

## **CHAPTER 11: DEPARTMENT OF PREMIER AND CABINET**

### **Key Findings of the Committee:**

- 11.1** The Department of Premier and Cabinet's budget for 2004-05 is \$432.3 million, an increase of \$39.6 million from the 2003-04 estimated actual budget. The increase is largely attributed to the establishment of the Office of Information and Communication Technology, and additional financial support for state owned cultural facilities and the Office of the Ombudsman.
- 11.2** \$41 million has been carried over from 2003-04, comprising \$5.6 million for goods and services, and \$35.4 million for additions to assets, mainly relating to the State Library Redevelopment Project.
- 11.3** The Office of the Ombudsman has received additional resources to enable it to meet a wider mandate planned by the Government.
- 11.4** The Department of Premier and Cabinet has developed governance arrangements to monitor and manage security and terrorist threats.
- 11.5** The Department of Premier and Cabinet has not developed a performance measurement and public reporting framework to assess achievements and cost savings generated under the Government's Standard Corporate ICT Infrastructure Strategy.
- 11.6** To avoid repetition of problems that the Auditor-General noted recently with other major IT projects, responsibility needs to be assigned to an appropriate agency for developing guidance standards for project design and management of information and communication technology systems.

### **Departmental review**

#### **11.1 Departmental overview**

The Department of Premier and Cabinet has four major roles:<sup>1</sup>

- supporting the Premier as head of government and Cabinet;
- providing strategic policy leadership;

<sup>1</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.2

- developing whole of government initiatives; and
- delivering services and programs for government information and communication, and Arts Victoria.

Agencies that report through the department are:<sup>2</sup>

- the Office of the Governor;
- the Chief Parliamentary Counsel;
- the Commissioner for Public Employment;
- the Ombudsman; and
- seven state owned arts agencies that are administered by Arts Victoria.

### **11.1.1 Key issues that the department's 2004-05 budget will address**

Key themes that the department's 2004-2005 Budget will address are:<sup>3</sup>

- ensuring the effective management, governance and support of the public sector;
- ongoing development of counter terrorism initiatives and the creation of the security unit within the department to address issues of state security and terrorism;
- maintaining the provision of quality strategic policy advice and leadership by the department and continuous development of policy skill capabilities;
- undertaking longer term policy projects that contribute to the strategic direction of the public sector;
- supporting and implementing the *Growing Victoria Together* Strategy;
- continuing support and development of the Victorian arts and cultural sector; and
- developing and implementing Information and Communication Technology functions to lead and manage the public sector in order to achieve greater access, integration and standardisation.

The Office of the Chief Information Officer (OCIO) was created and the Chief Information Officer appointed in 2003 to establish a new whole of government approach to information and communication technology management. Funding provided over four years consists of \$33 million for output initiatives in the 2003-04

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<sup>2</sup> Department of Premier and Cabinet *2002-2003 Annual Report*, p.67

<sup>3</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.4

Budget and \$17.5 million for capital funding in the 2004-05 Budget.<sup>4</sup> Budget allocations in 2004-05 provide \$8.4 million for ICT strategy and service and \$9.3 million in asset initiatives for value for money from ICT investments.<sup>5</sup>

Another key initiative in 2004-05 is support for the Office of the Ombudsman. The department's budget for 2004-05 includes a \$1.3 million<sup>6</sup> increase in base funding for the Ombudsman. The Premier advised the Committee that the increase in base funding did not cover any particular complex matters for which the Ombudsman may subsequently require funding. If matters being investigated require more resourcing, then the department would expect to receive a request from the Ombudsman. The Ombudsman is aware that this is the case.<sup>7</sup> The Committee notes that the Premier subsequently announced the Government would provide the Ombudsman with approximately \$10 million in additional funding to employ more staff increasing the resources of that Office to around 100.<sup>8</sup>

The Committee notes that security and counter terrorism are also increasing priorities for the Government and the department.<sup>9</sup> The budget for 2004-05 provides over five years an additional \$13 million across government with funds allocated to appropriate departments for counter terrorism measures and an additional \$16 million for asset investment to enhance Victoria's capacity for security and counter terrorism.<sup>10</sup>

The additional counter terrorism funding initiatives over a five year period will include \$4.9 million to enhance public health laboratory capacity and trauma support programs, \$1.4 million for the state chemical laboratory to test agents and toxins and \$6.6 million in the intelligence and investigation technology package for Victoria Police to assist in disrupting planned terrorist activity.<sup>11</sup> The additional counter terrorism capital funding initiatives over five years that will be directed towards security areas and include \$5.4 million on hospital negative pressure isolation rooms and refresher disaster kits; \$600,000 for improvements to the state chemical laboratory capacity for testing agents; \$6.8 million for the intelligence and investigation technology package for Victoria Police; \$2.2 million for the Victorian Institute of Forensic Medicine's computerised equipment; \$850,000 for mobile lighting towers, personal protective equipment and spine boards for the Victoria State Emergency Service; and \$250,000 on further security upgrades to Parliament House.<sup>12</sup>

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<sup>4</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.4

<sup>5</sup> Budget Paper No.3, *2004-05 Service Delivery*, pp.183, 296

<sup>6</sup> *ibid.*, p.185

<sup>7</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.3

<sup>8</sup> Hon. S. Bracks, MP, Premier of Victoria, Media release, *Ombudsman to receive additional funds and resources*, 3 June 2004

<sup>9</sup> *ibid.*,

<sup>10</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.24

<sup>11</sup> *ibid.*

<sup>12</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, pp.16-17

The funding for security and counter terrorism initiatives in the 2004-05 Budget is additional to the \$98 million previously committed over five years in the 2003-04 Budget.<sup>13</sup>

### **11.1.2 Performance measures**

The Committee reviewed the department's output structure and performance indicators for the 2004-05 Budget and noted that these have remained essentially unchanged since 2003-04, apart from six new performance indicators introduced for the new ICT Strategy and Services output.<sup>14</sup> The department confirmed that only a small number of performance measures have changed in 2004-05 to reflect the Government's new arts policy.<sup>15</sup>

In response to a question from the Committee, the department advised it frequently compares its performance measures to other governments. Performance measures and targets under the Strategic Policy Advice and Projects output group were established after comparisons with other states, and performance measures for other output groups were developed after examining similar functions in other states and territories.<sup>16</sup> However, no specific benchmarking for performance outcomes in 2003-04 was undertaken by the department.<sup>17</sup>

The Committee has reservations about the relevance of some performance measures used by the department to assess the achievement of annual outputs and outcomes in an effective and robust manner. For example, performance indicators for the key Strategic Policy Advice output that provides policy advice and analysis to the Premier on all matters affecting his role as Head of Government, support for Cabinet, and Government relationships with Parliament, focus almost exclusively on the provision of policy briefings, particularly the number of briefs provided, ministerial and senior executive satisfaction with the quality of brief provided and timely completion of briefings.<sup>18</sup> The Committee is of the view that the performance information should have indicated how the policy advice had assisted the Government to achieve its medium term strategic directions.

The Committee considers that concerns previously raised regarding gaps in the performance measurement and reporting framework generally have relevance to the framework adopted by the department for its last two budgets, particularly as they relate to:<sup>19</sup>

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<sup>13</sup> Budget Paper No.3, *2004-2005 Service Delivery*, p.24

<sup>14</sup> *ibid.*, p.179

<sup>15</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.12

<sup>16</sup> Department of Premier and Cabinet response, to the Committee's follow-up question, p.5

<sup>17</sup> *ibid.*

<sup>18</sup> Budget Paper No.3, *2004-05 Service Delivery*, pp.180, 182.

<sup>19</sup> Public Accounts and Estimates Committee, *Report on the 2003-04 Budget Estimates*, pp.564-571

- inadequacies of existing performance indicators for departmental outputs and objectives;
- poor linkages between departmental outputs, resource allocation objectives and desired Government outcomes; and
- lack of measures to report whole of government initiatives.

The Committee considers that the department, in its capacity as a lead agency of Government, should develop a more robust regime of performance indicators to assess achievement of its outputs and outcomes.

The Committee is also of the opinion that comparison and benchmarking against other jurisdictions enhances the accountability processes and adds credibility to performance outcomes published in the department's annual report. The Committee suggests that external annual validation of performance outcomes, where practical, should be incorporated into the departmental output budgeting and reporting regime.

The Committee recommends that:

**Recommendation 122:**                    **The Department of Premier and Cabinet review the relevance of its current suite of performance indicators and include in the review benchmarking against other jurisdictions and external validation of performance measures, where possible, and report on these matters in its annual report.**

## 11.2      Output management framework

The department has three output groups which support the ministerial portfolios of Premier and the Arts.<sup>20</sup>

The Premier has responsibility for two output groups – Strategic Policy Advice and Projects, and Public Sector Management, Governance and Support.<sup>21</sup>

The department has established within the Strategic Policy Advice and Projects output group a new output, Information, Communication and Technology (ICT) Strategy and Services.<sup>22</sup>

The new output was created following the establishment of the Office of the Chief Information Officer (OCIO). Initially, OCIO will remain the responsibility of the

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<sup>20</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.3

<sup>21</sup> *ibid.*

<sup>22</sup> *ibid.*

Premier but will be transferred over time to the Minister for Information and Communications Technology.<sup>23</sup> Performance measures have been developed to measure the activities of the newly created body.<sup>24</sup>

The Minister for the Arts has responsibility for the Arts and Cultural Development output group which includes oversight of Arts Victoria and the following seven arts agencies:<sup>25</sup>

- Museum of Victoria;
- State Library of Victoria;
- National Gallery of Victoria (NGV);
- Victorian Arts Centre;
- Geelong Performing Arts Centre;
- Australian Centre for the Moving Image; and
- Film Victoria.

Minor changes have occurred within the Arts and Cultural Development outputs to reflect the Government's arts policy *Creative Capacity +, Arts for all Victorians* released in May 2003. The 2003-04 output Infrastructure and Cultural Facilities has been changed to Creating Place and Space and the Arts Services and Policy output has been changed to Portfolio Services and Policy.<sup>26</sup>

The Committee was advised by the Premier that the output structure for 2004-05 has been reviewed in light of major issues impacting on the department.<sup>27</sup>

The Committee's previous report recommended that the department develop a method of tracking or allocating resources, including staff resources, across outputs to improve the accuracy of budget estimates and to facilitate analysis of the costs associated with its outputs.<sup>28</sup>

In its response, the Government advised it would ensure that the current output structure results in a more efficient allocation of its resources across outputs and will continue to strive to improve resource allocation.<sup>29</sup>

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<sup>23</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.4

<sup>24</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.183

<sup>25</sup> Organisational chart attached to the Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire

<sup>26</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.179

<sup>27</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.4

<sup>28</sup> Public Accounts and Estimates Committee 54th *Report on the 2003-2004 Budget Estimates*, September 2003, p.381

<sup>29</sup> Government's Response to the Recommendations of the Public Accounts and Estimates Committee, *Report on the 2003-2004 Budget Estimates*, 54th Report, March 2004, p.38

## 11.3 Budget summary/financial analysis

Exhibit 11.1 shows the department's 2004-05 budget output summary.

### Exhibit 11.1: Department of Premier and Cabinet Output costs

	Column 1	Column 2	Column 3	Column 3-2/2
Output Group	2003-04 Budget (\$ million)	2003-04 Estimated Actual (d) (\$ million)	2004-05 Budget (d) (\$ million)	Variation (%)
Arts and Cultural Development	307.6	307.6	341.1	(a) 10.9
Strategic Policy Advice and Projects	67.5	67.5	72.6	(b) 7.6
Public Sector Management, Governance and Support	17.6	17.6	18.6	(c) 5.7
<b>Total</b>	<b>392.7</b>	<b>392.7</b>	<b>432.3</b>	<b>10.1</b>

- Notes:
- (a) Increase reflects sustainability funding for the States cultural institutions and patronage initiatives
  - (b) Increase reflects the creation of the Office of Information and Communication Technology in 2004
  - (c) Increase reflects additional funding provided to the Office of the Ombudsman
  - (d) The output structure for both periods remains essentially unchanged

Sources: Budget Paper No.3, 2004-05 Service Delivery, pp.179–190 and the Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.18

The department's budget allocation for outputs in 2004-05 is \$432.3 million, representing a \$39.6 million (or 10.1 per cent) increase over the estimated actual for 2003-04.

### 11.3.1 Operating performance

The department has budgeted in 2004-05 for an increase of 7.8 per cent in both revenue and expenses derived from ordinary activities. The anticipated net result for operating activities in 2004-05 is \$3.6 million – a variation of \$300,000 from the revised 2003-04 result. Administered revenue is expected to equal administered expenses resulting in a zero result in 2004-05. There are substantial variations between administered revenue and expenses for 2004-05 compared with the 2003-04 revised budget (see exhibit 11.2). The department provided the following explanation for the variations.

**Exhibit 11.2: Department of Premier and Cabinet  
Statement of Financial Performance**

	Column 1	Column 2	Column 3	Column 3-2/2
	<b>2003-04 Budget (\$ million)</b>	<b>2003-04 Estimated Actual (\$ million)</b>	<b>2004-05 Budget (\$ million)</b>	<b>Variation (a) (%)</b>
<b>Controlled items</b>				
Operating revenue	404.5	412.4	444.5	7.8
Operating expenses	401.2	409.1	440.9	7.8
<b>Net Result</b>	<b>3.3</b>	<b>3.3</b>	<b>3.6</b>	<b>9.1</b>
<b>Administered items</b>				
Administered revenue	22.4	21.9	5.6	(b) -74.4
Administered expenses	2.7	2.1	5.6	166.7
<b>Net Result</b>	<b>19.7</b>	<b>(c) 19.7</b>	<b>0.0</b>	<b>-100</b>

Note: (a) A negative variance indicates that the 2004-05 budget has decreased compared with the 2003-04 estimated actual

(b) Appropriation revenue - payments made on behalf of the state of \$19.7 million in 2003-04 were discontinued in 2004-05

(c) Reported net result adjusted for rounding purposes

Sources: Budget Paper No.4, 2004-05 Statement of Finances, Table 2.6.1, p.81 and Table 2.6.4, p.84

The increase in budgeted revenue from controlled activities (\$32.1 million, or 7.8 per cent) for 2004-05 is due to the following factors:

- an increase in appropriations of \$28.2 million to fund additional expenditure on output initiatives,<sup>30</sup> and
- an increase in revenue from the sale of goods and services of \$3.9 million, principally due to the first full year of the operation of the National Gallery since its re-opening in October 2003.<sup>31</sup>

The increase in expenses from controlled activities (\$31.8 million, or 7.8 per cent) is also largely due to additional funding provided to the arts agencies.<sup>32</sup>

<sup>30</sup> Budget Paper No.4, 2004-05 Statement of Finances, p.81

<sup>31</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.15

<sup>32</sup> Budget Paper No.4, 2004-05 Statement of Finances, p.79

The department advised that the surplus from controlled activities in 2004-05 arises mainly from monies held in trust for future capital works.<sup>33</sup> The reduction in administered revenue in 2004-05 represents the discontinuation in 2004-05 of payments of \$19.7 million toward the Ambulance Royal Commission in 2003-04.<sup>34</sup> The increase in administered expenses represents additional private, philanthropic contributions received towards the Yarra Precinct Arts Integration and paid into the Consolidated Fund in 2004-05.<sup>35</sup>

### 11.3.2 Balance sheet performance

Exhibit 11.3 shows that the department's controlled net asset position is expected to improve by \$70.2 million by 30 June 2005, comprising mainly a \$32.3 million increase in receivables<sup>36</sup> representing a build up of recoverable unfunded depreciation charges incurred by the arts agencies<sup>37</sup> and an increase of \$43.5 million in the department's property, plant and equipment holdings.<sup>38</sup> The expected decrease in controlled liabilities mainly represents a \$1.7 million partial repayment of a loan to the National Gallery of Victoria.<sup>39</sup>

**Exhibit 11.3: Department of Premier and Cabinet  
Statement of Financial Position**

	Column 1	Column 2	Column 3	Column (3-2)/2
	<b>2003-04 Budget</b>	<b>2003-04 Estimated Actual</b>	<b>2004-05 Budget</b>	<b>Variation</b>
	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(\$ million)</b>	<b>(%)</b>
<b>Controlled items</b>				
Controlled assets	3,665.6	3,661.3	3,730.4	1.9
Controlled liabilities	62.0	62.0	60.9	-1.8
<b>Net assets</b>	<b>3,603.6</b>	<b>3,599.3</b>	<b>3,669.5</b>	<b>2.0</b>
<b>Administered items</b>				
Administered assets	-8.6	-8.6	-8.6	0
Administered liabilities	-8.8	-8.8	-8.8	0

Source: *Budget Paper No.4, 2004-05 Statement of Finances, pp.83-84*

<sup>33</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.16

<sup>34</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.85

<sup>35</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.17

<sup>36</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.83

<sup>37</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.20

<sup>38</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.83

<sup>39</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.20

The budgeted financial statement for 2004-05 includes a fixed asset category ‘other fixed asset’ with expected holdings of \$2.5 billion.<sup>40</sup> The department advised these assets comprise buildings and collections associated with the state’s cultural institutions and the building and other assets of Government House.<sup>41</sup> The National Gallery of Victoria and State Library of Victoria account for \$2.1 billion of these holdings.

Administered items comprise negative amounts for both assets and liabilities for both 2003-04 and 2004-05 periods.<sup>42</sup> In view of this, administered assets and liabilities for the department will be examined in detail during the Committee’s review on Budget Outcomes for 2003-04.

### 11.3.3 Carry over funding

Details of funds carried over from 2003-04 to 2004-05 are set out below at exhibit 11.4.

**Exhibit 11.4: Department of Premier and Cabinet  
Unspent Appropriation Carried Forward**

	Column 1	Column 2	Column -2/1
<b>Appropriation Source</b>	<b>2003-04 Budget (\$ million)</b>	<b>2003-04 Carry over (\$ million)</b>	<b>Percentage (%)</b>
Provision of outputs	346.90	5.57	1.6
Additions to net asset base	33.12	35.37	106.8
<b>Total</b>	<b>380.02</b>	<b>(a) 40.93</b>	

Source: *Budget Paper No 4, 2004-05 Statement of Finances, p.171*

Note: (a) Total may not add up due to rounding

The carry over funding for the provision for outputs principally represents monies received and held in trust for future capital works.<sup>43</sup> The carry over funding for additions to net assets from 2003-04 to 2004-05 mainly relates to the State Library and State Crisis Centre Redevelopment Projects.<sup>44</sup>

<sup>40</sup> *ibid.*, p.83

<sup>41</sup> Department of Premier and Cabinet response, to the Committee’s follow-up questions, p.5

<sup>42</sup> Budget Paper No.4 *2004-05 Statement of Finances*, p.84

<sup>43</sup> *ibid.*, p.16

<sup>44</sup> Budget Paper No. 4, *2004-05 Statement of Finances*, p.80

## 11.4 Human resources issues

The department provided the following information on staffing levels.

### Exhibit 11.5: Department of Premier and Cabinet Equivalent Full Time Staff, 30 June 2004 (a)

Divisions	Ongoing	Fixed Term	Casual	Total
Department of Premier and Cabinet	252.6	60.1	20.0	332.7
Office of Chief Parliamentary Counsel	27.6	5.0	-	32.6
Office of Public Employment	14.2	5.0	-	19.2
Office of the Governor	22.0	4.0	43.0	69.0
Office of the Ombudsmen	23.5	9.0	13.0	45.5
<b>Total</b>	<b>339.9</b>	<b>83.1</b>	<b>76.0</b>	<b>499.0</b>

Note: (a) Comparative details for 2003 not provided as a new career structure was implemented during the period

Source: Departmental response to the Committee's 2004-05 Budget Estimates questionnaire, p.13

The Committee was advised that the number of staff is expected to remain relatively constant in 2004-05,<sup>45</sup> but this was prior to the Premier's announcement in June 2004 that the Ombudsman would be allocated an additional \$10 million to employ 55 professional and other specialist staff.<sup>46</sup>

The department did not provide details to the Committee of staffing numbers at 30 June 2003 and estimates of staffing numbers at 30 June 2005. The absence of comparative details on staffing numbers inhibits the Committee's analysis of the department's budget estimates

<sup>45</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p13

<sup>46</sup> Hon. S. Bracks, MP, Premier of Victoria, media release, *Ombudsman to Receive Additional Funds and Resources*, 3 June 2004

## Review of Portfolios

### 11.5 Premier's portfolio

#### 11.5.1 2004-05 outlook for the portfolio

The Premier advised the Committee that the Government's priorities for the next decade will focus on three important goals:<sup>47</sup>

- providing decent and responsible government;
- getting the balance right – good schools, quality health care; more jobs, safe streets; and
- leading the way to a better Victoria with education and lifelong learning as the key.

The Premier further advised that the key themes of the 2004-05 budget are, first, to minimise cost pressure issues while maximising economic benefits for Victoria and, second, to respond to growing service demand by the expanding population.<sup>48</sup>

#### 11.5.2 Analysis of the budget

Exhibit 11.6 outlines the 2004-05 budget estimates for the output groups that are the responsibility of the Premier.

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<sup>47</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.2

<sup>48</sup> *ibid.*, p.3

**Exhibit 11.6: Premier's Portfolio  
Output costs**

<b>Output Group</b>	<b>Outputs under the responsibility of the Premier</b>	<b>2004-05 Budget</b> (\$ million)
Strategic Policy Advice and Projects	Strategic Policy Advice	23.5
	Strategic Policy Projects	4.0
	Government Information Services and Support	31.5
	Workforce Development	3.5
	Protocol and Special Events	1.7
	ICT Strategy and Services	8.4
<b>Sub total</b>		<b>72.6</b>
Public Sector Management, Governance and Support	Advice and Support to the Governor	8.0
	Public Sector Employment and Conduct Services	1.9
	Ombudsman Services	4.8
	Chief Parliamentary Counsel Services	4.0
<b>Sub total</b>		<b>18.7</b>
<b>Total</b>		<b>91.3</b>

Source: *Budget Paper No.3 2004-05 Service Delivery*, pp.180–190

A new output, ICT Strategy and Services, has been introduced in 2004-05 with an allocation of \$8.4 million to reflect an increased focus on a whole of government approach to Information and Communication Technology developments across agencies and to selected ICT infrastructure projects.<sup>49</sup>

The Committee noted that additional funding of \$1.3 million<sup>50</sup> was provided for the Ombudsman Services output in 2004-05. This additional funding partly addresses the Committee's concerns expressed in last year's report that the operations of the Ombudsman's Office needed to be closely monitored by the department to determine whether, in the absence of a funding increase, the Ombudsman is able to function effectively and discharge all his statutory responsibilities.

<sup>49</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.4

<sup>50</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.185

### **11.5.3 Performance measures**

The Committee observed that no increase has occurred to the target levels for services provided for the Ombudsman Services output compared to the levels set for 2003-04<sup>51</sup>, particularly in relation to the number of complaints finalised and the number of issues monitored under the Ombudsman's legislative requirements. The Committee considers that the performance levels for the number of complaints resolved/finalised should have shown some increase in 2004-05 following a funding increase of 37 per cent for base operations compared with 2003-04.

The Committee noted that the Premier announced in June 2004 that the Government would provide an additional \$10 million to the Ombudsman to increase staff to around 100.<sup>52</sup>

The Committee notes that the new responsibilities proposed for the Ombudsman substantially redefines his role, functions and resourcing requirements. The Committee will monitor whether the funding allocated will be adequate for the Ombudsman to discharge his wider mandate as a range of forensic accountants, lawyers, investigators and other specialists will now have to be employed and have access to specialist information and communication technology.

The Committee recommends that:

**Recommendation 123:**                    **The Office of the Ombudsman review its performance information to ensure it reflects the dimensions of the Office's expanded role and services and to enable an assessment of the outcomes.**

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<sup>51</sup> *ibid.*

<sup>52</sup> Legislation will be introduced in the spring session of Parliament to grant the Ombudsman royal commission type powers. Hon. S. Bracks, Premier of Victoria, Media release, *Ombudsman to Receive Additional Funds and Resources*, 3 June 2004

### **11.5.4 Key issues impacting on the portfolio**

The department's response to the Committee's 2004-05 Budget Estimates questionnaire and the estimates hearing identified three issues that will have an impact on the portfolio and its budget estimates for 2004-05.

#### **(a) Security and counter terrorism**

The Premier advised the Committee that security and counter terrorism are increasing priorities of the Government and the Department of Premier and Cabinet.<sup>53</sup>

The 2003-04 Budget provided an additional \$60 million over five years to enhance the state's whole of government approach to managing security and emergency matters, and to deal with chemical, biological and radiology issues.<sup>54</sup> The 2004-05 Budget provided a further whole of government funding of \$29 million over five years with a specific focus on terrorist prevention, response and post incident investigation.<sup>55</sup>

In response to the budgetary measures and other policy and legislative developments, a number of governance arrangements have been implemented for the oversight of security and counter terrorism.<sup>56</sup>

The Premier further advised the Committee that terrorist threat assessments of either a general or specific nature are not developed unilaterally by the state as no state or territory is in a position to undertake its own assessment of what constitutes a threat.<sup>57</sup> The states rely on the intelligence received from the Commonwealth and its associated security agencies.

#### **(b) Information and Communication Technology**

Information and Communication Technology (ICT) is integral to the operations and services of modern government. A key Government objective is to deliver its eGovernment strategy through the provision of authoritative advice and strong leadership on ICT matters across the public sector.<sup>58</sup>

The Committee notes that substantial public resources are dedicated to the state's ICT activities, for example, the 2004-05 Budget included \$108 million for new initiatives.<sup>59</sup>

<sup>53</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.3

<sup>54</sup> Budget Paper No.2, *2003-04 Budget Statement*, p.79

<sup>55</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.24

<sup>56</sup> Hon. S. Bracks, MP, Premier of Victoria, transcript of evidence 18 May 2004, p.16

<sup>57</sup> *ibid.*, p.18

<sup>58</sup> Minister for Information and Communications Technology, media release, *\$108 million To Improve Government ICT Services*, 4 May 2004

<sup>59</sup> *ibid.*

Costs of ICT resource usage across the Victorian Government are estimated at \$500 million annually.<sup>60</sup>

The Government has recognised that a whole of government approach to ICT management is essential if the state's ICT programs and resources are to be used efficiently and effectively. The 2003-04 Budget provided funding for an *eGovernment* Implementation Plan to improve ICT systems integration and support better service delivery, along with the establishment of a Chief Information Officer to monitor and coordinate ICT investment.<sup>61</sup> Funding from the 2003-04 Budget was also used to develop a Standard Corporate ICT Infrastructure Strategy to define whole of government ICT governance and ICT infrastructure investment standardisation.<sup>62</sup>

The respective roles, responsibilities and arrangements for whole of government oversight of ICT currently are:

- a new Cabinet Sub-committee for information communication technology has been established to give extra emphasis to ICT across the whole of government;<sup>63</sup>
- the Office of the Chief Information Officer (OCIO) has been established within the Department of Premier and Cabinet to drive the Government's ICT reform agenda.<sup>64</sup> The role of the Chief Information Officer is to:<sup>65</sup>
  - drive the ICT reform agenda by identifying and developing opportunities for more integrated service delivery to Victorians through the innovative use of ICT;
  - ensure ICT expenditure is well spent by providing a whole of government view of ICT investment;
  - improve planning and coordination of ICT projects by creating an architecture for Government ICT; and
  - increase the sharing and reuse of standard ICT infrastructure.
- the location of the OCIO within the Department of Premier and Cabinet is an interim arrangement while functions and processes are established. The Minister for Information and Communication Technology retains responsibility for ICT and is supported by the Chief Information Officer;<sup>66</sup>

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<sup>60</sup> Multimedia Victoria website, [www.mmv.vic.gov.au](http://www.mmv.vic.gov.au), *Government IT&T Policies* 1-20,

<sup>61</sup> Budget Paper No. 2, *2003-04 Budget Statement* p.96

<sup>62</sup> Boston Consulting - Final Report of the Standard Corporate ICT Infrastructure Strategy , 31 January 2003, p.1

<sup>63</sup> Hon S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.9

<sup>64</sup> Department of Premier and Cabinet web site, [www.dpc.vic.gov.au](http://www.dpc.vic.gov.au), *Office of the Chief Information Officer*

<sup>65</sup> Department of Premier and Cabinet response to the Committee's follow-up questions, pp.6, 7

<sup>66</sup> *ibid.*, p.7

- the position of the Chief Technology Officer has been established within the Department of Infrastructure<sup>67</sup> with responsibility for the management and delivery of whole of government ICT contracts and projects such as the Telecommunications Purchasing and Management Strategy, Project Rosetta and Victoria Online<sup>68</sup>; and
- MultiMedia Victoria will continue to grow the ICT sector in Victoria by increasing the uptake of ICT by Victorian businesses and using ICT to transform the way Government delivers its services.<sup>69</sup>

The Committee was advised that the funding provided to OCIO comprises:

- output funding of \$33 million over four years for an *eGovernment* Implementation Plan to improve ICT systems integration and support better service delivery across Government;<sup>70</sup> and
- asset funding of \$17.5 million provided in the 2004-05 Budget over three years for implementing the whole of government Standard Corporate ICT Infrastructure Strategy.<sup>71</sup>

Output funding will be directed to projects for:<sup>72</sup>

- development of a whole of government strategic plan for ICT and a strategic planning framework to support developing a whole of government capacity;
- education programs aimed at increasing executive awareness and understanding of the potential of ICT to transform service delivery; and
- investigating and mobilising new opportunities to use ICT within Government in an innovative and creative manner.

Asset funding will be directed at projects which ensure improved value for money for ICT investment and consistency across government in ICT matters.<sup>73</sup> First phase projects will include consolidation of computing rooms and data centres in order to reduce duplication and costs, implementation of a whole of government system to manage escalating volumes of documents and records stored in digital and web formats, and establishing shared, high capacity server infrastructure.<sup>74</sup>

The Committee was interested to learn that the Government estimated that net financial benefits of up to \$138 million over five years could arise from the

<sup>67</sup> Minister for Information and Communication Technology, media release *Victorian Government Announces New CIO and CIO*, 25 November 2003

<sup>68</sup> Department of Infrastructure *Annual Report 2002-03*, p.32

<sup>69</sup> Department of Premier and Cabinet web site, [www.dpc.vic.gov.au](http://www.dpc.vic.gov.au), *Office of the Chief Information Officer*

<sup>70</sup> Department of Premier and Cabinet response to the Committee's follow-up questions, p.7

<sup>71</sup> *ibid.*, p.8

<sup>72</sup> *ibid.*, pp.7, 8

<sup>73</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.297

<sup>74</sup> Department of Premier and Cabinet response to the Committee's follow-up questions, p.8

implementation of a whole of government regime for ICT governance and infrastructure standardisation.<sup>75</sup>

The Committee observed that the final report of the Government's Standard Corporate ICT Infrastructure Strategy provides for an implementation plan, timetable and a responsibility register for the strategy but not an accountability, performance measurement and reporting framework to assess whether the vision for ICT is achieved.<sup>76</sup> The Committee suggests that the strategy would be substantially enhanced by such a framework.

In addition, given the substantial expenditure already committed by the Government in 2003-04 as well as expenditure proposed in the 2004-05 Budget and beyond, there needs to be accountability for what has been achieved to date with the ICT infrastructure strategy, including the extent to which estimated savings have been realised.

Accordingly, the Committee recommends that:

**Recommendation 124:**                    **A performance measurement and reporting framework be developed to monitor and publicly report on achievements and cost savings generated from the Standard Corporate ICT Infrastructure Strategy.**

The Committee was also advised that the focus of OCIO is on driving whole of government ICT objectives and strategic investment but it will not be possible for OCIO to be involved in every ICT project across the public sector.<sup>77</sup> Accordingly, the Committee believes that responsibility needs to be assigned to a designated body to provide guidance to agencies on project management standards for new ICT systems in order to avoid the types of problems and issues reported by the Auditor-General<sup>78</sup> during 2003-04 relating to the implementation and management processes for a number of major ICT systems.

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<sup>75</sup> Boston Consulting Group - Final Report of the Standard Corporate ICT Infrastructure Strategy, January 2003, p.7

<sup>76</sup> *ibid.* p.3

<sup>77</sup> Department of Premier and Cabinet response to the Committee's follow-up questions, pp.8, 9

<sup>78</sup> *Report on Public Sector Finances*, February 2003, pp. 58–88 and *Report of the Auditor-General on RMIT's Finances*, June 2003

The Committee recommends that:

**Recommendation 125:**            **In order to avoid the recurrence of the substantial costs and disruptions to information technology services that have arisen in the past from poorly managed IT systems design and development, the Government's Information and Technology Strategy clearly define responsibilities and accountabilities for specific projects.**

**(c)            *Victorian Public Service workforce developments***

**(i)            *VPS non-executive career structure agreement and VPS Agreement 2004***

The Committee notes that the career structure and terms and conditions of employment for non-executive employees in the Victorian Public Service have been significantly impacted by two major agreements recently negotiated between the Government and the Community and Public Sector Union (CPSU):

- the VPS Non-Executive Career Structure Framework Agreement, provided for a new salary classification and progression regime for non-executive employees in the Victorian Public Service<sup>79</sup> and arose as a variation to the Victorian Public Sector (Non-Executive Staff) Agreement 2001; and
- the Victorian Public Service Agreement 2004,<sup>80</sup> certified by the Australian Industrial Relations Commission on 2 June 2004,<sup>81</sup> is an enterprise bargain agreement that provides for annual salary rate increases to 2007 and the consolidation and enhancement of conditions of employment.

The VPS Non-Executive Career Structure Framework Agreement took effect from 1 November 2003 and fulfilled a commitment made by the Government to undertake a career structure and work organisation review to support the development of a modern public service.<sup>82</sup>

The Government anticipates that both agreements should ensure an orderly industrial relations environment in the Victorian Public Service, improve budgetary management for employee costs and provide opportunities for career development and progression for non-executive employees.

<sup>79</sup> VPS Non Executive Career Structure – Framework of Agreement, p.1

<sup>80</sup> Victorian Public Service Agreement 2004

<sup>81</sup> CPSU, SPSF Group Victorian Branch Article, 7 June 2004,

<sup>82</sup> *Careers VPS* produced by the Office of Workforce Development, Department of Premier and Cabinet, 27 October 2003

The Committee was informed that the translation of non-executive VPS staff to the new career structure can result in the over-grading of positions and in these circumstances the Agreement provides for a review to be undertaken.<sup>83</sup> The Committee sought details of the extent of over-grading by departments, the processes used to resolve over-grading issues and the time frames to complete reviews.

The department advised that:<sup>84</sup>

- the translation process to the new career structure has been completed for all staff other than a number of unresolved specialist categories;
- the Government hopes to have resolved specialist categories disputes by September 2004 but achievement of this timetable is subject to the Australian Industrial Relations Commission deliberations;
- only the Department of Justice had an over-grade rate in excess of 10 per cent being 10.5 per cent; and
- the proportion of over-grades will change as the issue of the number of staff in specialist categories within the Justice portfolio is resolved.

Further, the department advised that disputes arising from over-grade reviews are resolved in the following manner:<sup>85</sup>

- work value dispute panels have been created in departments to consider cases in dispute over-grade review outcomes;
- panels consist of representatives from the CPSU, a departmental nominee and an agreed independent chairperson; and
- alternatively, where a department has unsuccessfully attempted to expand work required to match salary, staff may request a review through departmental grievance processes; and
- staff subject to an over-grade review had between April and June 2004 to lodge a work value dispute while staff advised that their roles could not be expanded had six months to appeal the decision.

The department informed the Committee that under the new departmental funding model, each department has the responsibility to cost and factor in the estimated financial impact of future EBAs into the 2004-05 budget and forward estimates. Because of this, details of increased salary costs arising from EBAs negotiated in 2004 and beyond are not recorded centrally. The Committee was advised that departmental budgets will be increased over time by an approved inflation escalation rate.<sup>86</sup>

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<sup>83</sup> Hon S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.25

<sup>84</sup> Department of Premier and Cabinet response to the Committee's follow-up questions, pp.10-11

<sup>85</sup> *ibid.*

<sup>86</sup> *ibid.*, p.11, 12

**(ii) Review of executive remuneration**

The bi-annual review of executive remuneration was completed in 2002-03.<sup>87</sup>

The department advised the Committee that the outcomes from the review were:<sup>88</sup>

- executive remuneration budgets were increased from 1 July 2003 operative for 2003-04 and 2004-05 financial years by 3 per cent, consisting of 2.25 per cent based on the biennial review and 0.75 per cent for service enhancements;
- reductions in the funded bonus pool were applied allowing a one-off conversion equivalent to 3 per cent of total remuneration from executive bonuses to recurrent salaries. The equivalent adjustment for departmental Secretaries was 8 per cent;
- a reduction in the executive bonus maximum from 20 to 17 per cent. The Secretary bonus opportunity was reduced from 20 per cent to 12 per cent;
- establishment of a Secretary level classification; and
- adjustment to executive remuneration bands by 9 per cent with an additional adjustment at the base of Band 3 to \$110,000.

Actual remuneration increases to individual executives were determined by departmental Secretaries on 28 January 2004. From 1 July 2005, reviews of executive salaries will be conducted annually and each department must convene a Departmental Remuneration Committee with at least one external member. departments must audit and report on annual leave usage by executives.<sup>89</sup>

To ensure there is adequate accountability and transparency about the outcomes of the reviews of executive salaries and how they will be funded, the Committee believes that details should be included in the annual reports of Departments and Agencies.

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<sup>87</sup> Department of Primary and Cabinet, *Annual Report 2002-03*, p.36

<sup>88</sup> Department of Premier and Cabinet response to the Committee's follow-up questions, p.10

<sup>89</sup> *ibid.*

The Committee recommends that:

- Recommendation 126:**            **Departments include in their annual reports, in a format that facilitates transparency, details of the outcomes of annual reviews of executive remuneration including:**
- (a) the composition and decisions of the Departmental Remuneration Committees;**
  - (b) the amount of annual increase in executive remuneration pay and bonus rates and performance payments; and**
  - (c) a statement indicating how these costs will be met.**

The Government's policy for performance bonuses provides that payment is to be made only where performance is exceptional or substantially above performance criteria for the executive position.<sup>90</sup> The Committee has previously expressed its surprise that the Department of Premier and Cabinet paid performance bonuses to 100 per cent of its EO2 classifications and 71 per cent of its EO3 classifications in 2002-03.<sup>91</sup>

The Committee considers it be timely for a review of processes for the assessment and approval of exceptional or substantial performance across departments. Such a review may provide opportunities to better assess performance, or highlight anomalies, inconsistencies and inequities in the present system.

The Committee recommends that:

- Recommendation 127:**            **The Office for Workforce Development undertake a review of departmental processes used to assess exceptional or substantial performance as the basis of payment of performance incentive payments to Executive Officers to ensure that a consistent and fair approach is adopted across government.**

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<sup>90</sup> *Executive Employment Handbook*, p.2

<sup>91</sup> Public Accounts and Estimates Committee, *Report on the 2002-2003 Budget Outcomes* p.355

## 11.6 Arts portfolio

### 11.6.1 2004-05 outlook for the portfolio

A high priority of the department over the last two years has been to ensure the state's key cultural institutions remain sustainable and viable in the future,<sup>92</sup> and in May 2003, the Premier and the Minister for the Arts launched the Government's policy framework for the arts for the next decade.<sup>93</sup>

The 2004-05 Budget provides significant funding in the arts and cultural areas:<sup>94</sup>

- continuation of operational and development of funding of \$31.3 million in 2004-05 for the state's key cultural institutions;<sup>95</sup>
- \$5.2 million provided in 2004-05 to encourage patronage of the state's cultural and heritage attractions and \$2.6 million in 2005-06;<sup>96</sup>
- \$35.5 million in new initiatives over four years of which \$6 million will be funded in 2004-05;
  - \$12.5 million to support the Melbourne International Arts Festival,<sup>97</sup> \$3 million of which will be funded in 2004-05;<sup>98</sup>
  - \$15.5 million for sustainable funding for the Australian Centre for the Moving Image, commencing in 2005-06;<sup>99</sup>
  - \$6 million to refresh and redevelop new exhibits at Museum Victoria, \$3 million will be provided in 2004-05;<sup>100</sup> and
  - \$1.5 million for the reallocation of Film Victoria, commencing in 2005-2006.<sup>101</sup>

Increase of net assets within the Arts portfolio will include \$24.3 million for the ongoing redevelopment of the State Library<sup>102</sup> and \$8.6 million for asset maintenance and upgrades at selected arts institutions.<sup>103</sup>

<sup>92</sup> Hon S. Bracks, MP, Premier of Victoria, transcript of evidence, 18 May 2004, p.3

<sup>93</sup> Hon M. Delahunty, MP, Minister for the Arts, transcript of evidence, 16 June 2004, p.3

<sup>94</sup> *ibid.*

<sup>95</sup> Budget Paper No.4, *2004-05 Statement of Finances*, p.79

<sup>96</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.260

<sup>97</sup> *ibid.*, p.38

<sup>98</sup> *ibid.*, p.295

<sup>99</sup> *ibid.*

<sup>100</sup> *ibid.*, pp.38, 295

<sup>101</sup> Budget Paper No.3, *2004-05 Service Delivery*, p.295

<sup>102</sup> Department of Premier and Cabinet response to the Committee's 2004-05 Budget Estimates questionnaire, p.21

<sup>103</sup> Budget Paper No.4, *2004-05 Statement of Finances*, p.80

### 11.6.2 Analysis of the budget

The Arts and Cultural Development output group budget allocation for outputs in 2004-05 is \$341.1 million representing \$33.5 million (or 10.9 per cent) increase over the estimated actual outcome for 2003-04 of \$307.6 million.

**Exhibit 11.7: Arts Portfolio Output costs**

Output Group	Outputs under the responsibility of the Minister for the Arts	2004-05 Budget (\$ million)
Arts and Cultural Development	Arts Development and Access	32.8
	Creating Place and Space (a)	86.9
	Portfolio Services and Policy (b)	3.0
	Arts Portfolio Agencies	218.4
<b>Total</b>		<b>341.1</b>

Note: (a) Previously Infrastructure and Cultural Facilities  
(b) Previously Arts Services and Policy

Sources: Budget Paper No.3, 2004-05 Service Delivery, pp.179,187-190

The department has advised that increases in output funding in 2004-05 compared with the revised 2003-04 outcome relate to the provision of additional funding for the Melbourne International Art Festival, Museum Victoria Exhibitions and Cultural Patronage Program as well as additional funding from the previous year's budget.<sup>104</sup> Additional funding has been provided for the following outputs:<sup>105</sup>

- \$5.8 million for the Arts Development and Access output including \$3 million provided for the Melbourne International Arts Festival and \$1.2 million for the Australian Film Event;
- \$11.2 million for the Creating Place and Space output including \$5.2 million for measures to grow patronage of cultural and heritage attractions and a \$5.3 million increase in capital asset charge for arts agencies;
- \$16.4 million in the Arts Portfolio Agencies output including \$8.5 million for opening of the National Gallery Victoria and increased visitations at all arts facilities, \$3 million for Museum Victoria to maintain and renew exhibitions and \$5.4 million for additional operational funding at various state owned cultural faculties.

<sup>104</sup> Office of the Minister of Arts response to the Committee's follow-up questions, p.3

<sup>105</sup> *ibid.*

### 11.6.3 Key issues impacting on the portfolio

The department's response to the Committee's 2004-05 Budget Estimates questionnaire and the estimates hearing identified two issues that will have an impact on the Arts portfolio and its budget estimates for 2004-05.

#### (a) Visitors to Victoria's cultural institutions

Trends in patronage levels to Victoria's cultural institutions and facilities have been an area of interest to the Committee over a number of years.

The Committee noted that the Economic Statement April 2004, *Victoria: Leading the Way*<sup>106</sup> provided funding of \$7.7 million over two years for a range of initiatives to increase cultural tourism in Victoria and grow the patronage of cultural and heritage attractions across the state. Funding was provided for:<sup>107</sup>

- a market innovation fund to develop new exhibition displays;
- implementation of a comprehensive industry market research program;
- a feasibility study into consolidated electronic, industry wide ticket distribution;
- scoping and market testing a web based 'experience organiser'; and
- development of a brand mark to complement the Tourism Victoria brand.

The Committee notes that there has been a progressive increase in visitors to the state's cultural facilities. Anticipated visitor numbers in 2003-04 have been advised as 8,453,000 compared with 8,220,072 in 2002-03, and visitor targets for 2004-05 are 8,915,000.<sup>108</sup> The Committee acknowledges efforts by the Government to increase visitor levels and intends to monitor the impact of the patronage initiatives and report on this matter in the Budget Outcomes report.

#### (b) Policy framework for the Arts

The Committee notes the release of the Government's 10 year policy framework for the arts, *Creative Capacity +: Arts for all Victorians*<sup>109</sup> and notes the extra financial support provided in the 2004-05 Budget for \$25.4 million over four years.<sup>110</sup>

<sup>106</sup> Economic Statement April 2004: *Victoria Leading The Way*, p.14

<sup>107</sup> *ibid.*

<sup>108</sup> Minister for Arts response to the Committee's follow-up questions, p.6

<sup>109</sup> Arts Victoria, *Creative Capacity + Arts for all Victorians*

<sup>110</sup> Hon M. Delahunty, MP, slide presentation, no. 6, to the Public Accounts and Estimates Committee, 16 June 2004, p.1

The policy comprises three goals and four strategies. These strategies and goals are to develop artists, ideas and knowledge; engage creative communities; build creative industries; and create place and space.<sup>111</sup>

While measures of progress are set for each goal and priority actions are set for each strategy, specific performance targets and measures are not provided to assess progress towards goals.<sup>112</sup>

The Committee is aware that under the *Arts Victoria Act 1972*, Arts Victoria is obliged, among other things, to continually survey and assess the position of the arts in Victoria and report annually to Parliament on the condition of the arts.<sup>113</sup>

The Committee believes that the performance orientation of goals and strategies prescribed in *Creative Arts +*, the beginning of the new policy framework 2004-05, together with the statutory reporting responsibilities imposed on Arts Victoria creates a unique opportunity for more comprehensive reporting on the outcomes achieved by arts agencies.

The Committee recommends that:

**Recommendation 128:**                    **The annual report of the Department of Premier and Cabinet include a comprehensive commentary on the outcomes achieved by implementing the *Creative Arts + Arts for all Victorians* policy.**

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<sup>111</sup> Arts Victoria, *Creative Capacity + Arts for all Victorians*, p.3

<sup>112</sup> *ibid.*, p.12–24

<sup>113</sup> *Arts Victoria Act 1972*, section 4(d)