person. DJPR outlined that although a number of forums were held online, the outcome has been impacted due to a number of forums being deferred beyond 2019-20 or cancelled.<sup>31</sup>

**FINDING 73:** The Department of Jobs, Precincts and Regions (DJPR) undertook extensive consultation and engagement when implementing and designing the *Business Support Fund*. Nevertheless, DJPR's performance targets measuring usual engagement with businesses and industry were not met during 2019-20.

## 8.6.2 Priority Precincts and Suburban Development

The Priority Precincts and Suburban Development output was allocated \$22.8 million in the 2019-20 Budget. The total output cost was \$23.7 million, 3.9% (\$0.9 million) more than the 2019-20 Budget.<sup>32</sup>

<sup>29</sup> Mr David Latina, Deputy Secretary, Jobs, Innovation and Business Engagement, Department of Jobs, Precincts and Regions, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 12.

<sup>30</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 183.

<sup>31</sup> *Ibid.*

<sup>32</sup> *Ibid.*, p. 194.

The 2019–20 Budget outlined the *Establishing the Priority Precincts portfolio* initiative with an output funding allocation of \$6.3 million in 2019–20, and a total of \$25.2 million across the four years.<sup>33</sup> At the hearing, DJPR advised that the department administers the public private partnerships (PPP) elements of the projects set out in Table 8.3.<sup>34</sup>

**Table 8.3 Business precincts projects managed by the Department of Jobs, Precincts and Regions**

Project name	Description	No. of jobs supported
Fishermans Bend	A 485 hectare precinct currently dominated by low scale industrial and warehousing uses. This will be transformed to mixed use, medium and high-density neighbourhoods.	By 2050 the precinct will have: <ul style="list-style-type: none"> <li>• 80,000 jobs</li> <li>• 80,000 people.</li> </ul>
Parkville	A biomedical research hub. The Melbourne Biomedical Precinct will facilitate more than 30 world-class hospitals, medical research institutes, bio-medical organisations and universities.	By 2030 this precinct will have: <ul style="list-style-type: none"> <li>• 60,000 knowledge jobs.</li> </ul>
Footscray	Footscray is Melbourne's newest Priority Precinct. The precinct will provide a place for people to live, work and study. Footscray Vision was intended for release in 2020. <sup>a</sup>	n.a.

a. The Committee notes this is not yet available.

Source: Department of Jobs, Precincts and Regions, *Business Precincts*, 2021, <<https://djpr.vic.gov.au/significant-projects/priority-precincts>> accessed 19 March 2021; Department of Environment, Land, Water and Planning, *Fishermans Bend Framework*, October 2018, p. 7; Victorian Government, *Melbourne Biomedical Precinct: From research engine to economic powerhouse*, 2018, Melbourne, p. 6.

DJPR advised that as at 30 June 2020 there were 37 staff employed in the Priority Precincts portfolio and that, in addition to the projects outlined in the Table 8.3, the staff administers the following PPPs for the department:

- Melbourne Convention Centre Development
- Melbourne Exhibition Centre Expansion
- Royal Melbourne Showgrounds Redevelopment
- Biosciences Research Centre.<sup>35</sup>

However, the total value of the PPPs, requested by the Committee, was not provided by DJPR.

DJPR discussed the Royal Melbourne Showgrounds Redevelopment which is a 27 hectare site. The contract with PPP Solutions is expected to design, build, finance and maintain the showground facilities. The contract was executed on 22 June 2005 and is in place for a period of 25 years.<sup>36</sup> DJPR's response to the questionnaire stated

<sup>33</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2019-20 service delivery*, Melbourne, 2020, p. 68.

<sup>34</sup> Mr Simon Phemister, Secretary, Department of Jobs, Precincts and Regions, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 16.

<sup>35</sup> Ibid.; Mr Simon Phemister, response to questions on notice, p. 4.

<sup>36</sup> Department of Treasury and Finance, *Royal Melbourne Showgrounds Redevelopment*, 2018, <<https://www.dtf.vic.gov.au/partnerships-victoria-ppp-projects/royal-melbourne-showgrounds-redevelopment>> accessed 19 March 2021.

that the project's total estimated PPP investment value at the start of the project was \$108 million while the actual expenditure since the announcement has been \$190 million.<sup>37</sup>

Providing further examples, DJPR said that it is managing Dockland Studios Melbourne as well as the Marvel Stadium redevelopment. Development Victoria is partnering with Sport and Recreation Victoria and the Australian Football League (AFL) to manage the redevelopment of Marvel Stadium. In 2018–19 the Victorian Government invested \$225 million:

as part of a landmark agreement with the AFL and the Melbourne Cricket Club in 2018 that secured Victoria as the home of football. The arrangement guarantees that the AFL Grand Final will be played at the MCG until at last 2058.<sup>38</sup>

The Committee notes that neither DJPR nor Development Victoria had included the above projects' PPP values in the Committee's questionnaire.<sup>39</sup> In addition the Committee notes that the 2018–19 State Capital Program does not provide the value of the investment projects carried out by Development Victoria.<sup>40</sup> Further, the 2019–20 State Capital Program did not contain the values of the projects undertaken by Development Victoria under the 'Public non-financial corporations capital program'.<sup>41</sup> As the Committee was unable to obtain the budget allocation for this project in the 2018–19 Budget, it is unclear how the Marvel Stadium redevelopment was funded.

When asked by the Committee about the difference between the Planning portfolio (sitting in the Department of Environment, Land, Water and Planning) and DJPR's responsibilities in managing such projects, DJPR told the Committee:

planning have the final say when it comes to the planning overlay, but when it comes to the curation of a business precinct, that is where we defer to the experts in the business precincts team. So I could not give you a number and say, 'These five work on Fishermans Bend and these five work on Footscray'. There are a couple where I can do that, but it is more a broader consulting service across the department when it comes to place curation.<sup>42</sup>

**FINDING 74:** The Department of Jobs, Precincts and Regions (DJPR) manages the public private partnerships arrangements for Fishermans Bend, Parkville, Footscray, and Royal Melbourne Showgrounds Redevelopment projects. DJPR also manages the Marvel Stadium redevelopment via its Development Victoria agency.

<sup>37</sup> Department of Jobs, Precincts and Regions, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 55.

<sup>38</sup> Development Victoria, *Community front and centre in Marvel Stadium revamp*, 20 November 2020, <<https://www.development.vic.gov.au/news/community-front-and-centre-in-marvel-stadium-revamp>> accessed 19 March 2021; Department of Jobs, Precincts and Regions, *Annual Report 2018–19*, Melbourne, 2019, p. 21..

<sup>39</sup> Department of Jobs, Precincts and Regions, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 55; Development Victoria, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received on 17 February 2021, p. 14.

<sup>40</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2018–19 state capital program*, Melbourne, 2018, p. 23.

<sup>41</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2019–20 state capital program*, Melbourne, 2019, pp. 22–23, 97–180.

<sup>42</sup> Mr Simon Phemister, *Transcript of evidence*, p. 16.



**FINDING 75:** In 2018–19, Victorian Government invested \$225 million to redevelop Marvel Stadium which guaranteed that the Australian Football League Grand Final will be played at the Melbourne Cricket Ground until 2058. The 2018–19 State Capital Program does not provide the value of the projects carried out by Development Victoria.

**RECOMMENDATION 23:** The Department of Jobs, Precincts and Regions and the Department of Treasury and Finance publish details of Development Victoria’s capital program in the 2021–22 Budget.

### 8.6.3 Regional Development

The Regional Development output performed well against its six performance measure targets in 2019–20. Three examples illustrating performance above the set performance targets are:

- Actual export sales generated for regional businesses as a result of participation in government programs (2019–20 actual: \$56 million, 2019–20 target: \$55 million).
- Jobs in regional Victoria resulting from government investment facilitation services and assistance (2019–20 actual: 1,215, 2019–20 target: 1,200).
- New investment in regional Victoria resulting from government facilitation services and assistance (2019–20 actual: \$840 million, 2019–20 target: \$700 million).<sup>43</sup>

At the public hearings, DJPR was asked how the department determines whether the goals were achieved as a result of investment by the Government or as a result of investment by other parties. DJPR advised that:

[this] is something we have refined over the last few years. We have worked with the Auditor-General and others to make sure that when we claim facilitated jobs there is a pretty rigorous set of criteria to go through to test, be that through the jobs in innovation business area or Regional Development Victoria, which claims facilitation against the Regional Jobs and Infrastructure Fund. I can provide the committee the criteria that we use to assess whether or not we feel as though we made a meaningful difference to facilitation.<sup>44</sup>

DJPR stated the two key forms of evidence in substantiating a claim for government facilitation of investment are:

- where the government has provided a grant and has a contract in place with milestone payments against reported capital investment and/or jobs targets
- where there is no grant involved, the measurement is about the value to the company of the non-financial facilitation that has been provided and the link between this and the project proceeding. Typically, this would involve evidence

<sup>43</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 195.

<sup>44</sup> Mr Simon Phemister, *Transcript of evidence*, p. 14.

of cross-government activity in advising on approvals processes or other issues that the project is facing such as site identification and coordinating infrastructure connections.<sup>45</sup>

The Victorian Auditor-General's Office 2019 report on *Outcomes of Investing in Regional Victoria* noted that Regional Development Victoria was unable to determine reliably whether Government grants have improved economic or social outcomes directly or indirectly.<sup>46</sup>

The Committee notes that performance measures for Regional Development have not been changed since 2015–16.<sup>47</sup> In measuring the contribution made by DJPR to regional Victoria, the Committee believes that the department should report the gross regional product and employment rate of regional Victoria in its annual report going forward. The Committee notes that similar valuable information relating to regional Victoria tourism is provided by Business Victoria through its 'Regional market summaries'.<sup>48</sup>

**FINDING 76:** The Department of Jobs, Precincts and Regions is refining its goals and metrics to ensure there is a clear link between the outcomes achieved and the Government's investment in regional Victoria. However, the performance measures for the Regional Development output have not been changed for five years.

**RECOMMENDATION 24:** The Department of Jobs, Precincts and Regions report on the gross regional product and employment rate of Regional Victoria in its annual report going forward.

## 8.6.4 Creative industries

### Creative Industries Portfolio Agencies output

The Creative Industries Portfolio Agencies output contains performance measures to measure the attendance and user satisfaction of creative industries agencies such as the Arts Centre Melbourne, Australian Centre for the Moving Image, Docklands Studios Melbourne, Film Victoria, Geelong Performing Arts Centre, Melbourne Recital Centre, Museums Victoria, National Gallery of Victoria and the State Library Victoria.<sup>49</sup>

<sup>45</sup> Mr Simon Phemister, response to questions on notice, p. 24.

<sup>46</sup> Victorian Auditor General's Office, *Outcomes of Investing in Regional Victoria*, 2 May 2019, <<https://www.audit.vic.gov.au/report/outcomes-investing-regional-victoria>> accessed 16 March 2021.

<sup>47</sup> Department of Economic Development, Jobs, Transport and Resources, *Annual Report 2015-16*, Melbourne, 2016, p. 213.

<sup>48</sup> Business Victoria, *Regional visitation: The latest tourism data for Victoria's 12 tourism regions*, 20 January 2021, <<https://www.business.vic.gov.au/tourism-industry-resources/research/regional-visitation>> accessed 15 March 2021.

<sup>49</sup> Department of Treasury and Finance, *Budget Paper No. 3*, p. 246.

Fourteen of the 22 performance measures under this output were not met in 2019–20 due to closures brought on by COVID-19.<sup>50</sup> Attendance at creative industries portfolio agencies declined by 26.3% in 2019–20 compared to the previous year.<sup>51</sup> The total actual output funding was 9.7% higher (or \$38.6 million) compared to the 2019–20 Budget. This is as a result of ‘additional agency expenditure funded by the *Experience Economy Survival Package* [announced on 13 May 2020] and [decline in] third-party revenue’.<sup>52</sup>

At the public hearings a Committee member asked what assistance had been provided to non-government creative institutions such as the support sector (for example those businesses providing marquees, lighting and event organisers). The Committee was advised that up to \$246.7 million has been provided to support the creative industry since the beginning of the COVID-19 pandemic to 23 February 2021.<sup>53</sup> DJPR advised that \$49.2 million in immediate COVID-19 support for the Creative Industries sector was fully expended in 2019–20. DJPR further stated that \$16.8 million was announced as a survival package to help save arts jobs and \$32 million was announced as part of the *Experience Economy Survival Package*. DJPR stated that both of these packages announced in 2019–20 have been fully acquitted as at 30 June 2020.<sup>54</sup> The Committee notes that \$98 million of \$246.7 million relates to the 2019–20 financial year, as a result about 39% of the grants have been acquitted as at 30 June 2020.<sup>55</sup>

The Committee notes that Creative Victoria traditionally has been transparent with its grant distribution. For instance, the *Sustaining Creative Workers initiative* was announced in April 2020 to provide support to individual artists and creative practitioners, as well as micro-organisations and companies who are among the hardest hit by the impacts of the pandemic.<sup>56</sup> Creative Victoria has published a comprehensive list of all grant recipients from its Round 1 and 2 grant distribution.<sup>57</sup>

**FINDING 77:** Creative Victoria has been transparent in providing information of the grant recipients under the *Sustaining Creative Workers initiative*. However, there is no public information available regarding the outcomes of the creative industries that were supported in 2019–20.

50 Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, pp. 208-209.

51 Ibid. (Committee calculation).

52 Department of Jobs, Precincts and Regions, *Funding for sport, tourism and cultural icons*, 13 May 2020 <<https://djpr.vic.gov.au/about-us/news/funding-for-sport-tourism-and-cultural-icons>> accessed 16 March 2021; Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 209.

53 Mr Andrew Abbott, Deputy Secretary, Creative, Sport and Visitor Economy and Chief Executive, Creative Victoria, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 8.

54 Ibid., p. 25.

55 Mr Andrew Abbott, Deputy Secretary, Creative, Sport and Visitor Economy and Chief Executive, Creative Victoria, 2019-20 Financial and Performance Outcomes hearing, response to questions on notice received 22 March 2021, p. 25 (Committee calculation).

56 Creative Victoria, *Creatives work towards recovery*, 16 June 2020, <<https://creative.vic.gov.au/news/2020/grants-recipients-for-sustaining-creative-workers>> accessed 16 March 2021.

57 Creative Victoria, *Sustaining Creative Workers Initiative*, 29 January 2021, <<https://creative.vic.gov.au/grants-and-support/programs/sustaining-creative-workers-initiative>> accessed 16 March 2021.

**RECOMMENDATION 25:** The Department of Jobs, Precincts and Regions develop a performance measure to report on the outcomes of the creative industries that were supported during and post the COVID-19 pandemic.

### Cultural Infrastructure and Facilities output

At the public hearings DJPR was asked to clarify the expenditure involved in the Cultural Infrastructure and Facilities output. In 2019–20 the total cost for the output was \$114.3 million, 1.8% (or \$2.0 million) higher than the 2019–20 Budget.<sup>58</sup>

Under the output, DJPR aims to conduct 16 safety audits under the performance measure—‘all facility safety audits conducted.’ DJPR explained that there are approximately 32 cultural facilities within the jurisdiction of Creative Victoria. Of the 32, DJPR will conduct safety audits on 16 of them in a year, approximately one audit per facility every couple of years.<sup>59</sup>

**FINDING 78:** In 2019–20 the Cultural Infrastructure and Facilities output incurred a total cost of \$114.3 million, 1.8% higher (or \$2.0 million) than the 2019–20 Budget (\$112.3 million). There are approximately 32 cultural facilities within the jurisdiction of Creative Victoria. In any given year, the Department of Jobs, Precincts and Regions undertakes 16 safety audits of the 32 cultural facilities.

### 8.6.5 Trade and global engagement

At the public hearings the Committee discussed the impact of COVID-19 on migration and international students. In 2019–20 Victoria had the second highest number of migrants, accounting for about 24% of total migration. However, in 2019–20 the number of international migrants declined by 19.8% compared to 2018–19.<sup>60</sup> The Committee notes that the data for this period only captures the early impacts of the pandemic on the sector.

Similarly, Victoria has the second highest market share in the international education sector, representing about 32% of Australia in 2020. In 2020 the number of international student enrolments was 7.5% lower than the previous year.<sup>61</sup>

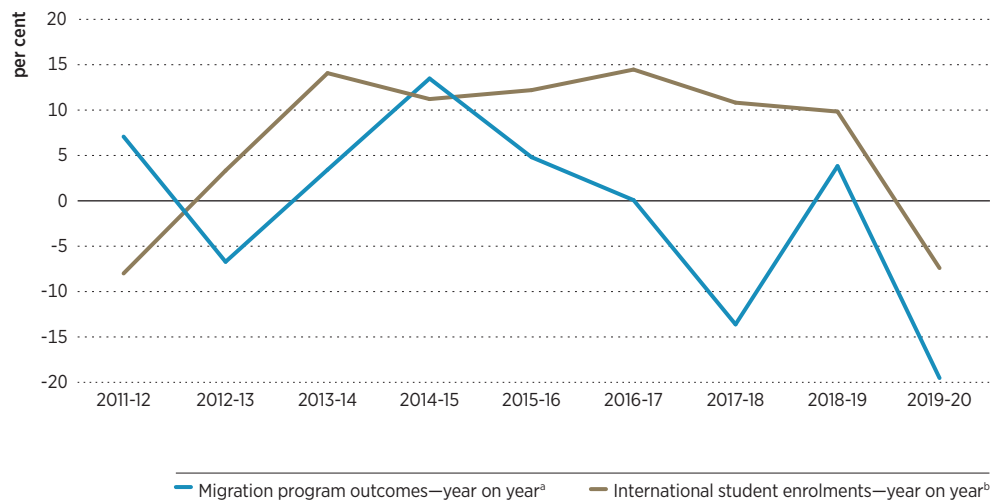
<sup>58</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, pp. 210.

<sup>59</sup> Mr Andrew Abbott, *Transcript of evidence*, p. 15.

<sup>60</sup> Department of Home Affairs, *2019 – 20 Migration Program Report, Program year to 30 June 2020*, Canberra, December 2020, p. 15 (Committee calculation).

<sup>61</sup> Department of Education, Skills and Employment, *International Student Data 2020*, <[https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2020.aspx#Annual\\_Series](https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2020.aspx#Annual_Series)> accessed 17 March 2021 (Committee calculation).

**Figure 8.3 Migration program outcomes (2019–20) and international student enrolments (2020)**



a. Migration program outcomes data are for the financial year.

b. International students data are for the calendar year.

Source: Department of Home Affairs, *2019 – 20 Migration Program Report, Program year to 30 June 2020*, Canberra, December 2020, p. 15 (Committee calculation); Department of Education, Skills and Employment, *International Student Data 2020*, <<https://internationaleducation.gov.au/research/international-student-data/Pages/InternationalStudentData2020.aspx#AnnualSeries>> accessed 17 March 2021 (Committee calculation).

At the public hearings, the Committee asked DJPR about the performance measure—‘Victoria’s market share of nominated investor and business migrants’. The performance measure focuses on the outcomes of Victoria’s business and investment program which offers provisional visas through a variety of visa streams.<sup>62</sup> A Committee member asked what factors were driving Victoria’s market share of investor and business migrants. DJPR stated that the department consults with the business community to assess the need for business migrants as well as taking into account factors such as skills shortages and occupations in demand.<sup>63</sup>

In 2019–20 Victoria’s market share of nominated investor and business migrants fell short of the target of 45%, by a variance of 15.6%.<sup>64</sup> Explaining the variance, DJPR stated that the number of migrants allowed into a state or territory is set by the Commonwealth Government. According to DJPR historically Victoria has attracted a significant portion of the country’s skilled and business migration numbers.<sup>65</sup> DJPR stated:

in 2019–20 ... other states have really been able to utilise more of their quota whereas previously they had under-utilised their quota. What that meant was that from a whole-of-nation perspective the share of the migrants that were coming to Victoria

<sup>62</sup> State Government of Victoria, *Live in Melbourne, Business and investor visas*, 2021, <<https://liveinmelbourne.vic.gov.au/migrate/business-investor-visas>> accessed 17 March 2021.

<sup>63</sup> Mr Simon Phemister, *Transcript of evidence*, p. 14.

<sup>64</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 180.

<sup>65</sup> Mr David Latina, *Transcript of evidence*, p. 14.

has reduced a bit, and that is what is reflected in the KPI. So it was not that Victoria's numbers in absolute terms had fallen, it was that other states were utilising more of their targets.<sup>66</sup>

**FINDING 79:** In 2019–20 the Department of Jobs, Precincts and Regions performance measure 'Victoria's market share of nominated investor and business migrants' had a result of 38% compared to the target of 45%. This is reportedly due to other jurisdictions more actively participating in the business and investor program.

### International Student Emergency Relief Fund

On 29 April 2020 the Victorian Government announced a \$45 million *International Student Emergency Relief Fund* to provide international students with a relief payment of up to \$1,100.<sup>67</sup>

DJPR stated that the department received \$24.3 million through Treasurer's Advances to fund the program.<sup>68</sup> Of the \$24.3 million, \$20.8 million was utilised in 2019–20. DJPR's Annual Report 2019–20 outlined that the department distributed \$9.7 million in stream one and \$9.8 million in stream two, totalling \$19.5 million.<sup>69</sup>

At the hearings DJPR confirmed that the department had made payments to 12,811 students.<sup>70</sup> The Committee notes that in April 2020 there were about 163,000 international student visa holders located in Victoria.<sup>71</sup>

DJPR's Trade and Global Engagement output cost in 2019–20 was \$18.8 million higher than the target. This is as a result of the additional funding for the *International Student Emergency Relief Fund*.<sup>72</sup>

At the hearings, DJPR also advised that 42,000 students were supported through other measures, with approximately 16,000 students being provided with one-on-one casework. DJPR also discussed the LIVE program (live, intern, volunteer and experience), which assists students with employability and encouraging entrepreneurship.<sup>73</sup>

<sup>66</sup> Ibid.

<sup>67</sup> Hon Martin Pakula, *Emergency Support For Victoria's International Student*, media release, 29 April 2020.

<sup>68</sup> Department of Jobs, Precincts and Regions, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 36.

<sup>69</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, pp. 282, 284.

<sup>70</sup> Ms Gönül Serbest, Chief Executive Officer, Global Victoria, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 21.

<sup>71</sup> Department of Education, Skills and Employment, *Student visa holders inside and outside Australia*, April 2020.

<sup>72</sup> Department of Jobs, Precincts and Regions, *Annual Report 2019-20*, p. 188.

<sup>73</sup> Ms Gönül Serbest, *Transcript of evidence*, pp. 21–22.

**FINDING 80:** The Department of Jobs, Precincts and Regions distributed \$19.5 million in grants under the *International Student Emergency Relief Fund*. In 2019–20, 12,811 students were supported through the Fund, representing less than 10% of international student visa holders in Victoria.

### 8.6.6 Resources

In 2012 the Victorian Government placed an administrative moratorium on all onshore gas exploration and development in Victoria. In 2017, the Government passed the *Resources Legislation Amendment (Fracking Ban) Act*. Under this legislation, fracking and coal seam gas extraction were permanently banned. The administrative moratorium was replaced with a legislative moratorium that halted all exploration and development activities in Victoria until 30 June 2020.<sup>74</sup>

In June 2020 the *Petroleum Legislation Amendment Act 2020* (the amendment act) was passed allowing the restart of onshore conventional gas exploration and production from 1 July 2021. However, coal seam gas or fracking remained permanently banned in Victoria.<sup>75</sup>

DJPR advised that a one year extension of the moratorium is to make sure DJPR could prepare the license holders of exploration and mining sites and ensure that the department's activities 'reflect the outcomes, the learnings and the community intent that came out of the findings of the Victorian gas program.'<sup>76</sup>

**FINDING 81:** The Department of Jobs, Precincts and Regions is working to ensure that the outcomes and findings from the Victorian gas program are implemented before onshore conventional gas exploration and production restart in July 2021.

In relation to community engagement, DJPR advised that under the Victorian Gas Program 950 individual stakeholders were reached across South-West Victoria, Melbourne and Gippsland through 780 events. This represents less than two people per event. DJPR further stated that the findings of the community engagement program under the Victorian Gas Program (2017–2020) have informed the regulatory design work.<sup>77</sup>

74 Earth Resources, *Restart of onshore conventional gas industry in Victoria*, 9 November 2020, <<https://earthresources.vic.gov.au/projects/onshore-conventional-gas-restart#:~:text=Under%20this%20legislation%2C%20fracking%20and,Victoria%20until%2030%20June%202020.>> accessed 19 March 2021.

75 Ibid.

76 Ms Beth Jones, Deputy Secretary, Rural and Regional Victoria, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, p. 25.

77 Mr Simon Phemister, response to questions on notice, p. 15.

DJPR advised that 'targeted stakeholder engagement across government, industry and community has been undertaken to inform the regulatory options that will be assessed through the Regulatory Impact Statement. Full public consultation on the draft regulations and a Regulatory Impact Statement is scheduled for April 2021'.<sup>78</sup>

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78 Ibid.



# 9 Court Services Victoria

## 9.1 Overview

Court Services Victoria (CSV) is an independent statutory body that provides administrative services to support Victoria's Supreme, County, Magistrates', Children's and Coroner's Courts, the Victorian Civil and Administrative Tribunal (VCAT), the Judicial Collage of Victoria and the Judicial Commission of Victoria.<sup>1</sup>

According to CSV, its activities serve the Victorian community through the efficient and effective delivery of court and tribunal services, 'thereby supporting Victoria's system of responsible government and rule of law'.<sup>2</sup>

CSV is part of the ministerial portfolio of the Attorney-General and its objective is the fair, timely and efficient dispensing of justice.<sup>3</sup> Its objectives are 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>

## 9.2 Outcomes in the community across 2019–20

CSV outlined five programs that delivered the most important outcomes in the community. The programs identified by CSV included:

- CSV's response to the COVID-19 pandemic. CSV outlined actions taken to ensure the continued delivery of court and tribunal services during the pandemic, including the transition to remote operations across jurisdictions.
- The continued implementation of the specialist family violence integrated court response. In 2019–20 CSV completed the redesign and upgrade of specialist family violence courts at three Magistrates' Court locations. This included upgrades to provide a safer and more supported court experience for victim-survivors and improved accessibility to services for perpetrators.

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1 Court Services Victoria, *Annual Report 2019-20*, Melbourne, 2020, pp. 7, 68.

2 Ibid., p. 7.

3 Department of Treasury and Finance, *Budget Paper No. 3: 2019-20 service delivery*, Melbourne, 2019, p. 378.

4 Ibid.

- Specialist court lists and programs. CSV stated court lists and programs such as the Koori Court, Drug Court, Court Integrated Services Program among others had been delivered to improve justice outcomes for different cohorts of offenders.<sup>5</sup>

## 9.3 Challenges

CSV was also asked to identify the main challenges faced by the agency in the 2019–20 financial year. The challenges included:

- An increase in pending court matters, especially in the Magistrates' Court and VCAT, as a result of disruptions to court and tribunal operations due to the COVID-19 pandemic.
- An increase in pending jury trials after the suspension of jury trials from March to November 2020 due to the COVID-19 pandemic.
- Operational and infrastructure works needed to support physical distancing including COVID Safe hearings, in response to COVID-19 restrictions and requirements.
- CSV's information technology systems division needed to ensure appropriate and secure technology to deliver online hearings and document management in order to support remote work and online hearings during the COVID-19 pandemic.<sup>6</sup>

Of the nine challenges listed by CSV, eight were associated with the COVID-19 pandemic.<sup>7</sup> CSV listed ageing and not-fit-for-purpose court infrastructure as a challenge in 2019–20, which was also a challenge for the agency in 2017–18 and 2018–19.<sup>8</sup>

## 9.4 Financial analysis

### 9.4.1 Expenditure

In 2019–20, CSV's budget was \$666.7 million. Actual expenditure for the year was \$673.8 million, representing a 1.1% variance.<sup>9</sup>

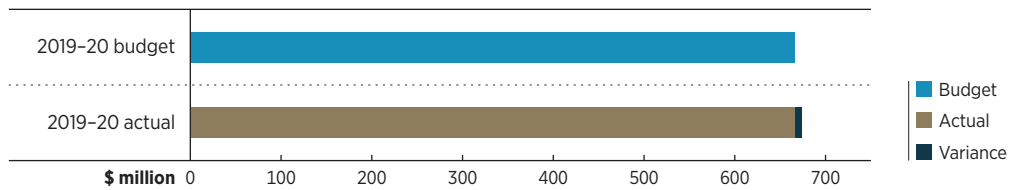
<sup>5</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, received 29 January 2021, pp. 9–12.

<sup>6</sup> *Ibid.*, pp. 55–58.

<sup>7</sup> *Ibid.*, pp. 55–56.

<sup>8</sup> *Ibid.*, pp. 55–58; Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes*, July 2020, p. 175.

<sup>9</sup> Court Services Victoria, *Annual Report 2019-20*, p. 34 (Committee calculation).

**Figure 9.1** Court Services Victoria variances in output expenditure, 2019–20

Source: Court Services Victoria, *Annual Report 2019-20*, Melbourne, 2020, p. 34 (Committee calculation).

## 9.4.2 Revenue and expenses

CSV's output appropriations increased in 2019–20 by 12% (or \$52 million) from 2018–19.<sup>10</sup> CSV explained this year on year increase was largely due to new initiatives announced in the 2019–20 Budget, increases in previously announced initiatives, Treasurer's Advances and rephasing approved under the *Financial Management Act 1994*.<sup>11</sup>

CSV's employee expenses in 2019–20 increased by 9.9% (or \$34 million) from 2018–19.<sup>12</sup> This increase is attributed to new initiatives announced in the 2019–20 Budget, increases in previously announced initiatives and the impact of increases due to the Victorian Public Sector Enterprise Agreement 2020 and judicial entitlements.<sup>13</sup>

## 9.4.3 Overall financial performance

Table 9.1 summarises CSV's financial performance in 2019–20.

**Table 9.1** Court Services Victoria: Summary of Comprehensive Operating Statement in 2019–20

Controlled Items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	667.0	673.5	1.0
Expenses from transactions	667.0	669.0	0.2
<b>Net result</b>	<b>0.0</b>	<b>4.5</b>	<b>-</b>

Source: Court Services Victoria, *Annual Report 2019-20*, Melbourne, 2020, p. 64; Department of Treasury and Finance, *Budget Paper No. 5: 2020-21 statement of finances*, Melbourne, 2020, p. 148.

<sup>10</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 24 (Committee calculation).

<sup>11</sup> Ibid.

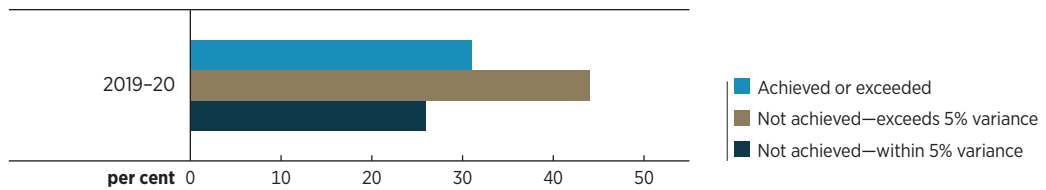
<sup>12</sup> Ibid., p. 26 (Committee calculation).

<sup>13</sup> Ibid.

## 9.5 Performance information

CSV has one budget output, Courts, with 39 associated performance measures. In 2019–20, CSV did not achieve a majority of its targets or performance measures. Of performance measures not achieved, 26% were within the 5% variance and 44% exceeded the 5% variance (Figure 9.2).<sup>14</sup>

**Figure 9.2** Court Services Victoria performance measurement results, 2019–20



Note: Percentages may not add to 100% due to rounding.

Source: Court Services Victoria, *Annual Report 2019-20*, Melbourne, 2020, pp. 31–34 (Committee calculation).

**FINDING 82:** In 2019-20 Court Services Victoria achieved or exceeded 31% of its performance measures and did not achieve 69% of its measures.

The Committee reiterates the need for CSV to better align its performance measures with its stated objectives and expand its budget paper objective indicators, as discussed in previous reports.<sup>15</sup> CSV has stated that it will review performance measures, but this will require extensive consultation and will only take place after clearing pending caseloads resulting from the COVID-19 pandemic.<sup>16</sup> CSV did not advise the Committee as to when pending caseloads would be cleared.

Issues relevant to performance measures are discussed in further detail in the sections below.

## 9.6 Key issues

The Committee identified the following key issues from its review of CSV’s Annual Report 2019–20 and CSV’s response to the Committee’s 2019–20 Financial and Performance Outcomes questionnaire.

<sup>14</sup> Court Services Victoria, *Annual Report 2019-20*, pp. 31–34 (Committee calculation).

<sup>15</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes*, pp. 181–182; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020-21 Budget Estimates*, April 2021, p. 239.

<sup>16</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 61.

### 9.6.1 Impact of the COVID-19 pandemic

The operations and performance measures of CSV, each of Victoria's court jurisdictions and VCAT were significantly impacted by COVID-19 health restrictions and the need to transition to hearing most matters remotely. CSV was successful in collaborating with Victoria's courts to keep all jurisdictions and VCAT open, operating and delivering justice.<sup>17</sup> Yet, the inability to meet several performance measures and the increase in pending matters in almost all jurisdictions demonstrates CSV had difficulty in meeting its overall objective of delivering the fair, timely and efficient dispensing of justice due to the pandemic.

#### Court Services Victoria's response to the COVID-19 pandemic

The impact of the COVID-19 pandemic and the associated health restrictions enacted in Victoria forced each court to dramatically change the way they operated in a limited amount of time.<sup>18</sup> Due to efforts to minimise the spread of the virus such as social distancing, limits on the movement of people and guidance to work from home where possible, each jurisdiction rapidly changed its operations from predominantly in person and paper-based ways of working, to hearing matters via audio and video link (AVL) and managing documents digitally.<sup>19</sup> This resulted in the postponement of a large number of matters across jurisdictions.<sup>20</sup> While the use of technology enabled courts to continue operating, the transition was often challenging to jurisdictions that had limited technology infrastructure and AVL capability.<sup>21</sup>

CSV responded to the COVID-19 pandemic by making changes to practice, procedure and operating models in Victoria's courts to ensure justice continued to be delivered.<sup>22</sup> CSV's response focused on:

- ensuring court user, judicial officer and staff safety
- continuing to hear priority matters
- using technology to enable remote hearings
- engaging with court users and the justice sector.<sup>23</sup>

**FINDING 83:** As a result of the work undertaken by Court Services Victoria in conjunction with all court jurisdictions and the Victorian Civil and Administrative Tribunal, all Victorian courts were able to remain open and continued to hear matters during the COVID-19 pandemic.

<sup>17</sup> Court Services Victoria, *Annual Report 2019-20*, p. 17.

<sup>18</sup> *Ibid.*, p. 2.

<sup>19</sup> *Ibid.*

<sup>20</sup> *Ibid.*, pp. 17-18.

<sup>21</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. 137.

<sup>22</sup> Court Services Victoria, *Annual Report 2019-20*, p. 17.

<sup>23</sup> *Ibid.*

## Impact on program delivery and performance measures

The significant impact of the COVID-19 pandemic on the operations and performance of CSV and each court jurisdiction is reflected in CSV's responses to the Committee's questionnaire and its Annual Report 2019–20.

In response to the questionnaire, CSV notes that the two least performing programs in 2019–20 were unable to deliver on their planned outcomes due to the impacts of the COVID-19 pandemic (Table 9.2).<sup>24</sup>

**Table 9.2** Court Services Victoria least performing programs, 2019–20

Program	Year funded	Total funding	Why planned outcomes were not delivered
Security upgrades to strengthen court safety	2019–20 Budget	\$7.3 million output funding over five years  \$5 million total estimated capital investment over three years	COVID-19 health directions impacted the completion of the audit, delivery and installation of equipment.  CSV advised the audit also identified inadequate security infrastructure, which may not be able to be rectified within CSV's available appropriation funding for the initiative.
Regional drug courts	Approved post-budget—March 2020	Not provided	Significant work to implement the program was delayed due to the impact of COVID-19 and approval of the program in March 2020.

Source: Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, received 29 January 2021, pp. 13–14; Department of Treasury and Finance, *Budget Paper No. 3: 2019-20 service delivery*, Melbourne, 2020, pp. 120, 122 (Committee calculation).

**FINDING 84:** The *Security upgrades to strengthen court safety* and *Regional drug courts* programs were unable to deliver their planned outcomes in 2019-20 due to the impacts of the COVID-19 pandemic.

Of the 39 performance measures outlined in CSV's Annual Report 2019–20, 12 targets were met and 27 were not achieved. Thirteen of the performance measures were not achieved as an outcome of the impact of the COVID-19 pandemic on the court system.<sup>25</sup> Some of the impacted performance measures are detailed below.

- 'Average cost per case' in various court jurisdictions comprises 10 performance measures. Six performance measures were not achieved.
- 'On time case processing' in various jurisdictions comprises 11 performance measures. One measure for County Court criminal cases was not achieved.
- 'Case clearance rate' in various court jurisdictions comprises 11 performance measures. Six performance measures were not achieved.<sup>26</sup>

<sup>24</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 13.

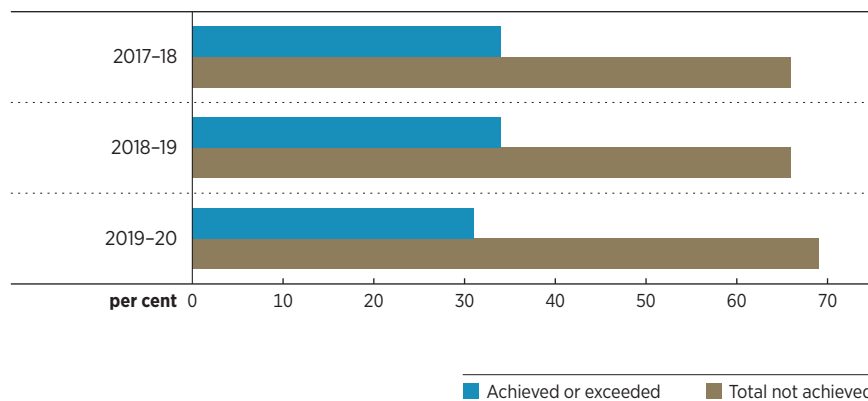
<sup>25</sup> Court Services Victoria, *Annual Report 2019-20*, pp. 31–34 (Committee calculation).

<sup>26</sup> Ibid. (Committee calculation).

**FINDING 85:** The COVID-19 pandemic had a significant impact on the ability of Court Services Victoria (CSV) to meet its performance measures related to timeliness and quantity of matters heard in 2019-20. The measures ‘average cost per case’ and ‘case clearance rate’ were heavily affected. Of CSV’s 39 performance measures, 13 were not achieved due to the impact of the COVID-19 pandemic.

The Committee notes that while COVID-19 may have heavily impacted CSV’s ability to meet its performance measures and targets in 2019–20, in previous years CSV has achieved a similar performance. In both 2017–18 and 2018–19 CSV met 34% of its performance measures and did not meet 66%.<sup>27</sup> 54% of the measures that CSV stated were impacted by COVID-19 were also not met in 2018–19.<sup>28</sup>

**Figure 9.3** Court Services Victoria performance measurement results 2017–18, 2018–19, 2019–20



Source: Court Services Victoria, *Annual Report 2019-20*, Melbourne, 2020, pp. 31-34 (Committee calculation); Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes*, July 2020, p. 178.

**FINDING 86:** In the last three years, Court Services Victoria (CSV) did not achieve a majority of its performance measures. Of the performance measures that CSV did not meet due to the COVID-19 pandemic, 54% were also not met in 2018–19.

### Pending matters

The increase in pending matters and backlogs across almost all Victorian court jurisdictions during the COVID-19 pandemic has been discussed in numerous reports by this Committee.<sup>29</sup> Pending matters are matters that have been commenced and are not

<sup>27</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017-18 and 2018-19 Financial and Performance Outcomes*, p. 178.

<sup>28</sup> Court Services Victoria, *Annual Report 2019-20*, pp. 31-34; Court Services Victoria, *Annual Report 2018-19*, Melbourne, 2019, pp. 29-31 (Committee calculation).

<sup>29</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government’s Response to the COVID-19 Pandemic: Interim Report*, pp. 139-140; Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020-21 Budget Estimates*, pp. 231-233.

yet finalised.<sup>30</sup> Pending matters are understood to be significant due to the requirement for many jurisdictions to adjourn a large proportion of matters in order to follow public health directions.<sup>31</sup>

During the public hearing the Committee discussed this issue with the Department of Justice and Community Safety (DJCS) and asked how successful the department and CSV had been in progressing and clearing pending matters in 2019–20.<sup>32</sup>

At the public hearing, DJCS outlined several initiatives undertaken to continue hearing matters and in turn, reduce pending matters in Victoria's courts including:

- supporting Victoria Legal Aid to assist people before reaching court
- upgrading AVL and technology in court rooms to increase remote hearing capacity, including increasing AVL capacity in prisons
- working to ensure victims and families are aware of the status of their matter in relation to backlogs.<sup>33</sup>

When asked whether such initiatives were having an impact on the number of pending matters, DJCS provided an example from Youth Justice. DJCS told the Committee that Youth Justice had worked to implement a full AVL program to ensure children in corrections could continue to access bail and remand hearings remotely.<sup>34</sup> For children on supervised or intensive bail in the community, AVL tablets were provided to access the Children's Court. DJCS further added that of the 112 children on remand on 22 February 2021, 88 would come before the Children's Court over the next fortnight, predominantly through AVL.<sup>35</sup>

While the department may have had successful outcomes in having matters for children on remand heard through the Children's Court, Table 9.3 below demonstrates pending cases in the criminal division of the Children's Court had grown by 105.5% between 30 June 2019 and 30 June 2020.

<sup>30</sup> Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, Melbourne, 2020, p. 89.

<sup>31</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020-21 Budget Estimates*, p. 231; Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's response to the COVID-19 pandemic*, p. 135.

<sup>32</sup> Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, pp. 6-7.

<sup>33</sup> *Ibid.*, p. 7.

<sup>34</sup> Ms Jodi Henderson, Youth Justice Commissioner, Department of Justice and Community Safety, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, pp. 7-8.

<sup>35</sup> *Ibid.*



**Table 9.3** Pending matters in each Victorian court jurisdiction by division as at 30 June 2019 and 2020

Jurisdiction	June 2019	June 2020	Variance (%)
<b>Supreme Court of Victoria</b>			
Court of Appeal (Crime)	208	188	-9.6
Trial Division (Crime)	104	86	-17.3
Court of Appeal (Civil)	108	89	-17.6
Trial Division (Civil)	4,645	4,599	-1.0
<b>Total</b>	<b>5,065</b>	<b>4,962</b>	<b>-2.0</b>
<b>County Court of Victoria</b>			
Crime—Jury Trials	1,401	1,360	-2.9
Civil	6,811	7,098	4.2
<b>Total</b>	<b>8,212</b>	<b>8,458</b>	<b>3.0</b>
<b>Magistrates Court of Victoria</b>			
Crime	73,373	93,536	27.5
Civil—defended claims pending <sup>a</sup>	1,881	2,209	17.0
Family Violence Intervention Orders	13,719	17,592	28.2
<b>Total</b>	<b>88,973</b>	<b>113,337</b>	<b>27.4</b>
<b>Children's Court of Victoria</b>			
Crime	2,607	5,358	105.5
Family	6,735	8,445	22.7
<b>Total</b>	<b>9,342</b>	<b>13,803</b>	<b>47.8</b>
<b>Coroners Court of Victoria</b>			
Pending matters	4,215	4,595	9.0
<b>Victorian Civil and Administrative Tribunal</b>			
Total cases pending	9,653	14,656	51.8

a. Information taken from Magistrates Court of Victoria, *Annual Report 2019-20*, Melbourne, 2020, p. 39.

Source: Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2019-20 Financial and Performance Outcomes hearings, response to questions on notice received 10 March 2021, pp. 1-4 (Committee calculation); Magistrates' Court of Victoria, *Annual Report 2019-20*, Melbourne, 2020, pp. 36, 39; Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, Melbourne, 2020, p. 17; Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, pp. 6-7.

At the public hearing DJCS provided an update on the number of pending matters in each Victorian court jurisdiction as at 5 February 2021 (Table 9.4).

**Table 9.4 Pending matters in each Victorian court jurisdiction as at 5 February 2021**

Jurisdiction	Number of pending matters
Supreme Court	5,186
County Court	10,145
Magistrates Court	145,464
Children's Court	14,249
Coroners Court	5,435
Victorian Civil and Administrative Tribunal (VCAT)	23,448

Source: Ms Rebecca Falkingham, Secretary, Department of Justice and Community Safety, 2019-20 Financial and Performance Outcomes hearing, Melbourne, 23 February 2021, *Transcript of evidence*, pp. 6-7.

The Magistrates Court, the Children's Court and VCAT have had the highest increase in pending matters between 30 June 2019 and 30 June 2020. Divisions and matters that often involve vulnerable cohorts have seen large increases, such as the criminal division in the Children's Court and family violence intervention orders in the Magistrates' Court. The Committee was not provided with further information regarding whether pending matter increases were primarily influenced by the change in court operations during the pandemic, or whether there were more matters initiated in these areas between June 2019 and June 2020. The Magistrates' Court has previously stated that pending case matters in family violence have been influenced by both a decrease in finalisations and an increase in initiations in 2019 and 2020.<sup>36</sup> According to the Magistrates' Court Annual Report 2019-20, family violence and personal safety intervention order applications commenced reduced by 7% between 2018-19 and 2019-20.<sup>37</sup>

**FINDING 87:** The Magistrates' and Children's Court of Victoria and the Victorian Civil and Administrative Tribunal have experienced large increases in pending matters during the COVID-19 pandemic.

**FINDING 88:** Court jurisdictions and divisions that hear matters related to potentially vulnerable accused persons and victims have seen significant increases in pending cases during the COVID-19 pandemic. Pending matters in the criminal division of the Children's Court rose by 105.5% between 30 June 2019 and 30 June 2020, while pending family violence intervention orders in the Magistrates' Court have increased by 28% in the same period. Pending matters related to family violence in the Magistrates' Court have been influenced by both a decrease in finalisations and an increase in initiations in 2019 and 2020.

<sup>36</sup> Magistrates Court of Victoria, *Magistrates' Court of Victoria (MCV) COVID-19 Response*, 2020, <<https://www.mcv.vic.gov.au/sites/default/files/2020-11/MCV%20COVID%20recovery%20plan%20November%202020.pdf>> accessed 20 April 2021, p. 5.

<sup>37</sup> Magistrates Court of Victoria, *Annual Report 2019-20*, Melbourne, 2020, p. 42.

While CSV and DJCS have taken a number of steps to ensure pending matters are minimised and heard in a timely manner, the growth in pending matters during the COVID-19 pandemic has been significant in some jurisdictions. This has challenged CSV's ability to ensure the timely and efficient dispensing of justice as outlined in its objective. Pending, delayed and adjourned court matters have a human cost. In its response to the Committee questionnaire, CSV notes COVID-19 disruptions and restrictions have had a detrimental impact on vulnerable court users with critical needs.<sup>38</sup>

### **Increase in Victorian Civil and Administrative Tribunal pending matters**

During the public hearings the Committee also discussed the impact of pending matters in relation to VCAT and the impact assistance provided to VCAT had on the number of pending matters.

As one of the most high-volume jurisdictions in Victoria, the COVID-19 pandemic had a significant impact on VCAT's ability to hear matters. VCAT was only able to support some online hearings from May 2020, contributing to a significant rise in pending matters.<sup>39</sup> VCAT has a number of significant divisions such as the Planning and Environment List, which takes applications related to the use, development and subdivision of land, land valuation for rating purposes and Environment Protection Authority licensing and approvals.<sup>40</sup>

In April 2020 the Government allocated \$5.2 million in funding to VCAT to upgrade software and technology, broadening the type of matters that could be heard online. This included increasing VCAT's ability to address urgent matters in the Planning and Environment List during the pandemic.<sup>41</sup>

Funding was partially sourced through Treasurer's Advances and \$1.5 million was spent on this initiative to 30 June 2020.<sup>42</sup> CSV advised the Committee that the performance measures associated with the program were 'Case clearance rate – Civil matters disposed in VCAT' and 'On-time case processing – Civil matters resolved or otherwise finalised within established timeframes in Victorian Civil and Administrative Tribunal'.<sup>43</sup> Despite the further funding, the 'Case clearance rate' target for VCAT was not achieved.<sup>44</sup>

<sup>38</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, p. 56.

<sup>39</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government's Response to the COVID-19 Pandemic: Interim Report*, pp. 139–140.

<sup>40</sup> Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, p. 9.

<sup>41</sup> Hon Jill Hennessey MP, *Getting VCAT Moving Remotely During Coronavirus*, media release, 28 April 2020; Ms Rebecca Falkingham, *Transcript of evidence*, p. 8.

<sup>42</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, pp. 28–29.

<sup>43</sup> *Ibid.*

<sup>44</sup> Court Services Victoria, *Annual Report 2019-20*, pp. 31–34.

During the hearing the Secretary of DJCS told the Committee that the \$5.2 million investment in VCAT had made a ‘big difference’ to VCAT’s backlogs.<sup>45</sup> As shown in Table 9.5, the Planning and Environment List has seen a minimal increase in pending matters compared to other VCAT lists. Within lists such as Residential Tenancies<sup>46</sup> and Owners Corporations<sup>47</sup> pending matters have grown significantly. Between 2018–19 and 2019–20, the initiation of matters in the Residential Tenancies list decreased by 6%, while finalisations decreased by 9%.<sup>48</sup> However in the same time period in the Owners Corporations List, initiations grew by 6% and finalisations grew by 1%.<sup>49</sup>

**Table 9.5 Pending matters in each Victorian Civil and Administrative Tribunal list—30 June 2018, 2019 and 2020**

Victorian Civil and Administrative Tribunal (VCAT) List	2017-18	2018-19	2019-20	Variance between 2018-19 and 2019-20 (%)
Building and Property List	946	1,408	1,880	34
Civil Claims List	2,611	2,475	3,579	45
Human Rights List	198	201	293	46
Legal Practice List	58	63	43	-32
Owners Corporations List	662	976	1,469	51
Planning and Environment List	1,392	1,417	1,469	4
Residential Tenancies List	2,430	2,467	5,199	111
Review and Regulation List	558	646	724	12

Source: Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, Melbourne, 2020, pp. 55, 57, 60, 62, 65–66, 70, 72.

**FINDING 89:** The Victorian Civil and Administrative Tribunal (VCAT) was provided with \$5.2 million from Treasurer’s Advances to digitise some of VCAT’s lists, in order to hear more matters remotely during the COVID-19 pandemic and reduce pending matters. Between 2019 and 2020 VCAT has been successful in keeping the amount of pending matters in the Planning and Environment and Legal Practice Lists low.

<sup>45</sup> Ms Rebecca Falkingham, *Transcript of evidence*, p. 8.

<sup>46</sup> The Residential Tenancies List handles disputes between various parties, including between landlords and tenants. The list promotes non-adversarial dispute resolution so parties can maintain rental relationships. Source: Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, p. 71.

<sup>47</sup> The Owners Corporation List deals with disputes about the management and use of common property and areas within subdivided land, such as apartments or units. Source: Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, p. 65.

<sup>48</sup> Victorian Civil and Administrative Tribunal, *Annual Report 2019-20*, p. 71.

<sup>49</sup> *Ibid.*, p. 65.

**FINDING 90:** During 2019-20 the Victorian Civil and Administrative Tribunal’s pending matters grew for eight out of its nine lists. The Residential Tenancies and Owners Corporations Lists had the highest growth in pending matters between June 2019 and June 2020, with a variance of 111% and 51% respectively. Between 2018-19 and 2019-20 initiations decreased by 6% in the Residential Tenancies List, while initiations increased by 1% in the Owners Corporations List.

## 9.6.2 Reviews and studies undertaken by Court Services Victoria

In the departmental questionnaire the Committee asked CSV to identify all internal and external reviews/studies established, commenced or completed on behalf of the agency in 2019-20.<sup>50</sup> CSV identified 16 studies undertaken, including two yet to be completed. Of the completed studies, the total final cost was \$1.2 million. None of the completed studies have been made public. Of the two continuing studies, an evaluation of the Mildura Family Violence Intervention Order (FVIO) breaches pilot program in the Magistrates’ Court is expected to not be made public at its conclusion.<sup>51</sup> The evaluation of the Magistrates’ Court family violence reform, which will have a particular focus on evaluating Specialist Family Violence Courts, is expected to have a summary of findings released ‘pending approvals’.<sup>52</sup>

Several studies refer to internal business processes and the Committee would not necessarily expect them to be publicly released, such as ‘CSV Fleet Management Review’, ‘Contract Management Review’, ‘Overarching CSV Security Documents’ and ‘CSV Pandemic Plan Review’.<sup>53</sup> However, several studies identified relate to areas of policy and significant government reform in Victoria’s court system including:

- Evaluation of Mildura FVIO Breaches Pilot Project—Magistrates’ Court. Undertaken in response to a Royal Commission into Family Violence recommendation to evaluate the effectiveness of the expanded Koori Court in hearing family violence matters. Evaluation is not yet complete, but the expected cost is approximately \$108,000 and is not expected to be released publicly.<sup>54</sup>
- Evaluation of the Remote Hearing Trial—Magistrates’ Court. An evaluation of the Remote Hearing Pilot in Geelong. Total cost \$88,439.<sup>55</sup>
- Evaluation of the Fast-Tracking Initiative—Magistrates Court. Evaluation of the Fast-Tracking Initiative in Magistrates’ Court locations and impact on processing timeframes for family violence criminal matters. Total cost \$181,108.<sup>56</sup>

<sup>50</sup> Court Services Victoria, *Response to the 2019-20 Financial and Performance Outcomes General Questionnaire*, pp. 41-51.

<sup>51</sup> *Ibid.*, p. 47.

<sup>52</sup> *Ibid.*, pp. 41-51.

<sup>53</sup> *Ibid.*

<sup>54</sup> *Ibid.*, p. 47.

<sup>55</sup> *Ibid.*, p. 48.

<sup>56</sup> *Ibid.*, p. 50.

Policy areas such as family violence reform and digitisation in Victorian courts have received large amounts of funding over several years. Similarly, a significant amount of public money has been spent on undertaking reviews into the effectiveness of such policies and programs.

**FINDING 91:** In 2019–20 Court Services Victoria spent \$1.2 million on 14 completed reviews/studies. None of the commissioned reviews were publicly published.

**RECOMMENDATION 26:** Court Services Victoria publicly release reviews and studies into government programs where appropriate. Where it is not deemed appropriate to release full reviews, Court Services Victoria release an appropriate summary of findings.

# 10 Department of Premier and Cabinet

## 10.1 Overview

The Department of Premier and Cabinet (DPC) is responsible for promoting leadership in whole of government policy and performance.<sup>1</sup>

DPC supports the portfolios of Premier, Government Services, Industrial Relations, Women, Aboriginal Affairs, Equality, Multicultural Affairs, Youth and Veterans.<sup>2</sup>

DPC's four objectives are: strong policy outcomes, engaged citizens, professional public administration and a high performing DPC.<sup>3</sup>

## 10.2 Outcomes in the community across 2019–20

DPC outlined the following four programs that provided the most important outcomes in 2019–20:

- Bushfire recovery: DPC co-ordinated the rebuilding and recovery activities for areas affected by the 2019–20 Eastern Victorian Fires.
- COVID-19 response, Public Health Communications Campaign and Multicultural and Faith communities: DPC promoted public health practices, adherence to COVID-19 restrictions and social inclusion within the community.
- Advancing Treaty: DPC are delivering phase two of the treaty and self-determination process for Aboriginal Victorians. The First Peoples' Assembly was established, assisting Victorian Traditional Owners to engage in treaty negotiation.
- Victorian Centre for Data Insights (VCDI): The VCDI works to build public sector capability in using data analytics.<sup>4</sup>

## 10.3 Challenges

DPC's response to the Committee's questionnaire highlighted five main challenges across 2019–20, including:

- impacts and response to December 2019–January 2020 bushfires

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1 Department of Premier and Cabinet, *Annual Report 2019–20*, Melbourne, 2020, p. 5.

2 Ibid., pp. 7–10.

3 Ibid., p. 6.

4 Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 5 February 2021, pp. 8–14.

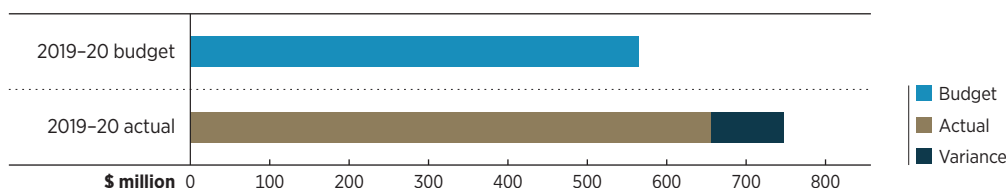
- COVID-19 impacts and response restricted the capacity to deliver planned events and programs
- rapid reorganisation of government decision making in support of the COVID-19 response
- accelerated uptake of digital technologies and services
- continuing fiscal impacts from bushfires and COVID-19.<sup>5</sup>

**FINDING 92:** All of the Department of Premier and Cabinet’s five main challenges for the 2019–20 financial year related to the Victorian 2019–20 bushfires or COVID-19.

## 10.4 Financial analysis

DPC’s output expenditure for the financial year 2019–20 was \$656.1 million,<sup>6</sup> compared to a budget of \$564.7 million,<sup>7</sup> representing an overspend of \$91.4 million (16.2%).<sup>8</sup>

**Figure 10.1** Department of Premier and Cabinet variances in output expenditure, 2019-20



Source: Department of Premier and Cabinet, *Annual Report 2019–20*, Melbourne, 2020, pp. 49–66; Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 295 (Committee calculation).

Table 10.1 shows the difference between the estimated output expenditure released in the budget in May 2019, compared to the actual output expenditure for the financial year as reported in the annual report in October 2020.

An analysis of expenditure by output shows:

- nine of the 16 outputs were within  $\pm 5\%$  of budget
- seven of the 16 outputs were over budget by more than 5%
- two outputs were transferred out of DPC in the 2019–2020 financial year due to machinery of government changes.<sup>9</sup>

<sup>5</sup> Ibid., pp. 15–18.

<sup>6</sup> Department of Premier and Cabinet, *Annual Report 2019–20*, pp. 49–66 (Committee calculation).

<sup>7</sup> Committee calculation - adjusted for removal of outputs transferred throughout the year, Infrastructure Victoria and Public sector integrity. Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20 service delivery*, Melbourne, 2019, p. 295.

<sup>8</sup> Department of Premier and Cabinet, *Annual Report 2019–20*, pp. 49–66 (Committee calculation).

<sup>9</sup> Ibid., pp. 49–66 (Committee calculation).



**Table 10.1** Department of Premier and Cabinet expenditure by output in 2019–20

Output	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Government-wide leadership, reform and implementation	103.5	168.4	62.7
Strategic advice and government support	112.2	124.5	11.0
Digital government and communications	52.9	52.8	-0.2
Office of the Victorian Government Architect	1.2	1.2	0.0
Industrial relations	16.0	22.0	37.5
Aboriginal policy and strengthening Aboriginal cultural heritage and communities	53.3	55.7	4.5
Multicultural affairs policy and programs	59.2	59.7	0.8
Support to veterans in Victoria	7.7	9.6	24.7
LGBTIQ equality policy and programs	9.8	18.2	85.7
Women's policy	26.3	25.4	-3.4
Youth	27.4	29.1	6.2
Advice and support to the Governor	16.8	16.3	-3.0
Chief Parliamentary Counsel services	7.4	7.2	-2.7
Management of Victoria's public records	17.2	17.6	2.3
Public administration advice and support	10.1	9.9	-2.0
State electoral roll and electoral events	43.7	38.5	11.9
<b>Total</b>	<b>564.7</b>	<b>656.1</b>	<b>16.2</b>

Source: Department of Treasury and Finance, *Budget Paper No. 5: 2020-21 statement of finances*, Melbourne, 2020, p. 119; Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, pp. 49–66 (Committee calculation).

### 10.4.1 Outputs transferred out of the Department of Premier and Cabinet

On 1 May 2020 the portfolio department for the Victorian Inspectorate, Independent Broad-based Anti-corruption Commission and the Victorian Ombudsman was transferred to the Department of Justice and Community Safety (DJCS).<sup>10</sup> The Public sector integrity output related to these agencies had a funding allocation of \$79.6 million in the 2019–20 Budget.<sup>11</sup> The Infrastructure Victoria output was transferred to the Department of Treasury and Finance (DTF).<sup>12</sup> In the 2019–20 Infrastructure Victoria had an allocation of \$9.9 million.<sup>13</sup>

<sup>10</sup> Ibid., p. 109.

<sup>11</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2019-20*, p. 295.

<sup>12</sup> Department of Premier and Cabinet, *Annual Report 2019-20*, p. 109.

<sup>13</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2019-20*, p. 295.

While DTF reported the total output cost of the Infrastructure Victoria in DTF's 2019–20 Annual Report,<sup>14</sup> DJCS stated in its 2019–20 Annual Report that the Public sector integrity output cost was pro-rated between DPC and DJCS based on the periods of time for which each held responsibilities.<sup>15</sup> DJCS therefore reported an actual cost of \$17 million of the budgeted cost of \$79.6 million.<sup>16</sup>

However, the Committee notes that DPC had not reported the actual cost of the output despite holding responsibility for 10 of the 12 months.

The Committee notes that machinery of government changes often give rise to reporting inconsistencies as responsibility for outputs, including financial reporting, moves from one department to another.

**RECOMMENDATION 27:** The Victorian Government take a consistent approach when reporting output transfers that arise from machinery of government changes. When machinery of government changes require responsibility for an output to transfer from one department to another during a financial year, output cost reporting should detail: the cost for that output, the period the output was held for and the name of the transferring department.

## 10.4.2 Revenue and expenditure

DPC budgeted for expenses of \$671.3 million. DPC incurred expenses of \$879.8 million, 31.1% (or \$208.5 million) higher than budget.<sup>17</sup> The overspend is attributed to a \$113.7 million increase for grants for bushfire recovery work and COVID-19 response, a \$55.7 million increase in other expenses for bushfire recovery work and for long service leave benefits under the portable long service benefits scheme,<sup>18</sup> and a \$52 million increase in employee benefits for DPC's trust fund activities.<sup>19</sup>

**RECOMMENDATION 28:** When there are major occurrences outside a department's control, for example, COVID-19 and the 2019–20 Victorian Bushfires, the additional cost to the department should be reported alongside existing financial reporting requirements in the department's annual report.

<sup>14</sup> Department of Treasury and Finance, *Annual Report 2019-20*, Melbourne, 2020, p. 29.

<sup>15</sup> Department of Justice and Community Services, *Annual Report 2019-20*, Melbourne, 2020, p. 12.

<sup>16</sup> *Ibid.*, p. 149.

<sup>17</sup> Department of Premier and Cabinet, *Annual Report 2019-20*, p. 128 (Committee calculation).

<sup>18</sup> Portable Long Service Benefits means that Victorian workers that work in the community services, contract cleaning or security industry can accrue long service leave entitlements if they change jobs but remain in the industry. Source: Portable Long Service Authority, *Portable long service*, Melbourne, 2020, <<https://www.vic.gov.au/portable-long-service>> accessed 15 April 2021.

<sup>19</sup> Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 43, 44.

### 10.4.3 Overall financial performance

Table 10.2 sets out a summary of the department’s comprehensive operating statement.

**Table 10.2** Department of Premier and Cabinet: Summary of Comprehensive Operating Statement in 2019–20

Controlled items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	666.4	884.4	32.7
Expenses from transactions	(671.3)	(879.8)	31.1
<b>Net result</b>	<b>-4.9</b>	<b>4.6</b>	<b>-193.9</b>

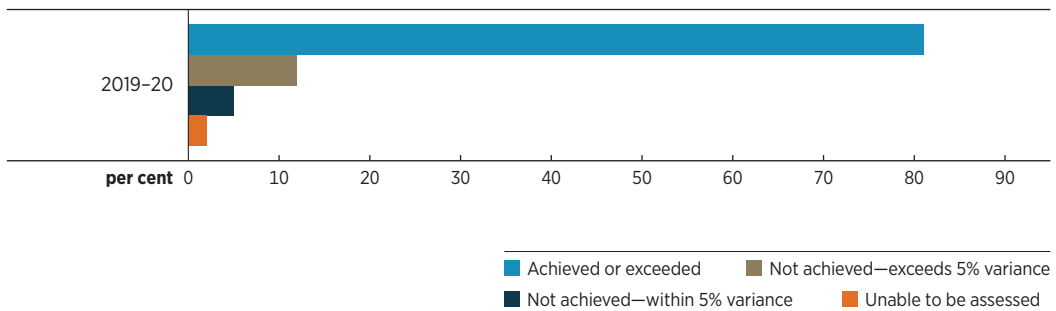
Source: Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, p. 128; Department of Treasury and Finance, *Budget Paper No. 5: 2020-21 statement of finances*, Melbourne, 2020, p. 119.

**FINDING 93:** The Department of Premier and Cabinet’s Comprehensive Operating Statement in 2019–20 reflects a stable position as overall income exceeded expenses.

### 10.5 Performance information

DPC has a total of 97 performance measures. Most of the performance measures were met in 2019–20, as set out in Figure 10.2.

**Figure 10.2** Department of Premier and Cabinet’s performance measurement results, 2019–20



Source: Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, pp. 49–66 (Committee calculation).

**FINDING 94:** In 2019-20, the Department of Premier and Cabinet achieved 81% of its performance measures, 5% of measures were within a 5% variance, 12% were not achieved and 2% were unable to be assessed.

## 10.6 Key issues

The Committee identified the following key issues from its review of DPC's 2019–20 Annual Report, DPC's response to the Committee's 2019–20 Financial and Performance Outcomes questionnaire, public hearings for the inquiry and responses to questions taken on notice.

### 10.6.1 COVID-19 and Victorian 2019–20 bushfire response

#### Mission Coordination Committee

In April 2020, as a part of its COVID-19 response, the Victorian Government established a new governmental structure, the Mission Coordination Committee (MCC) and Crisis Council of Cabinet (CCC).<sup>20</sup> DPC's secretary chaired the Mission Co-ordination Committee and DPC ran two enabling projects to support the missions; *Critical risks and opportunities* and *Behaviour change, social cohesion and communications*.<sup>21</sup>

The MCC comprised all departmental secretaries, and they each were assigned a COVID-19 recovery related 'mission.' The MCC added an additional level of government reporting, as under the MCC, secretaries were instructed to report to the Premier on their missions via the MCC, on top of their business as usual reporting to their portfolio minister.<sup>22</sup> As further explained in the Hotel Quarantine Inquiry with particular reference to the structure of the Health portfolio, there were complications in implementing the additional MCC structure on top of existing departmental responsibilities, the overlay of the intersecting State Operational Arrangements and the CCC.<sup>23</sup>

#### DPC's response to bushfires

In response to the 2019–20 Victorian bushfires, DPC established Bushfire Recovery Victoria (BRV).<sup>24</sup> BRV was established in January 2020 to 'work with local communities affected by the Victorian bushfires, advising the Victorian Government and leading recovery planning and coordinating efforts.'<sup>25</sup> By June 2020, BRV had 39 employees.<sup>26</sup> The total cost of DPC's administrative office, BRV, is not reported on in ordinary financial

20 Hotel Quarantine Inquiry, *COVID-19 Hotel Quarantine Inquiry Final Report and Recommendations: Volume 1*, 2020, Melbourne, p. 262.

21 Department of Premier and Cabinet, *Annual Report 2019–20*, p. 11.

22 Mission Co-ordination Committee was 'established as the key officials forum to help deliver the [Whole of Victorian Government] missions, reporting to the [Crisis Council of Cabinet]'. Source: Department of Premier and Cabinet, *Annual Report 2019–20*, p. 11; Hotel Quarantine Inquiry, *COVID-19 Hotel Quarantine Inquiry Final Report and Recommendations: Volume 1*, p. 262.

23 Hotel Quarantine Inquiry, *COVID-19 Hotel Quarantine Inquiry Final Report and Recommendations: Volume 1*, pp. 263, 266.

24 Department of Premier and Cabinet, *Annual Report 2019–20*, p. 4.

25 Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 73.

26 Department of Premier and Cabinet, *Annual Report 2019–20*, p. 142.

reporting.<sup>27</sup> In DPC's response to the Committee's questionnaire, \$50 million of funding was received in 2019–20 for establishment of BRV, of which, \$15.2 million was expended in the financial year.<sup>28</sup> In total, the Victorian Government has invested approximately \$351 million to support communities affected by the bushfires.<sup>29</sup>

From DPC's response to the Committee's questionnaire, actions taken in bushfire recovery efforts include; clearing land of 1,300 destroyed or damaged structures, providing emergency and short-term accommodation, distributing \$17 million in financial assistance to small businesses and \$23 million to primary producers.<sup>30</sup>

It is difficult to assess the effectiveness of DPC's bushfire recovery program without directly attributable financial reporting and a lack of performance reporting.<sup>31</sup> As BRV is an administrative office, it is expected its financial reporting is presented in the annual report of its corresponding department, that is, DPC for the 2019–20 financial year, and DJCS for the 2020–21 year.<sup>32</sup> It is also difficult to assess the Victorian Government's response to bushfires as a whole as responsibility is split between different departments, including DPC and the Department of Environment, Land, Water and Planning.<sup>33</sup>

**RECOMMENDATION 29:** To allow an assessment of the financial performance of Bushfire Recovery Victoria (BRV), the cost of the entity and entity's operations should be reported on at the end of the financial year. To allow an assessment of the operational performance of BRV, performance measures should be created and reported on in the 2020–21 financial year in the most appropriate annual report.

## 10.7 Underperforming performance measures

This section discusses a selection of DPC's underperforming performance measures.

DPC were able to achieve the majority of their performance measures in a year affected by both bushfires and the COVID-19 pandemic. Some of DPC's underperforming

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- <sup>27</sup> However there are some costs attributed to bushfire recovery work generally—Output appropriations increased by \$78.6 million, attributed to both bushfire recovery and COVID 19 responses. Grants expenses increased by \$113.7 million attributed to both bushfire recovery and COVID 19. Source: Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 44; Department of Premier and Cabinet, *Annual Report 2019–20*, p. 128.
- <sup>28</sup> Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 19.
- <sup>29</sup> Ms Kate Houghton, Deputy Secretary, Social Policy, Department of Premier and Cabinet, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of evidence*, p. 28.
- <sup>30</sup> Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 8.
- <sup>31</sup> However, there are a range of performance measures relating to fire control in the Department of Environment, Land, Water and Planning. Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019–20*, pp. 189, 190.
- <sup>32</sup> Victorian Public Sector Commission, *The Victorian Public Sector*, 2021, Melbourne, <<https://vpvc.vic.gov.au/about-public-sector/the-victorian-public-sector>> accessed 14 April 2021; Department of Premier and Cabinet, *Annual Report 2019–20*, p. 111.
- <sup>33</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2019–20*, p. 189.

measures were in DPC's outcomes relating to Jobs, Aboriginal affairs,<sup>34</sup> Multicultural affairs and Women's policy.<sup>35</sup> As indicated in the public hearings, there is compounded risk to communities in the intersection of Aboriginal, multicultural and female identities.<sup>36</sup> Whilst measures in these areas underperformed, DPC demonstrated awareness of the importance of service delivery to these communities and have delivered additional projects to assist them.<sup>37</sup>

### 10.7.1 Jobs—Government-wide leadership, reform and implementation output

This section highlights DPC's underperforming performance measures relating to jobs.

**Table 10.3** Department of Premier and Cabinet's performance measures in Government-wide leadership, reform and implementation

Output	Measure	Achieved	Target
Government-wide leadership, reform and implementation	New investment resulting from government facilitation services and assistance under the Victorian Jobs and Investment Fund.	\$39 million	\$150 million
	Jobs resulting from government facilitation services and assistance under the Victorian Jobs and Investment Fund.	474 jobs	2,500 jobs

Source: Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, p. 49.

It is expected that the impacts of crises, for example, COVID-19 and the associated restrictions, as well as bushfires, will be more deeply felt by minorities or already marginalised groups.<sup>38</sup> In Victoria it was found that COVID-19 transmission occurred across disadvantaged areas of Melbourne, in part due to less stable employment and insecure work arrangements. As such, outcomes relating to jobs, such as creating and sustaining employment opportunities, are particularly important. In the 2019–20 financial year, two of DPC's performance measures relating to jobs, and the Victorian Jobs and Investment Fund (VJIF), underperformed in 2019–20. The VJIF helps to 'create

<sup>34</sup> Underperforming performance measures in Aboriginal policy and strengthening Aboriginal cultural heritage and communities are: Capacity-building activities provided for Traditional Owners to support the management and protection of Aboriginal cultural and intangible heritage and treaty readiness—16 achieved out of a target 20; Engagement of Victorian Traditional Owner groups on treaty, through support for country planning—3 achieved out of a target 4; Funding payments for the Removal of First Mortgages initiative made in accordance with milestones—93% out of a target 100%. Source: Department of Premier and Cabinet, *Annual Report 2019-20*, p. 55.

<sup>35</sup> *Ibid.*, pp. 49–66.

<sup>36</sup> Ms Pauline Richards MP, Public Accounts and Estimates Committee, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of evidence*, pp. 19, 20; Ms Brigid Monagle, Deputy Secretary, Fairer Victoria, Department of Families, Fairness and Housing, Department of Premier and Cabinet, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of evidence*, pp. 19, 20.

<sup>37</sup> For example, family violence projects undertaken, Primary prevention activities for women, for 'multicultural women, CALD women, Aboriginal women and LGBTI communities'. Source: Ms Kate Houghton, *Transcript of evidence*, p. 12; Ms Brigid Monagle, *Transcript of evidence*, p. 20.

<sup>38</sup> Monash University, *The social determinants of health in COVID-19 recovery*, 2020, Melbourne, <<https://lens.monash.edu/@coronavirus-articles/2020/09/23/1381322/the-social-determinants-of-health-in-covid-19-recovery>> accessed 24 March 2021.

sustainable jobs for Victorians, and drive long-term growth for the State.<sup>39</sup> As noted in DPC's 2019–20 Annual Report and during the hearings, these job related measures underperformed as effort and money was directed to urgent bushfire recovery work, which is not captured in performance measure reporting.<sup>40</sup> \$4.1 million was spent on the VJIF in the 2019–20 financial year, creating 474 assessable jobs under the scheme.<sup>41</sup>

## 10.7.2 Multicultural affairs policy and programs

One performance measure underperformed in the Multicultural affairs policy and programs output as set out in Table 10.4, and two were not able to be assessed as set out in Table 10.5.<sup>42</sup>

**Table 10.4** Department of Premier and Cabinet's underperforming performance measures in Multicultural affairs policy and programs

Output	Measure	Achieved (%)	Target (%)
Multicultural affairs policy and programs	Proportion of approved grant funding provided to organisations in regional/rural areas	13	20

Source: Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, p. 57.

**Table 10.5** Department of Premier and Cabinet's performance measures unable to be assessed in Multicultural affairs policy and programs

Output	Measure	Achieved (%)	Target
Multicultural affairs policy and programs	Victorian population engaged by multicultural and social cohesion initiatives	n.a	67%
	Attendance at the Cultural Diversity Week flagship event, Victoria's Multicultural Festival	n.a	55,000

Source: Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, p. 57.

The two measures unable to be assessed were not performed due to COVID-19 social distancing requirements.<sup>43</sup> It is suggested that where possible, if programs are unable to be performed, it is marked as 'not met,' instead of 'not assessed.' If other work is done in this space to advance the broader objective, this can be provided as additional commentary. For example, if the in-person event of the Victorian Multicultural

<sup>39</sup> Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 12–13.

<sup>40</sup> Mr Tim Ada, Deputy Secretary, Economic Policy and State Productivity, Department of Premier and Cabinet, 2019–20 Financial and Performance Outcomes hearing, Melbourne, 25 February 2021, *Transcript of evidence*, p. 24; Department of Premier and Cabinet, *Annual Report 2019-20*, p. 49.

<sup>41</sup> Mr Jeremi Moule, Secretary, Department of Premier and Cabinet, 2019–20 Financial and Performance Outcomes hearing, response to questions on notice received 18 March 2021, p. 18.

<sup>42</sup> Department of Premier and Cabinet, *Annual Report 2019-20*, p. 57.

<sup>43</sup> Ibid.

Festival was unable to be held, potentially the online space could be used to promote multicultural awareness instead. This additional commentary would help the public understand the Government’s commitment to achieving these objectives.

**RECOMMENDATION 30:** When reporting on performance measures that were unable to be met due to unforeseen circumstances, such as a global pandemic, departments should avoid using ‘not assessed’ to rate performance measures, and instead provide a more telling descriptor such as ‘unable to be met’.

### 10.7.3 Women’s policy outcomes

DPC’s underperforming performance measure in the Women’s policy outcome relates to family violence prevention activities, as set out in Table 10.6.

**Table 10.6** Department of Premier and Cabinet’s underperforming performance measures in Women’s policy

Output	Measure	Achieved (%)	Target (%)
Women’s policy	Women and the Prevention of Family Violence projects and programs that support preventing family violence and the social and economic participation of women are delivered on time	82	100

Source: Department of Premier and Cabinet, *Annual Report 2019-20*, Melbourne, 2020, p. 60.

These activities support ‘community organisations to raise awareness about the dynamics and impact of family violence’ and ‘facilitate community conversations about respectful relationships.’<sup>44</sup> The activities were unable to be completed due to bushfire recovery and COVID-19 priorities.<sup>45</sup> As highlighted in the public hearings, bushfires and the pandemic ‘exacerbate existing gender inequalities, with disproportionate impacts on women—women’s mental health, economic security, caring responsibilities and experiences of family violence.’<sup>46</sup> It was found that family violence incidents increased during the pandemic.<sup>47</sup> For example, there was a 6.7% increase in family violence incidents in 2019–20 compared to 2018–19 and a 13.5% increase in emergency room presentations for family violence related injuries in 2019–20, compared to 2018–19.<sup>48</sup>

<sup>44</sup> Department of Premier and Cabinet, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 17.

<sup>45</sup> *Ibid.*, p. 3

<sup>46</sup> Ms Kate Houghton, *Transcript of evidence*, p. 12; United Nations, *Policy brief: The impact of COVID-19 on Women*, 2020, <[https://www.un.org/sites/un2.un.org/files/policy\\_brief\\_on\\_covid\\_impact\\_on\\_women\\_9\\_apr\\_2020\\_updated.pdf](https://www.un.org/sites/un2.un.org/files/policy_brief_on_covid_impact_on_women_9_apr_2020_updated.pdf)> accessed 24 March 2021.

<sup>47</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the Victorian Government’s Response to the COVID-19 Pandemic*, February 2021, pp. 130, 165.

<sup>48</sup> Crime Statistics Agency, *Family Violence Data Portal*, 2021, Melbourne, <<https://www.crimestatistics.vic.gov.au/family-violence-data-portal/family-violence-infographics/victoria-police-family-violence-incidents>> accessed 14 April 2021; Crime Statistics Agency, *Family Violence Data Portal*, 2021, Melbourne, <<https://www.crimestatistics.vic.gov.au/family-violence-data-portal/family-violence-infographics/family-violence-related-emergency-room>> accessed 14 April 2021.



#### 10.7.4 Performance measures in a year affected by the Victorian 2019–20 bushfires and COVID-19

Performance measure reporting is not able to capture every government effort and this is highlighted in a year affected by crises—bushfires and COVID-19. In addition, it is difficult to assess government performance on a global basis as there are many departments sharing responsibility for these outcomes.<sup>49</sup> Where departments underperform on a performance measure, it could also be helpful to provide information on what was done elsewhere in government to assist in achieving the broader objective.

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<sup>49</sup> For example, shared outcomes. Source: Department of Treasury and Finance, *Budget Paper No. 3: 2019-20*, pp. 3–20.



# 11 Department of Treasury and Finance

## 11.1 Overview

The Department of Treasury and Finance (DTF) is responsible for providing leadership in economic, financial and resource management to the Government. DTF currently supports the ministerial portfolios of the Treasurer, the Assistant Treasurer, the Minister for Economic Development and the Minister for Regulatory Reform. The department's objectives are to:

- optimise Victoria's fiscal resources
- strengthen Victoria's economic performance
- improve on how the Government manages its balance sheet, commercial activities and public sector infrastructure
- deliver efficient whole of government common services.<sup>1</sup>

## 11.2 Outcomes in the community across 2019–20

The Committee's questionnaire asked departments to highlight the programs that delivered the most important outcomes to the community in 2019–20. The Committee assessed both the best and least performing programs along with the reasons underpinning the performance.

### 11.2.1 Best performing

The Committee asked the department to identify five programs that delivered the most important outcomes to the community in 2019–20. The programs outlined by DTF related primarily to the development and administration of economic and social support initiatives. The programs are discussed in further detail below.<sup>2</sup>

Developing the *Economic survival and tax relief packages* to support Victorian businesses and households was the first program outlined by the department. The initiatives included payroll tax relief for businesses, the establishment of the *Business Support Fund* and the *Working for Victoria Fund*. DTF told the Committee that it contributed to developing and providing implementation support for these initiatives.<sup>3</sup>

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1 Department of Treasury and Finance, *Annual Report 2019–20*, Melbourne, October 2020, p. 1.

2 Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 8 February 2021, p. 9.

3 Ibid.

Developing the \$2.7 billion *Building Works package* to assist the construction industry in response to COVID-19 was also identified by the department. The program invests in new infrastructure, maintenance and upgrades of existing assets to create stimulus activity within the construction industry. DTF coordinated advice on the whole-of-government package.<sup>4</sup>

The department co-led the contracting and delivery of social housing through the *Social Housing Growth Fund* with the Department of Health and Human Services. DTF outlined that agreements were secured with 12 community housing agencies to deliver 782 social and affordable dwellings. The department told the Committee that it approved nine low-interest loans in 2019–20.<sup>5</sup>

DTF also identified the benefits delivered as a percentage of expenditure by mandated agencies under DTF managed state purchase contracts (SPC). In 2019–20, DTF managed SPCs generated 10.1% (around \$120 million)<sup>6</sup> savings as a proportion of expenditure.<sup>7</sup> In response to the Committee's questionnaire, the department highlighted that:

State purchase contract (SPC) market engagement strategies were reviewed in response to changes in government demand and market supply due to coronavirus (COVID-19). The sourcing process for a number of SPCs progressed, with Professional Advisory Services (PAS) and Master Agency Media Services (MAMS) under evaluation.<sup>8</sup>

Lastly, the *Greener Government Buildings* (GGB) program was identified by the department. The program aims to improve the energy efficiency of existing government buildings to reduce operating costs and greenhouse gas emissions. In 2019–20, DTF facilitated \$7.9 million in GGB projects, saving \$1.7 million in annual utility and operation expenses.<sup>9</sup>

**FINDING 95:** The Department of Treasury and Finance delivered significant economic and social support outcomes to the community in 2019–20 through the development of the Economic Survival and Tax Relief packages, and the delivery of social housing through the Social Housing Growth Fund.

<sup>4</sup> Ibid., p. 10.

<sup>5</sup> Ibid.

<sup>6</sup> DTF manages 17 common use whole of Victorian government goods and services (non-IT) contracts totalling about \$1.2 billion of expenditure.

<sup>7</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 10.

<sup>8</sup> Ibid.

<sup>9</sup> Ibid.

## 11.2.2 Least performing

The Committee also asked the department to highlight the five least performing programs that did not deliver their planned outcomes to the community in 2019–20. DTF listed only two programs, which are outlined below.

### 2020–21 Budget

The first program outlined by DTF was delivering the 2020–21 Budget, which contributes to the achievement of government policies and priorities relating to optimising Victoria’s fiscal resources. The 2020–21 Budget was released in November 2020, rather than May as was initially planned.

In response to the Committee’s questionnaire, the department outlined that it supported government decision-making through the provision of detailed analysis of funding proposals across all departmental portfolios. It also provided advice on fiscal strategy and expenditure and revenue options to support the Victorian economy.<sup>10</sup>

At the public hearings, the Committee further questioned the department regarding the details behind the delay and the changes in budget processes. The Secretary of DTF told the Committee:

All governments announced the deferral of their budgets, including the commonwealth, back in latish March 2020. It resulted from a conversation at national cabinet that led to an announcement coming out of national cabinet that all jurisdictions would defer to later in the year. Leading up to that decision and announcement we were in discussions with our counterparts in other states along with the commonwealth Treasury about the complexities of putting together a budget in the current environment.<sup>11</sup>

The Committee also inquired into the processes and timelines for budget formation generally. The Secretary of the department outlined that:

In broad terms the way a budget sort of works in a very simplified format: departments and portfolio ministers develop proposals sort of in that December–January period. They get lodged. February is the month ... my department and [the Department of Premier and Cabinet] DPC consider the proposals. March is the decision-making month for government. April is the month to get the numbers finalised and write it up in the documents for release in May. That is broadly how a budget process works.<sup>12</sup>

The Secretary further outlined to the Committee that during March 2020 it became clear that COVID-19 created serious uncertainty making it incredibly difficult to conduct economic modelling and modelling of revenue.<sup>13</sup> The Committee was also told that the

<sup>10</sup> Ibid., p. 12.

<sup>11</sup> Mr David Martine, Secretary, Department of Treasury and Finance, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 22 February 2021, *Transcript of evidence*, p. 20.

<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

proposals under consideration during the March period were developed prior to anyone knowing that COVID-19 existed. The Secretary stated that:

It therefore made no sense whatsoever for governments to make decisions about a whole range of priorities to then deliver a budget in May that would not deal with really what was the priority, and the priority was that we were facing a very significant economic downturn and people were losing their jobs.<sup>14</sup>

In place of the usual budget, DTF developed an emergency supply bill which allowed Parliament to give authority to the Government to respond to COVID-19 for the first six months of 2020–21.<sup>15</sup> The Secretary told the Committee that it was the department’s immediate priority to replace what they were doing with supply bills, to ensure sufficient funding flexibility and appropriation for unforeseen events.<sup>16</sup>

The department also told the Committee it remained in regular contact and held discussions with other treasuries around the country.<sup>17</sup> The Committee notes that several overseas jurisdictions released an annual budget despite the emergence of the pandemic, including New Zealand and the United Kingdom.

**FINDING 96:** The delay in releasing the 2020–21 Budget was largely due to uncertainty caused by COVID-19, rather than underperformance by the Department of Treasury and Finance.

### Government land sales program

The department outlined the Government land sales program, including Crown land was the second least performing program of 2020–21. The program includes the sale of Crown and freehold land, land acquisitions, remediations, planning, native title negotiations and the coordination of the Government’s land utilisation.

DTF stated that 40 land sales were undertaken in 2019–20, delivering \$38 million in revenue. It explained that the land sales program was impacted in early 2020 due to the suspension of most auctions as a result of public health restrictions.<sup>18</sup>

The 2020–21 Budget outlines that the 2019–20 target for ‘Revenue from the sale of surplus Government land including Crown land’ was \$150 million.<sup>19</sup> The Budget

<sup>14</sup> Ibid., p. 21.

<sup>15</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 12.

<sup>16</sup> Mr David Martine, *Transcript of evidence*, p. 21.

<sup>17</sup> Ibid., p. 20.

<sup>18</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 13.

<sup>19</sup> Department of Treasury and Finance, *Budget Paper No. 3: 2020–21 service delivery*, Melbourne, 2020, p. 375.

also outlines that the actual result for 2019–20 was \$36 million, lower than what the department outlined to the Committee in its response to the questionnaire.<sup>20</sup>

## 11.3 Challenges

The Committee's inquiry identified a number of challenges that impacted DTF throughout 2019–20. These challenges were outlined in the Committee's questionnaire, at public hearings and through analysis of the department's 2019–20 Annual Report. This section briefly discusses these challenges.

### Remote working

In response to the Committee's questionnaire, the department highlighted three internal challenges it experienced in 2019–20. All three challenges are related to DTF staff working from home arrangements. They are:

- information security in a remote working environment
- supporting Occupational Health and Safety in a COVID-19 environment
- supporting staff wellbeing in a COVID-19 environment.<sup>21</sup>

### Debt management and recovery

The Committee questioned the department in relation to the State's increased uptake of debt and how that debt will be repaid. The Committee also questioned DTF regarding when the State will return to surplus and an economic recovery timeline.

In a response to the Committee's questionnaire, the department highlighted the challenging economic and fiscal environment as a key external challenge and risk. It outlined that it has provided ongoing economic and financial analysis and advice to support the delivery of government priorities.<sup>22</sup>

The department told the Committee that the 2020–21 Budget includes a fiscal strategy, with four concurrent steps. The Budget explains the Government's plan over the medium term in the following four steps:

1. creating jobs, reducing unemployment and restoring economic growth
2. returning to an operating cash surplus
3. returning to operating surpluses
4. stabilising debt levels.<sup>23</sup>

<sup>20</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 13.

<sup>21</sup> *Ibid.*, p. 67.

<sup>22</sup> *Ibid.*

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

The department told the Committee that there will be a process of revising those estimates for the 2021–22 Budget, to be released in May 2021.<sup>24</sup> It also outlined that the Victorian economy has rebounded more strongly than forecast in the Budget. The Committee also noted in its *Report on the 2020–21 Budget Estimates* that Victoria is likely to recover more quickly than what was originally forecast by DTF.<sup>25</sup> The department also highlighted that it is expecting an uplift in state revenue and GST distributions post 2020–21.<sup>26</sup>

The Committee notes that while a more rapid recovery is a positive development, the State needs to remain prudent regarding the large-scale borrowing program currently being undertaken. When asked about the sustainability of large-scale borrowing, the department told the Committee that:

But it is important to recognise that in the most recent budget, out of I think around \$29 billion of new output initiatives spread across the four years, three-quarters of that is directed at this financial year or next. So it is not ongoing, locked-in spending; it is to deal with the economic downturn effectively when you need it. So this is where the stimulus is required to support jobs. In terms of government decision-making on new expenditure initiatives, around three-quarters of it is short-term, temporary one-offs which are very much directed at this financial year and next.<sup>27</sup>

The Committee notes that expenditure is likely to be revised down in the 2021–22 Budget. The department noted this in the public hearings, explaining that as the economy recovers ‘you would naturally expect government stimulus to then drop away’.<sup>28</sup> DTF also stated that:

Like most economic forecasters across the other states and also the commonwealth and the Reserve Bank ... we are all forecasting the economy to recover. And in fact it has actually been recovering much quicker than we all thought. Now, since we finalised our budget estimates the rate of particularly jobs growth has surprised everyone, and the fall in the unemployment rate has been a big surprise.<sup>29</sup>

The Committee notes that with improvements in economic activity in the State, government spending is likely to be scaled back in the 2021–22 Budget, easing pressure on the State’s debt burden.

**FINDING 97:** The Department of Treasury and Finance forecasts the State’s projected debt burden ease if Victoria’s economic recovery continues more quickly than originally forecast, leaving less need for ongoing government stimulus and support.

<sup>24</sup> Mr David Martine, *Transcript of evidence*, p. 4.

<sup>25</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Report on the 2020–21 Budget Estimates*, April 2021, p. 2.

<sup>26</sup> Mr David Martine, *Transcript of evidence*, p. 5.

<sup>27</sup> *Ibid.*

<sup>28</sup> *Ibid.*, p. 6.

<sup>29</sup> *Ibid.*



## Risks associated with the emergency budget response

The Committee asked DTF specifically what risks associated with the emergency budgetary response had been identified by the department and its insurers. In responding to the question, DTF outlined that it approved funding to departments through the budget process, from where it becomes the responsibility of individual departments to monitor and manage budget risk and to ensure they have appropriate insurance coverage.<sup>30</sup>

The Committee also asked how these risks were actively managed in 2019–20. The department outlined a number of factors, including sensitivity analysis conducted as part of the budget process:

The Government's budget is predicated on a series of assumptions, including those related to the coronavirus (COVID-19) pandemic. If these assumptions do not eventuate, the actual financial outcomes may differ materially from the Government's current budget. For this reason, Government undertakes a sensitivity analysis at each budget to better understand the impact of variations in key assumptions. This includes a scenario that explores the impact of a deep and enduring coronavirus (COVID-19) pandemic throughout all of 2021.<sup>31</sup>

DTF further highlighted that the Budget incorporates contingency provisions to mitigate the impact of any expenditure risks. These provisions are sized to allow for growth in the State's population and the derived increase in the demand for government services. The department also outlined that the Government monitors and manages risks through the Risk Interdepartmental Committee, which is assigned to monitor and manage key risks to ensure clear lines of responsibility for risk management.<sup>32</sup>

**FINDING 98:** The Department of Treasury and Finance has a number of risk mitigation strategies in relation to the Government's emergency budgetary response, including contingencies and risk assessment processes.

## 11.4 Financial analysis

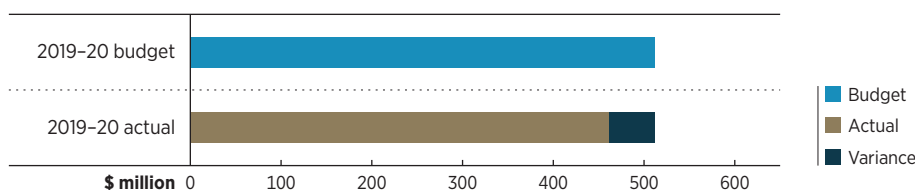
DTF had a budget allocation of \$512.4 million. Actual expenditure for the year was \$460.9 million, an underspend of 10% (\$51.5 million).<sup>33</sup>

<sup>30</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 87.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid., pp. 87–88.

<sup>33</sup> Department of Treasury and Finance, *Annual Report 2019–20*, pp. 20–30 (Committee calculation).

**Figure 11.1** Department of Treasury and Finance variances in output expenditure, 2019–20

Source: Department of Treasury and Finance, *Annual Report 2019–20*, Melbourne, 2020, pp. 20–30 (Committee calculation).

Table 11.1 shows DTF’s expenditure by output in 2019–20.

**Table 11.1** Department of Treasury and Finance expenditure by output in 2019–20

Output	2019–20 Target (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Budget and Financial Advice	27.7	29.1	5.1
Revenue Management and Administrative Services to Government	140.8	133.0	-5.5
Economic and Policy Advice	32.6	38.1	16.9
Economic Regulatory Services	30.7	29.0	-5.5
Invest Victoria	137.8	70.3	-49.0
Commercial and Infrastructure Advice	54.4	74.2	36.4
Infrastructure Victoria	9.9	10.1	2.3
Services to Government	78.5	77.1	-1.8
<b>Total</b>	<b>512.4</b>	<b>460.9</b>	<b>-10.0</b>

Source: Department of Treasury and Finance, *Annual Report 2019–20*, Melbourne, 2020, pp. 20–30 (Committee calculation).

The underspend was mainly driven by the significantly reduced activity in the Invest Victoria output.

### 11.4.1 Revenue and expenditure

Total actual revenue and income recorded from transactions was \$683 million in 2019–20, 6.3% (\$46.1 million) less than what was originally budgeted for 2019–20.<sup>34</sup> The department explained that revenue was lower due to budget rephasing and carry-overs from 2019–20 to 2020–21 along with the effect of COVID-19 in delaying delivery of the Invest Victoria grant program.<sup>35</sup>

<sup>34</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 42.

<sup>35</sup> Ibid.

Total actual expenses from transactions in 2019–20 were \$687.4 million, 5.9% (\$42.8 million) lower than what was originally budgeted for 2019–20. DTF outlined that expenses were lower due to lower grants and professional services expenditure along with COVID-19 delaying program delivery and associated milestone payments.<sup>36</sup>

Employee benefits continued to be the largest expense of the department, accounting for about 40% of the total expenses.<sup>37</sup> Almost all expenses increased in 2019–20 compared to 2018–19, but only two (employee benefits and other operating expenses) were more than what was originally budgeted for 2019–20.<sup>38</sup>

## Variations

In responding to the Committee's questionnaire, the department highlighted that employee benefits for DTF, the State Revenue Office (SRO) and the Essential Services Commission (ESC)<sup>39</sup> increased from \$169.7 million in 2018–19 to \$195.8 million 2019–20, representing an increase of 15.4%.<sup>40</sup> The department explained that additional resources were required to deliver several initiatives, including:

- SRO Compliance Funding (\$7.6 million)
- Energy Fairness Plan (\$3.2 million)
- Centralised Accommodation Management (\$1.6 million).<sup>41</sup>

DTF also explained that \$5.2 million of the increase in 2019–20 is attributable to the transfer of Invest Victoria to the department as part of the machinery of government changes, while \$1.4 million is attributable to the transfer of Infrastructure Victoria to DTF.<sup>42</sup>

**FINDING 99:** The increase in employee benefit expenses from 2018–19 to 2019–20 is largely attributable to the delivery of several new initiatives and machinery of government changes.

In response to a question taken on notice, the department also highlighted that 1,605 employees across DTF, the ESC, SRO and Infrastructure Victoria received COVID-19 allowances on top of their regular salary. At December 2020, the total expended for these allowances was \$1.3 million.<sup>43</sup>

<sup>36</sup> Ibid.

<sup>37</sup> Department of Treasury and Finance, *Annual Report 2019–20*, p. 33 (Committee calculation).

<sup>38</sup> Department of Treasury and Finance, *Budget Paper No. 4: 2020–21 statement of finances*, p. 133.

<sup>39</sup> Excluding Cenitex.

<sup>40</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 27.

<sup>41</sup> Ibid.

<sup>42</sup> Ibid.

<sup>43</sup> Mr David Martine, Secretary, Department of Treasury and Finance, Inquiry into the 2019–20 Performance and Financial Outcomes, response to questions on notice, received 5 March 2021.

## COVID-19 expenses

The Committee asked the department to outline the programs and initiatives that were announced as part of the Government's response to COVID-19. DTF listed seven off budget programs and initiatives, which are discussed in further detail below.

The seven off budget programs and initiatives in response to COVID-19 recorded a combined expenditure of \$739.1 million in 2019–20.<sup>44</sup> Five of the seven programs/initiatives utilised either emergency advances or retroactive funding approvals. Three of which were funded through Treasurer's Advances and two of which were funding through warrants<sup>45</sup> for additional special appropriation.<sup>46</sup> Table 11.2 outlines funding arrangement for the programs/initiatives.

**Table 11.2** Funding arrangements for off budget COVID-19 related programs/initiatives

No use of emergency funding <sup>a</sup>	Use of emergency funding (Treasurer's Advance)	Use of emergency funding (Warrant for additional special appropriation)
<ul style="list-style-type: none"> <li>Economic survival package—rental relief</li> <li>COVID-19 cleaning and security costs</li> </ul>	<ul style="list-style-type: none"> <li>Economic survival package—implementation</li> <li>Cenitex working from home arrangements</li> <li>SRO refund of liquor licence fees</li> </ul>	<ul style="list-style-type: none"> <li>Land tax relief</li> <li>Payroll tax relief</li> </ul>

a. The Department of Treasury and Finance (DTF) outlined that no additional funding was announced. DTF covered these costs within its operating budget.

Source: Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 8 February 2021, pp. 32–33.

In relation to the tax relief initiatives, the department explained that the relief provided reflects a reduction in the gross payroll and land tax revenue collected during 2019–20. The department did not provide any associated performance measure information related to the two initiatives.<sup>47</sup>

Overall, only two programs (*Economic survival package – implementation* and *Cenitex working from home arrangements*) had performance measures attached.<sup>48</sup>

**FINDING 100:** Only two of the seven off budget COVID-19 related programs/initiatives controlled or administered by the Department of Treasury and Finance had associated performance measures.

<sup>44</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 33.

<sup>45</sup> Warrants for additional special appropriations refer to requests made under section 33 of the *Financial Management Act 1994* (Vic) in which a request can be made to access previously appropriated amounts for certain reasons as set out in the Act.

<sup>46</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 32–33.

<sup>47</sup> Ibid.

<sup>48</sup> Ibid.

**RECOMMENDATION 31:** The Department of Treasury and Finance develop performance measures for significant off budget programs and initiatives with an allocation of \$50 million or more.

### Consultancy expenditure

DTF uses external consultants and contractors in the delivery of their work program. In 2019–20, the department approved a total of \$43.8 million (excluding GST) in consultancy costs, with \$23.7 million of approved funds being expended.<sup>49</sup> Just under 50% of consultancies were provided by ‘Big 4’ firms over the same period.<sup>50</sup>

At the public hearings, the Committee questioned the department regarding the decision to use external consultants rather than develop in-house capacity. The Committee was told that the DTF has a strong focus on developing in-house capacity, with progress made over the past four years in various areas. The department also outlined that in-house capacity is being built in line with delivering savings as required by government policy.<sup>51</sup> DTF explained that:

Some of the numbers that appear in our annual reports do get very much affected by some large one-off items, particularly large commercial transactions, so when you strip those away we are actually on a downward trend in terms of what we spend on consultants and contractors and general purchasing of goods and services.<sup>52</sup>

The department also told the Committee that external consultants were engaged to assist with the development of the finance strategy for the *Suburban Rail Loop* project.<sup>53</sup> PricewaterhouseCoopers (PwC) was the firm engaged to assist with the preparation of the strategy. The department told the Committee that PwC was paid \$2.9 million for the engagement.<sup>54</sup>

The department’s response to the Committee’s questionnaire highlights that consultancy, contractor and labour hire costs increased from 2018–19 to 2019–20 in each category, as outlined in Table 11.3.

<sup>49</sup> Department of Treasury and Finance, *2019–20 Annual Report*, p. 152.

<sup>50</sup> Department of Treasury and Finance, *2019–20 Annual Report – consultants*, Melbourne, 2020, pp. 1–5.

<sup>51</sup> Mr David Martine, *Transcript of evidence*, p. 8.

<sup>52</sup> *Ibid.*

<sup>53</sup> *Ibid.*, p. 15.

<sup>54</sup> *Ibid.*

**Table 11.3** Contractors, consultants and labour hire arrangements, 2018–19 to 2019–20

Category	2018–19 Actual (\$ million)	2019–20 Actual (\$ million)	Change (%)
Consultants	20.9	23.7	13.4
Contractors (Excluding Labour Hire)	15.1	24.4	61.6
Labour Hire	12.2	12.9	5.7

Source: Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 8 February 2021, pp. 39–40.

In terms of consultancy costs, the department explained to the Committee that the increase in 2019–20 related to overall requirements for consultancies within DTF, including ‘the development of a Major Project Leadership Academy program, the commencement of the Suburban Rail Loop project and continuation of the North East Link project’.<sup>55</sup>

In terms of contractor costs, the department highlighted that the increase is primarily related to accommodation services provided by Jones Lang Lasalle Australia Pty Ltd due to the increased portfolio and implementation of the Centralised Accommodation Management program.<sup>56</sup>

The Committee also notes that contractor and labour hire costs are not included in the department’s release on individual consultancies.

**FINDING 101:** The Department of Treasury and Finance’s costs for consultants, contractors and labour hire all rose from 2018–19 to 2019–20.

**FINDING 102:** The Department of Treasury and Finance does not publish contractor and labour hire costs in the department’s release on individual consultancies as part of its annual report.

**RECOMMENDATION 32:** The Department of Treasury and Finance publish details associated with contractors and labour hire arrangements with the consultancy information it discloses as part of its annual reporting process.

**RECOMMENDATION 33:** The Department of Treasury and Finance revise guidance material to government departments to stipulate the need for the release of details associated with contractors and labour hire arrangement as part of annual reporting processes.

<sup>55</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 39.

<sup>56</sup> Ibid.

## Treasurer's Advances

The Committee asked the department to provide details regarding programs for which DTF received additional funding after the 2019–20 Budget.<sup>57</sup> Under DTF controlled portfolios, 10 programs received additional funding in 2019–20. Of these 10, seven utilised Treasurer's Advances, one utilised carryover as per Section 32 of the *Financial Management Act 1994* (Vic) (FMA) and one utilised Public Account advances<sup>58</sup> as per section 37 of FMA.<sup>59</sup>

For DTF controlled portfolios, a total of \$29.9 million in additional funding through Treasurer's Advances was allocated, of which \$19 million was utilised in 2019–20, or 64% of what was allocated.<sup>60</sup> Contrary to several other departments, Treasurer's Advances allocated to DTF were not primarily used for COVID-19 related work. The reasons as to why the additional funding was needed by the department include:

- to support whole-of-government working from home arrangements
- for land remediation works
- to pay for legal costs relating to tax decisions
- to obtain commercial advice relating to reform opportunities.<sup>61</sup>

**FINDING 103:** For portfolios controlled by the Department of Treasury and Finance, a total of \$29.9 million in additional funding through Treasurer's Advances was allocated, of which \$19 million was utilised in 2019–20, or 64% of what was allocated.

Under DTF administered portfolios, three programs received additional funding in 2019–20. Of these three, two utilised Treasurer's Advances and one utilised Public Account advances as per section 37 of FMA.<sup>62</sup> A total of \$31.7 million was drawn down from Treasurer's Advances, of which \$24.3 million was utilised in 2019–20, or 77% of what was allocated.<sup>63</sup> The two programs that received additional funding through Treasurer's Advances were 'Legal costs relating to tax decisions' and 'SRO refund of liquor licence fees'.<sup>64</sup>

<sup>57</sup> Ibid., p. 14.

<sup>58</sup> Public Account advances can be issued out of the Public Account for money required for payment by the Minister, Government, authority or public body pending repayment by the Government or authority or public body.

<sup>59</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, pp. 14–16.

<sup>60</sup> Ibid., pp. 14–15 (Committee calculation).

<sup>61</sup> Ibid., pp. 14–16.

<sup>62</sup> Ibid., pp. 16–17.

<sup>63</sup> Ibid., p. 16.

<sup>64</sup> Ibid.

**FINDING 104:** For portfolios administered by the Department of Treasury and Finance, a total of \$31.7 million in additional funding was allocated to the two programs funded by Treasurer’s Advances, of which \$24.3 million was utilised in 2019–20, or 77% of what was allocated.

## 11.4.2 Revenue

In 2019–20, DTF recorded a total of \$683 million in income from transactions, 6.1% lower the original budgeted figure of \$729 million.<sup>65</sup> More than half of the department’s revenue came from output appropriations.

DTF highlighted that output appropriations were 9% higher in 2019–20 than the 2018–19 actual, recorded at \$441 million.<sup>66</sup> However, this is lower than the original budgeted figure for 2019–20 of \$494 million. The department did not provide an explanation in its response to the Committee’s questionnaire regarding the variance.

Grant revenue increase by 80%, rising from \$5 million in 2018–19 to \$9 million in 2019–20. The department explained that the variance was primarily due to complementary funding agreements with other departments for the Office of Projects Victoria (OPV), thus creating a new revenue stream. The additional revenue was used by OPV to provide project oversight and monitoring of the Government’s key infrastructure projects.<sup>67</sup>

Other income saw a decrease of 26%, from \$38 million in 2018–19 to \$28 million in 2019–20. DTF told the Committee that the variance was primarily due to higher payments into the consolidated fund from the Government Accommodation Trust, as it recorded an operating surplus of \$9 million in 2019–20, compared to \$1 million in 2018–19.<sup>68</sup>

Sales of goods and services increased 8% and interest revenue fell by 50% from 2018–19 to 2019–20.<sup>69</sup>

## 11.4.3 Overall financial performance

Table 11.4 summarises DTF’s financial performance in 2019–20.

<sup>65</sup> Department of Treasury and Finance, *Budget Paper No. 4*, p. 133 (Committee calculation).

<sup>66</sup> Department of Treasury and Finance, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, p. 24.

<sup>67</sup> *Ibid.*, p. 25.

<sup>68</sup> *Ibid.*

<sup>69</sup> *Ibid.*, pp. 24–25.



**Table 11.4** Department of Treasury and Finance: Summary of Comprehensive Operating Statement in 2019–20

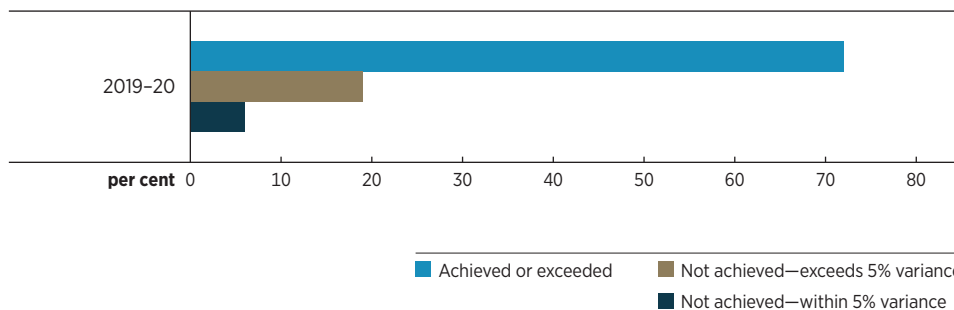
Controlled items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Income from transactions	729.1	683.0	6.3
Expenses from transactions	730.2	687.4	5.9
<b>Net result from transactions</b>	<b>-1.1</b>	<b>-4.4</b>	<b>300.0</b>

Source: Department of Treasury and Finance, *Annual Report 2019–20*, Melbourne, 2020, p. 33.

**FINDING 105:** In 2019–20, the Department of Treasury and Finance’s expenses grew more than the income derived, leading to a negative net result from transactions.

## 11.5 Performance information

The department’s performance is assessed against 72 performance measures. DTF achieved or exceeded 52 targets, did not achieve 14 targets exceeding 5% variance and did not achieve four targets within 5% variance.<sup>70</sup>

**Figure 11.2** Department of Treasury and Finance performance measurement results, 2019–20

Note: Total of the three categories outlined above does not equate for 100% as two performance measures were identified not to be applicable. These are highlighted below.

Source: Department of Treasury and Finance, *Annual Report 2019–20*, Melbourne, 2020, pp. 21–30 (Committee calculation).

The department also outlined two performance measures that were not applicable. These were:

- Cost to collect \$100 of tax revenue raised is less than the average of State and Territory Revenue Offices.
- Accuracy of estimating the gross state product rate in the State budget.<sup>71</sup>

<sup>70</sup> Department of Treasury and Finance, *Annual Report 2019–20*, pp. 21–30.

<sup>71</sup> *Ibid.*, pp. 22, 24.

Regarding the first measure, the department outlined that an actual result will not be available until late in 2020, following the Commissioners' Interjurisdictional Business Practices process.<sup>72</sup> The Committee was unable to verify whether the target was met as there was no publicly available information on Commissioners' Interjurisdictional Business Practices process.

Regarding the second measure, the department stated that the gross state product (GSP) growth estimate will be available when the Australian Bureau of Statistics (ABS) State Accounts are released in November 2020.<sup>73</sup> Data from the ABS shows that Victorian GSP fell 0.5% in 2019–20<sup>74</sup>, while the 2020–21 Budget forecasts GSP to fall by 0.25% in 2019–20.<sup>75</sup> The Committee notes that this is within the one percentage point variance target outlined in the performance measure, meaning the department achieved the target.

**FINDING 106:** The Department of Treasury and Finance's 'Accuracy of estimating the gross state product rate in the State budget' performance measure was achieved.

## 11.6 Treasury Corporation of Victoria

The Treasury Corporation of Victoria (TCV) is the central financing authority and financial adviser for the State of Victoria. TCV has the following objectives:

- To act as a financial institution for the benefit of the State and participating authorities.
- To enhance the financial position of the State, the Corporation and participating authorities.
- To provide services in an effective, efficient and competitive manner.<sup>76</sup>

### 11.6.1 Challenges

The Committee asked the TCV to identify a minimum of five main challenges faced in 2019–20. TCV identified only four challenges which are outlined below.<sup>77</sup>

Employee attraction and retention was identified as an external challenge due to changes to executive remunerations related to removing bonus payments. TCV outlined

<sup>72</sup> Ibid., p. 22.

<sup>73</sup> Ibid., p. 24.

<sup>74</sup> Australian Bureau of Statistics, 'Australian National Accounts: State Accounts', November 2020, <<https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-state-accounts/latest-release#real-gross-state-income>> accessed 20 March 2021.

<sup>75</sup> Department of Treasury and Finance, *Budget Paper No. 2*, p. 2.

<sup>76</sup> Treasury Corporation of Victoria, *Corporate Overview*, 2021, <<https://www.tcv.vic.gov.au/about-tcv/corporate-overview>> accessed 29 March 2021.

<sup>77</sup> Treasury Corporation of Victoria, *Response to the 2019–20 Financial and Performance Outcomes General Questionnaire*, received 8 February 2021, p. 30.

the removal of bonus payments may make it more difficult to attract and retain specialised financial markets experienced employees. TCV stated that no executive or specialist recruitments were made in 2019–20.<sup>78</sup>

TCV identified the slow growth of bank balance sheets as another challenge. It explained that the four major Australian banks represent 50% of TCV’s investor base due to their requirement to hold semi-government bonds for asset liquidity purposes. It outlined that with limited growth in bank balance sheets, their liquidity investment requirement stagnates, while debt through TCV is growing rapidly.<sup>79</sup> The Committee notes, however, that the four major banks are likely to see strengthening balance sheets over 2020–21. TCV outlined that its issuance strategy also aims to diversify its investor base to manage the risk.<sup>80</sup>

Cyber security was identified as a growing security threat to TCV, along with the escalating costs associated with remaining compliant and vigilant. It outlined that there is continued diligence at the systems level along with ongoing staff awareness training.<sup>81</sup>

Lastly, COVID-19 was a challenge to the TCV and working from home arrangements were implemented, along with a current return to premises underway.<sup>82</sup>

## 11.6.2 Bond holdings

A key issue discussed at the public hearings was information about holders of bonds issued by TCV. The Committee questioned TCV regarding the bond registry and why TCV has not released bond registry data to the Committee.

At the public hearings, TCV told the Committee that the information is not publicly available as it is a matter of commercial in confidence. TCV further outlined that the data is not available, prompting the Committee to question whether TCV is aware of all holders of Victorian Government bonds. TCV explained that:

within the registry you can see some holders and you can see some nominee companies that are other holders, but no, the answer to the question is these are publicly traded instruments and I do not have oversight over every investor that holds our bonds.<sup>83</sup>

<sup>78</sup> Ibid.

<sup>79</sup> Ibid.

<sup>80</sup> Ibid.

<sup>81</sup> Ibid.

<sup>82</sup> Ibid.

<sup>83</sup> Mr Bill Whitford, Managing Director, Treasury Corporation of Victoria, 2019–20 Performance and Financial Outcomes hearing, Melbourne, 22 February 2021, *Transcript of evidence*, p. 19.

TCV further explained that while it is aware of the types of investors who hold Victorian Government bonds:

it is a commercial-in-confidence thing and it is not publicly available. We can look as an organisation at our data within the registry and see which nominee companies are holding what, but then you cannot look through that. You cannot look through a nominee process to work out who the end holder is. So I think your last question relates to whether the bonds were held by Chinese investors, for example. Now, if they were listing as the Chinese company that had bought those bonds specifically, I could see that. If they had bought through a nominee company through some other method, I could not see that, and they can still be a holder.<sup>84</sup>

TCV clarified that it knows some bond holders and does not know others, as some bonds are held through a nominee company.<sup>85</sup>

The Committee further questioned TCV as to why the registry is not publicly available. TCV stated that 'for commercial-in-confidence reasons, I am loath to make it publicly available. One of the reasons behind that is because many investors value their privacy, and particularly the volume of holdings they may hold in a particular line of stock'.<sup>86</sup>

When asked about the level of bond holder data available to TCV, particularly in relation to geographic exposure, TCV outlined that it has not made any push for more transparency.<sup>87</sup> TCV, however, currently estimates that between 16% to 18% of Victorian Government bonds are held by offshore parties, spread predominantly through Europe and Asia.<sup>88</sup>

**FINDING 107:** Data on all holders of Victorian Government bonds is not publicly available nor is it known in its entirety by the Treasury Corporation of Victoria.

**FINDING 108:** The Treasury Corporation of Victoria estimates that 16% to 18% of Victorian Government bonds are held by offshore parties, spread predominantly through Europe and Asia.

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<sup>84</sup> Ibid.

<sup>85</sup> Ibid.

<sup>86</sup> Ibid., p. 22.

<sup>87</sup> Ibid., p. 22-23.

<sup>88</sup> Ibid., p. 23.

# 12 Parliament

## 12.1 Overview

The Parliament of Victoria, through its elected representatives, is accountable to the Victorian community for the provision and conduct of representative government in the interests of Victorians. The Victorian Parliament is comprised of three departments—the Legislative Assembly, Legislative Council and Department of Parliamentary Services (DPS).<sup>1</sup> DPS is responsible for the provision of infrastructure resources and support services to Members of Parliament and Parliamentary Departments. It operates as a service provider to, and in close cooperation with, the Legislative Assembly and the Legislative Council.<sup>2</sup>

The departments of Parliament of Victoria aim to:

- support members to fulfil their roles
- protect the independence and integrity of Parliament
- inform and engage with the community
- engage with Victoria’s First Peoples
- ensure the organisational resilience and efficiency of Parliament.<sup>3</sup>

## 12.2 Challenges

The Parliament identified four challenges during 2019–20. These were the COVID-19 pandemic, increased information and communication technology costs, improved physical security at the Parliamentary precinct and electorate offices, and maintaining the people’s House for future generations.<sup>4</sup>

Parliament’s challenges were underpinned in 2019–20 by:

- growing data usage
- continued increase in cyber security activity and expenditure
- physical location of electorate offices throughout Victoria
- concern for electorate office staff welfare and protection

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1 Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017-18 and 2018-19 financial and performance outcomes*, July 2020, p. 225.

2 Department of Parliamentary Services, *Annual Report 2019-20*, Melbourne, 2020, p. 7.

3 Department of Treasury and Finance, *Budget Paper No. 3: 2019-20 service delivery*, Melbourne, 2020, p. 368.

4 Parliamentary Departments, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, received 4 February 2021, p. 39.

- heritage nature of the Parliament House building
- OH&S issues—including those associated with the refurbishment and restoration of Parliament House and transition to working remotely due to COVID-19
- decades of under investment in the infrastructure at Parliament House.<sup>5</sup>

## 12.3 Financial analysis

### 12.3.1 Expenditure

The 2019–20 Budget for Parliament was \$195.4 million.<sup>6</sup> Total expenditure for the year was \$185.1 million, representing an underspend of \$10.3 million.<sup>7</sup> This was driven by an underspend across the Legislative Assembly (8.6%), the Legislative Council (8.5%) and Parliamentary Services (3.9%) outputs. The Parliament did not provide a reason for this underspend. In 2018–19 there was also an underspend of 11% across the departments, however this was primarily due to the election and Parliament’s proroguing.<sup>8</sup>

Table 12.1 shows the Parliament’s expenditure by output in 2019–20 and relevant variances between budgeted and actual expenditure.

**Table 12.1** Department of Parliamentary Services expenditure by output in 2019–20

Output	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)	Variance (%)
Legislative Assembly	40.6	37.1	-8.6
Legislative Council	21.2	19.4	-8.5
Parliamentary Services	127.9	122.9	-3.9
Parliamentary Investigatory Committees	5.7	5.7	0.0
<b>Total</b>	<b>195.4</b>	<b>185.1</b>	<b>-5.3</b>

Source: Department of Parliamentary Services, *Annual Report 2019-20*, Melbourne, 2020, pp. 18–19 (Committee calculation).

**FINDING 109:** In 2019-20 there was an underspend of \$10.3 million across the three Parliamentary Departments.

<sup>5</sup> Parliamentary Departments, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, pp. 39–40; Department of Parliamentary Services, *Annual Report 2019-20*, pp. 4, 46–47.

<sup>6</sup> Department of Treasury and Finance, *Budget Paper No. 3: service delivery*, Melbourne, 2019, p. 369 (Committee calculation).

<sup>7</sup> Department of Parliamentary Services, *Annual Report 2019-20*, p. 10.

<sup>8</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2017–18 and 2018–19 financial and performance outcomes*, July 2020, p. 227.

### 12.3.2 Revenue and expenses

Parliament reported a small number of variances in revenue. Output appropriations grew in 2019–20 by 10.9% (\$14 million) from 2018–19.<sup>9</sup> In its response to the Committee's questionnaire, Parliament reported that the variance was:

due to additional funding approved by 2019-20 ERSC [Expenditure Review Sub-Committee], escalation from 2018-19 to 2019-20, additional Treasurer advance funding in 2019-20 for implementation of *Victorian Independent Remuneration Tribunal and Improving Parliamentary Standards (VIRTIPS) Act* and Parliamentary Advisers, and higher carry-over from 2018-19 to 2019-20.<sup>10</sup>

Parliament's refreshment rooms and gift shop sales reported \$200,000 less revenue in 2019–20 compared to 2018–19, or a variance of -13.1%.<sup>11</sup> This was attributed to the cancellation of catered events as a result of COVID-19.

There was also a decline in special appropriations of 11.2% (\$5.5 million) as:

no contributions were required in 2019-20 to the member's defined benefit scheme, which was partly offset by [an] increase in Members salary and allowances expenditure as a result of Victorian Independent Remuneration Tribunal ... making its first Determination of Victorian Members of Parliament (MPs) salaries and allowances on 16<sup>th</sup> September 2019.<sup>12</sup>

There was an increase in some of the Parliament's expenses. Parliament's employee expenses were 7% (\$7.27 million) higher in 2019–20 compared to 2018–19. Depreciation expenses rose from 2018–19 to 2019–20 by 58.1% (\$9.8 million).<sup>13</sup> This was due to Parliament having to recognise 'right-of-use assets associated with operating leases' through the application of AASB 16,<sup>14</sup> from 1 July 2019.<sup>15</sup> The biggest variance was the increase in interest expenses, which rose by 588% (\$470,000) from 2018–19 to 2019–20. This increase was also attributed to the application of AASB 16 from 1 July 2019.<sup>16</sup>

<sup>9</sup> Parliamentary Departments, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, p. 16 (Committee calculation).

<sup>10</sup> *Ibid.*, p. 16.

<sup>11</sup> *Ibid.*, p. 17 (Committee calculation).

<sup>12</sup> *Ibid.*, p. 18.

<sup>13</sup> *Ibid.*, p. 19 (Committee calculation).

<sup>14</sup> AASB 16 introduced a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligations to make lease payments. Source: Australian Accounting Standards Board, *AASB 16 Leases*, 2020, <[https://www.aasb.gov.au/admin/file/content105/c9/AASB16\\_02-16\\_COMPIun20\\_06-20.pdf](https://www.aasb.gov.au/admin/file/content105/c9/AASB16_02-16_COMPIun20_06-20.pdf)> accessed 15 February 2021.

<sup>15</sup> Parliamentary Departments, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, p. 19.

<sup>16</sup> *Ibid.*, p. 19 (Committee calculation).

The Parliament's refreshment rooms and gift shop also reported higher expenses due to the establishment of the *Charity Meals Program*, increasing from 2018–19 to 2019–20 by 48% (\$970,000).<sup>17</sup>

Computer, communication, rental and other costs decreased from 2018–19 to 2019–20 by 29.3% (\$6.54 million).<sup>18</sup>

Other operating expenses came in at 31.6% (\$15.9 million) lower than the 2019–20 Budget.<sup>19</sup> Parliament noted that the variance was due to delays in some projects caused by COVID-19, while the Members Electorate Office and Communications budget and electorate office security upgrades were carried over from 2019–20 to 2020–21.<sup>20</sup>

In response to the Committee's question about expenses or interventions related to the COVID-19 pandemic response, Parliament responded that no programs or initiatives were announced as part of the Victorian Government's response to the COVID-19 pandemic.<sup>21</sup> However, Parliament established the *Charity Meals Program* in March 2020 to provide meals to Melbourne's most vulnerable and homeless, impacted by the COVID-19 pandemic. This program also enabled the casual catering staff and agency contractors to be employed during this period.<sup>22</sup> Program expenditure for the 2019–20 period was \$952,000.<sup>23</sup>

### 12.3.3 Overall financial performance

The 2019–20 Statement of Finances budget paper includes the operating performance of the Parliament and the Victorian Auditor-General's Office (VAGO); however, the budget papers do not provide a breakdown of the financial information against Parliament or VAGO. To compare the Parliament's actual operating performance against the Budget the Committee looked at the performance of both organisations.

Table 12.2 summarises the Parliament's and VAGO's overall financial performance in 2019–20.

<sup>17</sup> Ibid. (Committee calculation).

<sup>18</sup> Ibid. (Committee calculation).

<sup>19</sup> Ibid., p. 20 (Committee calculation).

<sup>20</sup> Ibid.

<sup>21</sup> Ibid., p. 21.

<sup>22</sup> Ibid., p. 17.

<sup>23</sup> Ibid., p. 28.



**Table 12.2** Parliament and the Victorian Auditor-General's Office: Summary of Comprehensive Operating Statement in 2019–20

Controlled items	2019–20 Budget (\$ million)	2019–20 Actual (\$ million)
<b>Income from transactions</b>		
Parliament	n.a.	189.6
VAGO	n.a.	45.6
<b>Total</b>	<b>244.0</b>	<b>235.3</b>
<b>Expenses from transactions</b>		
Parliament	n.a.	182.1
VAGO	n.a.	45.2
<b>Total</b>	<b>244.0</b>	<b>227.3</b>
<b>Net result from transactions (net operating balance)</b>		
Parliament	n.a.	7.5
VAGO	n.a.	0.4
<b>Net result</b>	<b>-</b>	<b>8.0</b>

Source: Department of Parliamentary Services, *Annual Report 2019-20*, Melbourne, 2020, p. 77; Victorian Auditor-General's Office, *Annual Report 2019-20*, Melbourne, 2020, p. 70.

**FINDING 110:** The operating performance of the Parliament and the Victorian Auditor-General's Office reflect a stable position as overall income exceeds expenses.

## 12.4 Performance information

Parliament achieved or exceeded 86% of its 28 performance measures in 2019–20.<sup>24</sup>

Parliamentary Services achieved or exceeded 89% of its nine performance measures.<sup>25</sup> It did not meet the target of 90% for 'indexes, records, speeches, video and transcripts available within published timeframes.'<sup>26</sup> Parliamentary Services stated that the actual figure of 85% was due to delays in publishing because of staff working remotely under COVID-19 restrictions.<sup>27</sup>

The Legislative Assembly achieved or exceeded 88% of its eight performance measures, with one performance measure not met.<sup>28</sup> The target for five regional visits to schools to conduct Parliamentary role plays was limited to four visits. Parliament stated that this

<sup>24</sup> Department of Parliamentary Services, *Annual Report 2019-20*, pp. 18–19 (Committee calculation).

<sup>25</sup> Ibid. (Committee calculation).

<sup>26</sup> Ibid., p. 19.

<sup>27</sup> Parliamentary Departments, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, p. 37.

<sup>28</sup> Department of Parliamentary Services, *Annual Report 2019-20*, p. 18 (Committee calculation).

was due to the introduction of COVID-19 restrictions in March 2020, which prevented further visits.<sup>29</sup>

The Legislative Council achieved or exceeded 80% of its five performance measures.<sup>30</sup> The target for 100% of 'Bills and amendments to be processed accurately through all relevant stages and that other business of the House is conducted according to law, Standing and Sessional Orders' was not met, with the actual being 95%.<sup>31</sup> This was ascribed to the increased complexity of the legislative process in the Council due to:

- the number of political parties
- the prevalence of proposed amendments, including Government amendments at sometimes short notice
- necessary interaction with other agencies, such as Chief Parliamentary Counsel, ministerial and parliamentary advisers
- a significant increase in private members' bills.<sup>32</sup>

Joint Investigatory Committees achieved or exceeded 75% of the four performance measures.<sup>33</sup> The target of 28 reports tabled per annum was not met, with an actual number of 18 reports tabled. This was:

due to a reduction in the number of joint investigatory committees from nine in the 58th Parliament to four in the current Parliament. The COVID-19 pandemic also resulted in some changes to reporting dates.<sup>34</sup>

## 12.5 Key issues

The Committee identified the following key issues from its review of Parliament's 2019–20 Annual Reports and responses to the Committee's 2019–20 financial and performance outcomes questionnaire. The Committee also evaluated recommendations from the Committee's 2017–18 and 2018–19 Financial and Performance Outcomes and 2019–20 Budget Estimates Reports and actions taken by Parliament.

### 12.5.1 COVID-19

Parliament reported that COVID-19 had a significant impact on its operations in the first half of 2020. The precinct was closed to visitors from March 2020 and staff transitioned to working remotely where possible. In person tours were halted after 23 March 2020 due to COVID-19 restrictions. The departments stated that it had supported the

<sup>29</sup> Parliamentary Departments, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, p. 37.

<sup>30</sup> Department of Parliamentary Services, *Annual Report 2019-20*, p. 18 (Committee calculation).

<sup>31</sup> *Ibid.*, p. 18 (Committee calculation).

<sup>32</sup> Department of Parliamentary Services, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, p. 37.

<sup>33</sup> Department of Parliamentary Services, *Annual Report 2019-20*, p. 19 (Committee calculation).

<sup>34</sup> Department of Parliamentary Services, *Response to the 2019-20 Financial and Performance Outcomes Questionnaire*, pp. 37–38.

transition to remote working through the rapid deployment of new technologies and a working from home allowance for all staff. Total COVID-related expenditure was \$346,000.<sup>35</sup> Other challenges included:

- The cancellation of catered events, which resulted in \$193,000 lower revenue compared to 2018–19.<sup>36</sup>
- The modification of precinct operations to ensure social distancing and sanitisation measures were observed.<sup>37</sup>
- The cancellation of Parliamentary work experience programs.<sup>38</sup>
- The Tours and Customer Service Unit cancelled visits to Warrnambool and Wodonga under its regional outreach program due to COVID-19 restrictions.<sup>39</sup>

The Legislative Assembly reported that the pandemic had a significant impact on the operations of committees.<sup>40</sup> From the middle of March 2020 all committee staff were required to work from home whenever possible. Amendments were made to the *Parliamentary Committees Act 2003* by the *COVID 19 Omnibus (Emergency Measures) Act 2020* to allow members of Joint Investigatory Committees to be counted for the purpose of a quorum and vote if participating remotely.

The three Assembly standing committees all had inquiry reports due to be tabled by 30 June 2020. The reporting dates of these inquiries were extended.<sup>41</sup> The Public Accounts and Estimates Committee could not hold hearings in relation to financial and performance outcomes due to the pandemic and summer bushfires, and instead prepared a report on the 2018–18 and 2018–19 outcomes. The pandemic also delayed the handing down of the State Budget, which meant that PAEC’s scrutiny of the budget estimates was also delayed until later in 2020.<sup>42</sup>

The Legislative Council reported that from March 2020, the pandemic caused some delays to scheduled hearings and report tabling.<sup>43</sup> Health regulations also led to changes in the public-facing work of committees.<sup>44</sup> Public galleries were initially restricted in size and then later closed in line with the wider closure of the precinct to the public. In May 2020, public hearings shifted to Zoom—first in a hybrid form, then moving entirely online as the health emergency deepened. Committees used Microsoft

<sup>35</sup> Department of Parliamentary Services, *Annual Report 2019–20*, p. 4; Parliamentary Departments, *Response to the 2019–20 Financial and Performance Outcomes Questionnaire*, p. 28.

<sup>36</sup> Parliamentary Departments, *Response to the 2019–20 Financial and Performance Outcomes Questionnaire*, p. 28.

<sup>37</sup> Department of Parliamentary Services, *Annual Report 2019–20*, p. 4; Parliamentary Departments, *Response to the 2019–20 Financial and Performance Outcomes Questionnaire*, p. 39.

<sup>38</sup> Legislative Assembly, *Annual Report 2019–20*, Melbourne, 2020, p. 24.

<sup>39</sup> *Ibid.*, p. 19.

<sup>40</sup> *Ibid.*, p. 12.

<sup>41</sup> *Ibid.*

<sup>42</sup> *Ibid.*, pp. 12–13.

<sup>43</sup> Legislative Council, *Annual Report 2019–20*, Melbourne, 2020, pp. 10–13.

<sup>44</sup> *Ibid.*, p. 10.

Teams to hold meetings, discuss evidence and adopt reports for tabling in the House. Committees were also empowered to extend inquiry reporting dates by their own motion.<sup>45</sup>

The pandemic impacted the Council's delivery of in-person programs. The April 2020 Open Day, July YMCA Youth Parliament and the Victorian Chapter of the Australasian Study of Parliament Group seminar program was cancelled due to COVID-19. However, staff developed a series of online tours of Parliament House and established the 'Ask an MP' school program.<sup>46</sup> The 2019–20 twinning program with the Parliaments of Fiji, Nauru and Tuvalu experienced challenges due to travel restrictions, with the delivery of face-to-face programs such as training postponed. Consequently, the focus shifted to providing assistance online.<sup>47</sup>

### 12.5.2 Publication of diversity data

All Victorian Government departments have been collecting data on gender, age, Indigenous and disability status since 2018. The Committee's Report on the 2019–20 Budget Estimates recommended that the Parliament collect data on the proportion of its workforce that identify as Indigenous or having a disability.<sup>48</sup>

Parliament's Annual Report 2019–20 provided a breakdown of full time equivalent staff members by gender identification and age, but not by Indigenous or disability status. The Parliament's response to the Committee's 2019–20 questionnaire also did not include this information.

Parliament did not provide the Committee with details about why data on the Indigenous and disability status of employees had not been included for the 2019–20 period.

### 12.5.3 Technology costs and security

Parliament noted that information and communication technology costs have increased. This issue has carried over from 2017–18 and 2018–19 to 2019–20.<sup>49</sup> Parliament has needed to deploy new technologies to enhance cyber security as the technology and security landscape changes.<sup>50</sup> The Annual Report stated that:

[the Parliament's IT department] continues to implement cyber security enhancements for Parliament in line with the Australian Cyber Security Centre's (ACSC) recommended

<sup>45</sup> Ibid.

<sup>46</sup> Ibid., p. 16.

<sup>47</sup> Ibid., pp. 16–17.

<sup>48</sup> Parliament of Victoria, Public Accounts and Estimates Committee, *Inquiry into the 2019-20 Budget Estimates*, October 2019, p. 291.

<sup>49</sup> Parliamentary Departments, *Response to the 2017-18 and 2018-19 Financial and Performance Outcomes Questionnaire*, pp. 26–28.

<sup>50</sup> Department of Parliamentary Services, *Annual Report 2019-20*, p. 21.

Essential Eight mitigation measures, restricting the impact of an incident or improving Parliament's ability to recover from an incident.<sup>51</sup>

Parliament noted that it has adopted mitigation strategies including Multifactor Factor Authentication for Microsoft 365 and Virtual Private Network remote access.<sup>52</sup> Taking into consideration IT security advice, Parliamentary committees used Microsoft Teams for all private committee meetings and Zoom for all public hearings.<sup>53</sup>

Parliament also stated that staff resources are critical to manage the ongoing concern of cyber security, due to more sophisticated tools being used by adversaries and state actors targeting governments and parliaments. Parliament noted in its 2019–20 Annual Report that a Cyber Security Coordinator had been appointed. Parliament did not report the cost of this position.<sup>54</sup>

**RECOMMENDATION 34:** A review of the suitability of the Parliament's information technology security be conducted if this has not already taken place.

Parliament stated that improved physical security at the Parliamentary precinct and electorate offices also required continued deployment of an electorate office security overlay.<sup>55</sup> Furthermore, dedicated Security Advisers increased visits to electorate offices to work with Members and staff to 'develop better security awareness and improve their ability to respond to any threats and risks.'<sup>56</sup>

Parliament noted that maintenance of Parliament House would ensure that the safety, comfort and contemporary needs of Members' were met, as well as upholding the heritage aspects of the building.<sup>57</sup> Five projects were noted in the 2019–20 Annual Report as being underway to refurbish, replace and build infrastructure.<sup>58</sup>

**Adopted by the Public Accounts and Estimates Committee  
Parliament of Victoria, East Melbourne  
3 May 2021**

51 Ibid.

52 Ibid.

53 Legislative Assembly, *Annual Report 2019–20*, p. 12.

54 Department of Parliamentary Services, *Annual Report 2019–20*, p. 21.

55 Ibid., p. 17.

56 Ibid.

57 Ibid., pp. 16–17.

58 Ibid.



# 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—3 May 2021

Motion: The draft final report, as amended, together with the correction of any typographical errors be the report of the Committee.

Moved: Gary Maas MP

### The Committee divided.

Ayes (8)	Noes (2)
Lizzie Blandthorn MP	Richard Riordan MP
Sam Hibbins MP	Bridget Vallenge MP
David Limbrick MLC	
Gary Maas MP	
Danny O'Brien MP	
Pauline Richards MP	
Tim Richardson MP	
Nina Taylor MLC	

### Resolved in the affirmative.

