



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

PAEC 2009-10 AND 2010-11 FINANCIAL AND PERFORMANCE OUTCOMES FURTHER CLARIFICATION POINTS

Thank you for your letter dated 20 February 2012 regarding further clarification of 2009-10 and 2010-2011 financial and performance outcomes.

Please find attached the Department's response to your clarification request.

It is noted that the 'New Investments Facilitated' target has been consistently exceeded and it will be reviewed as part of the 2012-13 budget process.

Please contact Ms Deborrah Jepsen, Executive Director Strategic Planning and Ministerial Services, on (03) 9651 9421 if you require further information.

Yours sincerely

HOWARD RONALDSON
Secretary



PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE

**2009-10 and 2010-11 Financial and Performance Outcomes
Questionnaire**

Further Clarification Points

Department of Business and Innovation

February 2012

Response to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire Part One – Additional information sought by the Committee

Question 1

The Committee notes in the Questionnaire Part One, Question 1, that the expenditure for the output 'Science and Technology' was under budget by \$21.6 million for 2009-10, with the explanation that there would be minimal or no impact on the community as the funding would be carried over into the next year. The Committee further notes that actual expenditure of the same output for 2010-11 was under budget by \$33.1 million, with a similar explanation that there would be no impact on the community as the funding would be transferred to future years.

- (a) Was the \$21.6 million transferred from 2009-10 included in the 2010-11 budget target of \$164.9 million?

Yes.

- (b) What is the Department's basis for considering that deferral of funding to future years has no impact on the community?

The basis is that the same level of funding was provided to the program over a revised time frame. In most cases this was within the twelve month period following the original funding allocation.

Question 2

Regarding the response to Questionnaire Part One, Question 3, is the pattern in which the bulk of grants are paid in the first half of the financial year for several outputs a normal occurrence for the Department? If not, please identify the specific factors causing this result in 2010-11.

This was an abnormal period for the Department and the payment of grants, given the change in Government and the Machinery of Government changes that occurred during the reported timeframes.

For some programs, this resulted in reduced expenditure in the second half of the year and carry-over into 2011-12.

Question 3

In relation to Questionnaire Part One, Question 39:

- (a) Can the Department please confirm that there have not been any measurements of indicators after May 2010 up to November 2010 for the Growing Victoria Together targets below?

The Department was not responsible for reporting on the GVT measures below.

- (b) If there have been further assessments performed against these targets, please advise the updated indicators (outcomes achieved) available for these measures.

Vision	Goal	Measure	Outcome achieved in 2010
Thriving economy	More quality jobs and thriving, innovative industries across Victoria	Victoria's productivity and competitiveness will increase	
Caring communities	A fairer society that reduces disadvantage and respects diversity	The number of early school leavers who are unemployed after six months will decline	

Response to the 2009-10 and 2010-11 Financial and Performance Outcomes Questionnaire Part Two – Additional information sought by the Committee

Question 4

In relation to the Questionnaire Part Two, Question 19, the Committee notes a number of instances where the **expected outcome** was determined by the use of average historical outcome data. Can the Department please supply a detailed explanation of how this is calculated (e.g. the average of the previous three years' actual outcomes)?

The targets are informed by historical outcomes data, the forward pipeline of investment and the global economic environment.

The 2010-11 expected outcomes were determined on the basis of achieving the targets, in the absence of any definitive impact of significant movement in the forward pipeline of investment or the global economic environment.

Question 5

In relation to the Questionnaire Part Two, Question 19, it is noted that the questionnaire response explains that the target for one performance measure, 'New Investments Facilitated', is calculated using a four year rolling average. Actual outcomes of this performance measure have been as below:

Year	Actual outcome
2006-07	3541.5
2007-08	3254
2008-09	3070
2009-10	2113

(a) Based on these actual outcomes, how did the Department calculate a target of 1600?

The performance target was set at \$1600 million in 2004-05. It was established as a rolling four year target in 2007-08. The 2007-08 Budget Paper Number Three footnote to this measure notes, 'DIIRD's preference is to maintain a rolling target over a four year period for the number of new investments facilitated at an average of \$1.6 million per annum' and cites 'volatility in the foreign investment attraction market' as the rationale.

It is acknowledged that this target has consistently been exceeded, however, as explained in previous budget paper footnotes, it is subject to long lead times and volatility in the investment attraction and facilitation market and is therefore difficult to forecast.

The Department is reviewing the target as part of the 2012-13 budget process.

(b) The Department notes in the questionnaire that the expected outcome for 2010-11 (as reported in the 2011-12 budget papers) was calculated based on average historical outcome data. Given the above data, how was the estimate of 1600 reached?

See response to questions 4 and 5, above.