



## Department of Business and Innovation

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Mr Philip R Davis MP  
Chairman  
Public Accounts and Estimates Committee  
Parliament House  
Spring Street  
EAST MELBOURNE VIC 3002

Dear Chair

### **2012-13 BUDGET - DBI DISCONTINUED PERFORMANCE MEASURES**

Thank you for your letter dated 16 May 2012, requesting further explanation of the substantial change to the Department's 2012-13 performance structure.

The Department welcomes the opportunity to provide further information on the purpose of the proposed changes and how it believes the new performance structure provides more transparency and accountability for monitoring and reporting the Department's performance.

The attached explanatory documents respond to the questions raised in your letter. I would also be pleased to meet with you to further discuss these matters if you so wish.

If you have any queries or wish to arrange further discussions, please contact Ms Deborrah Jepsen, Executive Director, Strategic Planning and Ministerial Services, on (03) 9651 9421 or email [deborrah.jepsen@dbi.vic.gov.au](mailto:deborrah.jepsen@dbi.vic.gov.au).

Yours sincerely

**HOWARD RONALDSON**  
Secretary

## Introduction

As part of the Government's financial management reform agenda and in accordance with Standing Orders issued by the Minister for Finance, departments are transitioning their performance reporting and monitoring to align with the new Performance Management Framework issued by the Department of Treasury and Finance. The aim of the reform is to consolidate a planning, reporting and performance framework across the public sector that drives better performance. The changes to the Department of Business and Innovation's performance structure has been made in this context.

Departments have been working with the Departments of Treasury and Finance and Premier and Cabinet regularly to progress the adoption of the reforms. We are currently in the transition phase of these reforms and departments are at varying stages of implementation, however the Department of Business and Innovation has made significant progress and by the end of 2012-13, would have fully implemented the reforms.

As stated by the Minister for Finance at the *Inquiry into budget estimates 2012-13* on 11 May 2012 stated:

*"In this year's budget and in the lead-up to this year's budget, there has been a considerable amount of work done on strengthening a number of aspects of particularly budget paper 3, strengthening output structures, reviewing and improving the quality of performance measures, improving output descriptions and improving the links between outputs and departmental objectives. This work has involved Treasury and Finance, it has involved DPC and it has involved the individual departments concerned, looking at how objectives outputs and associated measures are specified. That has resulted in a number of changes in these budget papers which, I believe, are for the better. Hopefully the committee will also agree in terms of, as I said, refining departmental objectives, linking objectives to outputs, improving the quality of output descriptions and anything replacing and improving performance measures and enhancing explanations for changes to performance measures."*

In order to fully appreciate the changes to DBI's performance structure, Attachment 1 provides the Committee with a diagram demonstrating the alignment with the Department's corporate objectives, new objective indicators (which it is understood will be published in future budget papers), outputs, output descriptions and the performance measures.

This also provides an outline of how the Department's 2012-15 Corporate Plan and future Annual Reports (which will report against the measures in the Corporate Plan) will be structured.

### **1. Please provide the rationale behind the overall reduction in the number of performance measures.**

As part of the above process, the Department undertook a detailed review of all its performance measures to better reflect output delivery. There are fewer, but more meaningful measures of the Department's outputs. The measures are better aligned with Government priorities and will enable a better understanding of Department performance, support informed decisions about resource allocation and help inform the future direction of the Department's activities.

As indicated in the Budget Papers, there has been a move away from sector specific measures to aggregated measures that reflect the Government's more responsive approach to engagement with industry through the new Business Engagement

Model. With the current approach, forecasting of performance linked to sectors is no longer meaningful.

Whereas previously the emphasis was on particular sectors, the emphasis is now on agility and flexibility in responding to emerging issues and trends, as informed by business engagement and other forms of market intelligence.

In addition, there is no longer an alignment between sectors and resource allocation. When activities and funds were directed to particular sectors it was more appropriate to have sector directed measures. Even then, there were problems with this approach as it was difficult to predict the direction of investment or export activity and where facilitation was likely to be most effective. For example, aviation was not included as one of the sectors reported on in previous budget papers. During 2011-12, there has been significant activity in this sector with trade mission to India and the work with local authorities to upgrade of aviation infrastructure at public-use regional airports.

The Department works with many sectors where there is no specific resource allocation but that are of strategic importance. It makes little sense to report against one sector like aviation or ICT and not on another sector where there is activity occurring. Engagement with all sectors will be measured by the 2012-13 performance measures through, for example, *'Businesses engaged with the department'*, and the investments and exports facilitated measures.

The Department's new Business Engagement Model means we have a closer working relationship with all businesses and can better target support. Through this business engagement, the Department is also gathering business intelligence that is informing policy development and directs our efforts on systemic issues impacting on business growth.

The Department also discontinued its project and input focussed measures, such as the *'Number of research and evaluation projects completed'* and *'ICT projects and programs underway'* measures as they are inputs to the Department's on-going day-to-day operations. These specific inputs make a minor contribution to the Department's overall outputs.

The changing nature of information gathering and media engagement has also resulted in a number of measures being discontinued. The rise of social media as an increasingly important source of tourist information renders the value of media coverage and the number of destination web-site visits less meaningful indicators than they were in the past.

The reduction in measures also eliminates any double counting or confusion about the data behind the measures. This is expanded on in response to question three below.

**2. Please explain how the Department considers the transparency and accountability have been improved by the changes to its performance measures in 2012-13 considered as a whole.**

In developing the measures the key consideration was alignment to Departmental objectives. The Department believes the new structure is more transparent and accountable as there will be clear alignment through each of the three major accountability documents – the Corporate Plan, Budget Papers and Annual Report. The Corporate Plan will articulate our priorities and future direction, the Budget Papers our resource alignment to these priorities and the Annual Report will report on our progress and/or achievement against our objectives.

The revised measures are more transparent and accountable as they are not confined to individual sectors and, as indicated above, better reflect the focus on responsiveness.

In addition, duplication has been reduced.

The Department had many sector specific measures, for example, *'ICT companies provided with export promotion'*, which was also counted as part of the previous measure of *'Companies participating in export programs'*. The support and assistance the Department provides to companies is now captured by the new measure, *'Businesses participating in export programs.'*

As well as these two discontinued measure the Department had another measure, *'Companies provided with export assistance'* which we propose to discontinue. When reviewing these measures we found the potential for an interaction with a company to be counted across several measures. The new measure *'Businesses participating in export programs'* counts only the number of businesses that DBI has worked with and supported into export initiatives. Previously if a company telephoned the Department and asked a question about exports or we sent a brochure out to a company this was counted. The new measure counts only those instances when DBI has made a difference.

**3. For each of the 16 performance measures proposed to be discontinued with the explanation "This performance measure is proposed to be discontinued in line with aggregation of sector (sectoral) measures', please indicate which proposed continued measure contains the same data at an aggregate level. Please also provide any other information that would help the Committee to understand why the proposed discontinued measure is considered to be unnecessary.**

Continuing to forecast performance for sector measures is inconsistent with the Government's priorities. For example, the Government's manufacturing strategy, *A More Competitive Manufacturing Industry*, outlines the Government's new directions for industry policy and manufacturing. The strategy outlines the shift away from a sector focussed approach to a more collaborative and highly responsive approach to the needs and circumstances of individual businesses:

*'The new approach moves away from targeting industry sectors and specific activities towards targeting the challenges faced by individual businesses in achieving high performance'* (pg 8)

This does not mean there will be reduced scrutiny of outcomes. A key plank of the strategy is strengthened monitoring and evaluation:

*'Details of funded projects and their success in achieving Government objectives and productivity improvement and enhanced competitiveness will be made publicly available. This will introduce a far greater level of public scrutiny and transparency ...'* (pg 21)

There will be an appropriate cascading in the level of reporting, with the Budget Papers providing high level aggregate information.

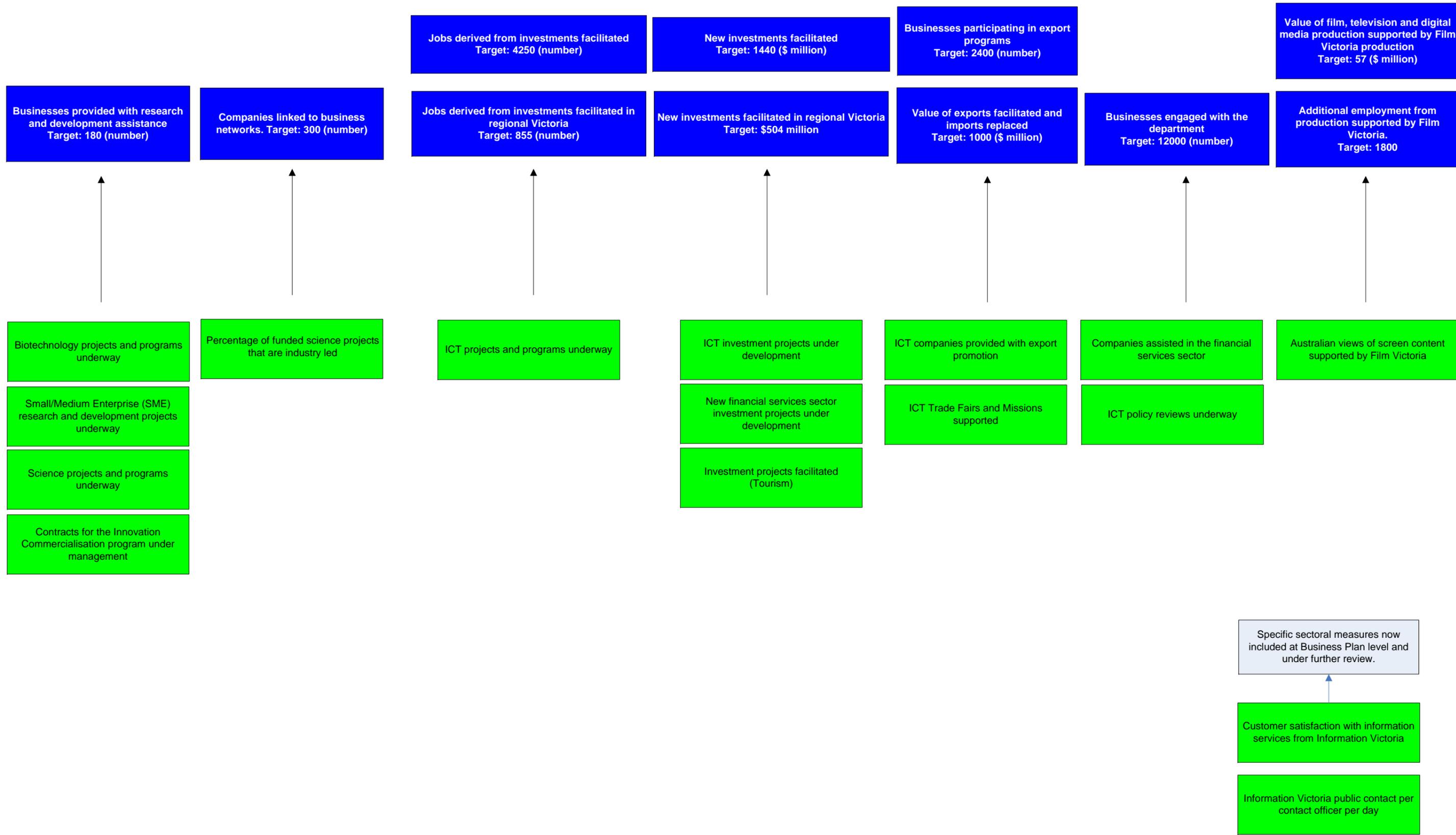
**Attachment 2** provides the Committee with an outline of where the discontinued sector measures will be captured. Capture will depend on the project, mode of engagement and type of assistance provided.

Sector level information will continue to be collected and analysed internally.

This enables the Department when reviewing its Corporate Plan and priorities annually to adjust and align resources accordingly.

The current approach also recognises the changing nature of sector engagement over time. The nature of exports and investments facilitated means a specific sector may go through a period of focused attention for a short period and then not require further assistance. This applies to all sectors including financial services, food and beverage, lifesciences, defence, cleantech, design, event management, biotechnology and automotive.

It should be noted that sector measure for the film industry have been maintained in the Budget Papers in recognition of Film Victoria as a separate entity.



DBI Objectives	Assist businesses in accessing skilled workers to align with Victoria's industry needs	Promote Victoria to attract tourists, investors and students	Support organisations to boost their productivity through innovation	Provide market intelligence and assistance to organisations to make it easy to invest in Victoria	Create more opportunities for Victorian businesses to grow and become more productive and competitive in the global marketplace	
DBI Objective Indicator	Businesses skills needs assisted	Tourists, investors and students attracted	Collaborations assisted	Investment facilitated Jobs derived	Exports facilitated	Businesses engaged and assisted
Output	Employment and industrial relations	Tourism and marketing	Innovation and technology	Investment attraction, facilitation and major projects	Trade and export facilitation	Small business assistance
Output Description	Provides programs to link business workforce needs with skilled migration and untapped labour sources to meet Victoria's skills requirements.	Facilitates employment and longer term economic benefits of tourism, investment and international students coming to Victoria by positioning and marketing the State as a competitive tourism, investment and study destination.	Supports innovation by providing access to information and building capacity for the development and effective use of new practices and technologies to support increased productivity and competitiveness in Victoria.	Provides investment attraction and facilitation assistance to attract new international investment and encourage additional investment by companies already operating in Victoria. In addition it also supports an increased share of national business investment in Victoria through the management and delivery of nominated development projects.	Promotes business growth opportunities by providing development assistance and facilitation services to support increased productivity and competitiveness.	Provides business information, advisory and referral services that contribute to the growth and development of small and medium sized enterprises across Victoria.

