

CHAPTER 7: FISCAL STIMULUS PACKAGES AND GRANTS 2008-09

Key findings of the Committee:

- 7.1** The Committee's analysis showed that \$215.2 million or 45 per cent of the total grants received by Victoria in 2008-09 (\$476.7 million) under the Commonwealth's Economic Stimulus Plan had been spent by 30 June 2009.
- 7.2** The Committee was advised by the Department of Treasury and Finance that the expenditure of economic stimulus plan grants in 2008-09 was affected by:
- the timing of when grants were received from the Commonwealth;
 - the need to finalise the planning associated with the capital expenditure; and
 - the public tendering process that was required to be completed prior to construction commencing.
- 7.3** In the majority of cases, Victoria met or exceeded the deadlines set by the Commonwealth for the work to be undertaken under the Nation Building – Economic Stimulus Plan during 2008-09.
- 7.4** In relation to implementing the Building the Education Revolution – Primary Schools of the 21st Century stream of the Plan, tenders for approximately 480 government schools in round 2 were released by the Department of Education and Early Childhood Development on 30 June 2009 ahead of the Commonwealth target.
- 7.5** The Committee noted that with regard to Building the Education Revolution – Primary Schools of the 21st Century: Non-government schools component of the Plan, 27 Catholic schools were awaiting planning permits from the Department of Planning and Community Development as at 30 June 2009.
- 7.6** Overall, based on the information provided by departments involved in administering the Economic Stimulus Plan, risk management is an area of project management that has been addressed in implementing the economic stimulus measures.
- 7.7** The Committee found that departments had engaged project management expertise for implementing Victoria's component of the Plan and reporting systems were in place.
- 7.8** It is not clear what role, if any, state auditors-general might have in auditing outcomes under the Commonwealth's stimulus package.

7.1. Introduction

The Committee, in its *Report on the 2009-10 Budget Estimates – Part Two*, drew attention to the release by the Commonwealth Government on 3 February 2009 of its \$42 billion *Nation Building and Jobs Plan* and Victoria's estimated share of the funding for 2008-09 and 2009-10 under various revenue streams¹⁵⁷. The provision of timely economic stimulus is aimed at improving nation building and supporting economic growth and jobs.¹⁵⁸ A centrepiece of the Commonwealth Government's response to the global economic downturn, the Plan complemented earlier initiatives introduced by the Commonwealth such as the Australian Government Economic Security Strategy and Nation Building packages.¹⁵⁹

The Committee noted that the Plan included grants through the State for investment in schools, housing, roads and community infrastructure.¹⁶⁰

The 2009-10 State Budget revealed that approximately \$5.0 billion would be provided by the Commonwealth to Victoria between 2009-10 and 2011-12 for the *Nation Building – Economic Stimulus Plan*.¹⁶¹

In reviewing developments connected with the COAG Reform Agenda, the Committee noted with interest in its October 2009 estimates report that according to the *Communique* of 2 July 2009, construction activity was underway across all infrastructure elements of the Plan nationally, with a significant surge in new construction during June–July 2009 in schools, social housing and community infrastructure programs. The Committee foreshadowed in its 2009-10 Budget Estimates report that, as it would be important for the national reforms that build the economy's productive capacity to be implemented in a prompt manner, the Committee would examine in its outcomes report for 2008-09 how Victoria performed in terms of fulfilling its obligations to the Commonwealth under the Plan.¹⁶²

The Committee's analysis of Victoria's involvement in the *Nation Building – Economic Stimulus Plan* in the context of financial and performance outcomes for 2008-09 consisted of the following lines of inquiry:

- disclosing a breakdown of the actual quantum of grants received during 2008-09 according to the various funding streams per department, together with the amount of funding that remained unspent at 30 June 2009 under each category;
- outlining a consolidated position of how Victoria performed in 2008-09 against established timelines for each element of the Plan;
- identifying risk management processes employed by the departments involved in implementing the Plan;
- examining the project management skills available to administer the Plan;

157 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, pp.4–5, 78

158 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, p.209

159 Australian Government, *Nation Building – Economic Stimulus Plan, Commonwealth Coordinator-General's Progress Report to 31 December 2009*, February 2010, p.iii

160 *ibid.*, p.17

161 Department of Treasury and Finance, Budget Paper No.4, *2009-10 Statement of Finances*, p.209

162 Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates – Part Two*, October 2009, p.81

- describing the reporting systems in operation to manage the program; and
- exploring the compliance role of the Auditor-General.

The Committee observed that COAG noted in December 2009 that the *Nation Building – Economic Stimulus Plan* was progressing well and achieving positive outcomes in terms of supporting employment, fostering confidence in the economy and building vital infrastructure.¹⁶³ In commenting on progress achieved to 31 December 2009 from implementing the Economic Stimulus Plan, the Committee noted that according to the Commonwealth Coordinator-General:¹⁶⁴

- unemployment was expected to peak around 1.5 percentage points lower than in the absence of the stimulus;
- the measures implemented by the Government had contributed to a rebound in confidence in the economy (in November 2009, retail turnover was 7.3 per cent higher than the pre-stimulus levels of November 2008); and
- over an 11 month period, 49,000 construction and infrastructure projects had been approved by the Commonwealth (over 34,000 projects were underway and over 8,300 projects were completed).

7.2. Expenditure achieved by 30 June 2009

The total amount of grants received under the Commonwealth's 2008-09 Economic Stimulus Plan and associated spending are shown in Table 7.1. With the exception of \$8.2 million for government schools under the National Schools Pride program, the Commonwealth's 2008-09 Economic Stimulus Plan grants were provided to fund capital expenditure. As shown in Table 7.1, \$215.2 million or 45 per cent of the total grants received in 2008-09 were expended by 30 June 2009. The Committee was advised by the Department of Treasury and Finance that the achievement of expenditure was affected by:¹⁶⁵

- the timing of when grants were received from the Commonwealth;
- the need to finalise the planning associated with the capital expenditure; and
- the public tendering process that was required to be completed prior to construction commencing.

163 Council of Australian Governments, COAG Communiqué, 7 December 2009, pp.12–13

164 Australian Government, *Nation Building – Economic Stimulus Plan, Commonwealth Coordinator-General's Progress Report to 31 December 2009*, February 2010, pp.7–8

165 Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 10 December 2009, p.11

Table 7.1: Economic Stimulus Plan grants received and associated spending 2008-09

Department/funding stream	2008-09 revised estimate (\$ million)	Grants received (\$ million)	Grants spent in 2008-09 (\$ million)	Carried over (\$ million)
Education				
Building the Education Revolution	235.0	260.7	131.6	129.1
<i>Total Education</i>	<i>235.0</i>	<i>260.7</i>	<i>131.6</i>	<i>129.1</i>
Human Services				
Housing	64.4	64.4	64.4	0.0
<i>Total Human Services</i>	<i>64.4</i>	<i>64.4</i>	<i>64.4</i>	<i>0.0</i>
Transport				
Nation Building program – Black Spot Program	21.1	31.6	9.8	21.8
Nation Building program – Road	(a)	100.0	9.4	90.6
Nation Building program – Rail	(a)	20.0	0.0	20.0
<i>Total Transport</i>		<i>151.6</i>	<i>19.1</i>	<i>132.4</i>
TOTAL		476.7	215.2	261.5

Note:

- (a) Budget Paper No.4, 2009-10 Statement of Finances, does not differentiate between funding for agreed rail and road projects to be delivered under the Nation Building Program and National Network construction projects formerly named AusLink II.

Source: Department of Treasury and Finance, response to the Committee's 2008-09 Financial and Performance Outcomes questionnaire – Part Two, p.12; Department of Treasury and Finance, Budget Paper No.4, 2009-10 Statement of Finances, pp.209–10

7.3. Expenditure performance

In order to provide a consolidated position for the state, the Committee requested the Department of Treasury and Finance to advise the Committee on how Victoria performed in 2008-09 against indicative timelines with regard to the Economic Stimulus Plan's revenue streams. Feedback provided to the Committee is set out in Table 7.2.

The Committee found that in the majority of cases, Victoria met or exceeded the deadlines set by the Commonwealth for the work to be undertaken under the *Nation Building – Economic Stimulus Plan* during 2008-09. In relation to implementing the Building the Education Revolution – Primary Schools of the 21st Century stream of the Plan, tenders for approximately 480 government schools in round 2 were released by the Department of Education and Early Childhood Development on 30 June 2009 ahead of the Commonwealth target. The Committee noted, however, that with regard to the Building the Education Revolution – Primary Schools of the 21st Century: Non-government schools component of the Plan, 27 Catholic schools were awaiting planning permits from the Department of Planning and Community Development as at 30 June 2009.

**Table 7.2: Nation Building – Economic Stimulus Plan
Victoria’s performance compared to timelines 2008-09**

Department/revenue stream under the Plan	Progress made in implementing the Plan
Department of Education and Early Childhood Development	
Building the Education Revolution – Primary Schools of the 21 st Century	<ul style="list-style-type: none"> Contracts awarded for 235 of the 243 government schools in round 1 (8 jointly-funded projects were moved to round 2). Work commenced on these sites by 30 June 2009 which met the Commonwealth deadline. Tenders for approximately 480 government schools in round 2 were also released on 30 June 2009 ahead of the Commonwealth target.
Building the Education Revolution – Primary Schools of the 21 st Century: Non-government schools	<ul style="list-style-type: none"> The majority of the 118 non-government schools in round 1 commenced construction by 30 June 2009. 27 Catholic schools were awaiting planning permits from the Department of Planning and Community Development.
National Schools Pride Program – government and non-government schools	<ul style="list-style-type: none"> All round 1 National School Pride projects commenced before 1 July 2009 at 1,462 schools which met the Commonwealth deadline.
Department of Human Services	
Social Housing	<ul style="list-style-type: none"> In complying with the Commonwealth deadline for housing construction work to commence during 2009, 64 of 667 round 1 dwellings had started by 30 June 2009 with three dwellings completed.
Department of Transport	
Black Spot Program/Boom Gates	<ul style="list-style-type: none"> The Commonwealth target for site works to have started on Black Spot and Boom Gates programs was achieved in 2008-09.

Source: Department of Treasury and Finance, response to the Committee’s 2008-09 Financial and Performance Outcomes Questionnaire – Part Two, received 12 February 2010, pp.7–8

7.4. Risk management processes

By way of background, the Committee drew on the following comments made by the Commonwealth Coordinator-General with regard to the application of risk management processes to the implementation of the Economic Stimulus Plan:¹⁶⁶

Given the size, complexity and short timeframes for delivery of the Plan, it is essential that robust mechanisms are in place to identify and manage risk, to ensure that the Plan meets the Government’s timing for supporting the Australian economy and the expectations of the Australian community.

166 Australian Government Nation Building Economic Stimulus Plan, Commonwealth Coordinator-General’s Progress Report 3 February 2009 – 30 June 2009, July 2009, p.56

In terms of the role that state jurisdictions have in risk management, the Commonwealth Coordinator-General stated that Commonwealth and State and Territory Coordinators-General play a key leadership role in monitoring the Plan's implementation. This includes identifying and working through cross-Plan strategic risks. Strategic risks that have been identified include:¹⁶⁷

- capacity within the construction sector;
- ensuring the Plan remains on track and within budget; and
- ensuring probity and dealing with fraud-related risks.

Importantly, the Commonwealth Coordinator-General mentions that a significant safeguard is the use, by Commonwealth and State and Territory government agencies, of existing or modified risk management strategies and procurement practices when managing risks associated with delivering projects.¹⁶⁸

Against this backdrop and given the importance of cushioning Victorians from the worst impacts of the global economic recession, the Committee was interested in asking departments about the risk management processes that had been employed with regard to implementing the economic stimulus measures.

Overall, based on the information provided by the departments involved in administering the Economic Stimulus Plan, risk management is an area of project management that has been addressed by departments in implementing the economic stimulus measures.

The Committee was informed by the Department of Education and Early Childhood Development that the overall delivery of the Building Education Revolution program is overseen by the Victorian Economic Stimulus Plan Coordinator-General as well as a dedicated project board. This board comprises senior officers from the Department and central agencies. In view of the size and scale of the program, the Department advised that a program management organisation has been engaged to manage the overall delivery of the program. In partnership with the Department, this organisation is involved in:¹⁶⁹

- identifying and managing the risks associated with the program;
- overseeing the successful delivery of projects across the state; and
- managing the program and project reports to the Commonwealth.

The Committee noted that a Social Housing Partnership Steering Committee, whose membership includes executives from the Department of Premier and Cabinet, Department of Treasury and Finance, Department of Planning and Community Development and Department of Human Services, has been established to oversee the *Nation Building Social Housing Initiative*.

167 Australian Government Nation Building Economic Stimulus Plan, *Commonwealth Coordinator-General's Progress Report 3 February 2009 – 30 June 2009*, July 2009, p.56

168 *ibid.*

169 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.21

Designed to ensure the delivery of the Social Housing component of the *Nation Building and Jobs Plan National Partnership* and the *Social Housing National Partnership*, the role of the Committee is to provide advice, guidance and coordination to the Victorian Housing Coordinator in terms of:¹⁷⁰

- meeting timeframes, goals and priorities agreed between the Victorian Government and COAG; and
- risk management process.

The Department of Human Services made specific reference to the implementation of a risk identification and management process which:¹⁷¹

- identifies the key risks to the delivery of projects;
- evaluates risk severity; and
- proposes strategies to mitigate the risk.

Presented to the Steering Committee fortnightly and reviewed and adjusted accordingly, this approach forms an integral part of project management.¹⁷²

The Department of Transport advised the Committee in relation to stimulus packages provided by the Commonwealth of \$151.6 million in 2008-09 for regional road maintenance, treatment of road black spots and upgrade of boom gates that '*programs have well established risk management processes*' in place.¹⁷³

The Committee expects that over the Plan's duration, risk management processes will cover the identification and management of risks to the community.

7.5. Project management skills

With a view to ensuring that the planned outcomes to be derived from the Economic Stimulus Plan are achieved on time and within budget, the Committee maintains that it is imperative that departments have a resource capability that possesses sound project management skills.

The Committee found that departments had engaged project management expertise for implementing Victoria's component of the Plan.

The Department of Education and Early Childhood Development told the Committee that, in recognising the need to ensure projects are delivered within unprecedented timelines, four project management firms have been engaged to manage the delivery of *Building the Education Revolution: Primary Schools for the 21st century* projects and *Science and Language Centre* projects across schools in defined geographic areas. In selecting these project managers based on their knowledge and expertise, they are responsible for undertaking a wide range of tasks which

170 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.35

171 *ibid.*

172 *ibid.*

173 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.45

comprise coordinating the finalisation of designs, completing contract documentation, tendering project works, overseeing building contracts and liaising with schools.¹⁷⁴

The Committee was advised by the Department of Human Services that, in order to deliver the social housing program funded under Nation Building, a team of appropriately qualified project managers, with extensive experience in the development and construction industry covering high, medium and low density construction, have been engaged by the Department.¹⁷⁵

Experts in the field have been engaged by the Department of Transport to undertake the programs funded under the Plan.¹⁷⁶

7.6. Reporting systems

As referred to throughout this chapter, at the national level, the Commonwealth Coordinator-General has issued two progress reports – the first from 3 February 2009 (the inception of the Economic Stimulus Plan) to 30 June 2009 and the most recent which covers the period to 31 December 2009. The Commonwealth Coordinator-General tables these reports at COAG meetings on behalf of all Coordinators-General updating COAG on progress of the Plan.

With regard to reporting systems at a state level by departments, the Committee was informed that:

- at the Department of Education and Early Childhood Development, a customised information management system had been developed to enable the Department to meet its reporting requirements to the Commonwealth;¹⁷⁷
- an extensive reporting system, which includes monthly and quarterly reporting to the Commonwealth, is in place at the Department of Human Services. Monthly reporting provides information relating to the progress of projects, the achievement of milestones and expenditure, while issues and risks are reported on a quarterly basis. In addition, at the State level, project progress and achievements against milestones are tracked in weekly reports. On a monthly basis, a state level status report provides an overview of progress for the month, issues and risks as well as forecasts for project delivery and expenditure;¹⁷⁸ and
- existing systems at the Department of Transport meet the reporting requirements of both the Commonwealth and program management.¹⁷⁹

174 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.21

175 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.35

176 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.45

177 Department of Education and Early Childhood Development, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 1 December 2009, p.21

178 Department of Human Services, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 18 January 2010, p.35

179 Department of Transport, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 9 December 2009, p.45

The Committee believes that as the Economic Stimulus Plan unfolds, the Department of Treasury and Finance should publish a consolidated progress report annually that discloses the outcomes derived for Victoria from implementing the economic stimulus measures.

Recommendation 18: The Department of Treasury and Finance publish on an annual basis an outcomes report that discloses how Victoria has progressed in terms of achieving the aims of the Nation Building Economic Stimulus Plan.

7.7. Auditing of the stimulus package

The Committee is interested in ascertaining what role state auditors-general might have in auditing outcomes under the Commonwealth stimulus package.

The Committee noted that on the subject of ensuring probity and dealing with fraud risks, the Commonwealth Coordinator-General has reported that:¹⁸⁰

The administration of programs of the types in the Plan are the core business of Commonwealth agencies and they have many years of experience in these areas and existing internal departmental systems for monitoring and managing these issues. Agencies are working within relevant legislation and standards, including the Financial Management Act and their own Chief Executive Instructions for management of funds and fraud control. The Plan is also subject to review by the Auditor-General. States and Territories governments work within similar legislative and accountability arrangements.

In extending this role from a pure financial base to one of auditing program outcomes, the Committee plans to consider this matter further in discussions with the Victorian Auditor-General.

180 Australian Government Nation Building Economic Stimulus Plan, *Commonwealth Coordinator-General's Progress Report 3 February 2009 – 30 June 2009*, July 2009, p.60

