



Construction of Police Stations and Courthouses



VICTORIA

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Auditor-General

Construction of Police Stations and Courthouses

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The Hon. Bruce Atkinson MLC
President
Legislative Council
Parliament House
Melbourne

The Hon. Ken Smith MP
Speaker
Legislative Assembly
Parliament House
Melbourne

Dear Presiding Officers

Under the provisions of section 16AB of the *Audit Act 1994*, I transmit my performance report on the *Construction of Police Stations and Courthouses*.

Yours faithfully



D D R PEARSON
Auditor-General

9 February 2011

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Audit summary

Over the past decade the Department of Justice (DOJ) and Victoria Police (VicPol) have invested \$586 million in the construction and upgrade of courthouses and police stations.

Asset investment decisions are made within a strategic asset management framework. *Sustaining Our Assets*—issued in 2000—documents public sector asset management policy and outlines the main principles. The guiding principle is that agencies' service delivery needs drive asset management decisions.

Because they are long-lived, purpose built assets, the decision to invest in new or replacement buildings requires rigorous planning. The significant capital cost of construction also demands effective project and contract management, so that the approved building is delivered on time, on budget and to the design and quality standards specified.

This audit examined the planning for, and acquisition of, courthouses and police stations. It assessed whether:

- the strategic asset management framework applied to investment planning was robust
- asset acquisition planning was based on sound rationale, criteria and guidelines
- project construction and procurement was managed effectively.

Conclusion

Both DOJ and VicPol demonstrably manage the construction of their assets effectively. However, strategic and acquisition planning by both agencies still requires improvement.

Of most concern is that neither agency had fully implemented the strategic asset planning principles that have been available for the past 15 years. While both agencies have improved in some respects, each needs to significantly strengthen their analysis of the performance of their existing assets, and their analysis of the impact of their future service delivery strategies.

Until they do this neither agency can reliably demonstrate that their asset investment decisions represent the best value-for-money outcomes.

DOJ has recognised this and has commenced an asset management improvement program across its entire built-asset portfolio. Part of this program includes developing a legal services master plan during 2010–11. The actions taken and planned under these initiatives are expected to address the issues raised in this audit. It will be important therefore that the program and plan are implemented and applied specifically to the courthouse system. It would also be appropriate for VicPol to adopt the same strategic approach to improve its strategic asset planning.

Findings

Strategic asset planning

The approach to strategic asset planning in both agencies has improved significantly over the last decade and current asset strategies reflect this. Both have better aligned their asset plans with service delivery, but they recognise they can strengthen this by conducting more sophisticated analyses of the impact of changing service delivery on their built asset portfolios.

Both agencies have also begun to use more relevant and appropriate information on asset performance. However, this remains relatively under-developed and limits their ability to present stronger rationales for new assets. Significant work is required to develop their asset registers into true asset management systems.

While both agencies have clearly improved their planning for new assets over the decade, there is little evidence of progress towards a fully integrated asset strategy that covers asset acquisition, operation, maintenance and disposal plans.

DOJ is in the process of rectifying this situation, as it applies to courthouses and more broadly to its built-asset portfolio. It has commenced an asset management improvement program, focusing initially on data standardisation to capture more relevant and appropriate asset performance information. It is also developing a legal services master plan covering all legal services built assets, not only courthouses. The principles and approaches being developed and implemented are intended to strengthen strategic asset management across DOJ's asset base.

Acquisition planning and project delivery

Once an asset investment project commences, both DOJ and VicPol manage their procurement and construction processes effectively. Cost variances are reasonably constrained within acceptable limits in relation to updated project budgets, and time lines projected at the commencement of construction are generally achieved.

However, original time lines and initial budget estimates are not always achieved. This is because of weaknesses in the acquisition planning process, rather than subsequent project management. In particular, asset investments and budgeted costs have been approved before a comprehensive business case has been prepared, with too much reliance placed on less rigorous feasibility studies. For example, cost increases for a number of courthouse projects occur because there has been insufficient attention to identifying and analysing suitable sites early enough in planning.

Both agencies should strengthen their post-construction evaluations to examine the benefits of completed projects and incorporate lessons learned into future projects.

Recommendations

Number	Recommendation	Page
1.	<p>The Department of Justice and Victoria Police should:</p> <ul style="list-style-type: none"> • better quantify the impact of changing service delivery strategies on their built-asset portfolio and link this analysis more clearly to their asset acquisition plans • integrate their asset acquisition plans into an overarching asset strategy for courthouses and police stations. 	19
2.	<p>The Department of Justice should:</p> <ul style="list-style-type: none"> • implement an asset management system to produce relevant, reliable and timely data on the operating and financial performance of their built-asset portfolio • establish a priority rating system and apply it consistently to all proposed built-asset acquisitions for the justice portfolio, to better inform decisions about relative needs and priorities. 	19
3.	<p>The Department of Justice and Victoria Police should:</p> <ul style="list-style-type: none"> • identify and rigorously analyse suitable sites prior to submitting business cases • undertake robust post-implementation reviews in accordance with the <i>Investment Lifecycle Guidelines</i> to confirm that: <ul style="list-style-type: none"> • project objectives are met • project benefits are realised • issues are identified and lessons learned are incorporated into future projects • a continuous improvement model is adopted and outcomes are fed directly into strategic planning documents and operational guidelines. 	28

Submissions and comments received

In addition to progressive engagement during the course of the audit, in accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Justice and Victoria Police with a request for submissions or comments.

Agency views have been considered in reaching our audit conclusions and are represented to the extent relevant and warranted in preparing this report. Their full section 16(3) submissions and comments, however, are included in Appendix B.

1 Background

1.1 The justice sector built-asset portfolio

In 2010 there were 61 functioning courthouses and 339 police stations in Victoria. In the past 10 years, five courthouses and 153 police stations have been, or are being, replaced or built. Investment in these new and upgraded facilities has cost \$586 million: \$110 million for courthouses and \$476 million for police stations. Appendix A lists the new courthouses and new or upgraded police stations, their budgets and actual costs of construction.

A priority for the Department of Justice (DOJ) and Victoria Police (VicPol) is to build, upgrade or replace courthouses and police stations. Based on their assessments many facilities do not meet minimum safety standards nor do they allow DOJ and VicPol to meet their minimum service delivery requirements.

1.1.1 Roles and responsibilities

The Department of Justice

DOJ oversees courts and police services. In 2007 it set up a Built Environment and Business Sustainability Branch, which manages all capital works for courthouses, as well as prisons and other major assets. These responsibilities were previously divided between several public sector agencies including the Office of Building and other business units within DOJ.

DOJ's role is to prioritise capital works including police stations, and to oversee funding submissions to the Expenditure Review Committee of Cabinet.

Victoria Police

VicPol plans and manages upgrades to, and replacement of, police stations, and the building of new stations. In 2004 it set up its Capital Works Branch to oversee capital projects including the rebuilding and construction of new police stations, residences and police training facilities.

1.2 Legislative and policy framework

Public assets are created, refurbished and maintained to provide services to the community. As part of the justice system, courthouses and police stations should be accessible, secure, comfortable, user-friendly, and meet functional requirements.

Departments and agencies must comply with relevant legislation and policy when investing in new and existing assets.

1.2.1 Relevant legislation

The legislative requirements for construction projects are in:

- the *Financial Management Act 1994*
- the *Project Development and Construction Management Act 1994*, and under this Act:
 - Ministerial Direction 1 (and associated guidance)
 - Ministerial Direction 2 (and associated guidance).

Government departments and agencies overseeing construction projects also follow the Code of Practice for the Building and Construction Industry.

1.2.2 Asset management policy

Sustaining Our Assets, issued by the Department of Treasury and Finance in 2000, documents public sector asset management policy and outlines the main principles.

These are:

- agencies' service delivery needs are the basis of all asset management practices and decisions
- asset planning and management are to be integrated with corporate and business plans, budgetary and reporting processes
- asset management decisions are to be based on evaluation of all alternatives that take into account the full life cycle costs, benefits and risks of assets
- ownership, control, accountability and reporting requirements for assets should be established, clearly communicated and implemented
- asset management occurs within an integrated government framework
- asset planning is to take account of all methods of delivering services including non-asset solutions and demand management.

Sustaining Our Assets is supported by the *Asset Management Series* (the series), first issued in November 1995, which gives detailed guidance on applying asset management principles.

The policy and the series cover the full asset life cycle:

- planning
- acquisition
- operation and maintenance
- disposal.

Figure 1A shows the major components of each phase of the life cycle.

Figure 1A
The Asset Life Cycle



Source: *Sustaining Our Assets*, December 2000, Department of Treasury and Finance.

1.3 Audit objective and scope

The objective of this audit was to assess the efficiency and effectiveness of DOJ and VicPol's planning for, and management of, courthouse and police station construction projects.

The audit examined the major elements of the planning and acquisition phases of the asset life cycle to determine whether DOJ and VicPol:

- used a robust strategic asset management framework to determine the most cost-effective option for meeting service objectives for police station and courthouse investments
- based asset planning on sound rationale, criteria and guidelines
- complied with policies and guidelines in contract management arrangements for selected projects
- effectively managed contractor performance and risks to government
- had project management arrangements that complied with guidelines and policies and aimed to maximise quality, minimise cost and ensure timeliness.

We examined DOJ and VicPol's planning and implementation of courthouse and police station projects that were completed, or in progress, between 1999 and 2010.

DOJ built four courthouses:

- Wodonga—opened August 2002
- Mildura—opened November 2004
- Warrnambool—opened February 2005
- Moorrabbin—opened November 2007.

VicPol built or upgraded 151 police stations and the joint Morwell police and courts complex.

1.4 Audit method and cost

The audit was performed in accordance with the Australian Auditing and Assurance Standards.

The total cost was \$330 000.

1.5 Structure of this report

The report is structured as follows:

- Part 2 covers DOJ and VicPol's strategic asset planning. This includes the reliability of asset data on the condition, use, functionality and financial performance of courthouses and police stations.
- Part 3 covers asset acquisition and project delivery. It examines DOJ and VicPol's:
 - acquisition planning
 - management and delivery of projects, according to time, cost and quality
 - post-implementation review and continuous improvement.

2 Strategic asset planning

At a glance

Background

Decisions to acquire assets should be made within a strategic planning framework that links the need for assets directly to the provision of services.

When planning to upgrade or add to assets, the first step is to assess whether the current assets can deliver the services required. The assessment results are incorporated into an asset strategy which includes the plan for acquiring new assets.

Conclusion

The approach to strategic asset planning by both the Department of Justice and Victoria Police has clearly improved over the last decade. Both have better aligned their asset plans with service delivery, but need to do more sophisticated analyses of the impact of changing service delivery on their built-asset portfolios, and of the performance of their existing asset base. Until they do this they cannot demonstrate that their asset investment decisions are the most cost-effective use of resources.

Findings

- Both agencies need to develop more relevant and appropriate information on the performance of their assets. They are not capturing all the information needed to support strategic asset decision-making.
- Both agencies need to better integrate their asset acquisition, operating, maintenance and disposal plans, and strengthen their analysis of life cycle costs, to gain a better understanding of the total cost of asset ownership.

Recommendations

The Department of Justice and Victoria Police should:

- better quantify the impact of changing service delivery strategies on their built-asset portfolio and link this more clearly to their asset acquisition plans
- integrate their asset acquisition plans into an overarching asset strategy.

The Department of Justice should:

- implement an asset management system to produce relevant, reliable and timely data on the performance of their built asset portfolio
- establish a priority rating system to apply to all proposed built-asset acquisitions.

2.1 Introduction

The first principle in the *Sustaining Our Assets* policy is for decisions to acquire assets to be made within a strategic planning framework that links the need for assets directly to the services.

This is particularly important for purpose-built assets such as courthouses and police stations, which are long-lived and where the total operating, maintenance and disposal costs can exceed the purchase price.

Strategic asset planning starts by comparing the performance of existing assets against service requirements. This presumes there is a service delivery strategy and that there is relevant data about the existing assets. The results from the comparison are used to develop the asset strategy.

Service delivery strategy

Based on a needs analysis and a review of how services are being provided, the service delivery strategy should:

- define the scope, standard and level of services
- assess the service delivery methods and the resources needed, including requirements for the use of assets
- consider ways to limit demand by using demand management techniques.

Evaluating existing assets

An assessment of the assets' physical condition, use, functionality and financial performance will show how effectively they are meeting service requirements.

This assessment can identify assets that are under-performing or costly to own or operate, as well as those that are under-used or no longer needed.

Asset strategy

The strategy that comes out of the planning phase of the asset management life cycle is used to find which assets are:

- able to meet service delivery requirements (with or without modification)
- surplus to needs
- needed, and have to be acquired.

The asset strategy drives the plan to upgrade or buy new assets, as well as the operating, maintenance and disposals plans for existing assets. Figure 2A summarises the nature and purpose of these plans.

Figure 2A
Asset strategy—component plans

Acquisition plan

Assets may be bought on the open market or from another government entity, custom developed, leased or hired. The asset acquisition plan should define the type and timing of asset requirements and set out the proposed method of acquisition and financing.

Operations plan

This defines operating policies such as working hours, security, cleaning and energy management, and the resources needed to manage the asset. The agency should assess the operational management of individual assets to determine whether it can be wholly or partly contracted out.

Maintenance plan

This defines maintenance standards, describes how the work is to be done, and forecasts maintenance spending for the planning period.

Disposal plan

When an agency disposes of an asset, it may need a replacement. Disposal is therefore a crucial part of the asset management life cycle. Disposal options such as alternative use, rental, sale, or sale and lease-back, should be considered in the acquisition strategy.

Source: Asset Management Series, part 2, 1995, Department of Treasury and Finance.

The audit assessed whether the Department of Justice (DOJ) and Victoria Police (VicPol) currently have asset strategies and acquisition plans that conform to asset management principles and practices. It also assessed whether the proposed police station and courthouse acquisitions were the most cost-effective options to meet service objectives.

2.2 Conclusion

The approach to strategic asset planning in both agencies has clearly improved over the last decade and current asset strategies reflect this. Both have better aligned their asset plans with service delivery, but they can strengthen this by doing more sophisticated analyses of the impact of changing service delivery on their built asset portfolios.

Both agencies have also begun to use more relevant and appropriate information on asset performance. However, this is relatively under-developed and limits their ability to present stronger rationales for new assets. The agencies still need to do significant work to transform their financial asset registers into true asset management systems that integrate strategic and operational information, both financial and non-financial, to support decision-making.

There was little evidence of progress towards a full asset strategy that covers asset acquisition, operation, maintenance and disposal plans. Because of this, it is not possible for either agency to reliably demonstrate that the buildings constructed during the audit review period were the most cost-effective options for their respective asset portfolios.

DOJ recognised that these areas required improvement and commenced an asset management improvement program (AMIP) in June 2009. Allied to this program, DOJ secured \$2 million funding for 2010–11 to develop a Legal Services Master Plan (LSMP). DOJ expects that the actions it has taken and planned as part of its AMIP, and the development of the LSMP, will substantively address the audit findings as they relate to courthouses.

2.3 Service delivery strategies

An agency can make better decisions about its assets when it integrates asset planning with service planning, particularly when it is responding to such factors as:

- new or changing service delivery requirements
- different methods of service delivery
- evolving technology.

The first step in justifying proposals for new assets is to evaluate all service delivery options thoroughly, including those that reduce or limit the need to use assets. Both DOJ and VicPol have considered these options in their strategic asset planning, but their main focus has been on predicting future demand for services by analysing demographic forecasts.

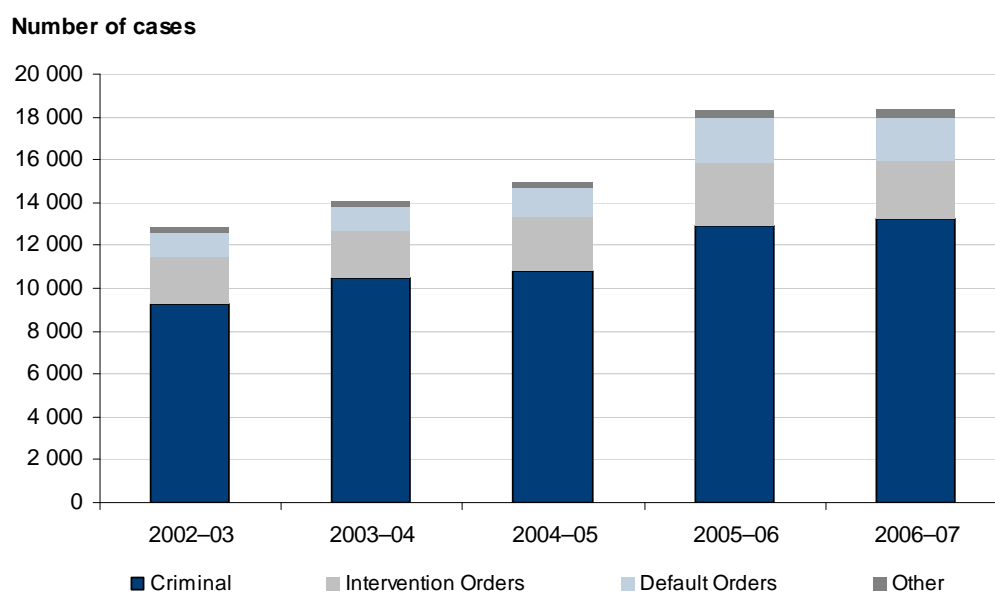
They need to strengthen their respective analyses by using the most recent data on the demand for their services, and by analysing the effect of changing service delivery models in a more robust and integrated way.

Courthouses

In developing its asset strategy and establishing future asset needs, DOJ gives most regard to service demand drivers. They do this mainly by analysing projected population growth, relating it to future caseload, and establishing the likely effect on courtroom use for each court jurisdiction in each location. For example, DOJ forecast population growth of 9.7 per cent in Dandenong to 2011, which translated to a need for 12 more courtrooms.

Figure 2B shows the increasing caseload for Sunshine which DOJ attributed mostly to population growth. Forecast growth was then used to determine a need for two new courtrooms by 2011 and more by 2016.

Figure 2B
Sunshine Magistrate's Court activity



Source: Victorian Auditor-Generals Office based on information from the Department of Justice's Masterplan for Courts and Tribunals 2008–2022, November 2009.

Generally DOJ forecasts that demand for court services will grow in metropolitan Melbourne and the regional centres, and will fall in rural areas. It reflects these forecasts clearly in its asset priorities. However, these forecasts are based on 2001 census data. DOJ is now utilising the latest census data from 2006, and the most recent available socio-economic data, as part of the development of the LSMP.

DOJ also refers to the potential impact of service delivery strategies in its asset strategies, but has done no quantitative analysis. For example, the strategies refer to new approaches to dispute resolution and their potential to affect case profiles, in that only the most complex cases would be referred to courts. This would offset rising caseloads caused by population growth. However, set against this is the potential for longer case times due to the increased complexity of resolving cases.

The strategies also refer to the potential effect of changes in technology, jurisdiction, and trialling other 'therapeutic' justice programs. It is relevant and appropriate to take account of these matters, and it reflects better practice strategic asset management principles. However, all would benefit from rigorous, quantitative analysis.

Police stations

VicPol also gives most weight in its strategic asset plans to demographic change and population growth—factors that affect service demand. However, its analysis was limited to a ‘desk top’ review and unlike DOJ, was not supported by quantitative modelling that was explicit in the strategy.

VicPol’s strategy also refers to changing service delivery models, but these are significantly underdeveloped in its asset strategies. VicPol noted in its most recent five-year plan, 2006–10, that it had not assessed the impact of its new service delivery model. In the refreshed plan, the Strategic Facilities Development Plan—2009 Interim Review, it set out the strategic and policy framework, but did not analyse the effect of service delivery strategies on future built asset requirements.

2.3.1 Continuous improvement

Both DOJ and VicPol recognise the need to further develop the quality of their analysis of the impact of service delivery strategies on their asset portfolios. They need up-to-date demographic data complemented by analysis that informs them about how changing service delivery models affect, or are likely to affect, the demand for their assets.

The LSMP is addressing these issues for courts—VicPol should apply a similar approach to its own strategic asset planning.

2.4 Evaluating existing assets

An evaluation of assets will determine whether they are adequate for the service delivery strategies. The government’s asset management policy requires four aspects of asset performance to be regularly assessed:

- **Physical condition**—Is the asset adequately maintained? Is there a maintenance backlog that requires attention? Are major replacements or refurbishments likely to be needed during the planning period?
- **Utilisation**—How intensively is the asset used? Could it be used more productively by extending its working hours, or by accommodating additional functions?
- **Functionality**—How well suited is the asset to the activities and functions it supports?
- **Financial performance**—Are the asset’s running costs similar to those for comparable assets? Are the energy, cleaning and maintenance costs reasonable?

The two preconditions are relevant and reliable asset data, and appropriate benchmarks or standards for gauging performance.

DOJ and VicPol have integrated analysis of asset performance data into their strategic asset planning, which offers a rational basis for new asset proposals.

However, the analysis quality suffers from:

- incomplete data, especially on financial performance
- old data, especially around condition and functionality
- weak data, especially dealing with asset utilisation
- a lack of clear benchmarks for aspects of asset performance.

Underlying these is the lack of asset management systems that routinely capture, integrate and analyse performance data. Neither agency has translated their asset registers into asset management systems that track each asset's non-financial performance and its full cost of ownership.

2.4.1 Physical condition

An asset should be able to be used safely and effectively. It needs to be kept in a condition adequate for its purpose, and it must comply with the relevant health and safety standards. If not, the asset's usefulness is compromised.

An asset's condition assessment will involve:

- setting the condition of the asset required for service delivery and value (criteria should include operational efficiency, public health and safety, and amenity)
- inspecting the asset and comparing its condition with what is required
- forecasting the future condition of the asset.

Courthouses

It is becoming increasingly important to assess the condition of courthouses as 97 per cent of them were built before 1989.

DOJ audited the condition of its courthouses in 1996 and a sample of 12 courthouses in 2000. In 2007 it also reviewed various courthouses covering some elements of a condition assessment, including the *Review of Safety, Security and Risk Management in Magistrates' Courts*, and a review of courthouse compliance with Essential Services legislation, including occupational health and safety and disability access.

DOJ did not have a process to regularly assess courthouse condition, nor any benchmarks for an acceptable level or standard of condition. It also had no condition rating as a separate performance measure for judging condition over time or against a standard.

DOJ proposes to address these matters as part of the development of the LSMP.

Police stations

Police stations are ageing, over half (that is, 380) are more than 20 years old.

VicPol assessed the condition of its police stations in 2001 and 2006 as part of its strategic asset planning process. However, each VicPol region assessed its buildings without clear criteria and guidance. The result was inconsistent and unreliable assessments. For example, some facilities assessed in 2001 as needing 'no major works' were rated in later plans as needing 'replacement' due to poor condition.

VicPol has since improved its approach to condition assessment. It audits the condition and compliance of all built assets annually. The new procedures for capturing property condition are sufficient, and the property database records a separate condition rating for the major building components, namely the building structure and services.

2.4.2 Utilisation

Asset utilisation measures how intensively an asset is used compared with its capacity. It should be assessed annually.

To assess utilisation, criteria and benchmarks appropriate for the services and the class of asset first need to be set. The criteria should consider:

- the asset capacity relative to the units of service being delivered
- how the asset is being used relative to its optimal availability.

The asset policy framework requires that utilisation criteria be based, where appropriate, on best practice data as well as the results of analyses by the entity or by others in the private and public sectors.

Courthouses

DOJ refers to courthouse utilisation in its strategic asset planning. The most relevant measure is actual sitting days compared to total possible sitting days. Figure 2C shows the utilisation of the Supreme Court and County Court using this measure.

Figure 2C
Court utilisation measured by sitting days

Sitting days	Supreme	County
Total capacity (days)	7 000	11 500
Actual sitting days	4 060	8 625
Utilisation	58%	75%

Source: Victorian Auditor-Generals Office based on information from the Department of Justice's Masterplan for Courts and Tribunals 2008–2022, November 2009.

While there is data for the non-metropolitan magistrates' courts on actual sitting days, it is not precise, because it has not been routinely captured. The number of cases is used as a proxy measure for utilisation.

On this basis and using 2006–07 caseload data, DOJ identified 10 non-metropolitan courthouses with low levels of utilisation. While no direct action has been taken to address this issue, as part of the development of the LSMP, DOJ intends to examine all 61 court facilities and analyse their level of use.

Police stations

The presence of a police station is the most direct representation of service to the public. The concept of utilisation of police stations is less relevant to asset planning. It goes beyond simply comparing availability with actual use.

Police station availability is measured in operating hours. While operating hours are appropriately decided mainly by service strategies and operational priorities, capturing data on how each police station is used, by whom, when and for how long could be a useful adjunct to asset performance data.

2.4.3 Functionality

Functionality is a measure of how effectively an asset supports its activities. To monitor and assess functionality, agencies need to determine:

- the role the asset plays in achieving service delivery outcomes
- the functional characteristics of the asset that support the activities.

The functionality of assets should be regularly reviewed to identify any significant impacts on services. This will also allow timely changes to improve service delivery and functional standards.

Both DOJ and VicPol have assessed their buildings against appropriate functional requirements. Although functionality ratings for buildings are used in strategic asset planning, DOJ could not provide documentation to demonstrate that its ratings for courthouses were underpinned by rigorous analysis, limiting their reliability and hence usefulness.

Courthouses

DOJ wrote the *Courtroom Design Guide* to establish the functional requirements for courthouses. These include:

- **separation of users**—the judiciary, counsel, the public, people in custody and juries
- **security of the facility**—including scanning at entry, prisoner delivery, separate secure vehicle entry and parking
- **functionality of courtrooms**—including courtroom capacity for the judiciary, counsel, people in custody, juries and seating capacity for the public
- **the extent and standard of the court’s technology.**

DOJ assessed the functionality of non-metropolitan courthouses and assigned a rating when it developed the current asset strategy. The rating is expressed as a percentage, with 100 per cent being fully compliant with the design guide. This is a significant improvement on the 2001 and 2004 strategic plans, which had a brief description of the state of all Victoria's courthouses that related to the courthouses' physical condition rather more than their fitness for purpose.

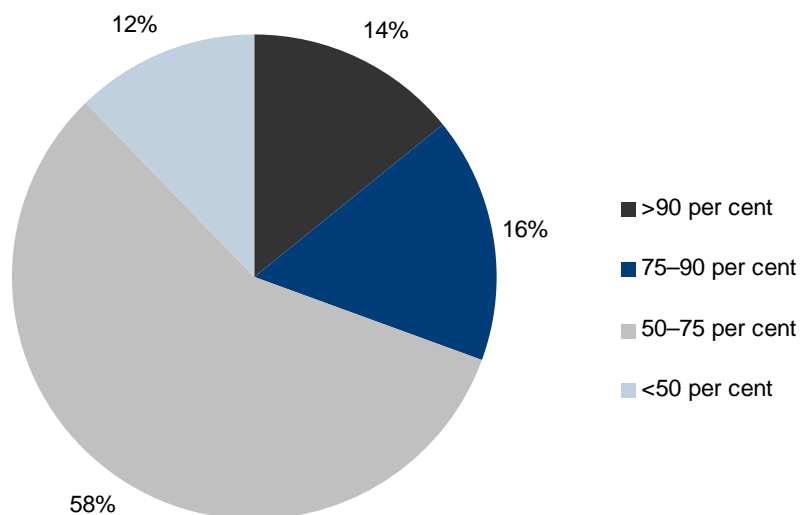
Figure 2D lists the functionality ratings for courts outside the Melbourne precinct. It shows six of 49 government-owned courthouses (12 per cent) are rated at less than 50 per cent and a further 28 (58 per cent) as below 75 per cent functional.

Courthouses typically got low ratings due to poor physical security, poor acoustic standards, insufficient and inappropriate accommodation, and occupational health and safety issues.

However, DOJ was not able to demonstrate how it determined the ratings. In particular there was no supporting documentation setting out the specific evaluation criteria, the assessment against each criterion, and how the final score was computed. Evidence of this nature would serve to demonstrate the rigour of the process, and to establish a consistent approach so that future assessments could be reliably compared against this baseline.

It would also be appropriate for executive management to set a benchmark target for the building portfolio, below which buildings would be given high priority.

Figure 2D
Functionality ratings of non-metropolitan Melbourne courthouses



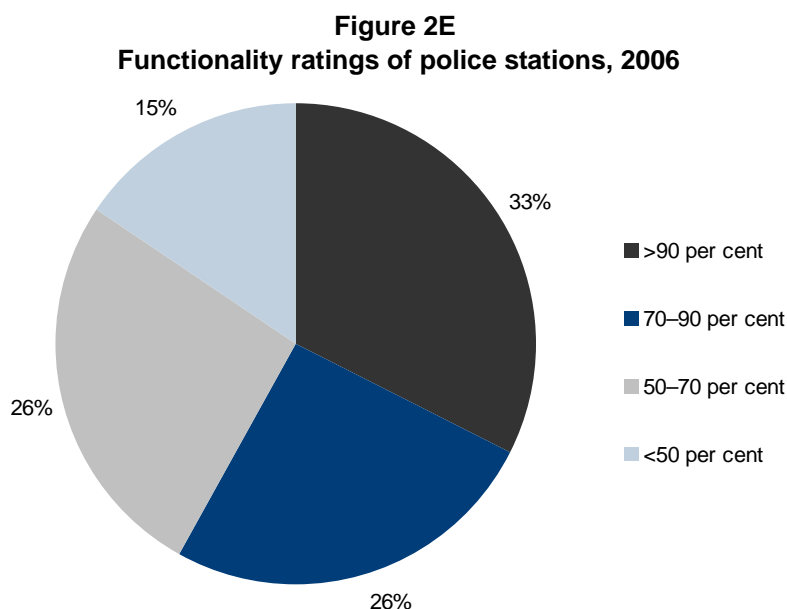
Source: Victorian Auditor-Generals Office based on information from the Department of Justice's Masterplan for Courts and Tribunals 2008–2022, November 2009.

Police stations

When VicPol assessed the functionality and condition of its police stations in 2006 it focused on those built before 1999. The results, summarised in Figure 2E, show that only 15 per cent of stations had less than 50 per cent functionality.

In late 2009 VicPol began annual functional assessments, except for buildings under five years old and those already approved for replacement.

VicPol combines its separate condition and functionality ratings into a score for each station. Unlike DOJ, VicPol now maintains a detailed evidentiary trail to support its condition and functionality ratings, with clear criteria and documentation on the basis for each assessment.



Source: Victorian Auditor-General's Office based on Victoria Police data.

2.4.4 Financial performance

An asset's financial performance is evaluated to determine whether or not it is providing economically viable services. For this agencies need to monitor and assess:

- **operating expenses**—such as power
- **maintenance**—both planned and corrective
- **capital costs**—minor and major, including replacement of components like air conditioning.

While cost is a consideration, ideally it is tracked by individual asset, and where appropriate, by major asset sub-component. For example, maintenance costs could be tracked per courtroom, or separated into spending on the building structure and building services.

DOJ does not track the major elements of the financial performance of their built assets on an individual asset, or sub-component basis.

In this area, VicPol is more advanced than DOJ, and can produce maintenance costs per station. It has also integrated this information into its asset records better. The VicPol property database records operational spending for each building component, allowing it to analyse and compare when planning.

However, neither DOJ nor VicPol included financial performance of their existing assets into their strategies. Neither analysed financial performance of the planned and actual total cost of ownership—that is, whole-of-life costs—of individual buildings, or of their built asset portfolios as a whole.

2.5 Asset acquisition strategies

Assets can be bought, leased or custom developed. The asset acquisition plan should define the type and timing of asset requirements, and set out the proposed method of acquisition and financing.

The Masterplan for Courts and Tribunals 2008–2022 (the Masterplan) and the VicPol Strategic Facilities Development Plan 2006–2010 have high-level asset acquisition plans. The plans are consistent with the priorities in their service delivery strategies and the analyses of existing assets.

While this conforms to asset management principles, the documents are not integrated into an overarching asset strategy. Without an integrated document containing acquisition, operation, maintenance and disposal plans for courthouses and police stations, neither agency can demonstrate that they have comprehensively planned for their strategic assets.

The asset acquisition plans also need improvement. The plan for courthouses is mainly about articulating priorities more clearly, and developing acquisition and funding strategies. Both agencies use short-term funding horizons that do not match the longer-term strategic planning horizons.

2.5.1 Articulation of priorities

VicPol numerically rates relative need using assessments of the condition, functionality and capacity of its existing assets. It uses the rating to rank the priorities in the proposed acquisition plan. This transparent approach establishes a consistent basis for funding decisions.

DOJ does not rank its proposed courthouse asset acquisitions in a consistent way across its asset base. It therefore cannot demonstrate how it rates proposed courthouse acquisitions against other asset acquisitions according to relative need.

The Shepparton and Bendigo courthouses have been noted in consecutive strategic plans as needing immediate replacement and/or refurbishment. Despite this, these courthouses remain unfunded. DOJ applied for funding for each courthouse on one occasion only—Shepparton in 2001–02 and Bendigo in 2009–10.

Figure 2F backgrounds the funding case for the Shepparton courthouse.

Figure 2F
Prioritisation case study

<p>Shepparton courthouse</p> <p>In 2001 the need to replace the Shepparton courthouse was first noted.</p> <p>The 2004 Masterplan proposed staged site acquisition and planning for a new courthouse of six courtrooms to be built by 2011.</p> <p>The 2008–2022 Masterplan lists the construction of the Shepparton Justice Precinct, incorporating a Justice Centre as one of five funding proposals for 2010–11, to be completed by 2013–14.</p> <p>The 2008–2022 Masterplan highlights the following issues with the Shepparton courthouse:</p> <ul style="list-style-type: none"> • Impact of projected population growth on caseload indicates the need for two extra courtrooms by 2011 and two more by 2021. • Overall functionality rating of 40 per cent due to: <ul style="list-style-type: none"> • infestation of white ants which cannot be eradicated • constrained operations because of room layouts and the physical separation of the court administration services • insufficient rooms for court support staff and interview rooms • poor security for staff, the judiciary, jury members and the public—custody access from the police station conflicts with magistrates' access to their chambers.
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Source: Victorian Auditor-General's Office.

2.5.2 Funding strategies

Both agencies can improve their strategic asset planning by developing comprehensive asset management strategies for courthouses and police stations, with funding strategies that match the long-term planning horizons needed for such long-lived assets.

Planning horizons

The Masterplan aspires to be a long-term plan for fixed asset requirements and as the title indicates, the planning horizon is 2022. However the document only covers capital investment requirements for five years to 2016. VicPol's 2009 Strategic Facilities Development Plan lists priorities for five years: 2010–11 to 2014–15.

As both documents are stated to provide inputs into a ten-year 'Multi Year Strategy', it would be appropriate for the funding proposals to match this time frame.

Acquisition strategies

Neither the Masterplan nor the supporting asset acquisition plan clearly state the preferred method of acquisition for proposed courthouse developments.

DOJ rarely leases courthouses, with three court buildings outside the Melbourne legal precinct on operating leases and the County Court on a long-term finance lease. The amount and timing of the cost estimates in the acquisition plan infer that the state will own the assets rather than lease them.

By contrast VicPol reviewed the relative costs and benefits of 'lease versus buy' and opted for ownership as its first preference. Yet despite this, VicPol also gives explicit consideration to leasing in its recent funding proposals.

Both DOJ and VicPol's strategic plans acknowledge the benefits of co-locating police and court facilities and where viable, co-locating police stations with other emergency services. These benefits include:

- fostering closer working relationships between agencies
- savings from shared operating costs
- reducing prisoner transport expenses between police and court facilities, estimated to cost between \$20 000 and \$200 000 annually.

Co-location of assets is in line with the 2006 government policy, 'Ready for an Emergency'. Since 1999, five major facilities have been co-located:

- one police and emergency services complex at Pakenham
- four police and court complexes, at Ballarat, Latrobe Valley (Morwell), Mildura and Warrnambool.

Several other police stations and courthouses such as the Moorabbin Courthouse have been or will be built to anticipate a future co-located courthouse or police station.

Recommendations

1. The Department of Justice and Victoria Police should:
 - better quantify the impact of changing service delivery strategies on their built-asset portfolio and link this analysis more clearly to their asset acquisition plans
 - integrate their asset acquisition plans into an overarching asset strategy for courthouses and police stations.
 2. The Department of Justice should:
 - implement an asset management system to produce relevant, reliable and timely data on the operating and financial performance of their built-asset portfolio
 - establish a priority rating system and apply it consistently to all proposed built-asset acquisitions for the justice portfolio, to better inform decisions about relative needs and priorities.
-

3 Acquisition planning and project delivery

At a glance

Background

Planning for asset acquisitions involves continual refinement of design, cost and time lines through options analysis and project feasibility studies that culminate in a business plan. When approved this becomes the key governance document against which to measure the success of the project.

Conclusion

Once an asset investment project commences both the Department of Justice and Victoria Police have managed their procurement and construction processes effectively. However, original plans and initial budgets are not always achieved, particularly for courthouses.

Both agencies can strengthen their post-construction evaluations by examining the benefits of completed projects and incorporating lessons learned into future projects.

Findings

- Acquisitions have been approved before a comprehensive business case has been prepared, with too much reliance placed on less rigorous feasibility studies.
- Insufficient attention has been given early enough in the planning phase to identifying and analysing suitable courthouse sites, and this has led to significant unplanned cost increases.
- There was no evidence that either agency undertook a benefits realisation review to ascertain whether expected operating costs and benefits, and socio-economic and environmental impacts had been realised.

Recommendation

The Department of Justice and Victoria Police should:

- identify and rigorously analyse suitable sites prior to submitting business cases
- undertake robust post-implementation reviews in accordance with the *Investment Lifecycle Guidelines*.

3.1 Introduction

Before committing to the acquisition of a major asset, the outcomes from the high-level strategic asset plan need to be validated through more detailed planning, to verify that the proposed acquisition represents value for money.

This further analysis typically involves a rigorous option analysis and feasibility study based on a concept design brief, and culminates in a business case. The business case confirms the asset proposal can achieve the benefits sought, and indicates likely costs and risks. It contains more reliable time and cost estimates than the high-level asset acquisition plan, based on the proposed site and more detailed specifications of the building design. As such it is the basis on which funding is approved; and establishes the time, cost and quality benchmarks against which the construction of the asset is measured.

Once funding is approved, the outcome of each construction will be determined largely by the effectiveness of procurement and project management.

3.2 Conclusion

Once an asset investment project commences, both the Department of Justice (DOJ) and Victoria Police (VicPol) have demonstrably managed their procurement and construction processes effectively. Cost variances are reasonably constrained within acceptable limits compared to project budgets, and time lines projected at the commencement of construction are generally achieved.

However, it is not always the case that the original plans and initial budgets are achieved. This is a direct result of weaknesses in the acquisition planning process, rather than subsequent project management. In particular, asset investments and budgeted costs have been approved before a comprehensive business case has been prepared, with too much reliance placed on less rigorous feasibility studies. In addition, the prevalence of cost increases caused by site issues on a number of courthouse projects indicates that insufficient attention has been given by DOJ to this important aspect early enough in planning.

Both agencies can strengthen their post-construction evaluations to examine the benefits of completed projects and incorporate lesson learned into future projects.

3.3 Construction outcomes and project management

The significant majority of courthouse and police station construction projects managed by DOJ and VicPol are delivered within their final approved budgets and on time. However, when compared to their initial budget estimates, significant variations occurred on the three courthouse projects examined.

While some variation in actual costs from the approved budget is expected, due to issues that arise once construction has commenced, the total actual costs across the past ten years, from a portfolio perspective, align very closely with the final approved budgets. Appendix A sets out the final approved budget and actual costs for police stations and courthouses over the audit review period from 2001 to 2010.

This outcome is attributed to effective project management and cost controls during the construction phase. No substantive issues were identified with the consultant and construction contracts examined for both DOJ and VicPol projects. In all cases, claims were independently assessed before payments were made.

High-level oversight of construction projects is undertaken by the Justice Asset Committee, chaired by the secretary. This committee received regular, detailed reports on the progress of asset investments across the portfolio, demonstrating appropriate governance in relation to these significant investment activities.

While this strong result reflects positively on each agency's approach to project and construction management, weaknesses were nevertheless identified in the acquisition planning phase preceding construction.

3.4 Acquisition planning

A full business case should be prepared prior to seeking funding for a major asset investment. It provides a rigorous examination of the options, costs and risks and once approved, it becomes the core governance document against which the project will be managed and measured. It typically builds upon earlier work that analyses viable options, and feasibility studies that are used to develop the concept design and consider the risks and benefits. At each phase the planning process cost and timing estimates become more precise and reliable.

The costs in the business case are used for the investment evaluation. As they test the overall suitability and viability of a proposal it is important that they are robust. The asset class, the uniqueness of the project or facility, the level of building and construction activity and the buoyancy of the broader economy may influence the ability to reliably estimate the cost of a proposal.

Figure 3A lists the five construction projects we examined in detail. It shows significant variations in the time lines and budgets set and approved in the acquisition planning phase.

Figure 3A
Projects examined

Project	Lead agency	Initial expected completion	Actual completion	Initial budget \$mil	Revised budget \$mil	Actual cost \$mil
Courts						
Warrnambool Courthouse	DOJ	Jul 2002	Feb 2005	8.8	15.5	15.5
Moorabbin Courthouse	DOJ	Dec 2007	Dec 2007	18.0	28.2	28.2
Police stations						
Footscray Police Station	VicPol	Dec 2005	Oct 2006	12.1	13.3	10.8
Bendigo Police Station	VicPol	Nov 2006	Mar 2007	19.7	19.7	19.6
Joint facilities						
Latrobe (Morwell) Court and Police Complex	VicPol	Sep 2005	Oct 2006	25.0	37.2	38.9

Source: Victorian Auditor-General's Office.

The *Investment Lifecycle Guidelines* issued by the Department of Treasury and Finance in July 2008 provide an indication of the expected degree of cost precision at each stage of planning. This ranges from within 60 per cent at the strategic planning phase; to within 30 per cent at the preliminary design phase; to within 25 per cent at the business case phase.

Comparison of the initial and final budgets shows that these tolerances were exceeded for all courthouses constructed in the past decade.

3.4.1 Courthouses

Except for the Morwell complex, DOJ undertook rigorous options analysis for its courthouses, both through a series of feasibility studies and subsequent investment evaluations.

However, as the following case studies demonstrate, weaknesses in planning led to higher costs than originally expected and approved in the business cases, and also to extended time frames for the delivery of projects.

These studies particularly demonstrate the importance of securing and evaluating a suitable site prior to finalisation of the business case and submission of a request for budget funding. It is clear that site issues create significant cost uncertainty, due to their potential to impact on the design of the building, construction access and the need for site remediation works before construction can commence.

Case studies

Warrnambool

A replacement courthouse was approved in 2000–01 at a total estimated cost of \$8.7 million with an expected completion date of July 2002. A comprehensive and detailed investment evaluation was prepared to support the investment proposal, which demonstrated alignment with DOJ's 1998 strategic asset plan; and confirmed the need for the asset.

The preferred option of a 'greenfield' development co-located next to the new police complex was assessed to provide the best financial and socio-economic outcome, even though the second-ranked option of redevelopment on the existing site had a lower estimated construction cost—\$7.6 million compared to \$7.9 million.

The site of the new courthouse was occupied and at the time of approval, had not been secured. As part of a comprehensive risk analysis, the investment evaluation identified a price risk due to the uncertainty of the purchase price for the site.

The site was acquired in late 2000, at a price consistent with the budget estimate. However, it was agreed to delay settlement by 18 months to allow the previous owner to relocate. It took 23 months for DOJ to gain control of the site in May 2002.

The delay in site acquisition led directly to cost increases, estimated by DOJ to be \$2.2 million, due largely to the escalation of prices since April 2001 when construction was originally due to commence.

DOJ commenced the design of the courthouse in January 2002. During the design phase, problems with the narrowness and slope of the site, and with heritage controlled walls, led to an additional cost estimate of \$2.5 million.

Finally, revisions to the scope of the project, initiated by DOJ to meet its revised court design guidelines issued in February 2002, added a further \$1.7 million to the estimated construction cost.

Approval for additional funding of \$6.7 million was obtained in February 2003, bringing the total estimated cost to \$15.5 million. By this time the state was contractually bound to its major suppliers.

No cost-benefit analysis was undertaken to consider whether the increased costs for the preferred option invalidated the original business case; and in particular whether the second-ranked option could have been delivered at a significantly lower cost.

Morwell-Latrobe Valley Police and Courts Complex

In 2001, the Latrobe Ministerial Taskforce announced that the Morwell Police and Court Complex would be built at a cost of \$25 million to replace existing assets. While the need for a new courthouse in the region was recommended in DOJ's 2001 strategic asset plan, DOJ had not prepared an investment evaluation or considered building or site options or costs before the announcement.

A feasibility study undertaken in 2001 assumed a 'greenfield' site, but the existing courthouse site and adjoining council-owned land was selected. This led to increased costs of \$3.9 million due to a higher than planned land acquisition price, and unplanned costs associated with clearing the 'brownfield' site.

Other taskforce announcements generated major construction activity in the region, which led to higher than expected tenders in July 2003. This delayed the project as tenders were re-let, with the total approved cost increased to \$37.2 million, and a revised completion date of September 2006.

Moorabbin

A new courthouse was approved in 2003–04 at a total estimated construction cost of \$18 million. At the time of approval a site had not been selected, and a site selection study was subsequently undertaken. In 2004–05 an additional \$10.2 million was approved primarily to cover site acquisition and design costs, bringing the total estimated cost to \$28.2 million with an expected completion date of December 2007.

The design was developed prior to and independent of the actual site acquisition, presenting an avoidable need to change the original design to accommodate the site characteristics.

3.4.2 Police stations

For the police stations examined, feasibility studies had been prepared to inform the development of the business case. However the extent and nature of analysis varied significantly between business cases.

For example, typically an investment option analysis is undertaken to compare the 'do nothing' scenario against the preferred construction option and other viable asset solutions and non-asset solutions. However, investment option analyses were not prepared for the Bendigo and Footscray police stations. Other projects checked including Lilydale, Swan Hill and Collingwood included options analysis. These projects had detailed business cases addressing the likely options with a clear outcome recommending the preferred solution.

While financial analysis of the preferred option was typically undertaken by VicPol, not all projects examined included analysis of socio-economic and environmental impacts. However, the inclusion of social and environmental impact analysis is becoming more frequent in more recently competed business cases. In some of VicPol's latest business cases socio-economic impact is weighted up to 70 per cent. For this reason, VicPol would benefit from the mandatory inclusion of social impact analyses in all its future business cases.

3.5 Investment evaluation and benefits realisation

It is important that the expected outcomes from an approved investment be subsequently confirmed to demonstrate that value for money was achieved and the planned benefits have been realised.

The importance of this phase of the asset life cycle has been recognised in the *Investment Lifecycle Guidelines* which make it mandatory for agencies to undertake post-implementation reviews for projects exceeding \$5 million. Generally, these reviews should be conducted approximately one year after project completion, and following any defect liability periods.

Both DOJ and VicPol undertake post-occupancy reviews because there is a 12-month defect liability clause in all construction contracts. The clause provides for the contractor to repair defects that occur in the 12 months following the date for practical completion.

These reviews confirm that the constructed asset meets the planned design and quality standards expressed in the business case. However there was no evidence that either agency undertook a benefits-realisation review to ascertain whether expected operating costs and benefits, and socio-economic and environmental impacts had been realised.

Although both DOJ and VicPol state that lessons learned are reflected in changes to the courts design and police station design guidelines, this requirement is not included in their documented processes. This limits assurance that all issues are systematically addressed and incorporated in future developments.

3.5.1 Continuous improvement

DOJ has drafted an *Asset Investment Framework* document which aspires to continuous improvement by defining milestones and aligning future asset investment projects with government guidelines.

There have been no recent projects to demonstrate this continuous improvement in action.

Recommendation

- 3 The Department of Justice and Victoria Police should:
 - identify and rigorously analyse suitable sites prior to submitting business cases
 - undertake robust post-implementation reviews in accordance with the *Investment Lifecycle Guidelines* to confirm that:
 - project objectives are met
 - project benefits are realised
 - issues are identified and lessons learned are incorporated into future projects
 - a continuous improvement model is adopted and outcomes are fed directly into strategic planning documents and operational guidelines.
-

Appendix A.

Courthouse and police station cost summary

Location	Month completed	Final approved budget (\$ '000)	Actual cost (\$ '000)	Variance from budget (\$ '000)
Department of Justice managed projects				
Wodonga Courthouse	August 2002	11 900	11 900	0
Mildura Courthouse	November 2004	16 700	16 700	0
Warrnambool Courthouse	February 2005	15 500	15 500	0
Moorabbin Courthouse	November 2007	28 200	28 200	0
Total justice projects		72 300	72 300	0
Department of Justice and Victoria Police joint projects				
Latrobe (Morwell) Court and Police Complex	October 2006	37 200	38 927	1 727
Victoria Police managed projects				
Beulah Police Station	March 2001	200	205	5
Dederang Police Station	May 2001	232	231	-1
Churchill Police Station	August 2001	502	494	-8
Newstead Police Station	August 2001	259	259	0
Lexton Police Station	September 2001	220	227	7
Wonthaggi Police Station	October 2001	4 210	4 044	-166
Lancefield Police Station	November 2001	260	224	-36
Birchip Police Station	December 2001	460	491	31
Landsborough Police Station	December 2001	220	217	-3
Learmonth Police Station	December 2001	270	237	-33
Broadford Police Station	January 2002	630	544	-86
Forrest Police Station	March 2002	200	200	0
Beeac Police Station	May 2002	210	381	171
Meeniyan Police Station	May 2002	200	200	0
Apsley Police Station	August 2002	250	266	16
Branxholme Police Station	August 2002	250	310	60
Clunes Police Station	August 2002	250	282	32
Red Cliffs Police Station	August 2002	480	587	107
Skipton Police Station	August 2002	260	270	10
Tatura Police Station	August 2002	502	566	64
Violet Town Police Station	August 2002	250	319	69
Boolarra Police Station	September 2002	250	271	21

Location	Month completed	Final approved budget (\$ '000)	Actual cost (\$ '000)	Variance from budget (\$ '000)
Victoria Police managed projects – continued				
Boroondara Police Station	September 2002	8 200	6 200	-2 000
Chiltern Police Station	September 2002	250	308	58
Tongala Police Station	September 2002	250	289	39
Yackandandah Police Station	September 2002	290	329	39
Kinglake Police Station	October 2002	500	834	334
Romsey Police Station	October 2002	545	538	-7
Eltham Police Station	November 2002	5 100	4 350	-750
Underbool Police Station	November 2002	250	267	17
Water Police	November 2002	2 000	3 370	1 370
Eildon Police Station	December 2002	545	622	77
Bacchus Marsh Police Station	February 2003	4 250	4 051	-199
Mt. Evelyn Police Station	February 2003	570	610	40
Kaniva Police Station	May 2003	545	785	240
Belgrave Police Station	June 2003	3 400	4 354	954
Lang Lang Police Station	June 2003	290	325	35
Lavers Hill Police Station	June 2003	270	345	75
Moe Police Station	June 2003	4 400	4 567	167
Northcote Police Station	June 2003	6 342	6 855	513
Preston Police Station	August 2003	8 000	6 813	-1 187
Seymour Police Station	August 2003	7 000	7 270	270
Bellarine Police Station	September 2003	5 000	4 573	-427
Richmond Police Station	September 2003	7 730	8 189	459
Croydon Police Station	October 2003	5 100	5 176	76
Heidelberg Police and Courts Complex	October 2003	8 500	8 482	-18
Camberwell Police Station Upgrade	December 2003	1 710	1 924	214
Gisborne Police Station	December 2003	5 000	4 830	-170
Inglewood Police Station	December 2003	600	647	47
Kilmore (24 hour) Police Station	December 2003	4 500	4 238	-262
Pyramid Hill Police Station	December 2003	280	320	40
Bunyip Police Station	January 2004	600	657	57
Diamond Creek Police Station	February 2004	6 250	6 957	707
Gordon Police Station	February 2004	280	252	-28
Yea Police Station	February 2004	545	750	205
Macarthur Police Station	April 2004	310	268	-42
Whitfield Police Station	May 2004	280	332	52
Beaufort Police Station	June 2004	630	626	-4
Maryborough Police Station	June 2004	4 740	4 922	182
Rowville Police Station	July 2004	4 500	4 749	249
Bendoc Police Station	October 2004	280	517	237

Location	Month completed	Final approved budget (\$ '000)	Actual cost (\$ '000)	Variance from budget (\$ '000)
Victoria Police managed projects – continued				
Endeavour Hills Police Station	November 2004	4 417	4 156	-261
Cressy Police Station	January 2005	280	326	46
Smythesdale Police Station	March 2005	280	330	50
Merbein Police Station	May 2005	630	589	-41
Tarnagulla Police Station	May 2005	280	253	-27
Warragul Police Station	July 2005	6 100	6 051	-49
Hopetoun Police Station	October 2005	640	632	-8
Bannockburn Police Station	November 2005	640	925	285
Edenhope Police Station	November 2005	640	673	33
Fawkner (Coburg) Police Station	November 2005	9 000	14 114	5 114
Rye Police Station	November 2005	700	729	29
Koondrook Police Station	December 2005	280	323	43
Bethanga Police Station	January 2006	280	440	160
Lake Boga Police Station	January 2006	640	384	-256
Manangatang Police Station	January 2006	340	318	-22
Speed Police Station	January 2006	340	337	-3
Woomelang Police Station	January 2006	340	325	-15
Natimuk Police Station	February 2006	340	358	18
Timboon Police Station	February 2006	530	438	-92
Brunswick Police Station	March 2006	14 505	5 957	-8 548
Lake Bolac Police Station	March 2006	280	405	125
Linton Police Station	March 2006	340	404	64
Nyah Police Station	March 2006	890	672	-218
Quambatook Police Station	March 2006	350	323	-27
Bairnsdale Police Station	April 2006	10 300	9 630	-670
Boort Police Station	April 2006	280	336	56
Leongatha Police Station	April 2006	640	1 384	744
Bruthen Police Station	May 2006	340	422	82
Caroline Springs Police Station	May 2006	5 500	5 398	-102
Dartmoor Police Station	May 2006	360	412	52
Macedon Police Station	May 2006	440	282	-158
Merino Police Station	May 2006	340	369	29
Mt. Hotham Police Station	May 2006	640	2 265	1 625
Myrtleford Police Station	May 2006	640	775	135
Penshurst Police Station	May 2006	340	356	16
Cann River Police Station	June 2006	390	522	132
Goroke Police Station	June 2006	390	271	-119
Mitta Mitta Police Station	June 2006	280	469	189
Serpentine Police Station (Mitiamo)	June 2006	350	330	-20

Location	Month completed	Final approved budget (\$ '000)	Actual cost (\$ '000)	Variance from budget (\$ '000)
Victoria Police managed projects – continued				
Toora Police Station	June 2006	340	782	442
Woods Point Police Station	June 2006	280	697	417
Inverloch Police Station	July 2006	640	1 371	731
Kyabram Police Station	July 2006	640	1 185	545
Rawson Police Station	July 2006	360	445	85
Stratford Police Station	July 2006	280	450	170
Cranbourne Police Station	August 2006	6 700	6 085	-615
Culgoa Police Station	August 2006	350	408	58
Gunbower Police Station	August 2006	280	428	148
Koroit Police Station	August 2006	640	757	117
Raywood Police Station	September 2006	360	354	-6
San Remo Police Station	September 2006	1 710	1 550	-160
Elmhurst Police Station	October 2006	360	301	-59
Footscray Police Station	October 2006	13 300	10 793	-2 507
Goornong Police Station	October 2006	360	421	61
Springvale Police Station	October 2006	9 705	9 592	-113
Stanhope Police Station	October 2006	360	316	-44
Apollo Bay Police Station	November 2006	700	2 260	1 560
Nhill Police Station	November 2006	680	759	79
Robinvale Police Station	November 2006	920	1 612	692
Pakenham Police/Emergency Services Facility	December 2006	11 000	11 973	973
Hurstbridge Police Station	January 2007	1 100	844	-256
Nathalia Police Station (Tungamah)	January 2007	340	624	284
Murchison Police Station	February 2007	390	363	-27
Bendigo Police Station	March 2007	19 700	19 605	-95
Mirboo North Police Station	March 2007	340	494	154
Torquay Police Station	March 2007	7 500	7 454	-46
Warrandyte Police Station	March 2007	700	906	206
Tallangatta Police Station	April 2007	640	1 383	743
Olinda Police Station	June 2007	1 400	1 141	-259
Buchan Police Station	July 2007	340	361	21
Swifts Creek Police Station	July 2007	280	490	210
Wallan Police Station	August 2007	6 360	4 998	-1 362
Mildura Police Station	September 2007	12 500	18 511	6 011
Yarra Junction Police Station	August 2008	1 300	1 195	-105
Yarrowonga Police Station (St James)	November 2008	390	1 956	1 566
Air Wing	December 2008	7 672	7 249	-423
Hastings Police Station	December 2008	2 550	2 558	8

Location	Month completed	Final approved budget (\$ '000)	Actual cost (\$ '000)	Variance from budget (\$ '000)
Victoria Police managed projects – continued				
Foster Police Station	May 2009	1 500	1 500	0
Ouyen Police Station	May 2009	1 403	1 120	-283
Sunbury Police Station	August 2009	1 779	1 915	136
Box Hill Police Station	March 2010	19 756	16 380	-3 376
Lilydale Police Station	March 2010	13 500	12 099	-1 401
Wyndham North Police Station	March 2010	6 540	7 003	463
Bayside (Sandringham) Police Station	April 2010	15 031	13 680	-1 351
Swan Hill Police Station	May 2010	16 075	15 526	-549
Carlton/Nth Melbourne Police Station	August 2010	23 900	19 526	-4 374
Carrum Downs Police Station	September 2010	9 000	8 850	-150
Ararat Police Station	October 2010	13 500	10 028	3 472
Kyneton Police Station*	February 2011	12 241	10 492	1 749
Elmore Police Station*	June 2011	500	455	45
Total police projects		432 881	426 244	-6 637

Note: * Still in progress.

Source: Victorian Auditor-General's Office.

Appendix B.

Audit Act 1994 section 16— submissions and comments

Introduction

In accordance with section 16(3) of the *Audit Act 1994* a copy of this report was provided to the Department of Justice and Victoria Police with a request for submissions and comments.

The submissions and comments provided are not subject to audit nor the evidentiary standards required to reach an audit conclusion. Responsibility for the accuracy, fairness and balance of those comments rests solely with the agency head.

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Submissions and comments received

RESPONSE provided by the Secretary of the Department of Justice



Department of Justice

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Our Ref: CD/11/19929

Mr D D R Pearson
Auditor-General
Level 24, 35 Collins St
MELBOURNE VIC 3000

Dear Mr Pearson

AUDIT REPORT: CONSTRUCTION OF POLICE STATIONS AND COURTHOUSES

Thank you for your letter of 7 January 2011 enclosing your report, *Construction of Police Stations and Courthouses*, and your invitation to provide formal comments for inclusion.

The Department of Justice has initiated significant changes to the departmental asset management frameworks, including systems, registers and data capture over the past 18 months. These include the Asset Management Improvement Program and, more recently, the commencement of the Legal Services Master Plan.

The development of a long-term strategic approach to the state's legal services demand will allow the department to develop an appropriate strategic asset response, which will feed into the annual budget cycle informing the acquisition and disposal plans for key court assets.

It is my belief that the department's improved project and asset management frameworks, and the expected completion of the Legal Services Master Plan over the next six months, will together address the audit recommendations within the report, ensuring the construction of police stations and courthouses is managed to best practice standards.

I welcome the independent assessment by your office and accept that such external analyses are a valuable tool in assisting in the continuous improvement of our management practices.

Yours sincerely

PENNY ARMYTAGE
Secretary



RESPONSE provided by the Chief Commissioner of Police



VICTORIA POLICE

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Mr Des Pearson
Auditor-General Victoria
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Dear Mr Pearson

Thank you for the copy of your report regarding *Construction of Police Stations and Courthouses* proposed to be tabled in Parliament in February 2011. I appreciate the opportunity to provide comment for inclusion in the report accordance with section 16(3)(b) of the Audit Act 1994.

In this context, I wish to provide the following comments:

- The findings acknowledging effective management of a substantial program of 153 police station projects reflect the significant attention paid by Victoria Police on robust procurement, design and project management of these projects during the 10 year period covered by the audit.
- The findings relating to improvements in forward planning and integrating capital planning with service delivery strategies are accepted and are an increasing focus of current capital asset planning. It should be noted that whilst this will be an enhanced area of focus, there are always circumstances where this integration of capital planning and service delivery will be vulnerable to changes in the policy settings of Government. For example, the electoral announcement by the Coalition Government of 1700 additional Police and 940 additional Protective Security Officers will have a profound impact on infrastructure demand and service delivery across Victoria Police over the next 5 years. This kind of decision would have been difficult to anticipate and plan for.

RESPONSE provided by the Chief Commissioner of Police – continued

- The findings relating to improvements in asset lifecycle management are accepted within the constraints presented by resourcing priorities.

I look forward to the release of the final audit report.

Yours sincerely



Simon Overland APM
Chief Commissioner

24/01/11

Auditor-General's reports

Reports tabled during 2010–11

Report title	Date tabled
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Taking Action on Problem Gambling (2010–11:2)	July 2010
Local Government: Interim Results of the 2009–10 Audits (2010–11:3)	August 2010
Water Entities: Interim Results of the 2009–10 Audits (2010–11:4)	August 2010
Public Hospitals: Interim Results of the 2009–10 Audits (2010–11:5)	September 2010
Business Continuity Management in Local Government (2010–11:6)	September 2010
Sustainable Farm Families Program (2010–11:7)	September 2010
Delivery of NURSE-ON-CALL (2010–11:8)	September 2010
Management of Prison Accommodation Using Public Private Partnerships (2010–11:9)	September 2010
Soil Health Management (2010–11:10)	October 2010
Sustainable Management of Victoria's Groundwater Resources (2010–11:11)	October 2010
The Department of Human Services' Role in Emergency Recovery (2010–11:12)	October 2010
Access to Ambulance Services (2010–11:13)	October 2010
Management of the Freight Network (2010–11:14)	October 2010
Security of Infrastructure Control Systems for Water and Transport (2010–11:15)	October 2010
Auditor-General's Report on the Annual Financial Report of the State of Victoria, 2009–10 (2010–11:16)	October 2010
Restricting Environmental Flows during Water Shortages (2010–11:17)	October 2010
Victorian Registration and Qualifications Authority (2010–11:18)	October 2010
Acquittal Report: Results of the 2009–10 Audits: (2010–11:19)	February 2011
Effectiveness of Victims of Crime Programs: (2010–11:20)	February 2011
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