

## **CHAPTER 9: DEPARTMENTAL OUTPUT STRUCTURES AND PERFORMANCE MEASURES**

### **Key findings of the Committee:**

- 9.1** It is an important budgetary requirement that Government departments develop output statements and performance measures covering all major activities and spending of their major projects and programs for inclusion in the Budget Papers.
- 9.2** In the 2009-10 Budget Papers, there is a net decrease of 47 output measures compared with the 2008-09 Budget Papers. The total performance measures identified in the 2009-10 Budget Papers is 1,131, including 176 new measures. A total of 223 performance measures have been discontinued in the 2009-10 year compared with the previous budget year.
- 9.3** The Committee identified that while brief explanations were provided for the discontinuation of performance measures, in some instances such changes were not adequately explained.
- 9.4** Seven government departments reported a net reduction in the number of performance measures in the 2009-10 Budget Papers and three departments have increased the number of their performance measures.
- 9.5** The Committee noted that while the Committee's Recommendation 10 in its Report on the 2008-09 Budget Estimates – Part Three was accepted by Government in principle, the 2009-10 Budget Paper No. 3, Service Delivery, does not incorporate a tabular presentation of annual global movements in new and discontinued output measures as recommended.
- 9.6** The Committee looks to future Budget Papers incorporating a tabular presentation of annual global movements in new and discontinued output measures, categorised according to quantity, quality and timeliness measures to enhance clarity and accountability in reporting.
- 9.7** The Committee considers that given the increasing impact of global warming and climate change issues becoming important and making significant impacts on socio-economic and investment related decision making, a review by the Department of Treasury and Finance of sustainability and environment related performance indicators and reporting guidelines would be timely and pertinent.

## 9.1 Introduction

In order to facilitate policy judgments on budgetary allocations and enhance accountability of government spending, performance measures need to be guided by sound principles. Performance indicators should focus on outcomes from the provision of government services, reflecting whether service objectives have been met as expected. The Committee discusses this in detail in its report on *New Directions in Accountability Inquiry into Victoria's Public Finance Practices and Legislation*.<sup>231</sup>

Consistent with the Government's ongoing commitment to improving accountability and as the basis for departmental revenue certification, output and performance measures of the departments are assessed annually for their continuing relevance and robustness.<sup>232</sup> The Government manages delivery of its annual budget according to an accrual output based framework, whereby departments are required to develop output statements and performance measures for inclusion in the Budget Papers.

The Committee remains interested in the accuracy and relevance of output performance measures used in the development of the State budget, the progressive monitoring and reporting of departmental performance in the delivery of outputs, and the revenue certification process.

As indicated in the Committee's *Inquiry into Victoria's Public Finance Practices and Legislation*:

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*If the Budget Papers are to be enhanced by placing a greater focus on outcomes, with the linking of the budget resources required to produce the individual outputs to the individual outcomes the Government aims to achieve, the current performance indicators and targets should be reviewed to ensure that they are relevant and appropriate within this changing framework.*

Increasingly, the Auditor-General and the Committee have presented reports to Parliament which incorporate comment on government departments' output frameworks and the adequacy of performance measures in place for capturing key aspects of output delivery.<sup>234</sup> Also the Productivity Commission's *Report on Government Services* states that effectiveness indicators measure how well the outputs of a service achieve the stated objectives of that service and tend to focus on access, appropriateness and/or quality.<sup>235</sup>

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<sup>231</sup> Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislations*, June 2009

<sup>232</sup> Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.441

<sup>233</sup> Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislations*, June 2009

<sup>234</sup> Victorian Auditor General's Office, *Parliamentary Appropriations: Output Measures*, November 2007

<sup>235</sup> Productivity Commission, *Report on Government Services – Volume One*, January 2008, Victoria.

## 9.2 Development of output performance measures

As part of the budget process, Departments are required to develop output statements and performance measures for inclusion in Budget Paper No. 3, *Service Delivery*. As indicated in the Committee's report *New Directions in Accountability Inquiry into Victoria's Public Finance Practices and Legislation*, in order to achieve effective public accountability in the public sector:<sup>236</sup>

*The performance information to be disclosed should extend beyond financial information to encompass both financial and non financial information. For reported performance information to be effective, performance indicators and targets must be relevant and appropriate, and reported results should be based on reliable information and presented in a fair manner.*

Based on its findings for the Inquiry into Victoria's Public Finance Practices and Legislation, the Committee noted that for performance reporting to be effective, individual departments and agencies need to identify, at the commencement of performance cycle, what is planned to be delivered. At the end of the cycle, departments and agencies need to report what has actually been delivered compared with their planned activities.

Performance reporting should be based on reliable data, which, if required, could be replicated by independent observers to produce similar results.<sup>237</sup>

## 9.3 Performance measures in the 2009-10 Budget

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. The Budget Papers further disclose for each performance measure the target specified for 2009-10 compared with the equivalent target for 2008-09. They also identify new measures introduced for the year and any measures discontinued by departments, with a brief description of the reasons for any changes.

Detailed information on all outputs to be delivered by departments, including associated measures of quantity, quality, timeliness and cost, is contained in Chapter 3 and a full report on all *Growing Victoria Together* measures of progress is included in Appendix B, *Growing Victoria Together Progress Report*.<sup>238</sup>

The Committee's investigation and analysis of the 2009-10 Budget Papers identified a total of 1,131 output measures reported by all departments under quantity, quality and timeliness categories and a summary of these is presented in Table 9.1.

For all the departments except for the Department of Education and Early Childhood Development, the number of quantity measures outweighs both the quality and timeliness measure categories and the number of timeliness performance measures are approximately half the number of quantity performance measures across all the departments.

<sup>236</sup> Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislations*, June 2009, p.60

<sup>237</sup> *ibid.*, p.71

<sup>238</sup> Department of Treasury and Finance, Budget Paper No. 3, *2009-10 Service Delivery*, May 2009, p.46

**Table 9.1: Output measures targeted by Victorian government departments 2009-10**

Department	Quantity	Quality	Timeliness	Total
Human Services	118	60	36	214
Transport	84	37	71	192
Planning and Community Development	51	33	25	109
Premier and Cabinet	48	28	21	97
Justice	41	27	22	90
Innovation, Industry and Regional Development	57	24	5	86
Treasury and Finance	38	18	28	84
Sustainability and Environment	42	19	18	79
Education and Early Childhood Development	35	36	2	73
Primary Industries	35	10	17	62
Parliamentary Departments	17	16	12	45
<b>Total (all Departments)</b>	<b>566</b>	<b>308</b>	<b>257</b>	<b>1,131</b>
<b>Percentage of total measures (per cent)</b>	<b>50</b>	<b>27</b>	<b>23</b>	<b>100</b>

Source: Department of Treasury and Finance, Budget Paper No. 3, 2009-10 Service Delivery

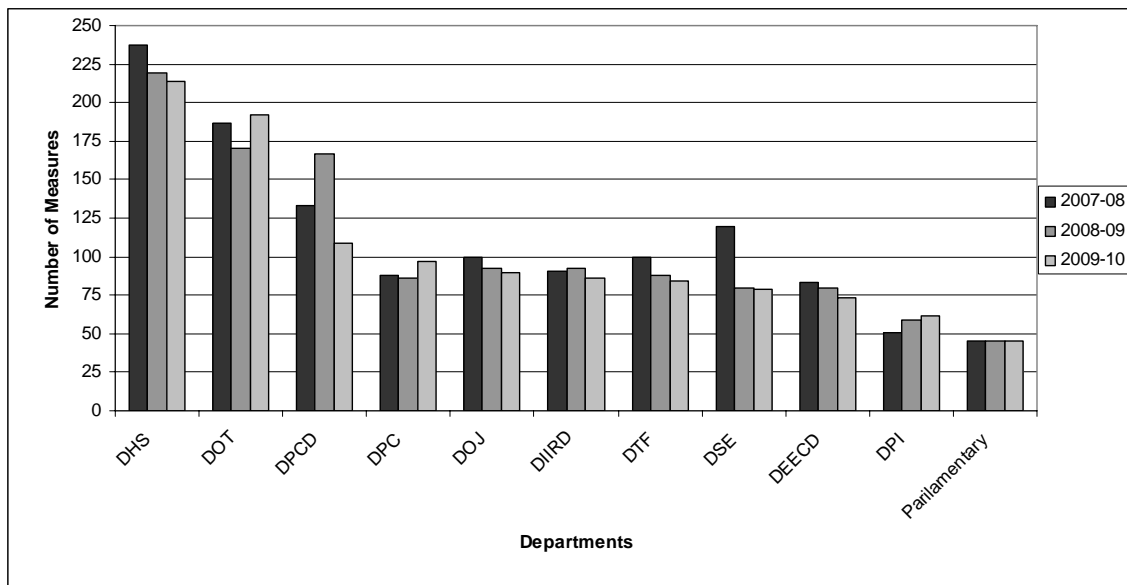
The Committee also noted a reduction in the total number of output measures targeted by departments over the last few years. Table 9.2 and Figure 9.1 summarise this position over the period 2007-08 to 2009-10.

**Table 9.2: The number of output performance measures adopted by departments in 2009-10 compared with 2007-08 and 2008-09**

Department	Total performance measures in 2007-08 Budget (Number)	Total performance measures in 2008-09 Budget (Number)	Total performance measures in 2009-10 Budget (Number)
Human Services	237	219	214
Transport	187	170	192
Planning and Community Development	133	167	109
Premier and Cabinet	88	86	97
Justice	100	92	90
Innovation, Industry and Regional Development	91	92	86
Treasury and Finance	100	88	84
Sustainability and Environment	120	80	79
Education and Early Childhood Development	83	80	73
Primary Industries	51	59	62
Parliamentary Departments	45	45	45
<b>Total (all Departments)</b>	<b>1,235</b>	<b>1,178</b>	<b>1,131</b>

Source: Department of Treasury and Finance, Budget Paper No. 3, Service Delivery, May 2007, May 2008 & May 2009

**Figure 9.1: The number of output measures targeted by Victorian government departments 2007-08 to 2009-10**



Source: Department of Treasury and Finance, Budget Paper No. 3, Service Delivery, May 2007, May 2008 & May 2009

The Committee noted that as a result of machinery of government changes, some departments had changed a number of their performance measures. For example, the Victorian Multicultural Commission and Multicultural Affairs outputs have been transferred to the Department of Premier and Cabinet from the Department of Planning and Community Development. The Department of Planning and Community Development introduced some new measures due to the transfer of responsibility for the Disability Advocacy Program from the Department of Human Services.

The Budget Papers also present the details of discontinued performance measures for the 2009-10 Budget year. The Committee noted that out of the 223 discontinued measures presented in the Budget Papers, 101 are quantity measures, 65 are quality measures and 57 are timeliness measures. The Department of Planning and Community Development registered the highest number of discontinued output measures, 101 for the 2009-10 Budget year. Table 9.3 presents the department breakdown of discontinued output measures by department.

**Table 9.3: Discontinued output measures 2009-10 viz 2008-09**

Department	2009-10 Quantity	2009-10- Quality	2009-10 Timeliness	2009-10 Total	2008-09 Total
Planning and Community Development	46	27	28	101	19
Transport	8	4	16	28	41
Innovation, Industry and Regional Development	12	8	3	23	25
Education and Early Childhood Development	6	15	2	23	28
Justice	9	2	3	14	18
Human Services	7	4	1	12	7
Primary Industries	8	1	2	11	11
Premier and Cabinet	1	3	2	6	2
Sustainability and Environment	2	1	0	3	49
Treasury and Finance	2	0	0	2	33
<b>Total (all departments)</b>	<b>101</b>	<b>65</b>	<b>57</b>	<b>223</b>	<b>233</b>
<b>Percentage of total discounted measures</b>	<b>45</b>	<b>29</b>	<b>26</b>	<b>100</b>	<b>100</b>

Source: Victorian Budget 2009-10 Service Delivery Budget Paper No. 3 Appendix C

#### **9.4 The role of sustainability measures in the performance measurement of the government departments**

Responsible organisations are increasingly using environmental measures to complete their socio-economic performance credentials. While acknowledging the complexity and difficulties associated with sustainability and environment related qualitative performance measures and some progress made in both the private and public sectors in sustainability related reporting, the Committee noted that the use of sustainability, environmental or social responsibility related measures and reporting by government departments and agencies could be extended. The Committee notes the Government's commitment to 'triple bottom line' reporting and believes that there is scope for such reporting to be more systematic.

The Committee is of the view that there is a variety of economic and social drivers that contribute to the sustainability reporting requirements in Australia and around the world. These include international reporting initiatives, the pursuit of environmental performance ratings, carbon trading and changing legislative requirements. Increasingly, private and even public organisations are reporting on their environmental performance as an integral part of their annual reporting process, or in response to various stakeholder requirements.

In addition to the Government's commitment to 'triple bottom line' reporting, the drivers for public sector agencies becoming more engaged in sustainability reporting include the growing recognition of its potential benefits and pressure from various stakeholders, including environment related organisations, for public agencies to disclose their sustainability measures.

The Committee notes that the Department of Treasury and Finance reporting guidelines include a range of sustainability and environment related performance measures for departments. The Committee is of the view that the sustainability and environment related performance measures would benefit from a review to enhance the performance measurement process of the Budget and improve accountability in this important dimension of public disclosure.

**Recommendation 19:**                   **The Department of Treasury and Finance review current sustainability and environment related reporting guidelines and performance indicators.**

## **9.5      Net impact of 2009-10 Budget new output initiatives**

As reported in Chapter 2, the information disclosed in Budget Paper No. 2, *2009-10 Strategy and Outlook*, relating to new output initiatives per department and their net financial impact on the budget<sup>239</sup> differs from the sum of the gross amounts for each new initiative in the tables for each department in Budget Paper No. 3, *2009-10 Service Delivery*, Appendix A. This difference is explained in Budget Paper No. 2 which states that in regard to the information presented in relation to the net financial impact of the new output initiatives:<sup>240</sup>

*These numbers show the net impact on the general government sector net result from transactions and differ from Budget Paper No. 3, Appendix A, as amounts funded from internal reprioritisation or other existing sources have been deducted from the figures above.*

The Committee believes that in the interests of enhancing the transparency of the Budget, there would be merit in the Budget Papers disclosing a reconciliation of the differences in the figures for new output initiatives shown in Budget Paper No.s 2 and 3 for each department. Such a reconciliation would assist readers understand the nature of the terms ‘internal reprioritisation’ and ‘other existing sources’.

**Recommendation 20:**                   **The Department of Treasury and Finance present in the Budget Papers a reconciliation of the differences in the figures for new output initiatives shown in Budget Paper No. 2 relating to the net impact of new output initiatives for each department and Budget Paper No. 3 that discloses the sum of gross amounts for each new initiative.**

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<sup>239</sup> Department of Treasury and Finance, Budget Paper No. 2, *2009-10 Strategy and Outlook*, May 2009, p.45  
<sup>240</sup> *ibid.*