

APPENDIX 3: RESPONSES TO REQUESTS FOR CLARIFICATION ON SPECIFIC ISSUES

Background

The responses provided in this Appendix were received after the tabling of the Committee's *Report on the 2009-10 Budget Estimates – Part One*, on 2 June 2009.

1.1 Department of Education and Early Childhood Development

1.1.1 Regarding the original response to Q1.6 in the Questionnaire

In relation to the Department's three largest output Budget initiatives for 2009-10 in terms of funding, the Department's response included \$57.7 million over three years to continue the employment of 200 Teaching and Learning coaches and 50 Ultranet coaches, who work in targeted schools to support teachers in providing a world-class, 21st century education for all Victorian students. A similar description of this initiative is given in Budget Paper No. 3, page 309.

As this budget initiative represents a continuation of the employment of the two categories of coaches, please provide further information, including:

- the commencement date/s of the initiative;*
- the breakdown of funding between the two categories over the forward estimates period to 2011-12; and*
- an explanation of the underlying reasons for the allocation of new funding covering existing services, e.g. does the new funding relate to an expansion of the employment terms of the coaches or does it represent an increase in the coaches' working hours, etc.*

In the 2006-07 State Budget, funding of \$51.63 million was allocated over two calendar years (2008-09) to improve student learning outcomes through the employment of 200 Teaching and Learning Coaches and 50 Ultranet Coaches.

The Phase 2 funding of \$57.7 million extends the initiative through the employment of the coaches for an additional two school years (2010 and 2011). There is no change to the coaches' working hours or employment terms.

The increase in total funding over the two phases is due to an increase in the salary component of the funding. This increase results from the signing of the New Enterprise Bargaining Agreement for Victorian Government School Teachers.

Phase 1 of the Teaching and Learning and Ultranet Coaches Initiative commenced on 1 January 2008. Phase 2 of the Teaching and Learning and Ultranet Coaches Initiative will commence on 1 January 2010.

Breakdown of funding

Teaching and Learning Coaches Phase 2

	2009-10	2010-11	2011-12
Staffing Costs for 200 coaches	\$10,595,200	\$21,720,160	\$11,135,555
Operating Expenses	\$613,500	\$1,541,100	\$637,000
Total costs	\$11,208,700	\$23,261,260	\$11,772,555

Source: DEECD Questionnaire response, August 2009, p.1

Ultraset Coaches Phase 2

	2009-10	2010-11	2011-12
Staffing Costs for 50 coaches	\$2,648,800	\$5,430,040	\$2,783,889
Operating Expenses	\$152,000	\$283,500	\$159,200
Total costs	\$2,800,800	\$5,713,540	\$2,943,089

Source: DEECD Questionnaire response, August 2009, p.1

1.1.1 Regarding the original response to Q2.4 in the Questionnaire

In relation to providing the unapplied output and asset funding carried forward to 2009-10, the Department stated that ‘the carryover figures are estimates only based on available information as at April 2009 and will be updated at the end of the financial year based on actual outcomes.’

Please provide the actual carryover figures for the unapplied output and asset funding carried forward to 2009-10.

Under section 32 of the *Financial Management Act 1994*, unapplied appropriation may be carried-forward with the approval of the Treasurer. The Department’s carry-forward request for unapplied output and asset funding from 2008-09 has not yet been approved and therefore actual carry-forward figures have not been confirmed.

1.2 Department of Human Services

1.2.1 Regarding the original response to Q3.1 (a), (b) and (c) in the Questionnaire

In relation to providing details of its estimated efficiencies for 2009-10, the Department advised that ‘The Department will provide details of its 2009-10 efficiency measures at the earliest opportunity following tabling of the 2009-10 State Budget Papers.’

Please provide a response to question Q3.1 (a), (b) and (c). In the response, please ensure that savings strategies employed to achieve efficiency targets are identified and linked to each respective target.

The 2009-10 Budget required the department to meet a general efficiency expenditure reduction of \$23 million for 2009-10 rising to \$46 million in 2011-12.

The efficiency improvement measure is in line with similar requests in past Budgets, such as the Efficient Government initiative. However, unlike the Efficient Government initiative, the 2009-10 Budget did not provide for departments to address specific areas in achieving efficiencies.

The department has adopted a program of activity to focus on efficiencies in areas of non direct service activity.

In respect of 2009-10 efficiency measures, the following areas have been reviewed and strategies put in place to deliver the efficiency savings:

- Reduction of costs for meetings and training
- Benefits realisation of Video conferencing
- Non replacement of non direct care staffing natural attrition
- Reduced use of contractors
- Administrative and budget processes

The strategies adopted have provided efficiencies to deliver Government's required efficiency savings in 2009-10.

DHS Efficiency Initiatives			
	2007-08	2008-09	2009-10
Total Efficiencies	16.9	21.8	30.3
Buying Smarter, Buying Less	7.4	9.6	11.5
Other Efficiencies – Total	9.5	12.1	18.8
Shared Services	4.2	4.3	8.5
Best Practice Grants Administration	0.2	0.4	0.4
Fleet Management	0.9	0.9	0.9
Advertising and Consultancy	1.1	1.1	1.1
Duplication of Grants	0.6	0.6	0.6
Head Office Staffing	2.4	4.8	7.3

Source: DHS Questionnaire response, September 2009

1.3 Department of Innovation, Industry and Regional Development

1.3.1 Regarding the original response to Q7.2 in the Questionnaire

In response to providing a table showing up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria, the Department explained:

- *the budget allocation for 2009-10 dissected between new and existing projects;*
- *the purpose of each project; and*
- *the performance measures in place to assess performance.*

Please outline how the funding is to be spent on the three initiatives – Geelong Innovation and Industry Fund, Living Regions Living Suburbs, and Geelong Future Cities Master Plan – given that they are more recent, specific initiatives.

(1) Geelong Innovation and Industry Fund (GIIF)

The GIIF is a joint initiative between the State Government, Commonwealth Government and Ford Motor Company of Australia to support new investment in the Geelong Region. The State Government, through Regional Development Victoria, is contributing \$6 million (\$3 million in 2009/10) to the \$24 million GIIF.

Funding is being provided to Companies (in accordance with the published Guidelines, Criteria and Funding Agreements) to support new investment that will create sustainable new jobs in the Geelong region.

The Commonwealth Government, through the Department of Innovation, Industry, Science and Research, has the primary responsibility for administering the GIIF.

(2) Living Regions Living Suburbs (LRLS)

The LRLS program supports initiatives promoting economic and social renewal in regional, rural and interface communities throughout Victoria. It supports initiatives including:

- Regional, Rural and Interface Renewal
- Living Regions Recovery Program
- New Opportunities for Industry Innovation
- Regional Community Tourism Events
- Strategic Economic Development Opportunities

In 2009/10 a significant component of LRLS will be directed to bushfire recovery initiatives under the Living Regions Recovery Program. This includes:

- \$500,000 for the *Bushfires Business Relief Emergency Fund* which will provide assistance to small businesses indirectly affected by the fires.
- \$2 million (over two years) for the *Bushfire Recovery Community Infrastructure Program*, with a further \$2 million also being contributed by Bendigo Bank through its Community Enterprise Foundation.
- Other initiatives that may be supported during 2009/10.

(3) Geelong Future Cities Master Plan

The Geelong Future Cities Master Plan has two key components:

- Funding, by way of a grant to the City of Greater Geelong, for the redevelopment of the Old Geelong Courthouse building into a Youth Arts Facility.
- Funding to undertake assessment and business cases for the possible redevelopment of the Geelong Library and Heritage Centre and the Geelong Performing Arts Centre.

1.4 Department of Justice

1.4.1 Regarding the original response to Q2.4 in the Questionnaire

Departmental Response

In relation to the unapplied output and asset funding carried forward to 2009-10, please provide:

- a) the actual carryover into 2009-10 of unapplied asset funding once final expenditure and output delivery results for 2008-09 are available*

The Department's (excluding Victoria Police) final output carryover request is \$7.156m. The final capital carryover request is \$9.5m.

- b) the underlying reasons for the Department's funding carryover*

The requested output and capital carryover predominantly relate to two projects. The Building Confidence in Corrections (BCIC) initiative and the Traffic Camera System project which both have output and capital components.

The Ararat prison element of the BCIC project is slated to become a Public Private Partnership. The carryover relates to the payments that would be made to the successful tenderer when the contracts are signed. The Traffic Camera System project carryover reflects greater than anticipated contract specification activity due to the need to accurately define in detail highly complex business requirements.

- c) the intended revised timing for use of the carried-forward funds, including project specific details.*

Requested output and capital carryover is expected to be fully expended in the 2009-10 financial year as the projects continue to satisfactorily progress.

Victoria Police Response

In relation to the unapplied output and asset funding carried forward to 2009-10:

Please provide for the output funding carryover:

- a) the underlying reasons for the funding carryover*

Underlying reasons for final output funding carryover remain the same as the explanation for the provisional carryover as provided in the Questionnaire submission on 7 May 2009. That is, contractual arrangements on these projects have been revised without impact on the project delivery dates.

- b) the intended revised timing for use of the carried-forward funds, including project specific details.*

Requested output carryover is expected to be fully expended in the 2009-10 financial year.

Please provide, for the asset funding carryover, the underlying reasons for the funding carryover.

The Victoria Police final capital/asset carryover request was \$1.552m. The capital request relates to the Carlton/North Melbourne police station project. The reasons for the request are delays due to protracted site search and compulsory acquisition processes.

1.4.2 Regarding the original response to Q7.2 in the Questionnaire

In response to providing a table showing up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria, the Department provided a list of statewide initiatives. The Department stated that 'These initiatives are detailed in the Budget papers.'

Please provide a table showing these projects and include:

- *the budget allocation for 2009-10 dissected between new and existing projects;*
- *the purpose of each project;*
- *how the funding is to be spent; and*
- *the performance measures in place to assess performance.*

CFA Replacement Trucks								
Budget allocation for 2009-10 (\$million over 4 years)						Purpose	How funding is to be spent	Performance measures
	2009/10	2010/11	2011/12	2012/13	TOTAL	To upgrade fire-fighting equipment.	Replacement of aging pumper trucks, tankers and operational support vehicles to maximise emergency response capability and provide additional protection for fire crews in the case of burnovers to ensure volunteer safety.	Funding provided to enable replacement of 87 CFA assets.
Output	0.9	0.9	0.9	0.9	03.6			
Asset TEI	17.5	-	-	-	17.5			
Gross Amount								
Existing Program: Asset Replacement Strategy								
VicSES Critical Asset Replacement								
Budget allocation for 2009-10 (\$million over 4 years)						Purpose	How funding is to be spent	Performance measures
	2009/10	2010/11	2011/12	2012/13	TOTAL	To replace rescue trucks and equipment at the end of their useful life, and continue delivery of vital emergency services.	To replace rescue trucks and equipment and continue delivery of vital emergency services.	Anticipated impacts of this proposal would be to increase VICSES' ability to deliver on its core services to the community and to offer support to other emergency services throughout the State, including: <ul style="list-style-type: none"> • decrease in maintenance costs; • decrease number in trucks 'out of service' due to mechanical breakdown; • ensure maintenance of or a reduction in the response times to road rescue incidents; • improve volunteer recruitment and retention; • ensure VICSES can meet the State Govt's overarching Asset Strategies and its own VICSES Asset Strategy.
Output	0.9	0.9	0.9	0.9	03.6			
Asset TEI	6.6	-	-	-	6.6			
Existing Program: Asset Replacement Strategy								
VicSES Unit Operating Costs								
Budget allocation for 2009-10 (\$million over 4 years)						Purpose	How funding is to be spent	Performance measures
	2009/10	2010/11	2011/12	2012/13	TOTAL	To support VicSES Unit Operating costs which are growing beyond indexation rates.	To help meet day-to-day operating costs, including maintenance of motor vehicles, supplies and provision of local unit operational support and training.	The proposal relates to maintaining a sustainable budget for VicSES against cost escalations beyond indexation rates.
Output	1.6	1.7	1.7	1.8	6.8			
Asset TEI	-	-	-	-	-			
Including additional funding already provided by government								
Existing Function: Increased funding								

Source: DOJ Questionnaire response, August 2009, p.4

CFA Ultra Light Tankers								
Budget allocation for 2009-10 (\$million over 4 years)						Purpose	How funding is to be spent	Performance measures
	2009/10	2010/11	2011/12	2012/13	TOTAL	The purchase of Ultra Light Tankers is intended to improve response to lightning strikes and back burning operations, particularly in remote and rugged terrain.	CFA will procure 42 additional ultra-light tankers. Ultra Light Tankers offer greater manoeuvrability to access hilly and forested areas. The tankers will enable greater quantity of water to be provided to the containment lines prepared by bulldozers and other equipment, in turn providing a greater chance that the containment lines will be effective in halting the spread of fire.	The additional Ultra Light Tankers will provide added capability to the CFA in responding to emergencies in places previously inaccessible. In turn, this will contribute to the achievement of faster response times and containment of fire to origin.
Output	1.2	1.2	1.3	1.3	5.0			
Asset TEI	5.3	-	-	-	5.3			
Gross Amount								
Existing Strategy: New pieces of equipment in line with ongoing asset strategy								
Victoria Police Road Safety (Moving Mobile Radar component)								
Budget allocation for 2009-10 (\$million over 4 years)						Purpose	How funding is to be spent	Performance measures
Road Safety: Moving Mobile Radar component						Many Victorians are impacted by road trauma each year with speed, drink driving and drug-impaired driving being major contributors.	Enhanced speed detection via the installation of additional Moving Mobile Radars in police vehicles will focus on high-speed zones in country areas and better location targeting of high-risk crash sights [sic].	This initiative forms part of the Government's road safety strategy, <i>Arrive Alive 2</i> , which aims to save an estimated 100 extra lives and prevent around 2000 serious injuries per year by the end of 2017.
	2009/10	2010/11	2011/12	2012/13	TOTAL			
Output	0.816	0.314	0.323	0.331	1.784			
Asset TEI	-	-	-	-	-			
Existing Technology Strategy: forms part of ongoing technology improvement for Road Safety initiatives						More than 30 per cent of fatal accidents on Victorian roads are caused by speed.		This initiative will be the subject of ongoing evaluation of performance against the measures outlined in <i>Arrive Alive 2</i> 2008-2017.
<p>In the 2009-10 Budget papers, the full parcel of Road Safety initiatives includes:</p> <ul style="list-style-type: none"> • Enhancing enforcement of speed restrictions via: <ul style="list-style-type: none"> ○ allocation of additional mobile camera hours; ○ upgrade of red light road safety cameras; ○ additional moving mode radars in police vehicles • Victoria Police conducting and additional 20,000 drug tests each year; and • Expansion of the Vehicle Impoundment Scheme. <p>NOTE: A number of the above Road Safety activities will benefit rural and regional Victoria. However, final locations will be at the discretion of Victoria Police. The Moving Mobile Radar component provides the clearest example of targeting zones in country areas.</p>								

Source: DOJ Questionnaire response, August 2009, p.5

Project 000 VicSES Radios and EAS Pager Capability (CFA)					
Budget allocation for 2009-10 (\$million over 4 years)					
	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	31.3	25.4	23.2	18.9	98.8
Asset TEI	7.7	6.7	-	-	14.4
Existing Communications Capacity: continuation of upgrade					
Purpose					
Improve 'Project 000 Response' for emergency service organisation communications and response to emergency calls.					
How funding is to be spent					
Strengthened communications between Emergency Service Organisations (ESO's) by improving network access for regional Radio Dispatches for the CFA and VICSES, enhanced capability for the Emergency Alerting System pagers, and new radios for VICSES to enable them to acknowledge dispatches and coordinate emergency responses effectively.					
Performance measures					
The improved capability will allow for better processes in emergency communications, contributing to the achievement of faster response times.					
Victoria Police Physical Assets Building – Regional Police Stations Program					
Budget allocation for 2009-10 (\$million over 4 years)					
	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	0.4	0.8	1.5	2.1	4.8
Asset TEI	7.8	6.0	10.0	3.7	27.5
Existing Strategy: continuing upgrade of Victoria Police facilities and residences					
Purpose					
The Government will continue to upgrade police infrastructure in Regional Victoria.					
How funding is to be spent					
Upgrade of police station facilities including: Castlemaine, Axedale, Buninyong, Koo Wee Rup, Pyalong, Balmoral, Riddells Creek, Korumburra, Lara, Mortlake and seed funding for South Melbourne/Prahran.					
Performance measures					
A post-occupancy Evaluation will be conducted which, among other things, will measure the success of the complex against each project brief.					
Assets completed by or before agreed completion date.					
Benefits demonstrated by:					
<ul style="list-style-type: none"> the provision of facilities available for use by external stakeholders; increased community use of the facility; and prominence/accessibility of the facility. 					
Benefits measured by:					
<ul style="list-style-type: none"> reduced energy consumption (on a p/sqm basis); and compliance with Government sustainability targets and guidelines. 					

Source: DOJ Questionnaire response, August 2009, p.6

Family Violence Courts (Ballarat location)					
Budget allocation for 2009-10 (\$million over 4 years)					
Family Violence Courts: Ballarat location only					
	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	31.3	25.4	23.2	18.9	98.8
Asset TEI	7.7	6.7	-	-	14.4
<p>The Family Violence Courts initiative encompasses activities bat both the Heidelberg and Ballarat Magistrates' courts. The above figures illustrate the Ballarat component only.</p> <p>Existing Program: Continuation of funding</p>					
<p>Purpose</p> <p>To continue funding the Family Violence Court Division operating at the Ballarat Magistrates Court.</p>					
<p>How funding is to be spent</p> <p>This initiative will allow for continuation of Family Violence services in Ballarat. This continues the Government's commitment to:</p> <ul style="list-style-type: none"> • providing an integrated service response to address family violence; • improving the safety of all Victorians experiencing family violence; and • holding perpetrators accountable for their behaviour. 					
<p>Performance measures</p> <p>This initiative is part of the A Fairer Victoria (2008) Strategy 3, <i>Responding to Family Violence More Effectively</i>. As such, performance will be monitored through data analysis and monitoring frameworks established to ensure relevant information is available to measure the initiatives' achievements against its stated outcomes, which include:</p> <ul style="list-style-type: none"> • access to dedicated family violence courts and court services is retained; • the safety of victims is increased; and • accountability of defendants is promoted. 					
Victoria Racing Industry – Regional Racing Infrastructure Fund					
Budget allocation for 2009-10 (\$million over 4 years)					
	2009/10	2010/11	2011/12	2012/13	TOTAL
Output	10.0	23.0	10.0	2.0	45.0
Asset TEI	-	-	-	-	-
<p>New grants scheme</p>					
<p>Purpose</p> <p>Funding is provided through a grants system to improve racetrack facilities across Victoria in order to assist in securing the long-term future of Victoria's Racing Industry.</p>					
<p>How funding is to be spent</p> <p>Infrastructure improvements will be spread across a number of rural/regional tracks, focusing on:</p> <ul style="list-style-type: none"> • Drought proofing and water saving measures; • Occupational helath and safety improvements; • Regional racetrack infrastructure improvements; and • Projects or programs which, in the opinion of the Minister, have potential to stimulate industry growth and development. 					
<p>Performance measures</p> <p>The initiative relates to the BP3 Output of <i>Gaming and Racing Management and Regulation</i>, and will contribute towards quality measures under 'Racing matters processed'.</p> <p>Once projects are approved by the Minister for Racing, successful organisations are required to enter into a funding agreement with the Department of Justice. Grant payments will be made in accordance with the funding agreement. Progress reporting will be agreed in the terms and conditions of the funding agreement. Outstanding claims are monitored with the grantees on a monthly basis.</p>					

Source: DOJ Questionnaire response, August 2009, p.7

1.5 Department of Planning and Community Development

1.5.1 Regarding the original response to Q3.1 in the Questionnaire

In the 2007-08 Budget, the efficiency targets assigned to the former Department for Victorian Communities were Buying Smarter, Buying Less (\$2m) and Other Efficiencies (\$11.1m), which totalled \$13.1m.

In the 2008-09 Budget, the efficiency target for the Department was \$8.3m for General Efficiencies.

In the 2009-10 Budget, the efficiency target for the Department was \$3m for General Efficiencies.

In its response to the Committee, the Department has only included the 2009-10 allocation for general efficiencies of \$3m and \$1.1m for savings under the Efficient Government policy.

Given the additional efficiency targets published in the last three budgets, please provide a breakdown of the aggregate target figure for 2009-10, as announced in these budgets, incorporating the Department's share of the efficiency targets previously allocated to the former Department for Victorian Communities.

Efficiencies announced for 2007-08, 2008-09 and 2008-09 [sic] results in an aggregate target of \$19.0 million by 2009-10. This target incorporates adjustments following machinery of government changes and a revision of the distribution of *Efficient Government* policy targets by Government. The impact on the Department in 2009-10 is \$4.1 million reflecting timing of when the savings are delivered. The components of the saving for 2009-10 are detailed below:

Efficiency	Total 2009-10 Budget Savings \$m
Buying Smarter, Buying Less	0.3
Shares [sic] Services	0.2
Managing VPS Growth	0.6
General administrative efficiencies	3.0
Total	4.1

Source: DPCD Questionnaire response, August 2009, p.1

1.6 Department of Premier and Cabinet

1.6.1 Regarding the original response to Q2.4 in the Questionnaire

In relation to unapplied output and asset funding carried forward to 2009-10, the Department indicated that 'A final output carry forward amount is not finalised until the end of the financial year, therefore at this stage no precise figure has been formalised.'

Please provide a breakdown of the carried-forward funding for both output and asset initiatives, and the underlying reasons for the Department's funding carryover for each category.

DEPARTMENT OF PREMIER AND CABINET			
2008-2009 TO 2009-2010 TOTAL FINAL CARRYOVER REQUIRED BY FUND SOURCE (July 2009)			
Appropriation	State Funds	Commonwealth Funds	Total
	\$'000	\$'000	\$'000
Provision of outputs (<i>section 29 of the Financial management Act 1994 applies</i>)	0	0	0
Additions to the net asset base (<i>section 29 of the Financial Management Act 1994 applies</i>)	2,570,000	0	2,570,000
Payments on behalf of the State	0	0	0
Total	2,570,000	0	2,570,000

Source DPC Questionnaire response, August 2009, p.2

1.7 Department of Primary Industries

1.7.1 Regarding the original response to Q1.2 in the Questionnaire

In response to the impacts that developments at the Commonwealth level had on preparing the Department's component of the 2009-10 State budget, the Department's response included: 'The release of the Commonwealth Budget on 12 May 2009 may further impact on the Department's 2009-10 Budget however outcomes are not known at this time.'

Please provide information on any further impacts on the Department's budget following the release of the Federal Budget, if relevant.

The Federal Clean Energy Initiative announced in the May 2009 Commonwealth Budget will provide \$4.5 billion to fund carbon capture and storage (CCS) and solar power flagship projects.

The new projects will proceed by competitive tender, however Victoria is well positioned to benefit from these programs and will work closely with the Federal Government to ensure maximum benefit for the State. In regards to the Solar flagships funding, it is expected that proponents for funding under the Victorian Government's large scale solar project (announced in the 2009-10 State Budget) will be able to apply for the required co-funding through this program.

1.7.2 Regarding the original response to Q2.4 in the Questionnaire

In relation to the unapplied output and asset funding carried forward to 2009-10, the Department advised that 'Information on carry forward funding for 2009-10 can not be provided at this point of the year. This information will be finalised in June 2009.'

Please respond to Q2.4.

In relation to the unapplied output and asset funding carried forward to 2009-10, please provide:

- (a) a breakdown of the carried forward funding for both output and asset initiatives;*
- (b) the underlying reasons for the Department's funding carryover for each category; and*
- (c) the intended revised timing for use of the carried forward funds, including project specific details for asset initiatives.*

- a) DPI has requested carryover into 2009-10 of \$24.4 million in output funding and \$14.4 million in asset funding.
- b) Underlying reasons for each category detailed below:
- *Output funding* - the carryover required is mainly attributable to adjusted delivery timelines for the Energy Technology Innovation Strategy, Developing Gold Undercover initiative, Otway CO2CRC (CCS Trial) and Future Farming initiatives. External research and development funding is also required to be carried over into the next financial year in line with contractual obligations for associated projects.
 - *Asset funding* - carryover funding has been requested in regards to five projects, further detail provided in response to (c).
- c) All asset and output funding carried over is expected to be expended in the 2009-10 financial year. Further detail on the asset projects are below:
- *Fisheries Catch and Effort System Redevelopment* – carryover requested due to milestone and payment schedule being revised with contractor.
 - *Redevelopment of Melbourne Showgrounds* – carryover requested due to land remediation activities being postponed due to unanticipated planning and development issues associated with the development of non-core land.
 - *New Biosciences Research Centre* – carryover requested due to a delay in the purchase of specialised equipment.
 - *Resource Rights Allocation and Management Capability* – carryover requested due to a delay in the commencement of the program manager and subsequent milestones and timelines being deferred.
 - *Plant and Equipment (Various)* – carryover requested to deliver minor capital/fit out works scheduled for 2008-09 in 2009-10. Delays were due to inherent complexities with individual processes along with emergency response priorities resulting in the redirection of resources away from scheduled program delivery.

1.8 Department of Sustainability and Environment

1.8.1 Regarding the original response to Q1.7 in the Questionnaire

What programs, if any, have been deferred to future years to reduce financial pressures on the budget and achieve targeted budget surpluses?

Please provide more specific details in respect of any changes to the timing of individual projects.

As previously noted, the Department is constantly restructuring its budget to address priority areas, including the timing of key water projects. Any revision to the timing of these projects is due to phasing of works or assessments of need, and is not linked to achieving budget surpluses.

For example, funding for the Wimmera-Mallee Pipeline was brought forward into the 2007-08 financial year from future years to allow for accelerated works. This will result in the completion of this project in early 2010, 6 years ahead of schedule.

Funding for the Goldfields Superpipe was also brought forward from future years to allow for accelerated works, leading to the completion of the project in 2007-08.

through the health system. Substantial effort is expended to ensure that the definitive finalised dataset faithfully records events. For these reasons, data from superseded IPARs is not used once the year's data is finalised.

Finalised and audited data is available for the 2007-08 year from agency annual reports tabled in the Parliament. Data for the 2008-09 year will not become a definitive and finalised dataset until September 2009.

1.4.7 Further information regarding policy and approaches that Ambulance Victoria has put in place in relation to fatigue prevention in ambulance paramedics, including meal break management initiatives.

Fatigue is a complex issue and its management is also complex. Rostering flexibility can assist in managing fatigue, but needs to be applied in conjunction with other fatigue and resource management measures. Ambulance Victoria (AV) is addressing fatigue through the development of a robust multifaceted fatigue management plan. The plan has the following elements, a number of which are developments of current programs:

- Education and training
- Policy
- Risk Analysis
- Working Patterns
- Workshops

To manage meal breaks effectively AV currently has strategies in place such as: staggered roster starts, a dedicated Meal Break Duty Team Manager to continually review and refine operational processes and regular communication with the workforce to identify service improvement opportunities.

1.5 Housing portfolio

1.5.1 Asset Management Principles

Objectives

The Department of Human Services' approach to asset management is underpinned by a number of objectives, including:

- Ensuring stock meets contemporary demand for affordable housing; and
- achieving overall social housing growth.

Public housing sustainability

The Department envisages a sustainable social housing sector with well-located stock that meets the needs of clients with a range of needs. Over the last 10 years, the proportion of clients with complex needs housed has been increasing in all States and Territories.

The asset response needs to ensure that allocations do not exacerbate concentrations of disadvantage and that maintenance, upgrade and redevelopment programs are aimed at reducing

The timing of other water projects, such as the National Water Initiative – Macalister, Sustainable Water Initiatives and some projects under the Victorian Water Trust have also been revised. These revisions allowed for required approvals, the finalisation of negotiations with the Commonwealth and the procurement of appropriate contractors, and resulted in minor amendments to associated budgets.

1.8.2 Regarding the original response to Q2.4 in the Questionnaire

In relation to providing the unapplied output and asset funding carried forward to 2009-10, the Department indicated that ‘The Department cannot yet advise of the actual amount of funding to be carried forward to 2009-10. This information can be provided at the end of the 2008-09 financial year.’

Please respond to matters referred to in Q2.4.

The 2009-10 Budget Paper 4 page 240 shows the Department’s 2008-09 carryover as \$69.45 million; \$26.06 million of asset carryover and \$43.4 million of output carryover. The table[s] [following] provides a breakdown of the \$69.45 million.

2008-09 Asset Carryover	
Project/Initiative	Published Carryover
	\$'M
Fire Protection Access: Bridge replacement	10.0
Barwon Water Shell Recycling	5.0
Victorian Water Trust	4.6
Living Murray	2.1
Other projects	4.4
Total Asset Carryover	26.1

Source: DSE Questionnaire response, September 2009, p.4

2008-09 Output Carryover	
Project/Initiative	Published Carryover
	\$'M
Environment Contribution initiatives	9.9
Additional Section 29 Collections	8.0
ESAS initiatives	4.0
Parks and Reserves	3.8
Natural Resources Investment Program	3.7
Climate Change initiatives	2.0
Grants for Water Bills	1.5
Victorian Water Trust	1.5
Water infrastructure projects	1.5
Bushfire Recovery	.0
Other projects	6.5
Total Asset Carryover	43.4

Source: DSE Questionnaire response, September 2009, p.4

The carryovers outlined above are primarily due to:

- The severe February 2009 bushfires, which required the diversion of resources to fire suppression activities;
- The receipt of Commonwealth funding in 2008-09 for projects to be undertaken in 2009-10; and
- Negotiations with other organisations regarding Victorian investment were not finalised in 2008-09, therefore deferring expenditure; and
- Minor adjustments to project cashflows following the finalisation of Water Corporations' 5 year (2008-13) Water Plans.

1.8.3 Regarding the original response to Q3.1 (d) in the Questionnaire

In response to explaining estimated efficiencies to be derived in 2009-10, the Department provided information regarding efficiency measures and savings.

Please provide a description of areas earmarked for productivity improvement in 2009-10.

As noted in the Departments previous responses, further information is unable to provided regarding efficiencies, as the specific areas and actions and the attributable savings are not recorded. Savings are applied across the Department and its portfolio entities on a pro-rata basis on their discretionary expenditure base.

1.8.4 Regarding the original response to Q4.1 (c) in the Questionnaire

In relation to providing a list of up to five projects or programs worth over \$1million (new and/or existing) where increased funding has been provided in the budget to address environmental issues (including responding to climate change), and a comparison of funding levels for 2008-09 and 2009-10 for existing projects if applicable, the Department's response revealed that 'There are a large number of existing projects or programs within the Department which focus on environmental issues. Many of these programs will receive increased funding in 2009-10 in line with the impact of the Departmental Funding Model.

The 2009-10 State Budget also included new funding for a significant number of initiatives for this Department to address environmental issues. Details of these initiatives can be found on pages 352 to 354 of Budget Paper 3.'

The Department has referred the Committee to the 2009-10 Budget Papers for information on new funding initiatives of an environmental nature introduced in the Budget. Please provide equivalent information for 2008-09 and 2009-10 relating to existing projects or programs.

As noted in previous responses to PAEC, the vast majority of existing programs receive increased funding each year via the operation of the Departmental Funding Model. Given the significant number of environmental programs managed by the Department, a list of these programs and their funding across 2008-09 and 2009-10 cannot be provided.

However, as initiatives are announced each year in Budget Paper 3 (Appendix A), existing initiatives for the Department can be found in prior year Budget Papers.

1.8.5 Regarding the original response to Q5.2 in the Questionnaire

In relation to providing details of the processes that have been applied by the Department to ensure that new programs have been rigorously costed, the Department advised that ‘no information can be provided in response to this question until after the release of the State Budget on 5 May 2009.’

Please provide a response to Q5.2.

As part of the Government’s annual Budget process, Departments are required to provide detailed submissions and business cases regarding each investment proposal. This includes an analysis of proposed costings, and the identification and analysis of alternative options. These submissions are then reviewed by the Department of Treasury and Finance (DTF) and the Department of Premier and Cabinet. Further information regarding this process can be found on the DTF website – www.dtf.vic.aov.au.

In addition, the Department also undertakes its own review of investment proposals prior to submitting for Government consideration. This process includes consideration by the Department’s Finance Committee, which is comprised of senior management from across the Department.

1.8.6 Regarding the original response to Q5.5 in the Questionnaire

In response to providing a tabular dissection of the Department’s 2009-10 Budget and expected expenditure for 2008-09 under the Government’s key themes presented annually in the Victorian Budget Overview, differentiating between new funding initiatives and ongoing funding, the Department advised that ‘As noted in Question 1.1, the key themes in the 2009-10 that relate to the Department are bushfire recovery and protecting our natural environment and resources. There are a number of new initiatives contained in the 2009-10 Budget for the Department. Whole-of-Government initiatives within these themes are located on pages 284 to 287, page 291 and page 295 of the 2009-10 Budget Paper 3. Department-specific initiatives are located on pages 352 to 354.

There are also number of existing programs which also relate to bushfires and protecting our natural environment. The key focus for the Department’s Healthy and Productive Land; Healthy, Productive and Accessible Marine, Coastal and Estuarine Systems; and Flourishing Biodiversity in Healthy Ecosystems includes fire management and the health of the environment. The total output costs for these programs can be found on pages 211 to 220 of the 2009-10 Budget Paper 3.’

Please provide a tabular dissection of the Department’s 2009-10 Budget and expected expenditure for 2008-09 under the Government’s key themes presented annually in the Victorian Budget Overview, differentiating between new funding initiatives and ongoing funding, as described in Q5.5.

The Department is unable to provide this information. The key themes and associated budget funding contained with the annual Budget Overview are compiled by the Department of Treasury and Finance, and the Department does not have access to this information.

The Departments annual output costs, which provide a dissection of the Department’s budget across priority areas are included in the annual Budget Paper 3 (2009-10 Budget Paper 3 page 211).

1.8.7 Regarding the original response to Q6.2 (a) in the Questionnaire

In relation to outlining any new revenue raising initiatives and/or major changes to existing revenue initiatives, the Department's response of 4 May 2009 stated 'No information can be provided in response to this question until after the release of the State Budget on 5 May 2009.'

The Department's supplementary response of 7 May stated 'In the response of 4 May, the Department provided information regarding existing revenue initiatives.

The 2009-10 Budget does not contain any new revenue initiatives for the Department.'

Please provide information regarding any existing revenue initiatives. If applicable, please provide details of these initiatives together with anticipated revenue collections.

The 2009-10 Budget did not include any major changes to existing revenue initiatives for the Department.

1.8.8 Regarding the original response to Q7.2 in the Questionnaire

In relation to providing a table showing up to five of the Department's largest projects (in terms of expenditure) benefiting regional and rural Victoria, the Department's response included summaries of two projects: the Foodbowl Modernisation Project (Stage One) and Fire Operations.

Please provide the performance measures in place to assess performance.

Foodbowl Modernisation Project (Stage One)

The Northern Victoria Irrigation Renewal Project (NVIRP) 2007-08 Annual Report (page 5) sets out the objectives and deliverables for the overall project. The objectives of Stage One of the project are outlined on page 12 of the same report, which is available at:
http://www.nvirp.com.au/publications/annual_report.aspx

In addition, a funding agreement is in place between NVIRP and the Department. This agreement includes key milestones that must be met, documented and provided to the Department in order for the payment of funds. NVIRP must also submit an annual works milestone schedule to the Department for approval, which outlines expected performance and project delivery for the forthcoming year.

Fire Operations

As previously noted, the additional funding provided for fire operations will be spent on a range of activities that contribute to the Department's Land and Fire Management output. Performance measures for this output are included in the annual Budget papers (Budget Paper 3) and in the DSE Annual Report.

For example, the Land and Fire Management output (2009-10 Budget paper 3, pages 218 and 219) includes the proportion of fires controlled at less than five hectares and the proportion of fires controlled at first attack.

The additional funding provided will assist the Department in delivering these measures.

1.9 Department of Transport

1.9.1 Regarding the original response to Q1.2 in the Questionnaire

In response to the impacts that developments at the Commonwealth level had on preparing the Department's component of the 2009-10 State budget, the Department's response included: 'Victoria is awaiting information from the Commonwealth on which Victorian priority projects may receive Commonwealth funding from the Building Australia Fund. This information is expected to be announced in the Federal Budget on 12 May 2009.'

Please provide any further information on Victorian priority projects following the release of the Federal Budget.

The Victorian Government continues to work in partnership with the Commonwealth Government to improve transport infrastructure in Victoria and to create and secure jobs in the current global economic climate.

Under the Building Australia Fund, the Commonwealth Government announced in its 2009-10 Budget a contribution of \$3.225 billion for the Regional Rail Link project. The project will build up to 50 kilometres of stand-alone rail tracks from West Werribee to Melbourne's Southern Cross Station, and will separate regional and suburban trains across the west. This is the first major investment for Victoria under the Building Australia Fund.

The Commonwealth Government has also committed \$40 million toward the Melbourne Metro 1 – East West Rail Tunnel project, to commence pre-construction planning, design and engineering works. The two-stage project is a 17 kilometre two track tunnel, with the first stage between South Kensington and the Domain, delivering significant benefits to the wider Melbourne metropolitan rail network.

1.9.2 Regarding the original response to Q3.1 in the Questionnaire

In relation to providing details of its 2009-10 planned efficiency savings according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08 and 2008-09 Budgets and in new measures introduced in the 2009-10 Budget, the Department advised that 'The Efficient Government policy and other targeted initiative required the Department to achieve savings through implementation of the following measures:

- *A 'Buying Smarter, Buying Less' purchasing framework which applied to all purchases of operating supplies and consumables from 1 July 2007*
- *Head Office savings including those delivered through Shared Services functions such as Corporate Services (Finance, HR) and ICT (Desktop, Applications, Infrastructure)*
- *Reduction in advertising and consultancies expenditure*
- *Increased operational efficiencies via Best Practice Grant Administration*
- *Reduction in fleet management costs through better use of technology, centralised databases and facilities*
- *Reduction in WorkCover and insurance premiums*

Please provide a breakdown of the efficiency savings from these measures as identified in the 2007-08 and 2008-09 Budgets.

The Efficient Government Policy savings requirement for DOT in the 2007-08 State Budget was \$7.8 million. This was set by Government based on the following savings areas:

	\$m
• Implementation of 'Buying Smarter, Buying Less' policy	5.6
• General head office including grant administration and fleet management	1.6
• Advertising and consultancies	0.4
• Shared services arrangements	0.2
	7.8

Source: DOT Questionnaire response, August 2009, p. 1

The 2008-09 State Budget included a new efficiencies savings requirement for the Department of \$12.5 million per annum. These savings have been met through increased administrative efficiency.

1.10 Department of Treasury and Finance

1.10.1 Regarding the original response to Q1.7 in the Questionnaire

In response to any programs that have been deferred to future years to reduce financial pressures on the budget and achieve targeted budget surpluses, the Department stated 'One of the guiding principles that government, under legislation, is required to practise is fiscal responsibility. Therefore, the Government ensures that funding decisions are consistent with the capacity to fund service delivery in a sustainable manner. This entails making decisions on many and variable proposals and options, which are a matter for government to decide.'

Some departments have provided a response to this question, while others have stated that this area is the responsibility of your Department. Please provide details in the table below of any programs that have been deferred for these departments:

Department	Programs deferred to future years
Department of Education and Early Childhood Development	No existing programs have been deferred to future years
Department of Transport	No existing programs have been deferred to future years
Department of Treasury and Finance (if applicable)	No existing programs have been deferred to future years
Department of Planning and Community Development	No existing programs have been deferred to future years
Department of Premier and Cabinet	No existing programs have been deferred to future years
Department of Primary Industries	No existing programs have been deferred to future years

Source: DTF Questionnaire response, September 2009, p. 1

1.10.2 Regarding the original response to Q1.9 in the Questionnaire

In relation to providing an explanation of the type of criteria used to provide assurance on issues related to projected debt levels and maintaining a AAA credit rating, the Department's

response addresses the government's short and long term financial policy objectives but does not relate specifically to information on the criteria specified in the question.

Please provide a response to Q1.9 that addresses the criteria cited by the Committee.

As indicated above, the Department's policy advice is framed consistent with the Government's short and long-term financial objectives taking note of the need to ensure that the key financial indicators remain consistent with a triple-A credit rating. The criteria used to make these assessments take into account the likely economic conditions to be faced over the budget and forward estimate period and the criteria used by the ratings agencies in previous assessments of Victoria's triple-A rating. In considering these parameters, comparison is also made with other triple-A rated jurisdictions.

By taking into account these criteria it also ensures that the projected debt to GSP ratio does not become a threat to macroeconomic stability and projected debt does not become excessive.

Standard & Poor's (S&P) considers eight interdependent factors when assessing the credit quality of local and regional governments:

- Economy
- System support and predictability
- Management sophistication and institutional legitimacy
- Financial flexibility
- Budgetary performance
- Liquidity and debt management
- Debt burden
- Off-balance-sheet liabilities

One measure of debt burden considered by S&P's is the ratio of net financial liabilities (net debt excluding advances paid plus superannuation liability) of the non-financial public sector (general government plus government-owned enterprises) to operating revenue.

As publicly stated by S&P's on 17 March 2009, S&P's considers that a ratio of around 130 per cent could trigger a reassessment of the credit rating for Victoria.⁶¹² This trigger point is derived from a number of qualitative assessments on the relative impact and interaction of the seven non-debt burden factors.

The *2009-10 Budget* forecast this measure to be 118.5 per cent by 30 June 2013. The Committee should note that since 30 June 2008 the superannuation liability increased substantially which was largely attributable to the reduction in the discount rate used to value the liability. Without this valuation impact, the ratio would be significantly lower. The increase in the reported superannuation liability arising from the reduction in the discount rate has no impact on the amount of cash required to fund this liability over time.

The Committee should note that the definition of 'net financial liabilities' under this measure is narrower than the definition of 'net financial liabilities' under the accounting standard relating to government reporting as presented on p.68 of Budget Paper No. 2, 2009-10 Budget. The Department of Treasury and Finance is therefore required to compromise between accounting

⁶¹² Source: Standard & Poor's, *RatingsDirect - Credit FAQ: How Stable Is The Credit Quality Of The Australian States?*, 17 March 2009

standards and its understanding of ratings age indicators when discussing maintenance of Victoria's triple-A credit rating.

1.10.3 Regarding the original response to Q1.15 in the Questionnaire

The Committee recognises the Department's comments on the nature of this item and that the specific components are subject to 'future decisions to be made by government in future budgets'. It would appreciate, however, a dissection from the Department of the aggregate contingency, as disclosed in Table 3.3 of Budget Paper No. 2 for 2009-10 and the forward estimates period, of the item's two key components, namely demand contingency and other efficiencies.

The Department of Treasury and Finance reiterates its original response.

1.10.4 Regarding the original response to Q2.1 in the Questionnaire

In relation to providing a list of asset investment projects for which capital expenditure is budgeted to occur in 2009-10, including each project's budget allocation and TEI, the Department's response included a list of three projects with the relevant budget allocation.

Please provide the TEI for the Intra-Government Secured Network, as the other two items are asset funding initiatives for 2009-10, with their TEI disclosed in the Budget.

The TEI for the Intra-Government Secured Network is \$7.47 million (refer to 2008-09 Budget Information Paper 1).

1.10.5 Regarding the original response to Q2.4 in the Questionnaire

Refer to the Department's original response to Q2.4 regarding unapplied output and asset funding carried forward to 2009-10.

Please provide the underlying reasons for the Department's funding carryover for the output, Economic and Financial Policy (\$14.8m).

Total funding of \$24.774 million for 2008-09, 2009-10 and 2010-11 was received from the Commonwealth in 2008-09. The funding is for implementation of the COAG Seamless National economy initiatives in Victoria. No significant implementation costs were incurred in 2008-09. The 2009-10 Victorian Budget allocated \$14.774 million in 2009-10 and \$10 million in 2010-11. This allocation aligns with the pattern of implementation costs expected to be claimed by relevant Victorian departments.

Please provide the intended revised timing for use of the carried forward funds for the following unapplied output and asset funding:

In accordance with Budget and Financial Management Guidance No. 40, departments cannot carry over a carry over from a preceding year. As such, funds carried over by the Department into 2009-10 from 2008-09 must be spent in 2009-10.

Output carryover

- *Economic and Financial Policy – (implementation of Seamless National Economy National Partnership) – \$14.8m*

The Department is currently assessing departmental bids for 2009-10. The Government is scheduled to consider the Department's recommendations in 2009.

- ***Government Services – Efficient Technology Services – \$5.0m***

During 2009 - 10 the ETS project will complete delivery of its Stage 2 - Planning and Development.

- ***Government Services – Ancillary Services – \$1.8m***

The Government Services Output carry over funding will be used throughout the 2009-10 financial year.

Asset carryover

- ***Government Services – Intra-Government Secure Network Project – \$2.04m***

The Acceptance Certificate for the Network is expected to be issued in October 2009.

- ***Revenue Management Services – Sustainable Revenue Management System – \$0.2m***

The carry over will allow the State Revenue Office to engage additional contractor resources to enable analysis, development and testing of the stage deliverable. These deliverables are expected to finish by June 2010.

1.10.6 Regarding the original response to Q3.1 (a) in the Questionnaire

In relation to providing a breakdown of all planned efficiency savings for 2009-10 according to the various measures of efficiency that apply to the Department's operations as identified in the 2007-08 and 2008-09 Budgets and in new measures introduced in the 2009-10 Budget, the response indicated that 'The Department will continue to achieve efficiency savings in accordance with the Efficient Government policy.'

Please provide a breakdown of all planned efficiency savings for 2009-10 as per Q3.1 (a).

The Department was able to meet the efficiency savings announced in the 2009-10 Budget, as it is no longer required to fund the public safety activities program conducted by Worksafe Victoria.

Efficiency savings for the Department in 2009-10 arising from previous Budgets are:

- Efficient Government Policy – The Department is to achieve savings by reducing the number of catalogue items in the e-Procurement system to those where the maximum savings are available. Further savings are to be achieved from the Whole of Government's current and new State Purchase Contracts; and
- Other general administrative efficiency savings from across the Department.