

CHAPTER 10: PORTFOLIO PROGRAM OUTCOMES

Key findings of the Committee:

- 10.1** In focusing on the importance of concentrating on the achievement of outcomes, the Committee has promoted in the past the concept that performance-based budgeting and results-based management focus less on inputs, processes and activities, but more on outcomes that will benefit the community.
- 10.2** The Committee believes that it is essential for there to be a good understanding of the difference between outcomes to be achieved and outputs to be delivered so that the contribution that outputs make to defined outcomes for reporting purposes is evident.
- 10.3** The Committee found a lack of understanding by some government organisations of how to relate their functions to an outcome orientated framework of performance management and reporting.
- 10.4** The Committee observed examples where planned outcomes reported to the Committee by government organisations could be construed as planned outputs as they represented goods to be produced, services to be provided, actions to take place or activities to occur.
- 10.5** The Committee believes that organisational outcomes should be reflective of the high level outcomes expressed by the Government in its key policy statements.
- 10.6** In some cases there was limited indication that outcomes had been achieved. Ultimate impacts of activities were not outlined or measured by some government organisations.
- 10.7** The Committee found there was substantial scope for qualitative data submitted by organisations to demonstrate that key outcomes have been achieved to be expanded to include quantitative data and targets to be established to measure performance in terms of achieving outcomes.
- 10.8** Unforeseen circumstances in some cases had an impact on significant program outcomes not being achieved in 2008-09. The Committee noted that the 2009 bushfires had an adverse impact on the ability of some organisations to achieve their planned outcomes for 2008-09 – most notably the Department of Sustainability and Environment where resources had to be diverted to assist in the response efforts following Black Saturday.
- 10.9** The Committee sees a clear need for guidance to be provided to government organisations on the framing of outcomes relevant to the needs of the community as well as the importance of developing quantitative performance measures and targets.
- 10.10** Apart from the devastating bushfires of February 2009, the advent of the Global Financial Crisis also had an adverse impact on the ability on some government organisations to deliver outcomes that were planned for 2008-09.

10.11 The impact of the Global Financial Crisis on the delivery of program outcomes ranged from greater and more urgent activity due to the effect of stimulus packages instigated at the Commonwealth level to contractionary impacts associated with factors such as a lessening of service demand, a reduction in funding, lower interest earnings and particular industry sectors experiencing a downturn in turnover and employment opportunities.

10.12 The use of economic indicators to measure economic outcomes varied between government organisations depending on their particular functions. The Committee believes there is scope for developing a more sophisticated suite of economic indicators in future, particularly relating to the measurement of productivity improvement over time. This matter, which has been raised before by the Committee, will continue to be monitored in future inquiries.

10.1. Introduction

This chapter continues the practice adopted by the Committee last year of examining the performance of organisations in achieving planned outcomes. An outcome is defined as the Government's desired or intended effects on the community as a result of the funding of outputs, whereas an output is defined as a product or service that departments/agencies produce or deliver.²³⁸

In following up action taken by the Government in response to the Committee's recommendations contained in its *Report on the 2007-08 Financial and Performance Outcomes*, the Committee noted that the recommendation for departments, when reporting outcome achievements, to include details of performance measures and targets for each program outcome that demonstrates effectiveness of service delivery was under review, as was the recommendation for performance measures and targets to be identifiable in the State budget papers. The Government indicated in November 2009 that it was investigating ways to improve and enhance outcomes reporting as part of the Public Finance and Accountability Bill project.²³⁹

The Committee noted that the Public Finance and Accountability Bill 2009, in terms of resource management, requires the Minister to:²⁴⁰

...publish an outcomes progress report specifying progress on the Government's intended outcomes as stated in the statement of outcomes for the current financial year at least once during the following financial year.

238 Public Accounts and Estimates Committee, *Report on the 2006-07 Budget Estimates*, September 2006, p.7

239 Victorian Government, *Response to the Recommendations of Public Accounts and Estimates Committee's 87th Report on the 2007-08 Financial and Performance Outcomes*, November 2009, p.13

240 Public Finance and Accountability Bill 2009, Part 5: Resource Management, Division 3 Reporting, clause 39

10.2. Background

The Committee reported in its Inquiry into Victoria's Public Finance Practices and Legislation in June 2009 that:²⁴¹

Performance-based budgeting and results-based management focus less on inputs, processes and activities, and more on outcomes that will benefit the community. In fact, outcome budgeting and reporting frameworks centre on the effectiveness of government in meeting their performance goals and therefore are more appropriate to meet the growing emphasis on program management and service delivery across government.

It is widely accepted that outcomes are more difficult to measure, as they entail the use of both qualitative and quantitative factors which may be subjective and challenging in measuring and benchmarking performance. They also involve the interaction of many factors (both planned and unplanned) such as action taken by other levels of government and external influences including action taken within the community, and the impact of demographic changes, cost pressures and changes in economic conditions. Notwithstanding the fact that the measurement of outcomes can be difficult, the key focus of governments in developing policies and delivering programs should be to achieve outcomes.

In relation to the current inquiry, similar to last year, the Committee gave departments the opportunity to:

- outline the five most important program outcomes achieved in 2008-09 compared to what was planned for the year; and
- identify any significant program outcomes that were not achieved in 2008-09 together with the underlying reasons.

In widening its scope due to the economic factors that prevailed in 2008-09, the Committee also delved into:

- the impact that the Global Financial Crisis had in terms of changing planned organisational priorities and the delivery of program outcomes or activities during 2008-09, as well as action taken to address this situation;
- the extent to which organisations made use of specific economic indicators to report on effectiveness for the achievement of outcomes; and
- the widened scope also involved a number of related agencies.

The purpose of the Committee's inquiries was to assess the extent to which planned outcomes were adequately described by organisations and examine the appropriateness of information used by organisations to assess whether planned outcomes had been achieved. It is for this reason that the Committee believes that it is essential for there to be a good understanding of the difference between outcomes to be achieved and outputs to be delivered so that the contribution that outputs make to defined outcomes for reporting purposes is evident.

²⁴¹ Public Accounts and Estimates Committee, *New Directions in Accountability, Inquiry into Victoria's Public Finance Practices and Legislation*, June 2009, p.19

This chapter includes examples where:

- planned outcomes reported to the Committee by government organisations could be construed as planned outputs as they represented goods to be produced, services to be provided, actions to take place or activities to occur. They would have been more meaningful in an outcome sense had they been expressed as the kind of impact they were expected to have had on the community or target client (e.g. the amount of change in behaviour, skills, knowledge or condition/situation of the activity);
- qualitative data submitted by organisations to demonstrate that key outcomes have been achieved could have been expanded to include quantitative data;
- targets were not established to measure performance in terms of achieving outcomes; and
- significant program outcomes were not achieved in 2008-09 and related causes.

The chapter also provides comment on the impact that the Global Financial Crisis had on the ability of organisations to achieve planned outcomes and the use of economic indicators to evaluate performance.

The responses from departments and agencies are reproduced in full in Appendix 2 to this report.

10.3. Good examples of a planned outcome and quantitative data to demonstrate achievement of the outcome

The Committee noted that in terms of the road toll and serious injuries, VicRoads advised that Victoria's Road Safety Strategy *Arrive Alive 2008-2017* aims to reduce deaths and serious injuries by a further 30 per cent by 2017.

Against the pro rata target which called for a 2.5 per cent reduction in fatalities and a 2.5 per cent reduction in serious injuries in 2008-09, the actual result achieved was a 10 per cent reduction in fatalities and a 12 per cent reduction in serious injuries.

In another case, Yarra Valley Water Ltd advised the Committee that a planned outcome to be achieved in 2008-09 related to water conservation. The showerhead exchange program aimed to reduce water consumption of Yarra Valley Water's customers. Yarra Valley Water forecast that 49,200 showerheads would be replaced during 2008-09.

In 2008-09, 49,759 showerheads were exchanged and residential water consumption fell from 164 to 158 litres per person per day.

10.4. Defining planned outcomes

In essence, the review of material provided to the Committee showed a lack of understanding by some government organisations of how to relate their functions to an outcome orientated framework of performance management and reporting.

The Committee noted that in some cases, organisations did not express outcomes achieved against planned outcomes in terms of ultimate impacts. Good examples where outcomes were well defined were found when reviewing material provided by the Department of Human Services e.g. to improve human service safety and quality and to strengthen the capacity of individuals, families and communities. Other examples cited included a planned outcome at Melbourne Water to deliver river health and stormwater quality works to protect and improve waterways and bays and, with regard to the Department of Treasury and Finance, for Victoria's taxes to remain competitive

with the Australian average. The Victorian Managed Insurance Authority developed a statewide climate change strategy to assist clients respond to the risks of Climate Change.

Some outcomes, however, were expressed in other forms such as indicators, actions, strategies and planning which took the appearance of outputs. Examples of planned outcomes submitted by organisations are listed below:

Indicators

- Department of Education and Early Childhood Development – the proportion of 4 year olds participating in kindergarten
- Barwon Health – transfer from Emergency Department to ward in less than 8 hours
- Department of Premier and Cabinet – increased access to arts and culture
- City West Water Limited – unaccounted-for-water target of 9.2 per cent

Actions

- Alfred (Bayside) Health – develop the Academic profile of Alfred Health
- Southern Health – continue implementation of HealthSMART
- Department of Innovation, Industry and Regional Development – opening of the world class Melbourne Convention Centre
- Department of Planning and Community Development – managing Melbourne’s growth
- Goulburn–Murray Water – Shepparton Modernisation
- Department of Treasury and Finance – deliver financial reports
- Transport Accident Commission – provision of services and benefits to clients and the relocation to Geelong

Strategies

- Department of Primary Industries – implement the *Future Farming Strategy*, *Biosecurity Strategy* for Victoria and the *Energy Technology Innovation Strategy*
- Parks Victoria – develop the Bays and Maritime initiative

Planning

- Austin Health – complete the Austin Health Strategic Service Plan for the next 5–10 years
- VENCORP – deliver gas and electricity Annual Planning Reports

In terms of demonstrating effectiveness in meeting the Government's performance goals, the Committee does not see any merit in organisations disclosing that they have met planned outputs without then describing how these outputs will or have contributed to the achievement of outcomes. For example, when the Department of Treasury and Finance lists the delivery of financial reports as a planned outcome and then identifies the reports issued for 2008-09 as quantitative data to demonstrate that the outcome has been achieved, this information in isolation does not convey the wider intent or impact of the reports in the context of, for example, strengthening accountability in terms of demonstrating sound financial management. In these circumstances, it is also a relatively simple task to claim that the planned 'outcome' has been achieved.

The Committee is also of the view that as there are different interpretations about what constitutes an 'outcome', the Department of Treasury and Finance should provide clear guidance to organisations to avoid any confusion as to the difference between an output and an outcome. This is particularly important, given the content of the Public Finance and Accountability Bill 2009 which calls for the Minister to publish a statement of the Government's current intended outcomes and report progress against these intentions at least once during the following financial year. The Committee believes that the way in which outcomes have been described in the Government's Growing Victoria Together vision and goals provides a good example of how outcomes should be framed by organisations. In essence, organisational outcomes should be reflective of these visions and goals that have been set for Victorians.

Recommendation 19: **To enhance performance reporting and accountability, the Department of Treasury and Finance release a guidance statement and practical examples that clearly define the difference between an outcome and an output and the need to frame measurable outcomes that are relevant to the needs of the community.**

10.5. Achievements compared to planned outcomes

The Committee noted that in some cases there was only limited evidence to indicate that outcomes had been achieved.

Western Health provided a good example of where a change in behaviour was described to demonstrate the achievement of an outcome i.e. with regard to people and culture, in terms of continuing to implement the Building Positive Attendance Program, improvements occurred in unplanned absenteeism.

Good examples of where targets were set for 2008-09 were found at the Department of Human Services. These are listed below:

- the number of child protection reports was predicted to increase to 41,600; actual 42,839;
- provision of long-term housing – planned to deliver 1,030 properties; delivered 1,407; and
- planned to assist 33,450 with housing establishment funding – assisted 36,000.

In another example sighted by the Committee, a planned outcome for the Department of Human Services was to reduce inequality by improving health and wellbeing, particularly for disadvantaged people and communities, but there was no quantitative measurement of this other than the aims of particular programs.

At Alfred (Bayside) Health, in terms of improving safety and quality of clinical care, the implementation of the respecting patient choices program involved, in part, trials and research submissions, but apart from these activities, no data was provided to demonstrate the result and connection to the planned outcome. This was also the case in relation to actions that involved revising a suite of guidelines and establishing a database of the use of patient attendants at The Alfred.

The Committee observed that in some cases, quantitative and qualitative data to demonstrate outcome achievement was restricted to stating output levels compared to the prior year. As was the case for 2007-08, very few quantitative targets were stated by organisations. For example with regard to the Department of Human Services, apart from a few instances mentioned earlier, there was a dearth of target setting to measure outcomes. The Department predominately elected to:

- compare results to prior year figures to show improvement e.g. hospital performance throughput;
- simply state results e.g. Nurse On Call; or
- report activity levels or actions, such as quoting the content of strategies that have been released e.g. the Victorian Tobacco Control Strategy.

This matter, while reported last year, is also commented on in chapter 19 of this report which covers the review of annual reports for 2008-09.

In order to demonstrate whether planned outcomes have been achieved, the Committee sees a clear need for government organisations to be reminded of the importance of developing quantitative performance measures and targets.

After analysing the material provided to the Committee by government organisations relating to the five most important program outcomes achieved in 2008-09, it is evident that there is a continuing need for improvement in the standard of outcome definition, performance measure development and target setting across the public sector compared to the previous year.

Recommendation 20: To enhance the ability of government organisations to demonstrate whether planned outcomes have been achieved, the central departments (Department of Premier and Cabinet and Department of Treasury and Finance) promote a reporting culture throughout the public sector that emphasises the importance of developing quantitative performance measures and targets.

The Committee also noted that the 2009 bushfires had an adverse impact on the ability of some organisations to achieve their planned outcomes for 2008-09 – most notably the Department of Sustainability and Environment where resources had to be diverted to assist in the response efforts following Black Saturday.

Apart from the devastating bushfires of February 2009, the advent of the Global Financial Crisis also had an adverse impact on the ability on some government organisations to deliver outcomes that were planned for 2008-09.

Due to the diverse range of services provided by government departments and related agencies, the global economic downturn understandably impacted on the delivery of program outcomes or activities by government organisations to varying degrees, with some organisations not being affected in any way while others having to implement measures to address this situation. Impacts ranged from greater activity due to the effect of stimulus packages instigated at the Commonwealth level to contractionary impacts associated with factors such as a lessening of service demand, a reduction in funding, lower interest earnings and businesses experiencing a downturn in turnover. In some situations, organisational priorities were changed. Some examples of impacts that were conveyed to the Committee are shown in Table 10.1.

Table 10.1: Examples of the impact of the Global Financial Crisis on program outcomes

Department of Education and Early Childhood Development
– implementation of the <i>Building the Education Revolution</i> program as part of the Commonwealth Government's <i>Nation Building – Economic Stimulus Plan</i> provides Victorian schools with an opportunity to construct and provide 21 st century school facilities (the Department estimated that at the end of August 2009, the program supported 2,760 industry jobs)
Victorian Urban Development Authority
– the commercial property sector was directly affected by the global economic situation, with developers experiencing severe difficulty in obtaining finance for construction and acquisition of land (three significant commercial sites available for sale did not release during the year)
Department of Primary Industries
– the proposed activities of exploration and mining companies were affected and the contraction in funding for infrastructure resulted in delays to major projects
– the ability of companies to raise finance for major new developments is an issue and as future investment returns are difficult to forecast, this risk represents a barrier to potential equity providers. This environment creates a challenge for the Carbon Capture and Storage (CCS) large-scale and Sustainable Energy large-scale demonstration programs.
– reduced levies to industry research and development organisations
Victorian Funds Management Corporation
– the performance of client portfolios, both externally and internally managed, was adversely affected during 2008-09
Victorian WorkCover Authority
– investments were affected
– pressure was placed on certain basic OHS requirements such as training, maintenance and capital expenditure
– with a tougher employment market, return to work outcomes were harder to achieve

Source: Department and agency responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One

The Committee is of the view that the release of an outcomes progress report by the Minister (this provision is planned to come into operation on 1 July 2011) will be a positive step in informing the Parliament and the community on how government organisations are tracking towards the achievement of planned outcomes.

The Committee believes that when reporting progressively on the achievement of the Government's intended outcomes, any material risks that may emerge from planned outcomes not being achieved on time should be disclosed.

Recommendation 21: Progressive reporting of how government organisations have fared in terms of achieving intended outcomes should disclose any material risks that may emerge from planned outcomes not being achieved on time.

10.6. Use of economic indicators to evaluate and report on performance

The Committee was interested in analysing the extent to which government organisations made use of specific economic indicators to evaluate and report on the effectiveness of their programs (i.e. beyond output targets for the achievement of outcomes).

The Committee found that most government organisations did not use economic indicators to evaluate and report on performance. The nature of the business that organisations were involved in determined whether or not economic indicators were used.

With a view to expanding the use of economic indicators across government to evaluate and report on economic outcomes, examples of those that are applied in various forms are set out in Table 10.2 which could be used as a guide if applicable.

Table 10.2: Examples of economic indicators

Department of Primary Industries	
–	economic indicators that measure the economic performance of the department's sectors that have been targeted at the Department's strategic policy frameworks are:
–	multi-factor productivity (labour input, capital input and output)
–	profitability
–	terms of trade
–	market access
–	government assistance
–	employment
Department of Planning and Community Development	
–	population growth data is reviewed in order to review the effectiveness of strategic planning policy to cater for this growth. In broad terms, population data is applied to report on the effectiveness of the Urban Development Program with regard to the accommodation of future growth in redevelopment and growth areas
–	employment data is considered when developing the A Fairer Victoria framework
Department of Treasury and Finance	
–	taxes remain competitive with the Australian average
–	Victoria's productivity and competitiveness will increase

Department of Transport
– population, employment and economic growth
– petrol prices
– inflation trends

Source: Department responses to the Committee's Financial and Performance Outcomes Questionnaire – Part One

The Committee was particularly interested in the following initiative introduced by the Department of Justice:²⁴²

The department's Innovation and Strategy Unit has recently produced a Justice Economics State of Knowledge Review, which provides a detailed assessment of the possible applications of current economic research and methodologies in the Justice portfolio. This work will inform future consideration of the use of economic indicators for planning and evaluation purposes within the department.

Developments in this area will be monitored by the Committee in future.

The Committee believes that in order to strengthen the framework for measuring economic outcomes associated with concepts like increasing Victoria's productivity, further work is required to improve the suite of economic indicators to measure outcomes in this area. This matter has been reported by the Committee in the past and progress made in indicator development will also be monitored in future estimates and outcomes inquiries.

242 Department of Justice, response to the Committee's 2008-09 Financial and Performance Outcomes Questionnaire – Part One, received 3 December 2009, p.70