PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

2011-12 FINANCIAL AND PERFORMANCE OUTCOMES GENERAL QUESTIONNAIRE

DEPARTMENT OF TREASURY AND FINANCE

TREASURY CORPORATION OF VICTORIA

SECTION A: **Output variations**

Question 1

Please provide copies of all of your department's/agency's annual plans, business plans, strategic plans, corporate plans or similar relating to 2011-12 (these are requested in accordance with Section 28(1) of the *Parliamentary Committees Act 2003*) unless they are online. If they are online, please specify the document name and web address:

Document	**Web address:**
Corporate Plan 2012-15	

SECTION C: **Revenue and revenue foregone**

Question 14

Please explain and detail the impact of any variances greater than ±10 per cent between the prior year's actual result and the actual result for 2011-12 for:

(a) each revenue/income category detailed in your operating statement; and

(b) the total revenue/income in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Revenue category	**2010-11 actual $000s**	**2011-12 actual $000s**	**Explanations for variances greater than ±10 per cent**	**Impact of variances**
Net gain on financial assets and liabilities at fair value through	61,625	66,964	<10%	None

profit and loss				
Other fees and income	10,725	6,558	Primarily reflects revised agreement with DTF for the charging of treasury management and related fees.	None
Total	**72,350**	**73,522**	<10%	None

Question 15

Please explain and detail the impact of any variances greater than ±10 per cent between the initial budget (**not** the revised estimate) and the actual result for 2011-12 for:

(a) each revenue/income category detailed in your operating statement; and

(b) the total revenue/income in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Revenue category	**2011-12 Budget $000s**	**2011-12 actual $000s**	**Explanations for variances greater than ±10 per cent**	**Impact of variances**
Net gain on financial assets and liabilities at fair value through profit and loss	50,587	66,964	Reflects impact of higher lending levels than budgeted and over budget risk management outcomes.	Above budget dividend.
Other fees and income	6,479	6,558	<10%	None
Total	**57,066**	**73,522**	Largely reflects impact of higher lending levels than budgeted and over budget risk management outcomes..	Above budget dividend.

SECTION D: **Expenditure**

Question 18

Please explain and detail the impact of any variances greater than ±10 per cent between the prior year's actual result and the actual result for 2011-12 for:

(a) each expenditure category detailed in your operating statement; and

(b) the total expenditure in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Expenditure category	**2010-11 actual** **$000s**	**2011-12 actual** **$000s**	**Explanations for variances greater than ±10 per cent**	**Impact of variances**
Borrowing related expenses				
Syndication fees	438	188	Syndication fees are incurred from time to time for new issues of Bonds to particular investor demographics.	None
Bank and facility fees	170	116	Reflects unanticipated savings on bank fees.	Cost saving
Rating agency fees	506	459	Primarily reflects stronger Australian dollar.	Cost saving
Registry and agency fees	95	110	Increased charges	Additional cost
Other costs	248	26	Reflects 2011-12 recovery of GST paid on syndication fees in 2010-11.	Cost saving
	1,457	**899**		
Other operational expenses				
Salaries and related employee expenses	9,944	10,014	<10%	
Temporary contracted resources	712	80	Primarily reflects costs associated with contractors to cover treasury accounting staff.	Cost saving

Depreciation of property plant and equipment	681	450	Reflects, in 2011-12, capital items becoming fully depreciated (primarily the fitout and furnishings)	Deferred expense
Amortisation of intangible assets	313	969	Reflects, in 2011-12, amortisation of new (replacement) software.	Additional cost (over 3 year amortisation period) offset by ongoing reduced maintenance costs.
Professional fees and contract services	1,703	1,220	Reflects completion of material IT projects in 2010-11 and associated costs.	Cost saving
Prudential supervision fee	160	109	Reflects revised agreement between DTF and the Prudential Supervisor.	Cost saving
Lease payments	605	659	<10%	
Power and other occupancy costs	125	249	Reflects higher outgoing costs following 2011-12 rebasing.	Additional cost
Market information services	978	1,038	<10%	
Promotional expenses	325	236	Reflects reduced expenditure across all aspects including a decision not to publish a concise annual report, reduced entertainment, advertising and sponsorship.	Cost saving
Legal costs	149	299	Reflects unbudgeted legal requirements.	Additional cost
Insurance	252	326	Largely reflects increased Professional Indemnity and Bankers Bond and Electronic Computer Crime Insurances cover.	Additional cost
Information technology	1,825	1,630	Reflects lower maintenance costs associated with new (replacement) software.	Cost saving
Other expenses	513	608	Reflects sundry variances including increased costs associated with international roadshows and a lower level of GST recovery on activities not associated with financial services.	Additional cost
	18,285	**17,887**	<10%	

Question 19

Please explain and detail the impact of any variances greater than ±10 per cent between the initial budget (not the revised budget) and the actual result for 2011-12 for:

(a) each expenditure category detail in your operating statement; and

(b) the total expenditure in your operating statement.

For departments, please provide data consolidated on the same basis as the budget portfolios outcomes statement in your annual reports.

Expenditure category	**2011-12 Budget $000s**	**2011-12 actual $000s**	**Explanations for variances greater than ±10 per cent**	**Impact of variances**
Borrowing related expenses				
Syndication fees	-	188	Syndication fees are not budgeted for as they are only incurred when Bonds are issued using this distribution methodology.	None
Bank and facility fees	163	116	Reflects reduced bank fee expenditure	Cost saving
Rating agency fees	521	459	<10%	
Registry and agency fees	102	110	<10%	
Other costs	311	26	Reflects 2011-12 recovery of GST paid on syndication fees in 2010-11.	None
	1,097	**899**	Largely reflects the recovery of GST exceeding unbudgeted syndication fees.	None
Other operational expenses				
Salaries and related employee expenses	10,128	10,014	<10%	
Temporary contracted resources	33	80		Non, dependant on future needs.

Depreciation of property plant and equipment	467	450	<10%	
Amortisation of intangible assets	1,105	969	Reflects delays in the acquisition of budgeted capital expenditure.	None, timing variance.
Professional fees and contract services	1,447	1,220	Reflects delays in the implementation of budgeted software projects.	None, timing variance.
Prudential supervision fee	165	109	Fee lower than anticipated in budget process.	Cost saving
Lease payments	641	659	<10%	
Power and other occupancy costs	144	249	The cost of “outgoings” charged by the landlord were significantly higher than anticipated in the budget process.	Additional cost
Market information services	1,028	1,038	<10%	
Promotional expenses	393	236	Reflects reduced expenditure across all aspects including a decision not to publish a concise annual report reduced entertainment, advertising and sponsorship.	Cost saving
Legal costs	148	299		
Insurance	297	326	Budget estimate was understated.	Additional cost
Information technology	1673	1,630	<10%	
Other expenses	664	608	<10%	
	18,333	**17,887**	<10%	

Question 21

Please provide details of any evaluations of grants programs that were conducted by your department/agency in 2011-12, including any findings about:

(a) the outcomes in the community[1] achieved by the programs; or

(b) the effectiveness of grants at achieving planned outcomes compared to other modes of service delivery.

Grant program	Evaluation conducted	Outcomes achieved	Effectiveness as a mode of service delivery
None			

[1] 'outcomes' are the impact of service delivery on the community rather than a description of the services delivered

Question 24

Please detail all measures introduced to increase efficiency in 2011-12, including the cost of introducing each measure and the estimated savings as a result of the measure in 2011-12.

Response:

TCV has an ongoing business improvement process as part of the annual business planning process. The plan seeks to embed improvement at a cultural level in ongoing small changes as the business model remains fundamentally unchanged with TCV as the central financing agency for the State.

Since June 2003 the balance sheet size has gone from $17.541 billion to $44.540 billion with headcount going down from FTE 57.1 to 50.25.

This model has operated in the context of a strong prudential framework as evidenced by formal Prudential Supervisor and External and Internal Audit feedback.

Efficiency measure	Cost of introduction	Estimated savings as a result

Question 25

Please detail any changes to your department's/agency's service delivery as a result of savings initiatives released since the change of government, e.g. changes to the timing and scope of specific programs or discontinued programs.

TCV as the central financing agency for the State consolidates the financial market risks of State entities for management and measurement. That model has remained largely unchanged since inception of the Corporation with the only recent change being a push by the State to also consolidate deposit holdings for similar reasons (in conjunction with VFMC). That extra work has been managed within current system and headcount levels at no additional cost. The Corporation remains committed to fully matching client financing needs to consolidate all identified market risk for management. This is borne out by client satisfaction survey results and direct feedback from the Treasurer and DTF.

SECTION E: Public sector workforce

Question 26

Please detail the total full-time equivalent number of staff in your department/agency as at 30 June 2011 and 30 June 2012 in each of the following bands of levels, and explain the changes from one year to the next:

Level	Total FTE (30 June 2011)	Total FTE (30 June 2012)	Explanation for changes
GSERP GMs	4.9	4.7	0.8 FTE replacement of role previously occupied fulltime.
Principal Officers	3	3	
Other	40.7	42.55	Reflects roles vacated in 2011being filled.
Total of all staff	48.6	50.25	Reflects roles vacated in 2011being filled.

Question 27

In the tables below, please detail the salary costs for 2011-12, broken down by ongoing, fixed-term and casual and explain any variations greater than 10 per cent between the years for each category.

Employment category	Gross salary 2010-11	Gross salary 2011-12	Explanation for any variations greater than ±10 per cent
	($ million)	($ million)	
Ongoing	4.3	4.6	
Fixed-term	2.3	2.3	
Casual			
Total	**6.6**	**6.9**	

Question 28

Please detail the impact on your department's/agency's expenditure of any EBAs agreed in 2011-12 and how any additional costs were funded.

EBA	Impact in 2011-12 ($ million)	How the impact was funded
There is no EBA at TCV.		

Question 29

Please provide the following details about staff number changes in 2011-12 (please provide all data as FTE):

	Target for 2011-12	**Actual for 2011-12**	**Reason for any variation between target and actual**	**Impact of reduction or increase in staff numbers on services delivery**
Total change in staff numbers (please indicate + for increase and – for decrease)	50 FTE approx. – some variations due to mat leave specifics	50.25 as at 30 June	N/A	N/A
Change in the number of head office staff* (please indicate + for increase and – for decrease)	As above			
Change in the number of front-line staff* (please indicate + for increase and – for decrease)	7.9	8.4	Change was only due to handover in roles	
Number of staff reduced through resignation and retirement	No target set.	2.6	Within reasonable variance for TCV	None
Number of staff reduced through non-renewal of contracts	N/A			
Number of staff reduced through VDPs	N/A			
Number of staff reduced through TSPs	N/A			
Number of staff reduced through other means	No target set	1	Within reasonable variance for TCV	
Costs associated with staff reductions (e.g. VDP and redundancies pay-outs)		$35,000	Within reasonable variance for TCV	

* Please indicate how you have defined 'head office staff' and 'front-line staff'.

Front line staff are GSERP and PO

Question 30

(a) For what roles within your organisation were contractors or contract staff used in 2011-12 (refer to Explanatory Memorandum for definition of contractors)?

Contractors are primarily used in respect of IT but, as disclosed below, are also used for other functions.

(b) Please itemise the services delivered by contractors or contract staff in 2011-12:

Service category	Number of contractors/contract staff	Value of services ($)
Staff survey	1	23,333
Taxation (FBT & GST) advice	1	5,480
IT systems	6	76,342
IT contract staff	9	51,032
Valuation fee (re financial statements)	1	5,500
Architects	2	7,928
Other	2	1,995

(c) For each specific contractor or contract staff paid in excess of $100,000 per annum that has been engaged by your organisation during 2011-12, please supply the following details:

Supplier	Purpose	Value of services ($)	Number of contractors/contract staff (FTE) employed for longer than 12 months	Reasons why a VPS employee or equivalent could not undertake the work
Not applicable				

Question 31

(a) For what roles within your organisation were consultants used in 2011-12 (refer to Explanatory Memorandum for definition of consultants)?

During 2011-12, TCV employed two consultants. One to conduct a project implementation review, the other to benchmark specific credit risk methodology analysis.

(b) Please itemise the services delivered by consultants in 2011-12:

Service category	**Number of consultants**	**Value of services ($)**
IT consulting	1	22,445
Treasury risk management consulting	1	23,154

(c) For each specific consultant paid in excess of $100,000 per annum that has been engaged by your organisation during 2011-12, please supply the following details:

Supplier	**Purpose**	**Value of services ($)**	**Number of consultants (FTE) employed for longer than 12 months**	**Reasons why a VPS employee or equivalent could not undertake the work**
Not applicable				

Question 32

Please complete the following tables showing number of executive staff and total value of bonuses paid in the 2011-12 performance periods:

Executive category	**Number of staff (FTE)**			**Total value of bonuses paid ($)**
	Eligible for a performance bonus	**Not awarded bonus payment**	**Awarded bonus payment**	
MD, DMD, GSERP (ex MD and DMD) and POs	7.9	0	7.9	$338,646
PO	3	0	3	$348,000

Note (a): Combine categories to preserve confidentiality where necessary

Question 33

In the following table, please show for your organisation the actual range of bonuses paid in 2011-12 (expressed as a percentage of total remuneration).

Rating	**Proportion of total remuneration package actually paid (expressed as a range from x% to y%)**
Exceptional	Refer below
Superior	
Competent	
Improvement required	

The above format is based on the Executive Employment Handbook. If your organisation adopted another approach for awarding bonuses, please provide details.

2011-12

Bonus payments, based on performance, were approved by the TCV Remuneration Committee and were distributed in the following groups:

- 4 GSERP (includes the Managing Director)
- 1 GSERP who did not qualify and therefore did not receive a bonus
- 3 Principal Officers – base bonus
- 3 Principal Officers – performance bonus
- 41 qualifying regular staff
- 2 regular staff resignations who therefore did not receive a bonus
- 4 regular staff who did not qualify and therefore did not receive a bonus.

GSERP

Exceptional performance – 20% received by two GSERP executives

Superior performance – 17.5% - 18% received by two GSERP executives

Did not qualify – one GSERP executive DNQ for a performance bonus and therefore did not receive a bonus.

Principal Officers (PO)

Exceptional performance – no PO's received a 20% bonus.

Superior performance – three PO's received a base bonus of between 16% - 17%.

Principal Officer (PO) Performance Bonus

The PO bonus scheme is a financial performance based scheme approved by the State and a bonus of 26.46% (of the 40% maximum available) was paid to the three Principal Officers.

Regular Staff

Exceptional performance – two regular staff received a 20% bonus.

Superior performance – nine regular staff received a bonus between 15% and 18%.

Competent performance – twenty nine staff received a bonus between 3% and 13.5%.

Improvement required – one staff member received a 0% bonus.

Did not qualify – four regular staff DNQ for a performance bonus with an additional two staff resigning prior to distribution and therefore did not receive a bonus.

Question 34

Please detail the number of executives who received increases in their remuneration in 2011-12, breaking that information down according to what proportion of their salary the increase was, and explaining the reasons for executives' salaries increasing in each bracket.

Increase in base remuneration	**Number of executives receiving increases in their base rate of remuneration of this amount**	**Reasons for these increases**
0-3 per cent	1=0.48% 1=0.58% 5=2.50%	GSERP Compliant increase
3-5 per cent		
5-10 per cent	1=5.03%	GSERP Compliant increase
10-15 per cent		
greater than 15 per cent		

SECTION F: **Program outcomes**

Outcomes reflect the impact on the community of the goods and services provided by a department. The questions in this section all relate to the outcomes that your department/agency contributed to in 2011-12.

Question 36

(a) Using the format of the table below, please outline the five most important outcomes in the community[2] achieved by your organisation's programs/activities in 2011-12 (where your organisation has been the key player) including:

(i) what was planned;

(ii) what was achieved;

(iii) quantitative or qualitative data to demonstrate this achievement;

(iv) any other Victorian public sector organisations or agencies from other jurisdictions that have worked across organisational boundaries to contribute to this outcome; and

(v) the relationship of these outcomes to any government strategies or goals.

Planned outcome to be achieved	**Description of actual outcome achieved**	**Quantitative or qualitative data to demonstrate outcome**	**Other agencies involved**	**Relationship to major government strategy**
1. To meet client funding requirements in volume and duration at a competitive price	All TCV clients, including the Budget Sector, were able to rely on TCV to obtain competitively priced finance in the volume and duration required to meet their financing obligations, and comply with their Treasury guidelines.	No financing shortfalls by State borrowers. TCV client survey shows a top quartile satisfaction rating TCV finances at a rate comparable with, and frequently cheaper than, peer States.	Principally TCV	TCV was established to provide professional financing services to the State. Achievement of this outcome allows the State and its agencies to pursue infrastructure programs.

[2] 'outcomes' are the impact of service delivery on the community rather than a description of the services delivered

To have no unauthorised breaches of the Corporate Risk parameters	TCV has a conservative risk management framework, with a number of metrics established to ensure compliance. Principal amongst these are Value at Risk and total liquidity measurements, the limits for which are agreed with the Treasurer through the Corporate planning process and period	TCV operated within risk parameters through the period.	Principally TCV	For TCV to operate in a conservative risk framework
To assist the Government in retaining the State's AAA rating	TCV's makes an important contribution to the State's rating through engagement with financial markets, rating agencies and interaction with, and provision of advice to, the Government. The state has retained it's AAA rating through the period.	The state has retained it's AAA rating through the period. TCV undertakes an Investor Relations program, which provides financial markets with information relating to the Victorian budget and Government programs. This program was successfully delivered over the Financial Year. This program includes introduction of the Treasurer to domestic and international investors, and organisations with commercial interests in Victoria, which occurred in October 2012. Additionally, TCV's management of liquidity and continued access to finance is an important part of the ratings calculation, and TCV had delivered this through the period. Work with the ratings Agencies and DTF on liquidity metrics for the whole of Government and their active management has also been highly effective.	DTF	This outcome makes an important contribution to the Government's economic reform agenda in particular pillar one of that agenda 'creating significantly stronger budget capacity'.
To achieve the requisite level of	A level of financial performance, in terms of Return on Capital and	$56.795 million dividend paid to the State as 100% of Corporation	Principally TCV	To ensure the State's Financial organisations operate within

Financial Performance.	Financial Institution Value Add (FIVA) is agreed with the Treasurer through the Corporate Planning process. For FY 2011/12, TCV significantly exceeded these benchmarks.	net profit for year end 30 June 2012, considerably in excess of targets.		agreed parameters, and contribute value to the Government process.
To maintain high levels of customer satisfaction	TCV measures customer satisfaction through a survey process, and by recording complaints. Through this period performance metrics around these areas were met.	TCV maintained a top quartile Customer Satisfaction rating in the October 2012 survey. No customer complaints were received in the period. Additional TCV supports Customer activities by Supporting industry association, facilitating access to Ministers, providing specialist financing advice and market commentary to Board's, and by providing, where required, access to specialist skills that may be unavailable to individual organisations. TCV's model allows the provision of specialist services to Government Agencies and Departments. This has included specialist advice in respect of the: • VCCC Project • Ararat Prison Project • Bendigo Hospital Project • development of the Whole of Victorian Government liquidity management framework and centralised deposit policy.	Principally TCV	This outcome makes an important contribution to the Government's economic reform agenda in particular pillar one of that agenda 'creating significantly stronger budget capacity'.

(b) Please also identify any significant program outcomes that were planned but not achieved in 2011-12 and the underlying reasons.

Outcome not achieved	**Explanation**
None.	