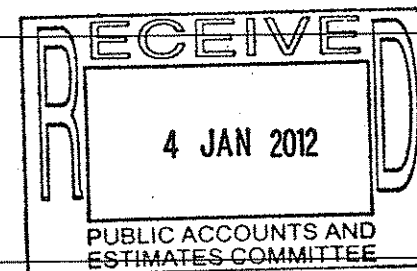


**Government Responses to the Recommendations of**  
**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE'S**  
**102<sup>nd</sup> Report – Report on the 2011-12 Budget Estimates Part Two**



Government Response

Pursuant to Section 36 of the *Parliamentary Committees Act 2003*, this paper provides a response to the recommendations contained in the Public Accounts and Estimates Committee's (PAEC) 102<sup>nd</sup> Report.

*Guide for Readers* - Following is the explanation of the format of this paper.

1 Title		
2 Chapter number and topic		
1 PAEC Recommendation	2 Response	3 Action Taken to Date and Commitment to Further Action

Row 1: Indicates the title of this paper.

Row 2: Indicates the number and topic of the response to the PAEC recommendations.

Column 1: Contains the PAEC's recommendations as published in its 102<sup>nd</sup> report.

Column 2: Indicates the Government's response to each recommendation:

**Support** – Commitments to further action should include target timeframes, where possible.

**Support in principle**- To be used where there is support for the intention of the recommendation, but not the specific method of delivery.

**Under review** – Details of the nature of the review should be provided as well as target timeframes, where appropriate.

**Not support** – Must be accompanied by an explanation.

Column 3: Provides an explanation of the Government's position on the recommendation; indicates the actions that have been taken to date, relevant to the implementation of the recommendation; and outlines commitment to further action, relevant to the implementation of the recommendation.

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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• **Recommendation 1- (Page 8 of Chapter 2: Better Practice in Performance Management)**

The Department of Treasury and Finance in consultation with the Department of Premier and Cabinet conduct a review of the quality of Victoria's current performance measures to assess whether they meet generally acknowledged better-practice criteria.	Support	<p>In early 2011, the Department of Treasury and Finance (DTF) released a better practice performance management and reporting tool, the <i>Strategic Management Framework</i>, which sets up expectations around performance management and evaluation for the public sector. In line with this framework, DTF has identified key reviews to be undertaken to strengthen performance management.</p> <p>DTF will review output descriptions, structures and performance measures in the lead up to the 2012-13 budget with a focus on quality improvement. During the review all departments, including the Department of Premier and Cabinet, will be engaged.</p>
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• **Recommendation 2- (Page 9 of Chapter 2: Better Practice in Performance Management)**

The Department of Treasury and Finance develop appropriate guiding principles and criteria for all government departments that represent better practice in performance measurement.	Support	<p>Current guiding principles exist in the Budget and Financial Management Guidances on 'Outcomes, Departmental Objectives and Outputs', 'Departmental Objectives Specification and Performance Indicators' and 'Output Specification and Performance Indicators'. While these guidances provide a starting point for departments, DTF is committed to improving the quality of guidance material provided to departments.</p> <p>DTF will review and update this guidance, including identifying guiding principles and criteria to help strengthen performance management.</p>
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• **Recommendation 3- (Page 9 of Chapter 2: Better Practice in Performance Management)**

The Department of Treasury and Finance develop practical guidance materials to guide departments in the development and implementation of better-practice performance measures.	Support	<p>As outlined in the response to recommendation two, DTF currently provides guidance that supports the development and implementation of good practice performance measures.</p> <p>DTF will work closely with departments through a series of consultations and workshops to review and update guidance material and to ensure that it is easily understood and better practice performance measures can be implemented.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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• **Recommendation 4- (Page 13 of Chapter 2: Better Practice in Performance Management)**

<p>The Department of Treasury and Finance work with departments to increase the number of meaningful, transparent and appropriate outcomes-based performance measures in the budget papers and link this explicitly into the Strategic Management Framework.</p>	<p>Support</p>	<p>As PAEC noted in its report, the <i>Strategic Management Framework</i> aims to drive better practice performance management across the public sector. Included in the framework is a focus on efficiency, effectiveness and value for money. The current requirement on departments to develop a set of departmental objectives and associated indicators and to link these objectives to the delivery of outputs is the mechanism by which departments are planning for, and tracking against, achievement of outcomes.</p> <p>DTF will continue to work with departments to strengthen departmental objectives and the outcome-based performance measures that accompany them. DTF will also look to strengthen the reporting against these indicators to provide the public and Parliament with more information on outcome based performance.</p>
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• **Recommendation 5- (Page 13 of Chapter 2: Better Practice in Performance Management)**

<p>To enhance transparency and accountability, future budget papers clearly indicate the links between policy objectives, inputs, outputs and expected outcomes.</p>	<p>Support</p>	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement.</p> <p>In 2011 DTF will commence a review of the performance management framework including a review of output performance measures and the manner in which outputs link to departmental objectives. The outcomes of these reviews will help enhance transparency and accountability across all levels of departmental performance management and reporting.</p> <p>Long term reforms for enhancing transparency and accountability will be incorporated into future budget papers. DTF will work with departments to implement identified reform opportunities for the budget papers to improve government performance measurement and reporting.</p>
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• **Recommendation 6- (Page 19 of Chapter 3: Performance Measures in the 2011-12 Budget)**

<p>The Department of Treasury and Finance work with those departments with the highest proportions of quantity measures and the lowest proportions of quality measures to examine whether, on the basis of their responsibilities, there is scope for increasing the proportion of appropriate quality measures.</p>	<p>Support</p>	<p>DTF continuously works with departments to review the relevance and robustness of departmental outputs and performance measures to ensure they fully enable Government to decide how to fund and allocate resources.</p> <p>Earlier this year DTF released a better practice performance management and reporting tool, the <i>Strategic Management Framework</i>, which sets up expectations around performance management and evaluation for the public sector. In line with this framework, DTF has identified key reviews to be undertaken to strengthen performance management.</p> <p>In 2011 DTF will lead a review of the performance management framework including a review of output performance measures and the manner in which outputs link to departmental objectives.</p> <p>DTF will work with departments to ensure that the suite of output performance measures for each output is a relevant indicator of the quantity, quality and timeliness components of the activities delivered through that output.</p>
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**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 102, Report on the 2011-12 Budget Estimates Part Two**

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
<p>• <b>Recommendation 7- (Page 21 of Chapter 3: Performance Measures in the 2011-12 Budget)</b></p>		
<p>The Department of Treasury and Finance examine whether there is scope for appropriate measures to be developed to assess the quality of service delivery for those outputs which currently do not have any quality measures.</p>	<p>Support</p>	<p>Departments annually review their performance measures to ensure their robustness, relevance and appropriateness, this work is undertaken in consultation with DTF.</p> <p>Departments have commenced a review of their Department's output structures for 2012-13.</p> <p>Departments will aim to ensure that there is at least one measure that assesses the quality of service delivery in each of its output categories for 2012-13.</p> <p>For the 2012-13 budget process, DTF will work with departments to review the appropriateness of measures to asses the quality of service delivery for each output.</p>
<p>• <b>Recommendation 8- (Page 21 of Chapter 3: Performance Measures in the 2011-12 Budget)</b></p>		
<p>As part of its work developing guidance for departments on better-practice performance measurement, the Department of Treasury and Finance also provide guidance for developing performance measures of the qualitative aspects of service delivery.</p>	<p>Support</p>	<p>As outlined in recommendation two, there are budget and financial management guidances on developing performance measures, including on the qualitative aspects of service delivery.</p> <p>DTF will review and update this guidance material to help strengthen performance management.</p> <p>DTF will work with departments to rigorously review output descriptions, structures and performance measures to ensure quality improvement occurs. This review will include qualitative aspects of service delivery.</p>
<p>• <b>Recommendation 9- (Page 22 of Chapter 3: Performance Measures in the 2011-12 Budget)</b></p>		
<p>To improve transparency of the net effect of new and discontinued performance measures, future budget papers include a table showing the number of new and discontinued measures for each department.</p>	<p>Support</p>	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement.</p> <p>The Government's commitment to improving transparency in performance measures is demonstrated by inviting the PAEC to undertake a role of reviewing performance measures proposed to be discontinued or substantially changed during the budget process.</p> <p>Reforms to the annual State budget papers will be considered as part of the 2012-13 budget process, and in the context of the findings and recommendations of regular reviews conducted by DTF. The presentation of new and discontinued performance measures for each department will be considered as part of these reviews.</p> <p>DTF will work with departments to implement identified reform opportunities for the budget papers to improve the transparency of government performance reporting and enhance the provision of information to Parliament and the public.</p>

**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 102, Report on the 2011-12 Budget Estimates Part Two**

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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• **Recommendation 10- (Page 25 of Chapter 3: Performance Measures in the 2011-12 Budget)**

<p>The Department of Treasury and Finance develop guidance material for departments which clearly specifies circumstances where it may be appropriate for performance measures to be discontinued.</p>	<p align="center">Support</p>	<p>The Government's commitment to improving transparency in performance measures is demonstrated by inviting the PAEC to undertake a role of reviewing performance measures proposed to be discontinued or substantially changed.</p> <p>Current guiding principles exist in the Budget and Financial Management Guidances on 'Outcomes, Departmental Objectives and Outputs', 'Departmental Objectives Specification and Performance Indicators' and 'Output Specification and Performance Indicators'. While these guidances provide a starting point for Departments, DTF is committed to improving the quality of guidance material provided to Departments.</p> <p>DTF will review and update relevant guidance material to help strengthen the process around proposed changes to performance measures and will work closely with all other departments during the budget process, which includes reviewing proposed changes to performance measures.</p>
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• **Recommendation 11- (Page 25 of Chapter 3: Performance Measures in the 2011-12 Budget)**

<p>The Government not discontinue the performance measures listed in Table 3.8.</p>	<p align="center">Support</p>	<p>DTF will publish revised performance measures on the DTF website and in the <i>2011-12 Budget Update</i>, reflecting all measures requested by PAEC <i>not</i> to be discontinued.</p> <p>Relevant departments will continue to report on identified measures for 2011-12.</p>
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• **Recommendation 12- (Page 33 of Chapter 4: Performance Targets in the 2011-12 Budget)**

<p>To enhance transparency in reporting, explanations be given in future budget papers for each and every change to a performance target.</p>	<p align="center">Support</p>	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In the <i>2011-12 Budget</i>, explanations for changes to performance targets were moved to sit directly underneath the relevant target to make it easier for the reader to understand the change.</p> <p>Departments are required to provide an explanation for material and significant changes (more than five per cent variance) to performance targets from the previous year. DTF is currently reviewing the guidance for reporting on performance information in the budget papers, including the guidance for when an explanation is needed for a change to a performance target.</p> <p>DTF will work with departments to implement any changes to reporting on performance targets in budget papers in a move to enhance transparency for future budget papers.</p>
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**GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 102, Report on the 2011-12 Budget Estimates Part Two**

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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• **Recommendation 13- (Page 33 of Chapter 4: Performance Targets in the 2011-12 Budget)**

<p>In future budget papers, all explanations for changes to performance targets indicate, at a minimum, whether the change is because of:</p> <p>(a) changed government policy, funding or program delivery; or</p> <p>(b) changed external circumstances.</p>	<p>Support</p>	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In the 2011-12 Budget explanations for changes to performance targets were moved to sit directly underneath the relevant target to make it easier for the reader to understand the change.</p> <p>Departments are required to provide an explanation for material and significant changes (more than five per cent variance) to performance targets from the previous year. DTF is currently reviewing the guidance for reporting on performance information in the budget papers, including the guidance for appropriate explanations for a change to a performance target.</p> <p>DTF will work with departments to ensure all explanations of changes to performance targets, relate to changed government policy, funding or program delivery or changed external circumstances.</p> <p>DTF will work with departments to implement any changes to reporting on performance targets in budget papers in a move to enhance transparency for future budget papers.</p>
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• **Recommendation 14- (Page 35 of Chapter 4: Performance Targets in the 2011-12 Budget)**

<p>The Department of Treasury and Finance publish on its website the 2011-12 performance targets for the four measures listed as 'to be advised' in the 2011-12 budget papers as soon as they can be determined.</p>	<p>Support in principle</p>	<p>The Government is committed to the use of performance targets to assist in monitoring the Government's performance in these areas. DTF will work with the Department of Transport to publish the relevant targets on the DTF website and in the 2011-12 Budget Update as soon as they are determined.</p> <p>Due to a change in Government policy relating to the development of a new integrated public transport ticketing solution some measures may no longer be appropriate. DTF will work with the Department of Transport to review the measures appropriateness.</p>
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• **Recommendation 15- (Page 38 of Chapter 4: Performance Targets in the 2011-12 Budget)**

<p>The Department of Treasury and Finance ensure in future budgets that each major initiative released in that budget has a sufficient number of corresponding performance measures in order to enable the Parliament to assess the performance of that initiative.</p>	<p>Support in principle</p>	<p>As part of the budget process DTF will work with all departments to ensure that performance measures are created for an output that show the impact of a major initiative, where this impact is not reflected in existing measures and targets.</p>
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PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
<p>• <b>Recommendation 16- (Page 42 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)</b></p>		
<p>Revisions to the 2012-2022 Metropolitan Health Plan to take into account any changes to population projections and factors that may change over time be clearly documented by the Department of Health to provide an adequate trail of amendments made to the original plan.</p>	<p>Support</p>	<p>Population projections used in the Metropolitan Health Technical Paper are from the Department of Planning and Community Development, 2008. As significant new population planning data becomes available, the Department of Health will update the Metropolitan Health Technical Paper.</p> <p>Updates to the Plan will be documented, such that revisions plainly describe both version number and data sources.</p>
<p>• <b>Recommendation 17- (Page 43 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)</b></p>		
<p>To ensure that budget allocations and demands on the health system are premised on the same basis, the Department of Treasury and Finance and the Department of Health use the same population growth estimates, based on the most up-to-date population data, when framing the budget and formalising health and other planning frameworks.</p>	<p>Support in principle</p>	<p>The health portfolio uses government's most up to date population projections to plan required service activity. The <i>2012-2022 Metropolitan Health Plan</i> includes high-level directions and objectives for the metropolitan Melbourne health system based on population projections, feedback from stakeholder consultations and the advice of the Ministerial Advisory Committee. Similarly, subsequent plans, including the <i>Rural and Regional Health Plan 2012-2022</i>, and a <i>Health Capital and Resources Plan 2012-2022</i> will also utilise population data to inform the frameworks.</p> <p>DH will continue to use the latest information available that best fits the purpose of the projection. If this information is different from population growth estimates used by DTF for other purposes, the reasons for and extent of the difference will be clearly documented.</p> <p>This will ensure that the population projections used continue to be the most appropriate for the purpose intended.</p>
<p>• <b>Recommendation 18- (Page 44 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)</b></p>		
<p>To provide greater clarity, the Department of Treasury and Finance include notes to particular output performance targets in the budget papers to explain factors that have contributed to any targets being set at levels that could be reasonably interpreted as being significantly understated compared to the previous year.</p>	<p>Support</p>	<p>DTF regularly reviews the annual State budget papers with a focus on continuous improvement. In the <i>2011-12 Budget</i> explanations for changes to performance targets were moved to sit directly underneath the relevant target to make it easier for the reader to understand the change.</p> <p>Departments are required to provide an explanation for material and significant changes (more than five per cent variance) to performance targets from the previous year. DTF is currently reviewing the guidance for reporting on performance information in the budget papers, including the guidance for when an explanation is needed for a change to a performance target. This will include guidance on what constitutes a significant movement in performance targets between years.</p> <p>DTF will work with departments to implement any changes to reporting on performance targets in budget papers in a move to enhance transparency for future budget papers.</p>

GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 102, Report on the 2011-12 Budget Estimates Part Two

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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• **Recommendation 19- (Page 44 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)**

<p>To provide greater transparency, the Department of Health ensure that the Rural and Regional Health Plan includes a description of the funding strategies available to small rural services throughout Victoria.</p>	<p>Support</p>	<p>The annual Victorian Health Policy and Funding Guidelines are provided to all funded organisations (including those that provide services in rural and regional Victoria) and clearly outline the Government's policy and service delivery objectives, funding models and the conditions of funding and key accountability requirements to which these organisations must comply. These guidelines also provide an overview of new initiatives in the health budget.</p> <p>The <i>Rural and Regional Health Plan 2012-2022</i> will include high-level directions and objectives for the rural and regional health system.</p> <p>Progressive implementation of funding arrangements agreed through the National Health Reform Agreement will also increase transparency of funding strategies available to small rural services.</p>
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• **Recommendation 20- (Page 47 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)**

<p>As the funding initiatives directed at the delivery of ambulance emergency services are rolled out over time, the Department of Treasury and Finance examine whether performance targets in the Budget need to be set at more challenging levels that would correlate with the additional funding allocations.</p>	<p>Under review</p>	<p>The Government has inherited an under funded and underperforming service from the previous government which has historically failed to meet its previous performance targets. Additional funding to Ambulance Victoria is designed to assist them in meeting their current performance targets.</p> <p>The Department of Health, in conjunction with the Department of Treasury and Finance, will review Ambulance Victoria performance over time to ensure that targets are appropriate.</p>
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• **Recommendation 21- (Page 49 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)**

<p>As a matter of imperative, the Government develop, and provide details in the 2012-13 budget papers, an approach for measuring the achievement of whole-of-government outcomes over time, including crime reduction.</p>	<p>Under review</p>	<p>DTF is working to improve the measurement of performance at both the outcome and output levels and is currently reviewing the output management framework and, as described in response to previous recommendations in this report, identifying ways to strengthen performance measurement and management. This includes effective linkage between outputs and departmental objectives towards the achievement of Government priorities.</p> <p>The Terms of Reference of the Panel of the Independent Review of State Finances includes the development of objectives and strategies for responsible financial management. Further work in this area will be informed the Independent Review's findings and DTF's internal review of output performance.</p>
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GOVERNMENT'S RESPONSE TO THE PAEC REPORT NO. 102, Report on the 2011-12 Budget Estimates Part Two

PAEC Recommendation	Response	Action Taken to Date and Commitment to Further Action
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• **Recommendation 22- (Page 50 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)**

<p>To enhance accountability, the Department of Treasury and Finance explore the possibility of developing specific output performance measures that relate directly to the activities performed under the responsibilities of the new aviation industry portfolio.</p>	<p>Support</p>	<p>The Department of Business and Innovation (DBI) annually reviews its performance measures to ensure the robustness, relevance and appropriateness of all. This includes consideration of the core outputs of the department and related performance measures, over the range of departmental responsibilities and Government priorities.</p> <p>This review will be completed for input into the 2012-13 Budget Papers.</p> <p>As part of the 2012-13 budget process DTF will work with DBI to explore the possibility of developing output performance measures that reflect the activities of the new aviation industry portfolio.</p>
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• **Recommendation 23- (Page 50 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)**

<p>The Department of Treasury and Finance conduct a review to ensure that performance measures and targets have been established, where practicable, for all of the new government portfolios.</p>	<p>Support</p>	<p>As part of the 2012-13 budget process DTF will work with all departments to ensure that robust and relevant performance measures and targets are developed for new government portfolios wherever appropriate and practicable.</p>
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• **Recommendation 24- (Page 52 of Chapter 5: Issues Arising from the 2011-12 Budget Estimates Hearing)**

<p>The Government establish an appropriate performance management framework for Victoria's manufacturing industry that addresses any findings from the Victorian Competition and Efficiency Commission inquiry.</p>	<p>Support</p>	<p>The Government has prepared a response to the Victorian Competition and Efficiency Commission (VCEC) report on the manufacturing industry which has helped to inform the development of the Government's Manufacturing Strategy. Both will be released in the near future and will strengthen current management arrangements for the industry</p>
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