



LEGISLATIVE COUNCIL

STANDING COMMITTEE ON  
FINANCE AND PUBLIC ADMINISTRATION

14th Report to the Legislative Council

REPORT ON THE STANDING  
COMMITTEE'S ACTIVITIES  
FOR THE 56<sup>TH</sup> PARLIAMENT

OCTOBER 2010





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Standing Committee on Finance and Public Administration  
Report on the Standing Committee's Activities for the 56<sup>th</sup> Parliament

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## **STANDING COMMITTEE ON FINANCE AND PUBLIC ADMINISTRATION**

### **Committee Members**

**Mr Gordon Rich-Phillips – Chairman**  
Member for South Eastern Metropolitan Region

**Mr Matthew Viney – Deputy Chairman**  
Member for Eastern Victoria Region

**Mr Greg Barber**  
Member for Northern Metropolitan Region

**Ms Candy Broad (until 13 April 2010)**  
Member for Northern Victoria Region

**Mr Peter Hall**  
Member for Eastern Victoria Region

**Mr Matthew Guy**  
Member for Northern Metropolitan Region

**Mr Peter Kavanagh**  
Member for Western Victoria Region

**Mr Brian Tee (from 13 April 2010)**  
Member for Eastern Metropolitan Region

### **Committee Staff**

**Mr Richard Willis – Secretary to the Committee**

**Ms Susan Brent – Research Officer**

**Mr Anthony Walsh – Research Officer**

**Mr Sean Marshall – Research Assistant**

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## **CHAIRMAN'S FOREWORD**

I am pleased to present this summary report on the activities of the Standing Committee on Finance and Public Administration.

The Committee is unique among Victorian parliamentary committees due to its non-government majority, its ability to self-reference, and the capacity for committee members to appoint substitute members from within their political party.

One of the most important initiatives of the Committee was the establishment, as a standing reference, of the Inquiry into Departmental and Agency Performance and Operations. This reference allowed the Committee to examine various activities of a range of agencies which are not normally subject to individual parliamentary scrutiny. I believe that this reference should have an on-going role in the committees which will be established in the Legislative Council in the 57<sup>th</sup> Parliament.

The Committee's activities over the last three years were in many respects an experiment, and I would encourage the committees of the next Parliament to learn from that experience through this report.

As with all Parliamentary committees, the work of this Committee was from time to time politically charged. However, I would like to thank the members of the Committee for their professionalism, and their willingness to confine the politics to the political issues.

On behalf of the Committee I would like to express our sincere appreciation to the Committee's Secretary Mr Richard Willis, and the staff of the Council Committees Office, Mr Anthony Walsh, Ms Susan Brent, and Mr Sean Marshall for their outstanding work and support for the Committee throughout the 56<sup>th</sup> Parliament.

Gordon Rich-Phillips MLC  
Chairman

4 October 2010



## REPORT

### 1. Establishment of Committee

1. On 21 November 2007, the Legislative Council resolved to appoint a Standing Committee on Finance and Public Administration with a membership of seven Members. The Committee's function was to inquire into any proposal, matter or thing concerned with public administration or public sector finances.
2. The Council's resolution came into operation on 1 April 2008 and the Committee's inaugural meeting was convened on 7 April 2008.
3. In accordance with the establishing resolution, the following Members were appointed to the Committee:
  - Mr Greg Barber - Australian Greens,
  - Ms Candy Broad - Australian Labor Party,
  - Mr Peter Hall – Nationals,
  - Mr Matthew Guy - Liberal Party,
  - Mr Peter Kavanagh - Democratic Labor Party,
  - Mr Gordon Rich-Phillips - Liberal Party, and
  - Mr Matthew Viney - Australian Labor Party.
4. At its inaugural meeting the Committee elected Mr Rich-Phillips as Chairman, and Mr Viney as Deputy Chairman.
5. On 13 April 2010, Mr Brian Tee replaced Ms Candy Broad as a member on the Committee.
6. The establishing resolution provides the Committee with a wide range of powers. Some key features of the Standing Committee include:
  - The Standing Committee exists until the Parliament is either prorogued or dissolved.
  - Members of the Committee may be substituted by another Member from the same political party.

- The Committee has the power to inquire into any matter or thing relevant to its functions, which is either referred to it by resolution of the Legislative Council, or determined by the Committee.
- The power to appoint sub-committees to inquire into matters.

## **2. Purpose of Report**

7. The Committee notes the Legislative Council Standing Orders Committee recently conducted a review into the establishment of new standing committees for the Legislative Council. In its May 2010 final report, the Standing Orders Committee recommended that in the 57th Parliament of Victoria, and of each Parliament subsequently, legislative and reference standing committees shall be appointed with three core areas of focus: Economy and Infrastructure, Environment and Planning, and Legal and Social Issues.
8. In view of the proposed move to a new Legislative Council committee system, and pursuant to its self-referencing powers, the Standing Committee on Finance and Public Administration resolved to present this report to the Council as a summary of its various inquiries into public administration or public sector finances during the 56th Parliament.
9. Outlined in the following pages is a brief summary of the Committee's inquiries dealing with:
  - The Business Case for the Port Phillip Bay Channel Deepening
  - Departmental and Agency Performance and Operations
  - Public Hospital Performance Data
  - The Business Case for Water Infrastructure
  - Builders Warranty Insurance
  - Victorian Government Decision Making, Consultation and Approval Processes
10. The Committee's first Inquiry, into channel deepening, was issued by resolution of the Legislative Council. All of the remaining Inquiries were self-generated by Committee resolutions.

11. During the 56<sup>th</sup> Parliament, the Committee held a total of 53 meetings, including 36 public hearings and two site visits. The Committee tabled 14 reports in the Legislative Council.

### **3. Inquiry into the Business Case for Channel Deepening**

12. On 27 February 2008, the Legislative Council resolved that the Standing Committee examine the business case for the Port Phillip Bay channel deepening project as presented by the Port of Melbourne Corporation (PMC) and the Victorian Government and the legal and financial arrangements between the PMC and Boskalis Australia Pty Ltd and/or its parent company, Royal Boskalis Westminster NV, and report its findings by 30 June 2008.
13. On 24 June 2008, the Committee tabled an interim report seeking an extension to its final reporting deadline and providing the House with an update of its investigations. The Legislative Council subsequently agreed to extend the reporting date to 11 September 2008.
14. During a period of the Inquiry, Mr Brian Tee substituted for Ms Candy Broad.
15. The Committee advertised its terms of reference and received 37 written submissions. A further 210 pro-forma submissions were received.
16. The Committee held hearings on 5 and 6 June 2008, and received evidence from a range of Government bodies, industry stakeholders, economists and community groups including :
  - Victorian Employers Chamber of Commerce and Industry (VECCI),
  - Blue Wedges,
  - Victorian Farmers Federation (VFF),
  - Department of Transport,
  - Australian Conservation Foundation (ACF),
  - Port of Melbourne Corporation (PMC) and Boskalis Australia Ltd (jointly),
17. The Committee's final report for this inquiry was tabled on 11 September 2008. The report contained a number of findings, extracts of proceedings, and a minority report.

#### **4. Inquiry into Departmental and Agency Performance and Operations**

18. On 28 October 2008, the Committee resolved to inquire into and report on Victorian Departmental and Agency performance and operations for the previous financial year. The Committee amended the above terms of reference on 2 June 2009, by deleting the words 'for the previous financial year.'
19. Since commencing this Inquiry, the Committee has received evidence on nine separate matters relating to various departmental and agency performances and operations as outlined below:
  - VicForests
  - Goulburn-Murray Water
  - Victorian Funds Management Corporation
  - Victorian Skills Commission
  - Growth Areas Authority
  - Department of Health in relation to its January 2009 Heatwave Health Assessment Report
  - Ombudsman Victoria regarding its October 2009 report into Brookland Greens Estate - Investigations into methane gas leaks
  - Victorian Bushfire Reconstruction and Recovery Authority's Performance
  - Department of Human Services and Ombudsman Victoria in relation to the Government's Child Protection Program

##### **4.1 VicForests**

20. On 13 November 2008, the Committee resolved to invite VicForests to give evidence in relation to the agency's performance and operation for the 2007-08 financial year.
21. Representatives from VicForests gave evidence at a public hearing on 10 December 2008. At this hearing, Mr Edward O'Donohue substituted for Mr Matthew Guy.
22. Key issues raised in the hearing included the availability of timber given a declining supply, the impact of bush fires on the Agency's operations and commercial arrangements.

23. The Committee tabled its report in relation to this Inquiry on 26 February 2009.

#### **4.2 Goulburn-Murray Water**

24. On 13 November 2008, the Committee resolved to invite Goulburn-Murray Water (GMW) to give evidence in relation to the agency's performance and operation for the 2007-08 financial year.
25. Representatives from Goulburn-Murray Water gave evidence at a public hearing on 25 March 2009. At this hearing Ms Wendy Lovell substituted for Mr Matthew Guy.
26. Key issues raised in this hearing included the involvement of GMW in the Northern Victoria Irrigation Renewal Project (NVIRP), issues relating to water share allocation, GMW management and administration fees and the impact of bush fires on water supply.
27. The Committee tabled its report in relation to this Inquiry on 24 June 2009.

#### **4.3 Victorian Funds Management Corporation**

28. On 24 February 2009, the Committee resolved to invite the Victorian Funds Management Corporation (VFMC) to give evidence in relation to the Corporation's performance and operation for the 2007-08 financial year.
29. Representatives from VFMC gave evidence at a public hearing on 29 April 2009. At this hearing Mr Brian Tee substituted for Mr Matthew Viney.
30. Key issues discussed included progress and outcomes of implementing major investment strategies, performance bonus payments and senior executive departures, and VFMC's funds management reporting processes through the Department of Treasury and Finance, including any directions from the Treasurer.
31. The Committee was unable to conclude its investigations into the VFMC's performance as two matters remained outstanding.
32. The first related to a 14 July 2007 letter to the VFMC from the former Treasurer requesting global life settlements be included as an addendum in the Investment Risk Management Plan. The Committee sought details and a copy of this letter but the VFMC and Treasurer both declined the request.

33. The Committee also requested a copy of completed review undertaken by Dr Michael Vertigan into VFMC remuneration. While the findings and recommendations of the review were publicly released, the Attorney-General subsequently wrote to the Committee advising that other parts of the report would not be released on the grounds of Executive Privilege (public interest immunity).

#### **4.4 Victorian Skills Commission**

34. On 24 February 2009, the Committee resolved to invite the Victorian Skills Commission (VSC) to give evidence in relation to the Commission's performance and operation for the 2007-08 financial year.
35. Representatives from the Victorian Skills Commission and the Department of Innovation, Industry and Regional Development gave evidence at a public hearing on 23 April 2009. At this hearing Mr Brian Tee substituted for Mr Matthew Viney.
36. Key issues raised in this hearing included the reporting of outcomes against key indicators, relationship between Commonwealth and State funding for training, criteria used to assess the performance of institutions and links between course quality and funding.
37. The Committee tabled its report in relation to this Inquiry on 24 June 2009.

#### **4.5 Growth Areas Authority**

38. On 24 February 2009, the Committee resolved to invite the Growth Areas Authority (GAA) to give evidence at a public hearing in relation to the Authority's performance and operations for the 2007-08 financial year. The Committee's investigation into the performance and operations into the Growth Areas Authority was subsequently drawn out over 12 months requiring three separate days of hearings and numerous follow-up questions. Mr Brian Tee substituted for Mr Matthew Viney for this inquiry.
39. The initial public hearing was held on 23 April 2009 with evidence received from the Chairman and Chief Executive Officer of the GAA. A number of matters taken on notice at the first hearing remained outstanding which necessitated a second public hearing with the GAA on 7 September 2009.



40. Further matters remained outstanding after this second hearing and as the GAA's subsequent response did not fully deal with these matters to the Committee's satisfaction, the Committee resolved to invite the Minister for Planning to a further hearing to discuss the Growth Areas Infrastructure levy and other related matters. The Minister subsequently gave evidence on 2 December 2009.
41. Key issues discussed in the three hearings included the availability of land within the Urban Growth Zone, the proposed Growth Areas Infrastructure Contribution levy, how streamlining planning reforms could achieve potential savings of \$10,000 per lot for homebuyers in the growth areas, and progress made with Precinct Structure Plans.
42. The Committee tabled its report in relation to the Growth Areas Authority on 24 March 2010.

**4.6 Department of Health in relation to its January 2009 Heatwave Health Assessment Report**

43. On 10 November 2009, the Committee resolved to invite the Department of Health to give evidence in relation to its *January 2009 Heatwave in Victoria: an Assessment of Health Impacts* report.
44. Relevant Department of Health officers gave evidence at a public hearing on 2 December 2009. At this hearing Mr Brian Tee substituted for Mr Matthew Viney and Mr David Davis substituted for Mr Matthew Guy.
45. Key issues raised in this hearing included the extent of heatwave planning, how the Department responded in January 2009 and what planning and preparations have been undertaken for future summers.
46. The Committee tabled its report in relation to this Inquiry on 26 May 2010.

**4.7 Ombudsman Victoria regarding October 2009 report into Brookland Greens Estate - Investigations into methane gas leaks**

47. On 10 November 2009, the Committee resolved to invite Ombudsman Victoria to give evidence in relation to its *October 2009 Brookland Greens Estate – Investigation into methane gas leaks* report.

48. The Deputy Ombudsman and a Director of Investigations gave evidence at a public hearing on 19 February 2010. At this hearing Mr Brian Tee substituted for Mr Matthew Viney and Mrs Inga Peulich substituted for Mr Matthew Guy.
49. Key issues raised in this hearing included the powers and role of the Environment Protection Authority (EPA) in monitoring the site and addressing the gas leak, the role of the Victorian Civil and Administrative Tribunal (VCAT) in approving development on the site, and the powers of the Ombudsman to investigate actions by VCAT.
50. The Committee tabled its report in relation to this Inquiry on 26 May 2010.

#### **4.8 Victorian Bushfire Reconstruction and Recovery Authority's Performance**

51. On 11 November 2009, the Committee resolved to invite the Victorian Bushfire Reconstruction and Recovery Authority (VBRRA) to give evidence in relation to measures announced in the *Rebuilding Together Program*, together with an update on the overall reconstruction and recovery following the 2009 bushfires.
52. The Chair and Chief Executive Officer gave evidence at a public hearing on 19 February 2010. At this hearing Mr Brian Tee substituted for Mr Matthew Viney and Mrs Donna Petrovich substituted for Mr Matthew Guy.
53. Key issues raised in this hearing included the sources of funding for the VBRAA, factors influencing the pace of reconstruction in different communities, and obstacles to rebuilding.
54. The Committee tabled its report in relation to this Inquiry on 23 June 2010.

#### **4.9 Department of Human Services' Child Protection Program**

55. On 2 February 2010, the Committee resolved to invite the Department of Human Services (DHS) to give evidence in relation to the Government's child protection program. Of particular interest to the Committee were issues raised by Ombudsman Victoria's November 2009 report, *Own motion investigation into the Department of Human Services Child Protection Program* and the Department's subsequent response to this report. DHS appeared before the Committee on 26 March 2010.
56. Following the March hearing, Ombudsman Victoria released a further report, *Own motion investigation into Child Protection – out of home care*. In addition,

the Victorian Child Death Review Committee released its 2010 annual report of inquiries into the deaths of children known to Child Protection. In view of these further reports and matters outstanding from the initial DHS hearing, the Committee conducted further public hearings with DHS and Ombudsman Victoria on 6 September 2010.

57. Key issues raised in these hearings focussed on findings within the two Ombudsman reports and Victorian Child Death Review Committee report referred to above, and future Departmental actions.
58. For this Inquiry, Ms Colleen Hartland substituted for Mr Greg Barber, Ms Jennifer Huppert substituted for Mr Matthew Viney, Mr Edward O'Donohue substituted for Mr Matthew Guy, and Mr Brian Tee substituted for Ms Candy Broad.
59. The Committee tabled its report in relation to this Inquiry on 6 October 2010.

## **5. Inquiry into Public Hospital Performance Data**

60. On 13 November 2008, the Committee resolved to inquire into and report on the capacity of hospitals to meet demand, standards and quality of care, resourcing and access levels, and the accuracy and completeness of performance data for Victorian public hospitals.
61. Member substitutions for the this inquiry were Ms Colleen Hartland for Mr Greg Barber, Mr Brian Tee for Mr Matthew Viney, and Mr David Davis for Mr Matthew Guy.
62. The Committee advertised its terms of reference and received 50 written submissions. Three days of public hearings were held from August to November 2009 with evidence received from eleven organisations and individuals including Department of Health, Australian Medical Association, Ambulance Employees Australia, and certain medical professionals.

## **6. Inquiry into the Business Case for Water Infrastructure**

63. On 13 November 2008, the Committee resolved to inquire into and report on the estimated benefits and costs arising from the north-south pipeline, the Wonthaggi desalination plant and the modernisation of irrigation infrastructure.

64. Member substitutions for this inquiry were Mr Damian Drum substituted for Mr Peter Hall.
65. The Committee advertised its terms of reference and received 34 written submissions. Two days of site inspections and regional hearings were held in and around Yea and Shepparton with respect to the Northern Victorian Irrigation Renewal Project (NVIRP). Further hearings were held in Melbourne on 19 November 2009, 18 March 2010 and 17 June 2010. Key witnesses included the Department of Sustainability and Environment, Goulburn-Murray Water, NVIRP, Melbourne Water and AquaSure Pty Ltd.

## **7. Inquiry into Victorian Government Decision Making, Consultation and Approval Processes**

66. On 3 March 2010, the Committee resolved to inquire into and report on Victorian Government decision making, consultation and approval processes, and any knowledge and/or involvement of Ministers, Ministerial staff and/or Victorian Government officers since 1 December 2006 and in particular issues arising from media plans prepared within the Victorian Government since 1 December 2006. The initial focus of the inquiry was on the Windsor Hotel redevelopment planning process.
67. The Committee conducted four days of hearings in relation to the Windsor Hotel issue and tabled interim reports on 13 April 2010 and 11 August 2010. Certain ministerial staff were first invited, then summoned to give evidence at public hearings but were directed by the Attorney-General not to appear before the Committee. As a consequence of the limitations to its investigations, in June 2010, the Committee referred the Windsor Hotel redevelopment planning probity and the associated media strategy probity matters on to the Victorian Ombudsman for investigation and report. Subsequently, following an invitation from the Committee, the Minister for Planning gave evidence on these matters at a hearing on 30 September 2010.

## **8. Inquiry into Builders Warranty Insurance**

68. On 7 September 2009, the Committee resolved to inquire into and report on:
- the effectiveness of the current mandatory last resort Builders Warranty Insurance scheme in providing necessary and appropriate consumer protection and industry management;
  - the specific role of government agencies in their effectiveness in managing and representing Victoria's registered builders under the current Builders Warranty Insurance scheme;
  - any possible alternatives to the current Builders Warranty Insurance Scheme in Victoria; and
  - any related matter.
69. The Committee advertised its terms of reference and received 43 written submissions. Public hearings were held on 15 March 2010, 8 April 2010, 17 June 2010 and 27 July 2010, and received evidence from key stakeholders including:
- Master Builders Association of Victoria,
  - Housing Industry Association,
  - Builders Collective of Australia,
  - Building Commission,
  - Consumer Affairs Victoria,
  - Consumers Collective of Australia,
  - Department of Treasury and Finance,
  - Victorian Managed Insurance Authority,
  - Simonds Homes, and
  - QBE Insurance (Australia) Ltd.
70. The Committee tabled its Final Report in relation to this Inquiry on 7 October 2010.

Committee Room  
4 October 2010



## EXTRACTS OF PROCEEDINGS

The Committee divided on the following questions during consideration of this Report, with the result of the divisions detailed below. Questions agreed to without division are not recorded in these extracts. The Chairman of the Standing Committee can only vote when there is an equality of votes.

### Meeting No. 53 — 4 October 2010

*(At this meeting Mr M. Viney was substituted by Ms J. Huppert)*

Mr Barber moved — That the draft report (paragraphs 1 to 70), as amended, be adopted as the Report of the Standing Committee's activities for the 56<sup>th</sup> Parliament.

Question — That the motion be agreed to — put.

The Committee divided.

#### **Ayes 4**

Mr Barber

Mr Guy

Mr Hall

Mr Kavanagh

#### **Noes 2**

Ms Huppert

Mr Tee

Question agreed to.