

CHAPTER 8: DEPARTMENTAL OUTPUT STRUCTURES AND PERFORMANCE MEASURES

Key findings of the Committee:

- 8.1** There is a net decrease of 144 output measures in the 2007-08 Budget Papers made up of 207 new measures and 351 discontinued measures. The percentage breakdown of both new and discontinued measures according to type of measure is the same in each case.
- 8.2** The bulk of changes to output structures and performance measures occurred in the Department of Justice following a major review in March 2007 by the Department of Treasury and Finance. There are now 5 fewer output groups, 23 fewer outputs and 114 fewer output measures, resulting in a clearer and more focused set of measures.
- 8.3** The number of measures presented in the budget papers is progressively falling. However, some quantitative measures still used by departments such as number of meetings held, projects or programs underway, number of bridges maintained and number of ministerial briefs, convey a targeted increase in output without any obvious connection to an improved service outcome. The aim of any future reviews should be to ensure that all quantitative measures clearly exhibit such a connection.
- 8.4** There is scope to enhance the quality of material on departmental output measures in the budget papers through a tabular presentation of the aggregate number of new and discontinued measures and a more consistent presentation of each department's policy decisions and directions.
- 8.5** In recent years, the Department of Treasury and Finance has incorporated new information in the budget papers on the linking of departmental outputs to key government outcomes. The Committee advocates the continued expansion of this material so that it provides more definitive performance data directly linking intended achievements to objectives.
- 8.6** Inclusion of robust performance material in future budget papers of the expected contributions from departmental outputs over the budgetary period to meeting objectives and contributing to government outcomes would help to reinforce the government's commitment to strong accountability in reporting on its effectiveness in the use of public resources.

8.1 Background to departmental outputs and performance measures and targets

The government manages delivery of its annual budget according to an accrual output based framework.

In recent years, the Auditor-General and the Committee have presented reports to Parliament on the control and management of appropriations. These reports incorporate comment on the government's output management framework and the adequacy of performance measures in place in capturing key aspects of output delivery.¹³⁷

The framework features a purchaser/provider arrangement under which Parliament authorises the Treasurer to purchase outputs from departments based on an accrual price to be paid to departments in return for delivering outputs. Appropriations are formally applied to departments when the Treasurer is satisfied that agreed outputs have been delivered.

The expected cost, quantity, quality and timeliness of outputs to be delivered by departments are agreed between the government and each of the respective Ministers and departmental secretaries prior to commencement of each financial year.

The government's annual budget paper on service delivery outlines the nature of departmental outputs and their relationship, through specification of performance measures, with the service delivery obligations of departments. Each group of outputs is linked to relevant key government outcomes.¹³⁸ A separate chapter in the budget papers shows the connection between output groups, key government outcomes and the five visions set out in the government's main strategic document, *Growing Victoria Together*.¹³⁹

The 2007-08 Budget Papers state that:¹⁴⁰

An output represents the aggregate of goods or services which are either produced or delivered by, or on behalf of, a department and its agencies. The quantity, quality, timeliness and cost performance measures listed for each output are used to assess each department's performance in service delivery. The output statements reflect the government's investment in services during the year in terms of the cost per unit of output, the quantity of the output units to be delivered, the level of quality and the timeliness of the output delivery.

The budget papers disclose for each performance measure the target specified for 2007-08 compared with the equivalent target for 2006-07, the expected outcome for that year and the actual outcome for 2005-06. They also identify new measures introduced for the year and any measures discontinued by departments, together with explanatory reasons.

8.2 Changes to departmental outputs and performance measures reflected in the 2007-08 budget

During its 2007-08 Budget Estimates inquiry, the Committee sought information from departments on any changes to:

- key government objectives expected to be achieved by the major outputs; and
- major outputs and performance measures in 2007-08 compared with 2006-07.

¹³⁷ Victorian Auditor-General's Office, *Parliamentary control and management of appropriations*, April 2003 and Public Accounts and Estimates Committee, *Report on the review of the Auditor-General's report on Parliamentary control and management of appropriations*, September 2005

¹³⁸ Budget Paper No.3, *2007-08 Service Delivery*, pp.51–260

¹³⁹ *ibid.*, pp.37–50

¹⁴⁰ *ibid.*, p.51

The purpose of seeking this information was to assess the nature of any such changes and determine whether there had been a consequential beneficial impact on the quality of performance material presented in the budget papers.

The departmental responses are presented in the Committee's May 2007 *Report on the 2007-08 Budget Estimates – Part One*.

The Committee's analysis of these responses and the relevant material presented in the budget papers identified a net decrease of 144 output measures in 2007-08 made up of 207 new measures and 351 discontinued measures. It also revealed that the breakdown of new and discontinued measures according to the three standard categories of measure, quantity, quality and timeliness, was the same in each case. Table 8.1 summarises this position.

Table 8.1: New and discontinued output measures presented in 2007-08 budget

Item in 2007-08 budget	Total	Quantity measures	Quality measures	Timeliness measures
New output measures				
Number of new measures	207	103	52	52
Proportion of total	100%	50%	25%	25%
Discontinued output measures				
Number of discontinued measures	351	174	89	88
Proportion of total	100%	50%	25%	25%
Net movement in number of measures	-144	-71	-37	-36

Source: *Budget Paper No.3, 2007-08 Service Delivery, pp.55–250, 397–430*

Reasons conveyed to the Committee by departments for the changes to their output measures include the impact of machinery of government changes, new budget initiatives, the government's 2006 election commitments and a need to better align measures with key government outcomes and the goals identified in the *Growing Victoria Together* document.

The bulk of changes to performance measures in the 2007-08 budget occurred in the Department of Justice (DOJ). The Committee was advised that the department's output structure for 2007-08 was significantly revised in March 2007. This revision was initiated following an assessment by the Department of Treasury and Finance (DTF) that the department had too many output groups and outputs for the level of its budget and that the output structure focused more on organisational issues than service delivery across the various portfolios supported by the department.¹⁴¹ The extent of the changes to the output structure of the DOJ is shown in table 8.2.

¹⁴¹ Department of Justice, response to the Committee's 2007-08 Budget Estimates questionnaire, received 1 May 2007, pp.20–21

Table 8.2: Major revision to 2007-08 output structure of the Department of Justice

Item	Output groups (number)	Outputs (number)	Output measures (number)	Output budget (\$ million)
2006-07 budget	13	39	214	2,991.3
2007-08 budget	8	16	100	3,155.3
Net movement	-5	-23	-114	164.0

Sources: *Budget Paper No.3, 2007-08 Service Delivery, pp.151–171, 410–418 and Department of Justice, response to the Committee's 2007-08 Budget Estimates questionnaire, received 1 May 2007, pp.20–21*

The DOJ further informed the Committee that its revised structure was achieved by aligning and consolidating services provided by different entities within new output specifications. It added that the review focused on broad principles of simplifying the output structure while retaining its effectiveness as a tool for managing service delivery, transparency and accountability.

The Committee is aware that DTF undertakes periodic reviews of the output structures and performance measures of departments and there has been significant improvement in the structure of outputs and the usefulness of measures over the years. The outcome of the above rationalisation of outputs and performance measures within the DOJ and the supportive reaction of that department are indicative of the extent and value of change that can emanate from the expert involvement of DTF.

The Committee would welcome continuation of similarly scoped output reviews of other major departments by DTF in future years. It noted for example that the outputs and measures of the Department of Sustainability and Environment have quite different descriptors to those of virtually all the other departments and are arguably more informative.

The Committee also believes that any future revisions of output measures should include an assessment of the need for retention of the current number of quantitative measures. While the number of quantitative measures has fallen over the years due to DTF reviews and departmental initiatives, there are still some measures described in such terms as projects and programs underway, number of ministerial briefs, number of bridges maintained and number of meetings held, that convey a targeted increase in output without any obvious connection to an improved service outcome. The aim should be to ensure that all quantitative measures clearly exhibit such a connection.

The Committee considers that disclosure of departmental output measures in the annual budget papers would be enhanced if the papers incorporated:

- a tabular presentation of the global movements in new and discontinued performance measures categorised according to quantity, quality and timeliness measures (for example, as per tables 8.1 and 8.2); and
- a more consistent approach to presentation of the major policies and directions of each department drawing on the format and content adopted by the Department of Infrastructure.¹⁴²

¹⁴² Budget Paper No.3, 2007-08 Service Delivery, pp.108–109

creation of an auditable framework on performance indicators in the departmental sector to expedite the involvement of the Auditor-General in this area.

An absence of verifiable performance data within departments has precluded the Auditor-General from using the legislative authority assigned by Parliament since as far back as 1999.

The Committee recommends that:

Recommendation 28: **The recent inclusion in the budget papers of information linking departmental outputs to government outcomes be progressively expanded to provide more performance material on the expected contributions by departmental outputs to meeting objectives and contributing to key government outcomes.**