



# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**102<sup>ND</sup> REPORT TO THE PARLIAMENT**

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## **Report on the 2011-12 Budget Estimates — Part Two**

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# **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

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**Parliament of Victoria**  
**Public Accounts and Estimates Committee**

*Report on the 2011-12 Budget Estimates — Part Two*

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The Committee's report on the 2011-12 budget estimates will be tabled in three parts.

### **Part One**

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Part One included:

- an analysis of the key aspects of the 2011-12 Budget, including a number of recommendations;
- an index of key matters raised at the budget estimates hearings; and
- details of further information to be provided and questions on notice for each portfolio.

### **Part Two**

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Part Two examines the departmental performance measures in the budget papers, with a number of recommendations for improvements. This examination includes a review of the performance measures that the Government has proposed discontinuing or substantially altering in the 2011-12 Budget.

### **Part Three**

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Part Three will provide a detailed analysis, including recommendations, relating to the budget estimates for 2011-12 and the forward estimates. The analysis will be based on:

- the budget papers;
- the budget estimates hearings;
- departments' responses to questionnaires from the Committee;
- ministers' responses to questions on notice, requests for further detail and unasked questions; and
- any other relevant material.

### **Transcripts and questionnaire responses**

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In previous years, the transcripts of the budget estimates hearings and the departments' responses to the Committee's budget estimates questionnaire were published in the Committee's report. This year, the Committee has decided not to print these in the report, but they are all available online at the Committee's website:

**[www.parliament.vic.gov.au/paec](http://www.parliament.vic.gov.au/paec)**



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## **PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE MEMBERSHIP — 57<sup>TH</sup> PARLIAMENT**

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Neil Angus MP

Jill Hennessy MP

David Morris MP

David O'Brien MLC

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## DUTIES OF THE COMMITTEE

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

The Committee comprises seven members of Parliament drawn from both Houses of Parliament.

The Committee carries out investigations and reports to Parliament on matters associated with the financial management of the State. Its functions under the Act are to inquire into, consider and report to the Parliament on:

- any proposal, matter or thing concerned with public administration or public sector finances;
- the annual estimates or receipts and payments and other budget papers and any supplementary estimates of receipts or payments presented to the Assembly and the Council; and
- any proposal, matter or thing that is relevant to its functions and has been referred to the Committee by resolution of the Council or the Assembly or by order of the Governor in Council published in the Government Gazette.

The Committee also has a number of statutory responsibilities in relation to the Office of the Auditor-General. The Committee is required to:

- recommend the appointment of the Auditor-General and the independent performance and financial auditors to review the Victorian Auditor-General's Office;
- consider the budget estimates for the Victorian Auditor-General's Office;
- review the Auditor-General's draft annual plan and, if necessary, provide comments on the plan to the Auditor-General prior to its finalisation and tabling in Parliament;
- have a consultative role in determining the objectives and scope of performance audits by the Auditor-General and identifying any other particular issues that need to be addressed;
- have a consultative role in determining performance audit priorities; and
- exempt, if ever deemed necessary, the Auditor-General from legislative requirements applicable to government agencies on staff employment conditions and financial reporting practices.



## CHAIRMAN'S FOREWORD

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I am pleased to present the second part of the Public Accounts and Estimates Committee's report on the 2011-12 budget estimates. This part is one of three which together will provide an overview and analysis of the 2011-12 Budget.

Whereas Part One focused largely on the public hearings conducted by the Committee in May 2011, Parts Two and Three are intended to provide a more detailed analysis of the 2011-12 Budget.

This Part Two is specifically focused on performance measures in the 2011-12 Budget. In undertaking this analysis, the Committee is responding both to its duties as set out in the Parliamentary Committees Act and to a request from the Minister for Finance to review the performance measures proposed to be discontinued or substantially changed in the 2011-12 Budget. The Minister's request represents a new step in the budgetary process for 2011-12, which the Committee and I warmly welcome as an increase in the Government's accountability.

I consider performance measures to be of particular importance in the Government's management of the State Budget. Performance measures, if designed and used well, have the potential to significantly improve the management, performance and transparency of the Government and the public sector. They can provide the means to make evidence-based policy decisions and to assess the efficiency and effectiveness of Government programs.

Performance measurement and reporting also enable the Parliament and the community to assess the Government's performance compared to its targets and objectives. Ensuring that performance measures are sufficient and appropriate is thus a key aspect of the Public Accounts and Estimates Committee's work examining the accountability mechanisms for Government expenditure.

I believe that there is currently potential to improve performance measurement and reporting in Victoria. It is my hope that this report will assist the Government in making such improvements, and the Committee intends to continue examining the Government's achievements in this area compared to better practice in the future.

As a final point, there are a number of people I would like to thank. I am grateful for the efforts of the many Members of Parliament and departmental staff who supplied information at the public hearings and through the Committee's budget estimates questionnaire, which has been very helpful in producing this report. I also appreciate the efforts and input of the other members of the Committee. I would also like to particularly thank the Committee's secretariat for their hard work in the preparation of this report.



**Philip R. Davis MP**  
**Chairman**



# RECOMMENDATIONS

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<b>Recommendation 1:</b>	<b>The Department of Treasury and Finance in consultation with the Department of Premier and Cabinet conduct a review of the quality of Victoria’s current performance measures to assess whether they meet generally acknowledged better-practice criteria. . . . .</b>	<b>8</b>
<b>Recommendation 2:</b>	<b>The Department of Treasury and Finance develop appropriate guiding principles and criteria for all government departments that represent better practice in performance measurement. . . . .</b>	<b>9</b>
<b>Recommendation 3:</b>	<b>The Department of Treasury and Finance develop practical guidance materials to guide departments in the development and implementation of better-practice performance measures. . . . .</b>	<b>9</b>
<b>Recommendation 4:</b>	<b>The Department of Treasury and Finance work with departments to increase the number of meaningful, transparent and appropriate outcomes-based performance measures in the budget papers and link this explicitly into the Strategic Management Framework. . . . .</b>	<b>13</b>
<b>Recommendation 5:</b>	<b>To enhance transparency and accountability, future budget papers clearly indicate the links between policy objectives, inputs, outputs and expected outcomes. . . . .</b>	<b>13</b>
<b>Recommendation 6:</b>	<b>The Department of Treasury and Finance work with those departments with the highest proportions of quantity measures and the lowest proportions of quality measures to examine whether, on the basis of their responsibilities, there is scope for increasing the proportion of appropriate quality measures. . . . .</b>	<b>19</b>
<b>Recommendation 7:</b>	<b>The Department of Treasury and Finance examine whether there is scope for appropriate measures to be developed to assess the quality of service delivery for those outputs which currently do not have any quality measures. . . . .</b>	<b>21</b>
<b>Recommendation 8:</b>	<b>As part of its work developing guidance for departments on better-practice performance measurement, the Department of Treasury and Finance also provide guidance for developing performance measures of the qualitative aspects of service delivery. . . . .</b>	<b>21</b>

<b>Recommendation 9:</b>	<b>To improve transparency of the net effect of new and discontinued performance measures, future budget papers include a table showing the number of new and discontinued measures for each department. . . . .</b>	<b>22</b>
<b>Recommendation 10:</b>	<b>The Department of Treasury and Finance develop guidance material for departments which clearly specifies circumstances where it may be appropriate for performance measures to be discontinued. . . . .</b>	<b>25</b>
<b>Recommendation 11:</b>	<b>The Government not discontinue the performance measures listed in Table 3.8.. . . .</b>	<b>25</b>
<b>Recommendation 12:</b>	<b>To enhance transparency in reporting, explanations be given in future budget papers for each and every change to a performance target. . . . .</b>	<b>33</b>
<b>Recommendation 13:</b>	<b>In future budget papers, all explanations for changes to performance targets indicate, at a minimum, whether the change is because of:</b>	
	<b>(a) changed government policy, funding or program delivery; or</b>	
	<b>(b) changed external circumstances . . . . .</b>	<b>33</b>
<b>Recommendation 14:</b>	<b>The Department of Treasury and Finance publish on its website the 2011-12 performance targets for the four measures listed as ‘to be advised’ in the 2011-12 budget papers as soon as they can be determined. . . . .</b>	<b>35</b>
<b>Recommendation 15:</b>	<b>The Department of Treasury and Finance ensure in future budgets that each major initiative released in that budget has a sufficient number of corresponding performance measures in order to enable the Parliament to assess the performance of that initiative.. . . .</b>	<b>38</b>
<b>Recommendation 16:</b>	<b>Revisions to the 2012-2022 Metropolitan Health Plan to take into account any changes to population projections and factors that may change over time be clearly documented by the Department of Health to provide an adequate trail of amendments made to the original plan.. . . .</b>	<b>42</b>

<b>Recommendation 17:</b>	To ensure that budget allocations and demands on the health system are premised on the same basis, the Department of Treasury and Finance and the Department of Health use the same population growth estimates, based on the most up-to-date population data, when framing the budget and formalising health and other planning frameworks.. . . .	43
<b>Recommendation 18:</b>	To provide greater clarity, the Department of Treasury and Finance include notes to particular output performance targets in the budget papers to explain factors that have contributed to any targets being set at levels that could be reasonably interpreted as being significantly understated compared to the previous year. . . . .	44
<b>Recommendation 19:</b>	To provide greater transparency, the Department of Health ensure that the Rural and Regional Health Plan includes a description of the funding strategies available to small rural services throughout Victoria. . . . .	44
<b>Recommendation 20:</b>	As the funding initiatives directed at the delivery of ambulance emergency services are rolled out over time, the Department of Treasury and Finance examine whether performance targets in the Budget need to be set at more challenging levels that would correlate with the additional funding allocations.. . . .	47
<b>Recommendation 21:</b>	As a matter of imperative, the Government develop, and provide details in the 2012-13 budget papers, an approach for measuring the achievement of whole-of-government outcomes over time, including crime reduction. . . . .	49
<b>Recommendation 22:</b>	To enhance accountability, the Department of Treasury and Finance explore the possibility of developing specific output performance measures that relate directly to the activities performed under the responsibilities of the new aviation industry portfolio. . . . .	50
<b>Recommendation 23:</b>	The Department of Treasury and Finance conduct a review to ensure that performance measures and targets have been established, where practicable, for all of the new government portfolios. . . . .	50
<b>Recommendation 24:</b>	The Government establish an appropriate performance management framework for Victoria's manufacturing industry that addresses any findings from the Victorian Competition and Efficiency Commission inquiry. . . . .	52





# CHAPTER 1: INTRODUCTION

## 1.1 Background

Each year in Budget Paper No.3 (Service Delivery), the Government provides details of the goods and services each department intends to deliver through departmental output statements. These statements aggregate the goods and services for each department into a number of high-level ‘outputs’, with details provided for each output. These details include a number of performance measures, with targets for the forthcoming year, describing the quantity of units to be delivered, the expected level of quality, the timeliness of delivery and the cost of each output. The budget papers explain that:<sup>1</sup>

*Departmental output statements are a key accountability mechanism for departmental service delivery as they include performance standards for each output that enable the assessment of departments’ service delivery.*

Departments report on their actual performance on these measures in their annual reports. As such, the output performance measures disclosed in the budget papers are one of the key tools by which the Parliament and wider community can assess departments’ performance against their objectives.<sup>2</sup>

## 1.2 The Public Accounts and Estimates Committee’s review of the 2011-12 budget estimates

The Public Accounts and Estimates Committee undertakes a review each year of the budget estimates and budget papers, in accordance with Section 14 of the *Parliamentary Committees Act 2003*. This review includes:

- public hearings with the Presiding Officers, Premier, Deputy Premier, Treasurer, Assistant Treasurer, Attorney-General, all Victorian ministers and departmental secretaries to uncover details of the planned use of funds in each portfolio;
- a questionnaire to all departments;
- requests for further information from ministers; and
- the production of a report analysing the budget estimates and budget papers.

The *Report on the 2011-12 Budget Estimates* will be published in three parts, with this Part Two focusing on departmental performance measures.

In preparing this Part Two, the Committee is also responding to a request from the Minister for Finance to review the performance measures that the Government has proposed discontinuing or substantially changing in the 2011-12 Budget. As the Minister explained:<sup>3</sup>

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1 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.149

2 cf. Victorian Auditor-General, *Performance Reporting by Departments*, May 2010, p.1

3 Hon. R. Clark MP, Minister for Finance, correspondence received 3 May 2011

*While many discontinuations or alterations may be justified, such changes can, if undertaken inappropriately, reduce accountability through depriving the community of relevant information or disrupting the continuity of data series.*

*The Government is therefore moving in this budget to enhance accountability for its performance measures by adopting the policy of not discontinuing or substantially changing an existing output performance measure without the prior approval of PAEC.*

The intention to consult with the Committee was confirmed in the budget estimates hearing with the Minister for Finance.<sup>4</sup>

The Committee welcomes the invitation to scrutinise these performance measures and to offer its recommendations prior to any changes taking place. The Committee's recommendations regarding the proposed discontinued or substantially changed performance measures are outlined in Chapter 3 of this report.

### **1.3 Scope of the review of performance measures in the Budget**

This examination of performance measures encompasses an analysis of:

- better practices employed by other jurisdictions regarding performance measures for budgets;
- the number and mix of performance measures in the 2011-12 Budget compared to previous years;
- the new and proposed discontinued (or substantially changed) performance measures in the 2011-12 budget papers;
- the changes that have been made to performance measures for 2011-12;
- possible improvements that could be made to the content and presentation of performance measures in the budget papers; and
- various issues relating to performance measures that arose during the budget estimates hearings process.

The Committee has undertaken this examination in a relatively short time-frame, as it has wanted to supply its feedback on performance measures as close as possible to the start of the 2011-12 financial year, so that the Government can act on the recommendations and collect data accordingly.

The Committee considers that there would be significant value in further, more detailed work being undertaken in the area of performance measurement and reporting by Victorian departments, by the Department of Treasury and Finance.

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<sup>4</sup> Hon. R. Clark MP, Minister for Finance, 2011-12 budget estimates hearing, transcript of evidence, 13 May 2011, p.7

## **1.4 Acknowledgement**

This analysis was in part informed by the findings of the budget estimates hearings and information provided in the budget estimates questionnaires. The Committee would like to thank the Presiding Officers, Premier, Deputy Premier, Treasurer, Assistant Treasurer, Attorney-General, ministers, departmental secretaries, departmental deputy secretaries, heads of agencies and their accompanying staff for their assistance at the budget estimates hearings and for their work in responding to the budget estimates questionnaire.

## **1.5 Cost**

The cost of this inquiry was approximately \$19,199.



## CHAPTER 2: BETTER PRACTICE IN PERFORMANCE MEASUREMENT

### Key findings of the Committee:

- 2.1 Performance measures are an important tool for government accountability, management and improvement. The Committee notes that there is agreement among jurisdictions on the requirement for better practice in performance measurement and reporting.
- 2.2 Previous work by the Committee and the Victorian Auditor-General indicates that, compared to better practice, there is scope for improvement in Victorian Government departments' performance measures. The Committee considers that central agencies should lead a review of Victoria's current performance measures and could assist departments through the development of criteria and guidance.
- 2.3 An important distinction in performance reporting is between 'outputs' (the services delivered) and 'outcomes' (the impacts of these outputs). Only 9 per cent of the 2011-12 Budget performance measures could be classified as outcomes-based. The Victorian Auditor-General has also described 'a considerable gap between Victoria and the acknowledged better practice jurisdictions' in measuring performance.<sup>5</sup>
- 2.4 The Committee considers that the Government's new Strategic Management Framework has the scope to lead to an increase in the quantity of outcomes-based reporting if departments receive sufficient assistance from the Department of Treasury and Finance.

### 2.1 Introduction

Performance measures are a key tool that can be used to understand and shape departments' performance in a year. The information provided by performance measures and their associated targets serves a number of functions, including:

- allowing the Parliament and the wider community to assess departments' performance in delivering services (both whether or not they have been delivered and how well program objectives are being met);
- allowing management to monitor program and project implementation against pre-determined objectives and criteria and make any required adjustments;
- coordinating whole-of-government policy direction and cross-agency service delivery through the alignment of performance measures; and
- driving continuous improvement in service delivery.

As has been recently stated by the Organisation for Economic Co-operation and Development:<sup>6</sup>

*How government activities are measured, matters.*

*...as the state is responsible for such a large and changing array of services and regulatory tasks, it must quantify its promises and measure its actions in ways that allow citizens, managers and politicians to make meaningful decisions about increasingly complex state activities.*

Australia's Auditor-General, Ian McPhee, has noted performance measurement and reporting as an area where government attention is required in Australia.<sup>7</sup> He has also stated that:<sup>8</sup>

*For the Australian Government public sector, there are some new initiatives being taken to improve public administration and there is more to be done to improve the implementation of new policy measures and get a stronger focus on the performance of government programs, particularly on their impact. The returns can be significant in providing greater transparency in government operations, and in allowing better targeting of programs by government and improving administrative efficiency. This is in the interests of good government.*

## 2.2 The criteria for good performance measures

A significant amount of literature exists in relation to performance measurement and reporting. In undertaking its assessment of the performance measures in the 2011-12 Budget, the Committee has had regard to the better-practice standards established in an array of authoritative literature for performance measurement.

Jurisdictions such as the UK, Canada and New Zealand have been developing comprehensive guidelines for departmental performance indicators over many years. The Treasury in New Zealand,<sup>9</sup> the Treasury Board of Canada Secretariat<sup>10</sup> and the Comptroller and Auditor General in the UK<sup>11</sup> have all publicly released guidance for developing performance measures, including the principles and criteria for sound indicators. The Australian National Audit Office has also released a better practice guide for performance reporting.<sup>12</sup>

6 cited by Ian McPhee, 'Public Sector Accountability', CPA Australia, International Public Sector Convention, Melbourne, 11 March 2011, pp.10-11

7 Ian McPhee, Auditor-General of Australia, CPA Australia, International Public Sector Convention, Melbourne, 11 March 2011, paper on 'Public Sector Accountability', p.10

8 *ibid.*, p.2

9 Treasury Working Paper Series, 'Managing for Outcomes in the New Zealand Public Management System' <[www.treasury.govt.nz/publications/research-policy/wp/2004/04-15/twp04-15.pdf](http://www.treasury.govt.nz/publications/research-policy/wp/2004/04-15/twp04-15.pdf)>, accessed 22 June 2011, pp.3-11, 41

10 Treasury Board of Canada Secretariat, 'Management Accountability Framework and Program Activity Architecture' <[www.tbs-sct.gc.ca/](http://www.tbs-sct.gc.ca/)>, accessed 22 June 2011

11 Comptroller and Auditor General (UK), *Taking the Measure of Government Performance*, July 2010

12 Australian National Audit Office, *Better Practice Guide: Better Practice in Annual Performance Reporting*, April 2004, pp.7-19, 50-1

The Committee particularly notes three key principles developed by the Victorian Auditor-General for assessing the usefulness of performance measures:<sup>13</sup>

- **relevance:** do performance indicators relate to the needs of users?
- **appropriateness:** do performance indicators provide sufficiently meaningful information so that users are able to adequately assess actual performance?
- **presentation:** are performance results and achievements unambiguous?

Criteria generally acknowledged in the current authoritative literature to underpin good performance measurement and reporting include:<sup>14</sup>

- **alignment:** a direct link between outputs, agency level outcomes and government goals should be made explicit;
- **completeness:** all information needed for users to assess the performance measure and achievements against the program's and agency's objectives should be provided;
- **accuracy:** the margin of error in reported information should enable decisions to be made with a high degree of confidence;
- **comparability:** widely used and validated measures facilitate benchmarking with other jurisdictions, and consistency in the boundary and scope of measures facilitates meaningful comparison;
- **clarity:** measures should be unambiguous and relatively straightforward, while still maintaining a suitable level of detail, so that the community can form its own judgements on the performance of governments in delivering services;
- **cost effectiveness:** the costs involved in data collection should be proportionate to the benefits gained from the resulting information;
- **transparency:** there should be full disclosure of assumptions and explanations of performance shortfalls – any changes to measures should be disclosed, and information from past years restated;
- **auditability:** information on measures should be recorded, analysed and disclosed in a way that would enable internal and external auditors to provide assurance as to its reliability; and

13 Victorian Auditor-General, *Performance Reporting in Local Government*, June 2008, p.9

14 Intergovernmental Agreement on Federal Financial Relations. Schedule C, Public Accountability and Performance Reporting, p.C-2;  
Public Sector Accounting Board of Canada, *Public Performance Reporting: Guide to Preparing Public Performance Reports*, May 2007;  
Independent Reference Group, *Review of the Report on Government Services' Performance Indicator Framework*, August 2010;  
Steering Committee for the Review of Government Service Provision, *Report on Government Services 2011*, January 2011, Volume 1, Chapter 1;  
Australian National Audit Office, *Better Practice Guide: Better Practice in Annual Performance Reporting*, April 2004

- **a hierarchical nature:** measures should be underpinned by more detailed performance data which can inform the agency and the Government.

The Committee also notes that the selection of relevant indicators and the reporting of actual performance will not necessarily convey the entire picture. Users require context to interpret results and form a conclusion. Key contextual data should include a pre-determined target and a trend in performance over time.<sup>15</sup>

## 2.3 Performance measures in Victoria

With regard to the Victorian experience in measuring and reporting on performance, the Committee notes the findings of the Victorian Auditor-General in his May 2010 report, *Performance Reporting by Departments*.<sup>16</sup> The Auditor-General found, among other matters, that only 30 per cent of the 322 departmental performance indicators reviewed across the 10 departments were both relevant and appropriate.<sup>17</sup>

Output structures and performance measures have also been of regular interest to the Public Accounts and Estimates Committee in the past. In this regard, the Committee has previously made a number of recommendations that included the need for departments to:<sup>18</sup>

- continually review output performance measures to ensure that they are relevant and appropriately reflect the department's service outcomes and strategic objectives; and
- regularly review output performance measure targets to ensure that they reflect historical performance.

The Committee has emphasised these themes in a number of reports and identified several specific areas where it considers that departments could improve their performance measures. Given the concerns raised by the Auditor-General and the Committee previously about performance measurement, the Committee considers that it would be timely for the new Government to conduct a review of Victoria's current performance measures.

**Recommendation 1:     The Department of Treasury and Finance in consultation with the Department of Premier and Cabinet conduct a review of the quality of Victoria's current performance measures to assess whether they meet generally acknowledged better-practice criteria.**

Building on the findings of this review, the Committee considers that it would be helpful for the Department of Treasury and Finance to develop a set of guiding principles and criteria, similar to those identified by the Committee in Section 2.2 above, to guide departments in developing meaningful performance measures. The Committee has previously made a similar recommendation regarding the development of a common conceptual framework identifying

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15 Victorian Auditor-General, *Local Government Performance Reporting: Turning Principles into Practice*, June 2008, p.4

16 Victorian Auditor-General, *Performance Reporting by Departments*, May 2010

17 *ibid.*, p.viii

18 Public Accounts and Estimates Committee, *Report on the 2008-09 Budget Estimates — Part Three*, p.9



the essential characteristics of performance reporting.<sup>19</sup> Work undertaken in British Columbia, Canada, was identified by the Committee as a useful reference point. Given the new Coalition Government's commitment to a new 'Strategic Management Framework' (see below), the Committee considers this an opportune time for central agencies to develop new guidance for departments to enhance transparency and meaningful reporting on their performance.

**Recommendation 2: The Department of Treasury and Finance develop appropriate guiding principles and criteria for all government departments that represent better practice in performance measurement.**

In addition to developing appropriate criteria, the Committee considers that it is essential for these criteria to be explained in a straightforward manner through written guidance and training. The Committee notes particularly the *Public Performance Reporting: Guide to Preparing Public Performance Reports*,<sup>20</sup> developed by the Public Sector Accounting Board of Canada and *Choosing the Right Fabric*, developed in the UK,<sup>21</sup> which could usefully serve as reference models for the Department of Treasury and Finance.

**Recommendation 3: The Department of Treasury and Finance develop practical guidance materials to guide departments in the development and implementation of better-practice performance measures.**

The Committee acknowledges a positive initiative in reporting by the Department of Health. The Department advised the Committee that an ongoing priority for it is to consult with key stakeholders (including clinicians, healthcare workers, public experts and the community) to develop output measures that enable the State Government to provide an annual report to the community on the performance of the Victorian health system.<sup>22</sup>

## 2.4 Outcomes-based reporting

Figure 2.1 provides a general model for the delivery of government services, breaking down delivery into its various components. The four key elements for performance measurement are:

- policy objectives, which identify what the Government or department aims to achieve;
- inputs, typically including physical capital, labour and resources, which are generally measured in the budget papers by estimated expenditure;

19 Public Accounts and Estimates Committee, *New Directions in Accountability: Inquiry into Victoria's Public finance Practices and Legislation*, June 2009, p.74

20 Public Sector Accounting Board of Canada, *Public Performance Reporting: Guide to Preparing Public Performance Reports*, May 2007

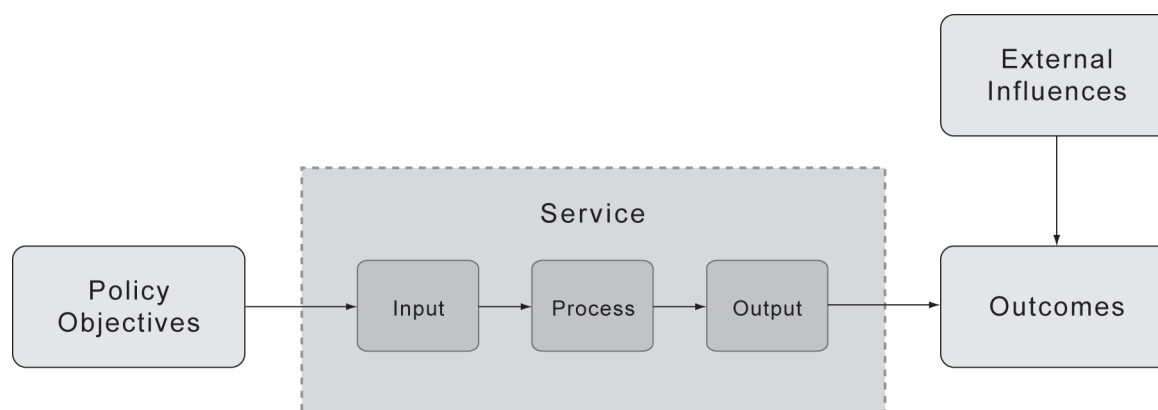
21 HM Treasury, Cabinet Office, National Audit Office, Audit Commission and Office For National Statistics, *Choosing the Right Fabric: A Framework for Performance Information*, n.d.

22 Department of Health, response to the Committee's 2011-12 budget estimates questionnaire — part A, received 6 May 2011, pp.4-5

- outputs, which are the direct products and services delivered by the inputs into a program; and
- outcomes, which are the impacts of the outputs on the community.

As can be seen in Figure 2.1, understanding these components, and the relationship between them, can allow a full assessment of a government's or department's performance. Full accountability requires the measurement of, and reporting on, all elements.

**Figure 2.1: Relationship between policy objectives, inputs, outputs and outcomes**



Source: adapted from Steering Committee for the Review of Government Service Provision, *Report on Government Services: 2010*, p.1.13

Currently in Victoria, the majority of performance measures report on the Government's outputs. This is contrary to the world-wide trend towards a much greater focus on outcomes-based performance measures. For example, in the UK the proportion of outcomes-based measures has increased from approximately 15 to 75 per cent between 1999 and 2007.<sup>23</sup>

While the Committee considers that output indicators can be useful to determine the efficiency of service delivery, the Committee notes that they need to be accompanied by measures of outcomes so that the Parliament and the wider community can determine the effectiveness of programs at achieving the Government's objectives. The Committee considers that this nexus is the crucial element of accountability for Government expenditure.

The Committee notes that the measurement of outcomes is not an easy task, nor are outcomes immediately apparent or readily attributed. Nevertheless, they are extremely important from the perspective of transparency and accountability and both the Victorian Auditor-General and the Public Accounts and Estimates Committee have consistently called for an increase in the number of outcomes-based performance measures in Victoria in a number of previous reports. Most recently, the Auditor-General has identified that there is:<sup>24</sup>

*... a considerable gap between Victoria and the acknowledged better practice jurisdictions of New Zealand, Canada, United Kingdom and Western Australia in reporting the extent of achievement of intended departmental objectives and the contribution to government desired outcomes. Despite the progress in other*

23 Comptroller and Auditor General (UK), *Taking the Measure of Government Performance*, July 2010, p.24

24 Victorian Auditor-General, *Performance Reporting by Departments*, May 2010, p.vii

*jurisdictions, the focus of performance reporting in Victoria has largely remained on output performance measures.*

A review of the performance measures in the 2011-12 budget papers by the Committee reveals that approximately 9 per cent of existing departmental performance measures could be classified as outcomes-based (see Table 2.1).

**Table 2.1: Outcomes-based performance measures in the 2011-12 Budget**

Department	Number of measures	Number of outcomes-based measures	Proportion of outcomes-based measures (per cent)
Business and Innovation	71	11	15.5
Education and Early Childhood Development	100	11	11.0
Health	181	6	3.3
Human Services	102	8	7.8
Justice	112	15	13.4
Planning and Community Development	88	5	5.7
Premier and Cabinet	108	21	19.4
Primary Industries	64	3	4.7
Sustainability and Environment	84	7	8.3
Transport	185	8	4.3
Treasury and Finance	94	10	10.6
Parliament	44	10	22.7
<b>Total</b>	<b>1,233</b>	<b>115</b>	<b>9.3</b>

Source: the number of measures is derived from Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3; the assessment of the proportion of outcomes-based measures has been undertaken by the Committee's secretariat

The Committee notes distinct differences between departments in relation to the proportion of outcomes-based performance measures. The Committee is particularly concerned to note that the two departments with the lowest proportions of outcomes-based measures are two of the State's largest departments in relation to funding received and expenditure, namely the Department of Health and the Department of Transport.

In order to enable effective Parliamentary and community scrutiny of the actual achievement of outcomes from public spending, the Committee considers that there is significant scope to increase the number of outcomes-based performance measures reported in the Budget. The Committee considers that such an increase would significantly improve accountability and the capacity of the Parliament and the public to assess the Government's performance, provided those outcomes-based measures are also meaningful, transparent and appropriate.

The Committee considers that departments would require some guidance to effectively increase the number of outcomes-based measures and notes that the Victorian Auditor-General recently recommended that:<sup>25</sup>

*The Department of Treasury and Finance should:*

- *establish a performance reporting framework linking departmental performance to the government's strategic outcomes and goals*
- *embed this framework, particularly the reporting of outcomes performance information, into the management cycle covering planning, budgeting, management and accountability processes.*

The previous government supported this recommendation, noting that work had been undertaken towards those goals through the Public Finance and Accountability Bill 2009.<sup>26</sup> However, given that the Public Finance and Accountability Bill did not pass through the Parliament, the Committee considers that the new government should take on board this recommendation in its own work.

In May 2011, the Department of Treasury and Finance released a Strategic Management Framework to replace the former Integrated Management Cycle, applying to departments and other public bodies. The new framework has a broader focus beyond the annual budget process and includes a strengthening of key management actions such as analysis and evaluation.<sup>27</sup> The analysis element of the framework enables the Government to determine what outcomes or community impacts it wants to achieve,<sup>28</sup> while the planning process articulates desired goals and objectives, how these will be achieved and the criteria to assess success.<sup>29</sup> Government outcomes or policy statements and the State budget are recommended for consideration as part of the planning element of the new framework.<sup>30</sup>

After resources have been allocated, the monitoring element of the Strategic Management Framework includes measuring performance regularly against key performance indicators.<sup>31</sup> As part of the evaluation processes, the success of the policy, program or project in achieving the stated goals (including their impact on achieving outcomes) is to be objectively reviewed and evaluated.<sup>32</sup> The Committee notes, however, that there does not appear to be any mechanism to regularly assess agency performance against outcomes. In this regard, the framework states that:<sup>33</sup>

*The Government is accountable to the public for the achievement of outcomes for the community. It must therefore ensure that the outputs being delivered on its behalf by departments and entities are contributing to these outcomes. To evaluate this, the Government relies on in-depth reviews of outputs to understand whether they are efficient, effective and appropriately priced. These reviews are*

26 Department of Treasury and Finance, *Response by the Minister for Finance to the Auditor-General's Reports Issued During 2009-10*, October 2010, p.228

27 Department of Treasury and Finance, Strategic Management Framework, <[www.dtf.vic.gov.au/CA25713E0002EF43/pages/budget-and-financial-management-strategic-management-framework](http://www.dtf.vic.gov.au/CA25713E0002EF43/pages/budget-and-financial-management-strategic-management-framework)>, accessed 2 June 2011

28 Department of Treasury and Finance, *Strategic Management Framework*, May 2011, p.2

29 *ibid.*, p.4

30 *ibid.*

31 *ibid.*, p.8

32 *ibid.*, p.10

33 *ibid.*, pp.10-11

*called Base Reviews and are either routine reviews or are requested specifically by government. The reviews are conducted by central agencies, with the Department of Treasury and Finance (DTF) typically taking a leading role.*

The Committee believes that an occasional or sporadic review process, albeit formal, does not give due regard to the importance of reporting on outcomes. It is the view of the Committee that the budgetary process and the budget papers should include an update of progress against stated outcomes and that these outcomes should be clearly linked to related input groups.

The Committee sees value in the Government using the information derived through the new Strategic Management Framework in the development of improved performance measures for disclosure in the budget papers and consequently for annual reporting. The Committee considers that it is timely, with the release of this framework, for the Department of Treasury and Finance to develop material to assist departments in moving towards more outcomes-based reporting.

**Recommendation 4:      The Department of Treasury and Finance work with departments to increase the number of meaningful, transparent and appropriate outcomes-based performance measures in the budget papers and link this explicitly into the Strategic Management Framework.**

As part of moving to more outcomes-based reporting, the Committee considers that it is important for the Government to include in the budget papers a framework that demonstrates the links between policy objectives, inputs, outputs and outcomes. This information would make the relationship between budget estimates and performance information clearer, improving the transparency of the budget papers as a whole. This information would enable an improved understanding of how resources would contribute to outcomes, assisting the Parliament in making decisions during debates on the Appropriation Bills about how best to apply resources and in understanding the cost effectiveness of programs.

**Recommendation 5:      To enhance transparency and accountability, future budget papers clearly indicate the links between policy objectives, inputs, outputs and expected outcomes.**



## CHAPTER 3: PERFORMANCE MEASURES IN THE 2011-12 BUDGET

### Key findings of the Committee:

- 3.1 The 2011-12 Budget contains 1,233 performance measures across 139 outputs. These are similar numbers to the 2010-11 Budget, but there have been changes to the numbers of outputs and performance measures for individual departments due to machinery of government changes, the addition of new performance measures and the discontinuation of previous measures.
- 3.2 The variation in the number of performance measures from one department to another is not entirely explained by differences in the number of outputs or funding, with some departments having significantly fewer measures than other similar-sized departments.
- 3.3 The most common type of performance measure looks at the quantity of goods or services delivered, with 45 per cent of the Budget's performance measures being quantitative. Only 25 per cent of measures are related to the quality of service delivery, and as little as 14 per cent in one department. There are also 14 outputs with no quality measures. The Committee considers that it would be appropriate for the Government to consider the addition of quality measures in these instances.
- 3.4 The Government has introduced 127 new performance measures in this budget and has proposed discontinuing 127. The net effect of no change is an improvement in the trend of recent years to reduce the number of performance measures. This contrasts with the Government's statement that it *'is determined to improve transparency and accountability across all its activities.'*<sup>34</sup>
- 3.5 A new element in this year's budget process is that the Committee has been asked to review the list of performance measures that the Government is considering discontinuing or substantially changing. Based on the Committee's criteria for what constitutes an appropriate reason for discontinuing measures, the Committee agrees with 92 per cent of the proposed discontinuations, but believes that 8 per cent or a total of ten of the measures should not be discontinued.

### 3.1 Overall trends in the number of performance measures

In total, there were 1,233 performance measures in the 2011-12 Budget (not including those that have been proposed to be discontinued), distributed across 139 outputs. This is the same number of outputs and performance measures as were in the 2010-11 Budget, and 44 fewer measures than were in the 2009-10 Budget.

Table 3.1 presents the number of performance measures for each department in 2011-12 compared to the previous two years. As can be seen, although the total number of measures has remained the same, there have been changes to the number of performance measures for each department. This has been driven by two factors:

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34 Victorian Budget, *2011-12 Budget Overview*, May 2011, p.24

- machinery of government changes mean that some outputs have moved from one department to another; and
- there have been a number of discontinued performance measures and new performance measures, such that some outputs now have larger numbers of measures while others have smaller numbers.

The extent to which changes in the number of performance measures is attributable to the new and discontinued measures is discussed in Section 3.3 below.

**Table 3.1: Number of performance measures by department**

Department	2009-10	2010-11	2011-12
Business and Innovation	103	99	71
Education and Early Childhood Development	81	79	100
Health <sup>(a)</sup>	n/a	160	181
Human Services <sup>(a)</sup>	249	83	102
Justice	105	102	112
Planning and Community Development	119	112	88
Premier and Cabinet	109	109	108
Primary Industries	66	66	64
Sustainability and Environment	91	87	84
Transport	206	197	185
Treasury and Finance	97	97	94
Parliament	51	42	44
<b>Total</b>	<b>1,277</b>	<b>1,233</b>	<b>1,233</b>

*Note:* (a) the Department of Health was created in August 2009 – prior to that, all of its outputs and performance measures came under the Department of Human Services

*Sources:* Budget Papers No.3, 2009-10 to 2011-12, Chapter 3

Table 3.1 also shows the wide range in the number of performance measures used by departments. At the higher end, the Department of Transport and the Department of Health have 185 and 181 measures respectively. In contrast, the Department of Primary Industries has 64 measures and the Department of Business and Innovation has 71 (and the Parliament has 44). This variation can in part be explained by reference to varying output costs and varying numbers of outputs – that is, where there are more outputs and where outputs are providing larger values of goods and services, there are generally more performance measures.

This is as the Committee would expect. The Committee would not expect the relationship to be linear – maintaining the same number of performance measures per unit of funding across all departments would lead to either very small numbers of performance measures in smaller departments or impractically large numbers in larger departments. However, grouping departments together by size still shows some significant variations, even accounting for differences in funding (see Table 3.2).



**Table 3.2: Departmental performance measures compared to the number of outputs and value of outputs (2011-12)**

Department	Number of outputs	Average number of performance measures per output	Output funding (\$ million)	Average number of performance measures per \$100 million of funding
<b>Over \$10 billion</b>				
Education and Early Childhood Development	11	9.1	10,990.2	0.9
Health	24	7.5	13,066.1	1.4
<b>\$1-10 billion</b>				
Human Services	16	6.4	3,375.0	3.0
Justice	16	7.0	4,430.3	2.5
Sustainability and Environment	9	9.3	1,515.6	5.5
Transport	14	13.2	5,963.9	3.1
<b>\$500 million - \$1 billion</b>				
Business and Innovation	10	7.1	667.7	10.6
Planning and Community Development	7	12.6	576.6	15.3
Premier and Cabinet	12	9.0	631.4	17.1
Primary Industries	4	16.0	530.7	12.1
<b>Under \$500 million</b>				
Treasury and Finance	10	9.4	239.3	39.3
Parliament	6	7.3	152.8	28.8
<b>Total</b>	<b>139</b>	<b>8.9</b>	<b>42,139.6</b>	<b>2.9</b>

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

This analysis shows a particularly marked discrepancy between the two largest departments – the Department of Education and Early Childhood Development and the Department of Health. The Committee notes that both departments have significant numbers of Commonwealth agreements on which they need to report. However, despite the fact that the Department of Education and Early Childhood Development's funding is only 16 per cent less than the Department of Health, it has, in the budget papers:

- fewer than half as many outputs; and
- a third fewer performance measures per \$100 million of funding

than the Department of Health.

The Committee also notes that the Department of Business and Innovation, compared to the other departments with similar budgets, has a low number of performance measures per \$100 million of funding and per output.

The Committee notes that performance measures should be based on the particular characteristics of the department and the outputs that it intends to deliver in a year. The Committee also notes that a smaller number of more meaningful performance measures can be of greater value than a larger number of less meaningful measures. That is, having a larger number of performance measures does not necessarily indicate that better performance measurement and reporting is taking place. However, the Committee considers that the large variations in the number of performance measures between some similar-sized departments may serve as an indicator that change would be appropriate, as the Parliament and community would expect there to be a reasonable degree of consistency. To ensure that there is an appropriate degree of accountability, the Department of Treasury and Finance should seek and provide justifications as to why these variations are acceptable.

### 3.2 Different types of performance measures

There are significant variations from one department to another with respect to their mix of the four different types of performance measure used in Victoria, i.e. quantity, quality, timeliness and cost (see Table 3.3).

**Table 3.3: Mix of 2011-12 performance measures according to type**

Department	Quantity (%)	Quality (%)	Timeliness (%)	Cost (%)	Total (%)
Business and Innovation	60.6	21.1	4.2	14.1	100.0
Education and Early Childhood Development	47.0	41.0	1.0	11.0	100.0
Health	44.8	28.7	13.3	13.3	100.0
Human Services	43.1	25.5	15.7	15.7	100.0
Justice	40.2	26.8	18.8	14.3	100.0
Planning and Community Development	39.8	29.5	22.7	8.0	100.0
Premier and Cabinet	45.4	27.8	15.7	11.1	100.0
Primary Industries	53.1	14.1	26.6	6.3	100.0
Sustainability and Environment	52.4	19.0	17.9	10.7	100.0
Transport	46.5	16.8	29.2	7.6	100.0
Treasury and Finance	40.4	17.0	31.9	10.6	100.0
Parliament	25.0	34.1	27.3	13.6	100.0
<b>All departments</b>	<b>45.2</b>	<b>24.9</b>	<b>18.6</b>	<b>11.3</b>	<b>100.0</b>

Source: *Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3*

The Committee notes that the variation in the mix of performance measures can be seen from:

- quantity measures varying from 25 per cent of the total (Parliament) to 61 per cent (Department of Business and Innovation);
- quality measures varying from 14 per cent (Department of Primary Industries) to 41 per cent (Department of Education and Early Childhood Development);

- timeliness measures varying from 1 per cent (Department of Education and Early Childhood Development) to 32 per cent (Department of Treasury and Finance); and
- cost measures varying from 6 per cent (Department of Primary Industries) to 16 per cent (Department of Human Services).

Overall, the Committee notes that quantity measures are by far the most common type of measure, accounting for 45 per cent of measures. Indeed, in all departments except the Parliament, quantity measures are the largest category. This emphasis on quantitative aspects of performance has remained constant over the past two years (see Table 3.4). While the Committee acknowledges that quantity measures provide important information about the number of goods or services to be produced or delivered by a department, the Committee considers that the other types of measures are also very important. Quality measures are especially important, as they are essential for understanding not just what a department does, but whether or not what it does is up to the expected standards or comparable better-practice benchmarks.

**Table 3.4: Proportion of performance measures by type (per cent)**

Budget	Quantity	Quality	Timeliness	Cost	Total
2009-10	44.4	24.6	20.0	11.0	100.0
2010-11	45.0	24.0	19.7	11.3	100.0
2011-12	45.2	24.9	18.6	11.3	100.0

Sources: *Budget Papers No.3, 2009-10 Service Delivery, pp.71-274; 2010-11 Service Delivery, pp.61-269; and 2011-12 Service Delivery, 156-378*

The Committee notes the predominant reliance of some departments on quantity measures, especially the Department of Business and Innovation, where 61 per cent of its measures are quantity measures. Similarly, the Committee notes the low proportion of quality measures in some departments – most notably the Department of Primary Industries (14 per cent), the Department of Transport (17 per cent) and the Department of Treasury and Finance (17 per cent). The Committee notes that this is in part mitigated with the Department of Transport and Department of Treasury and Finance by larger proportions of timeliness measures (29 per cent and 32 per cent respectively). Timeliness measures are appropriate for these departments, given that large proportions of the work on which they report are the delivery of, respectively, infrastructure projects and reports. However, the Committee considers that an over-reliance on quantity measures and under-use of quality measures can reduce the Parliament's and public's capacity to understand how well a department has performed in a given year.

**Recommendation 6: The Department of Treasury and Finance work with those departments with the highest proportions of quantity measures and the lowest proportions of quality measures to examine whether, on the basis of their responsibilities, there is scope for increasing the proportion of appropriate quality measures.**

Looking at individual outputs, the Committee notes that there are 14 outputs without a single quality performance measure, as detailed in Table 3.5. The Committee has provided some suggestions as to the types of matters that could be measured for each output.

**Table 3.5: Outputs with no quality measures**

Department	Output	BP No.3 page	Committee comment
Business and Innovation	Strategic Policy	159	The quality of the research, analysis and advice could be measured in terms of meeting expectations such as regarding technical content, the extent to which competitiveness is improved and the extent to which industry and businesses are assisted.
Business and Innovation	Investment Attraction and Facilitation	160	Quality could be measured in terms of the strategic nature of industries and investment attracted through the Department's programs.
Education and Early Childhood Development	Adolescent Health Services (schools)	182	As this output seeks to provide high quality and accessible school nursing services for secondary school-aged children, quality measures should be developed to assess whether the Secondary Schools Nursing Program, which focuses on primary health care, primary prevention and early intervention, is meeting its objectives.
Education and Early Childhood Development	Policy and Regulation	182	Quality measures could be developed around whether the advice provided is deemed authoritative and comprehensive by the end user.
Health	Acute Training and Development	195	At a cost of \$324.3 million, this is a significant output and should have quality measures. The Department could consider measures assessing the extent to which the skills of the workforce match the needs of the health sector or the extent to which the need for stability in the health sector workforce is satisfied.
Health	Aged Care Assessment	202	Performance measures could be developed to assess how comprehensive assessments are across the Victorian population and how accurate the assessments prove to be.
Health	Small Rural Services — Home and Community Care Services	208	A performance measure could be developed to assess whether services are effectively meeting the needs of older people that reside in small rural towns.
Health	Small Rural Services — Primary Health	208	Avenues could be developed to assess whether primary health services delivered by small rural services are effectively promoting health and wellbeing and preventing the onset of more serious illness in specific rural communities.
Human Services	Family and Community Services	223-4	With regard to the delivery of child protection and family services, quality performance measures could be developed to assess whether early intervention and support services have been effective in ensuring the safety and wellbeing of children, young people and families.
Primary Industries	Strategic and Applied Scientific Research	301-2	This \$254.0 million output accounts for almost half of the Department's expected output expenditure and should therefore have several quality performance measures. Measures could be developed around the extent to which the productivity, profitability, sustainability, international competitiveness and export value of the relevant industries are improved. A specific example could be the proportion of applied research taken up by the target primary industry.
Sustainability and Environment	Environmental Policy and Climate Change	321	Measures could be developed to assess the quality of research undertaken with regard to stakeholder satisfaction or actual implementation of findings.

Department	Output	BP No.3 page	Committee comment
Transport	Transport and Marine Safety Investigations	334	Measures could be developed to assess the extent to which transport user behaviour is improved and incidents and accidents are reduced.
Transport	Specialist Transport Services	339-40	With an estimated output cost of \$255.1 million, measures should be developed to assess the quality of the programs funded. Measures could look at the extent to which dependence on private transport is reduced for people with disabilities or the comprehensiveness across Victoria of school bus services.
Transport	Integrated and Sustainable Transport Development	341-3	Measures could be developed to assess the extent to which people's travelling distance and time are reduced and the extent to which more sustainable modes of transport are used.

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

The Committee believes that, in most cases, the quality of service delivery should be measured for an output, particularly in areas where public moneys are used for providing policy advice and undertaking research activities. Clear guidance should be given by the Department of Treasury and Finance about what constitutes 'quality' when developing such measures. While appreciating the difficulty in framing relevant and appropriate quality performance measures, the Committee believes that, when developing a measure to assess whether an expected level of quality has been provided by the output delivered, the measure should be associated with the key objectives of the service and expected outcomes.

**Recommendation 7:**     **The Department of Treasury and Finance examine whether there is scope for appropriate measures to be developed to assess the quality of service delivery for those outputs which currently do not have any quality measures.**

**Recommendation 8:**     **As part of its work developing guidance for departments on better-practice performance measurement, the Department of Treasury and Finance also provide guidance for developing performance measures of the qualitative aspects of service delivery.**

### **3.3     New and discontinued (or substantially changed) performance measures in the 2011-12 Budget**

It is appropriate each year for departments to consider their performance measures, eliminating ones that are no longer relevant to their activities and introducing new ones to reflect new activities. Measures may also be replaced by new ones where more appropriate ways of measuring performance become available. This is an important part of ensuring that departments' measures meet the principles and criteria discussed in Chapter 2 of this report.

In the 2011-12 Budget, the Committee has identified 127 new performance measures as having been introduced and 127 performance measures as having been proposed to be discontinued, as detailed in Table 3.6. The Committee notes that 129 measures are listed as proposed for discontinuation in Appendix A of Budget Paper No.3 (*2011-12 Service Delivery*), but has not counted two of these because:

- one performance measure (‘Commemorative and Education program: Grants acquitted within the timeframe specified in the terms and conditions of the funding agreement’) which was planned to be discontinued<sup>35</sup> is, in fact, still in the departmental output statement;<sup>36</sup> and
- one performance measure (‘Advice provided to government about the bushfire reconstruction and recovery process within agreed timelines’) is listed as discontinued<sup>37</sup> and is no longer included in the Department of Premier and Cabinet’s output statement, but is now included in the Department of Planning and Community Development’s output statement.<sup>38</sup> Other performance measures transferred from one department to another have not been listed as discontinued in Appendix A and the Committee considers that counting one but not others would distort the figures.

The Committee also notes that it was not easy to identify the total number of new measures in the Budget. Although most were clearly labelled, there was one instance where a measure previously appeared in just one department’s output statement, but now appears in two departments’ output statement without any label to that effect.<sup>39</sup>

The Committee considers that being able to clearly see the net effect of new and discontinued performance measures is an important part of understanding the State Budget and that the current presentation does not facilitate this. The Committee has previously recommended that this information be presented in a tabular form in the budget papers.<sup>40</sup> Although this was not implemented by the previous government, the Committee considers that the new government should consider this in the interests of transparency and to assist the Parliament with reconciling the changes to performance measures in a budget. The Committee considers that a table similar to Table 3.6 below would be appropriate.

**Recommendation 9: To improve transparency of the net effect of new and discontinued performance measures, future budget papers include a table showing the number of new and discontinued measures for each department.**

35 Budget Paper No.3, 2011-12 Service Delivery, May 2011, p.391

36 *ibid.*, p.273

37 *ibid.*, p.394

38 *ibid.*, p.265

39 ‘Grants acquitted within the timeframe specified in the terms and conditions of the funding agreement’ on pp.234 and 270

40 Public Accounts and Estimates Committee, *Report on the 2007-08 Budget Estimates — Part Three*, September 2007, p.119



**Table 3.6: New and discontinued performance measures in the 2011-12 Budget by department**

Department	New	Proposed to be discontinued	Net effect <sup>(a)</sup>
Business and Innovation	3	8	-5
Education and Early Childhood Development	0	0	0
Health	30	14	16
Human Services <sup>(b)</sup>	7	13	-6
Justice	15	5	10
Planning and Community Development <sup>(c)(d)</sup>	24	22	2
Premier and Cabinet <sup>(e)</sup>	3	3	0
Primary Industries	2	4	-2
Sustainability and Environment	8	11	-3
Transport	32	43	-11
Treasury and Finance	1	4	-3
Parliament	2	0	2
<b>Total</b>	<b>127</b>	<b>127</b>	<b>0</b>

**Notes:**

- (a) does not include measures which have been moved from one department to another due to machinery of government changes
- (b) one measure which appeared in the 2010-11 Budget in the Department of Planning and Community Development's output statement appears in the 2011-12 Budget under both the Department of Human Services' and the Department of Planning and Community Development's output statements; this has been counted as one new measure for the Department of Human Services
- (c) one measure which was disaggregated into two has been counted as one new measure and no discontinued measures
- (d) the performance measure 'Commemorative and Education program: Grants acquitted within the timeframe specified in the terms and conditions of the funding agreement', which is listed in Appendix A as proposed to be discontinued but is still included in the departmental output statements, has not been included in the number of measures proposed to be discontinued
- (e) the performance measure 'Advice provided to government about the bushfire reconstruction and recovery process within agreed timelines', which is listed in Appendix A as proposed to be discontinued but has been included in the Department of Planning and Community Development's output statement, has not been included in the number of measures proposed to be discontinued

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3 and Appendix A

Overall, the net effect of no change in the number of measures varies from previous years, which have generally seen significant net reductions (there were 44 fewer performance measures in 2010-11 than 2009-10).<sup>41</sup> However, the Committee notes that there is no net increase in the number of performance measures despite the large number of significant new programs and projects funded in this year's budget (see further Section 4.2). This contrasts with the Government's statement that it '*is determined to improve transparency and accountability across all its activities.*'<sup>42</sup> The Committee considers that there should be more

41 for reductions to non-cost performance measures in previous budgets, see Public Accounts and Estimates Committee, *Report on the 2009-10 Budget Estimates — Part Two*, October 2009, p.134

42 Victorian Budget, *2011-12 Budget Overview*, May 2011, p.24

new performance measures in 2012-13, as details of the Government's new programs are determined.

The Committee has identified some areas where additional performance measures are appropriate in Chapter 5 of this report and will report further on this in Part Three of the 2011-12 budget estimates report.

The types of performance measures discontinued in the 2011-12 Budget are quite similar to those that were discontinued in the 2010-11 Budget, with the exception that there was a larger number of timeliness measures discontinued in 2010-11 (see Table 3.7). However, the Committee notes the significant variation from the numbers of quantity and quality measures discontinued in the 2009-10 Budget.

**Table 3.7: Discontinued performance measures, 2009-10 to 2011-12**

Budget	Quantity	Quality	Timeliness	Cost	Total
2009-10	101	66	56	0	<b>223</b>
2010-11	56	30	59	0	<b>145</b>
2011-12	58	27	42	0	<b>127</b>

Source: Budget Paper No.3, 2009-10 to 2011-12

Looking at particular departments, Table 3.6 shows that the largest changes have occurred in the Department of Health, the Department of Planning and Community Development and the Department of Transport.

### **3.3.1 New role of the Public Accounts and Estimates Committee in reviewing proposed discontinued and substantially altered output performance measures**

In terms of strengthening accountability and transparency associated with output performance management, the Committee was pleased to see the introduction of a new element as part of the 2011-12 Budget process. As mentioned in Section 1.2 of this report, the Minister for Finance has this year requested that the Committee review the list of performance measures that the Government has proposed discontinuing or substantially altering in 2011-12. As explained in the budget papers:<sup>43</sup>

*This is to ensure measures that are substantially changed, or are proposed to be discontinued, are given a high degree of scrutiny. This review also ensures that comparisons of service delivery performance can be maintained from year to year, while recognising the importance of annually evaluating the quality of measures.*

In undertaking this assessment, the Committee has had to develop criteria on which it should accept or reject a proposed discontinuation or substantial change to a performance measure. In doing so, it has made particular reference to the principles and criteria for performance measures set out in Chapter 2 of this report, especially the three principles of relevance, appropriateness and presentation. The Committee's view is that it is appropriate for performance measures to be discontinued if:

43 Budget Paper No.3, 2011-12 Service Delivery, May 2011, p.149



- they are no longer appropriate (which will generally occur where measures reflect milestones, projects or programs that have been completed, altered or discontinued);
- they are replaced by measures that are superior (i.e. the new measures better meet the principles and criteria set out in Chapter 2); or
- the discontinuation of a measure does not reduce the Parliament's capacity to understand the degree of successful delivery of the output.

The Committee also considers it essential that there be appropriate explanation for the discontinuation of any measure in the budget papers, and the Committee will reject any measure where the explanation is not sufficient.

The Committee believes that departments could benefit from a more detailed explanation regarding when it is appropriate to discontinue performance measures, and that the Department of Treasury and Finance could provide useful guidance on this, along with the guidance as to what constitutes better-practice performance measurement suggested by the Committee in Chapter 2 of this report.

**Recommendation 10: The Department of Treasury and Finance develop guidance material for departments which clearly specifies circumstances where it may be appropriate for performance measures to be discontinued.**

Based on the criteria set out by the Committee above, the Committee considers that it would be appropriate for the vast majority of proposed measures to be discontinued. The Committee has identified 10 (8 per cent) of the 129 measures listed in Appendix A of Budget Paper No.3 (2011-12 Service Delivery) which it considers should not be discontinued. Table 3.8 outlines the performance measures that the Committee recommends be retained, along with the Committee's rationale.

**Recommendation 11: The Government not discontinue the performance measures listed in Table 3.8.**

In addition, the Committee notes one performance measure which was moved from the Department of Premier and Cabinet to the Department of Planning and Community Development<sup>44</sup> should not have been included in the Appendix, as other measures moved because of machinery-of-government changes were not listed.

The Committee also notes a number of performance measures that were discontinued because the project was '*expected to be completed*' or the milestone was expected to be reached in 2010-11, mostly in the Department of Transport. The Committee considers these to be suitable reasons for discontinuing measures, but notes that it is essential that these expected timelines are actually met. That is, if the project turns out not to be completed in 2010-11, or the milestone is not reached, and the performance measure has been discontinued, there may not be any public reporting by the department as to when in 2011-12 the project actually was completed or the milestone actually reached. In its next report on the financial and

44 'Advice provided to government about the bushfire reconstruction and recovery process within agreed timelines' – listed as discontinued on p.394 but included under the Department of Planning and Community Development on p.265

performance outcomes, the Committee intends to review those performance measures which were discontinued for these reasons, to assess the accuracy of the predictions that they would be met in 2010-11.

**Table 3.8: Performance measures proposed for discontinuation or substantial change that the Committee does not consider should be discontinued or substantially changed for 2011-12**

Output	Performance measure proposed to be discontinued that should be retained	Government's explanation for discontinuation	Rationale adopted by the Committee for retaining the performance measure
DEPARTMENT OF BUSINESS AND INNOVATION			
Exports	Companies provided with export assistance	'This performance measure has been proposed to be discontinued as it is no longer relevant due to a greater focus on measuring companies participating in export programs.'	Although the Government is to place a greater focus on measuring companies participating in export programs, the Committee considers that it is still relevant to measure the number of companies provided with export assistance by the Government.
Investment Attraction and Facilitation (previously Regional Economic Development, Investment and Promotion)	Companies in regional Victoria provided with assistance for growth opportunities	'This performance measure has been proposed to be discontinued as it is no longer relevant due to a greater focus on investment and job outcomes rather than the amount of individual businesses assisted.'	While the Committee agrees there is a need to place a greater focus on outcomes (in this case, investment and job outcomes), the Committee believes that, alongside this outcomes focus, it is still appropriate to measure the actual number of individual businesses assisted by the Government. Without data on the number of companies assisted, it would be more difficult to identify the linkages between the amount of investment/job growth and the State Government's activities.  In terms of performance measurement, the Committee fails to see where in the departmental output statement a greater emphasis has been placed on investment and job outcomes in regional Victoria, other than simply retaining the performance measures dealing with new investment facilitated and jobs created in regional Victoria that fall under the umbrella of the Investment Attraction and Facilitation output.
DEPARTMENT OF HEALTH			
Health Protection	Public Health emergency response calls dealt with within designated plans and procedure timelines	'This performance measure has been proposed to be discontinued as it is proposed to be replaced by the performance measures 'Inspections of cooling towers' and 'Inspections of radiation safety management licences' as they better reflect the nature of health promotion service delivery.'	The explanation for the discontinuation of this measure appears to be the incorrect one, as it is almost a <i>verbatim</i> copy of the explanation for another performance measure higher on the page and the measures that are supposedly replacing this measure do not seem like equivalents. If no mistake has been made, the Committee considers that replacing a qualitative measure with quantitative measures reduces the Parliament's ability to understand the degree of success in the delivery of the output and should be rejected on those grounds.  Moreover, the Committee is of the view that to move from a measure assessing performance with respect to all public health emergencies to just two types of health emergency (those resulting from cooling towers and radiation) provides less fulsome information and is grounds for rejecting the discontinuation. As responding to public health emergencies is still part of the Department's activities, the Committee considers that the measure remains relevant and appropriate.

Output	Performance measure proposed to be discontinued that should be retained	Government's explanation for discontinuation	Rationale adopted by the Committee for retaining the performance measure
Public Health Development, Research and Support	Number of people trained in emergency response	‘This performance measure has been proposed to be discontinued as performance related to this measure is captured within new and existing Health Protection and Health Advancement measures, and as this measure does not reflect the accountability split between Department of Health and Human Services.’	<p>The Committee considers that, given the continuing importance of responding to emergencies in this state, it is still appropriate for the extent of training people in emergency response to be clearly evident.</p> <p>The Committee maintains that the capture of this information within existing and new measures is not sufficiently transparent and, as such, the performance measure should be retained within the Department of Health and a new measure included under the Department of Human Services to show both departments' efforts in emergency response training.</p>
Aged Care Assessment	Average wait between client registration and ACAS assessment: community based assessment	‘This performance measure has been proposed to be discontinued as it is proposed to be replaced by the performance measure ‘Percentage of priority 1 and 2 clients assessed within the appropriate time – community based assessment’ as it is a better indicator of responsiveness to the urgency of client needs based on information available at the time of assessment.’	<p>With respect to this and the next measure, the Committee considers that the new performance measures are appropriate but believes that discontinuing these measures would reduce the Parliament's capacity to understand the Department's performance in this output. The new measures are reduced in scope from all three priorities to just priority 1 and 2 clients.</p> <p>Moreover, the Committee considers that measuring the average waiting time (discontinued measure) is more informative than the proportion of clients assessed within the appropriate time (new measure), as the latter gives no indication of how much longer than the appropriate time (i.e. the average degree of deviation from the appropriate time) clients who are not assessed within that timeframe have to wait.</p> <p>The Committee considers that the presentation of information would be improved by keeping both the discontinued measures and the new measures.</p>
Aged Care Assessment	Average wait between client registration and ACAS assessment: hospital based assessment	‘This performance measure has been proposed to be discontinued as it is proposed to be replaced by the performance measure ‘Percentage of priority 1 and 2 clients assessed within the appropriate time – hospital based assessment’ as it is a better indicator of responsiveness to the urgency of client needs based on information available at the time of assessment.’	As above.

Output	Performance measure proposed to be discontinued that should be retained	Government's explanation for discontinuation	Rationale adopted by the Committee for retaining the performance measure
DEPARTMENT OF PLANNING AND COMMUNITY DEVELOPMENT			
Veterans' Affairs	Commemorative and Education program: Grants acquitted within the timeframe specified in the terms and conditions of the funding agreement	'This performance measure has been proposed to be discontinued as it is proposed to be consolidated with the 2010-11 measure 'Restoring Community War memorials grants: projects approved' into a new measure for 2011-12 called 'Restoring Community War memorials grants: projects approved by Anzac Day'.'	The new measure described in the explanation does not appear in the departmental output statement and the measure proposed to be discontinued, along with 'Restoring Community War memorials grants: projects approved', does still appear in the output statements.  The Committee therefore presumes that this measure has erroneously been included in Appendix A and should not be discontinued.
DEPARTMENT OF SUSTAINABILITY AND ENVIRONMENT			
Land and Fire Management	Community engagement plans developed and implemented	'This performance measure has been proposed to be discontinued as it is proposed to be replaced by the performance measure of 'Strategic engagement forums held'.  The 2011-12 performance measure reports on the same activities as the 2010-11 performance measure, however while Community Engagement Plans are still developed each year, the Community Engagement function is now focussing on strategic engagement forums.  These forums bring a range of stakeholders together to share perspectives and facilitate interaction, improving overall levels of understanding, trust and engagement within the community.'	While the Committee notes that the Community Engagement function is to focus on strategic engagement forums, the Committee believes that, as Community Engagement Plans are still developed each year, it is still relevant and appropriate to measure the actual development and implementation of plans.

Output	Performance measure proposed to be discontinued that should be retained	Government's explanation for discontinuation	Rationale adopted by the Committee for retaining the performance measure
DEPARTMENT OF TRANSPORT			
Specialist Transport Services	<i>Disability Discrimination Act</i> (DDA) compliance for public transport infrastructure: metropolitan train station upgrades	<p>'This performance measure has been proposed to be discontinued as it is expected that no metropolitan train station upgrades will be completed in 2011-12.</p> <p>However, incremental improvements on components of DDA access at train stations will occur across the network in 2011-12.'</p>	<p>With respect to this and the next measure, the Committee notes that, while no train station upgrades will be completed in 2011-12, incremental improvements on components of DDA access at train stations are to occur across the network in 2011-12.</p> <p>The Committee believes that the Department should be accountable for its performance in completing these improvements and, as such, this performance measure should be retained with an appropriate target relating to improvements effected in 2011-12.</p>
Specialist Transport Services	<i>Disability Discrimination Act</i> (DDA) compliance for public transport infrastructure: regional train station upgrade	<p>'This performance measure has been proposed to be discontinued as it is expected that no regional train station upgrades will be completed in 2011-12.</p> <p>However, incremental improvements on components of DDA access at train stations will occur across the network in 2011-12.'</p>	As above.

Source: Budget Paper No.3, 2011-12 Service Delivery, Appendix A

## CHAPTER 4: PERFORMANCE TARGETS IN THE 2011-12 BUDGET

### Key findings of the Committee:

- 4.1 Across the departments, the Government has decreased the targets for 122 measures, increased the targets for 326 measures and left the targets the same for 651 measures.
- 4.2 The explanations provided for changes to performance targets are primarily either: changes in demand or external circumstances; or changes to funding, programs or policy.
- 4.3 A significant number of targets were changed without any explanation, which the Committee does not consider to be ideal. In addition, a number of the explanations provided would benefit from additional detail.
- 4.4 The targets for 60 per cent of the cost measures increased by more than the consumer price index, while 23 per cent of the non-cost measures were increased, indicating that the majority of non-cost measures will not be affected by the additional funding.
- 4.5 With respect to the 74 largest output and asset initiatives in the 2011-12 Budget, for 35 per cent of the initiatives, departments were unable to identify any non-cost performance measures related to the initiative. For a further 30 per cent, departments could list only one related non-cost performance measure. Of the non-cost performance measures related to these initiatives, 45 per cent had the same targets as they did in 2010-11.
- 4.6 The Government expects to exceed 89 non-cost targets by 10 or more per cent in 2010-11 and has increased the target for 70 per cent of these measures. The Government expects not to meet 50 of its non-cost targets by 10 or more per cent in 2010-11 and has reduced the target for 52 per cent of these. The Committee will examine in its inquiry into financial and performance outcomes the Government's success at estimating significant variations from targets in the light of actual results, along with the Government's explanations for why these targets were significantly exceeded or not met.

### 4.1 Changes to performance targets in the 2011-12 Budget

Just as it is appropriate to review and adjust the performance measures each year to ensure that they accurately reflect departments' expected activities for the year, it is also appropriate to review the targets within the performance measures to ensure that they are appropriate to the Government's and departments' objectives and that the underlying bases for the targets are appropriate. Adjusting performance targets can also drive improvement in departments' delivery of services to Victorians.

Table 4.1 compares the 2011-12 performance targets to the 2010-11 targets.



**Table 4.1: Performance targets – 2011-12 compared to 2010-11**

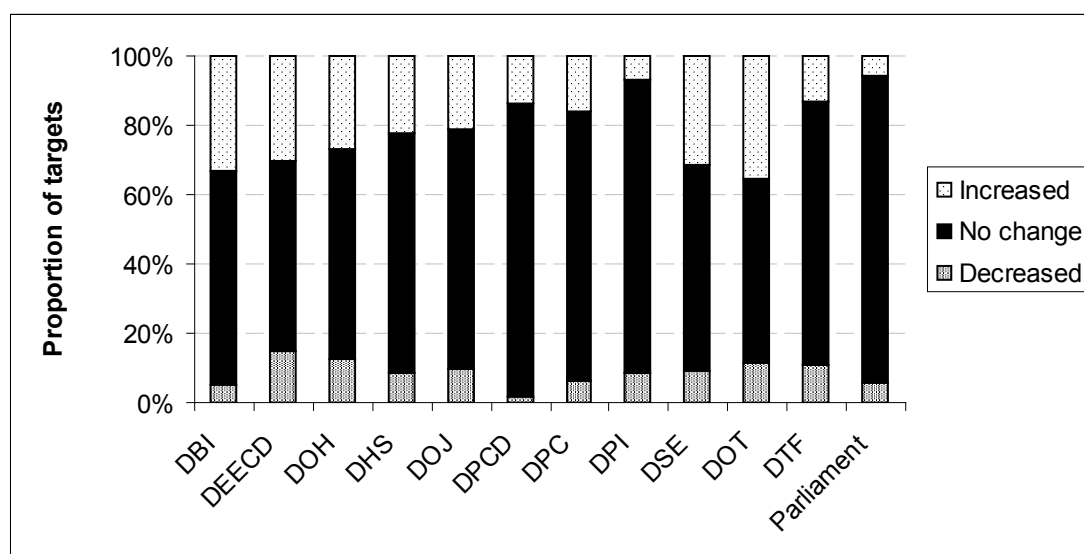
	Decreased	No change	Increased	New	N/A or TBA
Cost measures	31	4	104	0	0
Other measures <sup>(a)(b)</sup>	91	647	222	127	10
<b>Total</b>	<b>122</b>	<b>651</b>	<b>326</b>	<b>127</b>	<b>10</b>

Notes:

- (a) two measures for the Department of Planning and Community Development are substantially modified versions of performance measures from 2010-11 and are classified as new but also have targets from 2010-11; they are therefore counted twice in this row
- (b) one measure now in the Department of Human Services' and the Department of Planning and Community Development's output statements in 2011-12 appeared only in the Department of Planning and Community Development's statement in 2010-11 – it therefore has been classified as one new measure, but has targets from 2010-11 and therefore is counted twice in this row

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

The changes to the non-cost performance targets are broken down by department in Figure 4.1.

**Figure 4.1: Proportion of non-cost performance targets changed in 2011-12, by department**

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

As can be seen, the majority of non-cost performance targets remained the same in all departments, although the proportion varied from 53 per cent (the Department of Transport) to 89 per cent (Parliament). In all cases there were a number of performance measures where the targets increased and decreased, although there was some substantial variation between departments with respect to what proportion of their performance measures were adjusted for the year.



The budget papers provide a number of reasons for increasing or decreasing performance targets.<sup>45</sup> The most common reasons provided for both increases and decreases were:

- changes in demand or external circumstances; and
- changes in funding, programs or policy.

Other reasons supplied included:

- improved departmental performance;
- changes to the methodology of measuring performance;
- the fact that the targets measured cumulative performance over a number of years (including the extent to which projects have been completed); and
- indexation (in the case of cost targets).

However, there was a significant number of targets which were changed without any explanation. This occurred across most departments, but was especially noticeable for the Department of Health, where no explanations were provided for 27 of the 50 non-cost targets that were changed and 9 of the 24 cost targets that were changed. In many cases across departments, the unexplained changes were proportionately small, but the Committee considers that they may nonetheless be significant, and the reasons for the change should be made clear to the Parliament and the Victorian community. For example, the Committee notes that the target for ‘events responded to’ in the Department of Justice’s Policing Services output was reduced by 30,000 (4 per cent). There is public interest in understanding (at a minimum) whether this change in target is a consequence of changed government policy, changed external circumstances or some other reason.

In addition, there were several cases where explanations for changes to performance targets were provided, but the Committee considers that these explanations should be made more informative. Some examples can be seen in Table 4.2. In each case, the most important piece of information not provided is whether the changed circumstances that are being responded to are the result of the Government’s activities or external forces.

**Recommendation 12:** To enhance transparency in reporting, explanations be given in future budget papers for each and every change to a performance target.

**Recommendation 13:** In future budget papers, all explanations for changes to performance targets indicate, at a minimum, whether the change is because of:

- (a) changed government policy, funding or program delivery; or
- (b) changed external circumstances.

<sup>45</sup> Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

**Table 4.2: Examples of explanations for changes to performance targets that could be improved**

Performance measure	Explanation given	BP No.3 page:	How the explanation might be improved
Number of visitors (international)	'The 2011-12 Target is higher than the 2010-11 target due to stronger recent performance.'	164	The explanation could indicate the cause of the strengthening of recent performance, noting whether it is a result of the Government's activities (e.g. a marketing campaign) or whether it is due to events outside the Government's control.
Annual delivery of student contact hours government funded – Adult and Community Education (ACE) organisations and Adult Education Institutions (AEIs)	'The higher 2011-12 Target reflects an increase in the uptake of higher level courses, which generally involves undertaking more contact hours per enrolment.'	185	The explanation could indicate why the uptake of higher-level courses has increased, especially whether it is a result of government programs or whether it has been driven by market forces.
Households receiving mains electricity concessions	'The higher 2011-12 Target reflects increases in the number of households that are eligible for the concession.'	227	The explanation would be more informative if it indicated whether the increased number of people eligible is because of changes to the Government's criteria for eligibility or changes to Victoria's demographic or economic characteristics.
Total number of councils participating in the Victorian Local Sustainability Accord	'The 2010-11 Expected Outcome and 2011-12 Target are higher than the 2010-11 Target reflecting full participation by councils in the Victorian Local Sustainability Accord.'	321	The explanation effectively just restates that the outcome and target are higher, without providing any analysis of what has caused that change.

Source: *Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3*

The Committee considers that two of the most significant influences on the performance targets for a year are the initiatives released in that year's budget and the expected results of the previous year. The impact of each of those on the 2011-12 performance targets is discussed below.

Before its discussion on that analysis, the Committee notes that there were four performance measures, all within the Department of Transport, for which no targets were set in the 2011-12 Budget, but in which the budget papers indicated that a target was 'to be advised'. In three cases, the measures related to projects that were under review at the time of the Budget and in one case the timeline was in the process of being revised.<sup>46</sup> The Committee considers it important that the targets for these performance measures be published on the Department of Treasury and Finance's website as soon as the reviews and revision have been completed.

<sup>46</sup> *ibid.*, pp.343-4

**Recommendation 14:** The Department of Treasury and Finance publish on its website the 2011-12 performance targets for the four measures listed as ‘to be advised’ in the 2011-12 budget papers as soon as they can be determined.

## 4.2 Target setting – the impact of 2011-12 initiatives on performance targets

Overall, just over half of the performance targets for 2011-12 were identical to 2010-11 targets. However, the Committee notes a significant difference in this regard between the cost measures and the other measures (see Table 4.1). Whereas 75 per cent of the cost targets increased in 2011-12, only 23 per cent of the other measures (excluding the new measures and ones with no targets in the Budget) increased. The Committee acknowledges that costs are likely to increase from one year to another due to inflation, but notes that, of the 104 cost measures that have increased, 83 have increased by more than the Department of Treasury and Finance’s estimate for the increase in the consumer price index (3 per cent).<sup>47</sup> This equates to 60 per cent of the total number of cost measures. This suggests to the Committee that a large proportion of the change to cost targets could be attributed to changes to program delivery.

In its budget estimates questionnaire, the Committee asked each department to indicate, for each major<sup>48</sup> output and asset initiative in the 2011-12 Budget, which new or existing performance measures related to the budget initiative. Departments listed 74 initiatives, which together account for approximately \$5.5 billion of Government expenditure in 2011-12 and over the forward estimates.

Table 4.3 shows how many performance measures departments could identify as related to these initiatives.

<sup>47</sup> cost measure data have been compiled by the Committee from information in Budget Paper No.3, *2011-12 Service Delivery*, May 2011, Chapter 3; the consumer price index estimate is from Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.9

<sup>48</sup> this was defined by the Committee as ‘a total cost over the forward estimates greater than \$20 million’ for output initiatives and ‘a total estimated investment greater than \$20 million’ for asset initiatives

**Table 4.3: Major initiatives in the 2011-12 Budget, categorised by how many performance measures are related to them**

Department	Number of performance measures per initiatives <sup>(a)</sup>					Total number of initiatives
	0	1	2	3+	not specified <sup>(b)</sup>	
Business and Innovation	0	0	0	0	2	2
Education and Early Childhood Development	3	3	3	2	1	12
Health	0	2	1	3	1	7
Human Services	5	4	0	2	0	11
Justice	4	5	0	0	0	9
Planning and Community Development	0	4	1	1	0	6
Premier and Cabinet	2	0	0	0	0	2
Primary Industries	1	0	0	1	0	2
Sustainability and Environment	6	0	1	0	3	10
Transport	4	3	1	2	0	10
Treasury and Finance	1	1	1	0	0	3
Parliament	0	0	0	0	0	0
<b>Total</b>	<b>26</b>	<b>22</b>	<b>8</b>	<b>11</b>	<b>7</b>	<b>74</b>
<b>Total (per cent)</b>	<b>35.1</b>	<b>29.7</b>	<b>10.8</b>	<b>14.9</b>	<b>9.5</b>	<b>100.0</b>

Notes:

(a) *excluding cost measures*

(b) *'not specified' covers both initiatives for which departments did not specify whether or not there were any performance measures and initiatives for which departments indicated that the effect was broad and impacted on a large number of performance measures*

Sources: *departments' responses to the budget estimates questionnaire – part B, question 14.3; Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3*

For over 35 per cent of the major 2011-12 initiatives, departments were unable to indicate any performance measures related to those initiatives. Of the 41 initiatives for which departments could identify related performance measures, for 22 initiatives (54 per cent) departments were only able to identify one performance measure.

In addition, for the initiatives for which performance measures were identified, the vast majority of measures (87 per cent) were existing rather than new ones, and most of the existing measures had the same targets in 2011-12 as in 2010-11 (see Table 4.4).

**Table 4.4: Categorisation of performance measures classified by the departments as related to major 2011-12 initiatives**

Department	New measures	Existing measures with modified targets	Existing measures with the same targets as 2010-11	Total related measures
Business and Innovation	0	0	0	0
Education and Early Childhood Development	0	13	9	22
Health	0	4	12	16
Human Services	0	14	7	21
Justice	1	0	3	4
Planning and Community Development	7	0	2	9
Premier and Cabinet	0	0	0	0
Primary Industries	0	0	3	3
Sustainability and Environment	1	1	0	2
Transport	3	6	4	13
Treasury and Finance	0	1	2	3
Parliament	0	0	0	0
<b>Total</b>	<b>12</b>	<b>39</b>	<b>42</b>	<b>93</b>
<b>Total (per cent)</b>	<b>12.9</b>	<b>41.9</b>	<b>45.2</b>	<b>100.0</b>

*Note:* in some cases, particular performance measures were cited as relevant to more than one initiative – in these cases, it has only been counted once

*Sources:* departments' responses to the budget estimates questionnaire – part B, question 14.3; Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

In total, there are 93 performance measures to account for the 74 major initiatives. Of these, only 12 are new measures and only 39 of the existing measures have different targets to what they had in 2010-11. Thus, there are only 51 measures that will indicate a change resulting from the 74 largest initiatives in the Budget.

The Committee acknowledges that additional initiatives do not necessarily require a change in performance measures. For example, the Department of Transport's targets for the proportion of 'road projects completed within agreed scope and standards' should not necessarily change simply because additional roads are being funded. The Committee notes that, for some initiatives, departments indicated that performance measures would be developed in future years, though, in most cases, there were no such indications.

Overall, the Committee considers that, from the perspective of transparency and accountability, it is important for there to be performance measures by which people can gauge the impact of the largest budget initiatives. The Committee considers that the large proportion of major initiatives with no or few performance measures does not allow that transparency and accountability.

**Recommendation 15: The Department of Treasury and Finance ensure in future budgets that each major initiative released in that budget has a sufficient number of corresponding performance measures in order to enable the Parliament to assess the performance of that initiative.**

The Committee will examine particular initiatives in more detail in Part Three of this report.

#### **4.3 Target setting – the impact of 2010-11 expected outcomes on performance targets**

The expected result of previous years can provide some indication of the appropriateness of a performance target. In particular, where a target has been significantly exceeded for a number of years, it may be appropriate for the target to be increased as a way of ensuring continuous improvement of service delivery. In previous reports on financial and performance outcomes, the Committee has undertaken analyses of results compared to the performance targets to identify such situations.<sup>49</sup>

With respect to the 2011-12 Budget, the budget papers identify 89 non-cost performance targets which are expected to be exceeded by 10 per cent or more in 2010-11 (see Table 4.5). The Committee notes that, if this expectation proves to be correct, this will be a significant reduction from the actual results for the previous two years, in each of which over 200 non-cost performance targets were exceeded by 10 per cent or more.<sup>50</sup> In its next report on financial and performance outcomes, the Committee intends to examine the actual results for 2010-11, and intends to comment at that point on both the trend in results compared to targets and the accuracy of the estimated results in the budget papers.

The Committee notes that the Government has increased the 2011-12 targets in the majority (70 per cent) of cases where it anticipates that the 2010-11 outcome will exceed the 2010-11 target by 10 per cent or more. Where the target was not increased, explanations were provided in some cases, generally either that the 2010-11 result was unusual or that program delivery or policy changes mean that a different result is expected in 2011-12 compared to 2010-11. In some cases, the budget papers note that if the trend continues, then the target will be reviewed in future years.<sup>51</sup> The Committee considers that all departments should reconsider targets which have been significantly exceeded for at least two consecutive years, unless unusual circumstances for the preceding periods can be demonstrated.

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49 e.g. Public Accounts and Estimates Committee, *Report on the 2008-09 Financial and Performance Outcomes*, May 2010, p.226

50 data compiled by the Committee based on departmental annual reports

51 e.g. Budget Paper No.3, *2011-12 Service Delivery*, May 2011, pp.214, 223

**Table 4.5: Changes to performance targets in 2011-12 for non-cost performance targets which are expected to be exceeded by 10 per cent or more in 2010-11**

Department	Targets expected to be significantly exceeded in 2010-11 which were increased in 2011-12	Total number of targets expected to be significantly exceeded in 2010-11
Business and Innovation	5	5
Education and Early Childhood Development	4	10
Health	3	8
Human Services	7	8
Justice	7	7
Planning and Community Development	4	4
Premier and Cabinet	10	13
Primary Industries	2	4
Sustainability and Environment	9	10
Transport	6	9
Treasury and Finance	4	10
Parliament	1	1
<b>Total</b>	<b>62</b>	<b>89</b>
<b>Total (per cent)</b>	<b>69.7</b>	<b>100</b>

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

In addition to targets which have been significantly exceeded, it may also be necessary to change targets which have not been met in the previous year. The budget papers indicate that there are 50 non-cost targets which the Government expects not to meet in 2010-11 by 10 or more per cent (see Table 4.6). As with the number of targets significantly exceeded, this estimate is low in comparison to the previous two years' actual results (in each of which approximately 100 targets were not met by 10 or more per cent). The Committee will also examine this matter further in the light of actual results for 2010-11 in its report on the 2010-11 financial and performance outcomes.

**Table 4.6: Changes to performance targets in 2011-12 for non-cost performance targets where the expected results are 10 or more per cent less than the target in 2010-11**

Department	Targets expected to be not met by a significant amount in 2010-11 which were reduced in 2011-12	Total number of targets expected to be not met by a significant amount in 2010-11
Business and Innovation	0	0
Education and Early Childhood Development	3	3
Health	4	10
Human Services	3	5
Justice	1	3
Planning and Community Development	0	0
Premier and Cabinet	4	8
Primary Industries	2	4
Sustainability and Environment	3	4
Transport	4	6
Treasury and Finance	2	7
Parliament	0	0
<b>Total</b>	<b>26</b>	<b>50</b>
<b>Total (per cent)</b>	<b>52.0</b>	<b>100</b>

Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, Chapter 3

The Committee notes that 52 per cent of the performance targets which the Government expects to not meet by 10 or more per cent were reduced in the 2011-12 Budget. Where this reduction is because of a trend in external factors (such as population change), reduction is an appropriate response, but where a reduced target represents a Government decision to offer fewer services, it is important for this to be stated. The Committee therefore re-iterates the need for explanations of changes to performance targets.



## **CHAPTER 5: ISSUES ARISING FROM THE 2011-12 BUDGET ESTIMATES HEARINGS**

### **Key findings of the Committee**

- 5.1** The Committee notes that population growth projections used in developing the Budget and for health planning were not consistent. This could lead to conclusions being reached that the health budget and associated performance standards are overstated or the level of demand forecast in the Metropolitan Health Plan is understated.
- 5.2** There was scope for providing greater clarity in the budget papers in terms of explaining the relationship between growth in separations to be achieved throughout the hospital sector and funding levels.
- 5.3** Over \$150 million additional funding has been provided in the Budget to improve ambulance services, but the quality and timeliness targets for the Ambulance Emergency Services output have not been increased at this stage.
- 5.4** Despite significant funding, there is currently a lack of performance measures related to the Government's whole-of-government approach to crime reduction.
- 5.5** A number of new portfolios, such as the aviation industry portfolio, do not currently have performance measures specifically relating to the portfolio.
- 5.6** Given the size and importance of the manufacturing sector in Victoria, the Committee considers that it would be appropriate for the Government to develop a suite of performance measures to monitor changes to the sector and the impact of the Government's programs.
- 5.7** Previous performance measures for the design sector have been removed from the budget papers, but new ones should be established as soon as the Government's new design plan is finalised.

### **5.1 Population growth projections and health targets**

At the budget estimates hearings the Committee was interested in gaining an insight into how the anticipated growth in Victoria's population has shaped the framing of the 2011-12 Budget across the different portfolios. Population growth is one of the key determinants of resource allocation in a range of vital health-related areas, including the provision of more hospital beds and emergency services.

With regard to population growth projections, the Committee notes that, according to the 2011-12 budget papers, Victoria's population grew by 1.8 per cent in 2009-10, with a forecast growth rate of 1.7 per cent in 2010-11 and 1.5 per cent in the 2011-12 budget year and each of the outyears to 2014-15.<sup>52</sup> The Committee also observes that, according to Victoria's

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52 Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.9

Metropolitan Health Plan for 2012-2022, released on the same day as the State Budget, the population is forecast to grow by 1.3 per cent per year.<sup>53</sup>

In explaining the projected rapid increase in the demand for health services, the Metropolitan Health Plan for 2012-2022 states that rapid population growth is expected to occur over the next decade.<sup>54</sup> In comparison, the 2011-12 budget papers indicate that a slow down in the population growth rate is expected, noting that *‘the slow down in population growth reflects lower net overseas migration – a trend which is expected to continue over the forward estimates period’*.<sup>55</sup> The Committee notes that, while the Metropolitan Health Plan predicts rapid population growth over the next decade and the budget papers predict a slow down in growth, the estimated population growth rate used in the Metropolitan Health Plan of 1.3 per cent is less than the forecast of 1.5 per cent used for budget purposes.

While the Committee accepts that revisions to projections occur on a continual basis, including population growth projections, the Committee would like clarification of the practice adopted by the Department of Treasury and Finance and the Department of Health of using different projected population growth rates for budget development and health service planning at the same point of time. Without this clarification, the adoption of a higher population growth rate for developing the health budget and related performance standards than for predicting the future demand for health services could lead to conclusions, that either:

- the health budget and associated performance standards in the form of targets set out in the budget papers are overstated; or
- the estimated demand for health services used for health planning in the metropolitan area is understated.

At the budget estimates hearing, the Minister informed the Committee that further statistical data will be provided by the Department of Planning and Community Development in June 2011, at which time the new population projections and worked-up population information will be incorporated into the health plan.<sup>56</sup>

The Committee believes that the most reliable population growth projections should be used in revising the Metropolitan Health Plan, finalising the Rural and Regional Health Plan for Victoria and developing the 2011-12 budget update. At all times the Committee is mindful of the need for transparency in the achievement of performance measures in the Health portfolio to ensure that the budget allocation to front-line health and medical services is maximised.

**Recommendation 16: Revisions to the 2012-2022 Metropolitan Health Plan to take into account any changes to population projections and factors that may change over time be clearly documented by the Department of Health to provide an adequate trail of amendments made to the original plan.**

53 Department of Health, *Victorian Health Priorities, Framework 2012-22: Metropolitan Health Plan*, May 2011, p.28

54 *ibid.*, p.26

55 Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.14

56 Hon. D. Davis MLC, Minister for Health, 2011-12 budget estimates hearing, transcript of evidence, 11 May 2011, p.6

**Recommendation 17:** To ensure that budget allocations and demands on the health system are premised on the same basis, the Department of Treasury and Finance and the Department of Health use the same population growth estimates, based on the most up-to-date population data, when framing the budget and formalising health and other planning frameworks.

## 5.2 Acute health services

In terms of public hospital use during 2011-12, the Committee notes that growth in separations is expected to be substantially reduced for metropolitan and rural public hospitals, while no growth is expected for small rural services for 2011-12. At the same time, an increase in funding has been provided for in the acute health Admitted Services output and the Small Rural Services – Acute Health output.

Table 5.1 shows that, in terms of the number of separations expected to be achieved throughout Victorian metropolitan and rural public hospitals during 2011-12, growth is expected to halve when the movement between 2009-10 and 2010-11 (3.5 per cent increase) is compared to the expected movement between 2010-11 and 2011-12 (1.7 per cent increase). In comparison, growth in funding for this output reduced marginally from 5.2 per cent to 4.6 per cent (relative to an expected consumer price index growth of 3.0 per cent)<sup>57</sup> for these same periods.

The Committee was informed at the estimates hearing about the plans that were in place to achieve this reduced growth in demand. The Committee was advised that palliative care is a service that can be provided both in a major hospital and in the community and a significant increase in the amount of activity in the community is planned.<sup>58</sup> The Committee also notes that, according to the 2011-12 Metropolitan Health Plan:<sup>59</sup>

*As the metropolitan population continues to grow and age, and illnesses change, the capacity of health services needs to expand and change to respond to the specific needs of the metropolitan population.*

*In the past, expansions in capacity have often focused on increasing inpatient capacity, for example, by investing in hospital beds. In the future, hospital capacity will need to expand further, and accordingly, the Victorian Government will continue to build new beds. But it will also shift the focus of expansions in capacity from acute care to primary health care, and the distribution of care, in order to ensure that these expansions respond to peoples' needs.*

As shown in Table 5.2, the number of separations expected to be realised by small rural services in 2011-12 is to remain the same as the expected outcome for 2010-11 and the target for that year. Funding for this output in 2011-12 is to increase marginally by 1.5 per cent (half the estimated increase in the consumer price index) when compared to the expected outcome for 2010-11. While the budget assumes no growth in demand for separations in small rural

57 Budget Paper No.2, *2011-12 Strategy and Outlook*, May 2011, p.9

58 Hon. D. Davis MLC, Minister for Health, 2011-12 budget estimates hearing, transcript of evidence, 11 May 2011, p.7

59 Department of Health, *Victorian Health Priorities, Framework 2012-22: Metropolitan Health Plan*, May 2011, p.56

services, the Minister for Health explained that there is sufficient capacity for small rural services to bid into other sources of funding which will provide them with the avenue to undertake additional services.<sup>60</sup>

The Committee notes that the performance information as set out in the budget papers suggests that growth in hospital demand will slow at a time when the budget provides funding for new initiatives aimed at expanding hospital activity, including the provision of the first 100 beds of the Government's bed growth commitment for 800 new hospital beds.<sup>61</sup> The Committee acknowledges that the Government's stated approach to responding to the health needs of the metropolitan population involves a range of measures such as expanding capacity in community settings and homes, in particular with regard to primary medical care, early intervention and disease prevention and chronic and complex disease management, which are in addition to maintaining existing hospitals and expanding their capacity.<sup>62</sup> However, in the light of the modest increase in the expected growth of total separations for all hospitals which is to occur in 2011-12 and no growth with regard to the small rural services, the Committee is of the view that the budget papers should have included a note to these targets to explain the factors that have impacted on the setting of these targets.

The Committee also considers that, in the interests of greater transparency, that the Rural and Regional Health Plan should include descriptions of funding strategies to be employed by small rural services for addressing the demand for hospital services in small rural towns throughout Victoria.

**Recommendation 18:** To provide greater clarity, the Department of Treasury and Finance include notes to particular output performance targets in the budget papers to explain factors that have contributed to any targets being set at levels that could be reasonably interpreted as being significantly understated compared to the previous year.

**Recommendation 19:** To provide greater transparency, the Department of Health ensure that the Rural and Regional Health Plan includes a description of the funding strategies available to small rural services throughout Victoria.

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60 Hon. D. Davis MLC, Minister for Health, 2011-12 budget estimates hearing, transcript of evidence, 11 May 2011, pp.7-8

61 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.112

62 Department of Health, *Victorian Health Priorities, Framework 2012-22: Metropolitan Health Plan*, May 2011, p.55

**Table 5.1: Admitted Services output: Total Separations – all hospitals output measure  
Growth in targets compared to funding (2010-11 and 2011-12 compared to 2009-10 and 2010-11)**

Performance measure	2011-12 Target	2010-11 Expected Outcome	Variance 2011-12 compared to 2010-11 (%)	2010-11 Target	2009-10 Actual	Variance 2010-11 compared to 2009-10 (%)
Total separations – all hospitals	1,533,000	1,508,000	1.7	1,500,000	1,457,000	3.5
Total output cost	\$6,943.6 million	\$6,641.0 million	4.6	\$6,570.7 million	\$6,228.2 million	5.2

*Note: the performance measure relating to Total Separations is one of a number of performance measures relating to the Admitted Services output*

*Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, pp.191, 193*

**Table 5.2: Small Rural Services – Acute Health output: Separations output measure  
Growth in targets compared to funding (2010-11 and 2011-12 compared to 2009-10 and 2010-11)**

Performance measure	2011-12 Target	2010-11 Expected Outcome	Variance 2011-12 compared to 2010-11 (%)	2010-11 Target	2009-10 Actual	Variance 2010-11 compared to 2009-10 (%)
Separations	43,700	43,700	Nil	43,700	41,500	5.3
Total output cost	\$285.1 million	\$280.9 million	1.5	\$280.5 million	\$261.0 million	7.5

*Note: the performance measure relating to Separations is one of a number of performance measures relating to the Small Rural Services – Acute Health output; the measure includes admitted and non-admitted services delivered by small rural services*

*Source: Budget Paper No.3, 2011-12 Service Delivery, May 2011, p.207*

### 5.3 Ambulance Emergency Services

The 2011-12 Budget provides \$151.0 million over the five years to 2014-15 (\$23.4 million in 2011-12) to recruit an additional 340 new ambulance staff.<sup>63</sup> Initiatives include the upgrading of five branches to 24-hour rostered coverage with professional paramedics, and the establishment of three new 24-hour professionally staffed ambulance stations and Mobile Intensive Care Single Responder Units in ten major rural towns.<sup>64</sup> The budget also provides \$2.2 million to 2013-14 (\$0.5 million in 2011-12) for the establishment of a new motorcycle paramedic unit to ensure responsiveness within inner Melbourne.<sup>65</sup> As indicated by the Minister for Health, single responder units are useful in built-up suburban areas and in regional cities as a means of overcoming traffic and increasing the spread of MICA paramedics.<sup>66</sup> In support of these initiatives, the Minister stated that:<sup>67</sup>

*...this Budget will help us build a healthier Victoria, maintain an increase in health services and provide greater transparency and choice for Victorians.*

The Committee notes that, for measuring the performance of services provided under the Ambulance Emergency Services output in 2011-12, the quantity targets have increased but the quality and timeliness performance targets for 2011-12 are the same as for 2010-11.<sup>68</sup> In response to questioning on this matter at the budget estimates hearing, the Minister stated that ‘the objectives that are in the budget were not achieved last year’.<sup>69</sup> The Committee’s analysis shows that the Government expects that:<sup>70</sup>

- all of the four quality performance measures will exceed the target for 2010-11; and
- one of the three timeliness performance measures will exceed the target for 2010-11, while, for the following two measures, performance is expected to be below expectations:
  - proportion of emergency (Code 1) incidents responded to within 15 minutes – statewide (expected not to be met by 8 percentage points); and
  - proportion of emergency (Code 1) incidents responded to within 15 minutes in centres with more than 7,500 population (expected not to be met by 7.7 percentage points).

For each of these timeliness performance measures where performance is expected to be below the standards set for 2010-11, the budget papers reveal that:<sup>71</sup>

63 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.29

64 *ibid.*, p.35

65 *ibid.*, p.29

66 Hon D. Davis MLC, Minister for Health, ‘340 more ambulance staff and halving membership fees’, media release, 3 May 2011

67 *ibid.*

68 Hon. D. Davis MLC, Minister for Health, 2011-12 budget estimates hearing, transcript of evidence, 11 May 2011, p.17

69 *ibid.*, p.18

70 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, pp.196-7

71 *ibid.*, p.197



*The 2011-12 Target for this measure is appropriate and performance is subject to ongoing service improvement. The 2010-11 Expected Outcome reflects impact of increased demand.*

The Committee is aware that it will take time to recruit and situate resources in the appropriate locations. However, noting the initiatives announced in the 2011-12 Budget and that two of the timeliness performance targets are not expected to be met in 2010-11, the Committee believes that the funding initiatives should not only enable the Government to meet these timeliness targets into the future, but the Government should over time raise the bar and develop more challenging targets for the delivery of improved ambulance services for the Victorian community. This would be in line with the Government's intention for the Budget to assist in building a healthier Victoria and maintaining an increase in health services.

The Committee looks forward to examining the performance targets set for the provision of ambulance emergency services over the ensuing years as well as the performance achieved.

**Recommendation 20:** As the funding initiatives directed at the delivery of ambulance emergency services are rolled out over time, the Department of Treasury and Finance examine whether performance targets in the Budget need to be set at more challenging levels that would correlate with the additional funding allocations.

## 5.4 The new crime prevention portfolio

At the budget estimates hearing, the Committee was advised by the Minister for Crime Prevention that the policy objective of the portfolio is to deliver a '*community safety and crime prevention program*'.<sup>72</sup> The new crime prevention portfolio is to principally develop leadership in coordinating across government the development of economic crime prevention policies, frameworks and programs to assist in making the community safer. This is to be achieved by:<sup>73</sup>

- leading the development and implementation of a whole-of-government crime prevention framework;
- promoting coordination across government to embed crime prevention into relevant social and economic policies;
- identifying and targeting priority crimes and behaviours in the community with specific strategies to reduce crimes against people and property; and
- building and maintaining engagement and capability in local communities to implement effective crime prevention responses to local issues.

The Committee learnt that a whole-of-government stocktake of programs contributing to crime prevention objectives has been initiated to assist in informing this work. In terms of the Minister's specific area of crime prevention, the Committee heard about the funding

72 Hon. A. McIntosh MP, Minister for Crime Prevention, 2011-12 budget estimates hearing, transcript of evidence, 17 May 2011, p.2

73 *ibid.*, p.2

allocations of \$39 million for the community crime prevention program which is made up of \$19.8 million for public safety infrastructure, \$5.3 million for a community safety fund, \$13.5 million for the anti-graffiti plan and a \$550,000 increase in funding for Neighbourhood Watch.<sup>74</sup>

The Committee notes that one of the objectives of the Department of Justice is to lead whole-of-government crime prevention and that the Public Safety and Crime Reduction output group, which includes the Policing Services output, is a key contributor to the achievement of this objective.<sup>75</sup>

At the budget estimates hearings, the Committee raised the issue pertaining to the lack of performance measures and targets for measuring the reduction in the crime rate to be achieved from the budget outlays connected with the Government's 'whole-of-government' approach to crime. The Committee was particularly interested in this issue, given that total expenditure in 2011-12 on public safety and crime reduction is to be in the order of \$2.1 billion.<sup>76</sup>

The Minister advised the Committee that it is almost impossible to identify a target for a reduction in the crime rate at this stage. In conveying this message, the Minister stated that:<sup>77</sup>

*... the critical factor here is that to deal with the issue of crime prevention we have to know where we are at the moment and where we want to be in the future. Where we want to be in the future to get that sort of ironclad guarantee, that commitment, is certainly something that is going to depend on what we have to address.*

*As I have often said in the public arena, I am probably the only minister in the government who can sit there and say that I may not see the benefits in the course of my term in Parliament. What we are doing is trying to set a government on a course whereby in four years and eight years we may not see a benefit, but in 20 years' time we may see a benefit in relation to crime reduction. We have to address that now. If we just keep putting this patchwork on, we will not solve the problem of increasing levels of crime. What we have to do is to address this matter systematically, and the first stage has been to develop an audit of what we have in order to find out where we are going. ...*

*As I said, it is impossible to say what target I want; the fact is what I want to do is to start these programs and to get a whole-of-government response to fit in with the national framework that has been sponsored by the commonwealth to ensure that we can deliver on our commitment to try to prevent crime. Do we see it in the short term? I do not know, but all we can do is try.*

The Committee notes the stated difficulty in determining a target for the percentage reduction in Victoria's crime rate. The Committee also notes the Minister's comments that Victoria would like to take a leadership role in a national initiative that the Commonwealth is sponsoring through the national crime prevention framework, which is yet to be

74 *ibid.*, p.2

75 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, pp.236, 239-40

76 Victorian Budget, *2011-12 Budget Overview*, May 2011, p.10

77 Hon. A. McIntosh MP, Minister for Crime Prevention, 2011-12 budget estimates hearing, transcript of evidence, 17 May 2011, pp.4-5



settled. In addition, the Committee appreciates that work is underway in Victoria as part of implementing the new Strategic Management Framework for this State. Depending on developments in these areas, the issue of framing whole-of-government performance outcomes and developing relevant and appropriate performance measures and associated targets to assess the effectiveness of whole-of-government responses to sector-wide issues are matters that will require further attention by the Government. The Committee believes that the performance measure ‘Reduction in crimes against the person,’ which has a target of 2.0 per cent,<sup>78</sup> is a good example of a relevant and appropriate outcomes-based performance measure and target (see Chapter 2).

As part of this on-going process, and given the significant allocation and expenditure for major initiatives, the Committee considers that a timetable should be developed and made public which sets key milestone dates for framing outcomes that the Government wishes to achieve in the short and long-term. Timelines should also be developed for the finalisation of outcomes-based performance measures, at both whole-of-government and departmental levels. Establishing a matrix of performance measures and setting interim or indicative targets for achieving a percentage reduction in the crime rate on a progressive basis should form part of a government-wide approach to performance measurement.

**Recommendation 21:** As a matter of imperative, the Government develop, and provide details in the 2012-13 budget papers, an approach for measuring the achievement of whole-of-government outcomes over time, including crime reduction.

## 5.5 The new aviation industry portfolio

In explaining the responsibilities of the newly established aviation industry portfolio, the Minister responsible for the aviation industry informed the Committee at the budget estimates hearing that the role is largely advocacy and coordination across government. Similar to the responsibilities of the technology portfolio and the other portfolios within the Department of Business and Innovation, the Minister explained that the key areas relate to investment attraction, export development and the development of skills and infrastructure/capability in the sector.<sup>79</sup>

In terms of funding, the budget for the aviation industry portfolio is included within the Department of Business and Innovation’s sector development output, while with regard to performance measures, the Minister informed the Committee that the portfolio contributes towards the general departmental performance measures that relate to investment attraction and export promotion.<sup>80</sup>

The Committee understands that various portfolios within the umbrella of the Department of Business and Innovation undertake roles that impact on the achievement of departmental outputs and outcomes which cannot be separated out on a portfolio basis. The Committee appreciates that outputs and ultimate outcomes can be facilitated through the activities of portfolios that undertake advocacy and coordination roles across government agencies as

78 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.239

79 Hon. G. Rich-Phillips MLC, Minister responsible for the aviation industry, 2011-12 budget estimates hearing, transcript of evidence, 20 May 2011, p.2

80 *ibid.*

well as portfolios that are more directly involved in service delivery. As such, it may not be possible or practicable to isolate the effect that any one portfolio has had on outcomes such as new investments facilitated, jobs created or new exports facilitated. The Committee notes, however, that in relation to the Sector Development output, there is one measure that isolates additional employment from production supported by Film Victoria,<sup>81</sup> which demonstrates that in some cases it is possible to separate out the effect that a particular entity has on a broad outcome.

The Committee is of the view that, in terms of advocacy and coordination, the extent of activities undertaken as part of the newly created aviation industry portfolio should be measured and assessed in future, particularly as the Government considers that aviation and aerospace are important sectors for the Victorian economy.<sup>82</sup>

The Committee would also like to see performance measures developed for all of the other new portfolios where specifically dedicated performance measures have not been developed as part of the 2011-12 Budget. In addition to the areas covered in this chapter, other new portfolios include those that relate to bushfire response, the establishment of an Anti-Corruption Commission, the teaching profession and regional cities.

**Recommendation 22:** To enhance accountability, the Department of Treasury and Finance explore the possibility of developing specific output performance measures that relate directly to the activities performed under the responsibilities of the new aviation industry portfolio.

**Recommendation 23:** The Department of Treasury and Finance conduct a review to ensure that performance measures and targets have been established, where practicable, for all of the new government portfolios.

## 5.6 The manufacturing sector

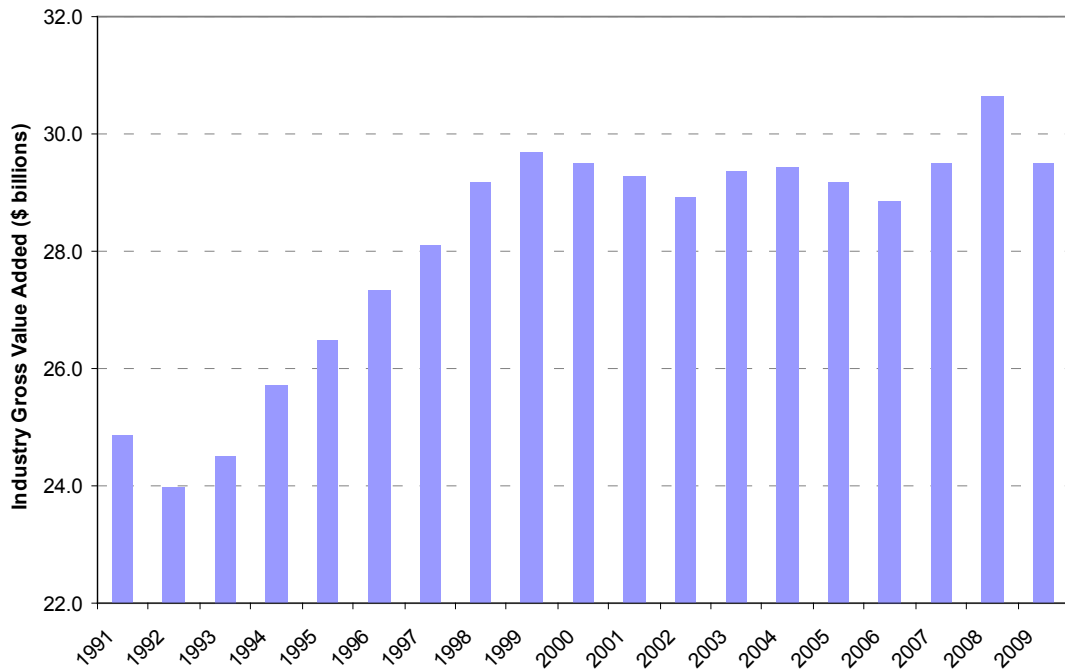
At the budget estimates hearing, the Committee heard from the Minister for Manufacturing, Exports and Trade that a strong and successful manufacturing sector is vital for creating jobs, increasing productivity, generating exports and attracting investment into Victoria. Currently employing more than 310,000 people across a variety of industries, the manufacturing sector remains the largest full-time employer in this State.<sup>83</sup> However, as shown in Figure 5.1, Victorian manufacturing measured in terms of gross value added has plateaued over the past decade, while Victoria's share of national merchandise exports has declined sharply over this period (see Figure 5.2).

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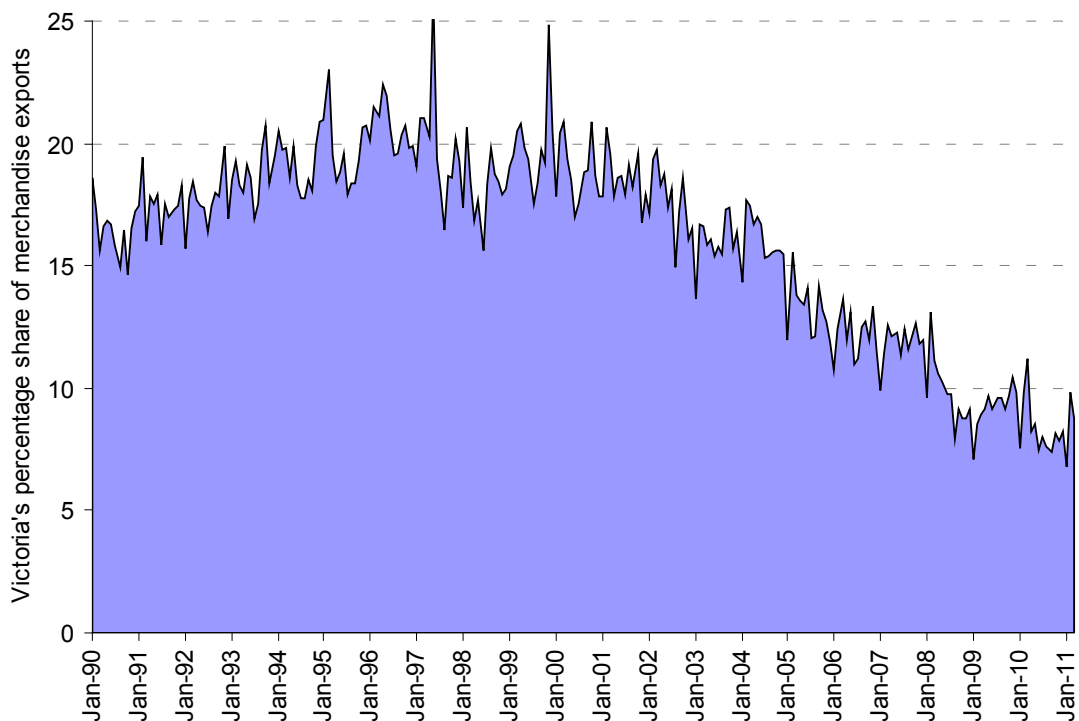
81 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.156

82 Hon. G. Rich-Phillips MLC, Minister responsible for the aviation industry, 2011-12 budget estimates hearing, transcript of evidence, 20 May 2011, p.2

83 Hon. R. Dalla-Riva MLC, Minister for Manufacturing, Exports and Trade, 2011-12 budget estimates hearing, transcript of evidence, 20 May 2011, p.2

**Figure 5.1: Manufacturing growth in Victoria over the past decade**

Source: Hon. R. Dalla-Riva MLC, Minister for Manufacturing, Exports and Trade, 2011-12 budget estimates hearing, transcript of evidence, 20 May 2011, presentation, slide 5 (ABS Cat. No. 5220.0)

**Figure 5.2: Victoria's share of national merchandise exports**

Source: Hon. R. Dalla-Riva MLC, Minister for Manufacturing, Exports and Trade, 2011-12 budget estimates hearing, transcript of evidence, 20 May 2011, presentation, slide 2

At the hearing, the Committee was informed of the various pressures impacting on Victoria's manufacturing industry, including challenges emanating from import competition due to the high value of the Australian dollar, and cost pressures from major customers as they utilise lower cost manufacturers overseas to source their components.<sup>84</sup>

With the challenges of revitalising Victorian manufacturing being the focus of a current inquiry by the Victorian Competition and Efficiency Commission, the Minister advised that:<sup>85</sup>

*...we look forward to the commission's release of a draft report for consultation ahead of a final report to be provided before September this year. Our aim is to take action that will improve the competitiveness, productivity, investment, jobs and export growth in the manufacturing sector...*

With this background in mind, the Committee sought details from the Minister concerning targets set in the manufacturing sector for employment, production and the level of investment. In this regard, the Minister indicated that he does not agree with the concept of setting targets for employment.<sup>86</sup> However, the Committee considers that a suite of measures and targets covering areas that include production, employment and investment should be established in order to demonstrate the contribution that the manufacturing sector is making to Victoria's industrial mix and gross state product, and to measure the Government's performance compared to its goals. The development of such a performance management framework for the manufacturing sector with a strategic focus should address any relevant findings that emerge from the Victorian Competition and Efficiency Commission inquiry, expected by September 2011.

**Recommendation 24: The Government establish an appropriate performance management framework for Victoria's manufacturing industry that addresses any findings from the Victorian Competition and Efficiency Commission inquiry.**

## 5.7 The design sector

The Committee noted that the Government has proposed to discontinue two performance measures dealing with the Design Sector Initiative, namely 'Business immersions completed' and 'People participating in lectures, seminars and workshops' as '*previous budgets did not allocate funding for the program beyond 30 June 2011.*'<sup>87</sup> In inquiring at the budget estimates hearing about the decision by the Government not to fund the Design Action Plan, the Minister for Innovation, Services and Small Business advised the Committee that:<sup>88</sup>

*The design sector is important; I acknowledge that. I have found a number of the meetings in which I have participated on this subject just inspiring in terms of the economic potential for Victoria. The government is going to develop a new four year design plan, as you would expect. It is a new government; we will have*

84 *ibid.*

85 *ibid.*, p.3

86 *ibid.*, p.5

87 Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.380

88 Hon. L. Asher MP, Minister for Innovation, Services and small Business, 2011-12 budget estimates hearing, transcript of evidence, 16 May 2011, p.10

*a new four year design plan. Obviously funding will be addressed as part of that. We want to support the design industry, as you would expect, and obviously there would be new output measures and whatever, and this committee will be provided with that at the relevant time.*

The Committee was also advised that the Budget allocates \$3.1 million for design for 2011-12 under the Department of Business and Innovation's innovation output.<sup>89</sup> This amount comprises 19 per cent of the estimated output cost for the Innovation output. The Committee believes that, as funding continues to be provided to fund activities associated with the design sector, the budget papers should have included measures to assess the performance of such activities as an interim measure until new indicators are developed for the new design action plan. The Committee noted that the budget papers for 2010-11 disclosed that the higher targets for 2010-11 for the two performance measures dealing with the Design Sector Initiative reflected increased demand for the program.<sup>90</sup> As shown in the 2011-12 budget papers, it is expected that these increased targets will be met in 2010-11.<sup>91</sup>

The Committee looks forward to examining the relevance and appropriateness of the performance measures that are to be developed for the new design plan.

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89      *ibid.*

90      Budget Paper No.3, *2010-11 Service Delivery*, May 2010, p.123, note (k)

91      Budget Paper No.3, *2011-12 Service Delivery*, May 2011, p.380

