



**PUBLIC ACCOUNTS AND ESTIMATES COMMITTEE**

**2009-10 AND 2010-11 FINANCIAL AND PERFORMANCE  
OUTCOMES QUESTIONNAIRE — PART ONE**

**VICTORIAN FUNDS MANAGEMENT CORPORATION**



## Revenue and revenue foregone

### Question 21

For 2009-10 and 2010-11, please explain and detail the impact of any variances greater than  $\pm 10$  per cent in any revenue/income category detailed in your agency's operating statement in its annual report **and** the total revenue/income for the year compared to:

- (a) the initial budget for the year; and
- (b) the actual for the prior year.

The budget is set prior to the beginning of the succeeding financial year. A number of factors influence the actual results. Variances occur due to factors such as interest rates, and fund performance compared to benchmark.

### Question 22

For each of the income from transactions categories listed by your agency in its comprehensive operating statement in its annual report (e.g. output appropriations, grants, sales of goods and services), please break the income for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than  $\pm 10$  per cent between the two six-month amounts:

Income from transactions	Income 1/7/2010-31/12/2010	Income 1/1/2011-30/6/2011	Explanation for any variations greater than $\pm 10$ per cent
	(\$ million)	(\$ million)	
Management fee revenue	63.55	55.54	Management fees are based on the level of funds under management (FUM). FUM fluctuates daily in line with work investment markets and clients cashflows.

### Question 23

Please provide an itemised schedule of any concessions and subsidies (revenue foregone) (see the Explanatory Memorandum for a definition of concessions and subsidies) provided by your organisation in 2009-10 and 2010-11. For each item, please:

- (a) describe the purpose of the concession/subsidy;
- (b) explain any variations greater than  $\pm 10$  per cent between the actual expenditure and the initial budget for the year;
- (c) explain any variations greater than  $\pm 10$  per cent between the actual expenditure and the actual for the prior year;

- (d) indicate the number of concessions/subsidies granted in each category; and
- (e) explain whether the outcomes expected to be achieved by granting these concessions or providing these subsidies have been achieved.

**Revenue foregone in 2009-10:**

Concession/ subsidy	Purpose	2008-09 actual	2009-10 Budget	2009-10 actual	Explanations for variances greater than $\pm 10$ per cent	Number of concessions/subsidies granted in 2009-10	Outcomes achieved
N/A							

**Revenue foregone in 2010-11:**

Concession/ subsidy	Purpose	2009-10 actual	2010-11 Budget	2010-11 actual	Explanations for variances greater than $\pm 10$ per cent	Number of concessions/subsidies granted in 2010-11	Outcomes achieved
N/A							

- (f) Please also detail all new concessions/subsidies provided in 2010-11 by your agency that were announced after the change of government in 2010, their impact on your agency and the social outcomes achieved to date:

Concession/subsidy	Value in 2010-11	Impact on your agency	Outcomes achieved
	(\$ million)		
N/A			

***Expenditure*****Question 25**

For 2009-10 and 2010-11, please explain and detail the impact of any variances greater than  $\pm 10$  per cent in any expense category detailed in the agency's operating statement in its annual report **and** the total expenditure for the year compared to:

- (a) the initial budget for the year; and

(b) the actual for the prior year.

**Expenditure in 2009-10:**

<b>Expenditure category</b>	<b>2008-09 actual (\$m)</b>	<b>2009-10 Budget (\$m)</b>	<b>2009-10 actual (\$m)</b>	<b>Explanations for variances greater than ±10 per cent</b>	<b>Impact of variances</b>
Portfolio mgt and custodian exp	71.3	58.8	75.6	Management fees are based on the level of funds under management (FUM). FUM fluctuates daily in line with work investment markets and clients cashflows.	Investment out performance in 2009-10 led to improvement in the state's balance sheet.
Employee benefit exp	16.4	21.7	19.5	Movement in staff numbers	
Depreciation & amortisation exp	2.2	2.2	2.1		
Other expenses	10.5	9.8	10.4		

**Expenditure in 2010-11:**

<b>Expenditure category</b>	<b>2009-10 actual (\$m)</b>	<b>2010-11 Budget (\$m)</b>	<b>2010-11 actual (\$m)</b>	<b>Explanations for variances greater than ±10 per cent</b>	<b>Impact of variances</b>
Portfolio mgt and custodian exp	75.6	60.4	83.8	Management fees are based on the level of funds under management (FUM). FUM fluctuates daily in line with work investment markets and clients cashflows.	Investment out performance in 2010-11 led to improvement in the state's balance sheet.
Employee benefit exp	19.5	25.7	24.4	Reflects by investment out-performance.	
Depreciation & amortisation exp	2.1	2.0	1.7		
Other expenses	10.4	12.9	9.6		

**Question 26**

For each of the expenses from transactions categories listed by your agency in its comprehensive operating statement in its annual report (e.g. employee expenses, grants, depreciation and amortisation), please break the expense for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than  $\pm 10$  per cent between the two six-month amounts:

Expenses from transactions	Expenses 1/7/2010-31/12/2010	Expenses 1/1/2011-30/6/2011	Explanation for any variations greater than $\pm 10$ per cent
	(\$ million)	(\$ million)	
Portfolio mgt and custodian expenses	46.2	83.8	Expenditure can occur unevenly during the year owing to a range of factors including payment timing and year-end adjustments such as the actuarial valuation of defined benefit fund assets.
Employee benefit expenses	11.2	24.4	
Depn & amortisation expenses	1.1	1.7	
Other expenses	4.6	4.6	

**Question 27**

Please provide details of any evaluations of grants programs that were conducted by your agency in 2009-10 or 2010-11, including any findings about:

- (a) the outcomes achieved by the programs; or
- (b) the effectiveness of grants at achieving planned outcomes compared to other modes of service delivery.

Grant program	Evaluation conducted	Outcomes achieved	Effectiveness as a mode of service delivery
N/A			

## Public sector workforce

### Question 31

Please detail the total full-time equivalent number of staff as at 30 June 2009, 30 June 2010, 31 December 2010 and 30 June 2011, and explain any significant variations (greater than  $\pm 10$  per cent) from one date to the next in the following tables:

The below staffing numbers are reported in annual reports and annually by the State Services Authority.

#### Numbers in 2009 and 2010:

Total FTE (30 June 2009)	Total FTE (30 June 2010)	Explanation for any variations greater than $\pm 10$ per cent
70	86	Headcount increased from 70 to 86 as a result of increased internalisation of funds management

#### Numbers in 2010:

Total FTE (30 June 2010)	Total FTE (31 December 2010)	Explanation for any variations greater than $\pm 10$ per cent
86	89	-

#### Numbers in 2010 and 2011:

Total FTE (31 December 2010)	Total FTE (30 June 2011)	Explanation for any variations greater than $\pm 10$ per cent
89	83	-

### Question 32

In the tables below, please detail the salary costs for 2008-09, 2009-10 and 2010-11, broken down by ongoing, fixed-term and casual and explain any variations greater than 10 per cent between the years for each category.

#### Costs in 2009-10:

Employment category	Gross salary 2008-09	Gross salary 2009-10	Explanation for any variations greater than $\pm 10$ per cent
	(\$ million)	(\$ million)	
Ongoing	10.53	12.17	Reflects change in the mix of internal and external funds management.
Fixed-term	0.18	0.57	Reflects change in the mix of internal and external funds management.
Casual	-	-	-
<b>Total</b>	<b>10.72</b>	<b>12.75</b>	

#### Costs in 2010-11:

Employment category	Gross salary 2009-10	Gross salary 2010-11	Explanation for any variations greater than $\pm 10$ per cent
	(\$ million)	(\$ million)	

Ongoing	12.17	13.31	-
Fixed-term	0.57	1.09	Reflects change in the mix of internal and external funds management.
Casual	-	-	-
<b>Total</b>	<b>12.75</b>	<b>14.40</b>	

For each of the employment categories, please break the expense for 2010-11 down into the first six months and second six months of the financial year and explain any variations greater than  $\pm 10$  per cent between the two six-month amounts:

Employment category	Gross salary 1/7/2010-31/12/2010	Gross salary 1/1/2011-30/6/2011	Explanation for any variations greater than $\pm 10$ per cent
	(\$ million)	(\$ million)	
Ongoing	6.41	6.9	
Fixed-term	0.52	0.56	
Casual	-	-	
<b>Total</b>	<b>6.93</b>	<b>7.47</b>	

### Question 33

- (a) For what roles within your organisation were contractors or contract staff used in 2009-10 and 2010-11 (refer to Explanatory Memorandum for definition of contractors)?

Contractors and contract staff are engaged for short term roles to fill fixed term or ongoing roles during recruitment process, or where there is a fluctuation in work load.

- (b) Please itemise the services delivered by contractors or contract staff in 2009-10 and 2010-11:

#### Contractors/contract staff in 2009-10:

Service category	Number of contractors/ contract staff	Value of services (\$)
Analyst	2	95,921

#### Contractors/contract staff in 2010-11:

Service category	Number of contractors/ contract staff	Value of services (\$)
Analyst	3	171,920

- (c) For each specific contractor or contract staff paid in excess of \$100,000 per annum that has been engaged by your organisation during 2009-10 or 2010-11, please supply the following details:

Not applicable.



**Question 34**

- (a) For what roles within your organisation were consultants used in 2009-10 and 2010-11 (refer to Explanatory Memorandum for definition of consultants)?

Consultants were engaged to provide specialist support on a short term basis in the area of trust implementation where the expertise was not available within VFMC.

- (b) Please itemise the services delivered by consultants in 2009-10 and 2010-11:

In accordance with Financial Reporting Directions consultancies over \$100 000 are disclosed in the relevant annual reports.

- (c) For each specific consultant paid in excess of \$100,000 per annum that has been engaged by your organisation during 2009-10 or 2010-11, please supply the following details:

In accordance with Financial Reporting Directions consultancies over \$100 000 are disclosed in the relevant annual reports.

**Question 35**

- (a) Please break down the staff turnover ratio (total left employment during the year expressed as a percentage of total headcount) for your organisation during 2008-09, 2009-10 and 2010-11 according to the following age brackets:

	2008-09	2009-10	2010-11
Less than 30 years old	3%	1%	2%
30-54 years old	7%	2%	8%
55 years or older	6%	-	1%
<b>Total</b>	<b>16%</b>	<b>3%</b>	<b>11%</b>

- (b) Please describe the factors contributing to any variations greater than  $\pm 10$  per cent from one year to the next.

Natural attrition following organisational reviews and restructures in 2009-10 and 2010-11.

- (c) Please describe any strategies that are planned to be introduced to retain staff, reduce the level of voluntary staff turnover and reduce the likelihood that critical roles will become vacant in future?

Strategic employee initiatives have been put in place to attract and retain staff including formal career and succession planning, review of remuneration framework in line with the funds management industry and aligned with VFMCs clients and our corporate plan, continuing to implement and build on an effective internal communications program and reviewing and communicating workplace benefits to staff.

**Question 36**

The State Services Authority (*The State of the Public Sector in Victoria 2008-09*, Chapter 4) has identified collaboration, agility and innovation as important to the future of the Victorian public sector. Please detail any initiatives undertaken by your organisation in 2009-10 or in 2010-11 prior to the

change of government that have been designed to enhance these three qualities and what outcomes have been achieved by these initiatives:

	<b>Initiative</b>	<b>Outcomes</b>
Collaboration	Establishment of a repurchase facility with Treasury Corporation of Victoria	This facility means VFMC is able to access liquidity for our clients with a AAA counterparty with whom we are very comfortable with.
Agility		
Innovation	Devised and established Multi Strategy Funds in which small clients could invest by purchase of units	Enables smaller clients to participate in asset classes which would not have been possible in the absence of unit trusts.

Please also supply details of initiatives designed to enhance these three qualities undertaken since the change of government in November 2010:

	<b>Initiative</b>	<b>Outcomes</b>
Collaboration	Establishment of a repurchase facility with Treasury Corporation of Victoria	This facility means VFMC is able to access liquidity for our clients with a AAA counterparty with whom we are very comfortable with.
Agility		
Innovation		

### Question 37

Please complete the following tables showing number of executive staff and total value of bonuses paid in the 2009-10 and 2010-11 performance periods:

#### Bonuses in 2009-10:

<b>Executive category</b>	<b>Number of staff (FTE)</b>			<b>Total value of bonuses paid (\$)</b>
	<b>Eligible for a performance bonus</b>	<b>Not awarded bonus payment</b>	<b>Awarded bonus payment</b>	
Secretary or CEO, EO1 – Deputy <sup>(a)</sup>	6	0	6	999,500

*Note\*: Members of VFMCs Executive Investment Committee as per VFMC Annual Report*

#### Bonuses in 2010-11:

<b>Executive category</b>	<b>Number of staff (FTE)</b>			<b>Total value of bonuses paid (\$)</b>
	<b>Eligible for a performance bonus</b>	<b>Not awarded bonus payment</b>	<b>Awarded bonus payment</b>	
Secretary or CEO, EO1 – Deputy <sup>(a)</sup>	6	0	6	1,429,278

*Note\*: Members of VFMCs Executive Investment Committee as per VFMC Annual Report*

**Question 38**

In the following table, please show for your organisation the actual range of bonuses paid (expressed as a percentage of total remuneration).

Rating	Proportion of total remuneration package actually paid (expressed as a range from x% to y%)	
	2009-10	2010-11
Exceptional	60% - 100%	80% -100%
Superior	35% - 59%	40% - 79%
Competent		
Improvement required		

The Short Term and Long Term Incentives paid to Executives are within the framework approved by the previous government.

The above format is based on the Executive Employment Handbook. If your organisation adopted another approach for awarding bonuses, please provide details.

## ***Program outcomes***

Outcomes reflect the impact on the community of the goods and services provided by a department. The questions in this section all relate to the outcomes that the Department contributed to in 2009-10 and 2010-11.

### **Question 40**

- (a) Using the format of the table below, please outline the five most important outcomes achieved by your organisation's programs/activities between 27 November 2010 and 30 June 2011 (where your organisation has been the key player) including:
- (i) what was planned;
  - (ii) what was achieved;
  - (iii) quantitative or qualitative data to demonstrate this achievement;
  - (iv) any other Victorian public sector organisations or agencies from other jurisdictions that have worked across organisational boundaries to contribute to this outcome; and
  - (v) the relationship of these outcomes to any government strategies or goals.
- (b) Please also identify any significant program outcomes that were planned but not achieved between 27 November 2010 and 30 June 2011 and the underlying reasons.

The organisations Corporate Plan set out the short and medium term priorities for the organisation over a rolling three year period, and short term implementation is set out annually in the Corporation's Business Plan. The outcomes achieved are reported to Parliament each year in the relevant annual reports. VFMC aims for 2010-11 include achieving investment outperformance, conducting asset liability modelling reviews and confirming strategic asset allocations for mandated clients, delivering new investment risk management plans for mandated clients, and establishing a cash management trust to improve investment returns for clients.

## ***Adapting to the change of government***

### **Question 42**

- (a) Were any planned organisational priorities changed during 2010-11 as a result of the change of government in 2010? If so, please specify.

No

- (b) Were any corporate plans or similar documents modified in 2010-11 as a result of the change of government in 2010? If so, please specify.

No.

### **Question 43**

Please detail the impact on your agency of any machinery-of-government changes following the change of government in 2010, including:

- (a) how your agency adapted;
- (b) any disruptions to program or project delivery; and
- (c) any improvements to program or project delivery that have been enabled as a result of the change.

<b>Machinery-of-government change</b>	<b>Adaptations in response</b>	<b>Disruptions to program/project delivery</b>	<b>Improvements to program/project delivery</b>
Nil			

### **Question 44**

Please detail any new processes that were introduced into your agency following the change of government in 2010 for monitoring or managing expenditure on output or asset projects/programs:

Nil

### **Question 45**

For each program and project (delivering either outputs or assets) which was curtailed, deferred or discontinued in 2010-11 following the change of government in 2010, please provide the following details:

- (a) the name of the program/project;
- (b) whether it delivered outputs (i.e. goods and services) or assets;
- (c) the budgeted and actual expenditure in 2010-11; and
- (d) the reasons for which the program/project was curtailed, deferred or discontinued.

Program/project	Output or asset delivery	Budgeted 2010-11 expenditure	Actual 2010-11 expenditure	Reasons why it was curtailed, deferred or discontinued
		(\$ million)	(\$ million)	
Nil				

### Question 46

For each program and project (delivering either outputs or assets) which was introduced in 2010-11 following the change of government in 2010 which had not been planned prior to the change of government, please provide the following details:

- the name of the program/project;
- whether it delivered outputs (i.e. goods and services) or assets;
- the budgeted and actual expenditure in 2010-11; and
- the reasons for which the program/project was introduced.

Program/project	Output or asset delivery	Budgeted 2010-11 expenditure	Actual 2010-11 expenditure	Reasons why it was introduced
		(\$ million)	(\$ million)	
Nil				