Attachment E: 2018-19 budget submission and template – additional guidance

Contents

[1. Location information 2](#_Toc492466338)

[2. Costing guidance 2](#_Toc492466339)

[Staffing costs 3](#_Toc492466340)

[Standard costing model for VPS staff 3](#_Toc492466341)

[Notes to the Standard costing model for VPS staff 6](#_Toc492466342)

[Other policy and program specific costs 7](#_Toc492466343)

[Costing guiding principles 8](#_Toc492466344)

[3. Lapsing program evaluations 9](#_Toc492466345)

[4. Performance measures 9](#_Toc492466346)

[Performance measure examples 9](#_Toc492466347)

[5. Climate Change Impacts 10](#_Toc492466348)

* + 1. Location information

Location data is required for all asset and output submissions, including assets and outputs linked to multiple regions. This information will be used in BP4 (for assets), Budget Information Papers, interactive online maps and/or media releases (both asset and output).

Street addresses are preferable, but if street addresses are not known, the suburb(s) should be provided. **Please note:** the department or agency head office address cannot be used as the location of the initiative as this skews interactive maps.

Information on required fields is below. We also expect to provide further guidance on the SRIMS interface for these requirements ahead of Stage 2.

|  |  |  |
| --- | --- | --- |
|  | Dropdown options: | Description of options |
| Region  *(the physical location of the asset or service)* | * Metropolitan * Regional * Statewide | * Greater metropolitan area of Melbourne * Anywhere that is not Melbourne * A service or asset to benefit all or a large proportion of Victoria |
| Area of Service  *(the area(s) the asset or service will benefit)* | * Statewide * Metropolitan various * Regional various * Eastern metropolitan region * North and west metropolitan region * South metropolitan region * Barwon-South Western region * Gippsland region * Grampians region * Hume region * Loddon Mallee region | Deciding the area of service requires judgement on which area will benefit most from the asset or service.  In some cases, the area of service will be the same as the location provided in the ‘Region’ field.  The statewide category includes initiatives/projects that will benefit multiple areas. This could include a combination of metropolitan and regional, or may be located in one region by services a broader area (e.g. State Library of Victoria, while physically located in the metropolitan region its area of service is statewide). |

|  |  |
| --- | --- |
|  | Details / further information |
| LGA | An LGA is a municipal district, e.g. city, shire, etc. There are currently 79 Victorian LGAs and these can be identified via the Victorian Electoral Commission website – <https://www.vec.vic.gov.au/ElectoralBoundaries/LocalCouncilMaps.html> |
| Street name and street number | Street name and number that the asset and/or service will be located (department or agency head office address cannot be entered for this). |
| Street | Type of ‘street’, i.e. street, lane, road, avenue, crescent, etc. |
| Suburb | Name of a suburb(s) in Melbourne or a large rural town (as applicable) e.g. Lucas (Ballarat), Kangaroo Flat (Bendigo), Corio (Geelong).  Name of town e.g. Buninyong, Cohuna, Moe, Orbost. |
| Victorian Government region | In most cases, this will be the same as what has been selected in the ‘Area of Service’. |

* + 1. Costing guidance

The costing process provides the Government with assurance that the financial implications presented are:

* a true reflection of the estimated costs of undertaking the proposed activity; and
* represent an efficient and cost effective use of public resources.

The costing process also provides an opportunity for DTF and departments to work collaboratively to test and verify the underlying approaches. This includes approaches to risk and the assumptions underpinning costs associated with the implementation and delivery of initiatives.

Expectations regarding the level of costing information and evidence required for DTF to agree costs may vary depending on the size and complexity of the initiative. Given this, as soon as practical, DTF encourages departments to engage their DTF relationship managers to discuss requirements and expectations.

**Please note** this guidance will form part of DTF relationship manager’s assessment criteria for agreeing costings.

## Staffing costs

All **Victorian Public Service (VPS) staffing** costings should be calculated using the costs in the **Standard costing model for VPS staff** as outlined in the following tables. **VPS Aligned** classifications covered by the Victorian Public Service Enterprise Agreement 2016 should also be calculated using this methodology.

For **Non-VPS Aligned Adaptive Structures**, departments are requested, in consultation with DTF, to use the **mid salary point** for the respective classification and grade and apply the same methodology as per the standard costing model for VPS staff below (i.e. replace the VPS salary point with the desired classification).

The method for costing other non-standard staffing costs and staffing classifications covered by other enterprise agreements is to be agreed with DTF on a case-by-case basis.

Indexation is **not** to be applied to VPS staffing costs (including on-costs) for 2018-19 budget initiatives.

### Standard costing model for VPS staff

DTF has prepared a standard cost model that must be used for all 2018-19 budget submissions to the Expenditure Review Sub-Committee that include costings for VPS staff. The standard cost model covers both executive and non-executive officers and is based on the salary increases from the Victorian Public Service Enterprise Agreement 2016.

The salary points in the following tables should apply for the year in which the VPS staff commences.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | VPS staff commencing in 2017-18 | | | | | | | | |
|  | **VPS 1** | **VPS 2** | **VPS 3** | **VPS 4** | **VPS 5** | **VPS 6** | **STS** | **EO3** | **EO2** |
| 2017-18 salary point | $47,105 | $57,192 | $72,752 | $86,829 | $103,720 | $134,606 | $184,535 | $204,970 | $268,561 |
| Superannuation | $4,475 | $5,433 | $6,911 | $8,249 | $9,853 | $12,788 | $17,531 | - | - |
| Salary on-costs – rate | 10.64% | 10.64% | 10.64% | 10.64% | 10.48% | 10.20% | 9.93% | 8.41% | 8.41% |
| Salary on-costs – $ | $5,014 | $6,088 | $7,744 | $9,242 | $10,874 | $13,724 | $18,323 | $17,228 | $22,573 |
| Operating costs | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 |
| **Total standard cost** | **$70,341** | **$82,460** | **$101,154** | **$118,067** | **$138,194** | **$174,865** | **$234,135** | **$235,944** | **$304,880** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | VPS staff commencing in 2018-19 | | | | | | | | |
|  | **VPS 1** | **VPS 2** | **VPS 3** | **VPS 4** | **VPS 5** | **VPS 6** | **STS** | **EO3** | **EO2** |
| 2018-19 salary point | $48,649 | $59,066 | $75,135 | $89,674 | $107,118 | $139,016 | $190,581 | $210,094 | $275,275 |
| Superannuation | $4,622 | $5,611 | $7,138 | $8,519 | $10,176 | $13,207 | $18,105 | - | - |
| Salary on-costs – rate | 10.64% | 10.64% | 10.64% | 10.64% | 10.48% | 10.20% | 9.93% | 8.41% | 8.41% |
| Salary on-costs – $ | $5,178 | $6,287 | $7,997 | $9,545 | $11,230 | $14,174 | $18,923 | $17,659 | $23,137 |
| Operating costs | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 |
| **Total standard cost** | **$72,195** | **$84,711** | **$104,017** | **$121,485** | **$142,271** | **$180,144** | **$241,356** | **$241,499** | **$312,159** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | VPS staff commencing in 2019-20 | | | | | | | | |
|  | **VPS 1** | **VPS 2** | **VPS 3** | **VPS 4** | **VPS 5** | **VPS 6** | **STS** | **EO3** | **EO2** |
| 2019-20 salary point | $49,379 | $59,952 | $76,262 | $91,019 | $108,724 | $141,102 | $193,440 | $215,346 | $282,156 |
| Superannuation | $4,691 | $5,695 | $7,245 | $8,647 | $10,329 | $13,405 | $18,377 | - | - |
| Salary on-costs – rate | 10.64% | 10.64% | 10.64% | 10.64% | 10.48% | 10.20% | 9.93% | 8.41% | 8.41% |
| Salary on-costs – $ | $5,256 | $6,381 | $8,117 | $9,688 | $11,399 | $14,387 | $19,207 | $18,100 | $23,716 |
| Operating costs | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 |
| **Total standard cost** | **$73,072** | **$85,775** | **$105,371** | **$123,101** | **$144,199** | **$182,640** | **$244,770** | **$247,193** | **$319,619** |

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | VPS staff commencing in 2020-21\* | | | | | | | | |
|  | **VPS 1** | **VPS 2** | **VPS 3** | **VPS 4** | **VPS 5** | **VPS 6** | **STS** | **EO3** | **EO2** |
| 2020-21 salary point | $50,613 | $61,450 | $78,169 | $93,295 | $111,442 | $144,629 | $198,276 | $220,730 | $289,210 |
| Superannuation | $4,808 | $5,838 | $7,426 | $8,863 | $10,587 | $13,740 | $18,836 | - | - |
| Salary on-costs – rate | 10.64% | 10.64% | 10.64% | 10.64% | 10.48% | 10.20% | 9.93% | 8.41% | 8.41% |
| Salary on-costs – $ | $5,387 | $6,541 | $8,320 | $9,930 | $11,684 | $14,746 | $19,687 | $18,553 | $24,308 |
| Operating costs | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 |
| **Total standard cost** | **$74,556** | **$87,576** | **$107,662** | **$125,835** | **$147,460** | **$186,862** | **$250,546** | **$253,029** | **$327,266** |

\*2.5 per cent growth has been assumed for 2020-21 salaries, as an estimate of wage growth in this year.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | VPS staff commencing in 2021-22\* | | | | | | | | |
|  | **VPS 1** | **VPS 2** | **VPS 3** | **VPS 4** | **VPS 5** | **VPS 6** | **STS** | **EO3** | **EO2** |
| 2021-22 salary point | $51,625 | $62,679 | $79,732 | $95,161 | $113,671 | $147,522 | $202,241 | $226,248 | $296,441 |
| Superannuation | $5,163 | $6,268 | $7,973 | $9,516 | $11,367 | $14,752 | $20,224 | - | - |
| Salary on-costs – rate | 10.68% | 10.68% | 10.68% | 10.68% | 10.52% | 10.23% | 9.96% | 8.39% | 8.39% |
| Salary on-costs – $ | $5,511 | $6,691 | $8,511 | $10,158 | $11,953 | $15,087 | $20,143 | $18,993 | $24,885 |
| Operating costs | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 | $13,747 |
| **Total standard cost** | **$76,046** | **$89,385** | **$109,964** | **$128,582** | **$150,738** | **$191,108** | **$256,355** | **$258,988** | **$335,073** |

\*2.0 per cent growth has been assumed for 2021-22 VPS staff salaries, as an estimate of wage growth in this year. 0.5 per cent growth has been applied to superannuation to reflect the increase in Superannuation Guarantee contributions.

### Notes to the Standard costing model for VPS staff

The standard costing model is based on the following assumptions:

#### Salary

* VPS staff are employed at the mid salary point for their respective VPS grade.
* Executive officer total remuneration package (TRP) is based on the midpoint TRP for the relevant classification across the public service as at 1 July 2017 (as advised by the Victorian Public Sector Commission).

#### Superannuation

* Calculated at 9.50 per cent from 2017-18 to 2020-21. Calculated at 10 per cent in 2020-21 to reflect the legislated increase in Superannuation Guarantee contributions from 1 July 2021.
* Executive officer TRP is inclusive of superannuation.

#### Salary on-costs

* Salary on-costs are calculated as a percentage of the salary to be paid and are based on the following assumptions:
  + the average WorkCover premium rate is 1.272 per cent of rateable remuneration and is based on the average rate published in the WorkSafe Victoria Annual Report. The WorkCover premium rate is applied to wages, superannuation and leave loading.
  + the payroll tax rate is 4.85 per cent of taxable wages. Taxable wages includes wages, superannuation and leave loading.
  + recreation leave loading at the rate of 17.5 per cent of salary for four weeks annual leave, capped at the VPS 4 level; and
  + long service leave provision has been calculated at the rate of 2.5 per cent.
* The salary on-costs may be adjusted where an initiative requires employment of a specialist workforce where the average on-costs for this workforce vary materially to the on-cost rates above. For example, the on-costs could be amended where the WorkCover premium rate paid in relation to this workforce significantly exceeds the average rate, or where the nature of the workforce requires significant use of penalty rates.

#### Operating costs

* Operating costs include an estimated average allowance for stationery, telephones, printing, training etc. and includes the metropolitan CenITex charge for the provision of a single PC.
* The operating costs do not include any of the following costs as additional expenditure should not be incurred for the majority of positions:
  + Accommodation (e.g. rental and fit-out);
  + Employee establishment costs (e.g. purchase of additional IT equipment, furniture); or
  + Motor vehicle.

If the budget proposal needs to include costings for any of the above costs, the submission should clearly justify the inclusion and provide a detailed estimate of these costs, including the basis of this estimate.

#### Staff categories

The business case template requires that Departments distinguish between staff related to budget proposals. These are:

* Front line – client-facing roles (e.g. paramedics & juvenile justice workers);
* Back office – non-client facing roles; and
* Contractor – individual or organisation (other than a consultant) who is engaged to undertake work that would or could be regarded as normally undertaken by an employee.

## Other policy and program specific costs

The methodology for the costing of other policy and program specific costs will vary on a **case-by-case basis**, however, as a general rule departments should aim to provide sufficient justification that demonstrates **what** is being purchased, **why** it is required, and **how** the costs have been derived.

DTF requests that departments:

* consider the **Costing guiding principles** in the following table when calculating any non-staffing policy and program specific costs
* engage with DTF early in the costing process to discuss the preferred costing methodology/approach.

### Costing guiding principles

|  |  |  |
| --- | --- | --- |
| Components/activity | Cost drivers/methodology | Assumptions/supporting information |
| * Cost should be categorised by the departmental output to which expenses contribute. * Distinct activities and components of costings should be **disaggregated, categorised** and **logically** **presented**. For example, this could include, but is not limited to, **separating**:   + **output** from **asset** costs;   + **staffing costs** from **other non-staffing policy and program specific costs**;   + distinct **items** to be purchased, **activities** and **functions** to be performed;   + **business areas** of the department, **teams structure**, and **roles**.   + **VPS** **staff, VPS Aligned, Non-VPS Aligned Adaptive Structures** (covered by the Victorian Public Service Enterprise Agreement 2016) **and other staffing classification** captured by other enterprise agreements;   + services and activities performed **by the department**;   + services purchased **from** or **via a third party**;   + services or funding administered on behalf of a third party.   + **Reprioritised** internal funding, **user charges** and **other revenue**. | * Costings should be presented in **MS Excel** with all **calculations and formulas accessible**. * **Unit price** and **quantity** clearly visible and justified. * Costing methodologies and cost drivers could include, but are not limited to:   + **Variable costs/demand driven** models; this may include funding requests that have components which are highly dependent on population / cohort growth.   + **Unit and fixed price elements**; where price of a good or a service is not subject to change and costs are largely driven by price and quantity.   + **Project** and **milestone driven models**;where costs are dictated by agreed milestones or staged implementation.   + **Capped, price floors or step costs**; this could include expenses that are constant for a given level of activity, but increase, decrease or plateau once a threshold is crossed. * Staffing costs are to be derived using standard costing methodologies such as the **standard costing model for VPS staff** (above) **other models/methodologies** are to be **agreed with DTF** prior to use. * **Financial implications** should be presented across the **forward estimates period** and should include **ongoing costs** – if necessary. | * **Outcome achievement**, the costing and associated supporting information should demonstrate the contribution towards achievement of, and should align with, the initiatives’ proposed objectives. * **Robust data and evidence based:** costing should be supported by appropriate evidence and assumptions. This could include but is not limited to:   + reference to **source data, rates used** and why they have been chosen**;**   + if costs are **based on historical activity** or experience, supporting information should detail assumptions and why a similar methodology is still applicable. * **Marginal costs only**: supporting information should demonstrate that the requested funding represents the marginal costs of the activity only (i.e. incorporates existing funding and efficiencies provided from established departmental structures and processes). * **In the absence of robust data and standardised methodologies:** assumptions used to calculate costs should be canvassed, sufficiently justified and agreed with DTF**.** * **Demand bids:** these should outline the key drivers of the expected growth in a service or program and should be supported by:   + evidence / data of current utilisation; and   + assumption underlying anticipated growth. |

* + 1. Lapsing program evaluations

**Departments should refer to section 6.1 and Attachment 9 of the Performance Management Framework for guidance on the standards for evaluating lapsing programs.**

These documents are available on the DTF website at the following address:

<http://www.dtf.vic.gov.au/Publications/Government-Financial-Management-publications/Planning-Budgeting-and-Financial-Reporting-Frameworks-publications>

For all lapsing programs seeking further funding, evaluations must be undertaken in a manner consistent with the principles laid out under **section 6.1 of the Performance Management Framework**.

Evaluations should be rigorous but cost-effective. The potential costs and benefits of evaluation approaches and designs, including the decision to use an internal or external evaluator, should be considered, with cost, time, resources and skill availability all key concerns. In addition, the evaluation approach should reflect the size of the program, along with its scope, complexity, importance and the risks associated with the program.

For programs with total program funding over $5 million, the scope and terms of reference for evaluations must be endorsed by DTF and DPC prior to the commencement of the evaluation. Departments must consult with their respective relationship managers at DTF and DPC regarding the scope and terms of reference for evaluations. For programs with total program funding less than $5 million, evaluations are expected to clearly answer questions and meet the minimum standards set out in **Attachment 9** of the Performance Management Framework.

* + 1. Performance measures

**When developing new, or amending existing performance measures, departments should refer to section 3 and Attachments 4, 5 and 6 of the PMF.**

High quality output performance measures:

* assist government to make informed resource allocation decisions;
* allow departments to develop and assess standards of service delivery in line with government expectations;
* increase transparency and accountability for the spending of public resources; drive continuous improvement through analysis of historical performance and negotiation of agreed targets / measures from year to year; and should aim to directly demonstrate the impact of investment.

## Performance measure examples

In this example, funding is sought to increase the number of XXX supported from 5 200 (the 2017-18 no-policy change target) to 6 000. This increase is proposed to be phased-in over three years. The target for the quantity measure, *Number of XXX supported,* will increase by 200 in 2018‑19, 500 in 2019-20, then by the full 800 increase for 2020-21 and later years reaching the 6000 target.

One of the aims of this initiative is to increase participant satisfaction with the services provided. The target for the quality measure, *Participant satisfaction,* will gradually increase from 80 per cent (the 2017-18 no-policy change target) to 85 per cent by 2020-21.

The target for the timeliness measure of 99 per cent, *Proportion of applications* *processed within 3 months,* will not change due to this initiative. However, as the initiative contributes to this measure, the table should include the measure.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Performance measures  as per BP3 |  | | Baseline | Change in target if proposal is endorsed | | | |
| Existing / New / not in BP3 | Unit of measure | 2017-18 published target | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| **Output: [Insert output name]** | | | | | | | | |
| Number of XXX supported | Existing | Number | 5200 | +200 | +500 | +800 | +800 |
| Participant satisfaction | Existing | Per cent | 80 | +1 | +3 | +5 | +5 |
| Proportion of applications processed within 3 months | Existing | Per cent | 99 | 0 | 0 | 0 | 0 |

* + 1. Climate Change Impacts

The Victorian Government passed the *Climate Change Act 2017* in February 2017 with it commencing from 1 November 2017. Section 20 of the Act contains an obligation that any decision, policy, program or process made, developed or implemented by Government takes account of climate change, where relevant, by having regard to the policy objectives and the guiding principles of the Act.

We expect more comprehensive guidance in future years following the release of the Climate Change policy.